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OFFERING MEMORANDUM

Heidelberger Druckmaschinen Aktiengesellschaft

(a stock corporation incorporated under the laws of Germany)

EUR 51,000,000

9.25% Senior Notes due 2018

Heidelberger Druckmaschinen Aktiengesellschaft (the "**Issuer**" or the "**Company**", and together with its consolidated subsidiaries, "**Heidelberg**" or the "**Heidelberg Group**") is offering EUR 51,000,000 aggregate principal amount of 9.25% senior notes due 2018 (the "**Additional Senior Notes**").

The Additional Senior Notes are being offered as additional notes pursuant to conditions of issue dated April 7, 2011 (the "**Conditions of Issue**"), pursuant to which the Issuer issued EUR 304,000,000 of its 9.25% senior notes due 2018 (the "**Original Notes**" and, together with the Additional Senior Notes, the "**Notes**").

The Additional Senior Notes and the Original Notes will be treated as one single class for all purposes under the Conditions of Issue, including without limitation, waivers, amendments, redemptions and offers to purchase.

The Additional Senior Notes sold pursuant to Regulation S will have different international securities identification numbers and common codes than, and will not trade fungibly with, the Original Notes during the period prior to and including the 40th day following the date upon which the Additional Senior Notes will be issued. After the 40th day following the date of delivery of the Additional Senior Notes, certain selling restrictions with respect to the Additional Senior Notes sold pursuant to Regulation S will terminate and the Additional Senior Notes will become fully fungible with, and have the same international securities identification numbers and common codes as, the Original Notes. Please see "*Subscription and Sale of the Additional Senior Notes*"

The Issuer will pay interest on the Notes semi-annually in arrears on each April 15 and on each October 15 of each year commencing on April 15, 2014. Prior to April 15, 2014, the Issuer will be entitled, at its option, to redeem all or a portion of the Notes by paying a "make-whole" premium. At any time on or after April 15, 2014, the Issuer may redeem all or part of the Notes by paying a specified premium to you. If the Issuer undergoes certain types of change of control or sells certain of its assets, the Issuer may be required to make an offer to purchase the Notes. In the event of certain developments affecting taxation, the Issuer may redeem the Notes in whole, but not in part.

The obligations under the Notes will constitute senior obligations of the Issuer ranking *pari passu* in right of payment with all other existing and future senior obligations of the Issuer (unless such obligations are accorded priority under mandatory provisions of statutory law) and will be effectively subordinated to any of the Issuer's existing and future indebtedness that is secured to the extent of the value of the assets securing such indebtedness. The Notes will have the benefit of unconditional and irrevocable guarantees (the "**Subsidiary Guarantees**") from certain of the Issuer's subsidiaries that are also guaranteeing the Company's Revolving Credit Facility (as defined below) (the guarantors jointly referred to as the "**Subsidiary Guarantors**").

This offering memorandum (the "**Offering Memorandum**") includes information on the terms of the Additional Senior Notes, including redemption and repurchase prices, covenants and transfer restrictions.

The Original Notes are listed on the official list of the Luxembourg Stock Exchange and have been admitted to trading on the Luxembourg Stock Exchange's Euro MTF market ("**Euro MTF**"). Application has been made for admission of the Additional Senior Notes to the official list of the Luxembourg Stock Exchange and for trading on the Euro MTF.

Investing in the Additional Senior Notes involves a high degree of risk.
See "*Risk Factors*" beginning on page 20.

Price: 105.75%

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The Additional Senior Notes will be represented by global notes deposited with Clearstream Banking AG, Frankfurt am Main, Germany, ("**Clearstream Banking**"). Definitive notes representing individual Additional Senior Notes will not be issued. Transfer of the Additional Senior Notes will be subject to the rules of Clearstream Banking and the terms of a book-entry registration agreement ("**Book-Entry Registration Agreement**") among Clearstream Banking and the Issuer with respect to the Additional Senior Notes. The Additional Senior Notes, which are governed by German law, will be issued in denominations of EUR 1,000 and will be transferable only in minimum aggregate principal amounts of EUR 50,000 and integral multiples of EUR 1,000 in excess thereof. The Additional Senior Notes will be ready for delivery, in book-entry form only, on or about December 17, 2013.

Neither the Additional Senior Notes nor the Subsidiary Guarantees have been or will be registered under the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**") or any state securities laws. Accordingly, the Additional Senior Notes and the Subsidiary Guarantees are being offered and sold only to qualified institutional buyers ("**QIBs**") in reliance on Rule 144A under the U.S. Securities Act ("**Rule 144A**") and to persons outside the United States in reliance on Regulation S under the U.S. Securities Act ("**Regulation S**"). Prospective purchasers are hereby notified that the seller of the Additional Senior Notes and the Subsidiary Guarantees may be relying on the exemption from the registration requirements under the U.S. Securities Act provided by Rule 144A. See "*Notice to Investors*" and "*Subscription and Sale of the Additonal Senior Notes—Selling and Transfer Restrictions*" for additional information about eligible offerees and transfer restrictions.

Joint Bookrunners and Joint Lead Managers

Deutsche Bank **BNP PARIBAS** **Commerzbank** **Landesbank Baden-Württemberg**

Co-Managers

DZ BANK AG **HSBC**

The date of this Offering Memorandum is December 10, 2013.

NOTICE TO INVESTORS

You should rely only on the information contained in this Offering Memorandum or in a document to which Heidelberg has referred you. Neither the Issuer nor any of the Managers as listed in the section "*Subscription and Sale of the Additional Senior Notes*" have authorized anyone to provide you with different information. Neither the Issuer nor the Managers are making an offer of the Additional Senior Notes in any jurisdiction where such offer is not permitted. You should not assume that the information contained in this Offering Memorandum is accurate as of any date other than the date on the front of this Offering Memorandum.

IN CONNECTION WITH THIS OFFERING, DEUTSCHE BANK AG, LONDON BRANCH (OR PERSONS ACTING ON BEHALF OF DEUTSCHE BANK AG, LONDON BRANCH) MAY OVERALLOT ADDITIONAL SENIOR NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE ADDITIONAL SENIOR NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT DEUTSCHE BANK AG, LONDON BRANCH (OR PERSONS ACTING ON BEHALF OF DEUTSCHE BANK AG, LONDON BRANCH) WILL UNDERTAKE ANY STABILIZATION ACTION. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFERING IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE ADDITIONAL SENIOR NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE ADDITIONAL SENIOR NOTES.

The Issuer has prepared this Offering Memorandum solely for use in connection with the proposed offering of the Additional Senior Notes and it may only be used for this purpose. This Offering Memorandum does not constitute an offer to the public generally to subscribe for or otherwise acquire the Additional Senior Notes.

This Offering Memorandum has been prepared on the basis that any offer of Additional Senior Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**") will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of Additional Senior Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of Additional Senior Notes which are the subject of the offering contemplated in this Offering Memorandum may only do so in circumstances in which no obligation arises for the Issuer or any of the Managers to publish a prospectus pursuant to Article 3 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor the Managers have authorized, nor do they authorize, the making of any offer of Additional Senior Notes in circumstances in which an obligation arises for the Issuer or the Managers to publish a prospectus for such offer. The expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.

The Managers make no representation or warranty, express or implied, as to the accuracy or completeness of the information set forth in this Offering Memorandum. Nothing contained in this Offering Memorandum is or should be relied upon as a promise or representation by the Managers as to the past or the future. You agree to the foregoing by accepting delivery of this Offering Memorandum.

Except as provided below, the Issuer accepts responsibility for the information contained in this Offering Memorandum. To the best of its knowledge and belief, the information contained in this Offering Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information. The information contained under the heading "*—Exchange Rate Information*" includes extracts from information and data publicly released by official and other sources. While the Issuer accepts responsibility for accurately summarizing the information concerning exchange rate information, it accepts no further responsibility in respect of such information. The information set out in relation to sections of this Offering Memorandum describing clearing and settlement arrangements, including the section entitled "*Book-Entry Delivery and Form*" is subject to change in, or reinterpretation of, the rules, regulations and procedures of Clearstream Banking, as currently in effect. While the Issuer accepts responsibility for accurately summarizing the information concerning Clearstream Banking, it accepts no further responsibility in respect of such information.

You are responsible for making your own examination of the Issuer, the Subsidiary Guarantors and their business and your own assessment of the merits and risks of investing in the Additional Senior Notes. You may contact the Issuer if you need any additional information. By purchasing the Additional Senior Notes and/or receiving this Offering Memorandum, you will be deemed to have acknowledged that (i) you have reviewed this Offering Memorandum, (ii) you have had an opportunity to request from the Issuer any additional information that you need for your review, (iii) you have received all additional information you deem necessary to verify the accuracy and completeness of the information contained in this Offering Memorandum and (iv) neither the Issuer nor the Subsidiary

Guarantors nor any of the Managers or the Holders' Representative (i.e., Deutsche Bank Aktiengesellschaft) nor any of their respective representatives are responsible for, and are not making any representation to you concerning, Heidelberg's future performance. You will also be deemed to have acknowledged that you have not relied on the Managers in connection with your investigation of the accuracy or completeness of this information or your decision to invest in the Additional Senior Notes.

Neither the Issuer, the Subsidiary Guarantors nor any of the Managers or the Holders' Representative nor any of their respective representatives are making any representation to you regarding the legality of an investment in the Additional Senior Notes, and you should not construe anything in this Offering Memorandum as legal, business or tax advice. You should consult your own advisors as to the legal, tax, business, financial and related aspects of an investment in the Additional Senior Notes. You must comply with all laws applicable in any jurisdiction in which you buy, offer or sell the Additional Senior Notes or possess or distribute this Offering Memorandum, and you must obtain all applicable consents and approvals. Neither the Issuer, the Subsidiary Guarantors, the Managers or the Holders' Representative shall have any responsibility for any of the foregoing legal requirements.

It is expected that delivery of the Notes will be made against payment therefor on or about the date of the settlement of this offering, which will be the fifth business day following the date of pricing of the Additional Senior Notes (such settlement being referred to as "T+5"). You should note that trading of the Additional Senior Notes on the date of pricing or the succeeding business days may be affected by the T+5 settlement. See "*Subscription and Sale of the Notes*".

The Additional Senior Notes are subject to certain restrictions on offers, sales and transfers, which are described under the sections below titled "*Notice to Investors in the European Economic Area*", "*Notice to Investors in the United States of America*", "*Notice to New Hampshire Residents*" and "*Notice to Investors in the United Kingdom*". By possessing this Offering Memorandum or purchasing any Additional Senior Notes, you will be deemed to have represented and agreed to all of the provisions contained in those sections of this Offering Memorandum.

You may be required to bear the financial risks of this investment for an indefinite period of time.

Neither the U.S. Securities and Exchange Commission nor any state or other securities regulator has approved or disapproved of the Additional Senior Notes or determined that this Offering Memorandum is accurate or complete. Any representation to the contrary is a criminal offense in the United States.

You may not use any information herein for any purpose other than considering an investment in the Additional Senior Notes.

The Issuer reserves the right to withdraw this offering of the Notes at any time. The Issuer and the Managers reserve the right to reject any offer to purchase the Notes in whole or in part for any reason or for no reason and to allot to any prospective purchaser less than the full amount of the Additional Senior Notes sought by such purchaser.

NOTICE TO INVESTORS IN THE EUROPEAN ECONOMIC AREA

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Manager has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Additional Senior Notes which are the subject of the offering contemplated by this Offering Memorandum to the public in that Relevant Member State other than:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant Manager or Managers nominated by the Issuer for any such offer;

(c) in an offer of Additional Senior Notes addressed to investors who acquire Additional Senior Notes for a total consideration of at least EUR 100,000 per investor; or

(d) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Additional Senior Notes shall require the Issuer or any Manager to publish a Offering Memorandum pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an offer of Additional Senior Notes to the public in relation to any Additional Senior Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Additional Senior Notes to be offered so as to enable an investor to decide to purchase or subscribe the Additional Senior Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State.

NOTICE TO INVESTORS IN THE UNITED STATES OF AMERICA

The Additional Senior Notes and the Subsidiary Guarantees have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction in the United States and may not be offered or sold in the United States, except to QIBs as defined in Rule 144A, in reliance on the exemption from the registration requirements of the U.S. Securities Act provided by Rule 144A. The Additional Senior Notes may be offered and sold outside the United States to non-U.S. persons in offshore transactions in reliance on Regulation S. Prospective investors are hereby notified that sellers of the Additional Senior Notes may be relying on the exemption from the registration requirements of Section 5 of the U.S. Securities Act provided by Rule 144A. For a description of certain restrictions on transfers of the Additional Senior Notes, please see "*Subscription and Sale of the Additional Senior Notes—Selling and Transfer Restrictions*."

None of the U.S. Securities and Exchange Commission, any U.S. state securities commission or any non-U.S. securities authority has approved or disapproved of these securities or determined that this Offering Memorandum is accurate or complete. Any representation to the contrary is a criminal offence.

NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ("**RSA 421-B**") WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSONS, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE OR CAUSE TO BE MADE TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT, ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

NOTICE TO INVESTORS IN THE UNITED KINGDOM

This Offering Memorandum is for distribution only to, and is only directed at, persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended, (the "Financial Promotion Order"), (ii) are persons falling within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the Financial Promotion Order, or (iii) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any Additional Senior Notes may otherwise lawfully be communicated (all such persons under (i) through (iii) together being referred to as "Relevant Persons"). This Offering Memorandum is directed only at Relevant Persons and must not be acted on or relied on by persons who are not Relevant Persons. Any investment or investment activity to which this document relates is available only to Relevant Persons and will be engaged in only with Relevant Persons. Any person who is not a Relevant Person should not act or rely on this Offering Memorandum or any of its contents.

NOTICE TO INVESTORS IN THE REPUBLIC OF AUSTRIA

The Additional Senior Notes may be offered and sold in the Republic of Austria only in accordance with the provisions of Capital Markets Act (*Kapitalmarktgesetz*), the Banking Act (*Bankwesengesetz*), the Securities Supervision Act 2007 (*Wertpapieraufsichtsgesetz 2007*) of Austria and any other applicable Austrian law governing the offer and sale of the Additional Senior Notes in the Republic of Austria. The Additional Senior Notes have not been admitted for a public offer in Austria either under the provisions of the Capital Markets Act (*Kapitalmarktgesetz*), or the Investment Funds Act 2011 (*Investmentfondsgesetz 2011*) or the Stock Exchange Act (*Börsegesetz*). Neither this document nor any other document in connection with the Additional Senior Notes is a prospectus according to the Capital Markets Act (*Kapitalmarktgesetz*), the Stock Exchange Act (*Börsegesetz*) or the Investment Funds Act 2011 (*Investmentfondsgesetz 2011*) and has therefore not been drawn up, audited, approved, pass-ported and/or published in accordance with the aforesaid acts. The recipients of this Offering Memorandum and other selling material with respect to the Additional Senior Notes have been individually selected and identified before the offer being made and are targeted exclusively on the basis of a private placement. Consequently, the Additional Senior Notes may not be, and are not being, offered, (re-)sold or otherwise transferred directly or indirectly by way of a public offering in the Republic of Austria. No offer will be made to any persons other than the recipients to whom this Offering Memorandum is personally addressed. No steps may be taken that would constitute a public offer of the Additional Senior Notes in Austria and the offer of the Additional Senior Notes may not be advertised publicly in the Republic of Austria. This Offering Memorandum is distributed under the condition that the foregoing obligations are accepted by the recipient and that the recipient undertakes to comply with the above selling and transfer restrictions.

CERTAIN DEFINITIONS AND PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Definitions

As used in this Offering Memorandum (except for the section "**Description of the Notes**"):

"**$**", "**U.S. dollar**", "**USD**" or "**U.S.$**" means the lawful currency of the United States of America;

"**2010 PD Amending Directive**" means Directive 2010/73/EU;

"**Conditions of Issue**" means the principal terms and conditions of the Notes as described under "Description of the Notes";

"**EBIT**" means earnings before interest and taxes;

"**EBIT margin**" means the ratio of EBIT to sales revenue;

"**EBITDA**" means EBIT plus all depreciation, amortization and write-downs charged on intangible assets and property, plant, and equipment;

"**EU**" means the European Union;

"**EU Insolvency Regulation**" means Council Regulation (EC) No. 1346/2000 on insolvency proceedings;

"**Euro MTF**" means the Euro MTF market of the Luxembourg Stock Exchange;

"**euro**", "**EUR**" or "**€**" means the single currency of the participating member states in the "Third Stage of the European Economic and Monetary Union of the Treaty Establishing the European Community", as amended from time to time;

"**Financial year 2012/2013**", "**financial year 2011/2012**" and "**financial year 2010/2011**" means, in each case, Heidelberg's financial years ended March 31, 2013, 2012 and 2011, respectively;

"**Free cash flow**" is comprised of, for purposes of the cash flow statement, cash used in / generated by operating activities and cash used in investing activities;

"**Heidelberg**" or the "**Heidelberg Group**" means the Company together with its consolidated subsidiaries;

"**Holders' Representative**" means, initially, Deutsche Bank Aktiengesellschaft in its capacity as representative of the Holders;

"**IFRS**" means the International Financial Reporting Standards issued by the International Accounting Standards Board as adopted by the European Union;

"**Issuer**" and the "**Company**" means Heidelberger Druckmaschinen Aktiengesellschaft, Heidelberg, Germany, the issuer of the Notes;

"**Member State**" means a member state of the European Economic Area;

"**Net current assets (net working capital)**" means the total of inventories and receivables less liabilities as well as prepayments received.

"**Normalized EBIT**" means EBIT adjusted by eliminating special items;

"**Normalized EBITDA**" means EBITDA adjusted by eliminating special items;

"**Prospectus Directive**" means Directive 2003/71/EC and includes any relevant implementing measure in the Relevant Member State;

"**PwC**" means PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Mannheim, Germany, independent auditors of the Company;

“**R&D**” means research and development;

“**Result of operating activities**” means the result of operating activities (including special items) that represents consolidated earnings for the year (profit or loss) according to IFRS before taxes on income and earnings and net financial income.

“**Special items**” means income and expenses associated with the Heidelberg 2010 program (“Heidelberg 2010 Program”), the Focus 2012 efficiency program (“Focus 2012”) and other efficiency enhancement measures (including the “Stabilize-Focus-Transform (SFT)” program), in particular expenses for personnel adjustments and consulting services.

“**UK**” means the United Kingdom; and

“**United States**”, “**US**” or “**U.S.**” refer to the United States of America.

Presentation of Financial Information

The consolidated financial statements of the Company for the financial years ended March 31, 2013 and 2012 as well as the consolidated interim financial statements for the six months ended September 30, 2013 were prepared by the Company in accordance with International Financial Reporting Standards, as adopted by the European Union (“**IFRS**”). Such financial statements are included in the financial section of this Offering Memorandum.

Unless stated otherwise, the financial data in this Offering Memorandum are based on the consolidated annual financial statements as well as the consolidated interim financial statements of the Company. The consolidated financial statements of the Company for the financial years ended March 31, 2012 (including comparative figures for the financial year ended March 31, 2011) and 2013 were audited by the independent auditors of the Company (for more information in connection with the independent auditors, see “*Independent Auditors*”). The consolidated interim financial statements of the Company for the six month period ended September 30, 2013 (including comparative figures for the six months period ended September 30, 2012) are unaudited. Any financial data referred to in this Offering Memorandum as “unaudited” has not been audited or reviewed (*prüferische Durchsicht*) within the meaning of item 20.6 of Annex I of the European Commission Regulation (EC) No 809/2004.

This Offering Memorandum contains certain financial measures that are not defined under IFRS (e.g., total operating performance, special items, EBIT, Normalized EBIT, Normalized EBITDA, cash flow and free cash flow). With the exception of Normalized EBITDA and Normalized EBIT, these financial measures are included in the Company’s consolidated financial statements. The definitions of the financial measures as used by Heidelberg are included in this Offering Memorandum. In this context it should be taken into consideration that not all companies calculate such non-IFRS measures in the same manner and thus the financial measures presented by Heidelberg might not necessarily be comparable with similarly titled measures used by other companies.

Management presents the non-IFRS financial measures, that are not included in the Company’s consolidated financial statements (e.g., Normalized EBITDA and Normalized EBIT) and has frequently published such measures in reports because the management of Heidelberg expects that such measures are of interest to investors for the purpose of evaluating the operating performance. These financial measures should not be considered as an alternative to, or in isolation from, financial measures such as consolidated net profit/loss, inflow/outflow of funds from operating activities or other IFRS financial measures.

In the Heidelberg Group, segments are defined by the services performed by the divisions. The segments are based on internal organization and reporting in line with the management approach. The Heidelberg Group is divided into the following three business segments: Heidelberg Equipment, Heidelberg Services and Heidelberg Financial Services. Heidelberg Equipment mostly is comprised of the new equipment business. Heidelberg Services encompasses mainly transactions dealing with services, consumables, platesetters and remarketed equipment. The Heidelberg Financial Services segment provides sales financing activities. Within the segments, the Heidelberg Group is divided into business areas (“**BAs**”). This structure allows Heidelberg to implement individual BA strategies while maintaining the operative synergies of functions at the segment and company level. In the fourth quarter of financial year 2012/2013, the Heidelberg Group adjusted the allocation of certain segments to adapt Heidelberg’s organization to the changing market environment. For example, the Gallus BA—together with flexo printing machinery—the associated consumables, spare parts and technical services, and the software solutions for the Prinect printing workflow have been shown in the Heidelberg Equipment segment. Figures for the financial year 2011/2012 were restated accordingly. For additional information on the business segments’ business activities as well as their products and services, please see “*Business—The Segments and their Products and Services”*. For reporting purposes, Heidelberg also distinguishes between the five regions in which it operates: Europe, Middle East and Africa, Eastern Europe, North America, South America and Asia / Pacific. Transfer prices for internal Heidelberg Group sales are determined using a market-driven approach, based on the principle of dealing at arm’s length.

The auditor's reports of PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft for the consolidated financial statements of Heidelberger Druckmaschinen AG, as of March 31, 2012 and 2013 and for the years then ended refer to group management reports. The examinations of and the audit reports upon such group management reports are required under German auditing standards. Those examinations were not made in accordance with generally accepted auditing or attestation standards in the United States. Accordingly, PwC does not express any opinion on this information or on the consolidated financial statements included in this offering circular, in each case in accordance with U.S. generally accepted auditing standards or U.S. attestation standards. Furthermore, the list of shareholdings, which is a compulsory component of the notes to the consolidated finaicial statements according to Section 315a(1) in connection with Section 313(2) of the German Commercial Code (*Handelsgesetzbuch*) has been omitted from the consolidated financial statements as of March 31, 2012, as included in this Offering Memorandum.

Currency and Financial Data

The amounts in this Offering Memorandum in "euro", "EUR" or "€" refer to the legal currency of the Federal Republic of Germany as of January 1, 1999. Figures quoted in another currency are expressly noted by indication of the appropriate currency or the respective currency symbol in accordance with ISO-Code (ISO 4217).

The table below contains the exchange rates as of the reporting date and the average exchange rates for the year against the euro for the periods and currencies listed:

	For the financial year ended March 31,						For the six months ended September 30,			
	2011		2012		2013		2012		2013	
	Average	End	Average	End	Average	End	Average	End	Average	End
U.S. Dollar (USD)	1.3232	1.4158	1.3781	1.3344	1.2879	1.2820	1.2672	1.2859	1.3159	1.3527
Japanese Yen (JPN)	113.20	117.68	108.90	110.55	107.03	120.74	100.57	100.20	130.03	132.88
Chinese Yuan Renminbi (CNY)	8.8761	9.2699	8.8181	8.3991	8.0981	7.9624	8.0033	8.0827	8.0799	8.2781
Swiss Franc (CHF)	1.3382	1.3016	1.2132	1.2042	1.2102	1.2169	1.2025	1.2086	1.2326	1.2239
British Pound (GBP)	0.8500	0.8833	0.8630	0.8333	0.8151	0.8430	0.8013	0.7955	0.8526	0.8357

Source: Bloomberg.

Exchange Rate Information

The following table sets forth, for the periods set forth below, the high, low, average and period end Bloomberg Composite Rate expressed as U.S. dollars per EUR 1.00. The Bloomberg Composite Rate is a "best market" calculation, in which, at any point in time, the bid rate is equal to the highest bid rate of all contributing bank indications and the ask rate is set to the lowest ask rate offered by these banks. The Bloomberg Composite Rate is a mid-value rate between the applied highest bid rate and the lowest ask rate. The rates may differ from the actual rates used in the preparation of the consolidated financial statements and other financial information appearing in this Offering Memorandum. Neither Heidelberg nor the Initial Purchasers represent that the U.S. dollar amounts referred to below could be or could have been converted into euro at any particular rate indicated or any other rate.

The average rate for a year means the average of the Bloomberg Composite Rates on the last day of each month during a year. The average rate for a month, or for any shorter period, means the average of the daily Bloomberg Composite Rates during that month, or shorter period, as the case may be.

	U.S. Dollars per EUR 1.00			
Period	**High**	**Low**	**Average**	**Period End**
2007	1.4873	1.2892	1.3796	1.4591
2008	1.5992	1.2454	1.4710	1.3973
2009	1.5134	1.2531	1.3953	1.4326
2010	1.4513	1.1923	1.3210	1.3387
2011	1.4830	1.2907	1.3982	1.2959
2012	1.3458	1.2061	1.2909	1.3192
2013	1.3804	1.2780	1.3259	1.3591

	U.S. Dollars per EUR 1.00			
Period	**High**	**Low**	**Average**	**Period End**
January 1, 2013 - March 31, 2013	1.3641	1.2780	1.3200	1.2820
April 2013	1.3177	1.2820	1.3025	1.3168
May 2013	1.3180	1.2839	1.2978	1.2998
June 2013	1.3392	1.3010	1.3288	1.3010
July 2013	1.3302	1.2782	1.3096	1.3302
August 2013	1.3417	1.3207	1.3319	1.3222

September 2013	1.3530	1.3120	1.3362	1.3527
October 2013	1.3804	1.3520	1.3639	1.3583
November 2013	1.3606	1.3367	1.3497	1.3591

The Bloomberg Composite Rate of the euro at 12.00 p.m. New York time on December 9, 2013 was $1.3725 per EUR 1.00.

INDUSTRY AND MARKET DATA

This Offering Memorandum contains and refers to numerical data, market data, commercial publications and publicly available information or estimates of the Company. Only limited public sources are available for data regarding market conditions, market developments, growth rates, market trends and the competitive environment in the markets and segments in which the Company operates. Therefore, such market data contained in this Offerig Memorandum is based on own estimates of the Company. These estimates are generally based on a market study (which is not publicly available) that was commissioned by the Company in November 2011 and which since then has been updated by the Company based on data or figures derived from publicly available sources as well as from its own market data and observations.

Apart from this, in the course of the preparation of this Offering Memorandum the following publicly available source was drawn upon: Global Insight, Graphic Arts Intelligence Network, industry statistics, Infosource, IT-Strategies, PIRA (Printing Industry Research Association), PRIMIR (Print Industries Market Information and Research Organization), RISI (Resource Information Systems Inc.), Vantage Strategic Marketing and Zenithmedia.

The Company believes that the estimates included herein, which are not based on publicly available sources, have been prepared with reasonable care and reflect the underlying information in a non-biased way. The information derived from internal estimates of the Company can differ from the estimates of Heidelberg's competitors or from future surveys conducted by market research institutes or other independent sources. The information contained in this Offering Memorandum obtained from publicly available sources or otherwise taken from third parties has been accurately reproduced, indicating its source. However, investors should consider that market studies are often based on information and assumptions that may not be exact or appropriate and are, by nature, forward-looking and speculative. In addition, publicly available or commercial sources often contain diverging information. Information published by third parties as well as the external sources on which the estimates of the Company are based have not been verified by the Company.

Therefore, the Company cannot assume any responsibility for the accuracy of the data and the accuracy of the information on which its estimates are based.

In addition, certain information in this Offering Memorandum is not based on published data obtained from independent third parties or extrapolations thereof, but information and statements reflecting the Company's best estimates based upon information obtained by it from trade and business organizations and associations, independent third party reports that are not publicly available, consultants and other contacts within the industries in which the Company competes, as well as information published by the Company's competitors and which the Company believes is reliable and the Company's own market data and observations. In particular, (i) information on the Company's market position is based on information obtained from trade and business organizations, independent third party reports that are not publicly available and associations and other contacts within the industries in which the Company competes, as well as the Company's own market data and observations and (ii) information on industry trends is based on the Company's senior management team's business experience and experience in the industry and the local markets in which the Company operates. The Company cannot assure you that any of the assumptions that it has made in compiling this data are accurate or correctly reflect the Company's position in its markets, but such information reflects the Company's beliefs and wherever referenced in this Offering Memorandum is so qualified.

Individual figures and financial and market data including percentages shown in this Offering Memorandum have been rounded using standard business rounding principles (*kaufmännische Rundung*). The totals or sub-totals contained in tables may differ from the non-rounded figures contained elsewhere in this Offering Memorandum due to such rounding. Furthermore, figures that have been rounded may not add up to the sub-totals or totals contained in tables or stated elsewhere in this Offering Memorandum.

FORWARD-LOOKING STATEMENTS

This Offering Memorandum contains certain forward-looking statements. Forward-looking statements are statements that do not refer to historical facts and events. Any statement containing the words “shall”, “may”, “will”, “could”, “expects”, “predicts”, “assumes”, “supposes”, “estimates”, “believes”, “plans”, “intends”, “is of the opinion”, “to the knowledge of”, “according to estimates” or similar phrases indicate such forward-looking statements.

This applies, in particular, to statements in this Offering Memorandum regarding the future financial returns, plans and expectations related to the business and management of the Company, growth and profitability, the markets in which Heidelberg is active, as well as general economic and regulatory conditions and other factors affecting Heidelberg.

Forward-looking statements are based on current estimates and assumptions made by the Company to the best of its knowledge. Such forward-looking statements are based on assumptions and factors and are subject to uncertainties, whose occurrence or non-occurrence could cause the actual results including Heidelberg’s net assets, financial position and results of operations, to differ materially from or be more negative than those expressed explicitly or implied by these forward-looking statements. The business of the Heidelberg Group is subject to a number of risks and uncertainties that could also cause a forward-looking statement, estimate or prediction to become inaccurate. Factors which can lead to material differences between actual results and developments and the results and developments assumed or implied in connection with the forward-looking statements are among others:

- the general economic condition as well as the cyclicality of the print-media industry, especially the market for printing machines,
- changes in political, economic and legal conditions in the countries where Heidelberg operates, in particular in Europe, North America, South America and Asia (especially China),
- changes in the demand or pricing for products of the Heidelberg Group,
- changes of the competitive markets in which Heidelberg operates,
- disruption to, or increased costs of, the supply of energy, raw materials, materials or components used by Heidelberg,
- costs of compliance with current and future environmental, health and safety regulations,
- availability and costs of financing,
- exchange rate fluctuations,
- changes in the pension provisions and pension costs,
- the creditworthiness of Heidelberg’s customers,
- restrictive covenants in current and future indebtedness, as well as
- force majeure and other unforeseeable events.

Investors are strongly advised to read sections “*Risk Factors*”, “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” and “*Business Activities*”, which include a more detailed description of factors that have an impact on Heidelberg’s business and the markets in which the Company operates. In light of these risks, uncertainties and assumptions, the future events described in this Offering Memorandum may not occur.

Moreover, the forward-looking estimates and forecasts derived from third-party studies included in this Offering Memorandum (see “*Industry and Market Data*”) may prove to be inaccurate. Accordingly, neither the Company nor its Management Board assume responsibility for the future accuracy of the opinions expressed in this Offering Memorandum or as to the actual occurrence of any predicted developments. In addition, it is emphasized that the Company does not assume any obligation beyond the legal requirements and does not intend to update any such forward-looking statements or to adjust them to future events or developments.

SUMMARY

*The following summary is intended as an introduction to this offering memorandum ("**Offering Memorandum**") and summarizes selected information from it. Because of the more detailed information contained elsewhere in this Offering Memorandum, including the financial statements, investors are strongly recommended to carefully read the Offering Memorandum, and base their decision on whether to invest in the Additional Senior Notes on a review of the entire Offering Memorandum.*

Summary of Business Activities

With a market share of approximately 42% in 2012, Heidelberg is the world's largest manufacturer of sheetfed offset ("**SFO**") printing presses in terms of sales and installed base. Heidelberg employed approximately 13,600 employees as of September 30, 2013, and is represented directly through its subsidiaries or indirectly through distributors and agents in over 170 countries in Europe, Africa, North and South America, Asia and Australia. The Heidelberg Group generated net sales of EUR 1.1 billion and Normalized EBITDA of EUR 31.1 million for the six month period ended September 30, 2013.

Heidelberg offers products and services to the print media industry, which can be divided into four areas: commercial printing, packaging printing, publishing and newspaper printing. Heidelberg primarily supplies equipment, services and consumables for print media companies in the commercial printing and packaging printing markets, with a focus on SFO print houses. SFO printing is a commonly used printing technology for producing high-quality products, such as magazines, catalogues, packaging (e.g., folding carton), advertising, flyers and newspaper inserts. Heidelberg also offers digital printing products, which have become increasingly important for the SFO print houses.

The business activities of Heidelberg are organized into three reporting segments: Heidelberg Equipment, Heidelberg Services and Heidelberg Financial Services.

- The Heidelberg Equipment segment (56.6% of net sales in the six month period ended September 30, 2013) covers, in particular, the development, production and sale of precision printing presses (SFO presses), as well as prepress, postpress and finishing machinery and software for integrating all of the processes within a print shop. The product portfolio offered by the Heidelberg Equipment segment is itself divided into three product divisions (Peak Performance, Professional and Value) targeting different customer groups. While the Peak Performance and the Professional product divisions focus on industrialized markets, the Value product division focuses on emerging markets, with printing press assembly for this product division mainly carried out in China. In the context of entering the market for digital printing and complementing its existing product offering, the Company entered into a global strategic cooperation with Ricoh Company, Ltd., Tokyo, Japan ("**Ricoh**") in February 2011 and a global alliance in the area of inkjet printing with Fujifilm Corporation and Fujifilm Global Graphic Systems Co., Ltd., Tokyo, Japan ("**Fujifilm**") in October 2013.

- Through the Heidelberg Services segment (43.0% of net sales in the six month period ended September 30, 2013), Heidelberg offers its customers comprehensive services that cover the entire life cycle of printing presses, from pre-order consulting services and provision of spare parts to the resale of used printing presses. The Services segment can be divided into technical services, consumables and other services. Technical services are primarily maintenance services ("**Systemservice**") and service parts, which are provided worldwide. Further, Heidelberg focuses on the sale of consumables, such as printing plates, printing blankets, printing chemicals and inks, coatings and rollers, as well as folding and stitching accessories. Heidelberg also offers its customers the repurchase, refurbishment and resale of used Heidelberg printing presses. As print shops have a more regular need for these products and services, the Heidelberg Services segment is less susceptible to economic developments than the Heidelberg Equipment segment.

- The Heidelberg Financial Services segment (0.4% of net sales in the six month period ended September 30, 2013) includes financing services, especially for small and medium-sized customers, to support investments in Heidelberg products. Heidelberg Financial Services mainly arranges financing between third party financing partners and Heidelberg's customers, but in some cases also provides direct financing mainly through one of its group-owned financing companies.

The following table shows the regional markets for Heidelberg's products and services ranked by consolidated net sales for the six month period ended September 30, 2013:

Regional market for Heidelberg's products and services	Consolidated net sales for the six months ended September 30, 2013 (in %) (unaudited)
Europe, Middle East and Africa[(1)]	34.2
Asia/Pacific (including Australia)[(2)]	36.2
Eastern Europe	11.5
North America	13.6
South America	4.5

(1) Of which Germany accounted for 40.9% of consolidated net sales in the Europe, Middle East and Africa region.

(2) Of which China accounted for 55.1% of consolidated net sales in the Asia/Pacific region.

Heidelberg's main manufacturing sites are in Germany, with the most significant at Wiesloch-Walldorf, Brandenburg and Amstetten. In addition, Heidelberg has manufacturing and assembling sites in China, Switzerland, Slovakia and the United States, as well as two sites for manufacturing coatings in the Netherlands and the United Kingdom.

The common shares of Heidelberger Druckmaschinen Aktiengesellschaft are publicly listed and included in the SDAX index of Deutsche Börse AG (Symbol: HDD) with a market capitalization of approximately EUR 625.1 million as of December 9, 2013.

Summary of Market Overview

Heidelberg's business activities cover a broad range of products, services and technologies for print media companies, with a focus on the commercial and packaging printing market.

Heidelberg estimates the global printing equipment market, covering the entire range of printing, including equipment, services and consumables (excluding paper), had a value of approximately EUR 34 billion in 2012. Of this, approximately EUR 9.6 billion accounted for equipment, which was split between approximately EUR 7.0 billion for printing presses and approximately EUR 2.6 billion for pre/post-press products. The market for services amounted to approximately EUR 4.5 billion, and the consumables market size (excluding paper) was approximately EUR 19.7 billion in 2012.

As Heidelberg focuses on SFO printing technology, it only operates in a part of this market. Of the approximately EUR 7.0 billion market for press equipment in 2012, approximately EUR 2.7 billion is related to SFO printing presses, of which Heidelberg estimates it had a market share of approximately 42% and estimates its sales were more than twice the size of its next largest competitor in SFO printing presses in 2012. Of the approximately EUR 4.5 billion printing technology services market segment in 2012, Heidelberg focused on the SFO relevant part with an approximate size of EUR 1.2 billion. The Heidelberg Group estimates it held a market share of approximately 25% in this sub-segment in 2012.

Heidelberg's key global competitors in the SFO printing market are Koenig & Bauer AG and manroland sheetfed GmbH in Germany and Komori Corporation and Ryobi MHI Graphic Technology Ltd. in Japan. The successful manufacturing and marketing of SFO presses requires a combination of various high-tech mechanical and electronic technologies and respective patents as well as experience and the seasoned know-how of using such technologies. The resulting high investment requirements to establish an engineering, distribution and service platform constitute significant barriers to entry. Therefore, no new serious competitor has been able to enter the market for new equipment in the past few years.

Summary of Competitive Strengths

Heidelberg believes that it benefits from a number of competitive strengths. The company has a global, diversified presence. Heidelberg is leading in the industrialized markets with its opportunities for services. Furthermore, Heidelberg has a strong footprint in the regional growth markets with their attractive potential for equipment and services. In China for instance, the fastest growing printing market, Heidelberg has built its own manufacturing site and has a well-established sales and service force. Heidelberg's large installed base stretching over all regions worldwide and in all relevant customer segments serves as an excellent basis for a sound service business.

- *Leading market position in the SFO printing equipment market with a diversified global presence and a strong footprint in emerging markets*—With an approximate market share of 42% in 2012, Heidelberg is the leading solution provider in SFO printing for small and large print shops. Heidelberg's strengths in technologically advanced and highly automated printing presses, targeting sophisticated customers in

industrialized markets, are especially manifest in Europe and North America. Heidelberg also has a strong market position in important emerging markets, in particular in regions of Asia and South America. In this regard, Heidelberg is also well positioned to satisfy increasing demand, in particular for higher quality printing presses, in emerging markets such as China. Heidelberg's strong market position in China is in particular driven by the fact that it is the only European manufacturer of SFO printing presses with a local assembly site in China at Qingpu, near Shanghai. Compared to Germany, where Heidelberg focuses on the production of technologically advanced products, in China only a range of standardized printing presses for a number of printing formats is produced. Heidelberg also has significant operations in Brazil.

- *Strong brand name and long-standing customer relationships*—The Heidelberg brand stands for state-of-the- art technology, quality and improved productivity for the customer and a focus on the customer. The Company believes that customers have strong confidence in Heidelberg and are loyal to Heidelberg. Heidelberg seeks to use the strength of its global brand to develop its existing customer relationships, as well as to expand its customer base in printing presses, services and consumables.

- *Commitment to research and development*—In its more than 150 years of history, Heidelberg has gained a reputation as a leading innovator in the SFO equipment segment. In this context, Heidelberg holds approximately 4,400 technical intellectual property rights (patents issued and pending worldwide as well as registered designs). In 2012, Heidelberg introduced new high speed printing presses, the Speedmaster XL 106, as well as the new Speedmaster SX product family. Another example of Heidelberg's innovative strength is the development of Heidelberg Remote Services, an internet-based software for remote diagnosis and repair, which enables Heidelberg to identify and quickly and cost-effectively resolve operational disturbances, thereby minimizing equipment downtime for the customer. The Company believes that its innovative capability is an important competitive aspect in customers' investment decisions.

- *Leading solutions provider for the process and value chain of print shops*—Heidelberg's products and solutions cover the process chain of its print shop customers. Heidelberg develops and produces precision printing presses for SFO printing, manufactures and sells plate imaging systems for the prepress segment and equipment for the postpress segment as well as selected equipment for certain areas of flexo printing. In addition, Heidelberg develops and sells proprietary specialized software under the "Prinect" brand, which is designed to integrate all print shop processes, thereby helping print shops realize further efficiency gains in their production processes. Further offerings range from maintenance, repair and service parts, supply of consumables such as plates, inks, coatings, rollers and printing chemicals that are specially adapted for use with Heidelberg printing presses, to the acceptance of trade-ins and the refurbishing and resale of used printing presses. The breadth of its product range enables Heidelberg to target a wide customer range.

- *Extensive global sales and service network*—With sites in over 170 countries and highly-qualified sales and service employees throughout the world, Heidelberg currently has the most extensive international sales and service network in the industry. Heidelberg covers all relevant geographic markets and is able to offer global support and fast problem solutions. Furthermore, its service network enables Heidelberg to gain knowledge about its customers' needs, which vary by region. Centralized product management is intended to ensure that this knowledge is used in product development and planning in order to enable Heidelberg to provide market and customer specific solutions and to further develop its products accordingly. An extensive service network also enables Heidelberg to provide its customers with rapid and comprehensive support 24 hours a day, seven days a week. Heidelberg believes that its sales and service network is a significant factor in persuading customers to invest in Heidelberg products, as the sales and service network helps its customers to increase their profitability, for example by increasing service response times to minimize customer print shop production stoppages. Due to its direct access to and knowledge of its customers, Heidelberg is able to bundle products and services into comprehensive solution packages for its customers.

- *Efficient manufacturing organization and assembling site in China*—As a manufacturer of technologically advanced, high-quality products, Heidelberg deliberately focuses on manufacturing in Germany. The Company does, however, strategically outsource certain components of its manufacturing process. To expand its business activities in China, Heidelberg built a manufacturing site in Qingpu, near Shanghai seven years ago. The site began by producing folding machines, and today the site produces a range of standardized printing presses for a number of printing formats. The number of printing units the Company assembled in China significantly increased in the last financial years, resulting in several expansions of the site. Today the factory is comprised of 90,300 square meters of land space and 68,500 square meters of buildings. The production site employs 439 production staff as of September 30, 2013. 50.7% of Heidelberg's printing units sold in China during the six month period ended September 30, 2013 were produced by the Qingpu site. As part of this growth, Heidelberg has started to contract with local quality-tested regional suppliers. The Company plans to continue to strengthen its footprint in China to be

able to supply local demand from local assembly and to realize further cost advantages. Overall, the printing presses assembled in Qingpu are for the most part sold in China. Accordingly, Heidelberg believes it is well positioned to profit from future global economic growth in the print media industry.

- *Strong management team*—Heidelberg's management team has collectively over 55 years of experience at the Heidelberg Group or in the print media industry. In 2012, the management team was reinforced by the new CEO of the Company, Dr. Gerold Linzbach, who has worked in other industries beside print media and brings with him further valuable experience.

  Over the past years the management team has successfully implemented various restructuring programs, including the Heidelberg 2010 Program, Focus 2012 and the SFT program. As a result, Heidelberg has been able to significantly decrease fixed costs, raise capital to navigate the financial crisis as well as to improve its operational performance and to reduce financial net debt.

Summary of Group Strategy

Heidelberg is pursuing a two-step strategy: first, Heidelberg seeks to restore profitability while implementing the BA structure with full focus on margin and profitability, and second, Heidelberg seeks to optimize its portfolio.

Heidelberg's primary objective is to restore profitability, which is primarily supported through its efficiency program Focus 2012 and its continuation with further cost saving initiatives ("re-sharpening component"). The key aspects of Focus 2012 have already been initiated and are currently being implemented. Heidelberg expects measures under the program will fully come into effect by the end of the financial year 2013/2014 and reduce the cost base. Because of lower than expected net sales and margins, the Management Board decided in March 2013 to supplement Focus 2012 with a re-sharpening component. Moreover, a further reduction of net debt remains a priority. This is supported by an ongoing project to optimize net working capital. Once the profitability target has been reached, Heidelberg will focus on optimizing its portfolio and growing its service business and its business in emerging markets.

Heidelberg's BAs are sub-units linked to the three reporting segments. Activities of the BAs are reported to the respective segments. The Heidelberg Equipment segment is comprised of the following BAs: Sheetfed, Very Large Format and Postpress Packaging, Postpress Commercial, Digital Solutions, Prinect, New Venture, Gallus. The Heidelberg Services segment is comprised of the following BAs: Consumables, Services, Remarketed Equipment. The third reporting segment, Heidelberg Financial Services, is a BA of its own and has no further sub-units.

Heidelberg's BA structure was implemented to shorten decision making paths and, in particular, to increase the individual responsibility of the BA managers. Each BA focuses on the needs of its customers and determines the product design and marketing strategy. The corresponding BA strategy is being implemented in coordination with the Management Board, which allocates the necessary resources. The goal of Heidelberg's BA structure is to promote business thinking at all levels of the individual segments and BAs and establish personal responsibility. If the implementation of the strategy is not successful in individual BAs, the Management Board will decide on the future positioning and further use of resources.

Heidelberg's management places greater emphasis on achieving margin and profit targets than increasing sales volume. The Company has transformed its business philosophy from a more technology-driven to a customer/market focused approach. Heidelberg is phasing out some of the lower margin products such as the GTO, a sheetfed printing product. At the same time the Company is increasingly focusing on enforcing price increases and pricing discipline. Building on the market/customer view, Heidelberg places more emphasis on its strategically integrated service-equipment offering. Finally, Heidelberg has changed its management's approach to a model focusing on individual pro- active responsibility and accountability. In its core business, Heidelberg continues to focus on the following growth opportunities:

- *Focusing on the growing segment of industrial packaging printing customers*—A principal measure that Heidelberg intends to utilize in order to further reduce the Company's dependency on cyclical fluctuations of the commercial printing market is to strengthen its packaging printing business, which is typically less susceptible to such cyclical fluctuations. Heidelberg already has a strong position in the packaging printing area and, in particular, in the 70x100 format as well as the flexo label segment. The growing significance of packaging as an advertising media and as a distinguishing characteristic in marketing across a wide range of companies including manufacturers of food, confectionary and cosmetic products as well as pharmaceutical companies, has led packaging printers (primarily larger industrial printers) worldwide to invest in new production methods. New printing processes require an increased number of printing units per press and therefore a higher investment in printing presses and accessories. High volume print runs, such as for food packaging, are increasingly printed on larger printing presses to realize economies of scale. In industrialized markets, demographic changes and the trend to an increased share of single person households result in

growing numbers of small packaging units. Furthermore, in emerging markets, food tends to be displayed in bulk less often and is increasingly sold pre- packed. Heidelberg intends to expand its presence in packaging printing to further benefit from these growth opportunities.

- *Capturing growth potential in emerging markets and profiting from local production on site in China*—A regional comparison of per capita consumption of printed products also points to further growth potential in the emerging economies of Asia and South America, which Heidelberg believes have lower market saturation for printed products as compared to Western industrialized countries. This includes packaging printing, which requires large printing presses. Accordingly, large printing presses represent an opportunity for higher growth in emerging markets, as print shops in these markets should be more willing to invest in high-tech equipment. Heidelberg therefore believes that its largest regional growth opportunities are in China and South East Asia. The share of emerging markets in Heidelberg's overall net sales has continually increased over the past several years, reaching 44.6% of net sales in financial year 2012/2013. China represented Heidelberg's biggest market for SFO printing presses in terms of incoming orders received during this period. Since 2006, Heidelberg has assembled standardized products to be sold locally and internationally at its site in Qingpu, China. This enables Heidelberg to service local demand in China and other emerging Asian markets through its local assembly site. As of September 30, 2013, Heidelberg's subsidiaries in China employed 1,053 employees (thereof 439 at the production site and 614 in sales and services). Among its competitors, Heidelberg has the largest direct sales and service force in China. Over the past six years, Heidelberg's sales volume in China, the largest emerging market, has grown by over 60%. In addition, Heidelberg also has significant sales and service forces in the other main emerging markets.

- *Entering market of middle-volume publishing printing*—The fragmentation in the industry segment of publishing printing and the low volumes to be printed make SFO printing technology increasingly attractive for publishing printing.

- *Increasing market share in the less cyclical Heidelberg Services segment*—One of Heidelberg's key strategic focuses is to further strengthen its business activities in the Heidelberg Services segment, since demand for services is less cyclical than the market for new equipment. Margins for specific service areas that correlate to equipment sales, such as margins from sales of service parts and technical services are higher than margins on the sale of new printing presses and have a higher potential for recurring orders. Specifically, Heidelberg's large installed base provides the potential for growth. Heidelberg offers a variety of services across the value chain for a wide range of customers, from small printers to multinational corporations, including maintenance, upkeep, repairs, supply of service parts and providing support for the financing of Heidelberg printing presses. Heidelberg is implementing operational excellence programs for standardization of service processes, which Heidelberg expects will internally reduce operating costs and will free up internal capacity for external service offerings. In addition, Heidelberg bundles services as part of new equipment sales, as well as products and solutions designed to support the operation of equipment that is over eight years old (e.g., maintenance, inspections, consulting and service contracts). The Heidelberg Group intends to further use its extensive sales network to offer additional services and products.

- *Increasing market share in the less cyclical consumables business*—Heidelberg believes that the consumables business is also less cyclical than the market for new equipment. Heidelberg has expanded its business in quality-tested consumables (e.g., printing plates and inks) under its own brand, Saphira, and plans to further expand this area in the future. The desired growth of Heidelberg's consumables business will benefit from the high-level of brand recognition enjoyed by Heidelberg in the print media industry, as well as by Heidelberg's global sales and distribution network. Furthermore, the wide array of consumables and technical expertise offered by Heidelberg along the complete print production chain provides Heidelberg with a competitive position as compared to manufacturers who principally offer only one type of product (e.g., plates or inks) and dealers who do not have deep technical expertise. One of the latest milestones in Heidelberg's expansion is the opening of a coating factory for Hi-Tech coating products in the United States to serve North American customers and respond to the increasing demand for coating. More and more printers tend to use coatings to accelerate print production (faster drying) and to add special effects to printed products as differentiators.

- *Expanding into digital printing, broadening the partnership with Ricoh, building up the relationship with Fujifilm and exploring further opportunities for partnerships*—Heidelberg's offerings in digital printing are complementary to its existing SFO printing portfolio. While SFO technology allows for economies of scale in higher volume printing, digital technologies are preferable for short runs and more individualized print jobs. Both systems can be combined for certain applications—for example, the cover of a printed product can be individually produced on a digital basis, while the content is printed in high-quality and

inexpensively using the SFO process. For instance an advertising brochure with a large print run can be adapted to various marketing regions by producing the content on a cost-effective basis in large print runs on a SFO printing press, with region specific content produced in short print runs using a digital printing press. Heidelberg operates in the emerging digital packaging and label printing area and offers solutions for pharmaceutical blister packaging printing business (Linoprint L), as well as a customized line of inkjet-based industrial label printers.

Heidelberg believes that this equipment mix presents an opportunity to make use of its existing know-how to satisfy the desire of customers to integrate digital printing presses within the offset production process as seamlessly as possible. The Company believes that the creation of a hybrid workflow system together with the required systems solutions, offers potential for growth. Heidelberg's digital products are differentiated from the competition by Heidelberg's own Prinect digital print manager, Linoprint C, a workflow integration system which allows customers to seamlessly drive their offset and digital operations by generating click revenue. In that context Heidelberg and Ricoh established a global strategic cooperation in April 2011. As a first step, both companies agreed to enter into a global distribution agreement for Ricoh's production printing product portfolio. This agreement enables Heidelberg to sell Ricoh's latest color digital press, the Ricoh ProTM C901 and C751/651 as well as appropriate future production printing offerings Ricoh may develop. Today those Ricoh products are Heidelberg-branded and incorporate the Company's Prinect Digital Print Manager. With the integration of Heidelberg Prinect's Digital Print Manager, Linoprint C customers are employing Heidelberg's workflow and color management, streamlining their job preparation.

In October 2013, Heidelberg entered into a global alliance with Fujifilm, whereby the parties agreed to jointly explore further opportunities in digital printing by utilizing the Fujifilm/Dimatix inkjet technology. Fujifilm is a leader in industrial inkjet technology, and Heidelberg believes to be well- positioned to integrate these technologies into various print platforms targeting commercial print and packaging. With the partnership, Heidelberg is embracing rapidly evolving inkjet technology.

Together with Ricoh and Fujifilm, Heidelberg believes to be able to meet customer needs more efficiently and more quickly.

- *Complexity management*—Heidelberg started a program in financial year 2010/2011 to optimize the external and internal complexity within the Group in order to retain economics of scale with current volumes and improve efficiency. The high level of complexity in Heidelberg's value chain results from the diversity of parts, tools and sales structure. In the medium term the program aims at reducing the amount of parts and of tools considerably and at focusing on the core customers and bundling Heidelberg's back office functions in sales and services.

- *Working capital management*—Heidelberg established in the beginning of financial year 2012/2013 a new program to optimize its net working capital. The core concept of this project aims to achieve a lower level of net working capital. The program consists of several individual measures in production, internal benchmarking, renegotiations of payment terms with customers and suppliers as well as standardized control functions with monthly tracking calls and net working capital analysis reports.

- *Increase in manufacturing services for third parties*—Heidelberg supplies third parties by offering production and manufacturing expertise and services to other companies both within and outside the graphic arts industry. Heidelberg offers clients the ability to participate in its assembly structures and the respective know-how in the value chain. Customers receive services that are individually customized to their project or product, which results in them having no need to install or extend their own production capacities. This allows Heidelberg's customers to avoid capacity constraints so that they are able to concentrate on their core competencies. Heidelberg offers a technology platform in the drive and control technology field for industrial application. Over the past 30 years, the Company has built up competences in the area of power electronics that are important for the electrification of the powertrain in the automotive sector and smart grids. For this reason Heidelberg has begun activities as system partner for the automotive industry. Heidelberg plans modular systems of inverter, converter and charger as product platforms. For example, at the end of February 2013, Daimler AG entered into an agreement with Heidelberg for the use of Heidelberg software and expertise at all of Daimler's development sites to check the quality of product data in their computer aided design ("**CAD**") environment. Heidelberg has been using this software itself for its own CAD data proofing for more than six years. The main advantage is the intuitive approach and the speed with which the software runs its proofing. Users are able to apply the software without extensive training and are able to easily implement the tool in their system to improve their own proofing routine.

- *Maintain leadership in the core SFO equipment market with a focus on new product lines (especially X-lines)*—Heidelberg is taking advantage of the further concentration and industrialization of the printing industry by addressing customers that have suffered less or even profited from the crises. With its advanced products and features (especially X-lines), Heidelberg aims to reduce "make ready times" as this leads to a higher productivity, which is important for printers to stay competitive in a market with shorter runs. Additionally, Heidelberg considers flexible customized configurations and inline applications to be key success factors for differentiation and process optimization.

In connection with pursuing its strategies and otherwise developing its business, the Company is continually reviewing investment opportunities and potential transactions. In connection therewith, Heidelberg regularly undertakes discussions in respect of, and enters into agreements relating to, such potential investments or transactions, which could be significant.

Recent Market Changes and Current Situation

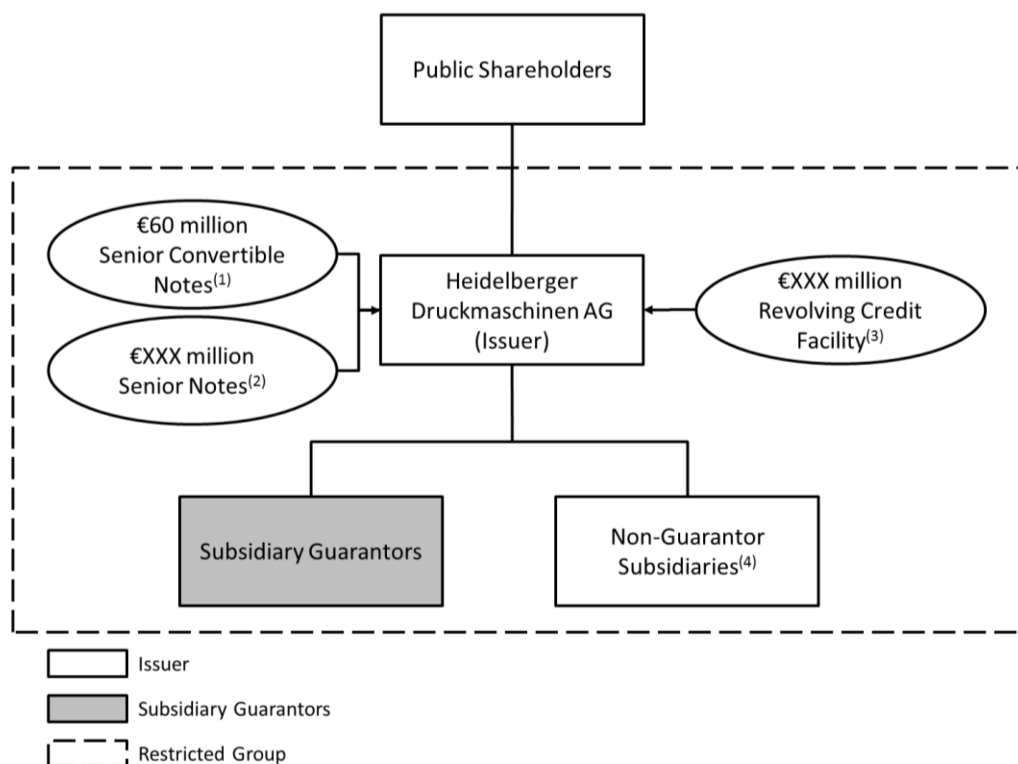
The global economic crisis in 2008 had a major negative effect on the print media supply industry. Since falling to a low in market value of EUR 33.4 billion in 2009, Heidelberg estimates the market value of the total print media supply has slightly improved by 4.2% to EUR 34.9 billion in 2012. The market volume of SFO equipment, a segment that is of particular importance to Heidelberg, is estimated by Heidelberg to have increased by 3.3% per annum to EUR 2.7 billion in 2012, compared to 2.5 billion in 2009. Nevertheless this SFO market value is significantly below pre-crisis levels of 2007 of EUR 4.7 billion. Ongoing economic uncertainties and their influence on the GDP, advertising expenditures and print production volume ("**PPV**") development have created a challenging environment for significant market recovery in the print media industry in 2012 and 2013. In particular, mature industrialized markets have suffered from a strong consolidation triggered by the financial crisis. A significant number of customers struggled to hand over their business to the next generation and to continue to finance the operation. In consequence a notable portion of PPV capacity has exited the market. Heidelberg believes the digitalization of the media (moving away from print) has played a minor role compared to the impact of the financial crisis. In March 2011, Heidelberg substantially reorganized its financing structure. The core elements of Heidelberg's financing structure currently consist of the Original Notes due April 2018 and a syndicated loan facility (original amount: EUR 500 million revolving amended and restated from time to time to an amount of currently EUR 390 million) maturing on December 31, 2014 (the "**Revolving Credit Facility**"). On December 6, 2013, Heidelberg agreed with, *inter alia*, its Revolving Credit Facility lenders to amend and extend the maturity of its Revolving Credit Facility. Pursuant to the amendment and restatement agreement (the "**ARA RCFA**"), the amount of the Revolving Credit Facility was reduced from EUR 416.275 million to EUR 390 million. The issuance of the Additional Senior Notes will result in a further reduction of the amount of the Revolving Credit Facility from EUR 390 million to approximately EUR 340 million. Effective December 31, 2014, the amount of the Revolving Credit Facility will then be further reduced to approximately EUR 277 million. The reduction of the amount of the Revolving Credit Facility on December 31, 2014 is a condition to the effectiveness of the extension of the facility until its new final maturity date on June 30, 2017, as well as to the amendments that have been agreed to enter into force as of January 1, 2015 (the "**Deferred Amendments**"). The extension of the final maturity date and the effectiveness of the Deferred Amendments is further subject to certain documentary conditions precedent in line with ordinary market practice, including, without limitation, corporate documents, legal opinions, security documents and ancillary documentation.

As of September 30, 2013, Heidelberg had drawn in cash an outstanding amount of EUR 4.1 million under the Revolving Credit Facility.

In response to the slow market recovery after the financial crisis, in January 2012 Heidelberg launched the Focus 2012 program. The program aims to significantly reduce the Company's cost base through capacity adjustments in research and development, production, sales and services and administration to reflect changes in market requirements including fluctuations over the course of the year. In the financial year 2013/14, Focus 2012 cost reductions are expected to be fully realized by Heidelberg with run-rate savings expected by Heidelberg to be approximately EUR 180 million. Because of lower than expected net sales and margins, the Management Board decided in March 2013 to supplement Focus 2012 with a re-sharpening component. This component aims to reduce Heidelberg's cost base to further improve the Company's ability to react to short-term sales fluctuations. This resulted in a further amendment of the Revolving Credit Facility in March 2013.

Overview of the Group and Financing Structure

The following chart summarizes Heidelberg's corporate structure and principal indebtedness after giving effect to the issuance of the Notes. See "*Description of Other Indebtedness*" and "*Description of the Notes*" for more detailed descriptions.



(1) Convertible Notes (as defined below) convertible into ordinary bearer shares (*Stammaktien*) with no par-value issued by Heidelberger Druckmaschinen Aktiengesellschaft. For further information on Heidelberg's financing instruments, see "*Description of Other Indebtedness*".

(2) EUR 304 million of Original Notes issued on April 7, 2011.

(3) The Additional Senior Notes will be issued under the existing Conditions of Issue and will constitute a single class of securities with the Original Notes.

The Notes will be guaranteed on a senior basis by certain of the Issuer's subsidiaries. For further information see "*Description of the Notes—Subsidiary Guarantees*". The Subsidiary Guarantees will be subject to contractual limitations and limitations under applicable laws and may be released under certain circumstances. For further information see "*Description of the Notes—Subsidiary Guarantees*", "*Risk Factors—Risks relating to the Notes and the Subsidiary Guarantees—The Subsidiary Guarantees will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability*" and "*Information on the Subsidiary Guarantors*".

(4) The Revolving Credit Facility (in its present form as well as in the form after the effective date of certain deferred amendments that will enter into force on January 1, 2015) is and will be guaranteed on a senior basis by the subsidiaries that are also Subsidiary Guarantors for the Notes and will be secured by senior security interests in certain assets of the Company and the Subsidiary Guarantors. As of September 30, 2013, the Revolving Credit Facility was drawn in cash in the amount of EUR 4.1 million. In addition to this cash drawing and adjusted for the issuance of the Notes and the application of the proceeds thereof, as of September 30, 2013, Heidelberg would have had EUR 11.9 million of other financial liabilities under certain financing instruments and cash and cash equivalents of EUR 248.6 million. Effective December 31, 2014, the amount of the Revolving Credit Facility will then be further reduced to approximately EUR 277 million. For further information on Heidelberg's financing instruments, see "*Description of Other Indebtedness*".

(5) Heidelberg's non-guarantor subsidiaries include certain non- wholly owned subsidiaries, as well as Gallus Holding AG, in which the Company as of March 31, 2013 owned a 30% equity interest but which the Company consolidates due to the fact that the Company has management control thereof. For purposes of the "*Description of the Notes*", Gallus Holding AG is deemed to be a subsidiary of Heidelberg.

Subsidiary Guarantee Coverage

The following table sets forth certain financial information for the financial year ended March 31, 2013 for the Issuer and the Subsidiary Guarantors as well as for the Heidelberg Group. The unaudited information has been prepared for illustrative purposes only and is not indicative of the results of operations or financial position for any future date or period.

	Financial Year Ended March 31, 2013		
	Issuer and Subsidiary Guarantors	**% of Heidelberg Group**	**Heidelberg Group**
		(unaudited)	
		(in %)	
	in EUR millions		**in EUR millions**
External sales[(1)]	1,736.8[(3)]	63.5	2,734.6
Non-current assets[(2)]	459.5[(3)]	70.9	648.3

(1) External sales represent sales made to third parties and do not include internal sales to consolidated Group companies. For more information on net and external sales, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Discussion of Individual Items in the Income Statement—Net Sales*".

(2) Non-current assets are defined as the sum of non-current tangible and intangible assets (excluding goodwill) and investment property.

(3) Derived from the Issuer's and the Subsidiary Guarantors' accounting records. Does not reflect consolidated financial information.

SUMMARY FINANCIAL AND OPERATING INFORMATION

The financial and operating information for financial years 2010/2011, 2011/2012 and 2012/2013 summarized below has been extracted from the audited consolidated financial statements of Heidelberger Druckmaschinen Aktiengesellschaft for the financial years ended March 31, 2012 and 2013, which are included elsewhere in this Offering Memorandum, and the financial information for the six month period ended September 30, 2013 (including comparable figures for the six month period ended September 30, 2012) has been extracted from the unaudited consolidated interim financial statements of Heidelberger Druckmaschinen Aktiengesellschaft for the six months ended September 30, 2013, which are also included elsewhere in this Offering Memorandum, as well as from the accounting records of Heidelberger Druckmaschinen Aktiengesellschaft. The consolidated financial statements and the consolidated interim financial statements were prepared in accordance with International Financial Reporting Standards as adopted in the European Union ("**IFRS**"). The consolidated financial statements for financial year 2011/2012 (including comparable figures for the previous year 2010/2011) and 2012/2013 were audited by PwC, who issued an auditors' report in each case. The financial information summarized below should be read in particular in conjunction with the section "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", the audited consolidated financial statements and the unaudited consolidated interim financial statements included in this Offering Memorandum and the additional financial information included elsewhere in this Offering Memorandum.

The figures for the financial year 2010/2011 have been extracted from the consolidated financial statements 2011/2012 and the figures from the financial year 2011/2012 have been extracted from the consolidated financial statements 2012/2013. The figures as of and for the six month period ended September 30, 2012 have been extracted from the interim consolidated financial statements as of and for the six month period ended September 30, 2013.

Solely for the convenience of the reader, the table providing a summary of Heidelberg's unaudited income statement and other financial data also contains figures for the twelve months ended September 30, 2013, which have been calculated by adding the unaudited consolidated financial results for the financial year ended March 31, 2013 (restated) and the unaudited consolidated interim financial results for the first six months ended September 30, 2013 and subtracting the unaudited consolidated interim financial results for the first six months ended September 30, 2012. Certain changes in accounting policies (IAS 19 (2011)—see also "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Comparability of Financial Information*") were being implemented within the financial year 2013/2014. The results for the financial year ended March 31, 2013 have been adjusted retrospectively for the calculation of the twelve month period ended September 30, 2013 and therefore deviate from the figures in Heidelberg's audited consolidated financial statements for the financial year ended March 31, 2013.

The unaudited pro forma financial information included below gives effect to certain transactions, including the offering of the Additional Senior Notes and the application of the proceeds therefrom as described under "*Use of Proceeds*". The unaudited pro forma financial information is for information purposes only and does not purport to present what Heidelberg's results would have been had these transactions actually occurred. Further, such pro forma financial information has not been prepared in accordance with the requirements of Regulation S-X of the U.S. Securities Act.

This presentation of financial information contains certain financial measures that are not defined under IFRS (e.g., total operating performance, special items, EBIT, Normalized EBIT, Normalized EBITDA, cash flow and free cash flow). With the exception of Normalized EBITDA and Normalized EBIT, these financial measures are included in Heidelberg's consolidated financial statements. The definitions of the financial measures as used by Heidelberg are included in the "*Certain Definitions and Presentation of Financial and Certain Other Information—Definitions*". In this context it should be taken into consideration that not all companies calculate such non-IFRS measures in the same manner and thus the financial measures presented by Heidelberg might not necessarily be comparable with similarly titled measures used by other companies. Management presents the non-IFRS financial measures, that are not included in Heidelberg's consolidated financial statements (e.g., Normalized EBITDA and Normalized EBIT) and has frequently published such measures in reports because the management of Heidelberg expects that such measures are of interest to investors for the purpose of evaluating the operating performance. These financial measures should not be considered as an alternative to, or in isolation from, financial measures such as consolidated net profit/loss, inflow/outflow of funds from operating activities or other IFRS financial measures. These financial measures may be calculated differently than they would be under the Conditions of Issue for the Additional Senior Notes offered hereby.

Some financial and operating information is rounded to one decimal place. Totals or sub-totals in tables and other information in this Offering Memorandum which is not rounded may differ from information that is rounded to one decimal place. Furthermore, information rounded to one decimal place may diverge from totals or subtotals in tables or other sections in this Offering Memorandum.

Summary Consolidated Income Statement

	Financial Year			As of and for the Six Months ended September 30,		As of and for the Twelve Months ended September 30,
	2010/2011	**2011/2012**	**2012/2013**	**2012***	**2013**	**2013****
	(audited)	**(audited)**	**(audited)**	**(unaudited)**	**(unaudited)**	**(unaudited)**
			in EUR millions			
Net sales	**2,628.9**	**2,595.7**	**2,734.6**	**1,217.3**	**1,096.8**	**2,614.1**
Total operating performance[(1)(2)]	**2,598.1**	**2,622.3**	**2,689.6**	**1,301.5**	**1,166.2**	**2,554.3**
Other operating income	136.5	123.1	105.6	41.2	47.9	112.4
Cost of materials	1,234.0	1,231.7	1,278.2	636.1	537.8	1,179.9
Personnel expenses	872.7	904.5	901.5	479.7	435.2	887.4
Depreciation and amortization	99.6	87.1	82.9	41.0	38.4	80.4
Other operating expenses	524.2	519.5	504.7	260.4	210.0	454.3
Special items[(1)(3)]	−2.2	142.3	64.7	22.3	1.4	43.9
Result of operating activities (EBIT)[(1)(4)]	**6.2**	**−139.8**	**−36.8**	**−96.9**	**−8.7**	**20.8**
Financial result	−149.0	−89.6	−81.7	−23.4	−27.6	−63.1
Income/loss before taxes	−142.9	−229.3	−118.5	−120.2	−36.3	−42.3
Taxes on income	−14.0	0.8	−8.6	−12.3	10.8	13.9
Consolidated net profit/loss	**−128.9**	**−230.1**	**−109.9**	**−107.9**	**−47.1**	**−56.2**

(1) This measure is not a defined financial indicator under IFRS. It should be noted in this context that not all companies calculate the items that are not defined under IFRS in the same manner, and that consequently the measures reported by Heidelberg are not necessarily comparable with similarly described measures employed by other companies.

(2) Total operating performance includes other own work capitalized and the change in inventories in addition to net sales. For a reconciliation from net sales to total operating performance, please see Heidelberg's consolidated income statement for the relevant period, which is included elsewhere in this Offering Memorandum.

(3) Special items for the financial years 2011/2012, 2012/2013 and for the first six months in financial years 2012/2013 and 2013/2014 include income and expenses associated with the Focus 2012 program, in particular for personnel adjustments and other structural measures. Special items for the financial year 2010/2011 mainly include income and expenses related to the Heidelberg 2010 program, in particular expenses for personnel adjustments and other structural measures. Expenses are displayed as positive values and income as negative values.

(4) The result of operating activities (EBIT) represents the operating result before financial result and taxes on income.

* Figures for the six month period ending September 30, 2012 were restated due to first-time adoption of IAS 19 (2011). See also "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Comparability of Financial Information*".

** Figures for the twelve months ended September 30, 2013, have been calculated by adding the unaudited consolidated financial results for the financial year ended March 31, 2013 (restated) and the unaudited consolidated interim financial results for the first six months ended September 30, 2013 and subtracting the unaudited consolidated interim financial results for the first six months ended September 30, 2012. Certain changes in accounting policies (IAS 19 (2011) were being implemented within the financial year 2013/2014. The results for the financial year ended March 31, 2013 have been adjusted retrospectively for the calculation of the twelve months ended September 30, 2013 and therefore deviate from the figures in Heidelberg's audited consolidated financial statements for the financial year ended March 31, 2013. See also "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Comparability of Financial Information*".

Selected Balance Sheet Items

March 31,			September 30,
2011	**2012**	**2013**	**2013**
(audited)	**(audited)**	**(audited)**	**(unaudited)**

	in EUR millions			
Intangible assets	266.7	245.8	234.7	228.1
Property, plant and equipment	570.0	547.7	530.5	519.0
Total non-current assets	**1,114.6**	**969.8**	**914.7**	**874.1**
Inventories	747.7	785.7	699.7	732.0
Trade receivables	376.9	361.0	381.8	243.2
Cash and cash equivalents	147.9	194.6	157.5	197.7
Total current assets	**1,527.5**	**1,545.5**	**1,421.5**	**1,353.3**
Assets held for sale	0.9	2.7	2.0	3.7
Total assets	**2,643.0**	**2,518.1**	**2,338.2**	**2,231.1**
Shareholders' equity	**868.6**	**575.7**	**399.6**	**347.6**
Provisions for pensions and similar obligations	221.0	326.1	415.7	413.1
Financial liabilities	105.3	339.1	331.2	388.9
Total non-current liabilities	**763.2**	**1,082.4**	**1,124.0**	**1,147.0**
Financial liabilities	289.4	98.6	87.6	48.0
Trade payables	129.7	165.1	139.1	142.1
Total current liabilities	**1,011.2**	**860.0**	**814.6**	**736.5**
Total equity and liabilities	**2,643.0**	**2,518.1**	**2,338.2**	**2,231.1**

Summary Consolidated Cash Flow Data

	Financial Year			**As of and for the Six Months ended September 30,**		**As of and for the Twelve Months ended September 30,**
	2010/2011	**2011/2012**	**2012/2013**	**2012***	**2013**	**2013****
	(audited)	**(audited)**	**(audited)**	**(unaudited)**	**(unaudited)**	**(unaudited)**
			in EUR millions			
Cash flow[(1)(2)]	−40.7	−129.9	−39.5	−60.6	3.7	23.5
Other operating changes[(3)]	140.1	185.9	72.8	−22.2	47.9	**144.2**
Cash used in / generated by operating activities	**99.4**	**56.0**	**33.3**	**−82.8**	**51.6**	167.7
Cash used in investing activities	**−24.5**	**−46.2**	**−51.0**	**−32.4**	**−23.6**	**−42.2**
Thereof: Investments in intangible assets/property, plant and equipment/investment property	*−73.3*	*−65.9*	*−80.4*	*−42.3*	*−30.4*	*−68.5*
Free cash flow[(1)(4)]	**74.9**	**9.8**	**−17.6**	**−115.2**	**28.0**	**125.5**
Cash generated by / used in financing activities	−50.0	29.3	−24.6	41.5	18.6	−47.5
Net change in cash and cash equivalents	**24.8**	**39.1**	**−42.2**	**−73.7**	**46.6**	78.1
Cash and cash equivalents at the end of the period	147.9	194.6	157.5	124.1	197.7	197.7

(1) This measure is not a defined financial indicator under IFRS. It should be noted in this context that not all companies calculate the items that are not defined under IFRS in the same manner, and that consequently the measures reported by Heidelberg are not necessarily comparable with similarly described measures employed by other companies.

(2) For purposes of the cash flow statement, cash flow represents a subtotal of cash used in / generated by operating activities and is comprised of the cash surplus or deficit generated from sales of goods and services before taking into account, among other things, changes in net working capital. Cash flow is distinguished from the other cash inflows and outflows relating to operating activities recorded in the "Other operating changes" subtotal and described in footnote (3) below.

(3) Other operating changes consist of change in inventories, change in sales financing, change in trade receivables/payables, change in other provisions and change in other items of the statement of financial position. The changes in statement of financial position items shown in the consolidated cash flow statement cannot be derived directly from the consolidated statement of financial position as the effects of currency translation and changes in the scope of consolidation do not affect cash and have therefore been eliminated.

(4) For purposes of the cash flow statement, free cash flow is comprised of cash used in / generated by operating activities and cash used in investing activities.

* Figures for the six month period ending September 30, 2012 were restated due to first-time adoption of IAS 19 (2011). See also "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Comparability of Financial Information*)".

** Figures for the twelve months ended September 30, 2013, have been calculated by adding the unaudited consolidated financial results for the financial year ended March 31, 2013 (restated) and the unaudited consolidated interim financial results for the first six months ended September 30, 2013 and subtracting the unaudited consolidated interim financial results for the first six months ended September 30, 2012. Certain changes in accounting policies (IAS 19 (2011) were being implemented within the financial year 2013/2014. The results for the financial year ended March 31, 2013 have been adjusted retrospectively for the calculation of the twelve month ended September 30, 2013 and therefore deviate from the figures in Heidelberg's audited consolidated financial statements for the financial year ended March 31, 2013. See also "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Comparability of Financial Information*".

Other Financial and Operational Data

	Financial Year			As of and for the Six Months ended September 30,		As of and for the Twelve Months ended September 30,
	2010/2011	**2011/2012**	**2012/2013**	**2012***	**2013**	**2013****
	(audited) unless otherwise indicated			(unaudited)	(unaudited)	(unaudited)
	in EUR millions (unless otherwise indicated)					
Summary operating information						
Order intake (unaudited)(1)	2,757.1	2,555.0	2,822.3	1,557.5	1,257.2	2,521.9
Order backlog at the end of the period (unaudited)(2)	634.1	506.4	501.8	790.2	597.5	597.5
Number of employees at the end of the period(3)	15,828	15,414	14,215	14,745	13,616	13,616
Other financial information (unaudited)						
Normalized EBIT (unaudited)(4)(5)	3.9	2.5	27.9	−74.5	−7.2	64.7
Normalized EBIT margin (in %) (unaudited)(4)(6)	0.1	0.1	1.0	−6.1	−0.7	2.5
Normalized EBITDA (unaudited)(4)(7)	103.5	89.6	110.9	−33.6	31.1	145.1
Normalized EBITDA margin (in %) (unaudited)(4)(8)	3.9	3.5	4.1	−2.8	2.8	5.6
Free cash flow(4)(9)	74.9	9.8	−17.6	−115.2	28.0	125.5
Net working capital (unaudited)(4)(10)	908.3	915.5	871.8	941.0	731.7	731.7
Investments(11)	73.3	65.9	80.4	42.3	30.4	68.5
Financial liabilities	394.6	437.7	418.9	481.2	436.9	436.9
Cash and cash equivalents	147.9	194.6	157.5	124.1	197.7	197.7
Net debt (unaudited)(4)(12)	246.7	243.1	261.4	357.1	239.2	239.2

(1) Heidelberg counts order intake upon execution of a definitive contract and one of (i) receipt of the agreed down-payment, (ii) confirmation of committed financing or (iii) agreement on a trade-in of a used Heidelberg printing press upon delivery. Order intake represents a gross number, which includes certain changes of existing orders that are counted as a new order (with the original order being deemed cancelled, but not netted off against the gross number of order intake). For further detail regarding order intake, please see the relevant discussion in "*Management's Discussion and Analysis of Financial Condition and Results of Operation—Results of Operations*".

(2) Order backlog at the end of the period represents orders for products and services where no contingencies remain before Heidelberg and the customer are required to perform. Backlog does not include prospective orders where customer-controlled contingencies remain, such as customers receiving approval from their board of directors or shareholders and completing financing arrangements. All such contingencies must be satisfied or have expired prior to recording an order in the backlog, even if satisfying such conditions is highly certain. Changes of existing orders do not affect the order backlog, as the addition of the changed order and the deemed cancellation of the amended original order offset each other. For further detail regarding order backlog, please see the relevant discussion in "*Management's Discussion and Analysis of Financial Condition and Results of Operation—Results of Operations*".

(3) Not including interns, graduating students, dormant employees and employees in the exemption phase of partial retirement.

(4) This measure is not a defined financial indicator under IFRS. It should be noted in this context that not all companies calculate the items that are not defined under IFRS in the same manner, and that consequently the measures reported by Heidelberg are not necessarily comparable with similarly described measures employed by other companies.

(5) Please see footnote (7) below for a reconciliation of Normalized EBIT to consolidated net loss/profit. Special items were displayed as below. In special items, expenses are displayed as positive values and income as negative values.

	Financial Year			As of and for the Six Months ended September 30,		As of and for the Twelve Months ended September 30,
	2010/2011	2011/2012	2012/2013	2012	2013	2013
	(audited)	(audited)	(audited)	(unaudited)*	(unaudited)	(unaudited)
	in EUR millions					
Special items[1][2]	−2.2	142.3	64.7	22.3	1.4	43.9

(6) Normalized EBIT margin is calculated as Normalized EBIT divided by net sales.

(7) Heidelberg believes that Normalized EBITDA is a useful indicator of its ability to incur and service its indebtedness and can assist securities analysts, investors and other parties to evaluate Heidelberg's operating performance. Normalized EBITDA and similar measures are used by different companies for differing purposes and are often calculated in ways that reflect the circumstances of these companies. You should exercise caution in comparing Heidelberg's Normalized EBITDA to EBITDA of other companies. Normalized EBITDA as presented here differs from the definition of "*Adjusted EBITDA*" contained in the Conditions of Issue. Please see "*Description of the Notes—Certain Definitions—Adjusted EBITDA*". The following unaudited table reconciles Normalized EBITDA to consolidated net loss/profit for the periods indicated:

	Financial Year			As of and for the Six Months ended September 30,		As of and for the Twelve Months ended September 30,
	2010/2011	2011/2012	2012/2013	2012	2013	2013
	(audited, unless otherwise indicated)			(unaudited)*	(unaudited)	(unaudited)
	in EUR millions					
Consolidated net loss/profit	**−128.9**	**−230.1**	**−109.9**	**−107.9**	**−47.1**	**−56.2**
Taxes on income and earnings	−14.0	0.8	−8.6	−12.3	10.8	13.9
Financial result	−149.0	−89.6	−81.7	−23.4	−27.6	−63.1
Result of operating activities (EBIT)[14]	**6.2**	**−139.8**	**−36.8**	**−96.9**	**−8.7**	**20.8**
Special items[13]	−2.2	142.3	64.7	22.3	1.4	43.9
Normalized EBIT (unaudited)[5]	**3.9**	**2.5**	**27.9**	**−74.5**	**−7.2**	**64.7**
Depreciation and amortization	99.6	87.1	82.9	41.0	38.4	80.4
Normalized EBITDA (unaudited)[7]	**103.5**	**89.6**	**110.9**	**−33.6**	**31.1**	**145.1**

(8) Normalized EBITDA margin is calculated as Normalized EBITDA divided by net sales.

(9) For purposes of the cash flow statement, free cash flow is comprised of cash used in / generated by operating activities and cash used in investing activities.

(10) Net working capital is defined as the sum of inventories and trade receivables less trade payables as well as advance payments on orders. See "*Management's Discussion and Analysis of Financial Condition and Result of Operations—Liquidity and Capital Resources—Net Working Capital*".

(11) Investments do not include additions from finance leases of EUR 5.4 million, EUR 3.7 million and EUR 1.5 million for financial years 2010/2011, 2011/2012 and 2012/2013, respectively.

(12) Net debt is defined as financial liabilities minus cash and cash equivalents.

(13) Special items for the financial years 2012/2013, 2011/2012 and for the first six months in financial years 2013/2014 and 2012/2013 include income and expenses associated with the Focus 2012 program, in particular for personnel adjustments and other structural measures. Special items for the financial year 2010/2011 mainly include income and expenses related to the Heidelberg 2010 program, in particular expenses for personnel adjustments and other structural measures. Expenses are displayed as positive values and income as negative values.

(14) For a reconciliation from net sales to total operating performance or from total operating performance to result of operating activities, please see Heidelberg's consolidated income statement which is included elsewhere in this Offering Memorandum.

* Figures for the six month period ending September 30, 2012 were restated due to first-time adoption of IAS 19 (2011). See also "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Comparability of Financial Information*").

** Figures for the twelve months ended September 30, 2013, have been calculated by adding the unaudited consolidated financial results for the financial year ended March 31, 2013 (restated) and the unaudited consolidated interim financial results for the first six months ended September 30, 2013 and subtracting the unaudited consolidated interim financial results for the first six months ended September 30, 2012. Certain changes in accounting policies (IAS 19 (2011)—see also, "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Comparability of Financial Information*") were being implemented within the financial year 2013/2014. The results for the financial year ended March 31, 2013 have been adjusted retrospectively for the calculation of the twelve month ended September 30, 2013 and therefore deviate from the figures in Heidelberg's audited consolidated financial statements for the financial year ended March 31, 2013.

Pro Forma Information

	As of and for the Twelve Months ended September 30,
	2013**
	in EUR millions (unless otherwise indicated)(unaudited)
Pro forma financial information (unaudited)	
Pro forma cash and cash equivalents[3]	248.6
Pro forma net debt[4]	236.3
Pro forma interest and similar expenses (excluding interest expenses for pensions)[5]	60.3
Ratio of pro forma net debt to Normalized EBITDA[1][2][4]	1.6x
Ratio of pro forma secured debt to Normalized EBITDA[1][2][6]	0.3x
Ratio of Normalized EBITDA to pro forma interest and similar expenses (excluding interest expenses for pensions)[1][2][5]	2.4x

(1) This measure is not a defined financial indicator under IFRS. It should be noted in this context that not all companies calculate the items that are not defined under IFRS in the same manner, and that consequently the measures reported by Heidelberg are not necessarily comparable with similarly described measures employed by other companies.

(2) Heidelberg believes that Normalized EBITDA is a useful indicator of its ability to incur and service its indebtedness and can assist securities analysts, investors and other parties to evaluate Heidelberg's operating performance. Normalized EBITDA and similar measures are used by different companies for differing purposes and are often calculated in ways that reflect the circumstances of these companies. You should exercise caution in comparing Heidelberg's Normalized EBITDA to EBITDA of other companies. Normalized EBITDA as presented here differs from the definition of "*Adjusted EBITDA*" contained in the Conditions of Issue. Please see "*Description of the Notes—Certain Definitions—Adjusted EBITDA*". The table in footnote 7 table above reconciles Normalized EBITDA to consolidated net loss/profit for the periods indicated.

(3) Pro forma cash and cash equivalents is calculated by giving *pro forma* effect to the issuance of the Additional Senior Notes and the application of the proceeds therefrom, including any premium (excluding accrued interest) as set forth in "*Use of Proceeds*", as if they occurred on September 30, 2013.

(4) Pro forma net debt is calculated by giving *pro forma* effect on net debt to the issuance of the Additional Senior Notes and the application of the proceeds therefrom, excluding any premium on the issue price of the Additional Senior Notes and accrued interest, as if they occurred on September 30, 2013.

(5) The company calculated *pro forma* interest and similar expenses (excluding interest expenses for pensions) based on amounts shown in the as adjusted column of the capitalization table (see "*Capitalization*"). The recalculation was performed by taking the Company's unaudited interest and similar expenses for the period and:

- excluding net interest expenses for pensions in an amount of EUR 13.4 million for the period;
- assuming that EUR 51 million of the Additional Senior Notes were issued on October 1, 2012 bearing a coupon of 9.25% resulting in annual interest payments of EUR 4.7 million; and
- assuming that the Convertible Notes (as defined herein) were issued on October 1, 2012 resulting in annual interest payments of EUR 5.1 million.

The resulting *pro forma* interest and similar expenses (excluding interest expenses for pensions) amounts to EUR 60.3 million.

(6) Pro forma secured debt is calculated by giving *pro forma* effect on total secured debt to the issuance of the Additional Senior Notes and the application of the proceeds therefrom, including any premium (excluding accrued interest) as set forth in "*Use of Proceeds*", as if they occurred on September 30, 2013. The Company defines total secured debt as amounts outstanding under the Revolving Credit Facility, real estate leases and certain promissory notes.

Segment Information

The Group divides its business activities into the segments Heidelberg Equipment, Heidelberg Services and Heidelberg Financial Services.

	Heidelberg Equipment		Heidelberg Services		Heidelberg Financial Services	
	For the Six Months ended September 30					
	2012	2013	2012	2013	2012	2013
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	in EUR millions					
External sales	712.3	621.1	499.0	471.3	6.1	4.5
Result of operating activities (segment result)*	−115.5	−49.6	14.2	37.4	4.4	3.6
Investments	36.9	25.1	6.6	5.6	0.0	0.0

* Figures for the six month period ending September 30, 2012 were restated due to first-time adoption of IAS 19 (2011). See also "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Comparability of Financial Information*)".

Geographical Analysis of Net Sales

	Financial Year			For the Six Months ended September 30,		As of and for the Twelve Months ended September 30,
	2010/2011	2011/2012	2012/2013	2012*	2013	2013**
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)	(unaudited)
	in EUR millions					
Europe, Middle East and Africa	1,011.3	952.7	1,010.3	435.7	374.8	949.4
Asia/Pacific	856.3	853.9	897.8	425.5	397.4	869.8
Eastern Europe	299.2	296.4	303.8	141.6	126.3	288.5
North America	300.8	328.6	375.3	156.8	148.7	367.3
South America	161.3	164.0	147.4	57.8	49.5	139.1
Heidelberg Group	**2,628.9**	**2,595.7**	**2,734.6**	**1,217.3**	**1,096.8**	**2,614.1**

See "*Presentation of Financial Information*" for more information regarding certain limitations in the comparability of the above data.

* Figures for the six month period ending September 30, 2012 were restated due to first-time adoption of IAS 19 (2011). See also "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Comparability of Financial Information*)".

** Figures for the twelve months ended September 30, 2013, have been calculated by adding the unaudited consolidated financial results for the financial year ended March 31, 2013 (restated) and the unaudited consolidated interim financial results for the first six months ended September 30, 2013 and subtracting the unaudited consolidated interim financial results for the first six months ended September 30, 2012. Certain changes in accounting policies (IAS 19 (2011) were being implemented within the financial year 2013/2014. The results for the financial year ended March 31, 2013 have been adjusted retrospectively for the calculation of the twelve month ended September 30, 2013 and therefore deviate from the figures in Heidelberg's audited consolidated financial statements for the financial year ended March 31, 2013. See also "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Comparability of Financial Information*".

SUMMARY OF THE OFFERING

*The summary below describes the principal terms and conditions ("**Conditions of Issue**") of the Additional Senior Notes and the Subsidiary Guarantees. Certain of the terms and conditions described below are subject to important limitations and exceptions. The "Description of the Notes" section of this Offering Memorandum contains a more detailed description of the Conditions of Issue, including the definitions of certain terms used in this summary.*

Issuer..	Heidelberger Druckmaschinen Aktiengesellschaft.
Subsidiary Guarantors..................	The Issuer's obligations under the Additional Senior Notes will be guaranteed on a senior basis by each subsidiary of the Issuer that is a guarantor under the Revolving Credit Facility and the Contemplated 2015 Amended Revolving Credit Facility. The Subsidiary Guarantors initially include certain subsidiaries of the Issuer organized under the laws of Germany, Austria, Canada, Denmark, The Netherlands, France, Hong Kong SAR, Japan, England and Wales, and the State of Delaware in the United States. The Subsidiary Guarantees will be subject to contractual and legal limitations, including under German law, and may be released under certain circumstances. See "*Certain Insolvency Law Considerations and Certain Local Law Considerations on Limitations on Subsidiary Guarantees*".
Additional Senior Notes Offered ..	EUR 51 million aggregate principal amount of 9.25% senior notes due 2018. The Additional Senior Notes sold pursuant to Regulation S will have different international securities identification numbers and common codes than, and will not trade fungibly with, the Original Notes during the period prior to and including the 40th day following the date upon which the Additional Senior Notes will be issued. After the 40th day following the date of delivery of the Notes, certain selling restrictions with respect to the Additional Senior Notes sold pursuant to Regulation S will terminate and the Additional Senior Notes will become fully fungible with, and have the same international securities identification numbers and common codes as, the Original Notes.
Issue Date..	On or about December 17, 2013.
Issue Price.......................................	105.75%.
Maturity Date................................	April 15, 2018.
Denominations................................	Each Additional Senior Note will have a minimum denomination of EUR 1,000. The Additional Senior Notes are only transferable in minimum aggregate principal amounts of EUR 50,000 and any integral multiples of EUR 1,000 in excess thereof.
Interest..	The Additional Senior Notes will bear interest from and including the Issue Date at a rate of 9.25% per annum, payable semi-annually in arrears on April 15 and October 15 of each year commencing on April 15, 2014.
Ranking of the Notes and Subsidiary Guarantees	The obligations under the Additional Senior Notes will constitute senior obligations of the Issuer ranking *pari passu* in right of payment with all other senior obligations of the Issuer (unless such obligations are accorded priority under mandatory provisions of statutory law), will be structurally subordinated to all existing and future obligations of the subsidiaries of the Issuer that do not guarantee the Notes and will be effectively subordinated to any of the Issuer's existing and future indebtedness that is secured to the extent of the value of the assets securing such indebtedness. The Subsidiary Guarantees will be full and unconditional senior guarantees with respect to the amount guaranteed. The obligations under the Subsidiary Guarantees will constitute senior obligations of each Subsidiary Guarantor ranking *pari passu* in right of payment with all other senior obligations of such Subsidiary Guarantor (unless such obligations are accorded priority under mandatory provisions of statutory law), will be structurally subordinated to all existing and future obligations of the subsidiaries of such Subsidiary Guarantor and will be effectively subordinated to any of such Subsidiary Guarantor's existing and future indebtedness that is secured to the extent of the value of the assets securing such indebtedness. In order to ensure that the Subsidiary Guarantors comply with applicable capital maintenance, fraudulent conveyance, corporate benefit and similar laws, either the amount of the relevant Subsidiary Guarantees is limited to the maximum amount that can be guaranteed without these laws being violated or the relevant Subsidiary Guarantees contain language limiting their enforceability. See "*Risk Factors—Risks Relating to the Subsidiary Guarantees—The Subsidiary Guarantees may be limited by applicable laws or subject to certain defenses*" that

	may limit their validity and enforceability and "*Certain Insolvency Law Considerations and Certain Local Law Considerations on Limitations on Subsidiary Guarantees*". In certain instances Subsidiary Guarantees will be automatically and unconditionally released and discharged. As of September 30, 2013, on a pro forma basis after giving effect to the issuance of the Additional Senior Notes offered hereby, Heidelberg would have had EUR 484.9 million of financial liabilities outstanding and approximately EUR 35 million outstanding as non-cash utilizations under the Revolving Credit Facility relating to the Company's ancillary facility and bank guarantees. As of September 30, 2013, the Issuer's non-guarantor subsidiaries had EUR 81.5 million of financial liabilities, including trade payables but excluding intercompany obligations, all of which would have ranked structurally senior to the Notes.
Optional Redemption	Prior to April 15, 2014, the Issuer will be entitled at its option to redeem all or a portion of the Notes at a redemption price equal to 100% of the principal amount of the Notes plus the applicable "make-whole" premium described in this Offering Memorandum and accrued and unpaid interest to the redemption date. On or after April 15, 2014, the Issuer will be entitled at its option to redeem all or a portion of the Notes at the redemption prices set forth under the caption "*Description of the Notes—Optional Redemption*" plus accrued and unpaid interest to the redemption date.
Additional Amounts.......................	All amounts payable in respect of the Notes or any Subsidiary Guarantee shall be made without withholding or deduction for or on account of any present or future taxes or duties, levies imposts, assessments or other charges of whatsoever nature imposed by or on behalf or levied by or on behalf of the Relevant Tax Jurisdiction in respect of the Issuer or any such Subsidiary Guarantor, unless such withholding or deduction is required by law. In such event, the Issuer or any such Subsidiary Guarantor, as applicable, will, subject to the exceptions set out in the Conditions of Issue and in the relevant Subsidiary Guarantee, respectively, pay such additional amounts as shall be necessary in order that the net amounts received by the Clearing System on behalf of the Holders after such withholding or deduction shall equal the respective amounts which would have been receivable in respect of the relevant Notes in the absence of such withholding or deduction. For further information refer to "*Description of the Notes—Payment of Additional Amounts*".
Tax Redemption............................	If certain changes in the law of any Relevant Tax Jurisdiction become effective after the issuance of the Notes that would impose withholding taxes or other deductions on the payments on the Notes, the Issuer may redeem the Notes in whole, but not in part, at any time, at a redemption price of 100% of the principal amount, plus accrued and unpaid interest, if any, and additional amounts, if any, to the date of redemption. See "*Description of the Notes—Optional Redemption—Redemption for Taxation Reasons*".
Change of Control..........................	If the Issuer experiences a change of control, it will be required to offer to repurchase the Notes at 101% of their aggregate principal amount plus accrued interest to the date of such repurchase. See "*Description of the Notes—Repurchase at the Option of Holders under a Change of Control*".
Certain Covenants	The Conditions of Issue will limit, among other things, the ability of the Issuer and its restricted subsidiaries to: • incur or guarantee additional indebtedness and issue certain preferred stock; • pay dividends on, redeem or repurchase the capital stock; • make certain restricted payments and investments; • create or incur liens; • impose restrictions on the ability of the Issuer's subsidiaries to pay dividends or make other payments to the Issuer or any restricted subsidiary; • transfer or sell assets; • enter into transactions with affiliates; • merge or consolidate with other entities; and • incur or guarantee additional indebtedness and issue certain preferred stock. Each of the covenants is subject to a number of important exceptions and qualifications. See "*Description of the Notes—Certain Covenants*".
Holders' Representative................	Deutsche Bank Aktiengesellschaft.
Transfer Agent...............................	Deutsche Bank Aktiengesellschaft.
Paying Agent	Deutsche Bank Aktiengesellschaft.
Transfer Restrictions.....................	Neither the Notes nor the Subsidiary Guarantees have been or will be registered under the Prospectus Directive or the U.S. Securities Act. The Notes may not be

offered or sold, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. The Notes are subject to restrictions on transfer. Furthermore, the Notes have not been registered under any other country's securities laws. See "*Notice to Investors*" and "*Subscription and Sale of the Notes—Selling and Transfer Restrictions*".

Resolutions of Holders .... In accordance with the German Act on Debt Securities of 2009 (*Schuldverschreibungsgesetz*), the Conditions of Issue contain provisions pursuant to which the Holders of the Notes may consent by resolution to amendments proposed by the Issuer in respect of the Conditions of Issue relating to the Notes and to decide upon certain other matters regarding the Notes including, without limitation, the removal of the Holders' Representative or the appointment or removal of a successor Holders' Representative. Resolutions of Holders properly adopted are binding upon all Holders. As set out in the Conditions of Issue, resolutions providing for certain material amendments, including any change to the maturity dates, the principal amount repayable on the Notes, or the due date for payment of interest or the rate of interest, to the Conditions of Issue require a majority of not less than 90% of the votes cast. Amendments regarding the form, custody and clearing, and transferability of the Notes, the book-entry register, payment conditions and the enforcement of rights require approval of 100% of the Holders. Resolutions regarding other amendments are passed by a simple majority of the votes cast, all as more fully set out in the Conditions of Issue.

Absence of a Public Market for the Notes .... The Additional Senior Notes will be new securities for which there is currently no active market and there is no assurance that a liquid market for the Additional Senior Notes will develop or be maintained. Although the Managers have informed the Company that they intend to make a market in the Additional Senior Notes, they are not obligated to do so and they may discontinue marketmaking at any time without notice.

Admission to the Official List and to Trading .... Application has been made to list the Additional Senior Notes on the official list of the Luxembourg Stock Exchange and to admit the Additional Senior Notes for trading on the Euro MTF market.

Governing Law of the Notes and the Subsidiary Guarantees .... The Notes and the Subsidiary Guarantees are governed by German law.

Use of Proceeds .... The Company expects to use the net proceeds from the offering of the Additional Senior Notes for general corporate purposes of the Heidelberg Group. See "*Use of Proceeds*" for details.

Tax Consequences .... Holders should consult their own tax advisors to determine the U.S. and non U.S. tax consequences of an Investment in the Notes.

Risk Factors .... Investing in the Additional Senior Notes involves substantial risks. You should consider carefully all the information in this Offering Memorandum, and, in particular, you should evaluate the specific risk factors set forth in the "*Risk Factors*" section in this Offering Memorandum before making a decision whether to invest in the Additional Senior Notes.

RISK FACTORS

An investment in the Additional Senior Notes to be issued in this offering involves a high degree of risk. In addition to the other information contained in this Offering Memorandum, you should carefully consider the following risk factors before purchasing the Additional Senior Notes. The risks and uncertainties described below are not the only ones Heidelberg faces. Additional risks and uncertainties of which Heidelberg is not aware or that it currently believes are immaterial may also adversely affect its business, financial condition or results of operations. If any of the possible events described below occurs, Heidelberg's business, financial condition or results of operation could be materially and adversely affected. If that happens, the Issuer may not be able to pay interest or principal on the Additional Senior Notes when due and you could lose all or part of your investment.

This Offering Memorandum also contains forward-looking statements that involve risks and uncertainties. Heidelberg's actual results may differ materially from those anticipated in the forward-looking statements as a result of various factors, including the risks described below and elsewhere in this Offering Memorandum.

Market-related Risks

Heidelberg is dependent on the general economic environment, the cyclicality of the print media industry in general, and on markets for printing presses in particular.

The printing press industry is highly cyclical by nature. As a manufacturer of printing presses and a provider of related products and services, the Heidelberg Group is dependent on the general economic environment, as well as the cyclical nature of the print media industry in general, and on the market for printing presses in particular. Printing press manufacturers are particularly affected by economic slumps due to factors such as their dependency on the advertising sector. When the economy is weak, expenditures on advertising campaigns also tends to be cut back, particularly expenditures on print advertising. Such decline in print advertising expenditures and the fact that printing presses are capital goods that do not usually have to be replaced at regular or scheduled intervals contribute to a sharp decline in investments by print shops which tend to put off the acquisition of new printing presses. Consequently, general economic trends that influence the demand for printed products have a direct impact on the demand for printing presses. This trend was particularly noticeable in the years 2001 to 2003, and more recently to a significant extent in the years 2008 to 2010 on a global level. As a further example, in the years 2012 and 2013 this trend began affecting the Brazilian market as a result of that country's continued economic instability.

The production figures for printing presses and thus the capacity utilization are still well below the figures reported before the financial and economic crisis that started in 2008. In Germany the trend of stagnating sales persists for all formats and also affects postpress. One of the main reasons for this is the continued under-utilization of capacity of some of Heidelberg's customers in the industrialized world, which in turn limits their need for investment. This situation has improved slightly in the industrialized world, as their countries' economies have recently seen improvement. However, there is still uncertainty around the world as to how the global economy will fare in the future, particularly due to the fast-growing levels of sovereign debt, continuing unemployment, political crisis, natural catastrophes and lending policies that continue to be restrictive especially for Heidelberg's customers, i.e. smaller print shops. Even if the global economy recovers as a whole and sustainably, there is no guarantee that it will be experienced in the printing press industry as in other sectors. If there is another severe economic downturn or no further sustainable economic recovery at all in all or even some of the Heidelberg Group's key sales markets, sales volume, sales, achievable margins and results, among others, may fall substantially.

As a general rule, margin pressure for new equipment is higher when capacity utilization of existing equipment is low. Furthermore, present and future lending restrictions on the financial markets and the general economic situation in some or all of Heidelberg's markets could have a negative impact on the economic situation of customers, which could lead to delays in or default on the repayment of receivables or sales financing. If a sustainable macroeconomic recovery fails to materialize, or if there is yet another economic downturn, it is also possible that inventory levels will build up to a greater extent than planned, and this may tie up capital to an undesirable extent. Heidelberg's strong dependency on economic conditions may also mean that Heidelberg's net sales, and consequently its result, may decline considerably in the event of severe economic fluctuations. By contrast, cost reductions intended to offset declining sales can only be implemented with a certain delay due to Heidelberg's high share of fixed costs. In addition, it may be more difficult for Heidelberg to implement further cost savings given the level of the recent cost reduction measures that have already been implemented. Further cost reduction may require substantial demand adjustments in Heidelberg's capacity, which could put Heidelberg in a difficult competitive position and mean reduced sales even if the economy recovers.

The occurrence of one or more of these factors may have a material adverse effect on Heidelberg's business and its net assets, financial condition and results of operations.

Heidelberg is particularly dependent on the general economic conditions for medium-sized print shops.

The prepress, press and postpress equipment manufactured and sold worldwide by Heidelberg and the related services and consumables provided by Heidelberg are to a large extent used in small or medium-sized print shops with up to 50 employees, customers that particularly depend on the general economic environment. The willingness of print shops to invest in equipment and services is usually much lower when the economic climate is generally weak or there is uncertainty or nervousness about future economic developments. In the context of the recent global financial and economic crisis, the willingness of financial institutions to finance printing presses is still lower than before the crisis, limiting Heidelberg's customers' access to credit. Consequently, print shops may delay their decisions to purchase new printing presses. In addition, lower print volumes in a weakened economic environment may negatively impact the demand for services, service parts and consumables in particular. Printing companies are also increasingly investing in software and additional services, and this can reduce the funds available to invest in printing presses. A low motivation to invest can expose printing press manufacturers such as Heidelberg to excess capacity or a decreasing capacity utilization, which increases competitive and pricing pressure on printing press manufacturers and may therefore have a material adverse effect on Heidelberg's business and its financial condition and results of operations.

Heidelberg faces intense competition and its competitive position may deteriorate.

The markets in which Heidelberg operates are characterized by intense competition. Heidelberg competes with other businesses worldwide which develop, manufacture and sell products and services relating to printing presses and the areas of prepress and postpress. The key competitive factors include, in particular, the reliability of the presses, the brand image, the range of products and services, product performance (capacity, make-ready times, profitability), lifespan, prices, speed of delivery and assembly, quality, the service network, customer service, environmentally friendly manufacturing and operating practices, software solutions, management information systems ("**MIS**") and the range of applications available. Heidelberg's competitive environment could create pricing pressure which has affected Heidelberg's sales margins in the past and could continue to do so in the future.

The production capacity of many of Heidelberg's customers currently exceeds demand, which is attributable to factors such as the increasing productivity of technologically more sophisticated printing presses, and which has a corresponding negative impact on demand for new printing presses and hence margins. In very competitive markets, printing press sales are promoted in particular by way of pricing discounts. The Company believes that continual investment in research and development, production and the sales network is required in order to maintain Heidelberg's competitive position. In certain circumstances the Heidelberg Group may not have sufficient resources to be able to make the investments necessary to assert itself on the market. The Company's competitors may have greater resources for investment in research and development, production or sales, or may manufacture more innovative products than Heidelberg, and may adapt to customers' changing needs more quickly, or spend more on the marketing of their products than Heidelberg does. This could impact the Heidelberg Group's market position. If competitors succeed in establishing a more effective sales network than that of Heidelberg, Heidelberg may lose market share. As a result of technological convergence or the ability to substitute one printing technology for another there is also the potential for other technologies such as digital printing (where Heidelberg has only taken initial steps to establish a presence) to "squeeze out" printing technologies traditionally used to generate printed products. The market trend toward shorter print jobs, which use digital rather than more traditional SFO technology, may also put further competitive pressure on the Company.

Furthermore, Asian low cost manufacturers are pushing to enter the printing press market, particularly in emerging markets, offering printing presses with a relatively low level of automation and electronic complexity. It is possible that these and other manufacturers will also close the gap in the market for high-end printing presses in the medium to long term.

Heidelberg was a late entrant in the Very Large Format ("**VLF**") and postpress packaging market and therefore faces strong competition. If Heidelberg does not succeed in gaining further profitable market share, its investments might not pay off and profitability might be affected.

The occurrence of one or more of these factors may have a material adverse effect on Heidelberg's business and its net assets, financial condition and results of operations.

Heidelberg faces risks associated with the market consolidation of manufacturers and providers of printing presses and their customers.

Heidelberg's competitors and customers in the print media industry have experienced adverse effects on their financial condition and results of operations as a result of the recent global financial and economic crisis. This has lead to an increasing tendency towards consolidation among its customers and competitors. In particular, an increasing number of insolvencies of customers of Heidelberg could lead to a saturation of the market with used machines and could result

in stagnation in the demand for new equipment. Heidelberg expects that this trend will continue and assumes that such consolidation could have long lasting ramifications on the market for printing press manufacturers. In this context, competitors may, if they consolidate, enter markets whose barriers of entry were too high prior to the merger or which were not considered attractive prior to the merger. The aforementioned developments could, in particular, result in increased pricing pressure and competition of remaining industry participants.

It is possible that consolidation of printing press manufacturers would be detrimental to Heidelberg. For example, the Company's competitors may end up with greater resources as a result of consolidation. According to the Company's estimation, as a large or the largest market player in the Company's key markets in terms of sales, Heidelberg may not be able to actively participate in the market consolidation due to structural or legal restrictions. If Heidelberg took part in any market consolidation, there is no guarantee that it would be able to do so on the conditions it desired, or that any such consolidation would result in the success it intended. Consolidation in the printing press industry could also result in a loss of customers.

As a result of the global financial and economic crisis Heidelberg's customers have experienced excess capacity or the under-utilization of capacity and a trend towards concentration can be observed among the Heidelberg Group's customers around the world. According to the observation of the Company, the number of print shops in industrialized nations has fallen sharply since the year 2000, and the market power of the major industrial scale operators has increased. If the global economy remains fragile, or there is another economic downturn, it cannot be ruled out that more of Heidelberg's customers will consolidate, which would result in uncertainty as to whether and how Heidelberg can retain its positioning with such customers. Fewer customers will lead to a more concentrated market and consolidation among customers may be detrimental to Heidelberg if these customers then reduce their printing press inventory or expand their printing press inventory by sourcing products from Heidelberg's competitors.

The occurrence of one or more of these factors may have a material adverse effect on Heidelberg's business and its net assets, financial condition and results of operations.

The increasing digitalization and Internet-based dissemination of information adversely affects the demand for printed products and printing presses.

The increasing level of Internet usage for the purpose of exchanging knowledge and information and for target group specific advertising has in some aspects replaced the print media (e.g., newspapers and magazines). Advertising expenditure also is being shifted to the Internet at the expense of the print media, which may lead to a decline in the demand for printed products. An increasing number of books, newspapers and other materials are provided in digital form, and are increasingly being read in electronic form, which may also adversely affect the demand for printed products. To a large extent a supersession of printed products in the case of encyclopedias, dictionaries and telephone books by electronic media has already taken place. The Internet is gaining market share at the expense of newspapers and magazines in the area of advertising as well. Reduced demand for printed products has a detrimental effect on the demand for printing presses and may adversely affect the Heidelberg Group's business prospects, particularly in the area of commercial printing while the packaging printing sector is currently less threatened by the substitution of alternative technologies. Moreover, even the perception that digital printing and the Internet may replace print media may adversely affect Heidelberg's sales, as customers such as package commercial printers may be reluctant to invest in new traditional printing equipment. Such substitution effects may have a material adverse effect on Heidelberg's business and its financial condition and results of operations.

Business-related Risks

Heidelberg's profitability and cash flows in the future could be reduced by two industry trends: higher efficiency and productivity of printing presses which may result in lower demand in the industrialized countries and an increased demand for lower margin standardized printing presses in the emerging markets.

The printing equipment market is driven by innovation and competitive pressure which results in improved printing presses with increasing efficiency, productivity and reliability. As new printing presses can print more in shorter time than earlier models, customers need fewer machines and keep them running for a longer time. This leads to a reduced demand for printing equipment which is partly offset by higher prices of the improved presses. The demand for high quality multifunctional printing presses is strongest in industrialized countries. In these countries total printing volume has been reduced by online substitution of printed advertisement. Both trends, the higher efficiency of the printing presses and the stagnating printing volume, will reduce the overall demand for printing equipment in industrialized countries. Print production volume is increasing in emerging markets, which results in demand for printing equipment, however, customers' demand in these countries is more directed to rather standardized products with a relatively low level of automation and electronic complexity and hence lower margins. Overall these trends lead to a change of the product mix. The total sold units will contain a higher share of standardized products. At the same time, Heidelberg expects market demand for small format size printing presses will continue to decrease, while the larger

format classes will further increase in importance. In this respect, Heidelberg has recently announced that it will be phasing out the production and sale of its small format sheetfed printing product, GTO. The shift to the larger and very large format is reflected in Heidelberg's strategy to focus its innovation on these two format classes.

If Heidelberg does not succeed to offset the lower numbers of high tech printing presses sold in industrialized countries by increasing margins or by selling more of these machines in emerging markets and to lower production cost of standardized printing presses, in particular by shifting production to low cost countries, the profitability and cash flows of Heidelberg may suffer.

Heidelberg's strategy may not succeed.

Heidelberg believes that the demand for packaging printing will develop more positively and less cyclically than commercial printing that is largely driven by advertising budgets. Also, in Heidelberg's experience, during phases of economic weakness, the demand for services, spare parts and consumables is comparatively more stable than the demand for new printing presses. Therefore, Heidelberg's corporate strategy is geared, *inter alia*, towards the expansion into the less cyclical market of packaging printing and the further development of other, more defensive services, spare parts and consumables business. It is possible that Heidelberg's assessment proves to be incorrect and that Heidelberg's strategic focus therefore fails and in particular does not result in the desired greater independence of Heidelberg's business activities from market and economic cycles.

Furthermore, Heidelberg is assuming that the demand for its products in certain emerging markets, such as China and, Southeast Asia will continue to increase during times of accelerated growth in these countries. Although the economic situation in Brazil has curbed Heidelberg's customers' investments and led to a substantial downturn in orders since 2012, Heidelberg assumes that demand for its products and services will increase in Brazil when its economic situation improves. Heidelberg assumes that the demand for its products in certain emerging markets will partially offset more moderate growth in industrialized nations. This assumption is based on the expectation that the living standard of end-consumers in the emerging markets will continue to rise, leading to an increased demand for printed products. Moreover, Heidelberg expects that design and quality of printing products in emerging markets will move closer to the standard of printing products in the industrialized nations. In view of the business potential resulting from these factors, Heidelberg intends, *inter alia*, to continue its current expansion strategy in those countries identified as growth markets by the Company. In this context, there is, first and foremost, the risk that the demand for printing products in the Heidelberg Group's growth markets is satisfied, *inter alia*, by international competitors or domestic suppliers, who may be able to benefit from better production or sales opportunities due to superior knowledge of local conditions and markets and may offer lower prices, possibly because of currency fluctuations or import duties that are not levied on domestic suppliers. Moreover, the economic development and thus the demand for printing presses in these growth markets could take an unexpected downturn. This may result in Heidelberg generating lower sales in those growth markets than planned. Finally, it is possible that the growth of print media products in the emerging markets slows down as a consequence of the increasing availability of electronic media in those countries.

If one or more of these factors were to materialize, this could materially adversely affect Heidelberg's business and its net assets, financial condition and results of operations.

The Heidelberg Group's cost optimization and restructuring programs have been implemented but may not be sufficient or sustainably achieved or may harm Heidelberg's business and growth plans.

In response to the global financial and economic crisis and the resulting market downturn Heidelberg adopted the "Heidelberg 2010", "2010 Stabilize-Focus- Transform (SFT)" (*Stabilisieren-Fokussieren-Transformieren (SFT)*), and the Focus 2012 efficiency improvement and cost optimization programs which resulted in various modifications to its organizational structure, including a significant adjustment of Human Resources capacities, the reduction of administrative functions and thus also the reduction of structural costs.

The level of any cost savings Heidelberg may realize cannot be predicted with certainty. In addition, any cost savings achieved through these programs and any future cost-reduction and optimization programs may not be sustainable and may not be sufficient (in conjunction with other effects intended by these programs, such as the possible generation of profits at a lower sales level) to effectively counter any negative current or future developments. For instance, the Heidelberg Group will remain dependent on the general economic environment, as well as the cyclical nature of the print media industry in general and on the market for printing presses in particular, and thus vulnerable to cyclical fluctuations. Any negative effects for Heidelberg resulting therefrom cannot be predicted. Free cash flow will be negatively affected due to expenditures related to the Focus 2012 program and its re-sharpening component in financial year 2013/2014 and 2014/2015. Furthermore, Heidelberg's business is associated with relatively high fixed costs. In the event of a drop in sales, as experienced in the past five financial years, the Company may therefore prove unable to lower its costs on a pro-rata basis and in a timely manner. Should this trend continue, the current restructuring measures, in particular the Focus 2012 and its re-sharpening component, might not be sufficient.

Moreover, in connection with the reduction of production capacities and work force, Heidelberg is also exposed to the risk that it may not be able to respond to a surging demand in printing presses or accessories in a timely manner should the market conditions improve quicker and more effectively than expected for example. Furthermore, while any such cost-reduction and optimization programs may result in cost savings, they may also lead to a loss in vital expertise (including the loss of key employees) and the need to restructure processes and workflows. Such programs can include reduced working hours, out-placements and compulsory leaves and may also negatively impact staff morale and otherwise prove disruptive to the business. This could lead to a competitive disadvantage for Heidelberg.

If one or more of these factors were to materialize, this could materially adversely affect Heidelberg's business and its net assets, financial condition and results of operations.

Due to the international nature of its business, Heidelberg is exposed to political, economic and legal risks, primarily in emerging markets.

Heidelberg manufactures products of its Heidelberg Equipment segment in a variety of countries, such as Germany, the United States, Slovakia and China, and offers products and services worldwide. Heidelberg plans to further expand its international activities in various regions, primarily in China and certain other emerging markets. In a number of countries in which the Heidelberg Group manufactures or sells products or provides services, the underlying conditions differ significantly from those in Western Europe, and there is less economic, political, social and/or legal stability. This is particularly true of countries in Asia and Eastern Europe, which the Heidelberg Group has specifically identified as growth markets for its products. Some of these countries have a history of recurring political and economic crises. Furthermore, an unstable political situation in the North Africa and Middle East markets or the impact of major natural disasters may have a significant negative impact on Heidelberg's business, particularly if this situation stops or at least delays the recovery of the global economy. For this reason Heidelberg is exposed to a series of uncertainties beyond its control which can have a material adverse effect on its business and its growth opportunities in these countries. Such uncertainties include, but are not limited to, a lack of economic, political, social and legal stability, foreign exchange controls, restrictions on or taxation of transfers of capital, restrictions and customs duties on imports and exports and other regulatory restrictions. Any deterioration of the underlying conditions in such countries may have a material adverse effect on the Heidelberg Group's financial condition and results of operations. In some cases Heidelberg has taken out insurance to cover certain political and economic risks in selected countries, and such policies are intended to insure against customer default. In some countries it is generally not possible to obtain insurance for such risks. Even in the countries where the relevant insurance exists, there is no guarantee that the payments due upon occurrence of the insured event will actually cover the losses sustained.

In China (a market which has become the most important market to Heidelberg) and in other regions, government initiatives (e.g., government investments and stimulating economic programs for certain industrial technologies) to alleviate the effects of the global financial and economic crisis from which Heidelberg has also directly or indirectly benefited may also end or be downsized.

Due to its export activities and sales structure with its own sales and service representatives in various countries, Heidelberg is also dependent on the import regulations applicable in those countries, particularly customs duties; this puts Heidelberg at a disadvantage relative to local competitors. If such import regulations become more stringent, Heidelberg may be able to continue exporting to the relevant country or maintain its sales presence there only on less favorable conditions or at an increased cost or, in extreme cases, may not be able to do so at all. Also stricter export control laws and related sanctions may restrict Heidelberg's export activities in certain markets.

The occurrence of one or more of these factors may have a material adverse effect on Heidelberg's business and its net assets, financial condition and results of operations.

The availability and price of raw materials and energy are subject to fluctuation and prices may rise.

Heidelberg and its suppliers need raw materials, particularly steel, cast iron and aluminum, as well as energy for their production. The direct and indirect cost of materials constitutes a substantial portion of the Heidelberg Group's total expenses. Changes in the prices of raw materials and energy therefore have a significant impact on the Heidelberg Group's production costs. The tariffs for electricity in Germany have increased substantially over the past years, in particular due to the surcharges under the Renewable Energy Sources Act (*Erneuerbare-Energien-Gesetz, EEG*) providing for guaranteed minimum prices for electricity generated from renewable sources. While Heidelberg was released from paying such surcharges in 2012, for 2013 such release has not been renewed by the responsible authority, directly affecting in particular Heidelberg's site in Amstetten, Germany, with its electricity intensive foundry. Further, the prices of raw materials, particularly metals, are subject to fluctuations which may be substantial. The Company observes that the improvement of the economic climate has led to rising prices of raw materials and energy, however, the Company has adequately anticipated this development. For this reason Heidelberg has entered into long-term supply agreements with certain suppliers in an attempt to make the supply of scarce goods more secure. Nevertheless, a general

economic recovery in key markets and the associated increase in demand for raw materials and energy may lead to shortages in raw materials and energy essential for Heidelberg's production, and cause the price of these and other raw materials and energy to rise further, in turn increasing the cost of manufacturing final products, service parts and components.

Heidelberg has entered into master agreements with key suppliers, which usually require prices to be renegotiated on a regular basis or which contain price escalation clauses. However, the prices of raw materials, particularly metals, and energy are volatile and have increased in large part due to various political, economic and geographic reasons, such as unrest in Syria and the energy turnaround (*Energiewende*) in Germany following the Fukushima nuclear catastrophe. Any further increase in prices could prompt suppliers to attempt to renegotiate agreed prices. Under the numerous contracts containing price escalation clauses, the price of the components supplied to Heidelberg is automatically increased when the prices of raw materials or energy increase. Heidelberg endeavours to pass on price rises to its customers. However, to the extent that this is not possible (for example because most agreements between the Heidelberg Group and its customers do not contain price escalation clauses), increases in the price of raw materials and energy may increase Heidelberg's production costs, without compensation through higher sale prices.

Heidelberg's print shop customers need consumables in order to manufacture printed products. Consumables include, in particular, paper and inks, which have also been subject to price fluctuations in the past. If the consumables required by print shops become more expensive, this may lead to an increase in the price of printed products, and thus to a decrease in demand for printed products, or it may negatively affect the profitability of print shops, which in turn may negatively affect the demand for printing presses.

The occurrence of one or more of these factors may have a material adverse effect on Heidelberg's business and its net assets, financial condition and results of operations.

Due to the international nature of its business, Heidelberg is subject to risks from exchange rate fluctuations.

Heidelberg operates in over 170 countries globally and generates a significant portion of its net sales in currencies other than the euro (73.7% in financial year 2012/2013), particularly in U.S. dollars, Japanese yen, Chinese renminbi, Swiss francs and British pounds. By contrast, Heidelberg's procurement and production costs are primarily denominated in euros, and only in part in other currencies (approximately 10-15% in financial year 2012/2013). Expenses and net sales in the respective currencies rarely correspond in any one reporting period. An unfavorable exchange rate trend for these currencies may lead to a difference between the values calculated on a euro basis for the service rendered and of the consideration received (so-called transaction risk). Any change in the euro relative to other currencies can therefore have a negative impact on the net sales and cash flows reported in euros, and thus on Heidelberg's reported result.

Heidelberg endeavours to reduce currency risks associated with specific contracts and with revenue streams expected in the future by way of matching hedging transactions such as forward exchange transactions and currency options. These hedging transactions reflect the current market situation at the time the respective transactions are concluded. Due to factors such as short term changes in the order backlog in a certain currency, there is no guarantee that currency risks can always be covered by matching hedges. Hedging transactions and changes in market value can, if exchange rates change unfavorably, also trigger substantial costs in certain circumstances, for example if the underlying event hedged does not occur as planned. All in all, Heidelberg's strategies to hedge exchange rate fluctuations may be unsuccessful for various reasons or prove inadequate. In addition, hedging measures may not be effective against a permanent increase in the value of the euro relative to other currencies such as the U.S. dollar or the Japanese yen; rather their effect is limited to their respective term. Moreover, market disturbances might occur that would make the contracting of hedging instruments impossible.

Various subsidiaries of the Heidelberg Group prepare their financial statements in currencies other than the euro. These financial statements are translated into euros for the preparation of Heidelberg's consolidated financial statements. This conversion may also lead to negative effects in the consolidated financial statements of Heidelberg (so-called translation risk). If, for example, the U.S. dollar falls against the euro, a constant sales volume in U.S. dollars would translate into lower net sales when expressed in euros. Similarly, a U.S. sales subsidiary would contribute less to consolidated profit even though its profits in U.S. dollars had remained the same. Currency translation had the following effects on group equity: positive EUR 4.3 million for financial year 2010/2011, positive EUR 35.4 million for financial year 2011/2012 and positive EUR 10.8 million for financial year 2012/2013 (for the first six months for financial year 2013/2014: negative EUR 23.0 million).

The occurrence of one or more of these factors may have a material adverse effect on Heidelberg's business and its net assets, financial condition and results of operations.

Weaker foreign currencies result in a currency-related competitive disadvantage.

Due to its strong dependence on the euro zone and the euro, if exchange rates change unfavorably, Heidelberg will be able to offer its products to customers outside the euro zone only at comparatively higher prices or with a reduced margin. If the euro is strong relative to the currencies of other countries in which Heidelberg's customers are located, this may have a material adverse effect on the willingness of such customers to invest, and also adversely affect their ability to make payments in euros. This may lead to, *inter alia*, a decline in orders, lower margins and lower profits for Heidelberg.

Heidelberg also has competitors outside the euro zone. In the past, the weakness of the euro relative to the Japanese yen has given rise to exchange rate-based disadvantages for Japanese competitors. The value of the euro against the Japanese yen has changed favorably for these competitors over the past ten months, however Heidelberg is unable to make any statement about future developments as far as exchange rates are concerned.

In good economic times, Heidelberg is more likely to be able to insist on euro prices for its products and services, even if the euro is relatively strong. However, this is considerably more difficult in weak economic times, so that a relatively strong euro, as is currently the case, can have an even stronger negative impact on Heidelberg.

The occurrence of one or more of these factors may have a material adverse effect on Heidelberg's business and its net assets, financial condition and results of operations.

The failure of or any delay in research and development initiatives may impair Heidelberg's competitiveness.

The development of the market for printing products is significantly impacted by technological change. The continuous change in the requirements of Heidelberg's print shop customers results in new technological necessities. The Heidelberg Group's business success largely depends on its ability to continue to offer, in a timely manner, innovative and state-of-the-art products that cater to the needs of its customers. Most importantly, the Heidelberg Group's products must be reliable, must enable the automation of workflows, and thus productivity increases, and must be environmentally friendly. Likewise, they must offer a high level of differentiation in coating technologies for printing products.

The Company believes that continual investment in research and development is required in order to build or maintain a promising competitive position. In certain circumstances, Heidelberg might not have sufficient resources to make the investments necessary to assert itself on the market. Heidelberg's competitors may manufacture more innovative products than Heidelberg and may, in certain circumstances, adapt to customers' changing needs or technological change more quickly than the Heidelberg Group. Competitors may be able to develop their current products and technologies more quickly or better compared to Heidelberg's development of its products and technologies. Competitors may also be able to launch alternative products or technologies onto the market that are less expensive, of higher quality, more functional or for other reasons more competitive than those of the Heidelberg Group. These factors could jeopardize the Heidelberg Group's market position.

In the past, Heidelberg has incurred considerable expenses in research and development. However, as part of its cost optimization efforts, Heidelberg has significantly reduced its expenditure in the area of research and development including capitalized development costs ((EUR 121.5 million (4.6% of net sales), EUR 129.0 million (5.0% of net sales) and EUR 118.2 million (4.3% of net sales)) in financial years ending 31 March 2011, 2012 and 2013, respectively). Heidelberg expects that, over the medium term, its expenses for research and development will not amount to more than 5% of net sales. The decline in these costs entails, first and foremost, the risk that Heidelberg falls behind its competitors and may lose important market positions.

Heidelberg's future success depends, *inter alia*, on its ability to adapt its current product offering to customer needs, technical advancements and regulatory requirements even after the reduction of its expenses for research and development. However, there can be no assurance that expenses incurred will safeguard existing, or open up, new sales opportunities or lead to increases in productivity. Moreover, Heidelberg may prove to be unable to continue developing innovative products for lack of financial resources. More specifically, technical problems or time delays may arise in connection with product development, new developments may fail altogether or may not be accepted by the market in the manner expected. This may, at least in part, be caused by cost cutting in the research and development area. Moreover, customers could successfully sue the Heidelberg Group for damages or contractual penalties resulting from failed new developments, or the Heidelberg Group could incur additional costs as a consequence of the newly developed products being harmful or prone to breakdown. Furthermore, in these cases the Heidelberg Group may suffer significant damages to its reputation.

If one or more of these factors were to materialize, this could materially adversely affect Heidelberg's business and its net assets, financial condition and results of operations.

Heidelberg is dependent on a small number of principal suppliers and shortages or delays in the supply to Heidelberg could compromise Heidelberg's production.

Over recent years, Heidelberg has increasingly reduced its vertical range of manufacture and is therefore more dependent on third-party suppliers. In financial year 2012/2013, raw materials, intermediate products, and other materials accounted for approximately 65% of the production cost of printing presses. Heidelberg's most important supplier accounts for approximately 4.9% of the total volume of all third-party supplies acquired by Heidelberg. Heidelberg's entire procurement logistics are largely geared towards just- in-time production, which means that any delays in the supply of necessary materials or prefabricated components may delay the completion of Heidelberg's products. For certain parts or components (functional applications such as mechatronic assemblies and systems in particular (e.g., sheet guide plates or infrared dryers)), Heidelberg only uses one or very few suppliers, primarily in order to ensure the high technical and qualitative requirements and product specifications of these supplied components are met, and also for financial reasons. Should any such supplier be temporarily or permanently unavailable, be it for financial or technical problems, capacity bottlenecks, strikes or for other reasons, such as, for example, insolvency, this may result in long lead times and Heidelberg may not be able to compensate for this unavailability in a timely manner. Changing to another supplier could prove very costly (particularly in such a situation) or, in some extreme cases, even impossible. Moreover, Heidelberg cannot preclude that the Heidelberg Group may find itself without sufficient supplies during a larger than expected economic recovery, since important suppliers may have reduced their capacities and may be unable to restore such capacities in time. Furthermore, Heidelberg cannot preclude that important suppliers cease to be available or terminate the business relationship. In this event, Heidelberg may not be able to procure other suppliers in time and at the same or equivalent terms and conditions. The same risks also exist beyond the production of printing presses in other areas in which Heidelberg is engaged, such as the postpress sub-segment.

If one or more of these factors were to materialize, this could materially adversely affect Heidelberg's business and its net assets, financial condition and results of operations.

Heidelberg could incur higher than planned production costs.

Heidelberg offers solutions that are tailored to customer needs and based on the ongoing development and manufacture of premium state-of-the-art products. According to Heidelberg's estimates, the Company calculates the start-up costs for new products on a conservative basis following the planning phase. Nevertheless there is a risk that production and manufacturing costs significantly exceed the previously calculated budget. In addition, rising raw material and energy prices may lead to an increase in the prices for supplied components or the Company's own production. Particularly during the launch phase of new products, it is possible that the start-up costs for production as well as general manufacturing costs exceed the Company's expectations. If one or more of these factors were to materialize, this could materially adversely affect Heidelberg's business and its net assets, financial condition and results of operations.

Unforeseen disruption at individual production facilities may lead to production bottlenecks and claims for damages against Heidelberg and a decline in Heidelberg's sales.

The production and assembly of Heidelberg's various products is concentrated at a small number of locations. The principal production facility for SFO printing machines and die cutters is located in Wiesloch-Walldorf, Germany, with other important production facilities for these products located in Brandenburg and Amstetten, Germany. The production facilities are organized as a manufacturing network, which means that the production depends on the interruption-free operation of all main production facilities. Although Heidelberg maintains high technical and safety standards for construction, operation, and maintenance of its production facilities the risk of disruption or breakdown of operation cannot be excluded. Heidelberg has only a few important production sites. If production at one of these sites is significantly disrupted, Heidelberg's business is likely to be materially affected and it may take a long time to restore production facilities. Any such risks may result from external factors that may be beyond Heidelberg's control (such as natural disasters, floods, plane crashes, disruption of the supply in energy, raw materials or supplied components, etc.) as well as from other factors such as IT system outages, fires, explosions or the release of toxic or hazardous substances. Any such disruption of operations could lead to significant production stoppages, which is exacerbated by the concentration of production at a small number of locations as well as the dynamics of the manufacturing network. Such events could also result in injury to people or property or environmental damages, the costs or liabilities of which could lead to a considerable financial burden for Heidelberg. While Heidelberg has taken out insurance against specific risks (e.g., property insurance, third-party liability insurance and business interruption insurance), there can be no assurance that the insurance coverage will be sufficient. If any of the aforementioned risks materialized and was not compensated for by way of insurance payouts, this could have serious negative consequences for Heidelberg's business and its net assets, financial condition and results of operations.

Heidelberg is subject to risks with regard to its investments, acquisitions and partnerships.

As is typical for the capital goods sector, the Heidelberg Group's business is relatively capital-intensive. Industrial production facilities require ongoing modernization investments. During the recent global economic crisis, Heidelberg reduced its investments. Heidelberg expects that, over the medium term, its capital expenditure will amount to approximately 2% of net sales. Should Heidelberg prove unable to make sufficient investments in the modernization of existing capacities, this could compromise Heidelberg's ability to satisfy market expectations in terms of quality, quantity and cost of the products it offers and thus may damage the Company's market reputation.

Heidelberg carries out replacement investments to ensure its competitiveness. Over the past three financial years, the investment focus was on intangible assets, capitalized development costs, property, plant and equipment.

In connection with pursuing its strategies and otherwise developing its business, the Company is continually reviewing investment opportunities and potential transactions. In connection therewith, Heidelberg regularly undertakes discussions in respect of, and enters into agreements relating to, such potential investments or transactions, which could be significant.

Moreover, Heidelberg regularly enters into new cooperation agreements in various areas. More specifically, the Company announced a global strategic cooperation with Ricoh in February 2011. Heidelberg believes that entering into a global distribution agreement with Ricoh is the beginning of a global strategic cooperation between the two companies. Heidelberg's and Ricoh's future plans are to include integration with Heidelberg's industry standard workflow solution in the Graphic Arts industry, Prinect, as well as joint development activities for future printing applications. Additionally, in October 2013, Heidelberg and Fujifilm entered into a general memorandum of understanding about a strategic partnership in the area of inkjet printing with the aim of bringing next generation products to the growing digital printing market. Under the key terms of the memorandum of understanding, Heidelberg will gain access to Fujifilm's market-leading inkjet technology, and Fujifilm will leverage Heidelberg's strengths in engineering and manufacturing. Pursuant to the memorandum of understanding, Heidelberg and Fujifilm must enter into a definitive cooperation agreement, and there can be no assurance that the parties will reach such agreement or that the formal terms of such agreement will not change or make the partnership less attractive for Heidelberg.

Previous or future investments, acquisitions or partnerships may fail and Heidelberg may prove unable to realize the desired integration or synergy effects or other anticipated positive effects. If Heidelberg in pursuing its strategy (in particular in the areas of digital print and inkjet) enters into partnerships with third parties and fails to fulfil its obligations in such partnership, this may lead to claims for damages, contractual penalties or termination of the partnership. Moreover, the successful implementation of a project may be endangered or impaired through a breach of contract by the partner or through unforeseen events. Heidelberg may also find itself unable to efficiently integrate the business, product offering or technology of an acquired company into its own company. The integration of the operating business and staff of an acquired company into the Heidelberg Group may lead to problems, increased costs, disrupt business operations, and divert management's time and resources. In addition, acquisitions entail many other risks, including the assumption of undisclosed liabilities of the acquired companies or the potential loss of key personnel and customers of both the acquired and the acquiring company.

If one or more of these factors were to occur, this could materially adversely affect Heidelberg's business and its net assets, financial condition and results of operation.

Heidelberg's products could be defective or fail to meet the requirements for other reasons.

The products manufactured by Heidelberg are machines that are of critical importance for the businesses of Heidelberg's customers. As a rule, the products manufactured and the services offered by Heidelberg must, across all business divisions, meet high quality requirements as well as the product specifications agreed with customers (with minimum tolerances). Heidelberg's products are used, for example, for printing on and manufacturing food packaging. Where a machine does not fulfil expectations or is defective, this may be the direct cause for considerable production backlogs and loss of production and lead to the loss of printing contracts. This may have a negative impact on existing customer relationships, reduce market acceptance, and give competitors an advantage. Furthermore, warranty costs and damages would adversely affect Heidelberg's results.

Errors and mistakes may occur during the manufacture of products. In addition, defects in supplied products and components may result in defects in Heidelberg's products. Moreover, the products distributed by Heidelberg (consumables in particular) must comply with high quality requirements. Consumables must be compatible with the machines in which they will be used. Product defects may cause damage to the machines in which such consumables are used or impair the production of printing products of Heidelberg's customers. Moreover, Heidelberg's customers may also suffer damage or loss as a result of failure to provide services or as a result of defective services. Losses on the part of customers may also result from claims being asserted against them by their own customers.

In connection with its business activities, Heidelberg may incur liability due to statutory product liability provisions, contractual agreements, availability commitments or warranties for personal injury and damage to property as a consequence of defects in the products designed, developed, manufactured or supplied by Heidelberg. This liability may also extend to financial losses, for example if the relevant products lack the warranted characteristic, such as a certain level of productivity. Accordingly, product liability claims may extend to both product replacement and damages. Serial damage could lead to product recalls, which are not only costly but could also negatively affect Heidelberg's reputation which is particularly important for it as a manufacturer of high-quality products. Where warranted services are not supplied or agreed deadlines are not kept, this will in general give rise to claims for liquidated damages and, in some cases, contractual penalties. Moreover, the consumables produced and distributed by Heidelberg (coatings and inks in particular) may be defective or even harmful. Whether or not Heidelberg would be able to assert any claims against the supplier of defective products may be doubtful for legal or factual reasons. Also, there is no assurance that sufficient insurance cover (e.g., product liability) exists in each individual case. This may be the case for claims in connection with product recalls that cannot be comprehensively insured. Any such claims against Heidelberg may significantly exceed the value of the products supplied by Heidelberg.

If one or more of these factors were to materialize, this could materially adversely affect Heidelberg's business and its net assets, financial condition and results of operation.

Heidelberg's compliance and risk management systems and its monitoring capabilities may prove insufficient to prevent or detect any breaches of the law.

Heidelberg is subject to a wide variety of laws, including the German Foreign Trade and Payments Act (*AWG—Außenwirtschaftsgesetz*), laws regarding procurement, competition laws, data protection laws as well as requirements under environmental, commercial and company laws. Furthermore, Heidelberg must comply with its obligations under the German Securities Trading Act (*WpHG—Wertpapierhandelsgesetz*). This also includes the prohibition of insider trading and market manipulation, the immediate publication of inside information (ad-hoc disclosure), directors' notifications, maintenance of insider lists, and the financial reporting obligation (to be fulfilled at various dates throughout the year), etc. In addition to German law, Heidelberg is also subject to the laws of many other jurisdictions.

It is possible that employees of Heidelberg violate the above-mentioned or other regulations of German or foreign law (despite having received the relevant compliance training) or that the risk management and monitoring systems fail. This may result in hefty fines, comprehensive claims for damages from third parties, and significant damage to Heidelberg's reputation.

For instance, representatives or agents of Heidelberg may have accepted, given or promised benefits in the course of contractual negotiations in connection with the generation of business, may continue to do so or may have used or be using similarly dishonest business practices or business practices that infringe antitrust law. Should they materialize, the above circumstances may result in severe legal sanctions such as the imposition of fines against Heidelberg (in the event of a violation of German or European competition laws up to 10% of the global net sales), the members of its governing bodies or its staff and/or the assertion of claims for damages by third parties and may also seriously damage Heidelberg's reputation.

Heidelberg's compliance systems and monitoring capabilities may prove to be insufficient to prevent or detect any such breaches of the law. If one or more of these factors were to materialize, this could materially adversely affect Heidelberg's business and its net assets, financial condition and results of operation.

Heidelberg is exposed to IT and data protection risks. In particular, Heidelberg depends on functioning information technology with regard to the remote maintenance of its products and the distribution of its integrated software solution "Prinect".

Heidelberg operates comprehensive and complex IT systems, for example for the remote maintenance of its products (remote service technology) as well as the organization, stocktaking, and administration, etc., of their primary, intermediate and finished products, suppliers, and customers, including databases containing information on customers in the Heidelberg Financial Services segment. In addition, Heidelberg creates management information software that provides operators of printing presses, via data solutions, with information on factors such as capacity utilization. Moreover, a wide range of important functional routines in the production of printing presses and components depend on computerized applications and cannot be performed without the proper functioning of the IT systems.

In general, computer and data-processing systems are vulnerable to faults, breakdowns, power outages, computer viruses, fire, and similar events. This also holds true for Heidelberg's systems. Malfunctions or faults within Heidelberg's or third parties' IT systems, including those caused by possible external attacks, as well as software or hardware faults may impair Heidelberg's operating business. Furthermore, many of these IT systems require regular or event-driven updates to cope with the increasingly complex business-related and/or regulatory requirements. It is also

conceivable that IT applications may not be able to handle the requirements placed on them. Failures, disruptions, and security gaps of the IT systems may have a material negative impact on customer relationships, accounting and controlling, general administration or loan administration. Likewise, any temporary shutdown of the IT systems could lead to considerable costs related to the restoration and verification of data, despite existing backup systems and contingency plans.

Disruptions or interruptions of these systems may occur and could, should they materialize, compromise the ability of the Heidelberg Group to maintain its production processes and safeguard data. Moreover, disruptions or interruptions of operations may lead to production stoppages, which in turn could result in a drop in sales.

Heidelberg offers the integrated software solution "Prinect" which automatizes, connects and controls those operations of a print shop (management, prepress, printing, and postpress) that are traditionally kept separate. It is possible that this software will not meet customer expectations. If the software, or the hardware used in conjunction with such software, were to disrupt, interrupt or otherwise negatively affect customers' workflows, Heidelberg could be sued for damages and may suffer significant reputational harm. Moreover, if Heidelberg proves unable, with regard to the future development of its software products, to fulfil customer requirements and to tailor the software to customer needs, there is a risk that Heidelberg may lose customers.

Heidelberg collects, processes, and uses confidential staff and customer data, such as for HR purposes and in the Heidelberg Financial Services segment. Heidelberg must comply with the applicable data protection requirements (in Germany this includes the Federal Data Protection Act (*BDSG—Bundesdatenschutzgesetz*)) as well as works agreements. Any violations of the data protection laws, particularly the use, storage or disclosure of data to third parties without the relevant person's consent, or the unauthorized data access by third parties may damage Heidelberg's reputation, constitute regulatory or criminal offenses and give rise to claims for damages against, or the imposition of fines on, the Company and/or its subsidiaries.

If one or more of these factors were to materialize, this could materially adversely affect Heidelberg's business and its net assets, financial condition and results of operation.

Heidelberg is exposed to risks in connection with sales financing.

Via its services, the Heidelberg Financial Services segment supports the sale of products that are sold by Heidelberg, with the primary goal to act on a non- recourse basis as an intermediary between Heidelberg customers in need of financing on the one hand and global, regional or local financing partners on the other. In cases where this is not possible, or not possible to the degree required, and in markets where the financial markets are still underdeveloped and efficient access to financing is difficult, Heidelberg checks whether direct financing or the acceptance of counter-guarantees or buy-back arrangements with external financing partners would be a viable option. In the Company's experience, almost half of the printing press sales in Heidelberg's ten most important markets, including Germany, United Kingdom, Brazil, United States, Japan, and China, are being facilitated or promoted by these indirect or direct financing services. Exposures are usually collateralized via pledges on the printing presses being financed, be it by way of retention of title or via a lien on the printing presses being financed. In certain cases, collateralization is effected via personal guarantees, export credit insurances or bank guarantees. As of September 30, 2013, Heidelberg's current and non- current receivables from sales financing totaled EUR 99.6 million and contingent liabilities from counter-guarantees and buy-back agreements totaling EUR 47.8 million. With rising sales figures and the potentially reduced availability of external financing sources, the Company expects that its exposure from sales financing vis-à-vis its customers, and thus the corresponding risk, may increase.

In connection with its financing services, Heidelberg is also exposed to interest rate risks. Interest rate fluctuations may directly affect the Heidelberg Financial Services segment, since the interest rates for Heidelberg's customers are usually fixed for the entire term of the financing. General interest rate trends therefore tend to impact the operating results of the Heidelberg Financial Services segment.

If and when required, the Company recognizes provisions to reflect the risks of overdue loan agreements. For the remaining portfolio, a portfolio impairment for risks that are as yet unforeseeable has been recognized. As of September 30, 2013, total risk provisioning for direct and indirect risks from sales financing totaled EUR 25.6 million (March 31, 2013: EUR 29.5 million).

Heidelberg cannot assure that the credit risks resulting from sales financing transactions will not materialize. Customer defaults may occur under any such financing agreements. Moreover, Heidelberg may be liable under counter-guarantees furnished in connection with the financing agreements concluded between Heidelberg's customers and the financing companies. Despite the collateral provided (predominantly printing presses supplied by Heidelberg), there is a risk that said collateral cannot be realized if need be or is not sufficient to fully satisfy Heidelberg's or financing companies' claims. Thus, the Company bears the direct or indirect risk, that the remaining value of the pledged printing

presses will not be sufficient. The credit risks that Heidelberg is exposed to in connection with the sales financing business are concentrated within the print media industry. The customers in Heidelberg's sales financing portfolio are, for the most part, small and medium-size companies.

A significant portion of the portfolio is currently made up of exposures to customers from emerging markets, with the portfolio of Brazilian customers accounting for the largest share despite the country's continued economic instability since 2012. As the vast majority of credit security is furnished in the form of the printing presses being financed, a considerable risk concentration exists with regard to existing collateral.

If one or more of these factors were to materialize, this could materially adversely affect Heidelberg's business and its net assets, financial condition and results of operation.

Heidelberg may not be able to protect its intellectual property and know how to the extent required.

Heidelberg holds a number of patents and other proprietary rights that are vital to its business success. Although under German law a patent enjoys a statutory presumption of validity, the issuance of a patent is not conclusive as to its legal validity or as to whether any claims thereunder can be enforced to the extent necessary or desired. Furthermore, there can be no assurance that all patents applied for by Heidelberg for its new developments will be issued in all those countries where this would be necessary or expedient in Heidelberg's view. It is also conceivable that third parties may instigate proceedings to challenge proprietary rights already granted. Moreover, it is possible that third parties violate Heidelberg's patents or other proprietary rights and that Heidelberg may not be able, for legal or factual reasons, to stop any such infringements. Also, Heidelberg holds a number of industrial property rights jointly with third parties. Therefore, Heidelberg might be restricted in its use and exploitation of these rights. The law governing intangible property rights does not provide the same level of legal protection in all markets in which Heidelberg is active. Similarly, the enforcement of intellectual property rights is more difficult in some jurisdictions. In addition, non patentable trade secrets and know how are also vital to Heidelberg's business success. There can be no assurance that the disclosure of trade secrets can be prevented or that third parties will not develop, or have access to, the same or similar know how independently of Heidelberg. Furthermore, it is possible that the Heidelberg Group's trade secrets and know how are stolen and illegally passed on to third parties.

Any such gaps in the protection of Heidelberg's intellectual property may limit Heidelberg's ability to profitably leverage any technological lead or may result in reduction of Heidelberg's future earnings if other manufacturers are able to produce or market products that are similar to those developed by Heidelberg. This could impair Heidelberg's competitive position.

If one or more of these factors were to materialize, this could materially adversely affect Heidelberg's business and its net assets, financial condition and results of operation.

Claims may be asserted against Heidelberg for violation of the intellectual property rights of third parties, competitors in particular, or may be dependent on the use of third-party intellectual property rights.

Heidelberg assumes that any intellectual property rights used but not owned by itself may be used under contractual agreements with the relevant holders. However, Heidelberg may infringe the patents or other proprietary rights of third parties, as competitors and other third parties apply, to a large extent, for patents on their inventions and obtain such protection through patents or the granting of other proprietary rights. Third parties, competitors and suppliers in particular, might not renew existing licensing agreements or assert claims for violation of their intellectual property rights by Heidelberg. Moreover, there can be no assurance that licenses granted really exist to the extent required. In these cases, Heidelberg could be prevented from manufacturing or marketing specific products and Heidelberg could be forced to modify its manufacturing processes or the products concerned or to purchase licenses. Heidelberg could also be obligated to pay damages. Furthermore, Heidelberg may become subject to interim or permanent injunctions, which may lead to litigation, settlement negotiations or payment of damages, potentially resulting in considerable cost and effort.

In addition, Heidelberg may be harmed by allegations of violations of intellectual property rights. More specifically, there is a risk that U.S. patent exploitation companies sue Heidelberg for patent violations, as has already occurred in the past.

Moreover, Heidelberg could be forced to acquire, and have to pay for, licenses if it wished to utilize third-party technologies. Furthermore, there can be no assurance that Heidelberg will in fact obtain the licenses required for its business success to the extent necessary and at reasonable terms and conditions.

The realization of one or more of these factors may lead, in particular, to supply and production restrictions and create expenses for the purchase of licenses and defensive measures in connection with the violation of intellectual

property of third parties, thereby having a negative impact on Heidelberg Group's business and its net assets, financial condition and results of operation.

Heidelberg's products must comply with strict safety and environmental requirements.

Heidelberg's products are subject to a variety of national and EU laws. In the view of the Company, the most important of these laws include EC Directive 2002/95/EC on the restriction of the use of certain hazardous substances in electrical and electronic equipment and the EU Directive 2009/125/EC (formerly, Directive 2005/32/EC) establishing a framework for the setting of ecodesign requirements for energy-using products as well as the Regulation (EC) No. 640/2009, regarding ecodesign requirements for electric motors, based on EU Directive 2005/32/EC.

In addition with regard to consumables (particularly inks, coatings, dampening solutions, washing agents, and other printing chemicals), legal requirements for the classification and labeling of environmental and health risks Regulation (EC) No. 1272/2008 (Classification, Labelling and Packaging- Regulation) and Regulation (EC) No. 1907/2006, as amended ("**REACH Regulation**") must be ensured. While coating materials (such as coatings), being preparations, are not subject to registration under the REACH Regulation, manufacturers and importers must register the basic materials on which the preparation is based. Furthermore, with regard to printing inks used for food packaging, the requirements of Regulations (EC) No. 1935/2004 and 2023/2006 as well as the provisions of the German Food and Feed Code (*LFGB—Lebensmittel- und Futtermittelgesetzbuch*) must be observed. Heidelberg's products must comply with strict international, supranational, and national standards (for example in connection with the emission of solvents, noise, and vibrations).

Going forward, a further tightening of threshold values and new restrictions on substances must be expected. The adjustment and development processes require continuous investments, which may be costly. It may be that, in hindsight, the technologies chosen by Heidelberg turn out to be solutions that cannot be readily marketed or that are not at the forefront of technological progress. Non-compliance with the environmental standards that apply to its products could result in fines, penalties or other sanctions including suspension or prohibition on the sale, import or marketing of certain products in the relevant countries, all of which could have a material adverse effect on Heidelberg's business.

If one or more of these factors were to materialize, this could materially adversely affect Heidelberg's business and its net assets, financial condition and results of operation.

The Heidelberg Group is exposed to environmental and safety risks in connection with its production processes.

Heidelberg's facilities and operations are subject to statutes, regulations, and other rules in the areas of environmental protection, including requirements relating to air emissions, waste water, waste management, general health protection and the use and transport of hazardous substances. The costs related to the compliance with such laws and regulations are considerable. Increasingly stricter environmental standards may lead to the need for the continuous adjustment of production methods. The statutory framework for the construction, expansion or operation of plants in Germany or in other countries in which Heidelberg operates production facilities, may continue to be tightened, which may also require the continued implementation of costly measures going forward. Any violation of environmental provisions, and in particular the conditions attached to environmental permits, may constitute regulatory offenses or even criminal offenses and may give rise to liability under public or civil law. Moreover, any violations of the conditions attached to a permit may lead to such permit being revoked and even to closure of production facilities.

Heidelberg uses materials that are hazardous to the environment and harmful to health, such as inks, solvents, oils, chemicals, and lubricants. Should these substances find their way into the soil or groundwater or pollute the environment in any other manner or cause injury to health, body or life, Heidelberg may be liable for the removal of any such contamination and to pay damages. This may result in considerable costs, particularly in connection with claims for removal and rehabilitation. Where soil and groundwater contamination is detected at any of Heidelberg's sites, Heidelberg may be held responsible as the polluter or in its capacity as proprietor or occupant. This applies both in Germany and in other jurisdictions irrespective of whether the Heidelberg Group itself caused the contamination and may also apply to former sites which Heidelberg has sold in the meantime. Where the buyer has contractually excluded or restricted liability, authorities may hold Heidelberg Group, as the former proprietor or occupier/user, responsible for any contamination that may only be detected at a future date. This responsibility may also extend to the contamination of properties other than Heidelberg's own operating sites, if the pollution has spread. The safety and rehabilitation measures taken by Heidelberg to prevent the spread of pollution in the soil or groundwater may prove insufficient or new contaminants may be detected. The costs to be borne by Heidelberg for the rehabilitation of contaminated soil and/or groundwater may be considerable.

If one or more of these factors were to materialize, this could materially adversely affect Heidelberg's business and its net assets, financial condition and results of operation.

Heidelberg's existing insurance coverage may be insufficient, and the cost of insurance protection may increase.

Heidelberg has taken out insurance for a variety of risks associated with its business, which, in the Company's view, are subject to standard exclusions of liability (for example, there is no insurance cover for willful or deliberate actions). The Company decides on the type and scope of insurance cover on the basis of a commercial cost-benefit analysis to cover those risks that it believes to be its principal risks at appropriate terms and conditions. Potential maximum loss scenarios and probabilities of occurrence are determined using actuarial methods. The coverage concept is based on the results obtained. However, the Company cannot guarantee that Heidelberg would not suffer any losses or that no claims would be asserted against it that exceed the type and scope of its existing insurance cover.

The insurance premiums to be paid may increase or the insurance terms and conditions may become less favorable following a large number of realized major losses or for other reasons. The same applies to general changes in the insurance markets. There can be no assurance that Heidelberg will continue to be able to insure the risks associated with its business activities to the extent the Company considers necessary and at terms and conditions that the Company believes to be commercially viable.

If Heidelberg suffers damages which are insufficiently covered by insurance or not covered at all, or where higher insurance premiums and/or restrictions of insurance coverage are required for the above reasons, this could have a material adverse effect on Heidelberg's business and its net assets, financial condition and results of operation.

Heidelberg is dependent on good relationships with its staff and their trade unions.

Personnel expenses are a key cost factor for Heidelberg. In relation to net sales, personnel expenditure amounted to 33.2%, 34.8%, and 33.0% in financial years 2010/2011, 2011/2012, and 2012/2013, respectively. Heidelberg's staff at its German locations as well as the staff in various other countries, especially France, are traditionally highly organized in trade unions and covered by collective labor agreements. In Germany, the parties in the metal and electrical industry have agreed on an increase in wages in two stages. The agreement provides a 3.4% increase from July 2013, followed by a further increase of 2.2% in May 2014. The pilot agreement is envisaged for a term of 20 months. While the Company believes that the relationship between Heidelberg and its staff as well as work councils and trade unions remains good despite the significant job cuts of the previous years and the further planned reduction in staffing levels, there can be no assurance that new agreements will be concluded at terms that are satisfactory to the Company, once the existing collective (labor) agreements have expired. Moreover, it is possible that any agreement will only be reached after strikes or similar industrial action. Furthermore, measures such as reduced working hours, compulsory leaves or any further adjustments of staff levels planned as part of the Group restructuring process may lead to employment law disputes. Competitors may be in an advantageous competitive position if they negotiated collective bargaining agreements at more favorable terms and conditions than Heidelberg. Also, foreign competitors may have a competitive edge as a result of more flexible legal frameworks. If production were to be impaired by industrial action, this could materially adversely affect Heidelberg's business as well as its financial condition and results of operation.

Heidelberg is exposed to risks from pension obligations.

Depending on country-specific circumstances, Heidelberg grants its employees pension benefits (company pension scheme). The pension obligations are calculated based on the assumption that the current legal framework and accounting principles will continue to apply as well as certain actuarial assumptions, including discount rates, life expectancy, pension trends, and future salary development. Where the actual results deviate from these assumptions, particularly with regard to discount rates, this could result in a substantial increase in these pension obligations and thus the need for higher pension provisions. In particular, pension obligations could be materially affected if interest rates rise. If the discount rate currently applied was increased or decreased by a quarter of a percentage point, this would reduce the pension entitlements for the financial year 2012/2013 by EUR 37.9 million or increase them for the financial year 2012/2013 by EUR 40.6 million, respectively. Any losses offset against equity without impact on the income statement would, net of income taxes, decrease by EUR 27.2 million for the financial year 2012/2013 or increase by EUR 29.1 million for the financial year 2012/2013. As of March 31, 2013, pension provisions and similar obligations increased from EUR 326.1 million on March 31, 2012 to EUR 415.7 million on March 31, 2013. Until September 30, 2013, they decreased to EUR 413.1 million.

In March 2006, the Company set up a Contractual Trust Arrangement ("**CTA**") together with Heidelberger Druckmaschinen Vertrieb Deutschland GmbH. Under this CTA, assets were transferred to Heidelberg Pension-Trust e.V. for the partial funding of specific pension obligations. Heidelberg Pension-Trust e.V. administers the transferred assets (trust assets) as a trustee. However, the existing pension obligations are, at present, not fully covered by the trust assets. The trust assets must be classified as plan assets within the meaning of IAS 19. Therefore, a netting of the plan assets with the pension provisions is possible. As of March 31, 2013, the pension obligation under the CTA amounted to EUR 1,256.0 million. By comparison, the plan assets stood at EUR 872.1 million as of March 31, 2013, resulting in a EUR 383.9 million deficit to be borne by the Company.

Moreover, as of March 31, 2013, the Heidelberg Group's pension provisions and similar obligations totalled EUR 415.7 million (previous year: EUR 326.1 million). The trust assets may decrease as a consequence of changes in market values (due to unfavorable changes in the legal or economic framework or the financial markets), leading to a further significant increase in pension obligations. Moreover, Heidelberg may prove unable to successfully assert its refund claims against the trustee for pension obligations that have already been satisfied from the Company's capital, should the trust assets be insufficient. This could have a significant adverse effect on Heidelberg's cash flow and thus its financial condition and results of operation.

Heidelberg is exposed to tax risks arising from any change in the taxation framework and resulting from tax audits.

As the Heidelberg Group operates at an international level, it is exposed to a large range of tax risks, particularly with regard to the provisions that apply in the various jurisdictions to group transfer pricing. Where the arm's length principle has not been or will not be complied with, the Heidelberg Group may be required to make additional tax payments in the jurisdictions in which it operates. Furthermore, sanctions (such as the tax base being estimated or penalty surcharges being levied) may be imposed if Heidelberg breaches the applicable record-keeping obligations. Similarly, the transfer of functions may lead to a different determination of group transfer prices and thus to a profit correction for tax purposes.

All of Heidelberg's companies domiciled in Germany are subject to regular tax audits. The last tax audit of Heidelberg's significant group companies domiciled in Germany covered the financial years from 2007 to 2010 (inclusive) and was completed during the calendar year 2012. The results of the tax audits were reflected in the financial statements of financial year 2012/2013 and no legal proceedings in regards to the tax audits are pending. Outside this tax audit the German fiscal authorities are in discussion with Heidelberg about the application of relevant controlled foreign company (CFC) Rules (*Außensteuergesetz*). The outcome of this discussion is open, but might lead to tax repayments for the financial years 2005/2006 onwards.

Foreign subsidiaries are subject to the audit requirements applied by the relevant tax authorities. Certain jurisdictions, such as China, do not have a statute of limitations for tax audits, so that past tax periods can be audited at any time. To the extent that tax audits at foreign subsidiaries are pending and have not yet been completed, risk provisions have been accrued.

Tax audits at foreign subsidiaries and, for the years from 2011 onwards, at the Company and its German subsidiaries may result in additional tax payments. As a result of such tax audits, foreign subsidiaries may have to make transfer price corrections which could lead, *inter alia*, to an increased tax burden for the relevant companies. If and to the extent no corresponding counter adjustment will be recognised for the relevant other group company, Heidelberg Group would suffer a double tax liability. In countries without statutory limitation periods for tax claims (for example China), additional tax payments also for periods that date back further may be possible.

Given the international orientation of the Heidelberg Group, additional risks also arise as a consequence of the complex legal situation and the oftentimes conflicting practice of German and foreign tax authorities and case law.

If one or more of these factors were to materialize, this could materially adversely affect Heidelberg's business and its net assets, financial condition and results of operation.

An impairment of goodwill and of other assets according to IAS 36 could affect Heidelberg's balance sheet and income statement.

As of March 31, 2013, the Heidelberg Group's balance sheet showed goodwill totaling EUR 123.9 million under intangible assets. Goodwill includes amounts from the acquisition of business operations (asset deals) and takeovers (share deals).

Heidelberg conducts annual impairment tests on goodwill and whenever there is an indication of any potential impairment. Within the framework of the impairment test, the recoverable amount of the cash-generating units is established as the higher of the fair value less costs to sell or the value in use. The fair value reflects the best possible estimate of the amount which would be paid to purchase the cash-generating units at an arm's length basis on the balance sheet date. The value in use is the present value of estimated future cash flows expected to arise from the cash-generating unit. It is determined by way of the discounted cash flow method based on the planning approved by the Management Board, which is in turn based on the medium-term planning of the results of operating activities over a five-year period. Past experience and the expectations with regard to future market development form the basis of these plans.

Where there are objective indications that the carrying amount is higher than the recoverable amount, an impairment must be recognized. Among other things, an impairment may be triggered by a general rise in the interest rate level. Heidelberg cannot guarantee that no impairments will be necessary at a future balance sheet date. If the risk of

impairment were to materialize, this could materially adversely affect Heidelberg's business and its net assets, financial condition and results of operation.

The Heidelberg Group is involved in a number of legal disputes that entail risks.

The Heidelberg Group is involved in a number of legal disputes, including claims associated with the Company's ordinary business activities. This applies, for example, to warranty disputes and payment disputes with customers, product liability cases, patent disputes claims arising from the use of hazardous substances, disputes with suppliers, and disputes with dealers, agents and other business partners. These and other disputes in which Heidelberg is involved could trigger claims for damages or other liabilities (such as license payments) on the part of the Heidelberg Group, which may be substantial and may exceed the provisions set aside for this purpose. Negative outcomes of any proceedings the Heidelberg Group is involved in may therefore have materially adverse effects on Heidelberg's business and its net assets, financial condition and results of operation.

Various lawsuits are pending with courts in the United States against Heidelberg USA, Inc. in connection with the historical use of asbestos in typesetting machines. Currently, there are 74 pending lawsuits. Asbestos-containing materials were formerly used also in the printing industry, especially as an insulation substance. The claimants assert that they came into contact with these materials decades ago, for example in connection with typesetting machines that were produced through the 1950s and sold by the former Linotype-Hell AG and its legal predecessors. Lawsuits in the United States are, in principle, subject to considerable legal cost and risk, regardless of their result. Although the Company has set aside reserves for these lawsuits, there is a risk that such reserves will not be sufficient to cover all costs related to the resolution of such claims.

The success of Heidelberg depends on retaining and recruiting key personnel, management staff and skilled employees.

The success of the Heidelberg largely depends on the performance of qualified employees, executive staff, the management of the subgroups and the Management Board. Since the Company has been under economic pressure for approximately five years and has reduced its workforce accordingly, it may be viewed by its current and potential future staff as a less attractive employer. It cannot be guaranteed that the Company will succeed in retaining such management staff and employees in key positions or to recruit and train a sufficient number of new employees with corresponding qualifications. In the Company's opinion, engineers and skilled workers are particularly important for the future growth of Heidelberg. If Heidelberg is unable to retain or recruit a sufficient number of management staff and skilled employees, maintaining its market position, as well as future growth, would be at risk. This could have a material adverse effect on the net assets, financial position and results of operations of Heidelberg.

Risks relating to Heidelberg's Financial Position

Heidelberg is subject to restrictive debt covenants in addition to those found in the Notes that may limit its ability to finance its future operations and capital needs and pursue business opportunities and activities.

The Revolving Credit Facility, as amended from time to time, the EUR 60 million 8.50% senior unsecured convertible notes due 2017 (the "**Convertible Notes**") and Heidelberg's other existing indebtedness will, among other things, restrict the ability of Heidelberg to incur additional debt, incur liens and make other restricted investments and payments.

The Revolving Credit Facility is used to provide the required financial flexibility to Heidelberg Group. The Revolving Credit Facility has a final maturity date of December 31, 2014. Pursuant to the ARA RCFA, the amount of the Revolving Credit Facility will be further reduced to approximately EUR 277 million, with effect as of December 31, 2014. The reduction of the amount of the Revolving Credit Facility on December 31, 2014 to approximately EUR 277 million is also a condition to the Deferred Amendments and to the extension of the final maturity of the Revolving Credit Facility to June 30, 2017.

Heidelberg is subject to additional restrictions pursuant to the terms of the Revolving Credit Facility, such as approval requirements of the lenders, in some cases once a certain volume has been reached, with respect to the disposal of assets, the provision of security, M&A transactions, the granting of guarantees, indemnities or loans within and outside the Group or (in relation to group companies) the incurrence of financial indebtedness. Also, Heidelberg Group's opportunities to enter into price hedging transactions are restricted. In addition, Heidelberg has granted comprehensive securities in connection with the financing package, which restricts the Company's flexibility when disposing of assets and reorganising its group structure.

Moreover, the Revolving Credit Facility contains certain key financial covenants in relation to the Heidelberg Group. These financial covenants specify minimum values for the interest coverage ratio (relationship of earnings before interest, taxes, depreciation and amortization (excluding certain special items) (EBITDA) to all interest payments and

commitment fees paid by the Heidelberg Group plus certain fees, but less certain non-recurring payments, less any specific fees payable under the Revolving Credit Facility, and less certain interest income), and equity, as well as maximum values for total leverage (relationship of net total debt to EBITDA), each on a consolidated basis and as defined in more detail in the Revolving Credit Facility. If these financial covenants cannot be adhered to, the banks can call in the aforementioned loans. According to Heidelberg's current multi-year business plan, the Company expects to be able to adhere to the financial covenants with corresponding buffers (headrooms) to cushion any temporary effects. Nevertheless, in the event of poor operative results (or the occurrence of unexpected events not provided for in the business plan), there is the risk that financial covenants cannot be met and that the financing package is not sufficient. In the event of further unexpected financing needs, Heidelberg may not be able to raise additional debt or equity capital to a sufficient extent, on favorable terms or at all.

Any breach of material provisions in the Revolving Credit Facility will entitle the lenders to terminate the agreement. A right of each lender to terminate its commitments and participations in any loan also exists in certain cases of third parties acquiring control over or majority shareholdings in Heidelberg. In the event of termination, the Company would not be able to draw down further loans and would be required to immediately repay any loan amounts already drawn. In addition, an acceleration of the Revolving Credit Facility involving amounts in excess of EUR 20 million would constitute an event of default under the Conditions of Issue. There is no assurance that the Company would, in such a case, be able to raise debt capital or equity capital by carrying out any necessary further capital increases or sell property in order to repay the loans and to cover any other financial requirements it may have. Furthermore, the contractual restrictions may limit the Company's ability to finance its future business activities as well as any unexpected additional capital requirements. Moreover, the terms and conditions of the Revolving Credit Facility may make it more difficult for the Heidelberg Group to pursue acquisitions or other business activities that may be of interest to it.

The Convertible Notes restrict Heidelberg's ability to create any encumbrance *in rem* as security for any own or third party capital market indebtedness without providing the holders of the Convertible Notes an equivalent security interest. In addition, the terms and conditions of the Company's current financing and other arrangements and the terms of future arrangements may limit the ability of the Heidelberg Group to enter into future transactions.

If one or more of these factors were to materialize, this could materially adversely affect Heidelberg's financial condition and results of operations.

Heidelberg is subject to interest rate risks.

The conditions on which Heidelberg is able to obtain debt financing depend firstly on general market conditions, particularly interest rates in the financial markets, and secondly on Heidelberg's creditworthiness. As of September 30, 2013, Heidelberg's financial debt (without finance leases and other financial liabilities and excluding future borrowings under the Revolving Credit Facility) is subject to fixed interest rates only. Changes in market interest rates do currently not affect Heidelberg's results of operations. The Heidelberg Group intends to use interest rate swaps in order to limit the risk of increasing interest expenses in connection with refinancing at floating rates. Where interest rates have not been hedged, however, changes in interest rates can have a negative impact on the amount of interest payable under existing liabilities and on the cost of refinancing these liabilities, and thus have a negative impact on the Heidelberg Group's financial result. A similar risk exists if the counterparty to an interest rate swap fails to perform or only partially performs its obligations under the respective contracts. The occurrence of one or more of these factors may have a material adverse effect on Heidelberg's financial condition and results of operations.

Risks relating to the Notes and the Subsidiary Guarantees

Investing in the Notes involves certain risks associated with the characteristics, specification and type of the Notes which could lead to substantial losses that holders of the Notes would have to bear when selling their Notes or with regard to receiving interest payments and repayment of principal. Risks regarding the Notes comprise, inter alia, the following risks:

The Notes may not be a suitable investment for all investors.

Each potential investor in the Notes must determine the suitability of the investment in light of its own circumstances and financial condition. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Offering Memorandum;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation and the investment(s) it is considering, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency;

- understand thoroughly the Conditions of Issue governing the Notes; and

- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios that may affect its investment and its ability to bear the applicable risks.

The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) the Notes are permitted investments for it, (ii) where relevant, the Notes can be used as collateral for various types of borrowing, and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

The Company's ability to fulfill its obligations under the Notes depends upon Heidelberg's future financial and operating performance which may be influenced by many factors, some of which are beyond its control.

The Notes will be obligations of the Company. The Issuer's ability to pay interest on the Notes and to redeem the Notes at maturity depends upon the future financial and operating performance of Heidelberg Group and upon its ability to renew or refinance borrowings or to fund net working capital, capital expenditures, acquisitions, joint ventures, product research and development, or other funding needs, which, to a certain extent, is subject to general economic, financial, competitive, legislative, legal, regulatory and other factors that are beyond its control. Based upon Heidelberg's current level of operations and anticipated cost savings, revenue growth and other operating improvements, the Company believes that its cash flow from operations, available cash and available borrowings under the Revolving Credit Facility should be adequate to meet its future liquidity needs for the immediate future. In the event that Heidelberg's actual revenue is substantially below its expectations, its costs are higher than anticipated or its cash flow is lower than expected, it may have difficulties meeting its future liquidity needs. Heidelberg may also need to refinance all or a portion of its indebtedness, including the principal of the Notes, on or prior to maturity. The Revolving Credit Facility and the Convertible Notes will mature before the Notes. The Company expects it will need to refinance such indebtedness. There can be no assurance that it will be able to successfully complete such refinancings, in particular in light of possible volatility and difficulties in the global credit markets.

If Heidelberg's future cash flows from operations and other capital resources (including borrowings under the Revolving Credit Facility and the provision of guarantees under the Guarantee Facility) are insufficient to pay its obligations as they mature or to fund its liquidity needs, Heidelberg may be forced to:

- reduce or delay its business activities and capital expenditures;

- sell assets;

- obtain additional debt or equity capital; or

- restructure or refinance all or a portion of its debt, including the Notes, on or before maturity.

Heidelberg cannot assure that its business will generate sufficient cash flow from operations, that currently anticipated cost savings, revenue growth and operating improvements will be realized or that future borrowings will be available in sufficient amounts or that it would be able to accomplish any of the above alternatives on a timely basis or on satisfactory terms, if at all. In that event, borrowings under other indebtedness that contain cross-default or cross-acceleration provisions may become payable upon demand and Heidelberg may not have sufficient funds to pay all its debts, including the Notes. Any failure to make payments on the Notes on a timely basis would also likely result in a reduction of Heidelberg's credit rating, which could also harm its ability to incur additional indebtedness. In addition, Heidelberg cannot assure that it will be able to effect any such refinancing on a timely basis or commercially reasonable terms, if at all. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources*".

Heidelberg's substantial leverage and debt service obligations could adversely affect its business and prevent it from fulfilling its obligations under the Notes.

Heidelberg is, and will continue after the issuance of the Additional Senior Notes to be, highly leveraged. As of September 30, 2013, after giving *pro forma* effect to the issuance of the Additional Senior Notes and the application of the proceeds therefrom (see "*Use of Proceeds*" and "*Capitalization*"), Heidelberg would have had total financial liabilities from loans and notes of approximately EUR 484.9 million. Pursuant to the ARA RCFA, the amount of the Revolving Credit Facility has been reduced from EUR 416.275 million to EUR 390 million. The issuance of the Additional Senior Notes will result in a further reduction of the amount of the Revolving Credit Facility from EUR 390 million to approximately EUR 340 million. Effective December 31, 2014, the amount of the Revolving Credit Facility will then be further reduced to approximately EUR 277 million. The Revolving Credit Facility will, upon effect of the extension of the final maturity date agreed under the ARA RCFA, mature on June 30, 2017.

The degree to which Heidelberg will be leveraged following the issuance of the Additional Senior Notes in this Offering could have important consequences to holders of the Notes, including, but not limited to:

- making it more difficult for Heidelberg to satisfy its obligations with respect to the Notes and other debts and liabilities;
- increasing Heidelberg's vulnerability to, and reducing its flexibility to respond to, general adverse economic and industry conditions;
- requiring the dedication of a substantial portion of Heidelberg's cash flow from operations to the payment of principal of, and interest on, its indebtedness, thereby reducing the availability of such cash flow to fund net working capital, capital expenditures, acquisitions, joint ventures, product research and development, or other general corporate purposes;
- restricting Heidelberg from pursuing strategic acquisitions or exploiting certain business opportunities;
- limiting Heidelberg's flexibility in planning for, or reacting to, changes in its business, the competitive environment and the industry in which Heidelberg operates;
- negatively impacting credit terms with suppliers and other creditors;
- exposing Heidelberg to interest rate increases;
- placing Heidelberg at a competitive disadvantage compared to its competitors that are not as highly leveraged; and
- limiting Heidelberg's ability to borrow additional funds and increasing the cost of any such borrowing.

In addition, according to the terms of the Revolving Credit Facility, Heidelberg is required to maintain a specified leverage ratio, to maintain similar financial ratios, satisfy specified financial tests and comply with other terms that are customary for comparable financings. Heidelberg's ability to meet these financial ratios and tests may be affected by events beyond its control and, as a result, it cannot assure you that it will be able to meet these ratios and tests. If it breaches the covenants under such financing arrangements and is unable to cure the breach or obtain a waiver from its lenders, it would default under the terms of such arrangement. Heidelberg is also subject to additional restrictions under the Revolving Credit Facility that limit its flexibility to dispose of assets, provide security, grant guarantees, enter into mergers or hedging transactions. Other indebtedness that is permitted to be borrowed under the Conditions of Issue of the Notes in the future may have similar or additional requirements. Failure to comply with such covenants could result in an event of default under the Revolving Credit Facility, which, if not cured or waived, could result in the acceleration of all Heidelberg's debts or have a similar material adverse effect on Heidelberg. In case of acceleration, there can be no assurances that Heidelberg's assets would be sufficient to repay in full that indebtedness and its other indebtedness, including under the Notes. See "*—Heidelberg may not have the ability to raise the funds necessary to finance an offer to repurchase your Notes upon the occurrence of certain events constituting a change of control as required by the Conditions of Issue of the Notes*", "*Description of Certain Financing Arrangements*" and "*Description of the Notes—Certain Covenants*".

Heidelberg may incur substantial additional indebtedness in the future, which may make it difficult for it to service its debt, including the Notes, and impair its ability to operate its business.

Heidelberg may incur substantial additional debt in the future, including in connection with any future acquisition. Some or all of this debt could mature prior to the Notes and may be secured and be effectively senior to the

Notes to the extent of the value of such security. Although the Conditions of Issue of the Notes contain restrictions on the incurrence of additional indebtedness, the restrictions are subject to a number of significant qualifications and exceptions and, under certain circumstances, the amount of indebtedness that could be incurred in compliance with these restrictions could be substantial. In addition to specified permitted indebtedness, Heidelberg will be able to incur additional indebtedness so long as on a *pro forma* basis its consolidated coverage ratio (as defined in the Description of the Notes) is at least 2.0 to 1.0, and, in the event such indebtedness is secured indebtedness, its senior secured leverage ratio (as defined in the Description of the Notes) is no greater than 2.75 to 1.0. In addition, the Conditions of Issue of the Notes and the terms of the Revolving Credit Facility will not prevent Heidelberg from incurring obligations that do not constitute indebtedness under those agreements. If it incurs new debt or other obligations, the related risks that Heidelberg now faces, as described above and elsewhere in these "*Risk factors*", could intensify.

Your right to receive payments under the Notes will be effectively subordinated to claims of existing and future secured creditors of the Issuer and the Parent Guarantor, up to the value of the collateral securing such indebtedness.

The Notes and the Subsidiary Guarantees in respect of the Notes will not be secured by any of the Issuer's or the Group's assets. As a result, the indebtedness represented by the Notes will be effectively subordinated to any existing and future secured indebtedness Heidelberg may incur, including under the Revolving Credit Facility, to the extent of the value of the assets securing such indebtedness. As of September 30, 2013, after giving pro forma effect to the offering of the Additional Senior Notes and to the application of the net proceeds therefrom, the Notes and the Subsidiary Guarantees will effectively rank junior to EUR 41.1 million of secured debt, which debt is secured by 100% of Heidelberg's total assets and represents 8.5% of Heidelberg's total liabilities (including trade payables). The Conditions of Issue of the Notes will permit Heidelberg to incur additional secured indebtedness in the future subject to certain limitations. Accordingly, in the event of a bankruptcy, insolvency, liquidation, dissolution, reorganization or similar proceeding affecting the Issuer or any Subsidiary Guarantor, your rights to receive payment will be effectively subordinated to those of secured creditors up to the value of the collateral securing such indebtedness. Holders of the Notes will participate ratably with all holders of Heidelberg's unsecured indebtedness that is deemed to be of the same class as the Notes, and potentially with all other general creditors, based on the respective amounts owed to each holder or creditor, in Heidelberg's remaining assets. In addition, if the secured lenders were to declare a default with respect to their loans and enforce their rights with respect to their collateral, there can be no assurance that the Group's remaining assets would be sufficient to satisfy all other obligations, including the Issuer's and the Subsidiary Guarantors' obligations with respect to the Notes. As a result, holders of the Notes, may receive less, ratably, than holders of secured indebtedness.

The Notes will be structurally subordinated to the creditors of the Issuer's non-guarantor subsidiaries.

Only certain of the Issuer's subsidiaries will guarantee the Notes. The Issuer's subsidiaries will have no obligations to pay amounts due under the Notes or to make funds available for that purpose unless they guarantee the Notes. See "*Description of the Notes—Subsidiary Guarantees*". Generally, claims of creditors of a non-guarantor subsidiary, including trade creditors, and claims of preference shareholders (if any) of the subsidiary, will have priority with respect to the assets and earnings of the subsidiary over the claims of creditors of its parent entity. In the event of any foreclosure, dissolution, winding-up, liquidation, reorganization, administration or other bankruptcy or insolvency proceeding of any of the Issuer's non-guarantor subsidiaries, holders of their indebtedness and their trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to the Issuer and its holding company subsidiaries. As such, the Notes and the Subsidiary Guarantees will be structurally subordinated to the creditors (including trade creditors) and preference shareholders (if any) of the Issuer's non-guarantor subsidiaries.

The Issuer and the Subsidiary Guarantors generated 63.5% of Heidelberg's external sales in financial year 2012/2013 and had 70.9% of Heidelberg's non-current tangible and intangible assets (excluding goodwill) and investment property as of March 31, 2013. As of September 30, 2013, the Issuer's non-guarantor subsidiaries had EUR 81.5 million of financial liabilities, including trade payables but excluding intercompany obligations, all of which would have ranked structurally senior to the Notes. Under certain conditions, the Subsidiary Guarantees may be released without the consent of holders of the Notes.

On their date of issue, the Notes will be guaranteed by certain of the Issuer's Restricted Subsidiaries located in Australia, Austria, Canada, Denmark, France, Germany, Hong Kong, Japan, The Netherlands, the United Kingdom and the United States of America. See "*Description of the Notes—General—Subsidiary Guarantees*" and "*Certain Insolvency Law Considerations*" and "*Certain Local Law Considerations on Limitations on Subsidiary Guarantees*". Under the Conditions of Issue, after such date, the Issuer may be required to cause additional Restricted Subsidiaries to guarantee the Notes on the terms set forth in the Conditions of Issue. For a more detailed description of the Subsidiary Guarantees, see "*Description of the Notes—Subsidiary Guarantees*" and "*Description of the Notes—Certain Covenants—Future Subsidiary Guarantors*".

The Subsidiary Guarantees will be fully and unconditionally released:

- in the event of any permitted sale, exchange or transfer (by merger or otherwise) (i) of the Capital Stock of such Subsidiary Guarantor, after which the applicable Subsidiary Guarantor is no longer a Restricted Subsidiary or (ii) of all or substantially all the assets of such Subsidiary -Guarantor to a Person that is not the Issuer or a Restricted Subsidiary;

- upon the full discharge of all obligations under the Conditions of Issue and the relevant Subsidiary Guarantee in accordance with the terms of the Conditions of Issue and the relevant Subsidiary Guarantee;

- in the case of any Additional Subsidiary Guarantee (as defined in "*Description of the Notes*"), upon the release of any other Subsidiary Guarantee or security that gave rise to the relevant Additional Subsidiary Guarantor's obligation to provide an Additional Subsidiary Guarantee, so long as no other Indebtedness (as defined in "*Description of the Notes*") of the Issuer or a Subsidiary Guarantor is at that time guaranteed or secured by such Additional Subsidiary Guarantor in a manner that would require the granting of an Additional Subsidiary Guarantee; or

- if the Issuer designates such Subsidiary Guarantor as an Unrestricted Subsidiary as permitted under and in compliance with the Conditions of Issue.

The Subsidiary Guarantees will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability.

The Subsidiary Guarantees will be limited to the maximum amount that can be guaranteed by the relevant Subsidiary Guarantor without rendering the Subsidiary Guarantee, as it relates to that Subsidiary Guarantor, voidable or otherwise ineffective under applicable laws, and enforcement of the Subsidiary Guarantee would be subject to certain generally available defenses. These laws and defenses include those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally.

The Subsidiary Guarantors, as of the Issue Date, will be organized under the laws of Australia, Austria, Canada, Denmark, England and Wales, France, Germany, Hong Kong, Japan, The Netherlands and the State of Delaware in the United States of America. Although laws differ among various jurisdictions, in general, under fraudulent conveyance and other laws, a court could subordinate or void any Subsidiary Guarantee and, if payment had already been made under the relevant Subsidiary Guarantee, require that the recipient return the payment to the relevant Subsidiary Guarantor, if the court found that:

- the Subsidiary Guarantee was granted with actual intent to hinder, delay or defraud creditors or shareholders of the Subsidiary Guarantor or, in certain jurisdictions, even when the recipient was simply aware that the Subsidiary Guarantor was insolvent when it granted the Subsidiary Guarantee;

- the Subsidiary Guarantee was entered into without a legal obligation to do so, is prejudicial to the interests of the other creditors and both the Subsidiary Guarantor and the beneficiary of the Subsidiary Guarantee were aware of or should have been aware of the fact that it was prejudicial to the other creditors;

- the Subsidiary Guarantor did not receive fair consideration or reasonably equivalent value for the Subsidiary Guarantee and the Subsidiary Guarantor was: (i) insolvent or rendered insolvent because of the Subsidiary Guarantee; (ii) undercapitalized or became undercapitalized because of the Subsidiary Guarantee; or (iii) intended to incur, or believed that it would incur, indebtedness beyond its ability to pay at maturity;

- the Subsidiary Guarantee was held to exceed the objects of the Subsidiary Guarantor or not to be in the best interests or for the corporate benefit of the Subsidiary Guarantor; or

- the amount paid or payable under the Subsidiary Guarantee was in excess of the maximum amount permitted under applicable law.

The measure of insolvency for purposes of fraudulent conveyance laws varies depending on the law applied. For example, generally, a German guarantor would be considered insolvent if it could not pay its debts as they become due or if its liabilities exceed its assets and continuation as a going concern is not predominantly likely.

If a court or a creditor were to find that the granting of a Subsidiary Guarantee was a fraudulent conveyance, the court or a creditor could void or declare unenforceable the payment obligations under such Subsidiary Guarantee, or

subordinate such Subsidiary Guarantee to presently existing and future indebtedness of such Subsidiary Guarantor or require the holders of the Notes to repay any amounts received with respect to such Subsidiary Guarantee. In some of these events, you may cease to have any claim in respect of the Subsidiary Guarantor and would be a creditor solely of the Issuer and any remaining Subsidiary Guarantors. An overview of any enforcement issues under fraudulent conveyance laws as they relate to the Subsidiary Guarantees is set forth under "*Certain Insolvency Law Considerations and Certain Local Law Considerations on Limitations on Subsidiary Guarantees*".

In addition, the granting or enforcement of guarantees is subject to restrictions in several jurisdictions in which Subsidiary Guarantors are incorporated. For details regarding the limitations on Subsidiary Guarantees granted by German as well as Austrian, Danish, Dutch French and Japanese Subsidiary Guarantors, see "*Description of the Notes—Subsidiary Guarantees*" and "*Certain Insolvency Law Considerations and Certain Local Law Considerations on Limitations on Subsidiary Guarantees*".

The granting of guarantees by German Subsidiary Guarantors is subject to certain capital maintenance rules under German law. Therefore, in order to enable German Subsidiary Guarantors to grant guarantees and security interests securing liabilities of the Issuer without the risk of violating German capital maintenance provisions and to protect management from personal liability, it is standard market practice for credit agreements, notes, guarantees and security documents to contain so-called "limitation language"' in relation to subsidiaries incorporated in Germany in the legal form of a German limited liability company (*GmbH*), a German stock corporation (*AG*) or a German limited partnership with a German limited liability company as general partner (*GmbH & Co. KG*). Pursuant to such limitation language, the enforcement of the Subsidiary Guarantee and security documents given by each of the German Subsidiary Guarantors will be limited reflecting, in case of any German Subsidiary Guarantors incorporated as a German limited liability company (*Gesellschaft mit beschränkter Haftung*) or as a German limited partnership with a German limited liability company as general partner, the requirement under the capital maintenance rules imposed by Sections 30 and 31 of the German Act regarding Companies with Limited Liability (*Gesetz betreffend die Gesellschaften mit beschränkter Haftung*) if and to the extent payments under any such Subsidiary Guarantee or, as the case may be, the enforcement of security documents would cause a German Subsidiary Guarantor's net assets to fall below the amount of its registered share capital (*Stammkapital*) or if and to the extent payments under any Subsidiary Guarantee or, as the case may be, the enforcement of security documents would deprive the German Subsidiary Guarantor of the liquidity necessary to fulfill its financial liabilities to its creditors and, in case of any German Subsidiary Guarantor incorporated as a German stock corporation (*Aktiengesellschaft*) which is subject to a domination and profit loss pooling agreement (*Beherrschungs- und Gewinnabführungsvertrag*) as the dominated entity (*beherrschtes Unternehmen*), the requirement that payments under the Subsidiary Guarantee or, as the case may be, the enforcement of security documents may not cause the German Subsidiary Guarantor to incur a balance sheet loss for which it cannot reasonably expect the dominating entity (*herrschendes Unternehmen*) to make a compensation payment under the domination and profit and loss pooling agreement due to the dominating entity's solvency situation. These limitations would, to the extent applicable, restrict the right of payment and would limit the claim accordingly irrespective of the granting of the Subsidiary Guarantee. In addition, Subsidiary Guarantees in other jurisdictions may be subject to similar limitations.

In addition to the limitations resulting from the capital maintenance rules, the Subsidiary Guarantees granted by the German Subsidiary Guarantors will contain additional provisions limiting the enforcement in the event that the enforcement would result in an illiquidity of the relevant German subsidiary.

German capital maintenance rules are subject to evolving case law. Heidelberg cannot assure you that future court rulings may not further limit the access of shareholders to assets of the German Subsidiary Guarantors, which can negatively affect the ability of the Issuer to make payment on the Notes or of the German Subsidiary Guarantors to make payments on the Subsidiary Guarantees.

In addition, it cannot be ruled out that the case law of the German Federal Supreme Court (*Bundesgerichtshof*) regarding so-called "destructive interference" (*existenzvernichtender Eingriff*) (*i.e.*, a situation where a shareholder deprives a German limited liability company of the liquidity necessary for it to meet its own payment obligations) may be applied by courts with respect to the enforcement of a Subsidiary Guarantee granted by the German Subsidiary Guarantors. In such case, the amount of proceeds to be realized in an enforcement process may be reduced. According to a decision of the German Federal Supreme Court (*Bundesgerichtshof*), a security agreement may be void due to tortious inducement of breach of contract if a creditor knows about the distressed financial situation of the debtor and anticipates that the debtor will only be able to grant collateral by disregarding the vital interests of its other business partners. It cannot be ruled out that German courts may apply this case law with respect to the granting of Subsidiary Guarantees by the German Subsidiary Guarantors. Furthermore, the beneficiary of a transaction effecting a repayment of the stated share capital of the grantor of the Subsidiary Guarantee could moreover become personally liable under exceptional circumstances. The German Federal Supreme Court (*Bundesgerichtshof*) ruled that this could be the case if for example the creditor were to act with the intention of detrimentally influencing the position of the other creditors of the debtor in violation of the legal principle of *bonos mores* (*Sittenwidrigkeit*). Such intention could be present if the beneficiary of the

transaction was aware of any circumstances indicating that the grantor of the guarantee is close to collapse (*Zusammenbruch*), or had reason to enquire further with respect thereto.

Heidelberg is subject to restrictive debt covenants that may limit its ability to finance its future operations and capital needs and to pursue business opportunities and activities.

The Conditions of Issue of the Notes will, among other things, restrict the ability of the Issuer and its Restricted Subsidiaries to:

- incur or guarantee additional indebtedness;
- create or permit to exist certain liens;
- make certain payments, including dividends or other distributions, with respect to the shares of the Issuer or its Restricted Subsidiaries;
- prepay or redeem subordinated debt or equity;
- create encumbrances or restrictions on the payment of dividends or other distributions, loans or advances to and on the transfer of assets to the Issuer or any Restricted Subsidiary;
- sell, lease or transfer certain assets including stock of Restricted Subsidiaries;
- engage in certain transactions with affiliates; and
- consolidate or merge with other entities.

All of these limitations will be subject to significant exceptions and qualifications. See "*Description of the Notes—Certain Covenants*". These covenants could limit Heidelberg's ability to finance its future operations and capital needs and its ability to pursue business opportunities and activities that may be in its interest.

Upon the occurrence of any event of default under the terms of the Revolving Credit Facility, the lenders could cancel the availability of such Revolving Credit Facilities and elect to declare all amounts outstanding under the Revolving Credit Facility, together with accrued interest, immediately due and payable. If the Issuer or its subsidiaries were unable to repay those amounts, the lenders could proceed against the collateral securing the Revolving Credit Facilities. If the lenders under the Revolving Credit Facility accelerate the payment of those amounts, the Issuer cannot assure you that the assets of its subsidiaries would be sufficient to repay in full those amounts, to satisfy all other liabilities of its subsidiaries which would be due and payable and to make payments to the Issuer to enable it to repay the Notes in full or in part.

Heidelberg may not have the ability to raise the funds necessary to finance an offer to repurchase your Notes upon the occurrence of certain events constituting a change of control as required by the Conditions of Issue of the Notes or may be prohibited from making a payment pursuant to such offer.

Upon the occurrence of certain events constituting a change of control, the Issuer is required to offer to repurchase all outstanding Notes at a purchase price in cash equal to 101% of the principal amount thereof on the date of purchase plus accrued and unpaid interest to the date of purchase. If a change of control were to occur, Heidelberg cannot assure you that the Issuer would have sufficient funds available at such time to pay the purchase price of the outstanding Notes or that the restrictions in Heidelberg's then-existing contractual obligations would allow it to make such required repurchases. For instance, the Revolving Credit Facility prohibits the payment of principal and the repurchase or defeasance of the Notes unless in case of a funding by a so-called Refinancing Instrument under the Revolving Credit Facility. In a change of control event, even if Heidelberg has sufficient funds available to make an offer to repurchase the Notes upon a change of control, such a repurchase without consent of the lenders under the Revolving Credit Facility would violate the terms of the Revolving Credit Facility and result in an event of default under, and acceleration of, the Revolving Credit Facility. Likewise, the repurchase of the Notes pursuant to such an offer without a change of control event could cause a default under other present or future indebtedness unless funding of the repurchase is effected by means of a Refinancing Instrument as defined in the Revolving Credit Facility. In addition, a change of control itself may result in an event of default under, or acceleration of, the Revolving Credit Facility or other present or future indebtedness. See "*Description of Other Indebtedness—Syndicated Loan Facility*".

The Issuer's ability to pay cash to the holders of the Notes following the occurrence of a change of control may be limited by its then existing financial resources. Sufficient funds may not be available when necessary to make any required repurchases. If an event constituting a change of control occurs at a time when the Issuer is prohibited from

repurchasing Notes under the Revolving Credit Facility or otherwise, the Issuer may seek the consent of the lenders under such indebtedness to the purchase of Notes or may attempt to refinance the borrowings that contain such prohibition. If the Issuer does not obtain such consent or repay such borrowings, the Issuer will remain prohibited from repurchasing any tendered Notes. In addition, the Issuer expects that it would require third-party financing to make an offer to repurchase the Notes upon a change of control. Heidelberg cannot assure you that it would be able to obtain such financing. Any failure by the Issuer to offer to purchase Notes would constitute a default under the Conditions of Issue of the Notes, which would in turn constitute a default under the Revolving Credit Facility. See "*Description of the Notes—Repurchase at the Option of Holders upon a Change of Control*".

The change of control provision contained in the Conditions of Issue of the Notes may not necessarily afford you protection in the event of certain important corporate events, including a reorganization, restructuring, merger, takeover offer or other similar transaction involving Heidelberg that may adversely affect you, because such corporate events may not involve a shift in voting power or beneficial ownership or, even if they do, may not constitute a "Change of Control" as defined in the Conditions of Issue of the Notes. Except as described under "*Description of the Notes—Repurchase at the Option of Holders upon a Change of Control*", the Conditions of Issue of the Notes does not contain provisions that require Heidelberg to offer to repurchase or redeem the Notes in the event of a reorganization, restructuring, merger, recapitalization, takeover offer or similar transaction.

The definition of "Change of Control" contained in the Conditions of Issue of the Notes includes a disposition of all or substantially all of the assets of the Issuer and its Restricted Subsidiaries taken as a whole to any person. Although there is a limited body of case law interpreting the phrase "all or substantially all", there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of the assets of the Issuer and its Restricted Subsidiaries taken as a whole. Accordingly, the ability of a holder of Notes to require the Issuer to repurchase its Notes may be uncertain, as it may be unclear as to whether a change of control has occurred.

Certain amendments to the Conditions of Issue of the Notes may be passed with the consent of 90% of less than the majority of the Notes outstanding.

The Conditions of Issue of the Notes may be amended by a vote of the Holders of the Notes. Amendments require a majority of not less than 50.1% of votes cast or, for certain amendments, 90% of the votes cast as opposed to 50.1% or 90%, respectively, of the aggregate principal amount of the Notes outstanding. Certain further amendments to the Conditions of Issue of the Notes require approval of 100% of the Holders of the Notes. The voting process under the Conditions of Issue will be governed in accordance with the German Act on Debt Securities of 2009 (*Gesetz über Schuldverschreibungen aus Gesamtemissionen, Schuldverschreibungsgesetz, SchVG*), pursuant to which the quorum for noteholder votes is principally set at a simple majority. Accordingly, the aggregate principal amount of notes required to vote in favor of an amendment will vary based on the noteholder votes participating. For example if, the Holders of less than 55.5% of the aggregate principal amount of the Notes participate in a vote, any proposed amendment, including amendments subject to the 90% threshold, can be passed with less than a majority of the aggregate principal amount of the Notes consenting. See "*Description of the Notes—Amendments and Waivers*".

Enforcing your rights as a holder of the Notes or under the Subsidiary Guarantees across multiple jurisdictions may prove difficult.

The Issuer is organized under the laws of Germany; the Subsidiary Guarantors are organized under the laws of Australia, Austria, Canada, Denmark, the State of Delaware in the United States of America, England and Wales, France, Germany, Hong Kong, Japan and The Netherlands. In the event of bankruptcy, insolvency, administration or similar event, proceedings could be initiated in any of these jurisdictions. Your rights under the Notes and the Subsidiary Guarantees are likely to be subject to insolvency and administrative laws of several jurisdictions and there can be no assurance that you will be able to effectively enforce your rights in such complex proceedings. Moreover, such multi-jurisdictional proceedings are typically complex and costly for creditors and often result in substantial uncertainty and delay in the enforcement of creditors' rights.

The insolvency, administrative and other laws of the jurisdiction of organization of the Issuer and the Subsidiary Guarantors may be materially different from, or conflict with, each other and with the laws of the United States, including in the areas of rights of creditors, priority of governmental and other creditors, ability to obtain post-petition interest, the duration of proceedings and preference periods. The application of these laws, and any conflict between them, could call into question whether, and to what extent, the laws of any particular jurisdiction should apply, adversely affect your ability to enforce your rights under the Subsidiary Guarantees in these jurisdictions or limit any amounts that you may receive.

The insolvency laws of Germany and other local insolvency laws may not be as favorable to you as the United States bankruptcy laws and may preclude holders of the Notes from recovering payments due on the Notes.

The Issuer and certain of its subsidiaries, including some of the Subsidiary Guarantors, are organized under the laws of Germany and are having their centre of main interests in Germany. Consequently, in the event of an insolvency of the Issuer or any of these subsidiaries, insolvency proceedings with respect to the Issuer or these German subsidiaries would likely be initiated under, and be governed by, German insolvency law. The insolvency laws of Germany and, in particular, the provisions of the German Insolvency Code (*Insolvenzordnung*), may be less favorable to your interests as creditors than the bankruptcy laws of the United States or another jurisdiction with which you may be familiar, including in respect of priority of creditors, the ability to obtain post-petition interest and the duration of the insolvency proceedings, and thus may limit your ability to recover payments due on the Notes to an extent exceeding the limitations arising under other insolvency laws. However, pursuant to the Council Regulation (EC) no. 1346/2000 on insolvency proceedings (the "*EU Insolvency Regulation*"), where a German company conducts business in more than one Member State of the European Union, the jurisdiction of the German courts may be limited if the company's "centre of main interests" is found to be in a Member State other than Germany. There are a number of factors that are taken into account to ascertain the center of main interests, which should correspond to the place where the company conducts the administration of its interests on a regular basis and is therefore ascertainable by third parties. The point at which this issue will be determined is at the time when the relevant insolvency proceedings are opened. The determination of where the Issuer or any of its subsidiaries has its "centre of main interests" would be a question of fact on which the courts of the different EU Member States may have differing and even conflicting views. It should also be noted that no final decisions have been taken in cases that have been brought before the European Court of Justice in relation to questions of interpretation or the effects of the EU Insolvency Regulation throughout the European Union. Furthermore, "centre of main interests" is not a static concept and may change from time to time.

For a brief description of certain aspects of the insolvency laws of Germany and the jurisdiction of the Subsidiary Guarantors, see "*Certain Insolvency Law Considerations and Certain Local Law Considerations on Limitations on Subsidiary Guarantees*".

Credit ratings may not reflect all risks, are not recommendations to buy or hold securities and may be subject to revision, suspension or withdrawal at any time.

One or more independent credit rating agencies may assign credit ratings to the Additional Senior Notes. The ratings may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed above and other factors that may affect the value of the Additional Senior Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal by the rating agency at any time. No assurance can be given that a credit rating will remain constant for any given period of time or that a credit rating will not be lowered or withdrawn entirely by the credit rating agency if, in its judgment, circumstances in the future so warrant. A suspension, reduction or withdrawal at any time of the credit rating assigned to the Additional Senior Notes by one or more of the credit rating agencies may adversely affect the cost and terms and conditions of Heidelberg's financings and could adversely affect the value and trading of the Additional Senior Notes.

An active trading market may not develop for the Additional Senior Notes, in which case your ability to sell the Additional Senior Notes may be limited.

After the 40th day following the issue date, the Additional Senior Notes will constitute single classes of securities with the Original Notes, and will have the same international securities identification numbers and common codes as the Original Notes. Accordingly, there can be no assurance as to the development or liquidity of any market for the Additional Senior Notes until the end of this time period. In addition, the Additional Senior Notes are new securities for which there currently is no market. Although an application has been made to include the Additional Senior Notes on the Official List of the Luxembourg Stock Exchange and to admit the Additional Senior Notes to trading on the Euro MTF Heidelberg cannot assure you that the Additional Senior Notes will become or remain listed. Heidelberg cannot assure you as to the liquidity of any market that may develop for the Additional Senior Notes, the ability of holders of the Additional Senior Notes to sell them or the price at which the Additional Senior Notes may be sold. The liquidity of any market for, and the future trading prices of, the Notes will depend on the number of holders of the Notes, prevailing interest rates, the market for similar securities and other factors, including general economic conditions and Heidelberg's own financial condition, performance and prospects, as well as recommendations of securities analysts. The Initial Purchasers have informed the Issuer that they intend to make a market in the Additional Senior Notes. However, they are not obligated to do so and may discontinue such market making at any time without notice. As a result, Heidelberg cannot assure you that an active trading market for the Additional Senior Notes will develop or, if one does develop, that it will be maintained. If no active trading market develops, you may not be able to resell your Additional Senior Notes at a fair value, if at all. The liquidity of, and trading market for, the Notes may also be adversely effected by declines in the market for high yield securities generally. Such a decline may affect any liquidity and trading of the Notes independent of Heidelberg's financial performance and prospects.

Borrowings under the Revolving Credit Facility bear interest at floating rates that could rise significantly, increasing Heidelberg's interest cost and reducing cash flow.

A substantial part of Heidelberg's indebtedness, including borrowings under the Revolving Credit Facility, bear interest at per annum rates equal to EURIBOR, adjusted periodically, plus a spread. These interest rates could rise significantly in the future, thereby increasing Heidelberg's interest expenses associated with these obligations, reducing cash flow available for capital expenditures and hindering the Issuer's ability to make payments on the Notes.

The Additional Senior Notes sold pursuant to Regulation S of the Securities Act (the "Regulation S Additional Senior Notes") will be initially issued with a temporary ISIN and common code. In the event that we are unable to transfer the Regulation S Additional Senior Notes to the permanent ISIN and common code, the Regulation S Additional Senior Notes will continue to trade under an ISIN and common code to the Existing Notes sold pursuant to Regulation S of the Securities Act (the "Regulation S Existing Notes"), which may adversely affect the liquidity of the Regulation S Additional Senior Notes and cause the Regulation S Additional Senior Notes to trade at different prices than the Regulation S Existing Notes.

Once the Regulation S Additional Senior Notes offered hereby have become freely tradeable upon the expiration of the restrictive period under Regulation S, we expect that the Additional Senior Notes will share a single ISIN and common code with the Regulation S Existing Notes and the Regulation S Additional Senior Notes and the Regulation S Existing Notes will thereafter be fungible. However, in the event that we are unable to transfer the Regulation S Additional Senior Notes to the permanent ISIN and common code, the Regulation S Additional Senior Notes will continue to trade under separate ISIN and common codes to the Regulation S Existing Notes, which may adversely affect the liquidity of the Regulation S Additional Senior Notes and cause the Regulation S Additional Senior Notes to trade at different prices than the Regulation S Existing Notes.

The transfer of Additional Senior Notes is restricted, which may adversely affect their liquidity and the price at which they may be sold.

The Additional Senior Notes and the Subsidiary Guarantees have not been registered, nor is the Issuer obliged to register the Additional Senior Notes or the Subsidiary Guarantees under, the U.S. Securities Act or the securities laws of any other jurisdiction and, unless so registered, the Additional Senior Notes may not be offered or sold except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the U..S. Securities Act and any other applicable laws. The Additional Senior Notes are not being offered for sale in the United States except to QIBs in accordance with Rule 144A. See "*Subscription and Sale of the Additional Senior Notes—Selling and Transfer Restrictions*". Heidelberg has not agreed to or otherwise undertaken to register the Additional Senior Notes with the U.S. Securities and Exchange Commission (including by way of an exchange offer).

USE OF PROCEEDS

The Company estimates that the net proceeds from this offering will be approximately EUR 50.9 million, including any premium on the issue price of the Additional Senior Notes after deducting the Managers' discounts and commissions and other expenses relating to the offering (excluding accrued interest).

The Company expects to use the net proceeds from the offering of the Additional Senior Notes for general corporate purposes of the Heidelberg Group.

CAPITALIZATION

The following table shows the consolidated cash and capitalization of the Heidelberg Group as of September 30, 2013, based on the unaudited condensed consolidated interim financial statements as of and for the six months ended September 30, 2013 ("actual") and as adjusted. The as adjusted information in the table below reflects (i) the issuance of the Additional Senior Notes in an aggregate principal amount of EUR 51 million and (ii) the application of the proceeds from the sale of the Additional Senior Notes as displayed in "*Use of Proceeds*", in each case as if these events had occurred on September 30, 2013.

You should read this table in conjunction with "*Use of Proceeds*", "*Selected Financial Information*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and the unaudited condensed consolidated interim financial statements included elsewhere in this Offering Memorandum.

	As of September 30, 2013		
	Actual (unaudited)	Adjustments (unaudited)	As adjusted (unaudited)
	in EUR millions		
Cash and cash equivalents	**197.7**	**50.9**[3]	**248.6**
Revolving Credit Facility[1]	4.1	—	4.1
Liabilities to banks	8.9	—	8.9
Convertible Notes	58.2	—	58.2
Original Notes	306.7	—	306.7
Additional Senior Notes offered hereby[2]	—	51.0	51.0
Real estate lease	37.0	—	37.0
Finance leases	7.1	—	7.1
Other financial liabilities	14.9	–3.0[4]	11.9
Financial liabilities (current and non-current)	**436.9**	**48.0**	**484.9**
Shareholders' equity	**347.6**	**—**	**347.6**
Total capitalization	**784.5**	**48.0**	**832.5**

(1) As of September 30, 2013, on an adjusted basis, the Revolving Credit Facility would have had approximately EUR 35 million outstanding as non-cash utilizations for various ancillary facilities and bank guarantees, which would have provided Heidelberg with approximately EUR 300 million available under the Revolving Credit Facility.

(2) This amount represents the nominal value of the Additional Senior Notes offering in the amount of EUR 51.0 million, excluding any premium and accrued interest.

(3) Adjusted to give effect to estimated net proceeds of EUR 50.9 million from the Additional Senior Notes offered hereby, including any premium (excluding accrued interest).

(4) The decrease in other financial liabilities reflects the capitalization of estimated transaction costs of EUR 3.0 million relating to the Additional Senior Notes offered hereby, excluding any premium and accrued interest, and not considering deferred tax effects.

SELECTED FINANCIAL INFORMATION

The financial information for financial years 2010/2011, 2011/2012 and 2012/2013 summarized below has been extracted from the audited consolidated financial statements of Heidelberger Druckmaschinen Aktiengesellschaft for the financial years ended March 31, 2012 and 2013, which are included elsewhere in this Offering Memorandum, and the financial information for the six month period ended September 30, 2013 (including comparable figures for the six month period ended September 30, 2012) has been extracted from the unaudited consolidated interim financial statements of Heidelberger Druckmaschinen Aktiengesellschaft for the six months ended September 30, 2013, which are also included elsewhere in this Offering Memorandum, as well as from the accounting records of Heidelberger Druckmaschinen Aktiengesellschaft. The consolidated financial statements and the consolidated interim financial statements were prepared in accordance with International Financial Reporting Standards as adopted in the European Union ("**IFRS**"). The consolidated financial statements for financial year 2011/2012 (including comparable figures for the previous year 2010/2011) and 2012/2013 were audited by PwC, who issued an auditors' report in each case. The financial information summarized below should be read in particular in conjunction with the section "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", the audited consolidated financial statements and the unaudited consolidated interim financial statements included in this Offering Memorandum and the additional financial information included elsewhere in this Offering Memorandum.

The figures for the financial year 2010/2011 have been extracted from the consolidated financial statements 2011/2012 and the figures from the financial year 2011/2012 have been extracted from the consolidated financial statements 2012/2013. The figures as of and for the six month period ended September 30, 2012 have been extracted from the interim consolidated financial statements as of and for the six month period ended September 30, 2013.

This presentation of financial information contains certain financial measures that are not defined under IFRS (e.g., total operating performance, special items, EBIT, Normalized EBIT, Normalized EBITDA, cash flow and free cash flow). With the exception of Normalized EBITDA and Normalized EBIT, these financial measures are included in Heidelberg's consolidated financial statements. The definitions of the financial measures as used by Heidelberg are included in the "*Certain Definitions and Presentation of Financial and Certain Other Information—Definitions*". In this context it should be taken into consideration that not all companies calculate such non-IFRS measures in the same manner and thus the financial measures presented by Heidelberg might not necessarily be comparable with similarly titled measures used by other companies. Management presents the non-IFRS financial measures, that are not included in Heidelberg's consolidated financial statements (e.g., Normalized EBITDA and Normalized EBIT) and has frequently published such measures in reports because the management of Heidelberg expects that such measures are of interest to investors for the purpose of evaluating the operating performance. These financial measures should not be considered as an alternative to, or in isolation from, financial measures such as consolidated net profit/loss, inflow/outflow of funds from operating activities or other IFRS financial measures. These financial measures may be calculated differently than they would be under the Conditions of Issue for the Additional Senior Notes offered hereby.

Some financial and operating information is rounded to one decimal place. Totals or sub-totals in tables and other information in this Offering Memorandum which is not rounded may differ from information that is rounded to one decimal place. Furthermore, information rounded to one decimal place may diverge from totals or subtotals in tables or other sections in this Offering Memorandum.

Summary Consolidated Income Statement

	Financial Year			As of and for the Six Months ended September 30,	
	2010/2011	2011/2012	2012/2013	2012*	2013
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
	in EUR millions				
Net sales	2,628.9	2,595.7	2,734.6	1,217.3	1,096.8
Total operating performance[(1)(2)]	2,598.1	2,622.3	2,689.6	1,301.5	1,166.2
Other operating income	136.5	123.1	105.6	41.2	47.9
Cost of materials	1,234.0	1,231.7	1,278.2	636.1	537.8
Personnel expenses	872.7	904.5	901.5	479.7	435.2
Depreciation and amortization	99.6	87.1	82.9	41.0	38.4
Other operating expenses	524.2	519.5	504.7	260.4	210.0
Special items[(1)(3)]	−2.2	142.3	64.7	22.3	1.4
Result of operating activities (EBIT)[(1)(4)]	6.2	−139.8	−36.8	−96.9	−8.7
Financial result	−149.0	−89.6	−81.7	−23.4	−27.6
Income/loss before taxes	−142.9	−229.3	−118.5	−120.2	−36.3
Taxes on income	−14.0	0.8	−8.6	−12.3	10.8

Consolidated net profit/loss	−128.9	−230.1	−109.9	−107.9	−47.1

(1) This measure is not a defined financial indicator under IFRS. It should be noted in this context that not all companies calculate the items that are not defined under IFRS in the same manner, and that consequently the measures reported by Heidelberg are not necessarily comparable with similarly described measures employed by other companies.

(2) Total operating performance includes other own work capitalized and the change in inventories in addition to net sales. For a reconciliation from net sales to total operating performance, please see Heidelberg's consolidated income statement for the relevant period, which is included elsewhere in this Offering Memorandum.

(3) Special items for the financial years 2011/2012, 2012/2013 and for the first six months in financial years 2012/2013 and 2013/2014 include income and expenses associated with the Focus 2012 program, in particular for personnel adjustments and other structural measures. Special items for the financial year 2010/2011 mainly include income and expenses related to the Heidelberg 2010 Program, in particular expenses for personnel adjustments and other structural measures. Expenses are displayed as positive values and income as negative values.

(4) The result of operating activities (EBIT) represents the operating result before financial result and taxes on income.

* Figures for the six month period ending September 30, 2012 were restated due to first-time adoption of IAS 19 (2011). See also "*Management Discussion and Analysis of Financial Condition and Results of Operations—Comparability of Financial Information*".

Consolidated Balance Sheet

	March 31,			September 30, 2013
	2011	**2012**	**2013**	
	(audited)	**(audited)**	**(audited)**	**(unaudited)**
		in EUR millions		
Assets				
Non-current assets				
Intangible assets	266.7	245.8	234.7	228.1
Property, plant and equipment	570.0	547.7	530.5	519.0
Investment property	5.7	7.4	7.0	5.3
Financial assets	19.5	27.5	23.6	23.6
Receivables from sales financing	90.4	85.8	63.2	52.8
Other receivables and other assets(1)	42.9	16.6	19.2	12.4
Income tax assets	0.5	0.4	0.3	0.2
Deferred tax assets	118.9	38.6	36.1	32.7
Total non-current assets	**1,114.6**	**969.8**	**914.7**	**874.1**
Current assets				
Inventories	747.7	785.7	699.7	732.0
Receivables from sales financing	87.6	70.5	55.0	46.7
Trade receivables	376.9	361.0	381.8	243.2
Other receivables and other assets(2)	153.5	116.4	110.3	116.9
Income tax assets	13.9	17.4	17.1	16.9
Cash and cash equivalents	147.9	194.6	157.5	197.7
Total current assets	**1,527.5**	**1,545.5**	**1,421.5**	**1,353.3**
Assets held for sale	**0.9**	**2.7**	**2.0**	**3.7**
Total assets	**2,643.0**	**2,518.1**	**2,338.2**	**2,231.1**
Equity and Liabilities				
Shareholders' equity				
Issued capital	596.3	599.3	599.3	599.3
Capital reserves and retained earnings	401.2	206.5	−89.8	−204.6
Consolidated net loss	−128.9	−230.1	−109.9	−47.1
Total shareholders' equity	**868.6**	**575.7**	**399.6**	**347.6**
Non-current liabilities				

Provisions for pensions and similar obligations	221.0	326.1	415.7	413.1
Other provisions	303.0	284.2	247.3	217.8
Financial liabilities	105.3	339.1	331.2	388.9
Other liabilities[(3)]	127.7	125.0	121.5	119.5
Deferred tax liabilities	6.3	8.0	8.3	7.7
Total non-current liabilities	**763.2**	**1,082.4**	**1,124.0**	**1,147.0**
Current liabilities				
Other provisions	291.2	322,7	337.3	272.1
Financial liabilities	289.4	98.6	87.6	48.0
Trade payables	129.7	165.1	139.1	142.1
Income tax liabilities	1.8	2.4	3.1	2.5
Other liabilities[(4)]	299.0	271.2	247.5	271.8
Total current liabilities	**1,011.2**	**860.0**	**814.6**	**736.5**
Total equity and liabilities	**2,643.0**	**2,518.1**	**2,338.2**	**2,231.1**

(1) Of which EUR 10.7 million account for financial assets as of September 30, 2013 (March 31, 2013: EUR 12.1 million; March 31, 2012: EUR 8.7 million) and EUR 1.7 million account for non-financial assets as of September 30, 2013 (March 31, 2013: EUR 7.1 million; March 31, 2012: EUR 7.9 million).

(2) Of which EUR 70.9 million account for financial assets as of September 30, 2013 (March 31, 2013: EUR 63.8 million; March 31, 2012: EUR 54.9 million) and EUR 46.0 million account for non-financial assets as of September 30, 2013 (March 31, 2013: EUR 46.5 million; March 31, 2012: EUR 61.5 million).

(3) Of which EUR 81.4 million account for financial liabilities as of September 30, 2013 (March 31, 2013: EUR 81.3 million; March 31, 2012: EUR 84.5 million) and EUR 38.1 million account for non-financial liabilities as of September 30, 2013 (March 31, 2013: EUR 40.2 million; March 31, 2012 EUR 40.5 million).

(4) Of which EUR 94.7 million account for financial liabilities as of September 30, 2013 (March 31, 2013: EUR 86.9 million; March 31, 2012: EUR 117.6 million) and EUR 177.1 million account for non- financial liabilities as of September 30, 2013 (March 31, 2013: EUR 160.5 million; March 31, 2012: EUR 153.6 million).

Consolidated Cash Flow Statement and Other Financial and Operational Data

	Financial Year			As of and for the Six Months ended September 30,	
	2010/2011	**2011/2012**	**2012/2013**	**2012***	**2013**
	(audited)	**(audited)**	**(audited)**	**(unaudited)**	**(unaudited)**
			in EUR millions		
Cash flow[(1)(2)]	−40.7	−129.9	−39.5	−60.6	3.7
Other operating changes[(3)]	140.1	185.9	72.8	−22.2	47.9
Cash used in / generated by operating activities	**99.4**	**56.0**	**33.3**	**−82.8**	**51.6**
Cash used in investing activities	**−24.5**	**−46.2**	**−51.0**	**−32.4**	**−23.6**
Thereof: Investments in intangible assets/property, plant and equipment/investment property	−73.3	−65.9	−80.4	−42.3	−30.4
Free cash flow[(1)(4)]	**74.9**	**9.8**	**−17.6**	**−115.2**	**28.0**[(5)]
Cash generated by / used in financing activities	−50.0	29.3	−24.6	41.5	18.6
Net change in cash and cash equivalents	**24.8**	**39.1**	**−42.2**	**−73.7**	**46.6**
Cash and cash equivalents at the end of the period	147.9	194.6	157.5	124.1	197.7

(1) This measure is not a defined financial indicator under IFRS. It should be noted in this context that not all companies calculate the items that are not defined under IFRS in the same manner, and that consequently the measures reported by Heidelberg are not necessarily comparable with similarly described measures employed by other companies.

(2) For purposes of the cash flow statement, cash flow represents a subtotal of cash used in / generated by operating activities and comprises the cash surplus or deficit generated from sales of goods and services before taking into account, among other things, changes in net working capital. Cash flow is distinguished from the other cash inflows and outflows relating to operating activities recorded in the “Other operating changes” subtotal and described in footnote (3) below.

(3) Other operating changes consist of change in inventories, change in sales financing, change in trade receivables/payables, change in other provisions and change in other items of the statement of financial position. The changes in statement of financial position items shown in the consolidated cash flow statement cannot be derived directly from the consolidated statement of financial position as the effects of currency translation and changes in the scope of consolidation do not affect cash and have therefore been eliminated.

(4) For purposes of the cash flow statement, free cash flow comprises cash used in / generated by operating activities and cash used in investing activities.

(5) Includes approximately EUR 45 million of cash outflow for the Focus 2012 program and its re-sharpening component.

* Figures for the six month period ending September 30, 2012 were restated due to first-time adoption of IAS 19 (2011). See also "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Comparability of Financial Information*)".

Segment information

The Group divides its business activities into the segments Heidelberg Equipment, Heidelberg Services and Heidelberg Financial Services.

	Heidelberg Equipment		Heidelberg Services		Heidelberg Financial Services	
	For the Six Months ended September 30					
	2012	2013	2012	2013	2012	2013
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	in EUR millions					
External sales	712.3	621.1	499.0	471.3	6.1	4.5
Result of operating activities (segment result)*	−115.5	−49.6	14.2	37.4	4.4	3.6
Investments	36.9	25.1	6.6	5.6	0.0	0.0

* Figures for the six month period ending September 30, 2012 were restated due to first-time adoption of IAS 19 (2011). See also "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Comparability of Financial Information*)".

Geographical Analysis of Net Sales

	Financial Year			As of and for the Six Months ended September 30	
	2010/2011	2011/2012	2012/2013	2012*	2013
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
	in EUR millions				
Europe, Middle East and Africa	1,011.3	952.7	1,010.3	435.7	374.8
Asia/Pacific	856.3	853.9	897.8	425.5	397.4
Eastern Europe	299.2	296.4	303.8	141.6	126.3
North America	300.8	328.6	375.3	156.8	148.7
South America	161.3	164.0	147.4	57.8	49.5
Heidelberg Group	**2,628.9**	**2,595.7**	**2,734.6**	**1,217.3**	**1,096.8**

See "*Presentation of Financial Information*" for more information regarding certain limitations in the comparability of the above data.

* Figures for the six month period ending September 30, 2012 were restated due to first-time adoption of IAS 19 (2011). See also "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Comparability of Financial Information*)".

Financial and Operational Data for the Six Month Period Ended September 30, 2013

	As of and For the Six Months ended September 30,	
	2012*	2013
	(unaudited)	(unaudited)
	in EUR millions	
Order intake	1,557.5	1,257.2
Net sales	1,217.3	1,096.8
Normalized EBIT(1)(2)	−74.5	−7.2
Normalized EBITDA(1)(3)	−33.6	31.1
Income before taxes	−120.2	−36.3
Consolidated net loss/profit	−107.9	−47.1

(1) This measure is not a defined financial indicator under IFRS. It should be noted in this context that not all companies calculate the items that are not defined under IFRS in the same manner, and that consequently the measures reported by Heidelberg are not necessarily comparable with similarly described measures employed by other companies.

(2) Please see footnote (3) below for a reconciliation of Normalized EBIT to consolidated net loss/profit. Special items were displayed as below. In special items, expenses are displayed as positive values and income as negative values.

(3) Heidelberg believes that Normalized EBITDA is a useful indicator of its ability to incur and service its indebtedness and can assist securities analysts, investors and other parties to evaluate it. Normalized EBITDA and similar measures are used by different companies for differing purposes and are often calculated in ways that reflect the circumstances of these companies. You should exercise caution in comparing Heidelberg's Normalized EBITDA to EBITDA of other companies. Normalized EBITDA as presented here differs from the definition of *Adjusted EBITDA* contained in the Conditions of Issue. Please see "*Description of the Notes—Certain Definitions—Adjusted EBITDA*". The following unaudited table reconciles Normalized EBITDA to consolidated net loss/profit for the periods indicated.

	Financial Year			As of and for the Six Months ended September 30,	
	2010/2011	2011/2012	2012/2013	2012	2013*
	(audited, unless otherwise indicated)			(unaudited)	(unaudited)
	in EUR millions				
Consolidated net loss/profit	**−128.9**	**−230.1**	**−109.9**	**−107.9**	**−47.1**
Taxes on income and earnings	−14.0	0.8	−8.6	−12.3	10.8
Financial result	−149.0	−89.6	−81.7	−23.4	−27.6
Result of operating activities (EBIT)[(a)]	**6.2**	**−139.8**	**−36.8**	**−96.9**	**−8.7**
Special items[(b)]	−2.2	142.3	64.7	22.3	1.4
Normalized EBIT (unaudited)	**3.9**	**2.5**	**27.9**	**−74.5**	**−7.2**
Depreciation and amortization	99.6	87.1	82.9	41.0	38.4
Normalized EBITDA (unaudited)	**103.5**	**89.6**	**110.9**	**−33.6**	**31.1**

(a) For a reconciliation from net sales to total operating performance or from total operating performance to result of operating activities, please see Heidelberg's consolidated income statement which is included elsewhere in this Offering Memorandum.

(b) Special items for the financial years 2012/2013 and 2011/2012 and for the first six months in financial years 2013/2014 and 2012/2013 include income and expenses associated with the Focus 2012 program, in particular for personnel adjustments and other structural measures. Special items for the financial year 2010/2011 mainly include income and expenses related to the Heidelberg 2010 Program, in particular expenses for personnel adjustments and other structural measures. Expenses are displayed as positive values and income as negative values.

* Figures for the six month period ending September 30, 2012 were restated due to first-time adoption of IAS 19 (2011). See also "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Comparability of Financial Information*)".

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Investors should read the following discussion of Heidelberg's assets, financial condition and results of operations in particular in conjunction with the sections entitled "Business Activities" and "Risk Factors", the relevant consolidated financial statements and the accompanying notes and the other financial information contained in this Offering Memorandum. The audited consolidated financial statements of the Company for financial years 2010/2011 including comparative figures for the prior year 2010/2011, 2011/2012 and 2012/2013, each ended March 31, and the unaudited consolidated interim financial statements for the six months period ended September 30, 2013 (including comparative figures for the prior year six months period ended September 30, 2012) were prepared in accordance with IFRS using the nature of expense method. The audited consolidated financial statements and the unaudited consolidated interim financial statements are included elsewhere in this Offering Memorandum.

The following discussion contains forward-looking statements and forecasts. These are subject to risks, uncertainties and other factors that could cause actual results to differ materially from the results contained or implied in the forward-looking statements and forecasts. For further information, see "Forward Looking Statements" and "Risk Factors".

Overview

With a market share of approximately 42% in 2012, Heidelberg is the world's largest manufacturer of SFO printing presses in terms of sales and installed base. Heidelberg employed approximately 13,600 employees as of September 30, 2013, and is represented directly through its subsidiaries or indirectly through distributors and agents in over 170 countries in Europe, Africa, North and South America, Asia and Australia.

Heidelberg develops, produces and distributes technology for commercial and packaging printing. Heidelberg primarily supplies equipment, services and consumables for print media companies in the commercial printing and packaging printing segments, with a focus on SFO printing. SFO printing is a commonly used printing technology for producing high-quality products such as magazines, catalogues, packaging (e.g., folding cartons), advertising, flyers and newspaper inserts.

The business activities of Heidelberg are organized into three segments: Heidelberg Equipment, Heidelberg Services and Heidelberg Financial Services. 56.6% of Heidelberg's net sales in the six month period ended September 30, 2013, were generated from the Heidelberg Equipment segment. In addition to manufacturing printing presses for SFO, digital and flexo printing, Heidelberg also produces prepress and finishing machinery and software for integrating all of the processes within a print shop. 43.0% of Heidelberg's net sales in the six month period ended September 30, 2013, were generated from Heidelberg Services segment. As print shops have a continuous need for the products and services of this segment, this segment is less susceptible to economic developments than the new machinery segment. Heidelberg also supports its customers by offering financing concepts for their investment projects.

Comparability of Financial Information

Segments

The Heidelberg Group is divided into the following three business segments: Heidelberg Equipment, Heidelberg Services and Heidelberg Financial Services. These are also reportable segments in accordance with IFRS. This structure is consistent with the internal organizational and reporting structure of the Group. Heidelberg Equipment is primarily composed of the new machinery business. Heidelberg Services is primarily composed of the consumables, spare parts and remarketed equipment businesses. The Heidelberg Financial Services segment provides sales financing activities for customers. Within the segments Heidelberg is divided into business areas (BAs). The "sheetfed and postpress packaging", "consumables and computer-to-plate" and the "service and service parts" BAs contribute the largest share to total net sales of the Group. The "sheetfed and postpress packaging" BA, which is included in the Heidelberg Equipment segment, includes offset printing presses for small, medium and large format classes and finishing machinery for packaging printing. In the "consumables and computer-to-plate" BA, which is included in the Heidelberg Services segment, Heidelberg bundles consumables and prepress equipment. The service and service parts BA conducts the printing press maintenance and supplies customers with service parts.

Since financial year 2012/2013, two BAs were reallocated to different segments as follows: the Gallus BA—together with flexo printing presses—the associated consumables, service parts and technical services are allocated to the Heidelberg Equipment segment. Since the same date, software solutions for the Prinect printing workflow have been allocated to Heidelberg Equipment, which were previously allocated to Heidelberg Services. Figures for the financial year 2011/2012 were adjusted accordingly. No adjustments have been made for earlier periods. For further information

on the business activities, products, and services of the individual segments, please see "*Business Activities—The Segments and their Products and Services*".

IAS 19 (2011)—Impact of Pension Accounting on Heidelberg's Financials

The amended International Accounting Standard IAS 19 (2011) Employee Benefits which has had to be applied by Heidelberg with the beginning of its Financial Year 2013/2014 for the first time will materially modify the pension accounting requirements according to IFRS. Since IAS 19 (2011) must be applied retrospectively, the prior year's figures for Financial Year 2012/2013 in the consolidated financial statements of Financial Year 2013/2014 will be restated. This Offering Memorandum includes restated figures for the six month period ended September 30, 2012.

With regard to the recognition of actuarial gains and losses of defined benefit plans, i.e. changes of the amount of the pension obligation during the financial year, e.g., due to volatile interest rates, the previous standard IAS 19 (2004) left entities the accounting choice among three permissible methods: (i) so-called 'corridor' approach, (ii) immediate recognition (recognition in full) in profit or loss and (iii) immediate recognition in the equity position 'Other Comprehensive Income (OCI)' (so-called 'third option'). Heidelberg has previously applied the so called 'third option'. As one main amendment IAS 19 (2011) eliminated the use of the 'corridor' approach as well as of the immediate recognition in profit or loss and mandated that all so-called re-measurements, comprising, *inter alia*, these actuarial gains and losses, are only recognized in OCI.

Since IAS 19 (2011) has introduced modified accounting requirements within the so-called 'third option', three major effects on Heidelberg's income statement and balance sheet in line with the mandatory adoption of the amended standard in Financial Year 2013/2014 can be identified.

Firstly, the return on plan assets is no longer offset against staff costs at any individual entity level up to the amount of the expenses for pension claims in the income statement under IAS 19 (2011). That is, in Financial Year 2012/2013 income formerly included in the result of operating activities excluding special items was reclassified and included in the financial result, leading to a decrease of EBIT and an increase of the financial result. The income before tax and the net result are unaffected by this change of reporting according to the amended IAS 19.

Secondly, under the amended IAS 19, top-up payments (*Aufstockungsleistungen*) in line with partial retirement agreements are no longer regarded as termination benefits and no longer immediately recognized in the income statement according to the ultimate opinions of the IFRS Interpretation Committee (IFRS IC) and the Application Advice AH1 (IFRS) of the Accounting Standards Committee of Germany (ASCG). Due to their new classification as other long-term employee benefits according to IAS 19 (2011), expenses from top-up payments are accrued until the beginning of the passive phase of the partial retirement, in principle, on a straight-line basis.

Thirdly, under the amended IAS 19, a so-called net interest approach is introduced and substitutes the concept of an expected return on plan assets according to the previous IAS 19 (2004). According to IAS 19 (2011), only a net interest expense (or a net interest income respectively) is determined and disclosed in the income statement. The net interest expense (or the net interest income) represents the mathematical product of the net defined benefit obligation (or the net assets respectively) of a funded plan and the relevant interest rate. While the discount rate for the defined benefit obligation and the return on plan assets under the previous IAS 19 (2004) were determined individually and independently, the interest rate applied in the determination of the net defined benefit obligation (the net assets) according to IAS 19 (2011) has to be uniformly the discount rate previously used with regard to the defined benefit obligation. As a consequence, this uniform interest rate is implicitly deemed to be also the return on plan assets.

As a result of the retrospective application of the amendments to IAS 19: Employee Benefits, the amounts carried forward as of April 1, 2012 and April 1, 2013 were adjusted as follows: Capital reserves and retained earnings increased by EUR 2.9 million and EUR 9.1 million respectively. The consolidated net loss carried forward as of April 1, 2012 remained unchanged at negative EUR 230.1 million, while the figure as of April 1, 2013 increased by EUR 7.2 million. In the income statement for financial year 2012/2013 the retrospective application of the amendments to IAS 19: Employee Benefits resulted in a reduction in the EBIT including special items of EUR 30.6 million, in an increase of the financial result of EUR 22.8 million and an increase of the tax expense for taxes on income of EUR 0.6 million. Accordingly, the consolidated net loss for financial year 2012/2013 increased by EUR 7.2 million.

Key Events and Material Factors Affecting the Results of Operation

Heidelberg's results of operation during the periods under consideration have been primarily affected by the following key events and material factors.

Effects of General Economic Conditions

The level of net sales of the Heidelberg Group is influenced by a variety of cyclical and other economic circumstances. The printing presses Heidelberg produces and sells worldwide, as well as the associated services, service parts and consumables, are mostly employed in print shops whose business is strongly influenced by the general performance of the economy. A weaker business climate normally results in a particularly sharp fall in advertising activities, especially printed advertising materials. If print shops are exposed to weak demand and low capacity utilization or are uncertain about the economic outlook, they tend to reduce or postpone investments in new equipment. General economic developments affecting the demand for printed products consequently have an effect on the printing equipment market and, although to a lesser extent, on the demand for services, service parts, and consumables.

Heidelberg Group's net sales increased from EUR 2,596 million in the financial year 2011/2012 to EUR 2,735 million in the financial year 2012/2013. The net sales for the six months period ended September 30, 2013 were EUR 1,096.8 million compared to net sales of EUR 1,217.3 million for the six month period ended September 30, 2012. The decrease in net sales for the six month period ended September 30, 2013 resulted from lower net sales in both the Heidelberg Equipment and Heidelberg Services segments. Net sales in the Heidelberg Equipment segment were impacted by political and economic uncertainties in Brazil, high interest rates and infrastructural issues in India and continuing economic weakness in Spain and Italy, particularly in the packaging printing market, while net sales in the Heidelberg Services segment were impacted by the cancellation of a distribution contract in Canada by Eastman Kodak Company and the insolvency of one of the Company's largest Australian consumables customer. The drupa 2012 International Trade Show in May/June 2012 (drupa 2012) caused order intake to rise briefly in the first quarter of the 2012/2013 financial year. Heidelberg Group orders were 17% higher in the first half of the 2012/2013 financial year than in the first half of the 2011/2012 financial year. Overall order intake increased from EUR 2,555 million in 2011/2012 to EUR 2,822 million in 2012/2013 despite the ongoing euro and debt crisis. Order intake for the six month period ended September 30, 2013 were EUR 1,257.2 million compared to order intake of EUR 1,557.5 million for the six month period ended September 30, 2012. The decrease in order intake resulted from a strong prior year period due to higher order intake from drupa 2012 and weak order intake in Brazil due to political and economic uncertainties. Furthermore, order intake for the six month period ended September 30, 2013, was negatively affected by the fallout of the European financial crisis and political turmoil in the Middle East and structural changes in the print industry. Order intake increased in Europe, Middle East and Africa regions from EUR 913 million in the financial year 2011/2012 to EUR 1,026 million in 2012/2013. Eastern Europe matched the previous year's level for order intake (2011/2012 financial year: orders EUR 305 million; 2012/2013 financial year: orders EUR 306 million). Orders rose overall in the North America region from EUR 326 million in 2011/2012 to EUR 395 million in the financial year 2012/2013. This increase in orders was mainly driven by the United States and Mexico, initiated by the economic recovery, though momentum slowed in the second half of the year. Economic development in Brazil, which fell short of expectations, caused a drop in annual order intake year-on-year in the South America region. By contrast, Heidelberg received an increase in orders in the Asia/Pacific region. Orders for this region increased from EUR 845 million in the financial year 2011/2012 to EUR 939 million in 2012/2013 financial year, primarily as a result of the increases in orders in China and Japan.

The development of gross domestic product (GDP) as an indicator of economic growth and thereby of general commercial activity and capacity utilization of print shops plays an important role for the Heidelberg Group in assessing regional business performance. Rising advertising expenditures go hand in hand with economic growth. Print advertising is expected to profit as well, although the print advertising share among the various media is diminishing. Nevertheless, rising print advertising expenditures generally result in an increase of the order intake of many print shops, which leads to an improved capacity utilization of those print shops. The global economy increased by 2.6% in GDP terms in 2012 and by 3.0% in 2011 (source: Global Insight; calculated using the chain weighted method). As of November 2013, GDP declined to 2.4% (source: Global Insight; calculated using the chain weighted method). Economic growth in 2012 also varied by region. While the U.S. economy performed better, growing by 2.8% (source: Global Insight; calculated using the chain weighted method), economic development in the euro zone was slowed by the ongoing debt crisis. Emerging economies, such as China and Brazil, also saw weaker growth than in previous years. On average, GDP in industrialized nations rose by 1.4%, whereas the emerging markets posted increases of 4.8%.

As a result of its geographical diversification, Heidelberg is to some extent in a position to compensate for economic downturns in one geographical region by upturns or more stable trends in other regions. However, this was not materially the case against the background of the global economic distress over the past several years. The sharp decline in industrialized nations was offset in part by relatively healthy growth in the emerging markets, in particular China. Heidelberg estimates that demand for its products in certain emerging markets, such as China, will continue to enable Heidelberg to compensate for limited growth in the industrialized nations offset by lower margin equipment sold in such emerging markets as compared to industrialized nations due to an observed lower need for high margin presses. This assumption is based on the fact that the standard of living of the end consumers in the emerging markets is growing at an increasing rate and that demand for printed products will rise as well. Currently demand in such emerging markets for technically sophisticated equipment is lower than in the industrialized countries. However, Heidelberg also anticipates that the characteristics and quality of printed products in many emerging markets will increasingly approach the standard

of printed products in the industrialized nations, resulting in increased demand for more sophisticated (and higher margin) printing technology.

The Heidelberg Group has adapted its organization in line with changing market environment. For instance, China now has the highest sales of any of Heidelberg's individual markets. Expanding the production site in Qingpu has further reduced the effects of various national risks, such as higher import duties or exchange rate fluctuations, on the business performance.

Overcapacity and Pricing Pressure

As capacity throughout the industry as a whole has been reduced, pricing pressure has eased somewhat in the industry. From 2008 to 2012, the global economic crisis resulted in a progressive consolidation of capacity with partly radical restructurings. For example, during this time, manroland AG filed for insolvency and Shinohara, a Japanese competitor, was acquired by Hans Gronhi Graphic Technology Canada Inc. Since autumn 2011, Koenig & Bauer AG (KBA) announced extended restructuring measures for its core sheetfed and web press businesses. In that context and in response to the increased purchasing costs for materials, energy and other resource inputs, at the beginning of 2013, KBA announced a price increase of 2.5% for its sheetfed offset presses with effect from 15 April 2013. While overcapacity has been reduced in recent years, most recently as a result of consolidation and restructuring, the industry is still subject to overcapacity.

Despite the stabilization and consolidation of the global printing press industry discussed above, sales volume has remained flat. Furthermore, the structural and competitive changes in the industry may decrease the industry's future economic growth and, consequently, have a negative impact on Heidelberg's operating results.

For further information on general economic conditions, see "*Risk Factors—Market-Related Risks—Heidelberg is dependent on the general economic environment, the cyclical nature of the print media industry in general, and on markets for printing presses in particular*" and "*Market Overview and Competition—The General Economic Environment and Its Impacts on the Printing Equipment Industry*".

Development of Heidelberg's Financing Structure

In March 2011, Heidelberg entered into a EUR 500 million syndicated loan facility agreement maturing in December 2014 (the "**Revolving Credit Facility**"), and issued an aggregate principal amount of EUR 304 million of the Original Notes, the proceeds of which were used to refinance in whole amounts outstanding under a previous guaranteed loan facility and the previous revolving credit facility agreement of 2009 and for general corporate purposes and net working capital requirements of Heidelberg. The amount of the total commitments under the Revolving Credit Facility was reduced by EUR 25 million at the end of June 2012, by a further EUR 59 million from the net proceeds of the Convertible Notes placed in July 2013, and by a further reduction to EUR 390 million pursuant to the ARA RCFA. The issuance of the Additional Senior Notes will result in a further reduction of the amount of the Revolving Credit Facility from EUR 390 million to approximately EUR 340 million. The Revolving Credit Facility is used to satisfy general corporate financing purposes of Heidelberg. On December 6, 2013, certain conditions were amended with immediate effect, while other conditions were amended with effect as of January 1, 2015, and financial covenants have been agreed for the extended maturity period. Effective December 31, 2014, the amount of the Revolving Credit Facility will be further reduced to approximately EUR 277 million. The reduction of the amount of the Revolving Credit Facility on December 31, 2014 is a condition to the effectiveness of the extension of the facility until its new final maturity date on June 30, 2017, as well as to the amendments that have been agreed to enter into force as of January 1, 2015.

For more detailed information on the existing financing agreements, see *"Description of Other Indebtedness".*

Cost Optimization Program

In January 2012, Heidelberg initiated the Focus 2012 efficiency program and implemented key measures of the program during the 2012/2013 financial year. The primary objective of the Focus 2012 efficiency program is to reduce the fixed cost base of the Heidelberg Group by lowering capacity and adjusting structures to match the reduced size of its overall business. In addition, Heidelberg intends to continue to adjust cost structures to improve the Company's ability to react to short-term sales fluctuations and make the cost structure more flexible. Free cash flow will be negatively affected due to expenditures related to the Focus 2012 program and its re-sharpening component in financial years 2013/2014 and 2014/2015. Heidelberg's cash outflows associated with the Focus 2012 program and its re-sharpening component were EUR 62 million for the financial year 2012/2013 and are expected to be up to EUR 100 million in the financial year 2013/2014. The provision for restructuring measures related to the Focus 2012 program and its re-sharpening component was approximately EUR 95 million as of September 30, 2013 (as of March 31, 2013: approximately EUR 135 million).

Since 2008, Heidelberg has strategically reduced its number of employees from more than 20,000 to approximately 13,600 employees as of September 30, 2013. Heidelberg estimates that the workforce will be further reduced to fewer than 13,500 employees by end of financial year 2013/2014. As a result, productivity measured by net sales per capita has reverted to 2008 levels after a significant drop-off during the global economic crisis.

As a result of the Focus 2012 program, special items were reported in financial years 2011/2012 and 2012/2013 as well as in the first six months of financial years 2012/2013 and 2013/2014 which mainly relate to expenses for personnel adjustments and other structural measures. The income recorded in financial year 2010/2011 resulted mainly from the release of provisions related to the Heidelberg 2010 program. The table below shows the special items reported since financial year 2010/2011.

	Financial Year			As of and for the Six Months ended September 30,	
	2010/2011	**2011/2012**	**2012/2013**	**2012***	**2013**
	(audited)	**(audited)**	**(audited)**	**(unaudited)**	**(unaudited)**
			in EUR millions		
Special items[(1)(2)]	−2.2	142.3	64.7	22.3	1.4

(1) This measure is not a defined financial indicator under IFRS. It should be noted in this context that not all companies calculate the items that are not defined under IFRS in the same manner, and that consequently the measures reported by Heidelberg are not necessarily comparable with similarly described measures employed by other companies.

(2) Special items for the financial years 2011/2012, 2012/2013 and for the first six months in financial years 2012/2013 and 2013/2014 include income and expenses associated with the Focus 2012 program, in particular for personnel adjustments and other structural measures. Special items for the financial year 2010/2011 mainly include income and expenses related to the Heidelberg 2010 program, in particular expenses for personnel adjustments and other structural measures. Expenses are displayed as positive values and income as negative values.

* Figures for the six month period ending September 30, 2012 were restated due to first-time adoption of IAS 19 (2011). See also "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Comparability of Financial Information*".

Equipment Product Mix

The profitability of the Heidelberg Group, and in particular its Heidelberg Equipment segment, depends on the mix of equipment products sold. Highly automated printing presses with technologically advanced features tend to have higher margins, and are in demand in the industrialized nations. An important factor to Heidelberg's success therefore is to continue to introduce technical innovations for the higher margin products for customers in industrialized nations. Order intake for industrialized nations for the financial year 2012/2013 was EUR 1,572 million, representing 55.7% of net orders of the Heidelberg Group, compared to net orders of 1,390 million, representing 54.4% of net orders in the financial year 2011/2012. In emerging markets, however, orders are primarily received for standardized printing presses with less advanced features, which generate lower margins. For example, China, Heidelberg's largest emerging market, has shown stable demand for the standard equipment. Heidelberg established its own production site in China in 2008, where Heidelberg assembles and distributes standard equipment for printing and finishing. Demand for Heidelberg's products in China, including those assembled at and distributed from Heidelberg's plant in Qingpu, has stably developed over recent years and was in financial year 2012/2013 the largest single market for the Heidelberg Group (net sales in China in financial year 2012/2013 EUR 429.4 million; net sales in China in financial year 2011/2012 EUR 412.5 million).

Demand for Services, Service Parts and Consumables

The share of Heidelberg's sales generated from services and service parts has increased in recent years relative to the business for new printing presses. Heidelberg has a strong installed base for the consumables and services business.

In addition to Heidelberg's proven Systemservice and the guaranteed availability of service parts in all regions, the Heidelberg Services segment supplies Saphira consumables to customers worldwide. The market for services, service parts, and consumables is more resilient than the manufacture and sale for new printing presses. This is firstly because historical experience shows that sales of services and service parts gain importance in periods in which replacement investments are postponed, and secondly because sales of services, services parts, and consumables tend to be generated on a recurring basis and fluctuate largely dependent on capacity utilization.

During the first six months of financial year 2013/2014, Heidelberg Services showed a stable development (taking into account foreign currency effects of EUR 22.6 million for the six month period ended September 30, 2013). Although some markets, such as Brazil, suffered from overall economic weaknesses, the net sales of the Heidelberg Services segment were EUR 471.3 million compared to EUR 499.0 million net sales for the corresponding period in the prior year.

Intensity of Competition

The globalization of the printing industry and increased market transparency means that Heidelberg is exposed to intensive competition. Primarily, Heidelberg is in competition with other manufacturers of printing presses and providers of associated services and consumables for the printing industry, and with dealers in used machinery globally. In addition, Heidelberg is also in competition with other printing technologies which it does not offer, such as web offset printing and other printing methods, as well as indirectly with other communication media such as TV or the Internet.

As capacity throughout the industry as a whole has been reduced as a result of reduced global print demand and lower than expected development in emerging markets in the first half of the financial year 2013/2014, pricing pressure has diminished somewhat for the time being. For further information, see "*Risk Factors—Market-Related Risks*" and "*Market Overview and Competition*".

Personnel Expenses

Personnel expenses represent a significant share of Heidelberg's operating costs. As personnel expenses are primarily fixed costs and cannot be immediately adjusted to declining sales or other changes in the business environment in which the Company competes, a drop in sales in a downturn will first result in an increase of personnel cost as a percentage of sales until personnel expenses can be reduced to be in line with required capacity. The number of employees amounted to 15,828 (March 31, 2011), 15,414 (March 31, 2012) and 14,215 (March 31, 2013) and 13,616 employees as of September 30, 2013. This development was principally a consequence of the staff reductions in connection with the Focus 2012 program (see "*—Key Events and Material Factors Affecting the Results of Operation—Cost Optimization Programs*"). The reductions in staff numbers were mainly implemented in the EMEA business region and to a lesser extent in the Asia/Pacific region.

Net Investments

Heidelberg mainly invests in the maintenance of its existing production facilities. Net investments in intangible assets, property, plant and equipment and investment property in financial year 2012/2013 amounted to EUR 48.9 million, representing 1.8% of consolidated net sales, in financial year 2011/2012 to EUR 37.4 million, equivalent to a net investment ratio of 1.4% of consolidated net sales, and in financial year 2010/2011 to EUR 35.5 million, equivalent to a net investment ratio of 1.3% of consolidated net sales. Heidelberg's net investment for tangible and intangible longer-term assets, such as new equipment, machinery, and property (excluding finance lease and financial assets), is intended to be at approximately 2% of consolidated net sales in the medium term. The ongoing replacement of outdated machines and equipment offers opportunity to adapt Heidelberg's plant capacity and concentrate on consolidating its machinery.

In addition, the development of the Qingpu, China site has been continued for opening up the Asian market. The site began by producing folding machines and today the site produces a range of standardized printing presses for a number of printing formats. Today the factory is comprised of 90,300 square meters of land space and 68,500 square meters of buildings. See "*Business Activities—Competitive Strengths—Efficient Manufacturing Organization and Assembling Site in China*".

Level of Net Working Capital

Management of net working capital (inventory and trade receivables net of trade payables and customer advance payments) is an important factor for profitability and cash flow in Heidelberg's industry. Net working capital amounted to EUR 732 million as of September 30, 2013, a decrease of EUR 140 million compared to EUR 872 million as of March 31, 2013. This reduction in net working capital was mainly due to the decrease in trade receivables of EUR 139 million and an increase of advance payments on orders of EUR 31 million. These effects were partly offset by a higher level of inventories of EUR 32 million. Production time from order intake to installation of a new printing press at the customer's premises, when final payment is typically made, can take anywhere between four to six months or longer depending on how customized the order is. With certain presses that take an extended period of time to installation, the Company receives down payments and occasionally milestone payments that accrue until delivery. During a financial year, net working capital is subject to significant fluctuations. While receivables are subject to the prior period's sales, production inventories mainly depend on future periods' expected and planned sales volume. In addition, net working capital also depends on current sales trends and sales fluctuations within the year. In a declining sales trend, working

capital develops differently than in an increasing sales trend. Due to the correlation between net working capital and net sales, the predictability of net working capital strongly depends on the accuracy of sales expectations and plans.

Heidelberg's net working capital planning is aimed at predicting general sales trends or sales trends for particular products as early as possible so that purchases or firm purchase commitments of production materials or consumables can be adjusted in advance to minimize inventory, particularly in periods of declining sales. Heidelberg continuously monitors its net working capital and balances delivery times, product availability and margin aspects against optimizing its net working capital needs. In the past six months, Heidelberg has implemented measures to further optimize the net working capital. Those measures have already reduced net working capital to significantly lower levels, also relative to sales. The implemented measures cover all positions and are based on a high operational level of detail. Although Heidelberg expects the implemented measures will have a sustainable impact, working capital still reacts subject to sales fluctuation, especially during a financial year. Please see "*Liquidity and Capital Resources—Net Working Capital*" for more information.

Exchange Rate Fluctuations

Heidelberg is exposed to currency fluctuations. In addition to the euro, the most important currencies for Heidelberg are the U.S. dollar, the Chinese renminbi, the British pound, and the Japanese yen. Most of Heidelberg's production activity is located in the eurozone and China. A small series of SFO printing presses as well as a finishing machine are manufactured in the United States. Accordingly, a majority of Heidelberg's expenses were incurred in euros in financial year 2012/2013. On the other hand, Heidelberg generated 73.7% of its net sales in currencies other than the euro in financial year 2012/2013. An appreciation of the euro against the currencies in sales markets outside the eurozone therefore has a negative effect on net sales and results of operations. As the production activities of Heidelberg's main European competitors are also located in the eurozone, similar initial conditions apply to these competitors. However, suppliers whose production activities are located in the Japanese yen currency area enjoy an advantage in the event that the yen depreciates against the euro. In order to mitigate the risks of exchange rate fluctuations, purchasing and production activities in foreign currencies were expanded in recent years, for example, by establishing the Heidelberg production site in Qingpu, China.

For further information about the hedging instruments Heidelberg uses to offset foreign exchange risk, see Note 32 in the consolidated financial statements for financial year 2012/2013 and "*—Liquidity and Capital Resources—Hedging*" below. See also "*Risk Factors—Business-Related Risks—Due to the international nature of its business, Heidelberg is subject to risks from exchange rate fluctuations*".

Seasonality

Heidelberg experiences seasonal fluctuations, with the second half of Heidelberg's financial year typically recording significantly higher sales and contribution margins than the first half of the financial year. These fluctuations are largely due to the purchasing patterns of Heidelberg's customers. Typically, print shops invest in new equipment at times during the year to enable the delivery of such presses during the non-peak times in their work cycle. This generally coincides with the highest number of deliveries occurring during Heidelberg's fourth quarter. As a result of this seasonality, certain of Heidelberg's financial results are not evenly generated throughout the year.

Key Performance Indicators

In managing and monitoring the business areas, the management focuses in particular on the financial measures listed in the table below.

	Financial Year			**As of and for the Six Months ended September 30,**	
	2010/2011	**2011/2012**	**2012/2013**	**2012***	**2013**
	(audited, unless otherwise indicated)			**(unaudited)**	**(unaudited)**
	in EUR millions				
Order intake (unaudited)	2,757.1	2,555.0	2,822.3	1,557.5	1,257.2
Net sales	2,628.9	2,595.7	2,734.6	1,217.3	1,096.8
Normalized EBIT (unaudited)(1)(2)	3.9	2.5	27.9	−74.5	−7.2
Normalized EBIT margin (in %) (unaudited)(1)(3)	0.1%	0.1%	1.0%	−6.1%	−0.7%
Normalized EBITDA (unaudited)(1)(3)	103.5	89.6	110.9	−33.6	31.1
Free cash flow(1)(5)	74.9	9.8	−17.6	−115.2	28.0

(1) This measure is not a defined financial indicator under IFRS. It should be noted in this context that not all companies calculate the items that are not defined under IFRS in the same manner, and that consequently the

measures reported by Heidelberg are not necessarily comparable with similarly described measures employed by other companies.

(2) Heidelberg defines Normalized EBIT as results of operating activities (EBIT) adjusted by eliminating special items. Please see footnote (4) below for a reconciliation of Normalized EBIT to consolidated net loss/profit. Special items were displayed as below. In special items, expenses are displayed as positive values and income as negative values.

	Financial Year			As of and for the Six Months ended September 30,	
	2010/2011	2011/2012	2012/2013	2012*	2013
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
			in EUR millions		
Special items[(3)(4)]	−2.2	142.3	64.7	22.3	1.4

(3) Normalized EBIT margin is calculated as Normalized EBIT divided by net sales.

(4) Heidelberg defines Normalized EBITDA as Normalized EBIT plus depreciation and amortization. Heidelberg believes that Normalized EBITDA is a useful indicator of its ability to incur and service its indebtedness and can assist securities analysts, investors and other parties in evaluating it. Normalized EBITDA and similar measures are used by different companies for differing purposes and are often calculated in ways that reflect the circumstances of these companies. You should exercise caution in comparing Heidelberg's Normalized EBITDA to EBITDA measures of other companies. Normalized EBITDA as presented here differs from the definition of Adjusted EBITDA contained in the Conditions of Issue. The following unaudited table reconciles Normalized EBITDA to consolidated net loss/profit for the periods indicated.

	Financial Year			As of and for the Six Months ended September 30,	
	2010/2011	2011/2012	2012/2013	2012*	2013
	(audited, unless otherwise indicated)			(unaudited)	(unaudited)
			in EUR millions		
Consolidated net loss/profit	**−128.9**	**−230.1**	**−109.9**	**−107.9**	**−47.1**
Taxes on income and earnings	14.0	0.8	−8.6	−12.3	10.8
Financial result	−149.0	−89.6	−81.7	−23.4	−27.6
Result of operating activities (EBIT)[(1)]	**6.2**	**−139.8**	**−36.8**	**−96.9**	**−8.7**
Special items[(2)]	−2.2	142.3	64.7	22.3	1.4
Normalized EBIT (unaudited)	**3.9**	**2.5**	**27.9**	**−74.5**	**−7.2**
Depreciation and amortization	99.6	87.1	82.9	41.0	38.4
Normalized EBITDA (unaudited)	**103.5**	**89.6**	**110.9**	**−33.6**	**31.1**

(1) For a reconciliation from net sales to total operating performance or from total operating performance to result of operating activities, please see Heidelberg's consolidated income statement included elsewhere in this Offering Memorandum.

(2) Special items for the financial years 2012/2013, 2011/2012 and for the first six months in financial years 2013/2014 and 2012/2013 include income and expenses associated with the Focus 2012 program, in particular for personnel adjustments and other structural measures. Special items for the financial year 2010/2011 mainly include income related to the Heidelberg 2010 program, in particular from the release of provisions related thereto. Expenses are displayed as positive values and income as negative values.

(5) For purposes of the cash flow statement, free cash flow is comprised of cash used in/generated by operating activities and cash used in investing activities.

* Figures for the six month period ending September 30, 2012 were restated due to first-time adoption of IAS 19 (2011). See also "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Comparability of Financial Information*".

Order Intake and Net Sales

Order intake is the key early indicator for the development of the business. Orders are promptly recorded and budgeted for by segment and region. Order intake does not ultimately translate into net sales. Although the number of

cancellations increased during the global economic downturn, cancellations during that period were not material and historically there has not been a significant experience of cancellations.

EBIT, Normalized EBIT and Normalized EBIT Margin

The key earning indicators used in managing the segments are the result of operating activities (EBIT) and the ratio of Normalized EBIT to net sales (Normalized EBIT margin). These measures are also used as key indicators of overall performance. These ratios indicate the profitability of Heidelberg as a whole and its segments. In financial years 2010/2011 and 2011/2012, the Normalized EBIT margin for the Heidelberg Group was 0.1% and improved to 1.0% in financial year 2012/2013. In the first six months of financial year 2013/2014, the Normalized EBIT margin improved to −0.7%, compared to −6.1% in the first six months of financial year 2012/2013. This improvement in the first six months of financial year 2013/2014 was primarily due to cost reduction programs, the lack of drupa 2012 expenses and stronger performance due to Heidelberg's focus on higher margin products instead of volume.

Please see *"Certain Definitions and Presentation of Financial and Other Information*" for more information on these measures.

Free Cash Flow

Free cash flow (before net cash used in/provided by financing activities including interest payments) is the sum of cash inflows and outflows from current operating activities and investing activities. It is an indicator of Heidelberg's internal financing capacity and shows whether investments can be funded from cash flows and how much cash is available for debt servicing.

Discussion of Individual Items in the Income Statement

The composition of individual items in Heidelberg's consolidated income statement in accordance with IFRS is presented below. The Company has opted to use the nature of expense method in preparing its income statement. The presentation of the income statement using the nature of expense method differs in some respects from the cost of sales method. Under the nature of expense method, the result of operating activities (EBIT) is determined by comparing the total amount of income and work performed (net sales, changes in inventories and other own work capitalized, and other operating income) with the total costs and expenses for the period (classified according to the underlying types of expense: cost of materials, personnel expenses, depreciation and amortization, and other operating expenses). In the case of the cost of sales method, on the other hand, only those costs and expenses are compared with net sales that have been incurred in generating net sales (that is, the cost of sales, classified according to functions, such as production, research and development, administration and selling). The two methods differ solely in the presentation of the items in the income statement; earnings (result of operating activities (EBIT) and net profit or loss for the year) are not affected by the different methods.

Net sales—Net sales comprise all income arising in the course of ordinary business activities as a result of the sale of printing presses and the other goods and services provided by Heidelberg, including income from commissions and finance and operating leases, and interest income from sales financing arrangements and finance leases. A significant portion of the Company's external sales are generated at sales subsidiaries in local jurisdictions which, in turn, purchase these goods to be sold at arm's-length terms from the Company pursuant to agreed transfer pricing arrangements.

Change in inventories and other own work capitalized—The change in inventories relates to work in progress and finished products and work performed. Other own work capitalized primarily represents capitalized development costs and the costs of machinery used by Heidelberg in demonstration rooms.

Other operating income—All operating income not already allocated to other income items is reported under this item. Accordingly, other operating income mainly includes income from the reversal of other provisions and deferred liabilities, recoveries on loans and other assets previously written down, income from operating facilities, hedging and exchange rate gains, income from disposals of intangible assets, property plant and equipment and investment property, and other income.

Cost of materials—The expenses for raw materials, consumables and supplies (including energy used) and for purchased goods and services are recorded in the cost of materials. The cost of materials also includes Heidelberg's maintenance expenses for its manufacturing facilities. The maintenance expenses recorded under this item comprise, among other things, expenses for materials required in the course of maintenance work (for example, service parts), but not personnel expenses relating to maintenance work. In addition to materials actually consumed, the cost of materials also includes inventory and valuation differences, and valuation allowances and reversals in respect of raw materials, supplies, and consumables, and purchased goods. The interest expense for the financial services segment is also recorded under cost of materials.

Personnel expenses—Personnel expenses include all expenses for benefits to employees, including salaries, retirement benefit expenses and social security contributions. Personnel expenses also include the costs of redundancy and partial retirement agreements (to the extent that they do not form part of the Heidelberg 2010, "Stabilize-Focus-Transform (SFT)" and Focus 2012 programs, which are recorded under special items). The interest expense resulting from the periodic accrual of interest on pension obligations, on the other hand, is reported in the financial result.

Depreciation and amortization—Depreciation and amortization includes all depreciation, amortization, and impairments on intangible assets, property, plant and equipment, and investment property. Depreciation and amortization are charged on a straight-line basis over the expected useful life. Depreciation and amortization are reduced by the amount of any reversals of impairments recognized.

Other operating expenses—This item is comprised of all operating expenses that are not allocated to a different expense item. These consist primarily of expenses for other purchased goods and services (to the extent that they are not included in the cost of materials), special direct sales expenses, including freight charges, rental and lease expenses, travel costs, bad debt allowances on receivables and impairments on other assets, hedging and exchange rate losses, additions to provisions and accruals, insurance expenses, car fleet costs and other overheads.

Special items—Special items for the financial years 2011/2012, 2012/2013 and for the first six months in financial years 2012/2013 and 2013/2014 include income and expenses associated with the Focus 2012 program, in particular for personnel adjustments and other structural measures. Special items for the financial year 2010/2011 mainly include income related to the Heidelberg 2010 program, in particular income from the release of provisions relating thereto.

Financial result—The financial result represents financial income less financial expenses. Financial income is comprised of interest and similar income, and income from financial assets, loans, and securities. Financial expenses are composed of interest and similar expenses (including the interest expense arising from pension entitlements, less income from plan assets) and expenses from financial assets, loans and securities (including write-downs on financial instruments).

Taxes on income—This item is comprised of the current tax expense and deferred taxes.

Results of Operations

The discussion below presents a comparison of Heidelberg's results of operations for the six months ended September 30 of financial years 2013/2014 and 2012/2013 and for financial years 2012/2013, 2011/2012 and 2010/2011, each ended March 31.

Comparison of the Six Months Ended September 30 of Financial Years 2012/2013 and 2013/2014

The table below shows selected financial information from the income statements of Heidelberg for the six months ended September 30 of financial years 2012/2013 and 2013/2014 on the basis of the unaudited interim consolidated financial statements of Heidelberg as of September 30, 2013.

	For the Six Months ended September 30,	
	2012*	**2013**
	(unaudited)	**(unaudited)**
	in EUR millions	
Net sales	1,217.3	1,096.8
Change in inventories	65.0	60.2
Other own work capitalized	19.2	9.2
Total operating performance[(1)]	**1,301.5**	**1,166.2**
Other operating income	41.2	47.9
Cost of materials	636.1	537.8
Personnel expenses	479.7	435.2
Depreciation and amortization	41.0	38.4
Other operating expenses	260.4	210.0
Special items[(1)(2)]	22.3	1.4
Result of operating activities[(1)]	**−96.9**	**−8.7**
Financial income	13.0	6.5
Financial expenses	36.4	34.1
Financial result	−23.4	−27.6

Income before taxes	**−120.2**	**−36.3**
Taxes on income and earnings	−12.3	10.8
Consolidated net loss	**−107.9**	**−47.1**

(1) This measure is not a defined financial indicator under IFRS. For definitions, please see "*Certain Definitions and Presentation of Financial and Other Information*" and "*Glossary*".

(2) Special Items include expenses and income. Special items for the six months ended September 30, 2012 and 2013 include income and expenses related to the Focus 2012 program, in particular for personnel adjustments and other structural measures. Expenses are displayed as positive values and income as negative values.

* Figures for the six month period ending September 30, 2012 were restated due to first-time adoption of IAS 19 (2011). See also "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Comparability of Financial Information*".

Net Sales and Order Intake

The following table shows the development of order intake as well as the orders on hand at the end of the first six months period of financial years 2013/2014 and 2012/2013, respectively.

	For the Six Months ended September 30,		
	2012	**2013**	**Change in %**
	(unaudited)	**(unaudited)**	
	in EUR millions		
Order intake	1,557.5	1,257.2	−19.3
Order backlog as of September 30	790.2	597.5	−24.4

Order intake for the first six months in the financial year 2013/2014 amounted to EUR 1,257 million. The strong prior year (per September of the financial year 2012/2013) was affected by higher order intake due to drupa 2012. The market in Brazil continues to be negatively impacted by political and economic uncertainties resulting in a weak order intake. Furthermore, order intake for the six month period ended September 30, 2013, was negatively affected by the fallout of the European financial crisis and political turmoil in the Middle East and structural changes in the print industry. Order intake in China was positively influenced by the China Print fair, while positive developments in Japan were partly compensated by the weakening of the Yen compared to the Euro. For the six month period ended September 30, 2013, net orders in China amounted to EUR 254.3 million compared to EUR 265.7 million for the six month period ended September 30, 2012.

Order backlog as of September 30, 2013 amounted to EUR 597.5 million and is EUR 192.7 million below prior year.

Segments

The following table shows the sales of the reporting segments for the first six months period of financial years 2012/2013 and 2013/2014, respectively.

	For the Six Months ended September 30,		
	2012	**2013**	**Change in %**
	(unaudited)	**(unaudited)**	
	in EUR millions		
Heidelberg Equipment	712.3	621.1	−12.8
Heidelberg Services	499.0	471.3	−5.6
Heidelberg Financial Services	6.1	4.5	−26.6
Heidelberg Group	**1,217.3**	**1,096.8**	**−9.9**

Net sales for the first six months of the financial year 2013/2014 amounted to EUR 1,097 million, representing a decrease of 9.9% compared to prior year. The decrease compared to prior year is equally attributable to the Heidelberg Equipment segment as well as the Heidelberg Services segment. Net sales for the Heidelberg Equipment segment were adversely influenced by the political and economic situation in several end markets. The decline of Heidelberg Services segment net sales is mainly due to the consumables business.

Net sales generated from the Heidelberg Equipment segment in the first six months of the financial year 2013/2014 were behind prior year (decrease of 12.8%). This was due to several factors such as the economic and political situation in Brazil leading to lower net sales than estimated. Furthermore, net sales in India remained below expectations which can be attributed to higher interest rates and infrastructural issues. An additional factor is the continuing economic weakness in Spain and Italy, particularly in the packaging printing market. Recently, packaging printing market has witnessed continued consolidation, which has resulted in the postponement or delay of potential customer projects. For example, Contego Packaging Holdings, Ltd. was acquired by Graphic Packaging International Holding Company and Chesapeake Services Limited and Multi Packaging Solutions, Inc. have recently agreed to merge. In addition, the decline of the yen compared to the euro resulted in lower net sales. Overall, the development of emerging markets compared to the industrial countries performed below expectations in the first half of the financial year 2013/2014. On the other hand Heidelberg's most important single market, China, provided higher than expected order intake in part as a result of the successful China Print trade show in Beijing, China in May 2013 and contributed in part to Heidelberg's stable net sales for the six month period ended September 30, 2013. The China Print trade show is the Asia's largest print media industry event.

Net sales generated from the Heidelberg Services segment for the six months of the financial year 2013/2014 almost reached the prior year's level (taking into account foreign currency exchange effects). The development was negatively influenced by the cancellation of the distribution contract in Canada by Eastman Kodak Company (Kodak) and the insolvency of one of Heidelberg's largest consumables customers in Australia. In addition, comprehensive key projects to increase net sales with partners like Fujifilm were delayed and did not have the expected impact. The services business (spare parts and service) developed stable revenues (taking into account foreign currency exchange effects). Remarketed equipment nearly reached last year's sales figures, which had benefited from the sale of drupa 2012 equipment.

Net sales for the Heidelberg Financial Services segment decreased by EUR 1.6 million, or 26.6%, to EUR 4.5 million for the first six months of financial year 2013/2014 from EUR 6.1 million for the first six months of financial year 2012/2013. The decrease was due to lower receivables from sales financing as orders from customers were increasingly financed by third parties.

Regional Developments

External sales are split by region as follows, according to customer's location:

	For the Six Months ended September 30,		
	2012	**2013**	**Change in %**
	(unaudited)	**(unaudited)**	
	in EUR millions		
Europe, Middle East and Africa	435.7	374.8	−14.0
Eastern Europe	141.6	126.3	−10.8
North America	156.8	148.7	−5.1
South America	57.8	49.5	−14.3
Asia/Pacific	425.5	397.4	−6.6
Heidelberg Group	**1,217.3**	**1,096.8**	**−9.9**

Net sales in Europe, Middle East and Africa decreased by EUR 60.9 million, or 14.0%, to EUR 374.8 million for the first six months of financial year 2013/2014 from EUR 435.7 million for the first six months of financial year 2012/2013. The decrease was due to an unsatisfactory market development of the printing industry in Germany, Switzerland and the United Kingdom. The decline of net sales for the six month period ended September 30, 2013 compared to the same period of the previous year is also a result of an increase in order intake resulting from drupa 2012 in the first quarter of the financial year 2012/2013 and structural changes in the print industry in these countries. Order intake in Europe, Middle East and Africa for the first six months of financial year 2013/2014 decreased by 23% to EUR 449 million as compared with the first six months of financial year 2012/2013. This decrease was driven by drupa 2012 which had a significantly positive impact on the order intake for the same period of the previous year (EUR 584 million) mainly in Germany and United Kingdom.

Net sales in Eastern Europe decreased by EUR 15.3 million, or 10.8%, to EUR 126.3 million for the first six months of financial year 2013/2014 from EUR 141.6 million for the first six months of financial year 2012/2013. Order intake in Eastern Europe for the first six months of financial year 2013/2014 decreased by 7% to EUR 142 million as compared with the first six months of financial year 2012/2013. The decreases in net sales and order intake in this region were due to low investment from customers in Poland, the Baltic countries and Turkey.

Net sales in North America decreased by EUR 8.0 million, or 5.1%, to EUR 148.7 million for the first six months of financial year 2013/2014 from EUR 156.8 million for the first six months of financial year 2012/2013. Order intake in North America for the first six months of financial year 2013/2014 decreased by 28% to EUR 164 million as compared to the first six months of financial year 2012/2013. The decrease in net sales reflects the uncertain economic conditions in North America. The decrease in order intake reflects the good order intake of drupa 2012 in the previous year.

Net sales in South America decreased by EUR 8.3 million, or 14.3%, to EUR 49.5 million for the first six months of financial year 2013/2014 from EUR 57.8 million for the first six months of financial year 2012/2013. Order intake in South America decreased by 44% EUR to 44 million for the first six months of financial year 2013/2014 as compared to the first six months of financial year 2012/2013. The decrease in net sales and order intake were primarily due to the adverse economic conditions in Brazil, which represents a substantial majority of Heidelberg's net sales and order intake in South America.

Net sales in Asia/Pacific decreased by EUR 28.0 million, or 6.6%, to EUR 397.4 million for the first six months of financial year 2013/2014 from EUR 425.5 million for the first six months of financial year 2012/2013. Order intake in Asia/Pacific decreased by 11.0% to EUR 459 million for the first six months of financial year 2013/2014 as compared to the first six months of financial year 2012/2013. The decrease in net sales and order intake were mainly due to the decline of the Japanese yen compared to the euro. Excluding the foreign currency impact, net orders decreased by 4.7% and net sales nearly reached the previous year's level, decreasing by 0.5%. Net sales in China for the six month period ended September 30, 2013 remained relatively stable at EUR 219.0 million, compared to EUR 214.5 million for the six month period ended September 30, 2012.

Other Operating Income

Heidelberg's other operating income increased by EUR 6.7 million, or 16.3%, to EUR 47.9 million in the first six months of financial year 2013/ 2014 from EUR 41.2 million for the first six months of financial year 2012/2013. The following table shows the individual amounts for the first six months, respectively.

	For the Six Months ended September 30,		
	2012	2013	Change in %
	(unaudited)	(unaudited)	
	in EUR millions		
Reversals of other provisions/accrued liabilities	15.3	16.9	10.2
Income from previously written-off receivables and other assets	7.0	10.2	46.7
Income from the disposals of intangible assets, tangible assets, and investment property	0.3	1.0	192.7
Hedging transactions/foreign exchange profit	2.8	5.2	88.4
Income from operating facilities	6.8	4.2	−38.6
Other income	9.0	10.4	15.8
Total	**41.2**	**47.9**	**16.3**

Cost of Materials

The cost of materials for Heidelberg decreased by EUR 98.3 million, or 15.5%, to EUR 537.8 million in the first six months of financial year 2013/2014 from EUR 636.1 million in the first six months of financial year 2012/2013. This decrease was mainly due to lower sales volume. At the same time, the ratio of material costs to net sales was at 49.0% for the first six months of financial year 2013/2014 compared to 52.3% for the prior year's six month period. This significant decrease was due to the changed product mix. In the six month period ended September 30, 2012, more sheetfed products with a higher share of material costs were sold compared to the six month period ended September 30, 2013, as a result of drupa 2012.

	For the Six Months ended September 30,		
	2012	2013	Change in %
	(unaudited)	(unaudited)	
	in EUR millions		
Expenses for raw materials, consumables, and supplies and for purchased goods and held for resale	573.9	473.8	−17.5
Expenses for purchased services	61.1	63.1	3.3
Interest expense for Financial Services	1.1	1.0	−13.9

Total	**636.1**	**537.8**	**−15.5**

Personnel Expenses

Heidelberg's personnel expenses decreased by EUR 44.5 million, or 9.3%, to EUR 435.2 million in the first six months of financial year 2013/2014 from EUR 479.7 million in the first six months of financial year 2012/2013. Heidelberg's ratio of personnel costs to net sales was 39.8% in the first six months of financial year 2013/2014 compared to 39.4% for the first six months of financial year 2012/2013.

This decrease in personnel expenses was mainly due to the implementation of the efficiency program Focus 2012. Tariff increase in July 2013 partly offset this effect.

Depreciation and Amortization

Heidelberg's depreciation and amortization (including impairment write-downs) decreased from EUR 41.0 million in the first six months of financial year 2012/2013 by 6.3%, to EUR 38.4 million in the first six months of financial year 2013/2014 due to reduced capital expenditures and longer useful life expectancy. In the first quarter of financial year 2013/2014, the review of the useful life of several tangible and intangible assets demonstrated that a part of these assets have a longer useful life.

Other Operating Expenses

Heidelberg's other operating expenses decreased by EUR 50.4 million, or 19.4%, to EUR 210.0 million in the first six months of financial year 2013/2014 from EUR 260.4 million in the first six months of financial year 2012/2013, resulting from the cost saving measures of the Focus 2012 program and its re-sharpening component.

The following table shows the composition of the other operating expenses in the first six months of financial year 2013/2014 in comparison with the first six months in financial year 2012/2013.

	For the Six Months ended September 30,		
	2012	**2013**	**Change in %**
	(unaudited)	**(unaudited)**	
	in EUR millions		
Other deliveries and services not included in the cost of materials	63.8	51.7	−18.9
Special direct sales expenses including freight charges	51.7	44.5	−14.0
Rent and leases, costs of car fleet (excluding leases)	32.8	26.8	−18.6
Travel expenses	22.0	20.3	−7.7
Bad debt allowances and impairment on other assets	8.2	8.5	2.9
Hedging transactions/exchange rate losses	4.5	3.2	−29.0
Additions to provisions (relates to several expense accounts)	15.3	2.8	−81.8
Insurance expenses	6.1	7.5	22.3
Cost of car fleet (excluding leases)	4.0	3.6	−10.4
Other overhead costs	51.9	41.2	−20.5
Total	**260.4**	**210.0**	**−19.4**

Special Items

Special items include expenses and income associated with the Focus 2012 program, in particular for personnel adjustments and other structural measures. In January 2013, Heidelberg's management board decided on a further reduction of the cost base in order to further improve Heidelberg's ability to react to short-term sales fluctuations and to make its cost base more flexible.

In the first six months of financial year 2013/2014 special items amounted to EUR 1.4 million compared to EUR 22.3 million in the first six months of financial year 2012/2013.

Special items in the first six months of financial year 2013/2014 included personnel-related expenses of EUR 0.4 million of which EUR 0.8 million was for personnel adjustments in foreign Heidelberg subsidiaries and an extraordinary income of EUR 0.4 million related to a release of provisions in Germany. Further one-time expenses (e.g., consulting fees) amounted to EUR 0.7 million.

Result of Operating Activities

Heidelberg's result of operating activities (EBIT) increased by EUR 88.2 million to EUR −8.7 million in the first six months of financial year 2013/2014 from negative EUR 96.9 million in the first six months of financial year 2012/2013. This was partially due to higher efficiency and cost savings as part of the restructuring program Focus 2012 in the Heidelberg Equipment segment as well as in the Heidelberg Services segment.

The following table shows the result of operating activities (EBIT) for the reporting segments.

	For the Six Months ended September 30,	
	2012*	2013
	(unaudited)	(unaudited)
	in EUR millions	
Heidelberg Equipment	−115.5	−49.6
Heidelberg Services	14.2	37.4
Heidelberg Financial Services	4.4	3.6
Heidelberg Group	**−96.9**	**−8.7**

* Figures for the six month period ending September 30, 2012 were restated due to first-time adoption of IAS 19 (2011). See also "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Comparability of Financial Information*."

The result of operating activities (EBIT), before adjusting for special items, for the Heidelberg Equipment segment increased by EUR 65.8 million or 57.0% to EUR −49.6 million in the first six months of financial year 2013/2014 from EUR −115.5 million in the first six months of financial year 2012/2013. This reduction in losses was primarily due to efficiency improvements resulting from the implementation of Focus 2012 and the respective cost savings and other improvement programs and renewed focus on higher-margin sales.

The result of operating activities (EBIT), before adjusting for special items, for the Heidelberg Services segment increased by EUR 23.2 million to EUR 37.4 million in the first six months of financial year 2013/2014 from EUR 14.2 million in the first six months of financial year 2012/2013 based on the improvement in the relative profit contribution and cost savings as part of Focus 2012.

The result of operating activities (EBIT), before adjusting for special items, for the Heidelberg Financial Services segment decreased by EUR 0.8 million, or 17.9%, to EUR 3.6 million in the first six months of financial year 2013/2014 from EUR 4.4 million in the first six months of financial year 2012/2013.

Financial Result

Heidelberg's financial result decreased by EUR 4.2 million, or 18.2%, to EUR −27.6 million in the first six months of financial year 2013/2014 from EUR −23.4 million in the first six months of financial year 2012/2013, mainly as a result of one-time positive effects in the first six month of the financial year 2012/2013.

The following table shows the individual items for the financial results in the first six months of financial year 2012/2013 and the first six months of financial year 2013/2014.

	For the Six Months ended September 30,		
	2012*	2013	Change in %
	(unaudited)	(unaudited)	
	in EUR millions		
Interest and similar income	8.4	4.0	−52.2
Income from financial assets/loans/securities	4.6	2.5	−46.5
Financial income	**13.0**	**6.5**	**−50.2**
Interest and similar expenses	35.4	32.6	−8.0
Expenses from financial assets/loans/securities	1.0	1.5	57.8
Financial expenses	36.4	34.1	−6.3
Financial result	**−23.4**	**−27.6**	**−18.2**

* Figures for the six month period ending September 30, 2012 were restated due to first-time adoption of IAS 19 (2011). See also "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Comparability of Financial Information*".

Taxes on Income

The first six months of financial year 2013/2014 resulted in a debit in taxes on income of EUR 10.8 million compared to a credit in taxes on income of EUR −12.3 million in the first six months of financial year 2012/2013. This EUR 23.1 million effect is mainly impacted by income taxes. The prior year figure included income from release of general tax provision of EUR 12.2 million and income from the reimbursement of taxes from prior years of EUR 7.8 million whereas the current year figure only shows income from both positions of EUR 0.2 million. Additionally, the expense for corporate income tax of non-German companies increased by EUR 3.5 million from financial year 2012/2013 to financial year 2013/2014. The increase of tax expenses in foreign countries is generated by some countries with a minimum tax rates and because of taxation of Heidelberg's profitable legal entities.

Consolidated Net Profit/Loss

The consolidated net loss decreased by EUR 60.8 million, or 56.4%, to EUR 47.0 million for the first six months of financial year 2013/2014 from a consolidated net loss of EUR 107.9 million recorded in the first six months of financial year 2012/2013, as a result of the factors described above.

Comparison of Financial Years 2010/2011, 2011/2012 and 2012/2013

The table below shows selected financial information from the consolidated income statements of Heidelberg for financial years 2010/2011, 2011/2012 and 2012/2013, each ended March 31, on the basis of the audited consolidated financial statements for those financial years.

	Financial Year		
	2010/2011	**2011/2012**	**2012/2013**
	(audited)	**(audited)**	**(audited)**
		in EUR millions	
Net sales	**2,628.9**	**2,595.7**	**2,734.6**
Change in inventories	−45.6	15.9	−71.7
Other own work capitalized	14.8	10.7	26.6
Total operating performance[(1)]	**2,598.1**	**2,622.3**	**2,689.6**
Other operating income	136.5	123.1	105.6
Cost of materials	1,234.0	1,231.7	1,278.2
Personnel expenses	872.7	904.5	901.5
Depreciation and amortization	99.6	87.1	82.9
Other operating expenses	524.2	519.5	504.7
Special items[(1)(2)]	−2.2	142.3	64.7
Result of operating activities (EBIT)[(1)(3)]	**6.2**	**−139.8**	**−36.8**
Financial income	22.7	20.5	16.9
Financial expenses	171.7	110.0	98.5
Financial result	**−149.0**	**−89.6**	**−81.7**
Income/loss before taxes	**−142.9**	**−229.3**	**−118.5**
Taxes on income and earnings	−14.0	0.8	−8.6
Consolidated net profit/loss	**−128.9**	**−230.1**	**−109.9**

(1) This measure is not a defined financial indicator under IFRS. It should be noted in this context that not all companies calculate the items that are not defined under IFRS in the same manner, and that consequently the measures reported by Heidelberg are not necessarily comparable with similarly described measures employed by other companies.

(2) Special items for the financial years 2011/2012, 2012/2013 and for the first six months in financial years 2012/2013 and 2013/2014 include income and expenses associated with the Focus 2012 program, in particular for personnel adjustments and other structural measures. Special items for the financial year 2010/2011 mainly include income and expenses related to the Heidelberg 2010 program, in particular expenses for personnel adjustments and other structural measures. Expenses are displayed as positive values and income as negative values.

(3) The result of operating activities (EBIT) represents the operating result before financial result and taxes on income.

Net Sales and Order Intake

Heidelberg's net sales increased by EUR 139.0 million, or 5.4%, to EUR 2,734.6 million in financial year 2012/2013 from EUR 2,595.7 million in financial year 2011/2012, which was a decrease of EUR 33.3 million or 1.3% from EUR 2,628.9 million in financial year 2010/2011.

In addition to income from sales of products and services, net sales for financial year 2012/2013 include income from commission, finance and operating leases totalling EUR 6.6 million (2011/2012: EUR 5.9 million; 2010/2011: EUR 7.4 million) and interest income from sales financing and finance leases amounting to EUR 10.9 million (2011/2012: EUR 14.6 million; 2010/2011: EUR 16.1 million).

The table below shows the development of order intake and of the order backlog at the end of the respective financial years.

	Financial Year		
	2010/2011	**2011/2012**	**2012/2013**
	(unaudited)	**(unaudited)**	**(unaudited)**
		in EUR millions	
Order intake	2,757.1	2,555.0	2,822.3
Order backlog as of March 31	634.1	506.4	501.8

In the financial year 2012/2013, the development of order intake was positively influenced by drupa 2012 and amounted to EUR 2,822.3 million, exceeding the financial year 2011/2012 level of EUR 2,555.0 million by EUR 267.2 million. The order intake in financial year 2010/2011 was EUR 2,757.1 million. The order backlog slightly decreased from EUR 506.4 million on March 31, 2012 to EUR 501.8 million on March 31, 2013. The order backlog on March 31, 2011 was EUR 634.1 million. The reason for the lower order backlog as of March 31, 2013 compared to March 31, 2012, is that the order intake in the first half year of financial year 2012/2013 was higher than in the second half of the financial year 2012/2013, which was largely due to drupa 2012.

In financial year 2012/2013, Heidelberg's net sales increased compared to the previous year, however, net sales did not live up to the Company's expectations as drupa 2012 did not trigger sustainable expansions in new equipment business as the positive development in the first quarter of financial year 2012/2013 was not maintained over the whole financial year 2012/2013. Furthermore, the continuing European sovereign debt crisis and the interrelated uncertainty about economic developments had a negative impact on customers' willingness to invest.

Regional Developments

Net sales across the various regions according to the location of the customers were as follows:

	Financial Year		
	2010/2011	**2011/2012**	**2012/2013**
	(audited)	**(audited)**	**(audited)**
		in EUR Millions	
Europe, Middle East and Africa	1,011.3	952.7	1,010.3
Asia/Pacific	856.3	853.9	897.8
Eastern Europe	299.2	296.4	303.8
North America	300.8	328.6	375.3
South America	161.3	164.0	147.4
Heidelberg Group	**2,628.9**	**2,595.7**	**2,734.6**

In financial year 2012/2013, Heidelberg generated 85.6% of its sales outside Germany (2011/2012: 85.1%; 2010/2011: 84.9%). The share of the emerging markets in Heidelberg's total net sales rose from 44.9% in financial year 2010/2011 to 45.7% in financial year 2011/2012 and decreased slightly in financial year 2012/2013 to 44.6%, mainly due to the unfavorable developments in South America.

Comparison of Financial Year 2011/2012 with Financial Year 2012/2013

Net sales in the Europe, Middle East and Africa (EMEA) region increased by EUR 57.6 million, or 6.0%, from EUR 952.7 million in financial year 2011/2012 to EUR 1,010.3 million in financial year 2012/2013. Order intake increased by EUR 112.8 million, or 12.4%, from EUR 913.5 million in financial year 2011/2012 to EUR 1,026.3 million

in financial year 2012/2013. German and British customers in particular placed more orders, but positive developments were also visible in the markets of the Middle East and Africa. Business development in Greece, Portugal and Spain, as well as Italy, was weak due to the impact of the public debt and euro zone crisis. In the quarters following drupa 2012, performance in the region was at the prior-year level. The Speedmaster XL 106, which was presented at drupa 2012, accounted for a large proportion of the growth in orders in the United Kingdom and Belgium—traditionally the most important markets for high-quality industrial commercial printing. Germany saw substantial growth in the 70 × 100 format. In the consumables sector, sales in the region rose significantly, partially due to the acquisition of the Swiss consumables retailer OFS Group, Pfaffnau, in November 2012.

In Eastern Europe, net sales increased by EUR 7.4 million, or 2.5%, from EUR 296.4 million in financial year 2011/2012 to EUR 303.8 million in financial year 2012/2013. Order intake remained stable in financial year 2012/2013 with EUR 306.1 million compared to EUR 305.3 million in financial year 2011/2012, resulting from smaller increases in most of the markets, while Poland saw a downturn of 20.7% in net sales due to a worsening economic condition.

In North America, net sales increased by EUR 46.7 million, or 14.2%, from EUR 328.6 million in financial year 2011/2012 to EUR 375.3 million in financial year 2012/2013. Order intake rose by 21.2% to EUR 394.8 million in financial year 2012/2013. The printing industry in the United States started to recover in the second half of financial year 2011/2012. This trend continued in the financial year 2012/213. In the consumables sector, Heidelberg recorded growth in particular because of a new coatings factory in Detroit, which ramped up to full production.

The market in South America is dominated by the Brazilian economy, which suffered from uncertainty due to the change of government as well as fluctuations in exchange rates and changes in tax law in financial year 2012/2013. While developments in some of the smaller markets of the region, such as Chile and Argentina, were positive for Heidelberg, Heidelberg's order intake and net sales in the region overall decreased by 6.1% and 10.1%, respectively, in financial year 2012/2013 compared to the financial year 2011/2012 making South America the only sales and services region to record lower sales in the financial year 2012/2013 compared to financial year 2011/2012.

In Asia/Pacific, order intake and net sales increased by 11.2% and 5.1%, respectively. All of the major markets in the Asia/Pacific region reported growth in order intake. Following a tangible slowdown in growth in China in the fourth quarter of the financial year 2011/2012, orders picked up considerably in the first quarter of the financial year 2012/2013 with total growth for the financial year 2012/2013 amounting to 17.4%. Heidelberg sees potential for India to become an interesting market for its range of offerings in the medium term; however, the order volume in the country remained low in the financial year 2012/2013. Heidelberg adjusted the sales and services structures in the region, resulting in the administration of sales units in the Philippines and Taiwan being combined, as well as the administrative functions in Singapore and Malaysia. Furthermore, Heidelberg reduced the size of sales and services team in Australia, a mature market that is controlled by only a small number of large print firms.

Comparison of Financial Year 2010/2011 with Financial Year 2011/2012

The order intake of the Heidelberg Group decreased by 7.3% to EUR 2,555.0 million in financial year 2011/2012 compared to financial year 2010/2011 with EUR 2,757.1 million which was positively influenced by the ExpoPrint and IPEX trade shows in Brazil and the UK. The Heidelberg Equipment segment was significantly affected by a challenging global economic outlook and sovereign debt crisis, particularly in the second half of the financial year 2011/2012, with order intake for the year over 10% below financial year 2010/2011. The underlying economic conditions in financial year 2011/2012 did not impact demand in the Heidelberg Services Segment as strongly; the 3% decline in order intake compared to financial year 2010/2011 resulted mainly from the weaker remarketed equipment business, which is included in this segment.

The markets in the Europe, Middle East and Africa (EMEA) region were characterized by very difficult conditions in the financial year 2011/2012. In particular, order intake in Spain, Italy, Greece, and Portugal was negatively impacted by the sovereign debt crises. Overall, order intake and net sales in the region declined by 12.9% and 5.8%, respectively, in financial year 2011/2012 compared to financial year 2010/2011. In Germany, order intake declined from EUR 412.4 million in financial year 2010/2011 to EUR 371.8 million in financial year 2011/2012. In the UK order intake declined in financial year 2011/2012, which had benefited from the IPEX trade show in financial year 2010/2011.

In the Eastern Europe region, Heidelberg recorded a decrease in order intake and net sales of 1.0% and 0.9%, respectively. During the period, Heidelberg achieved a sales increase in the consumables area in Poland. In Turkey, by contrast, order intake and sales declined in financial year 2011/2012 compared to financial year 2010/2011.

In North America, Heidelberg recorded a slight decrease of 1.5% in order intake and an increase in net sales of 9.2% in financial year 2011/2012 compared to financial year 2010/2011 reflecting a recovery of the printing industry that started in the second half of the financial year 2011/2012 in this region.

In South America, order intake declined by 3.8% whereas net sales increased slightly by 1.7% in financial year 2011/2012 compared to financial year 2010/2011. Brazil advanced to become one of Heidelberg's five top sales markets. The decline in order intake was mainly due to the ExpoPrint trade show in Brazil in the financial year 2010/2011 which resulted in higher order intake.

In Asia/Pacific, order intake and net sales fell by 5.8% and 0.3%, respectively. In China, the demand for printing presses continued at a stable level (net sales of EUR 412.5 million in financial year 2011/2012 compared to net sales of EUR 418.9 million in financial year 2010/2011). In March 2011 the tsunami and resulting accident at the Fukushima Daiichi nuclear power plant in Japan had a strong dampening effect on the economic development of the region and Japanese exports were increasingly negatively impacted by a further strengthening of the yen. However, the order intake in Japan developed positively in financial year 2011/2012, reaching EUR 137.5 million, compared to EUR 106.6 million in financial year 2010/2011.

Other Operating Income

Heidelberg's other operating income decreased by EUR 17.5 million or 14.2% to EUR 105.6 million in financial year 2012/2013 from EUR 123.1 million in financial year 2011/2012, which was a decrease of EUR 13.4 million or 9.8% from EUR 136.5 million in financial year 2010/2011.

	Financial Year		
	2010/2011	**2011/2012**	**2012/2013**
	(audited)	**(audited)**	**(audited)**
		in EUR millions	
Reversal of other provisions and deferred liabilities	44.4	51.2	52.4
Recoveries on loans and other assets previously written down	22.5	16.9	12.8
Income from operating facilities	14.2	12.8	10.0
Hedging /exchange rate gains	11.0	14.0	3.7
Income from disposals of intangible assets, property, plant and equipment, and investment property	8.8	2.0	1.8
Other income	35.7	26.2	24.9
Heidelberg Group	**136.5**	**123.1**	**105.6**

Income from hedging transactions and exchange rate gains, which are linked to the corresponding expenses (see "—*Other Operating Expenses*"), were significantly affected in both financial years by the development of exchange rates.

Cost of Materials

Heidelberg's cost of materials increased by EUR 46.5 million, or 3.8%, to EUR 1,278.2 million in financial year 2012/2013 from EUR 1,231.7 million in financial year 2011/2012, which was a decrease of EUR 2.3 million, or 0.2%, from EUR 1,234.0 million in financial year 2010/2011. The ratio of the material costs to total operating performance in financial year 2012/2013 was 47.5%, compared with 47.0% in financial year 2011/2012 and 47.5% in financial year 2010/2011.

The table below shows the composition of the cost of materials in the respective financial year.

	Financial Year		
	2010/2011	**2011/2012**	**2012/2013**
	(audited)	**(audited)**	**(audited)**
		in EUR millions	
Expenses for raw materials, consumables, and supplies and for purchased goods and held for resale	1,111.8	1,112.0	1,157.4
Expenses for purchased services	119.0	117.3	118.7
Interest expense for Financial Services	3.2	2.4	2.1
Total	**1,234.0**	**1,231.7**	**1,278.2**

The development in cost of materials discussed above reflects the corresponding development in net sales and the changes in the product mix. The ratio of cost materials to total operating performance was almost stable for financial year 2012/2013 compared to preceding financial years 2011/2012 and 2010/2011.

Personnel Expenses

Heidelberg's personnel expenses decreased by EUR 3.1 million, or 0.3%, to EUR 901.5 million in financial year 2012/2013 from EUR 904.5 million in financial year 2011/2012, which was an increase of EUR 31.8 million, or 3.6%, from EUR 872.7 million in financial year 2010/2011.

The decrease in personnel expenses in financial years 2012/2013 compared to financial year 2011/2012 was due to the reduction in employee numbers as part of the Focus 2012 program. However, the effect of the reduction of employees was mainly offset due the end of reduced working hours, which was used in financial year 2011/2012 to absorb overcapacities and therefore reduce the personnel expenses during financial year 2011/2012. For more information on the Focus 2012 program, see "—*Cost Optimization Programs*".

The tables below show the composition of personnel expenses in the respective financial years and the development of the number of employees in the geographical regions.

	Financial Year		
	2010/2011	**2011/2012**	**2012/2013**
	(audited)	**(audited)**	**(audited)**
		in EUR millions	
Wages and salaries	733.7	762.2	760.2
Expenses for retirement benefits	41.9	34.3	35.9
Return on plan assets[(1)]	−30.8	−27.9	−29.6
Other social security contributions and expenses	127.9	135.9	134.9
Total	**872.7**	**904.5**	**901.5**

(1) Income from plan assets is offset against personnel expenses at the level of the individual Heidelberg Group companies, provided it does not exceed the expenses for benefit entitlements; any excess is reported in the financial result.

	As of March 31,		
Number of employees[(2)]	**2011**	**2012**	**2013**
	(audited)	**(audited)**	**(audited)**
Europe, Middle East and Africa	11,156	10,833	9,937
Asia/Pacific	2,160	2,221	2,158
Eastern Europe	631	615	551
North America	1,000	882	791
South America	250	262	257
Heidelberg Group	**15,197**	**14,813**	**14,215**

(2) Not including trainees, interns, graduating students, dormant employees and employees in the exemption phase of partial retirement.

Depreciation and Amortization

Heidelberg's depreciation and amortization (including impairment write-downs of EUR 2.4 million in financial year 2012/2013) decreased by EUR 5.0 million, or 5.6%, to EUR 85.2 million in financial year 2012/2013 from EUR 90.2 million in financial year 2011/2012, which was a decrease of EUR 11.3 million, or 11.2%, from EUR 101.5 million in financial year 2010/2011.

Impairment write-downs on intangible assets and property, plant and equipment amounted to EUR 2.4 million in financial year 2012/2013, compared to EUR 3.3 million in the 2011/2012 financial year and EUR 4.0 million in 2010/2011.

Impairment write-downs in financial year 2012/2013 can be attributed solely to property, plant and equipment (EUR 2.4 million), whereas impairment write-downs in financial year 2011/2012 were related to intangible assets (due to lower earnings prospects) with EUR 2.7 million and to property, plant and equipment with EUR 0.6 million. Impairment write-downs in financial year 2010/2011 include write-downs on intangible assets (due to lower earnings prospects) of EUR 1.6 million, on property, plant and equipment of EUR 0.6 million and on investment property of EUR 1.8 million.

The table below shows the composition of depreciation and amortization (including impairment write-downs) in the respective financial years.

	Financial Year		
	2010/2011	2011/2012	2012/2013
	(audited)	(audited)	(audited)
		in EUR millions	
Intangible assets	28.6	25.7	20.6
Property, plant and equipment	71.1	64.4	64.5
Investment property	1.8	0.1	0.1
Total	**101.5**	**90.2**	**85.2**

Other Operating Expenses

Heidelberg's other operating expenses decreased by EUR 14.9 million, or 2.9%, to EUR 504.7 million in financial year 2012/2013 from EUR 519.5 million in financial year 2011/2012, which was a decrease of EUR 4.7 million, or 0.9%, from EUR 524.2 million in financial year 2010/2011.

The development in other operating expenses in the respective financial years was predominantly influenced by the development in sales as well as by the cost-saving measures of the Heidelberg 2010 and the Focus 2012 programs.

Expenses from hedging transactions and exchange rate gains, which are linked to the corresponding income (see "—*Other Operating Income*"), were significantly affected in both financial years by the development of exchange rates.

The table below shows the individual expense items included in other operating expenses in the respective financial years.

	Financial Year		
	2010/2011	2011/2012	2012/2013
	(audited)	(audited)	(audited)
		in EUR millions	
Special direct sales expenses including freight charges	117.7	122.0	122.2
Other deliveries and services not included in the cost of materials	109.2	111.9	120.7
Rent and leases, car fleet expenses	65.8	62.5	60.2
Travel expenses	42.0	43.9	42.6
Bad debt allowances and impairment on other assets	18.2	20.6	18.1
Hedging/exchange rate losses	25.6	20.3	9.3
Additions to provisions and accrued liabilities relating to several types of expense	19.7	18.9	16.0
Insurance expense	12.7	11.0	10.5
Costs of car fleet (excluding leases)	8.3	8.0	7.7
Other overheads	105.0	100.5	97.3
Total	**524.2**	**519.5**	**504.7**

Special Items

Special items include income and expenses related to the Heidelberg 2010 program in financial year 2010/2011 and to the Focus 2012 program in financial years 2011/2012 and 2012/2013.

In financial year 2010/2011 special items amounted to an income of EUR 2.2 million. This included the release of provisions related to staff adjustments of EUR 20.7 million and expenses for other structural measures (e.g., reducing the office space and consolidating locations) of EUR 18.5 million.

In financial year 2011/2012 the Focus 2012 program was initiated. The staff related expenses recognized in special items were EUR 123.1 million. Expenses for other structural measures (e.g., impairment losses on inventories and intangible assets, consulting fees, onerous contracts) amounted to EUR 19.2 million and led to total expenses for special items in financial year 2011/2012 of EUR 142.3 million.

Expenses for special items in 2012/2013 were also related to the Focus 2012 program. The staff related expenses recognized in special items were EUR 55.6 million. Expenses for other structural measures (e.g., impairment losses on inventories and consulting fees) amounted to EUR 9.2 million and led to total expenses for special items in financial year 2012/2013 of EUR 64.7 million.

Result of Operating Activities

Heidelberg's result of operating activities (EBIT) in financial year 2012/2013 resulted in a loss of EUR 36.8 million, an improvement of EUR 103.0 million, or 73.7%, over the previous year's loss of EUR 139.8 million. In financial year 2010/2011, Heidelberg generated an operating profit of EUR 6.2 million. The results in the last two financial years were negatively impacted by special items relating to the Focus 2012 program. An additional reason contributing to the negative results in the financial years was the adverse development in the product mix away from higher margin highly automated printing presses with extensive features generally sold in industrialized countries. The share of sales accounted for by the emerging markets rose significantly—and customers in emerging markets currently generally require lower-margin printing presses with less advanced features. Furthermore, the sales volume in the remarketed equipment business, which offers very low contribution margins, remained stable in the past financial years. The losses experienced due to the factors described above were partially offset by the savings that resulted from the implementation of the Heidelberg 2010 and Focus 2012 programs.

Financial Result

Heidelberg's financial result increased by EUR 7.9 million, or 8.8%, to EUR −81.7 million in financial year 2012/2013 from EUR −89.6 million in financial year 2011/2012, which was an improvement of EUR 59.4 million, or 39.9%, from EUR −149.0 million in financial year 2010/2011.

The table below shows the individual items of the financial result in the respective financial years.

	Financial Year		
	2010/2011	**2011/2012**	**2012/2013**
	(audited)	**(audited)**	**(audited)**
		in EUR millions	
Interest and similar income	14.0	15.0	10.8
Income from financial assets/loans/securities	8.7	5.5	6.0
Financial income	**22.7**	**20.5**	**16.9**
Interest and similar expenses	169.5	106.5	90.7
—of which: net interest expense for pensions(1)	37.4	34.4	36.4
Expenses from financial assets/loans/securities(2)	2.3	3.6	7.9
Financial expenses	**171.7**	**110.0**	**98.5**
Financial result	**−149.0**	**−89.6**	**−81.7**

(1) Net interest expenses for pensions includes interest expense arising from pension entitlements, less the portion of income from plan assets not offset against personnel expenses.

(2) Expenses from financial assets/loans/securities include write-downs on financial assets in the amount of EUR 8 thousand in financial year 2012/2013 (2011/2012: EUR 0.6 million; 2010/2011: EUR 0.2 million).

The improvement in the financial result in financial year 2011/2012 compared to financial year 2010/2011 can mainly be attributed to the decrease in interest and similar expenses (decrease of EUR 63.0 million in financial year 2011/2012 compared to financial year 2010/2011), which is mainly related to the refinancing during financial year 2011/2012. This refinancing included the issuing of the Original Notes (book value as of March 31, 2012: EUR 304.2 million, including deferred interest) and the reduction in amounts due to banks (as of March 31, 2011: EUR 314.4 million, including deferred interest). The financial result in financial year 2010/2011 was negatively impacted by transaction costs in connection with the refinancing in March 2011.

The improvement of the financial result in financial year 2012/2013 can mainly be attributed to the decrease in interest and similar expenses (decrease of EUR 15.8 million in financial year 2012/2013 compared to financial year 2011/2012), mainly resulting from lower expenses for financing agreements, lower expenses for different provisions and lower expenses for currency hedging transactions.

Taxes on Income

Taxes on income in financial year 2012/2013 amounted to a total gain of EUR 8.6 million reflecting a loss before taxes of EUR 118.5 million. Current taxes in financial year 2012/2013 amounted to a gain of EUR 10.9 million while deferred taxes resulted in a tax expense of EUR 2.3 million. In financial year 2011/2012 Heidelberg recorded a loss before taxes of EUR 229.3 million and an income tax expense of EUR 0.8 million. Current taxes amounted to a gain of EUR 81.6 million while deferred taxes resulted in tax expenses of EUR 82.4 million. In financial year 2010/2011, loss before taxes amounted to EUR 142.9 million and income tax expenses amounted to EUR 14.0 million. This corresponded

to a tax rate of −7.3% based on loss before taxes in financial year 2012/2013, 0.3% in financial year 2011/2012, and 9.8% in financial year 2010/2011.

Net Profit/Loss for the Financial Year

Heidelberg's net loss for financial year 2012/2013 was EUR 109.9 million, EUR 120.2 million, or 52.3%, lower than the previous year's net loss of EUR 230.1 million. Heidelberg's net loss for financial year 2010/2011 was EUR 128.9 million.

Liquidity and Capital Resources

Heidelberg's principal source of liquidity has historically been operating cash flows, although it also had credit lines and other various financial instruments available when needed. Heidelberg's ability to generate cash from its operations depends on its future operating performance, which is dependent, to a significant extent, on general economic conditions, financing cost, competitive pricing pressure, structural changes in the industry, legislative, regulatory and other factors, many of which are beyond Heidelberg's control, as well as the other factors discussed in the section entitled "*Risk Factors*".

As of September 30, 2013, on a pro forma basis after giving effect to the issuance of the Additional Senior Notes and application of the proceeds thereby, Heidelberg had EUR 248.6 million of cash and a net debt position of EUR 236.3 million. For the first six months ended September 30, 2013, Heidelberg generated EUR 51.6 million of cash inflow from operating activities. Heidelberg believes that its operating cash flows, together with future borrowings under the Revolving Credit Facility, will be sufficient to fund its net working capital requirements, anticipated investments, debt service requirements and cash outflows associated with the Focus 2012 program and its re-sharpening component, which were EUR 62 million for the financial year 2012/2013. The provision for restructuring measures related to the Focus 2012 program and its re-sharpening component was approximately EUR 95 million as of September 30, 2013 (as of March 31, 2013: approximately EUR 135 million).

Cash Flow

Comparison of the First Six Months of Financial Years 2012/2013 and 2013/2014

The table below shows a summary of Heidelberg's consolidated cash flow information for the first six months of financial year 2012/2013 and 2013/2014, respectively.

	As of and for the Six Months ended September 30,	
	2012*	**2013**
	(unaudited)	**(unaudited)**
	in EUR millions	
Cash flow[(1)(2)]	−60.6	3.7
Other operating changes[(3)]	−22.2	47.9
Cash used in / generated by operating activities	**−82.8**	**51.6**
Cash used in investing activities	**−32.4**	**−23.6**
Thereof: Investments in intangible assets/property, plant and equipment/investment property	−42.3	−30.4
Free cash flow[(1)(4)]	**−115.2**	**28.0**[(5)]
Cash generated by / used in financing activities	41.5	18.6
Net change in cash and cash equivalents	**−73.6**	**46.6**
Cash and cash equivalents at the end of the period	124.1	197.7

(1) This measure is not a defined financial indicator under IFRS. It should be noted in this context that not all companies calculate the items that are not defined under IFRS in the same manner, and that consequently the measures reported by Heidelberg are not necessarily comparable with similarly described measures employed by other companies.

(2) For purposes of the cash flow statement, cash flow represents a subtotal of cash used in / generated by operating activities and is comprised of the cash surplus or deficit generated from sales of goods and services before taking into account, among other things, changes in net working capital. Cash flow is distinguished from the other cash inflows and outflows relating to operating activities recorded in the—Other operating changes subtotal and described in footnote (3) below.

(3) Other operating changes consist of change in inventories, change in sales financing, change in trade receivables/payables, change in other provisions and change in other items of the statement of financial position. The changes in statement of financial position items shown in the consolidated cash flow statement cannot be derived directly from the consolidated statement of financial position as the effects of currency translation and changes in the scope of consolidation do not affect cash and have therefore been eliminated.

(4) For purposes of the cash flow statement, free cash flow is comprised of cash used in / generated by operating activities and cash used in investing activities.

(5) Including approximately EUR 45 million cash outflow for the Focus 2012 program and its re-sharpening components.

* Figures for the six month period ending September 30, 2012 were restated due to first-time adoption of IAS 19 (2011). See also "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Comparability of Financial Information*".

Cash Flow from Operating Activities

Heidelberg generated a cash inflow of EUR 51.6 million from operating activities in the first six months of financial year 2013/2014 compared to a EUR 82.8 million cash outflow in the first six months of financial year 2012/2013. This improvement was mainly attributable to the reduction of net working capital, which was reduced after the implementation of optimization measures and as a result of lower sales. In addition, cash flow improved due to a lower net loss.

Cash Outflow from Investing Activities

The cash outflow from investing activities was EUR 23.6 million in the first six months of financial year 2013/2014 compared to EUR 32.4 million in the first six months of financial year 2012/2013 reflecting Heidelberg's policy of low net investments during these periods as well as effects of minor asset disposals.

Cash Flow from Financing Activity

Heidelberg recorded a cash inflow of EUR 18.6 million from financing activities in the first six months of financial year 2013/2014 compared to a cash inflow of EUR 41.5 million in the first six months of financial year 2012/2013. The cash inflow in the first six months of financial year 2013/2014 was primarily attributable to the issuance of the Convertible Notes during the second quarter in financial year 2013/2014.

Comparison of Financial Years 2010/2011, 2011/2012, and 2012/2013

The table below shows Heidelberg's consolidated cash flow statement on the basis of the audited consolidated financial statements for the financial year ended respectively on March 31.

	Financial Year		
	2010/2011	**2011/2012**	**2012/2013**
	(audited)	**(audited)**	**(audited)**
		in EUR millions	
Cash flow[1][2]	−40.7	−129.9	−39.5
Other operating changes[3]	140.1	185.9	72.8
Cash used in / generated by operating activities	**99.4**	**56.0**	**33.3**
Cash used in investing activities	**−24.5**	**−46.2**	**−51.0**
Thereof: Investments in intangible assets/property, plant and equipment/investment property	−73.3	−65.9	−80.4
Free cash flow[1][4]	**74.9**	**9.8**	**−17.6**
Cash generated by / used in financing activities	−50.0	29.3	−24.6
Net change in cash and cash equivalents	**24.8**	**39.1**	**−42.2**
Cash and cash equivalents at the end of the period	147.9	194.6	157.5

(1) This measure is not a defined financial indicator under IFRS. It should be noted in this context that not all companies calculate the items that are not defined under IFRS in the same manner, and that consequently the measures reported by Heidelberg are not necessarily comparable with similarly described measures employed by other companies.

(2) For purposes of the cash flow statement, cash flow represents a subtotal of cash used in / generated by operating activities and is comprised of the cash surplus or deficit generated from sales of goods and services before taking into account, among other things, changes in net working capital. Cash flow is distinguished from the other cash inflows and outflows relating to operating activities recorded in the "Other operating changes" subtotal and described in footnote (3) below.

(3) Other operating changes consist of change in inventories, change in sales financing, change in trade receivables/payables, change in other provisions and change in other items of the statement of financial position. The changes in statement of financial position items shown in the consolidated cash flow statement cannot be derived directly from the consolidated statement of financial position as the effects of currency translation and changes in the scope of consolidation do not affect cash and have therefore been eliminated.

(4) For purposes of the cash flow statement, free cash flow is comprised of cash used in / generated by operating activities and cash used in investing activities.

Cash Flow from Operating Activities

The Heidelberg Group recorded a cash inflow of EUR 33.3 million from operating activities in financial year 2012/2013 compared to a cash inflow of EUR 56.0 million from operating activities in financial year 2011/2012 and a cash inflow of EUR 99.4 million in financial year 2010/2011. The cash inflow in financial year 2012/2013 was positively influenced by the decrease in inventories by EUR 95.0 million and the decrease of receivables from sales financing by EUR 40.2 million. These positive effects were partly offset by the consolidated net loss of EUR 109.9 million, as well as by the net change in trade receivables and payables of EUR 43.0 million.

The cash inflow in financial year 2011/2012 improved compared to the financial year 2010/2011 mainly as a result of the change in trade receivables/payables of EUR 73.0 million and the increase in other provisions (primarily due to the Focus 2012 program) of EUR 89.3 million and negatively influenced by a consolidated net loss of EUR 230.1 million. The cash inflow in financial year 2010/2011 was primarily due to the decrease in inventories by EUR 80.7 million and the decrease of receivables from sales financing by EUR 32.0 million. This was partly offset by the consolidated net loss of EUR 128.9 million.

Cash Outflow from Investing Activities

The cash outflow from investment activities in financial year 2012/2013 was EUR 51.0 million compared to EUR 46.2 million in financial year 2011/2012 and EUR 24.5 million in financial year 2010/2011. Cash used in investing activities in financial year 2012/2013 was essentially due to the re- equipping of the Print Media Center in Heidelberg with innovations presented at drupa 2012, the completion of the cogeneration plant at the Wiesloch-Walldorf, Germany production site and the start of series production for new products. For financial year 2011/2012 cash used for investing activities was mainly attributable to the plant expansion in Qingpu, China. In financial year 2010/2011 cash used for investing activities was mainly due to replacement investments and the plant expansion in Qingpu, China.

Cash Flow from Financing Activity

The Heidelberg Group recorded a cash outflow of EUR 24.6 million from financing activities in financial year 2012/2013 compared to a cash inflow of EUR 29.3 million in financial year 2011/2012 and a cash outflow of EUR 50.0 million in financial year 2010/2011. The cash outflow in financial year 2012/2013 was mainly due to the repayment of the borrowers' note loan of EUR 50.0 million. The cash inflow is mainly related to drawings under existing credit lines (cash inflow of EUR 31.7 million). In financial year 2011/2012 the cash inflow was mainly related to the issuance of the Original Notes (cash inflow of EUR 295.6 million) and the cash outflow was mainly attributable to repayment of bank debt (cash outflow of EUR 258.2 million). In financial year 2010/2011 Heidelberg implemented a capital increase and issued 155,286,868 new shares. This led to a cash inflow of EUR 397.8 million. Heidelberg used this cash inflow to reduce its financial liabilities by EUR 436.5 million in the same financial year.

Net Working Capital

	March 31,			
	2011	**2012**	**2013**	**September 30, 2013**
	audited, unless otherwise indicated in EUR million			**(unaudited) in EUR million**
Inventories	747.7	785.7	699.7	732.0
Trade receivables	376.9	361.0	381.8	243.2
Trade payables	129.7	165.1	139.1	142.1

Advance payments on orders	86.6	66.1	70.6	101.4
Net working capital (unaudited)	**908.3**	**915.5**	**871.8**	**731.7**

Although there is an increased focus on the Heidelberg Services segment, which is less cyclical, it remains important for Heidelberg to actively manage its net working capital and capacities throughout the financial year to accommodate swings in order intake and finance the significant production times of the more customized equipment. Heidelberg intends to continue to focus on the management of net working capital, in order to limit the outflow of funds. Overall, it is Heidelberg's target to limit its net working capital as a percentage of net sales to approximately 35% or less in the medium term. This figure was 34.5% at March 31, 2011, 35.2% at March 31, 2012, 31.9% at March 31, 2013 and 28.0% for the last twelve months ended September 30, 2013 (net sales of EUR 2,614.1 million for the twelve months ended September 30, 2013). The Heidelberg Group has implemented a comprehensive net working capital program to achieve a net working capital rate below 35% of net sales. The effects of the program began to be realized, with net working capital as a percentage of net sales declining in financial year 2012/2013 and the first six months of financial year 2013/2014 compared to financial year 2010/2011.

Net Investments

Net investments in intangible assets, property, plant and equipment and investment property were EUR 48.9 million, EUR 37.4 million and EUR 35.5 million for financial years 2012/2013, 2011/2012 and 2010/2011, respectively. See "*—Comparison of Financial Years 2010/2011, 2011/2012 and 2012/2013—Cash Outflow from Investing Activity*" for more information.

Heidelberg has historically invested in intangible assets, property, plant and equipment and investment property, capitalized development costs and own work capitalized (in particular demonstration models). See "*—Business Activities—Research and Development*" for more information.

In financial year 2010/2011, Heidelberg concentrated on an efficient use of existing installations to reduce investments on a level adjusted for the reduced business volume during the financial year 2009/2010.

In financial year 2011/2012, Heidelberg increased net investments by 5.5% compared to the previous year. Investments were largely limited to replacement investments, with the manufacturing site in Qingpu, China being the exception.

During the financial years 2010/2011 and 2011/2012 new investments to expand capacities were concentrated in China, where Heidelberg was focused on expanding the production infrastructure in Qingpu. In addition to the investments at the Qingpu facility, Heidelberg also made investments in the maintenance and rationalization of the foundry in Amstetten, Germany.

In financial year 2012/2013, Heidelberg's net investments increased by 30.6% due to capitalized work for demonstration machines for drupa 2012, the completion of the cogeneration plant at the Wiesloch-Walldorf, Germany production site and the state of series production for new products.

Since financial year 2012/2013, investments in China have been lower than in the previous two fiscal years and focus on the ramping up of production in response to increasing demand for SFO printing presses in China.

In the financial year 2012/2013, investments were made regarding production safety and to fulfil requirements for the start of series production for new products. Heidelberg also opened a cogeneration plant at the Wiesloch-Walldorf, Germany production site to reduce energy costs.

While Heidelberg continues to invest in replacement assets and other capital expenditure in order to stay competitive, it has continued to pursue a strategy of low investment during the first six months of financial year 2013/2014. For this period, Heidelberg's net investments totaled EUR 23.6 million for intangible assets, property, plant and equipment and investment property, which were financed from the cash flow from ongoing business activities or from existing liquidity or credit lines. Heidelberg expects that investment activity of financial year 2013/2014 will be substantially in line with the prior financial year 2012/2013.

In the medium term, Heidelberg's net expenditure on intangible assets, property, plant and equipment and investment property is intended to amount to approximately 2% of net sales.

Financial Liabilities/Sources of Liquidity

The tables below provide an overview of the financial liabilities as of September 30, 2013, whereby current financial liabilities have a maximum term to maturity of up to one year and non-current financial liabilities have a term to maturity of more than one year, in each case after giving pro forma effect to the issuance of the Additional Senior Notes and the application of the proceeds therefrom.

	As of September 30, 2013 (pro forma)		
	Current	**Non-current**	**Total**
	(unaudited)	**(unaudited)**	**(unaudited)**
		in EUR millions	
Convertible Notes	1.1	57.1	58.2
Original Notes	13.0	293.7	306.7
Additional Senior Notes	—	51.0	51.0
Amounts due to banks[1]	17.0	33.0	50.0
Liabilities from finance leases	2.0	5.1	7.1
Other liabilities	14.9	0	14.9
Total	48.0	439.9	487.9

(1) Excluding non-cash utilizations of the Revolving Credit Facility of approximately EUR 35.0 million for various ancillary facilities and bank guarantees.

	As of September 30, 2013 (pro forma)			
	Up to 1 year	**1 to 5 years**	**More than 5 years**	**Total**
		(unaudited) in EUR millions		
Convertible Notes	1.1	57.1	0.0	58.2
Original Notes	13.0	293.7	0.0	306.7
Additional Senior Notes	—	51.0	—	51.0
Amounts due to banks[1]	17.0	33.0	0.0	50.0
Liabilities from finance leases	2.0	4.1	1.0	7.1
Other liabilities	14.9	0	0.0	14.9
Total	48.0	438.9	1.0	487.9

(1) As of September 30, 2013, on an pro forma basis, the Revolving Credit Facility would have had approximately EUR 35 million outstanding as non- cash utilization for various ancillary facilities and bank guarantees, which would have provided Heidelberg with approximately EUR 300 million available under the Revolving Credit Facility.

For more information on Heidelberg's financing instruments see "*Description of Other Indebtedness*".

Pension Obligations (IAS 19 (2004))

The Heidelberg Group operates pension schemes—either directly or through premium payments to schemes financed by private institutions—for the majority of its employees. The specific benefit payments depend on the conditions in particular countries and are generally based on the term of employment and salary. Obligations include both those arising from current pensions as well as vested pension rights that are payable in the future. The pension payments expected following the start of benefit payments are distributed over the employee's full period of employment. The group of beneficiaries participating in the defined benefit plans financed by funds at Heidelberger Druckmaschinen Aktiengesellschaft and Heidelberger Druckmaschinen Vertrieb Deutschland GmbH has been closed.

The Heidelberg Group's employees were entitled to a total of EUR 1,285.5 million, EUR 1,171.6 million and EUR 1,037.0 million as of March 31, 2013, 2012, and 2011, respectively. EUR 1,256.0 million, EUR 1,140.5 million and EUR 1,011.9 million of these amounts were financed by funds respectively as of March 31, 2013, 2012, and 2011 and the rest was unfunded. The expenses for defined contribution plans amounted to EUR 63.4 million in financial year 2012/2013 (2011/2012: EUR 64.1 million; 2010/2011: EUR 58.5 million) and essentially includes contributions to the statutory pension insurance.

As part of a contractual trust arrangement (CTA) of Heidelberger Druckmaschinen Aktiengesellschaft and Heidelberger Druckmaschinen Vertrieb Deutschland GmbH set up in March 2006, assets were transferred to a trustee, Heidelberg Pension-Trust e.V., Heidelberg. The CTA serves to partially fund specific pension obligations.

The net carrying amounts of the provisions for pensions and similar obligations comprise the following:

	As of March 31,		
	2011	2012	2013
	(audited)	(audited)	(audited)
		in EUR millions	
Provisions for pensions and similar obligations	221.0	326.1	415.7
Reported assets included therein	7.0	0.9	2.4
Net carrying amount at the end of the financial year	**214.0**	**325.2**	**413.4**

Provisions for pensions and similar obligations are derived as follows from the present value of defined benefit obligations and the fair value of plan assets:

	As of March 31,		
	2011	2012	2013
	(audited)	(audited)	(audited)
		in EUR millions	
Present value of defined benefit obligation (funded)	1,011.9	1,140.5	1,256.0
Less the fair value of plan assets	−823.0	−846.4	−872.1
	188.9	294.1	383.9
Present value of defined benefit obligation (unfunded)	25.1	31.1	29.5
Net carrying amounts	214.0	325.2	413.4
Reported assets included therein	7.0	0.9	2.4
Provisions for pensions and similar obligations	**221.0**	**326.1**	**415.7**

On September 30, 2013, provisions for pensions and similar obligations amounted to EUR 413.1 million. The most important reason for the increase of the defined benefit obligation and the associated provision for pensions and similar obligations between 2011/2012 and 2012/2013 was the decrease of the domestic discount rate from 4.50% in financial year 2011/2012 to 3.50% in financial year 2012/2013 due to a modification in the composition of the portfolio of the corporate bonds used to calculate the interest rate.

Contingent Liabilities and Other Financial Liabilities

The following table provides an overview of off-balance sheet commitments as well as Heidelberg Group's other financial commitments as of March 31, 2011, 2012, and 2013. The Heidelberg Group had no significant off-balance sheet commitments other than those shown below.

	As of March 31,		
	2011	2012	2013
	(audited)	(audited)	(audited)
		in EUR millions	
Contingent liabilities from securities and guarantees(1)	3.5	4.7	7.3
Leasing/rent commitments			
Up to 1 year	49.1	43.6	43.4
From 1 to 5 years	129.5	120.0	117.6
More than 5 years	106.5	81.4	73.6
Investments and other purchase commitments(2)			
Up to 1 year	39.5	43.1	35.2
From 1 to 5 years	3.6	11.9	12.5
More than 5 years	—	—	—
Total	**331.7**	**304.7**	**289.6**

(1) Includes in particular counter-guarantee and repurchase commitments for third party liabilities in connection with long-term sales financing which in turn corresponds to rights of recourse on the delivered products.

(2) Includes significant financial commitments related to orders of property, plant and equipment as well as commitments to receive raw materials, consumables and supplies.

As of September 30, 2013, the contingent liabilities from securities and guarantees amounted to EUR 4.9 million compared to EUR 7.3 million as of March 31, 2013. As of September 30, 2013, other financial liabilities amounted to EUR 251.0 million compared to EUR 282.2 million as of March 31, 2013. Of this amount,

EUR 214.2 million (March 31, 2013: EUR 234.5 million) apply to lease obligations and EUR 36.7 million (March 31, 2013: EUR 47.7 million) to investments and other purchasing requirements.

Quantitative and Qualitative Disclosure about Market Risk

The Corporate Treasury department of the Company is responsible for all hedging and financing activities of Heidelberg. This department also ensures that there is both a functional and a physical separation of the trading, processing, and risk control activities, and this is regularly reviewed by the Company's internal audit department. Heidelberg is, in the normal course of business, exposed to a variety of market risks, including foreign exchange risk and interest rate risk. Derivative financial instruments are used to manage these risks.

Foreign Currency Risk

The functional currency of Heidelberg is the euro. Currency risks arise in particular as a result of U.S. dollar and Japanese yen exchange rate fluctuations with the euro in connection with receivables and liabilities, anticipated cash flows, and onerous contracts.

The forward exchange and currency option transactions outstanding as of March 31, 2013 essentially hedge high likely currency risks expected from purchase volumes of Heidelberg over the next 12 months. Therefore, the remaining term of these derivatives at such date was up to one year. Of the hedges as of March 31, 2013, 34% of the hedging volumes related to the U.S. dollar and 21% to the Japanese yen. On March 31, 2013, cash flow hedges resulted in positive fair values of EUR 6.5 million and negative fair values of EUR 2.3 million. The change in value of the designated portion of the hedge was recognized outside profit and loss and will be recognized in income from operating activities over the subsequent 12 months.

Heidelberg uses currency hedging instruments in order to smooth out the effects of exchange rate fluctuations over the medium term. This includes instruments for the purpose of hedging highly likely currency risks arising from the expected purchase volumes of Heidelberg's foreign subsidiaries and of Heidelberger Druckmaschinen Aktiengesellschaft for up to the next 12 months—with the proportion of purchase volumes hedged declining over time (cashflow hedges). As of March 31, 2013, Heidelberg had hedged at least 60% of sales expected for this financial year in both the principal currencies (U.S. dollar and Japanese yen) using hedging instruments. As of March 31, 2013, 34% of the hedging transactions related to the U.S. dollar (March 31, 2012: 38%), while 21% (March 31, 2012: 15%) related to the Japanese yen. Hedging instruments are also used for the purpose of hedging intra-Group loans in foreign currencies (fair value hedges).

The intrinsic value (or spot rate component) of the hedging instruments is recorded in the hedge reserve until the maturity of the instruments; changes in the value of the hedging instruments are recorded in equity to the extent that they relate to the intrinsic value (or spot rate component), and are reflected in the result of operating activities (EBIT) once the related hedged transaction occurs. An appreciation of 10% in the euro against all the relevant currencies would have meant that the hedge reserve as of March 31, 2013 would have been EUR 14.8 million (March 31, 2012: EUR 24.5 million) higher and the financial result EUR 41 thousand (March 31, 2012: EUR 0.8 million) lower. In the event of a decrease of 10% in the euro, the hedge reserve as of March 31, 2013 would have been EUR 18.1 million (March 31, 2012: EUR 25.5 million) lower and the financial result EUR 50 thousand higher (March 31, 2012: EUR 0.7 million lower) than their actual amounts. This sensitivity analysis does not take into account the effects of translating the financial statements of subsidiaries into euros (translation risk). See "*Risk Factors—Business-Related Risks—Due to the international nature of its business, Heidelberg is subject to risks from exchange rate fluctuations*".

Interest Rate Risk

In prior years, Heidelberg limited the risk from increasing interest expenses for refinancing by using interest rate swaps, under which Heidelberg received variable-rate interest and paid fixed interest (payer interest rate swap). As of March 31, 2013, interest rate swaps were no longer held. In the previous financial year 2011/2012, the measurement of all transactions resulted in liabilities of EUR 1.0 million, which were recognized in other comprehensive income and reversed to the financial result in the financial year 2012/2013.

The Heidelberg Group has adopted a policy to limit the risk from increasing interest expenses resulting from floating rate indebtedness by using interest rate swaps, under which Heidelberg receives variable interest rates and would pay fixed interests (payer interest rate swap). However, as of March 31, 2013, interest rate swaps were no longer held as the Company does not currently have floating rate indebtedness. In the event of an increase of 100 basis points in the market interest rate across all terms, the hedged reserve would have been unchanged in the financial year 2012/2013 (previous year 2011/2012: EUR 0.4 million higher) and the financial result would have been EUR 47 thousand lower (previous year 2011/2012: EUR 0.1 million higher). A decrease of 100 basis points in the market interest rate across all terms, the hedge reserve would have been unchanged in the financial year 2012/2013 (previous year 2011/2012:

EUR 0.4 million lower) and the financial result would have been EUR 47 thousand higher (previous year 2011/2012: EUR 0.1 million lower).

Commodity Price Risk

Heidelberg does not engage in any significant commodities hedging as commodities not constituting a substantial percentage of its overall fixed costs, and currently does not have immediate plans to do so.

Sensitivity Analysis

In order to show the effects of currency and interest rate risk on the consolidated income statement and in the equity, the impact of hypothetical changes in exchange rates and interest is described below in the form of sensitivity analyses. It is assumed for purposes of this section that the position on March 31, 2013 is representative for the financial year.

In respect of currency risk, assuming a 10% increase in the value of the euro against all currencies, the hedge reserve would have been EUR 14.8 million higher as at March 31, 2013 and the financial result would have been EUR 41 thousand lower. Assuming a 10% decrease in the value of the euro, the hedge reserve would have been EUR 18.1 million lower and the financial result would have been EUR 50 thousand higher.

In respect of interest rate risk, assuming an increase of 100 basis points in the market interest rate across all terms, the hedge reserve would have been unchanged as of March 31, 2013 and the financial result would have been EUR 47 thousand lower. Assuming a decrease of 100 basis points in the market interest rate across all terms, the hedge reserve would have been unchanged and the financial result would have been EUR 47 thousand higher.

Significant Accounting Policies

The application of the accounting policies presented below requires assumptions and estimates that have a significant influence on the carrying amounts and presentation of assets and liabilities recognized on the balance sheet as well as the disclosures regarding contingent assets and liabilities as of the balance sheet date and the income and expenses reported for the financial year. The assumptions and estimates are each based on up-to-date information and currently available data. The actual development can differ from the estimates. Primarily the following facts and circumstances are affected by assumptions and estimates. Exact descriptions can be found in the corresponding notes to the consolidated financial statements for financial years 2010/2011, 2011/2012 and 2012/2013. Please see "*Index to Financial Statements*".

Revenue Recognition

Product sales are recognized when the material risks and rewards of ownership of the sold merchandise and products are transferred to the buyer and neither a continuing managerial involvement nor effective control over the sold merchandise and products remains, provided the revenue amount can be reliably determined and the inflow of economic benefit from the sale is sufficiently probable. Heidelberg does not apply the percentage of completion method in accounting for revenue and the related costs, as Heidelberg does agree on construction contracts with the customer (i.e. contracts that are specifically negotiated for the construction of a machine).

Down-payments are recognized as advance payments in the balance sheet at the time they are received and are recognized as revenue once all significant performance and contract obligations are fulfilled and all revenue recognition requirements are satisfied.

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

Income from operating and finance leases is recognized based on the provisions of IAS 17.

Goodwill Impairment Tests

Goodwill includes amounts from the acquisition of businesses (asset deals) as well as from capital consolidation (share deals). Assets are allocated to cash-generating units in order to conduct impairment tests. These units correspond to the segments.

The carrying amounts of goodwill are reviewed for impairment if facts and circumstances indicate that an impairment write-down may be required. Regardless of whether there is any indication of impairment, goodwill is

reviewed annually for impairment. An impairment write-down is recognized if the recoverable amount falls below the carrying amount of a cash-generating unit to which goodwill was assigned.

Within the framework of the goodwill impairment test, the recoverable amount of the cash-generating unit is established as the higher of its fair value less costs of disposal or its value in use. The fair value reflects the best estimate of the price that would be received if the cash-generating units were sold in an orderly transaction between market participants on the balance sheet date. The value in use is the present value of estimated future cash flows expected to arise from the cash-generating unit. It is determined using a discounted cash flow method based on the planning approved by the Management Board on the basis of a medium-term planning period of five years. Past experience, external information sources and the expectations of future market development form the basis of these budgets. The fair value and/or value in use can change if the factors of influence change, which can result in the recognition of an impairment loss.

The most important elements in assessing the value of the cash-generating unit are the expected growth rate and the discount rate applicable to the expected cash flow. The discount rates used within the framework of the impairment test are determined on the basis of market data and amounted to 7.53% (2011/2012: 7.05%; 2010/2011: 7.47%) after taxes for the cash-generating units in financial year 2012/2013. Before taxes, the discount rate used for the segment Heidelberg Equipment was 9.7% (2011/2012: 9.0%; 2010/2011: 9.7%) and for the segment Heidelberg Services was 9.9% (2011/2012: 9.4%; 2010/2011: 10.0%). Heidelberg uses constant growth rates of 1.0% to extrapolate the cash flows beyond the detailed planning period to reflect expected inflation.

It was not necessary to impair goodwill for the Heidelberg Equipment, Heidelberg Services and Heidelberg Financial Services segments in financial years 2010/2011, 2011/2012, or 2012/2013.

Measurement of Intangible Assets, Research and Development Costs, Property, Plant and Equipment and Investment Property

With the exception of goodwill, all intangible assets have a limited useful life and are therefore amortized on a straight-line basis over their expected useful life. In accordance with the option provided under IAS 38, intangible assets are measured at amortized cost. In accordance with IFRS 3 in conjunction with IAS 36, goodwill is tested for impairment on an annual basis or if there is any evidence to suggest a loss of value. Purchased intangible assets are capitalized at cost. Internally generated intangible assets are capitalized to the extent that the criteria for recognition in IAS 38 are met. Manufacturing costs include all directly attributable costs. Development costs for newly developed products are capitalized at cost to the extent that expenses are directly attributable and if both the technical feasibility and the marketing of the newly developed products are assured (IAS 38). There must also be a sufficient degree of probability that the development activity will lead to future inflows of funds. Capitalized development costs include all direct costs and overheads that are directly attributable to the development process. If capitalized development projects meet the criteria of qualifying assets, borrowing costs are capitalized as part of cost in line with IAS 23. The corresponding interest expense is calculated using the effective interest method. Capitalized development costs are amortized on the basis of the estimated period during which sales may be expected. In accordance with IAS 38, research costs cannot be capitalized and are therefore recognized in profit or loss directly in the consolidated income statement.

Property, plant and equipment, including that leased in operating leases, where Heidelberg serves as lessor, are measured at cost less cumulative straight-line depreciation and cumulative impairment in line with the option provided under IAS 16. In addition to direct costs, the cost also includes appropriate portions of material and production overheads. Borrowing costs that can be assigned directly to qualifying assets are capitalized as a part of cost in line with IAS 23. Costs of repairs to property, plant and equipment that do not result in an expansion or substantial improvement of the respective asset are recognized in profit or loss.

Investment property (IAS 40: Investment Property) is recognized at cost less cumulative straight-line depreciation and cumulative impairment in line with the option provided under IAS 40. The fair value of investment property is disclosed in the notes to the consolidated financial statements. About half of this figure is calculated by Group-external, independent experts in line with internationally acknowledged valuation methods, such as the discounted cash flow method; otherwise it is derived from the current market price of comparable real estate.

Amortization of intangible assets and depreciation of property, plant and equipment and investment property is calculated primarily based on the following useful lives (in years) used by the Heidelberg Group:

Useful life in years	**Financial Year 2010/2011**	**Financial Year 2011/2012**	**Financial Year 2012/2013**	**For the six months period ended September 30, 2013**

	(audited)	(audited)	(audited)	(unaudited)
Development costs	3 to 12	3 to 12	3 to 12	3 to 12
Software/other rights	3 to 5	3 to 5	3 to 5	3 to 6
Buildings	10 to 50	10 to 50	10 to 50	10 to 50
Technical equipment and machinery	3 to 15	6 to 29	6 to 29	6 to 29
Motor vehicles	6 to 9	6 to 9	6 to 9	8 to 15
Operating and office equipment	4 to 15	4 to 15	4 to 15	5 to 15
Investment property	10 to 50	10 to 50	10 to 50	10 to 50

For intangible assets with certain useful lives and for property, plant and equipment, the recoverability of the carrying amount is reviewed if specific facts or circumstances indicate that an impairment write-down may be required. For goodwill and intangible assets with uncertain useful lives, the recoverability of the carrying amount is also reviewed at the end of every financial year. An impairment write-down is recognized if the recoverable amount of the asset falls below the carrying amount. The recoverable amount is respectively the higher of the fair value less costs of disposal and the value in use. If the asset is part of an independent cash-generating unit, the impairment is determined based on the recoverable amount of the cash- generating unit. If the reasons for an impairment write-down no longer apply, an impairment reversal is recognized up to the amount of the historical cost less depreciation or amortization.

For intangible assets and property, plant and equipment, management determines the economic useful life applicable to the Group. Furthermore, for the purposes of the impairment test, the recoverable amount of the asset or cash-generating unit to which the asset is assigned is specified as the higher of fair value less costs of disposal or value in use, whereby the fair value reflects the price that would be received to sell the asset in an orderly transaction between market participants on the balance sheet date. The value in use is the present value of the estimated future cash flows expected from the asset. The fair value and/or value in use can change if the factors of influence change, which can result in the recognition or reversal of an impairment loss.

Heidelberg partly adjusted the useful life of intangible assets and tangible assets and thus also the depreciation and amortization period in the first quarter of financial year 2013/2014 (for details see table above).

Assessment of the Recoverability of Receivables and Receivables from Sales Financing

Upon initial recognition, receivables are measured at fair value, including directly attributable transaction costs. In subsequent periods, they are measured at amortized cost using the effective interest method based on the measurement category “loans and receivables”.

Receivables against Heidelberg’s customers related to the financing of the sale of machines and receivables from finance leases are reported under receivables from sales financing. Finance leases include rented equipment which can be regarded economically as sales of equipment with long-term financing. These receivables are measured at their net investment value, i.e. the discounted sum of future minimum lease payments plus any potential non-guaranteed residual value. Receivables from sales financing are assigned to the measurement category “loans and receivables” under IAS 39 and recognized at fair value. In subsequent periods, they are measured at amortized cost using the effective interest method. The fair value is based on expected cash flows which are discounted using interest rates with matching maturities as of the balance sheet date and the customer-specific credit rating.

Receivables and receivables from sales financing are exposed to credit risks and risk of default in that customers may not meet their payment obligations, resulting in a loss of assets. The necessary bad debt allowances are determined based on defined customer and contract related risk criteria, existing collateral, and past experience regarding historical default rates. Customers’ actual default on payments can differ from the expected default rates based on specific factors of influence.

Recognition and Measurement of Provisions for Pensions and Similar Obligations

Provisions for pensions and similar obligations are determined based on a series of actuarial reports obtained annually from third parties. These reports are based on a series of assumptions with respect to discount rates, life expectancy, salary and pension trends, and the expected net income of plan assets in the case of defined benefit plans, which, however, differ from country to country. A change in one of these assumptions influences the present value of the change in pension commitments and therefore leads to a change in provisions. Actual results related to the pension plans may differ from the assumptions and therefore negatively influence Heidelberg’s financial position.

The discount rates amounted to 3.75% (Germany) in the first six months of financial year 2013/2014 and to 3.5% (Germany and international) in financial year 2012/2013 (2011/2012: 4.5% (Germany) and 3.52% (international); 2010/2011: 5.0% (Germany) and 4.3% (international)).

An increase or decrease of one quarter of a percentage point to respectively 3.75% or 3.25% for financial year 2012/2013 (2011/2012: to 4.75% or 4.25% respectively) would reduce the domestic pension claims by EUR 37.9 million in financial year 2012/2013 (2011/2012: EUR 30.9 million) or increase them by EUR 40.6 million in 2012/2013 (2011/2012: EUR 32.9 million). Any losses offset in equity without impact on the income statement would, after income taxes, decrease to EUR 27.2 million for financial year 2012/2013 (2011/ 2012: EUR 22.1 million) or increase by EUR 29.1 million for financial year 2012/2013 (2011/2012: EUR 23.6 million), as the case may be.

Recognition and Measurement of Other Provisions

Other provisions include provisions for current taxes, commitments to personnel, sales-related obligations (mainly related to warranty, counter-guarantee and repurchase commitments) as well as the remaining other provisions including provisions for expected losses from pending transactions and liabilities in the area of research and development. In addition, they also include provisions for measures related to the Focus 2012 program. Other provisions are recognized when a past event gives rise to a current obligation, the amount of utilization is more likely than not, and the amount can be reliably estimated (IAS 37). This means that the probability must exceed 50%. They are measured either at the most likely settlement amount or, if probabilities are equal, at the expected settlement amount. Provisions are only recognized for legal or constructive obligations in respect of third parties. Provisions are measured at production-related full costs, taking into consideration possible cost increases. Provisions for restructuring measures are recognized to the extent that the criteria of IAS 37 are met. Non-current provisions with a remaining term of more than one year are carried at the discounted settlement amount at the end of the reporting period on the basis of appropriate interest rates if the time value of money is material. The underlying interest rates depend on the term of the obligation.

MARKET OVERVIEW AND COMPETITION

Overview

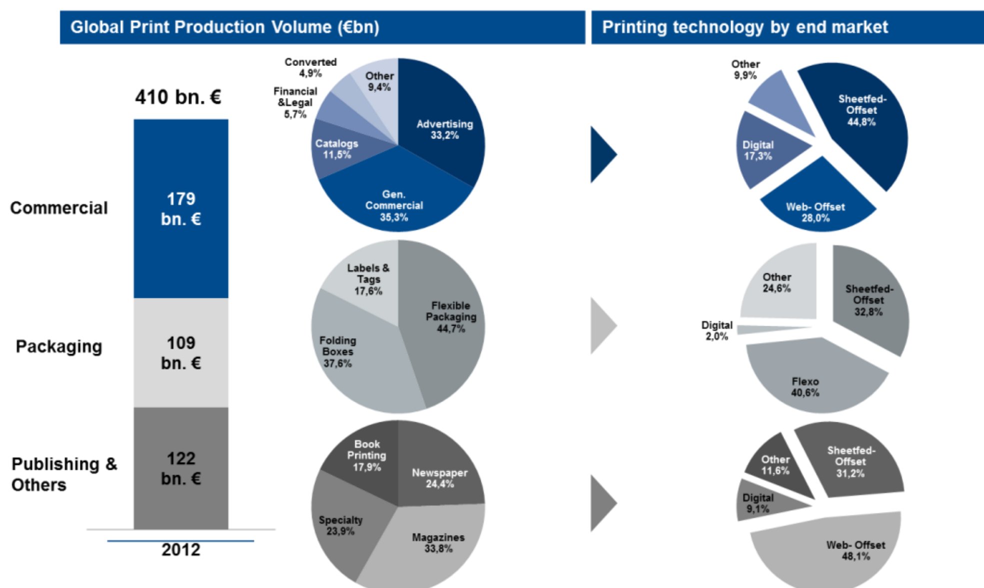
Heidelberg offers equipment, services and consumables to the print media industry, which includes commercial printing, packaging printing as well as publishing printing. Global PPV has exceeded EUR 400 billion a year since early 2000.

SFO printing is the most commonly utilized technology in this sector, accounting for approximately 35% of global PPV with such market share having remained broadly stable historically. Heidelberg has established a leading market position in this segment and has, as a result, established the largest installed base in the market.

The market for equipment can be divided along the entire print products value chain from prepress and press to postpress. Prepress is comprised of all technical processes and procedures that occur between the creation of a print layout and the final printing. Press can be further subdivided according to print technology (e.g., sheetfed and webfed offset printing, flexo printing, gravure printing and digital printing). Postpress is comprised of processes subsequent to the printing process such as cutting, folding, die-cutting and stitching and adhesive binding by which the printed matter is brought into its final format and can be subdivided according to varying finishing technologies (e.g., cutters, folders, stitchers, binders etc.). Services can be subdivided according to type and purpose (e.g., technical services, service parts, training etc.). Consumables can be subdivided according to the relevant type of product (e.g., printing plates as well as film, ink, coatings, printing chemicals, blankets and rollers).

Heidelberg primarily supplies SFO printing presses, prepress and postpress equipment and related services to customers engaged in commercial and packaging printing. In the sub-segment of label printing presses, which is assigned to packaging printing, Heidelberg also supplies flexo printing presses through its fully consolidated subsidiary participation, Gallus. Since February 2011, the Company has worked in a global strategic cooperation with Ricoh by integrating Ricoh products into Heidelberg's industry standard workflow solution in the graphic arts industry, Prinect, under the Heidelberg brand. In addition, Heidelberg entered into a global alliance with Fujifilm. The market data used in the following section is based on estimates of the Company derived from the Company's own data and observations and on publicly available sources.

The following chart shows the total print production volume by sales, broken down by segments, products and process technologies. In addition, it names examples of print products in the respective market and printing technologies for each end market.



Source: Heidelberg estimate – May 2013, industry statistics, PIRA, RISI, PRIMIR, Global Insight
Base Year 2009

The printing industry produces a wide range of print products, such as commercial, newspapers, magazines, books, packaging, catalogs, labels and maps. Different printing processes are being employed which, while in part interchangeable, differ from each other especially with respect to printing quality, printing speed and run length.

Offset printing presses. Offset printing presses can be used for producing a wide variety of print products (such as books, commercial printing, folding cartons or labels, etc.). The reasons for this versatility are the ability to use a multitude of different printing substrates and relatively short make-ready times compared to flexo and gravure printing. The break-even point can thus be reached even with relatively small print runs. Offset printing is therefore suitable for different levels of print runs. The Company is of the opinion that, depending on the end product and capacity and cost structure of the print shop, it is possible to use SFO presses for print runs as short as 250 copies whereas web offset presses are usually used for print runs of approximately 15,000 or more (primarily suited for newspapers and magazines).

Flexo printing presses. The main field of application of flexo printing presses is printing on plastic, flexible packaging, corrugated and labels. Generally, flexo printing achieves high print quality when printing on flexible materials. When using paper as a printing substrate, the print quality of flexo presses, in the opinion of the Company, however, is below that reached by the offset printing presses. Furthermore, relative to offset printing estimated costs are significantly higher (approximately 1:20) for printing plates. Therefore, flexo printing is primarily used for long print runs or for repeat runs such as printing on packaging materials.

Gravure printing presses. Only high quality print products with very high run lengths will be produced on gravure presses (e.g., high quality packaging, catalogs, advertising materials and also many periodicals). However, due to the high costs of producing impression cylinders and long make-ready-times, the Company believes that gravure printing presses are generally insufficient for print runs of less than 300,000 copies.

Digital printing presses. Printed matter produced by digital printing presses primarily encompasses personalized advertising and illustrations for short runs. Digital printing is generally used for short print runs and quick deliveries because toner-based printing presses produce higher costs on longer print runs compared with other printing methods. The Company is of the opinion that, in comparison with offset printing, digital printing presses are suitable for print runs of up to 1,000 copies, depending on the use and other aspects of the print shop (e.g., number of presses available and utilization). In this regard, it should be noted that digital printing presses do not use printing plates. They are driven directly with data from the prepress stage so that the entire process of producing printing plates is not needed. As a result, digital presses are mostly used for short runs, individualized print products and variable data printing. The market for digital printing presses is basically divided into four segments. The segments are classified by price (of the equipment) and print speed (pages per minute). The entry level segment is the segment with the lowest equipment price and the lowest print speed (end products in this division are in office surroundings, proof prints, presentations, internal communication, reports or certificates). The value level segment follows (end products in this segment are flyers, booklets, proof prints). The performance area is the third segment (end products here are photo books, calendars, commercial prints or year books) followed by the peak performance segment (end products in this segment are direct mail, transactional, collateral, books, newspapers or industrial prints).

The size of the global printing equipment market covering the entire range of commercial printing, including equipment, services and consumables (excluding paper), had a volume according to Company estimates of approximately EUR 34 billion in 2012. Of this, approximately EUR 9.6 billion accounted for equipment, which was split between approximately EUR 7 billion for printing presses and approximately EUR 2.6 billion for pre/post press products. The market for services amounted to approximately EUR 4.5 billion, and the consumables market size (excluding paper) was approximately EUR 19.7 billion in 2012.

The equipment market is comprised of printing presses and the prepress and postpress sub-segments. The market for new presses had a volume according to Company estimates of approximately EUR 7 billion in 2012 (2011: approximately EUR 7.3 billion 2010: approximately EUR 7.3 billion).

The SFO equipment market ("SFO market") is cyclical, mainly linked to GDP development. Growth is facing a geographical shift towards developing countries.

Its oligopolistic structure is a consequence of high barriers to entry, mainly represented by significant R&D investment required in order to develop state-of-the-art technology. Few established manufacturers are operating in the premium segment, exclusively producing in the high-wage countries Germany and Japan. The finishing business is more fragmented, thus, more competitive with different participants. Heidelberg is the market leader in the global SFO market with an estimated market share of over 40% and enjoys a strong brand name and the largest installed base. Heidelberg is using this platform to expand its business into digital print.

In 2012, the SFO market was approximately EUR 2.7 billion (2011: approximately EUR 2.7 billion, 2010: approximately EUR 2.7 billion). An important driver for the growth of the SFO market is, alongside GDP, the (SFO

related) print production volume. Due to the high uncertainty in many industrialized countries the global PPV has decreased by 0.4% and the SFO related PPV by 0.9% in 2012. Nevertheless, the PPV development in the emerging markets has still shown growth and has increased by 3.8% and the SFO related PPV by 3.9% in 2012.

In the view of the Company, the prepress market relevant to Heidelberg had a volume of approximately EUR 1.6 billion in 2012 (2011 and 2010: approximately EUR 1.6 billion and EUR 1.5 billion, respectively). The prepress procedure includes the manufacture of a printing plate, image carrier or form, ready for mounting on a printing press, as well as the adjustment of images and texts or the creation of a high-quality print. For example, data and information are prepared for the printing process, i.e. converted into printable data. The most important prepress products are prepress software, proofing systems and plate setters. Heidelberg believes it is in a leading position regarding the complete workflow integration of a print shop.

In the view of the Company, the postpress market relevant to Heidelberg had a volume of approximately EUR 1.0 billion in 2012 (2011: approximately EUR 1.0 billion, 2010: approximately EUR 0.9 billion).

As the market leader in the global SFO market, Heidelberg has the largest installed base of SFO machinery in the industry. This offers a solid basis for the expansion in the services and consumables market. The relevant after-sales market for SFO is nearly three times the size of the SFO equipment market, presenting a growth area for Heidelberg. As the global PPV is relatively stable, the consumables market, comprised of products, such as printing plates, film, ink, coatings, press chemicals, blankets and rollers, is less dependent on investment cycles. Since 2004, new machinery has been distributed along with a remote service technology via the internet and, in the industrialized countries, to a great extent along with maintenance contracts. This helps to reduce the market share of freelancers and secures the profitable spare parts business using original parts. The consumables market is served via Heidelberg's own trademark Saphira and via distribution co-operations. In the view of the Company, this market had a volume of approximately EUR 19.7 billion in 2012 (2011: approximately EUR 19.5 billion, 2010: approximately EUR 19.2 billion).

The market for services primarily includes technical services for maintenance and service parts in addition to services for the improvement of productivity and quality. This market had a volume of approximately EUR 4.5 billion (2011 and 2010: approximately EUR 4.4 billion and EUR 4.5 billion).

The General Economic Environment and its Impacts on the Printing Equipment Industry

The printing industry is particularly influenced by changes in the overall economic environment and is sensitive to the economic cycle. Historically, the business cycle has followed the development of global GDP, while exhibiting greater volatility. In principle, this also applies to geographically broadly diversified, export-oriented printing equipment manufacturers, such as Heidelberg. This was evident during the last downturn, from 2001 to 2003, and even more so since 2008. Printing equipment manufacturers have experienced substantial declines in net sales and profits during these periods.

Triggered by the negative development of the global economy, business cycle and business expectations, many companies have reduced their total advertising expenses rapidly and extensively. Due to the fact that most of the print products are directly or indirectly dependent on print advertising expenditures, the print production volume has declined. The Company estimates that printing of advertising materials represents, on average, approximately 44% of the total output of the print media industry. On the other hand, consumables and services are less dependent on business cycles.

The Global Market for Printing Presses and Related Products

Equipment

The equipment market can be divided along the print shop value chain from prepress and press to postpress.

Press

Overview

In the view of the Company, of the total global market volume for equipment of approximately EUR 9.7 billion in 2010, approximately EUR 9.9 billion in 2011 and EUR 9.6 billion in 2012, approximately EUR 7.3 billion was attributable to the press segment in 2010, approximately EUR 7.3 billion in 2011 and approximately EUR 7 billion in 2012, or about 73.0% of the total market for equipment in 2012. The market for new SFO printing presses amounted to EUR 2.7 billion in 2010, approximately EUR 2.7 billion in 2011 and EUR 2.7 billion in 2012 (market effect of manroland AG restructuring efforts, i.e. the division into two companies, not considered in 2012 so that actual market size could be EUR 50 to 70 million lower).

The market for printing presses is characterized by high entry barriers as a result of customer loyalty and comparatively long product life cycles and requires a long experience in producing press equipment. In addition, the printing press business is capital-intensive and requires a wide distribution and service network. Furthermore, the technological requirements for modern printing presses as well as for prepress and postpress machines are relatively high. Moreover, print shops ask for an efficient and cost-effective data and production workflow which requires suppliers of printing presses to have considerable expertise in systems and integration.

General Trends

The market for printing presses is under strong cost, efficiency and innovation pressure, which is primarily the result of heavy competition among print shops and overcapacity in the market. One of the characteristics of competition in this market, particularly for jobs with long production times, is the worldwide supply of print production services (including from low wage countries) and the ability to compare offers, especially over the internet. Through various web-to-print solutions, print shops now attract new customers over the internet as a sales channel.

As a result of lower revenue growth, decreasing profitability and more complex production processes, print shops have attempted to increase productivity and profitability through streamlined manufacturing techniques and the efficient linkage of the individual production steps, among other concentrating on the reduction in maculation (i.e. waste of material) as well as decreasing capacity. Some printers are also expanding into new markets such as packaging printing and specialty printing. In order to successfully compete, print shops are increasingly demanding efficient printing presses, which involve lower operating costs because of their higher capacities, lower life cycle costs, lower waste and their flexibility to produce various types of products. At the same time, modern SFO presses, primarily used by commercial print shops, must be sufficiently flexible to permit the printing of increasingly demanding refinement solutions. Print products are increasingly incorporating special features (e.g., three-dimensional effects and holograms), which are used to attract the attention of consumers.

The Company observes that competition is less intense only in the area of print jobs requiring special printing equipment, for example, special inks or effects. As print shops in certain emerging markets are not only producing for their domestic markets, but also for industrialized markets which require high-quality printed matter on a non-urgent basis, there is an increasing demand for technologically complex and automated SFO printing presses.

The Company is of the opinion that, in order to take advantage of these requirements of the market, printing press manufacturers must continually improve the efficiency of their equipment, for example, by increasing production rates and lowering consumption. Printing press manufacturers also need to develop ways to process new effects and address new applications.

Innovation in technological improvements is a vital factor in the market for SFO printing. The pressure to innovate is primarily due to increasingly complex print products and shorter print runs (i.e., fewer copies). An additional factor is the effect of the ongoing consolidation of print shops and the increase in the number of large customers resulting therefrom. The competition is also characterized by a demand for finishing solutions (particularly in packaging printing), requiring the use of more complex production processes. Thus, important development targets are the reduction of make-ready times (for shorter print runs) through further automation as well as improvements in process controls and in the coating of printing matter. Furthermore, so-called “ecological printing”, which aims at the reduction of waste material and the use of environmentally neutral materials during production and printing, is another element for technical improvement.

One example for the pace of innovation is the development and increasing establishment of so-called “remote diagnosis and repair systems”. Remote services enable print shops and printing press manufacturers to be aware early of equipment malfunctions and under certain circumstances even avoid such malfunctions. Thus, equipment malfunctions can generally be corrected cheaper and faster, which increases the availability of printing presses.

According to the observations of the Company, the average useful life of SFO printing presses for the first user is currently five to eight years, which, to a certain extent, is influenced by possibilities of tax depreciation. The actual life of a SFO printing press is much longer. Increasing competitive and productivity pressures in the printing industry have, however, in the Company’s view shortened the period over which a printing system can be operated competitively in industrialized markets which has shortened investment cycles for quality-conscious print shops. Print shops that are not exposed to intensive price competition in their market and thus usually achieve high margins are generally able to adapt their investment cycles to the trend of shortening innovation cycles of the printing press manufacturers, thus keeping their equipment up to date. On the other hand, print shops are exposed to intensive price competition and in this connection usually achieve lower margins, tend to defer investment and hold onto equipment for nearly its full life. This effect will become more important with improved machine performance. According to the observations of the Company, these developments primarily characterize industrialized markets. The Company has observed that print shops in

emerging markets often purchase used or standardized new equipment with a relatively low degree of automation, but which are sufficient to meet the generally lower requirements of consumers in these markets.

Commercial Printing Trends

In the view of the Company, the global market for printing presses for commercial and publishing printing had a volume of approximately EUR 5.1 billion in 2012 compared to the market for packaging with a volume of approximately EUR 1.9 billion. This corresponds to an approximately 72.4% share for commercial and publishing printing and approximately a 27.6% share for packaging printing. The market volume for commercial and publishing printing declined from EUR 5.5 billion in 2010 to EUR 5.4 billion in 2011 and to EUR 5.1 billion in 2012.

The relevant trends can be divided into trends in industrialized countries and trends in emerging markets. Heidelberg has observed a general trend in industrialized markets towards mediamix campaigns that provide cost effective access to target groups. Main drivers are maximum visual effect and innovative graphic design which are used to create a multidimensional feeling ("look and touch"). However, equally important is the ease with which information is conveyed through the print product. Industrialized markets are also distinguished through high environmental awareness. In the opinion of Heidelberg, however, environmental awareness is also increasing in emerging markets, and markets in emerging markets change in correlation with economic growth and rising individual prosperity. This development coincides with social change, for example, increasing urbanization and higher rates of literacy.

Total volume of printed commercial matter is particularly important. The Company estimates that in 2012 the print production volume for commercial and advertising materials (i.e., catalogues, advertising materials, flyers, etc.) amounted to approximately EUR 179 billion out of EUR 410 billion for the whole market.

In the opinion of the Company, the market for commercial and advertising printing depends very strongly on the economic development of the region as measured by gross domestic product (GDP) and is additionally being influenced by regionally varying market trends. The trend in advertising markets in industrialized countries is towards so-called "multimedia promotion campaigns" that combine a number of different media in one single advertising campaign. In this context, printed matter is being used as a cost-effective method to reach certain target groups. Another trend is the use of eye-catching graphic designs and more complex printed matter with multidimensional effects intended to increase the visualization of the printed matters. Finally, paper allows for a relatively quick comprehension of information and is therefore regarded as being particularly user-friendly. In emerging markets, on the other hand, the main driver for the expanding market size of printed matters is the rising gross domestic product.

The Company has also observed globally that print runs are generally declining while the number of printed publications is increasing. Furthermore, there exists a trend away from black-and-white, mono-and dual-color printing to four-and multi-color printing. Finally, customers, who are in turn driven by their customers, increasingly demand environmentally-friendly printed matter and production methods. Primary concerns include carbon footprints, i.e., the reduction of CO_2 emissions, and the energy improved efficiency of presses.

Packaging Printing Trends

New press equipment for packaging particularly includes printing presses for labels, flexible packaging and folding cartons. In the view of the Company, global sales in 2010 had a volume amounting to approximately EUR 1.8 billion or approximately 24.9% of total equipment sales; in 2011 the market volume increased to EUR 1.9 billion and was EUR 1.9 billion in 2012.

The Company has observed that the growth of the packaging printing market in industrialized nations is driven by demographic factors and, particularly, the increase of single person households and changing consumption patterns, for example more frequent impulse buying and the rise of fast food consumption. Also, the demand for convenient handling of packaging and the use of no deposit containers have contributed to market growth. The same applies to the rising consumption of luxury goods and the increasing demand for packaging with security features that are difficult to circumvent due to rising product piracy as well as the increasing demand for recyclable packaging due to changed legal requirements. The Company has observed that the most important drivers of market growth in emerging markets is macroeconomic development and an overall growth in gross domestic product, a trend towards modern supermarkets with packaged goods as well as a development of new mass markets due to increasing urbanization.

Press Segment Competitors

Heidelberg has various competitors in the press segment. They can generally be categorized by the different printing technologies of the presses they produce (webfed offset, SFO, flexo and digital). As there is some partial overlap between the fields of application of the presses and the corresponding printing technology, some companies compete with Heidelberg despite differing printing technologies.

The SFO market primarily consists of German and Japanese producers. In 2012, Heidelberg had by its own estimates a market share of approximately 42% in this segment. Heidelberg's main competitors, KBA of Germany and Komori Corporation of Japan, had market shares of 16% and 14% respectively, both being active in the web offset and SFO press market. Heidelberg, however, is in the favorable position to cover parts of the market in China out of its local production in Qingpu. From 2008 to 2012, the global economic crisis has led to a progressive consolidation of capacity in the SFO market, and a number of restructurings, including that of one of Heidelberg's German competitors, manroland AG, filing for insolvency and the withdrawal of a Japanese competitor, Shinohara Japan Co., Ltd. In addition, Mitsubishi Heavy Industries and Ryobi Ltd. established a joint venture in the field of SFO printing presses. In general, suppliers from Japan slightly lost market share over the last few years also due to the strengthening of the Japanese yen. Due to the fact that the Japanese yen has weakened again it is expected that the Japanese vendors might win back market volume without changing the overall market share picture significantly. Chinese competitors are primarily active in their domestic market. In 2010, Chinese Shanghai Electric group acquired Goss International, United States. Its printing equipment portfolio now includes the sheetfed and web offset printing segments as well as the postpress sub-segment. New competitors, primarily from Asia, increasingly offer to their own local markets technologically comparatively simple SFO presses, which to a large extent work without automation and electronic controls. However, market entry barriers for potential new competitors in the area of modern SFO printing presses, which are characterized by their high degree of automation, are comparatively high.

In 2012, manroland AG after having filed for insolvency, was split into two companies. The Augsburg facility was taken over by Possehl group in February 2012. The newly founded manroland web systems GmbH will continue the newspaper printing machinery business. This part of the business of the former manroland AG has not been in competition with Heidelberg.

Manroland AG's Offenbach site has been taken over by the British firm Langley Holding; this has led to continuation of the sheetfed business via manroland sheetfed GmbH, founded in February 2012. In the context of the insolvency, the number of employees at the Offenbach site has been dramatically reduced to around 800 from 1,900. Langley targets revenue of approximately EUR 350 million (compared to previous net sales of approximately EUR 500 million) with a one-shift production. New machinery business, services and consumables will contribute one third each. Langley group has also taken over the worldwide distribution together with approximately 40 marketing organizations as well as the service organization.

Since autumn 2011, KBA has significantly extended its restructuring measures for the core businesses sheetfed and web press business. This implies turnaround programs for the short-term future (e.g., optimizing cost positions, improving net working capital/cash processes). In that context and in response to the increased purchasing costs for materials, energy and other resource inputs, effective April 15, 2013, KBA implemented a price increase of 2.5% for its SFO presses. So far, Heidelberg has not observed a significant impact from KBA's pricing in the market.

Pre-and Postpress

Overview

Of the total global market volume for equipment of approximately EUR 9.6 billion in 2012, in the view of the Company approximately EUR 2.6 billion was attributable to the pre-and postpress sub-segments, which corresponds to a share of approximately 27% in the total volume of the market for equipment. The market volume of the pre-and postpress sub-segments increased from approximately EUR 2.4 billion in 2010 to approximately EUR 2.6 billion in 2011.

General Trends

The Company has observed that the prepress market segment has been defined by a nearly complete transition from film technology to CtP technology in the area of plate imaging. This development led to the establishment of a highly mature market and thus to strong price competition among CtP system vendors. CtP systems are usually sold in "bundle deals", i.e. in connection with a supply agreement for printing plates. Heidelberg's product portfolio includes CtP equipment with technology developed in-house and which, in the opinion of the Company, is well accepted by the market. Another important aspect of the prepress segment is the workflow software needed to prepare printing plates. Prepress software supplied by Heidelberg can be interlinked with press and postpress software components through the

Prinect work flow. In addition software components for Web-to-Print, Packaging Workflow, MIS, and Integration Workflow will further offer many opportunities in the future software market development.

Due to the comparatively labor-intensive processes in the postpress sub- segment, there currently exists a market trend to increase the rate of automation. Another market trend is increasing the number of treatment techniques and products offered, particularly for modern die-cutting processes.

Pre-and Postpress Area Competitors

Heidelberg is one of the main suppliers in the pre- and post-press markets. Dainippon Screen China Ltd. ("Screen"), Fujifilm, Eastman Kodak Company ("Kodak") and Agfa-Gevaert N.V. ("Agfa") represent its main competitors in the global prepress market; Heidelberg's competitors in the global postpress segment are Müller Martini GmbH, MBO America, Kolbus GmbH & Co. KG, Shanghai Electric Group and Bobst Group.

Services and Consumables

In the view of the Company, the market for services and consumables had a volume of EUR 24.3 billion in 2012 (2011: EUR 23.9 billion, 2010: EUR 23.6 billion) and is comprised of consumables, excluding paper, and services. In 2012, the size of the consumables segment was approximately EUR 19.7 billion (2011: EUR 19.5 billion, 2010: EUR 19.2 billion) and the size of the services segment was approximately EUR 4.5 billion in 2012 (2011: EUR 4.4 billion, 2010: EUR 4.5 billion). The market for services relevant to SFO printing increased by 2.6% from approximately EUR 1.2 billion in 2010 and 2011 to approximately EUR 1.2 billion in 2012. In 2012, of the total volume in the consumables sub-segment approximately EUR 3.8 billion is attributed to plates (2010: approximately EUR 3.8 billion; 2011: approximately EUR 3.8 billion), approximately EUR 13.9 billion to printing ink, toner and coatings sales (2010: approximately EUR 13.4 billion; 2011: approximately EUR 13.7 billion) and approximately EUR 2.0 billion to miscellaneous consumables sales (2010: approximately EUR 2.0 billion; 2011: approximately EUR 2.0 billion). The consumables market relevant to Heidelberg—including press chemicals and coatings, which are relevant to more than just SFO—had a volume of EUR 8.0 billion in 2012 (2010 : approximately EUR 7.8 billion; 2011: approximately EUR 7.9 billion).

Services

Overview

In 2012, in the view of the Company the relevant global market for services in relation to SFO printing, in which Heidelberg operates, had a volume of approximately EUR 1.2 billion (2011: approximately EUR 1.2 billion) and for services not related to SFO printing had a volume of approximately EUR 3.3 billion (2011: approximately EUR 3.2 billion).

General Trends

Heidelberg believes that the market for services offers the largest potential for growth in the mature markets of industrialized countries, where investments in new printing equipment are generally limited to replacement of the existing stock. The Company is of the opinion that the issues of maintenance costs, life cycle costs, quality management and cost-efficient production methods are gaining importance. The Company has observed that growth of the services segment is generally less dependent on the print media industry's investment cycles than on printing volumes.

Modern SFO printing presses have become technically more complex due to their high degree of automation and hence higher number of mechatronic and electronic components as well as the use of software. The same is true with respect to the complexity of production processes: As a result of print shops' desire to improve efficiency of production, production runs are increasingly being combined into parallel processes entailing complex configurations. Particularly after changing from one customer order to the next, it is necessary to quickly supply a customer with the desired print quality with as little maculation (i.e. waste of material) as possible. To this end, prepress, consumables (e.g., printing plates, ink and dampening solution) and the machine specific settings of the particular press have to be well synchronized. Heidelberg offers the setting of these parameters and the configuration and monitoring of print runs as a service package combined with consumables and equipment. Servicing and repairing SFO printing presses increasingly requires trained specialists. Print shops with SFO presses are often small businesses that do not have their own service teams, unlike industrial large volume customers. The SFO printing press market thus carries a high potential for demand for external services. On the one hand, these services are supplied by the manufacturers', such as Heidelberg's, own service organizations, who offer long-term service contracts, process analyses, project management and consultancy services. On the other hand, independent suppliers of services offer service parts and maintenance and repair services similar to manufacturers' service organizations. In this respect, the Company is of the opinion that the supply of specific

performance services which are particularly tailored to the needs of medium sized SFO printing operations has further growth potential.

Another important aspect in the provision of services is its importance for customer loyalty. By adding services to their product portfolio, printing equipment manufacturers are able to offer their customers several important products and services for the printing process, serving as a one stop shop, thereby increasing customer satisfaction. Through the provision of a wide range of services, such as proactive maintenance and repair or training, printing press uptime can be increased and downtime reduced, thus contributing to the optimization of the customers' production processes. Furthermore, long-term service agreements establish long-term customer relationships which, in turn, can have a positive impact on the generation of new business.

The Company is of the opinion that the global financial and economic crisis and the resulting economic uncertainties regarding future developments have led to, among others, print shops deferring investments in new printing presses. Such deferrals have led to an extension of the production life span of printing presses used by print shops, predominantly in the industrialized markets.

Services Segment Competitors

Regarding service parts, the Company competes with the original equipment manufacturers ("**OEM**") for standard components, from which the Company purchases parts itself. Competition is generally limited to the market at the location of the OEM.

There are also a growing number of increasingly professional alternative suppliers of less technically advanced high volume wear parts. This type of competition is particularly to be found in countries like China and Brazil.

In addition, there are a number of customers who attempt to maintain their equipment themselves. Also, used parts are circulated through, sometimes globally operating, networks of dealers for second-hand equipment.

Apart from the printing press manufacturer itself, other independent service providers also offer maintenance and repair services for printing presses of that particular manufacturer. Such service providers may, for example, be former employees of the manufacturer, who as freelancers offer to the market their knowledge which they have acquired a long time ago or second hand printing press dealers who have acquired relevant knowledge by maintaining and repairing used printing presses and are able to offer their maintenance and repair services to the market. According to the Company's assessment, former service employees and second hand printing press dealers are only active in narrow, local markets.

Consumables

Overview

In 2012, in the view of the Company, the global SFO printing consumables market relevant to Heidelberg—including press chemicals and coatings, for which Heidelberg operates as a reseller under the Saphira brand and in the coatings segment in which Heidelberg operates also as a manufacturer—had a volume of approximately EUR 8.0 billion (in particular printing plates, printing ink, coatings, press chemicals) (2010: approximately EUR 7.8 billion; 2011: approximately EUR 7.9 billion).

General Trends

Whereas the market for printing presses is strongly influenced by the general economic environment, the market for consumables has, according to the assessment of the Company, historically and during the recent global financial and economic crisis, been less influenced by business cycles. This is primarily due to the fact that capital expenditure on new printing presses is normally deferred during an economic downturn whereas printed matter production levels, and hence the demand for consumables, do not decline to the same extent. Demand for consumables is primarily a function of demand for print production volume.

In addition to the overall growth of the market for consumables, the following two factors, among others, particularly influence the development of the coatings sub-segment: on the one hand, the trend towards continuously more refined products combined with increasingly sophisticated quality demands for commercial printing materials has resulted in an increased demand for more complex coating effects with higher margins.

Heidelberg increasingly sees this trend in emerging markets, particularly in China, where the demand for higher quality and more refined products is increasing with increased average income.

On the other hand, many print shops are trying to improve efficiency as a result of the continuously strengthening competition in the print media industry. Time pressure and the increasing importance of quick turnarounds in print shops have led to the demand that printing presses be able to print sheets in one machine pass on one or on both sides simultaneously and that the sheets be able to be further processed into the final products immediately after printing. This demand has led to the increased use of coatings, which dry significantly faster than the ink applied beforehand, to protect the sheets and ink and allow quicker further processing, thus reducing overall printing time. Heidelberg's approach to this is its perfecting printing press in combination with coatings (offering the possibility to print on both sides of the printing substrate and to apply a coating in the machine—called LPL) of its own production.

Competitors in the Consumables Segment

Heidelberg's competitors in the consumables segment can be, in principle, divided into producers and dealers of consumables.

Producers of consumables distribute their products either through their own sales organization (direct distribution) or through dealers. Direct distribution focuses on serving large volume customers, who order large quantities and who expect more intensive customer care to be rendered by the producer. This may be expressed through higher demands regarding the product or the expectation that, if necessary, products be adapted or developed for specialized tasks. Distribution through dealers is primarily intended to serve medium to small sized customers, who tend to receive lower quantities. Almost no producer solely specializes in consumables for SFO printing. Very often, producers of consumables use the same or similar products for other types of processes (web offset printing, flexo, gravure printing, etc.).

In the consumables area Heidelberg had an estimated global market share of approximately 4.6% in 2012. This business is mainly a dealer business since the only consumable the Company produces—coatings—accounts for around 10% of the Heidelberg consumables sales. The Company's three main partners—Agfa, Flint and Kodak—are also its competitors. Heidelberg sells its suppliers' products mainly under its own brand, Saphira.

Agfa is Heidelberg's oldest and largest consumables partner by sales. The consumables product portfolio of Agfa have been a long time the "best in class" and Heidelberg enjoyed a much better than average growth with these products.

Flint Group is the result of the consolidation of numerous inks manufacturers combined with blankets and pressroom chemical producers conducted by the investor CVC.

Kodak's share in the portfolio of consumables that Heidelberg sells has constantly decreased during the past years. For years Kodak has been in continuous reorganization that has negatively impacted the Kodak's financial results. Heidelberg does not expect any significant impact on its own business because of this.

There are many other key competitors in the different consumables segments. In the offset printing plates business key competitors are Agfa and Kodak and Fujifilm and in the ink segment key competitors are suppliers like Sun Chemical Corporation, Siegwerk Druckfarben AG & Co. KG, Huber GmbH, Tokyo Printing Ink Mfg. Co., Ltd. and Sakata Inx (India) Ltd. Key competitors in the coatings segment—the only segment in which Heidelberg conducts business as a producer through its subsidiary Hi-Tech—are Actega- Terra GmbH (Altana Group), Sun Chemical Corporation, Weilburger Coatings GmbH, Schmid Rhyner AG and Fujifilm. Through its subsidiary Hi- Tech, Heidelberg is one of the world's top five producers of coatings and its market share is at 5% according to the Company's estimates. Significant competitors in the remaining product categories of the consumables segment, i.e., press chemicals, printing rollers and printing blankets, are Westland Gruppe, Böttcher GmbH & Co. KG, FujiHunt of Fujifilm, Flint Group GmbH (under the brand names Varn and Day), Meiji Rubber & Chemical Co. Ltd. and Conti Tech AG.

With few exceptions, dealer networks are not international. A typical network consists primarily of a number of local, small dealerships (sales of EUR 5- 10 million a year) which supply their own local area with consumables and a few large regional, multi-regional or event nationwide dealerships (sales of up to EUR 50 million a year). The Company has observed that, other than its own global distribution organization, there are no international dealers of printing industry consumables and there are only very few dealers with sales of the same magnitude as Heidelberg. This category includes, for example, the U.S. companies Pitman and Xpedx.

BUSINESS ACTIVITIES

Overview

With a market share of approximately 42% in 2012, Heidelberg is the world's largest manufacturer of SFO printing presses in terms of sales and installed base. Heidelberg employed approximately 13,600 employees as of September 30, 2013, and is represented directly through its subsidiaries or indirectly through distributors and agents in over 170 countries in Europe, Africa, North and South America, Asia and Australia. The Heidelberg Group generated net sales of EUR 1.1 billion and Normalized EBITDA of EUR 31.1 million for the six month period ended September 30, 2013.

Heidelberg offers products and services to the print media industry, which can be divided into four areas: commercial printing, packaging printing, publishing and newspaper printing. Heidelberg primarily supplies equipment, services and consumables for print media companies in the commercial printing and packaging printing markets, with a focus on SFO print houses. SFO printing is a commonly used printing technology for producing high-quality products such as magazines, catalogues, packaging (e.g., folding carton), advertising, flyers and newspaper inserts. Heidelberg also offers digital printing products, which have become increasingly important for the SFO print houses.

The business activities of Heidelberg are organized into three segments: Heidelberg Equipment, Heidelberg Services and Heidelberg Financial Services.

- The Heidelberg Equipment segment (56.6% of net sales in the six month period ended September 30, 2013) covers, in particular, the development, production and sale of precision printing presses (SFO presses), as well as prepress, postpress and finishing machinery and software for integrating all of the processes within a print shop. The product portfolio offered by the Heidelberg Equipment segment is itself divided into three product divisions (Peak Performance, Professional and Value) targeting different customer groups. While the Peak Performance and the Professional product divisions focus on industrialized markets, the Value product division focuses on emerging markets, with printing press assembly for this product division mainly carried out in China. In the context of entering the market for digital printing and complementing its existing product offering, the Company started a global strategic cooperation with Ricoh Company, Ltd., Tokyo, Japan ("**Ricoh**") in February 2011 and a global alliance in the area of inkjet printing with Fujifilm Corporation and Fujifilm in October 2013.

- Through the Heidelberg Services segment (43.0% of net sales in the six month period ended September 30, 2013), Heidelberg offers its customers comprehensive services that cover the entire life cycle of printing presses, from pre-order consulting services and provision of spare parts to the resale of used printing presses. The Services segment can be divided into technical services, consumables and other services. Technical services are primarily maintenance services ("Systemservice") and service parts, which are provided worldwide. Further, Heidelberg focuses on the sale of consumables, such as printing plates, printing blankets, printing chemicals and inks, coatings and rollers, as well as folding and stitching accessories. Heidelberg also offers its customers the repurchase, refurbishment and resale of used Heidelberg printing presses. As print shops have a more regular need for these products and services, the Heidelberg Services segment is less susceptible to economic developments than the Heidelberg Equipment segment.

- The Heidelberg Financial Services segment (0.4% of net sales in the six month period ended September 30, 2013) includes financing services, especially for small and medium-sized customers, to support investments in Heidelberg products. Heidelberg Financial Services mainly arranges financing between third party financing partners and Heidelberg's customers, but in some cases also provides direct financing mainly through one of its group-owned financing companies.

The following table shows the regional markets for Heidelberg's products and services ranked by consolidated net sales for the six month period ended September 30, 2013:

Regional market for Heidelberg's products and services	Consolidated net sales for the six months ended September 30, 2013 (in %) (unaudited)
Europe, Middle East and Africa[1]	34.2
Asia/Pacific (including Australia)[2]	36.2
Eastern Europe	11.5
North America	13.6
South America	4.5

(1) Of which Germany accounted for 40.9% of consolidated net sales in the Europe, Middle East and Africa region.

(2) Of which China accounted for 55.1% of consolidated net sales in the Asia/Pacific region.

Heidelberg's main manufacturing sites are in Germany, with the most significant at Wiesloch-Walldorf, Brandenburg and Amstetten. In addition, Heidelberg has manufacturing and assembling sites in China, Switzerland, Slovakia and the United States, as well as two sites for manufacturing coatings in the Netherlands and the United Kingdom.

The common shares of Heidelberger are publicly listed and included in the SDAX index of Deutsche Börse (AG) (Symbol: HDD) with a market capitalization of approximately EUR 625.1 million as of December 9, 2013.

Competitive Strengths

Heidelberg believes that it benefits from a number of competitive strengths. The company has a global, diversified presence. Heidelberg is leading in the industrialized markets with attractive opportunities for services. Furthermore, Heidelberg has a strong footprint in the regional growth markets with its attractive potential for equipment and services. In China for instance, the fastest growing printing market, Heidelberg has built its own manufacturing site and has a well-established sales and service force. Heidelberg's large installed base stretching over all regions worldwide and in all relevant customer segments serves as an excellent basis for a sound service business.

Leading market position in the SFO printing equipment market with a diversified global presence and a strong footprint in emerging markets

With an approximate market share of 42% in 2012, Heidelberg is the leading solution provider in SFO printing for small and large print shops. Heidelberg's strengths in technologically advanced and highly automated printing presses, targeting sophisticated customers in industrialized markets, are especially manifest in Europe and North America. Heidelberg also has a strong market position in important emerging markets, in particular in regions of Asia and South America. In this regard, Heidelberg is also well positioned to satisfy increasing demand, in particular for higher quality printing presses, in emerging markets such as China. Heidelberg's strong market position in China is in particular driven by the fact that it is the only European manufacturer of SFO printing presses with a local assembly site in China at Qingpu, near Shanghai. Compared to Germany, where Heidelberg focuses on the production of technologically advanced products, in China only a range of standardized printing presses for a number of printing formats is produced. Heidelberg also has significant operations in Brazil.

Strong brand name and long-standing customer relationships

The Heidelberg brand stands for state-of-the-art technology, quality and improved productivity for the customer and a focus on the customer. The Company believes that customers have strong confidence in Heidelberg and are loyal to Heidelberg. Heidelberg seeks to use the strength of its global brand to develop its existing customer relationships, as well as to expand its customer base in printing presses, services and consumables.

Commitment to research and development

In its more than 150 years of history, Heidelberg has gained a reputation as a leading innovator in the sheetfed offset equipment segment. In this context, Heidelberg holds approximately 4,400 technical intellectual property rights (patents issued and pending worldwide as well as registered designs) as of November 2013. In 2012, Heidelberg introduced new high speed printing presses, the Speedmaster XL 106, as well as the new Speedmaster SX product family. Another example of Heidelberg's innovative strength is the development of Heidelberg Remote Services, an internet-based software for remote diagnosis and repair, which enables Heidelberg to identify and quickly and cost-effectively resolve operational disturbances, thereby minimizing equipment downtime for the customer. The Company believes that its innovative capability is an important competitive aspect in customers' investment decisions.

Leading solutions provider for the process and value chain of print shops

Heidelberg's products and solutions cover the process chain of its print shop customers. Heidelberg develops and produces precision printing presses for SFO printing, manufactures and sells plate imaging systems for the prepress segment and equipment for the postpress segment as well as selected equipment for certain areas of flexo printing. In addition, Heidelberg develops and sells proprietary specialized software under the "Prinect" brand, which is designed to integrate all print shop processes, thereby helping print shops realize further efficiency gains in their production processes. Further offerings range from maintenance, repair and service parts, supply of consumables such as plates, inks, coatings, rollers and printing chemicals that are specially adapted for use with Heidelberg printing presses, to the

acceptance of trade-ins and the refurbishing and resale of used printing presses. The breadth of its product range enables Heidelberg to target a wide customer range.

Extensive global sales and service network

With sites in over 170 countries and highly-qualified sales and service employees throughout the world, Heidelberg currently has the most extensive international sales and service network in the industry. Heidelberg covers all relevant geographic markets and is able to offer global support and fast problem solutions. Furthermore, its service network enables Heidelberg to gain knowledge about its customers' needs, which vary by region. Centralized product management is intended to ensure that this knowledge is used in product development and planning in order to enable Heidelberg to provide market and customer specific solutions and to further develop its products accordingly. An extensive service network also enables Heidelberg to provide its customers with rapid and comprehensive support 24 hours a day, seven days a week. Heidelberg believes that its sales and service network is a significant factor in persuading customers to invest in Heidelberg products, as the sales and service network helps its customers to increase their profitability, for example by increasing service response times to minimize customer print shop production stoppages. Due to its direct access to and knowledge of its customers, Heidelberg is able to bundle products and services into comprehensive solution packages for its customers.

Efficient manufacturing organization and assembling site in China

As a manufacturer of technologically advanced high-quality products, Heidelberg deliberately focuses on manufacturing in Germany. The Company does, however, strategically outsource certain components of its manufacturing process. To expand its business activities in China, Heidelberg built a manufacturing site in Qingpu, near Shanghai seven years ago. The site began by producing folding machines, and today the site produces a range of standardized printing presses for a number of printing formats. The number of printing units the Company assembled in China significantly increased in the last financial years, resulting in several expansions of the site. Today the factory is comprised of 90,300 square meters of land space and 68,500 square meters of buildings. The production site employs 439 production staff as of September 30, 2013. Currently, 50.7% of Heidelberg's printing units sold in China are produced by the Qingpu site. As part of this growth, Heidelberg has started to contract with local quality-tested regional suppliers. The Company plans to continue to strengthen its footprint in China to be able to supply local demand from local assembly and to realize further cost advantages. Overall, the printing presses assembled in Qingpu are for the most part sold in China. Accordingly, Heidelberg believes it is well positioned to profit from future global economic growth in the print media industry.

Strong management team

Heidelberg's management team has collectively over 55 years of experience at the Heidelberg Group or in the print media industry. In 2012, the management team was reinforced by the new CEO of the Company, Dr. Gerold Linzbach, who has worked in other industries beside print media and brings with him further valuable experience.

Over the past years the management team has successfully implemented various restructuring programs, including the Heidelberg 2010 Program, Focus 2012 and the SFT program. As a result, Heidelberg has been able to significantly decrease fixed costs, raise capital to navigate the financial crisis as well as improve its operational performance and to reduce financial net debt.

Group Strategy

Heidelberg is pursuing a two-step strategy: first, Heidelberg seeks to restore profitability while implementing the BA structure with full focus on margin and profitability; and second, Heidelberg seeks to optimize its portfolio.

Heidelberg's primary objective is to restore profitability, which is primarily supported through its efficiency program Focus 2012 and its continuation with further cost saving initiatives ("re-sharpening component"). The key aspects of Focus 2012 have already been initiated and are currently being implemented. Heidelberg expects measures under the program will fully come into effect by the end of the financial year 2013/2014 and reduce the cost base. Because of lower than expected net sales and margins, the Management Board decided in March 2013 to supplement Focus 2012 with a re-sharpening component. Moreover, a further reduction of net debt remains a priority. This is supported by an ongoing project to optimize net working capital. Once the profitability target has been reached, Heidelberg will focus on optimizing its portfolio and growing its service business and its business in emerging markets.

Heidelberg's BAs are sub-units linked to the three reporting segments. Activities of the BA's are reported to the respective segments. The Heidelberg Equipment segment is comprised of the following BAs: Sheetfed, Very Large Format and Postpress Packaging, Postpress Commercial, Digital Solutions, Prinect, New Venture, Gallus. The

Heidelberg Services segment is comprised of the following BAs: Consumables, Services, Remarketed Equipment. The third reporting segment, Heidelberg Financial Services, is a BA of its own and has no further sub-units.

Heidelberg's BA structure was implemented to shorten decision making paths and, in particular, to increase the individual responsibility of the BA managers. Each BA focuses on the needs of its customers and determines the product design and marketing strategy. The corresponding BA strategy is being implemented in coordination with the Management Board, which allocates the necessary resources. The goal of Heidelberg's BA structure is to promote business thinking at all levels of the individual segments and BAs and establish personal responsibility. If the implementation of the strategy is not successful in individual BAs, the Management Board will decide on the future positioning and further use of resources.

Heidelberg management places greater emphasis on achieving margin and profit targets than increasing sales volume. The Company has transformed its business philosophy from a more technology-driven to a customer/market focused approach. Heidelberg is phasing out some of the lower margin products such as the GTO, a sheetfed printing product. At the same time the Company is increasingly focusing on enforcing price increases and pricing discipline. Building on the market/customer view, Heidelberg places more emphasis on its strategically integrated service-equipment offering. Finally, Heidelberg has changed its management's approach to a model focusing on individual pro-active responsibility and accountability. In its core business, Heidelberg continues to focus on the following growth opportunities:

Focusing on the growing segment of industrial packaging printing customers

A principal measure that Heidelberg intends to utilize in order to further reduce the Company's dependency on cyclical fluctuations of the commercial printing market is to strengthen its packaging printing business, which is typically less susceptible to such cyclical fluctuations. Heidelberg already has a strong position in the packaging printing area and, in particular, in the 70x100 format as well as the flexo label segment. The growing significance of packaging as an advertising media and as a distinguishing characteristic in marketing across a wide range of companies including manufacturers of food, confectionary and cosmetic products as well as pharmaceutical companies, has led packaging printers (primarily larger industrial printers) worldwide to invest in new production methods. New printing processes require an increased number of printing units per press and therefore a higher investment in printing presses and accessories. High volume print runs, such as for food packaging, are increasingly printed on larger printing presses to realize economies of scale. In industrialized markets, demographic changes and the trend to an increased share of single person households result in growing numbers of small packaging units. Furthermore, in emerging markets, food tends to be displayed in bulk less often and increasingly sold pre-packed. Heidelberg intends to expand its presence in packaging printing to further benefit from these growth opportunities.

Capturing growth potential in emerging markets and profiting from local production on site in China

A regional comparison of per capita consumption of printed products also points to further growth potential in the emerging economies of Asia and South America, which Heidelberg believes have lower market saturation for printed products as compared to Western industrialized countries. This includes packaging printing, which requires large printing presses. Accordingly, large printing presses represent an opportunity for higher growth in emerging markets, as print shops in these markets should be more willing to invest in high-tech equipment. Heidelberg therefore believes that its largest regional growth opportunities are in China and South East Asia. The share of emerging markets in Heidelberg's overall net sales has continually increased over the past several years, reaching 44.6% of net sales in financial year 2012/2013. China represented Heidelberg's biggest market for SFO printing presses in terms of incoming orders received during this period. Since 2006, Heidelberg has assembled standardized products to be sold locally and internationally at its site in Qingpu, China. This enables Heidelberg to service local demand in China and other emerging Asian markets through its local assembly site. As of September 30, 2013, Heidelberg's subsidiaries in China employed 1,053 employees (thereof 439 at the production site and 614 in sales and services). Among its competitors, Heidelberg has the largest direct sales and service force in China. Over the past six years, Heidelberg's sales volume in China, the largest emerging market, has grown by over 60%. In addition, Heidelberg also has significant sales and service forces in the other main emerging markets.

Entering market of middle-volume publishing printing

The fragmentation in the industry segment of publishing printing and the low volumes to be printed make sheetfed offset printing technology increasingly attractive for publishing printing.

Increasing market share in the less cyclical Heidelberg Services segment

One of Heidelberg's key strategic focuses is to further strengthen its business activities in the Heidelberg Services segment, since demand for services is less cyclical than the market for new equipment. Margins for specific

service areas that correlate to equipment sales, such as margins from sales of service parts and technical services, are higher than margins on the sale of new printing presses and have a higher potential for recurring orders. Specifically, Heidelberg's large installed base provides the potential for growth. Heidelberg offers a variety of services across the value chain for a wide range of customers, from small printers to multinational corporations, including maintenance, upkeep, repairs, supply of service parts and providing support for the financing of Heidelberg printing presses. Heidelberg is implementing operational excellence programs for standardization of service processes, which Heidelberg expects will internally reduce operating costs and will free up internal capacity for external service offerings. In addition, Heidelberg bundles services as part of new equipment sales, as well as products and solutions designed to support the operation of equipment that is over eight years old (e.g., maintenance, inspections, consulting and service contracts). The Heidelberg Group intends to further use its extensive sales network to offer additional services and products.

Increasing market share in the less cyclical consumables business

Heidelberg believes that the consumables business is also less cyclical than the market for new equipment. Heidelberg has expanded its business in quality-tested consumables (e.g., printing plates and inks) under its own brand, Saphira, and plans to further expand this area in the future. The desired growth of Heidelberg's consumables business will benefit from the high-level of brand recognition enjoyed by Heidelberg in the print media industry, as well as by Heidelberg's global sales and distribution network. Furthermore, the wide array of consumables and technical expertise offered by Heidelberg along the complete print production chain provides Heidelberg with a competitive position as compared to manufacturers who principally offer only one type of product (e.g., plates or inks) and dealers who do not have deep technical expertise. One of the latest milestones in Heidelberg's expansion is the opening of a coating factory for Hi-Tech coating products in the United States to serve North American customers and respond to the increasing demand for coating. More and more printers tend to use coatings to accelerate print production (faster drying) and to add special effects to printed products as differentiators.

Expanding into digital printing, broadening the partnership with Ricoh, building up the relationship with Fujifilm and exploring further opportunities for partnerships

Heidelberg's offerings in digital printing are complementary to its existing SFO printing portfolio. While SFO technology allows for economies of scale in higher volume printing, digital technologies are preferable for short runs and more individualized print jobs. Both systems can be combined for certain applications—for example, the cover of a printed product can be individually produced on a digital basis, while the content is printed in high-quality and inexpensively using the SFO process. For instance an advertising brochure with a large print run can be adapted to various marketing regions by producing the content on a cost-effective basis in large print runs on a SFO printing press, with region specific content produced in short print runs using a digital printing press. Heidelberg operates in the emerging digital packaging and label printing area and offers solutions for pharmaceutical blister packaging printing business (Linoprint L), as well as a customized line of inkjet-based industrial label printers.

Heidelberg believes that this equipment mix presents an opportunity to make use of its existing know-how to satisfy the desire of customers to integrate digital printing presses within the offset production process as seamlessly as possible. The Company believes that the creation of a hybrid workflow system together with the required systems solutions, offers potential for growth. Heidelberg's digital products are differentiated from the competition by Heidelberg's own Prinect digital print manager, Linoprint C, a workflow integration system which allows customers to seamlessly drive their offset and digital operations by generating click revenue. In that context Heidelberg and Ricoh established a global strategic cooperation in April 2011. As a first step, both companies agreed to enter into a global distribution agreement for Ricoh's production printing product portfolio. This agreement enables Heidelberg to sell Ricoh's latest color digital press, the Ricoh ProTM C901 and C751/651 as well as appropriate future production printing offerings Ricoh may develop. Today those Ricoh products are Heidelberg-branded and incorporate the Company's Prinect Digital Print Manager. With the integration of Heidelberg Prinect's Digital Print Manager, Linoprint C customers are employing Heidelberg's workflow and color management, streamlining their job preparation.

In October 2013, Heidelberg entered into a global alliance with Fujifilm, whereby the parties agreed to jointly explore further opportunities in digital printing by utilizing the Fujifilm/Dimatix inkjet technology. Fujifilm is a leader in industrial inkjet technology, and Heidelberg believes to be well-positioned to integrate these technologies into various print platforms targeting commercial print and packaging. With this partnership, Heidelberg is embracing rapidly evolving inkjet technology.

Together with Ricoh and Fujifilm, Heidelberg believes it will be able to meet customer needs more efficiently and more quickly.

Complexity management

Heidelberg stated a program in financial year 2010/2011 to optimize the external and internal complexity within the Group in order to retain economics of scale with current volumes and improve efficiency. The high level of complexity in Heidelberg's value chain results from the diversity of parts, tools and sales structure. In the medium term the program aims at reducing the amount of parts and of tools considerably and at focusing on the core customers and bundling Heidelberg's back office functions in sales and services.

Working capital management

Heidelberg established in the beginning of financial year 2012/2013 a new program to optimize its net working capital. The core concept of this project aims to achieve a lower level of net working capital. The program consists of several individual measures in production, internal benchmarking, renegotiations of payment terms with customers and suppliers as well as standardized control functions with monthly tracking calls and net working capital analysis reports.

Increase in manufacturing services for third parties

Heidelberg supplies third parties by offering production and manufacturing expertise and services to other companies both within and outside the graphic arts industry. Heidelberg offers clients the ability to participate in its assembly structures and the respective know-how in the value chain. Customers receive services that are individually customized to their project or product, which results in them having no need to install or extend their own production capacities. This allows Heidelberg's customers to avoid capacity constraints so that they are able to concentrate on their core competencies. Heidelberg offers a technology platform in the drive and control technology field for industrial application. Over the past 30 years, the Company has built up competences in the area of power electronics that are important for the electrification of the powertrain in the automotive sector and smart grids. For this reason Heidelberg has begun activities as system partner for the automotive industry. Heidelberg plans modular systems of inverter, converter and charger as product platforms. For example, at the end of February 2013, Daimler AG entered into an agreement with Heidelberg for the use of Heidelberg software and expertise at all of Daimler's development sites to check the quality of product data in their CAD environment. Heidelberg has been using this software itself for its own CAD data proofing for more than six years. The main advantage is the intuitive approach and the speed with which the software runs its proofing. Users are able to apply the software without extensive training and are able to easily implement the tool in their system to improve their own proofing routine. Heidelberg itself has been using this software for more than six years. The main advantage of this software is the intuitive approach and the speed with which the software runs its proofings. Users are able to apply the software without extensive training and are able to easily implement the tool in their systems in order to improve their proofing processes.

Maintain leadership in the core sheetfed offset equipment market with a focus on new product lines (especially X-lines)

Heidelberg is taking advantage of the further concentration and industrialization of the printing industry by addressing customers that have suffered less or even profited from the crises. With its advanced products and features (especially X-lines), Heidelberg aims to reduce "make ready times" as this leads to a higher productivity, which is important for printers to stay competitive in a market with shorter runs. Additionally, Heidelberg considers flexible customized configurations and inline applications to be key success factors for differentiation and process optimization.

In connection with pursuing its strategies and otherwise developing its business, the Company is continually reviewing investment opportunities and potential transactions. In connection therewith, Heidelberg regularly undertakes discussions in respect of, and enters into agreements relating to, such potential investments or transactions, which could be significant.

The Segments and their Products and Services

Brief Description of the Sheetfed Offset Printing Process

Heidelberg's business activities cover the entire process and value chain of print media companies that are active in the areas of commercial and packaging printing.

Offset printing is based on the so-called indirect printing process, under which a print image is transferred from a flat printing plate to an offset rubber blanket from which the image is transferred to the print medium. Nearly all the color nuances visible to the human eye can be generated using a combination of the four primary inks: cyan (blue), magenta (red), yellow, and key (black), each of which is put in a separate printing unit in the printing press and then transferred to the printing substrate. More printing units containing special inks such as gold or inks with glitter can be added to create special color effects. Printing presses must be capable of guaranteeing that millions of color dots, each

smaller than the tip of a needle, are precisely printed on each sheet of paper in a reliable quality, even at high operating speeds.

In addition to the print quality, the quality of the final product is determined by an optimal finishing process. With this goal in mind, Heidelberg produces and sells print finishing equipment, such as stitchers and folding machines as well as adhesive binders, folder gluers and die-cutters.

In offset printing, the printing process begins with the preparation of the master, with graphic elements, text, and images transferred to a printing plate. The dominant process used today in the production of printing plates is the CtP process, under which the master is digitized by a computer and a laser then transfers the digital master, dot for dot, to a printing plate. This printing plate must be firmly attached to so-called plate cylinders in each offset printing unit, with inks and coatings then added and in the case of the SFO process, generally the printing substrate in the form of a stack of sheets is placed on the printing press feeder. Subsequently, the transport system of the printing press guides the paper sheet through the machinery, with one color transferred at a time by each printing unit indirectly from the printing plate via the offset rubber blanket onto the printing substrate, until the printed image is finally complete. An electronic measuring device checks to ensure that the print image agrees with preset values. The operator can also further adjust fine details via the control unit of the printing press. If the printed image is subsequently accepted, the sheets to be printed are guided through the printing units at higher operating speeds. In the finishing stage, depending on what the final product is, the printed sheets are cut, folded, stitched, wrapped, die-cut, or coated.

The Company believes with the range of applications available within offset printing, it is the most mature, most flexible and most accepted printing process available. It ensures reliable and high-quality results, even at high speeds and print runs. Sheetfed offset printing presses can print up to 18,000 sheets per hour. The offset printing process is used for a wide range of print runs. In the view of the Company, SFO printing is under certain circumstances most suited for print runs from 250 copies, and web offset printing for print runs of 15,000 copies and more (primarily used in newspaper and publication work). With special inking units, such as Heidelberg's Anicolor model, even short print runs of one hundred copies are usually feasible and cost effective.

Products and Services in the Heidelberg Equipment Segment

The Heidelberg Equipment segment generated EUR 621.1 million of net sales in the six month period ended September 30, 2013, compared to EUR 712.3 million in the six month period ended September 30, 2012. In the financial year 2012/2013 net sales amounted to EUR 1,711.6 million. Heidelberg places priority on the development, production and marketing of its products ("**Equipment**") and separates these areas from the Company's service business, which is organized in the Heidelberg Services segment.

The Heidelberg Equipment segment is comprised of the development, production and marketing of precision printing presses (in the 35×50 cm to 120×160 cm format categories of SFO printing) as well as print finishing equipment. Heidelberg offers a complete range of solutions, extending from pre-press to postpress, which can be entirely interlinked via Prinect software solutions (see "*—The Segments and their Products and Services—Products and Services of Heidelberg Services Segment—Prinect Software Solutions*"). The press segment is comprised of all the SFO and flexo printing products as well as sales of Prinect software. The entire finishing business is included in the postpress sub-segment of Heidelberg Equipment. Heidelberg also offers products for the personalized decorating and marking of folding cartons, labels, and blister packs based on inkjet technology.

Press—In its press segment, Heidelberg develops, produces and sells SFO printing presses. Heidelberg's printing presses are high-precision, electronic high tech machines, which have as many as 100,000 components. Depending on the type of equipment, Heidelberg's printing presses weigh from less than one metric ton up to 200 metric tons and operate within tolerances of a thousandth of a millimeter.

Heidelberg offers SFO printing presses of the Speedmaster family comprising the 35x50, 50x70, 70x100, 100x140, and 120x160 cm formats. The Speedmaster family provides a high degree of automation and productivity, especially for industrially organized firms. The printing presses can be equipped to handle various specialized applications in line with customer requirements. The printing presses in the 35x50 and 50x70 cm formats can be specially adjusted to the needs of small and medium-sized print shops that require lower levels of automation. Each Heidelberg printing press is configured to meet the customers' requirements. Components that are used repeatedly in a printing press subsequently form the foundation for a model series.

The Company's broad range of accessories makes it possible to expand and further individualize all of Heidelberg's SFO printing presses. Heidelberg develops and produces peripheral equipment either by itself or in close cooperation with suppliers. Peripheral equipment includes among others the CutStar short-grain sheeter, which unites the cost advantages of web offset printing with the flexibility of sheetfed, as well as equipment to minimize electrostatic charges, air supply equipment, cleaning equipment, equipment for dampening solution processing, coating supply units,

dryers, and cold foil modules that make it possible to provide surface finishing for labels and demanding commercial printing.

An additional focus is on measuring systems to monitor printed products either in the printing press or as separate equipment, thereby undertaking spectral color measurements, recording discrepancies, and consequently making possible both the real time determination of print quality and the monitoring of printed copies. This equipment is integrated within the electronic control systems and the Workflow systems, which were developed and are produced by Heidelberg. Combined with ergonomic, process-oriented operation, which provides among other things a touch screen and large-format display units, makes it possible to optimize the performance of the printing press.

Heidelberg augments its offerings in label and folding carton printing with the products and services of the wholly consolidated Gallus group, whose offerings are based on narrow-web printing presses. Although these printing presses are based primarily on the flexo printing process, they are not limited to this printing technology and can even combine various technologies within a single machine.

Heidelberg believes that Gallus is a market leader in the development, production and sale of narrow-web offset printing presses with a focus on label manufacturers. The numerous equipment model series make it possible in particular to flexibly utilize various printing and production processes that address the varied requirements of label manufacturers. Wide-web printing presses and die-cutters provide niche applications for the low-cost in-line production of folding cartons and carton products.

Prinect Software Solutions—Prinect software integrates the print shop's workflow—specifically, management, prepress, press, and post-press. This software solution is a sophisticated workflow software that controls and optimizes the production process, from creating the printing job in the areas of prepress, to press and postpress, to planning, billing and capturing the printing job in the management information systems. Prinect makes it possible to bundle, standardize and make available information on a centralized basis for every stage of the printing process. All Prinect's components function within the framework of a comprehensive operating concept. Order-specific and customer-specific master data, which only need to be recorded once, can be managed on a centralized basis. Prinect components are subject to a uniform updating cycle in order to ensure that the overall workflow operates on a sustainable basis. Prinect makes it possible to organize print shop management, beginning with prepress and ranging through the actual printing process and finishing and including make ready-time optimization, color and quality control, printer control, through to service.

Postpress—Heidelberg offers its customers various products in its postpress sub-segment, such as equipment for folding, adhesive binding, saddle-stitching, cutting, gluing folding cartons, and die-cutting. Heidelberg makes available comprehensive finishing solutions in the area of folding machine technology, offering buckle plate and combination folding machines as well as "Stahlfolder" mailing systems. The folders can be augmented on a modular basis with feeder and delivery systems as well as additional equipment and flexibly adapted to the customer needs. A broad range of products is also available from the area of folder gluers. These products make it possible to use Heidelberg printing presses to produce demanding and high-quality folding cartons at reasonable cost. The folder gluers can produce up to 200,000 folding cartons per hour. In the area of adhesive binding, Heidelberg's "Eurobind" model series offers solutions for the industrial production of books and brochures. Adhesive binding is mainly utilized in the production of paperback books, magazines, and business reports. Heidelberg is represented in the saddle-stitching area with products in the "Stitchmaster" model series, which can be utilized in all formats. In the area of cutters, Heidelberg sells high-speed POLAR cutting and jogging systems. The Company is active in the die-cutting area with products of the "Varimatrix" and "Dymatrix" model series.

Products and Services of the Heidelberg Services Segment

The Heidelberg Services segment generated EUR 471.3 million of net sales in the six month period ended September 30, 2013, compared to EUR 499.0 million in the six month period ended September 30, 2012. In the financial year 2012/2013 net sales amounted to EUR 1,012.2 million.

The focus of activity in this segment is on the business in services and consumables. One area of focus for Heidelberg here is on "availability services", which optimize the availability of equipment of Heidelberg's customers, and on "performance services", which are designed to help Heidelberg's customers better take full advantage of their company's efficiency potential in all areas of the print production process.

An additional focus is on expanding the market share of Heidelberg's consumables business. Heidelberg offers products in the prepress area (offset plates), as well as inks, coatings and printing chemicals for use in the printing press. Heidelberg sells as a merchandiser consumables under its own Saphira brand name. They are tested and generally certified for use with Heidelberg printing presses. Only coatings are developed and produced by Heidelberg itself.

The offerings of products and services in the Heidelberg Services segment range from technical service (Systemservice), service parts, performance services and Saphira consumables, to providing printing plate imaging. With these offerings, Heidelberg intends to increase equipment availability, boost productivity and process effectiveness, and advise print shops on environmentally-friendly printing. Heidelberg also offers its customers trade-ins, refurbishment, and the resale of used printing presses. The refurbishment of used printing presses is undertaken exclusively in conjunction with the installation of new Heidelberg printing presses (see also "*—Used Printing Presses*").

Platesetters from the Suprasetter Model Family—The prepress sub-segment develops and produces Heidelberg platesetters and CtP systems as part of the Suprasetter series.

In the Company's view, the products of the "Suprasetter" model series are the most successful in the CtP family worldwide, including all formats. Heidelberg produces and sells the "Suprasetter A52/A75", "Suprasetter A105/105" and "Suprasetter 145/162/190" models. The Suprasetter model family provides lasers that are developed exclusively by Heidelberg, which have a high depth of focus. Suprasetter products are characterized by considerable flexibility, as they permit the processing of various plate types and formats. All the products in the Suprasetter family are capable of processing thermal printing plates that are chemical-free and process-free, and can also be retroactively refitted for fully automatic operations and equipped with integrated punching systems as well as dust filtering systems.

Saphira Consumables—The Company sells consumables that have been optimized for Heidelberg printing presses, in part under Heidelberg's own Saphira brand name.

These consumables include, among others, printing plates, inks, coatings, printing blankets, chemicals, and rollers, as well as such finishing products as glue, adhesives, and binding wire. Saphira products can be ordered via on-line shops, call centers, or by traditional means. Heidelberg's goal here is to be capable of offering a standardized and high quality product portfolio worldwide. Harmonizing Heidelberg's technologies with the various applications is designed to make it possible for print shops to achieve their goals of stability and a high level of efficiency by utilizing all Saphira products in the production process.

Other than Hi-Tech coatings, which accelerate print production (faster drying) and add special effects to printed products, all consumables are treated as merchandise and generally undergo a qualification process, in part with the active participation of suppliers (ranging all the way to advanced product development). If required, Heidelberg employees assist customers in their selection of consumables and answer technical questions. Other than coatings, however, Saphira products are not manufactured by Heidelberg.

Systemservice—In the Systemservice area of the Heidelberg Services segment, the Company offers comprehensive consulting and maintenance services as well as a wide range of products designed to enhance the quality and productivity for Heidelberg printing, prepress and finishing equipment. Heidelberg is in a position to offer these products for specific equipment throughout the product life cycle as well as along the value chain.

Heidelberg believes that its products serve as reliable means of production. Should disturbances occur despite established maintenance programs, Heidelberg's service experts can respond quickly and on-the-spot in the plant concerned, in other words on a regular basis in the customer's own print shop.

In addition to on-site maintenance and telephone support, for newer printing presses (since approximately 2004) Heidelberg has been offering its Remote Services, which comprise a series of Internet-based services that make it possible to save time by accessing printing presses and equipment on an external basis. So-called eCall functionality, for example, makes it possible for Heidelberg's printing presses in case of certain types of breakdown to recommend that the operator contact Heidelberg. If the operator follows this recommendation, the printing press links automatically with the 24-hour service that Heidelberg offers seven days a week, transmits the relevant data (such as an error message, machine configuration, software, operating conditions, etc.) and opens a processing ticket. The service employee of Heidelberg thereby has access to the information needed to either work on, or remedy the problem. In the view of the Company, this procedure can considerably shorten the time required to deal with the problem and thereby a possible interruption in the customer's production process compared with handling the problem without this procedure. Authorized Heidelberg service employees can use the Web-based service platform in order to access a corresponding manufacturing system worldwide in order to provide on-line support, analyze protocol data, execute diagnostic programs, and, if possible, to even remedy a breakdown.

Service Parts—In the view of the Company, Heidelberg products stand for leadership in quality, innovations, and technology in the print media industry. The goal of the Service parts sub-segment is to ensure that customers have access to service parts throughout the life cycle of their respective products. Service parts are sourced both from Heidelberg's own plants as well as from suppliers who produce service parts for Heidelberg on the basis of specifications and diagrams.

Heidelberg has built up a logistics network in cooperation with its partners DHL and Schenker in order to ensure the prompt and on-time delivery of approximately 130,000 service parts. Distribution warehouses form the core element of this logistics network. The biggest distribution warehouse is the so-called World Logistics Center located at Wiesloch-Walldorf. Additional major distribution warehouses that work with the World Logistics Center are located in Indianapolis, Indiana in the United States, as well as in Tokyo in Japan and Hong Kong. Based on Heidelberg's own calculations, the Company is able to supply customers nearly anywhere in the world more than 96% of all service parts requested via these distribution warehouses within a 24-hour period, seven days a week.

Used Printing Presses—In the area of used printing presses provided by the Heidelberg Services segment, Heidelberg purchases or accepts as trade-ins used Heidelberg printing presses from its customers. Heidelberg's worldwide branch offices cooperate in this area in order to sell to customers the used printing presses and, if applicable, refurbish them. The used printing presses are inspected in accordance with established standards by either Heidelberg technicians or by qualified partners. Heidelberg also supports the de-installation and reinstallation of used printing presses. The printing presses are prepared in special refurbishing centers and can subsequently be provided with an original Heidelberg warranty. Refurbishing centers have been set up among others in Germany, Japan, Malaysia, Austria, Russia, Hungary and the United States.

Services Offered by the Heidelberg Financial Services Segment

Heidelberg Financial Services segment generated EUR 4.5 million of net sales during the six months period ended September 30, 2013.

In view of the high levels of investment, financing is frequently a key prerequisite for the acquisition of the goods sold by Heidelberg in the case of most new transactions.

For many years Heidelberg has been supporting the acquisition of printing presses by Heidelberg's customers through arranging of external financing and, to a lesser, extent direct financing provided by the Heidelberg Financial Services segment. This sales promotion is comprised of, in particular, arranging contacts for customers who have financing demands with Heidelberg's global, regional and local financing partners. When these efforts are not successful or only partially successful, and in markets where the financial market is insufficiently developed or there is no efficient access to financing services, Heidelberg offers direct financing or the acceptance of counter-liabilities or buyback agreements vis-à-vis external financing partners. As far as possible, Heidelberg strives to take advantage of the means of the traditional export loan business (e.g., by arranging export credit insurance or forfaiting). Direct financing by Heidelberg has been reduced significantly over the past years and the Company intends to keep its exposure at a low level.

As of September 30, 2013, Heidelberg's current and non-current receivables from sales financing totaled EUR 99.6 million and contingent liabilities from counter-guarantees and buy-back agreements totaled EUR 47.8 million.

The Management Board has enacted guidelines that cover the fundamental strategy, rules concerning the corporate structural organization and workflow management, as well as regulations outlining responsibilities. Heidelberg draws on an internal rating system to evaluate credit risk arising from a financing commitment. Similarly to the Basel II Standard, this system is comprised of both an obligor-specific and transaction-specific components. Whereas the obligor-specific component focuses on a determination of the likelihood of default by the customer based on defined risk parameters, the expected unsecured portion (not covered by collateral) is determined by the transaction-specific component in case of a customer default. The credit approval process is also of crucial importance. Depending on the parameters, amount of commitment, customer's credit standing, and the financing terms (among others, amount of the down payment, term to maturity, and interest rate), various organizational units up to the Management Board are authorized to make credit decisions.

Collateral for the commitment usually takes the form of the equipment being financed. This can take the form of a reservation of property title that is adapted to local requirements or a lien on the financed equipment, for example. In individual cases, personal guarantees, export credit insurance, and bank guarantees can also come into play.

Under regularly scheduled reporting by subsidiaries (sales and service companies as well as print finance companies), credit risks are monitored on an ongoing basis via credit risk management at the Group level, and information is periodically supplied to the Management Board and the Supervisory Board concerning the current credit risk situation. This process includes, in particular, the monitoring of customers' payment history. The knowledge acquired from the reporting process serve as a starting point for decisions on the management of the credit risks. If required, a provision for risks is formed for overdue financing agreements. For the remaining portfolio, portfolio impairment is formed for risks that are not yet recognizable.

Procurement

The Company's procurement is divided into the product-related divisions Procurement Mechanics, Procurement Electronics, Material Planning, Project Procurement and the non-product-related division General Procurement. General Procurement includes, in particular, capital investments, IT, services and energy.

In financial year 2012/2013, approximately 65% of the components used in the manufacture of Heidelberg Group's printing presses were delivered by external suppliers. Heidelberg utilizes quality assurance management to ensure that external supply meets Heidelberg's quality requirements. Heidelberg aims to collaborate with qualified suppliers and service providers whom it has selected and approved and with whom long-term contracts exist. Risk management is a fixed component of Heidelberg's general supplier management in order to reduce potential risk in cases where Heidelberg uses a single source strategy. In the consumables area of the Heidelberg Services segment, the company generally pursues a dual vendor strategy, which allows it to prevent unilateral dependencies.

Heidelberg's suppliers are being integrated into the development process of Heidelberg's products early on, so that common objectives and agreements can be developed directly vis-à-vis a particular product. Heidelberg expects its suppliers to have comprehensive knowledge of the product and service requirements and of the corresponding manufacturing processes. Suppliers are evaluated in terms of quality, reliability, price and innovation. As part of an approval process, suppliers must undergo several levels of qualification before they can conclude their first contract as an approved supplier. Heidelberg seeks long-term cooperation with preferred suppliers as strategic partnerships, who continuously have proven their level of performance.

Production, Tangible Assets and Real Estate

Production

Heidelberg has production sites in eight countries, which constitute a network that is organized by families of components. This ensures that each production site has the necessary parts and materials at the right time. Heidelberg's SFO machines are constructed at two production sites—Wiesloch-Walldorf, Germany and Qingpu, China. In Wiesloch-Walldorf, Germany, Heidelberg assembles printing presses in all format classes and special machinery based on customer requirements. In Qingpu, near Shanghai, China, Heidelberg produces high- quality standard machines. The Company's other production sites manufacture individual parts and modules or construct prepress or postpress machines. The United States, the United Kingdom and the Netherlands are home to Heidelberg's experts for specialty coatings, while specialists for business and automation software are located in Belgium.

In manufacturing, Heidelberg focuses on producing or procuring high quality parts and producing specialized products that provide competitive benefits for Heidelberg and its customers. A modern printing press consists of up to 100,000 parts. In addition high-performance software is used to control up to 500 individual drive shafts and as many as 300 pneumatic parts. Additionally, electronics present a significant portion of high value of a high-performing printing press. Heidelberg continuously analyzes costs and processes with a view to optimization vertical integration.

Tangible Assets and Real Estate

The following table gives an overview of Heidelberg's important sites as of September 30, 2013, with additional information concerning ownership, size (when owned by Heidelberg), usable space of the building and type of utilization.

Location	Ownership (owned outright or rented by a group company)	Size (in square meters*)	Usable space (thereof rented) (each in square meters*)	Utilization
Wiesloch-Walldorf, Germany	Predominantly owned, two rented units	862,000[1]	517,000 (27,000)	Site of SFO segment, production, assembly and international shipping of all SFO printing presses as well as the die cutters Dymatrix, manufacture of mechanical and electronics parts used in the printing press production. Service & Customer Training centerprint as well the print media and showroom center
Brandenburg, Germany	Ownership	530,000	39,000	Site of SFO segment, manufacturing of mechanical parts used in the printing press production
Amstetten, Germany	Ownership	387,000	116,000	Site of SFO segment, expertise center for producing castings, foundry

Sidney, United States	Ownership	102,000	12,000	Site of Heidelberg postpress commercial, production of folding machines, paper drills, wire staplers, cutters and gathering machines, research and development, demonstration center, customer training, services, marketing and sales
Qingpu, China	Rent	90,300	68,500	Manufacturing site of Heidelberg Group, assembly of a model series of folding machines as well as small-, medium- and large-sized format printing presses for the Chinese market
Nové Mesto, Slovakia	Ownership	36,000	9,950	Site of Heidelberg postpress, production of individual parts and modules for the postpress products of the Wiesloch-Walldorf site as well as assembly of the folder gluer series Diana X
Langgöns, Germany	Ownership	24,000	9,000	Site of the Gallus group, development and production of label printing presses
St. Gallen, Switzerland	Ownership	22,000	8,100	Main site of the Gallus group, development, production and sales management of label printing presses
Ludwigsburg, Germany	Mainly ownership, three rented units	20,000	20,000 (3,000)	Site of Heidelberg postpress Commercial site, production of folding machines and mailing systems, research and development, customer training center, marketing, sales and services
Kiel, Germany	Rented	n/a	18,000	Research and development (Prinect and Suprasetter), Digital
Heidelberg, Germany	Predominantly rented units, three owned units(2)	16,000	85,000 (61,000)	Registered office and headquarter of the Heidelberg Group. Management of sales, services, human resources and finance, research and development center, Demo- and Showroom center, Print Media Academy, head office of the German sales company
Leipzig, Germany	Two rented units	n/a	28,000	Site of Heidelberg postpress commercial, production of stitcher-gatherers, thread-sealing machines, adhesive binders and trimmers, research and development, customer training center, marketing, sales and services
Weiden, Germany	Ownership	11,800	3,850	Site of the Gallus group, development, production and sales management of package printing presses

* Values are approximates.

(1) In financial year 2010/2011 Heidelberg sold a small plot of undeveloped land.

(2) In financial year 2010/2011, Heidelberg has terminated two rental contracts with useable space of approximately 22,000 square meters.

The most important tangible assets owned by the Company have in large part been provided as collateral, especially by means of land charges (*Grundschulden*), transfer of ownership by way of security (*Raumsicherungsübereignung*) regarding all current and noncurrent assets, global assignments (*Globalzessionen*), pledges of intellectual property and the like. In conjunction with a collateral package first created during refinancing activities in 2009 and thereafter adjusted from time to time, real estate of the Heidelberg Group is, in particular, charged in an amount of EUR 330 million along with 10% interest per annum and 10% non-recurring payment. Such collateral package presently secures the obligations of Heidelberg under its Revolving Credit Facility, but may also secure, going forward, certain other financial indebtedness as permitted under an intercreditor agreement entered into in the context of Heidelberg's Revolving Credit Facility, as amended and restated from time to time.

Sales, Marketing and Customers

Sales and Marketing

Heidelberg sells its products and services in over 170 countries and, according to its own assessment, has the most extensive sales and service network in the print media industry. As of September 30, 2013, the Heidelberg group owns more than 30 sales and service units which execute the local sales and service business in 35 countries as direct sales channels.

Heidelberg's sales and service units sell the entire equipment product range and are responsible for consumables, as well as the technical services and spare parts business covering the life cycle of Heidelberg's equipment, from installation at customer site to a trade-in of used equipment.

Heidelberg structures its global sales activities into five regions: Europe, Middle East and Africa, Asia/Pacific, Eastern Europe, North America and South America. These regions encompass several local markets that are directly served either by a Heidelberg sales & service unit or by an agent / distributor as a contractual sales partner. The management of each region is responsible for maintaining business relationships with Heidelberg's customers, the developing of its business within the countries of the region and consistently implementing the group strategy. Regional headquarters are also central points for regional shared services, such as the centralization of order management or finance shared services which are on-going.

Heidelberg's business relationships with its external sales partners are important. The sales partners are generally active as resellers of Heidelberg products, although, in individual cases, they may also be active as sales representatives. All of Heidelberg's sales partners also offer corresponding services and parts in their markets. The rights and obligations of the cooperation are set out in standardized sales contracts.

Heidelberg supplies its customers and sales partners on the basis of its conditions of delivery and on standardized supply contracts, respectively, sometimes also on the basis of individually negotiated sales contracts. In the new equipment business, some form of financing, for example by a bank or leasing company, complements the contractual provisions. Purchase price payment by the customer is usually secured by retention of title, letter of credit or direct bank guarantee, or by comparable pledges and securities.

Customers

Heidelberg's customer base ranges from small and medium sized to large and industrialized print shops. Heidelberg's active customers worldwide perform regular purchases, such as consumable and service & parts orders. Compared with smaller enterprises, large scale print shops have growing demands for offerings which improve their productivity. These customers participate in an increased manner in the print media industry's technological progress. The total customer base can be divided as follows (based on application of equipment):

- Commercial printers (approximately 75% of the customer base), who are active in the commercial print business and

- Packaging & Label printers (approximately 15%), who serve in the growing market of the packaging and label industry.

- Specialties and others (approximately 10%).

Research and Development

In the twelve months period ended September 30, 2013 Heidelberg's research and development expenses including capitalized development costs amounted to EUR 116.7 million (financial year 2012/2013: EUR 118.2 million, 2011/2012: EUR 129.0 million, 2010/2011: EUR 121.5 million). This represents 4.5% (financial year 2012/2013: 4.3%, 2011/2012: 5.0%, 2010/2011: 4.6%) of Heidelberg Group's total consolidated net sales for the twelve month period ended September 30, 2013. Overall, as of March 31, 2013, 1,017 Heidelberg employees were active in research and development divisions at nine sites in Germany, Switzerland and the United States.

Over the last years, Heidelberg Group's R&D budget was focused on new developments and improvements, such as those presented at drupa 2012, and in production start-ups. Going forward, Heidelberg is focused on its core competencies in order to develop new business. Heidelberg invests approximately 5% of its R&D budget in this area, including in 3D printing and in power electronics.

Heidelberg uses approximately 4% of the R&D-budget for basic research, to build up know-how in potential core technologies. Heidelberg continues to develop R&D activities in cooperation with suppliers, universities, such as Technical University of Darmstadt (*Technische Universität Darmstadt*) and other companies.

Recently, R&D activities have been focused on, among others, application techniques for printing technologies. For example, Heidelberg has introduced the "Cristala" coating in the finishing segment, which enables new finishing effects on the basis of the existing drip-off-coating.

The products of the Heidelberg Group are a result of many years of industry experience and comprehensive research and development activities. Due to its special customer focus, the development of Heidelberg's products is based on the market needs of end users in the various customer groups (packaging printing, commercial printing etc.). Research and development at Heidelberg focuses on satisfying the requirements of end users for high print quality, speed, reliability and productivity, even under difficult market conditions, while simultaneously reducing production and service costs for the manufacturing and operation of Heidelberg products. This is achieved through a machine design oriented at

service, production and assembly. Potential applications for the consumables business are developed and tested. Research and development at Heidelberg thus also concentrates on reducing maculation (i.e. waste of material) for all customer groups to the greatest possible extent. This includes, for example, ensuring color fidelity from the first to the last sheet in a print run and the reduction of make-ready times and streamline equipment operation.

Investments

For information on current and future investments undertaken by the Company, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Investments*".

Intellectual Property Rights, Licenses and Trademarks

Intellectual property rights are of importance within the entire printing press market. Currently, Heidelberg holds approximately 4,400 technically related intellectual property rights (global patents and patent registrations as well as utility models (*Gebrauchsmuster*)). Since Heidelberg holds some intellectual property rights jointly with third parties, the Company's use of these rights could be subject to limitations.

Heidelberg's internationally oriented intellectual property rights strategy aims at an effective protection of the Company's own inventions as well as an effective trademark protection of Heidelberg's corporate and product names. Heidelberg also regularly registers intellectual property rights abroad. Patents are primarily registered in the competitors' home countries, including Japan, China, the United States and certain other industrialized countries. The selection of countries where trademarks are registered depends on the current and expected future business significance as a market for Heidelberg. Significant trademarks, especially the word marks "Heidelberg" and "Heidelberger" as well as the figurative mark "Heidelberg" (the Heidelberg logo), have been registered in numerous countries. Some special product names have also been registered as trademarks, for example "Speedmaster", "Cleanstar" or the previous product line "Printmaster". The intellectual property right portfolio is managed and maintained primarily centralized in Germany.

To safeguard its own innovations, intellectual property rights holds a high priority with Heidelberg and Heidelberg strives to secure all significant new and further developed products to the greatest possible extent. The Company has acquired some intellectual property rights from third parties. However, the Company is of the opinion that the discontinuance of particular intellectual property rights or licenses would not substantially harm the Company's business activities and that Heidelberg therefore does not depend on particular patents. Nevertheless, Heidelberg cannot exclude risks occurring in this context (see "*Risk Factors—Business-Related Risks—Claims may be asserted against Heidelberg for violation of the intellectual property rights of third parties, competitors in particular, or may be dependent on the use of third- party intellectual property rights.*" and "*Risk Factors—There is a risk that Heidelberg may not be able to protect its intellectual property and know-how to the extent required*.").

The Company and its subsidiaries own, in particular, the following Internet domains: www.heidelberg.com, www.heidelberger-druckmaschinen.de, www.prinect.com and www.speedmaster.com.

Employees

As of September 30, 2013, the number of employees amounted to 13,616 persons (including 615 apprentices), divided into 9,220 employees in the Heidelberg Equipment segment, 4,351 employees in the Heidelberg Services segment and 45 employees in the Financial Services segment.

As of March 31, 2013, Heidelberg had a total of 14,215 employees globally (including apprentices (*Auszubildende*), but excluding interns (*Praktikanten*), graduating students (*Diplomanden*), dormant employees and employees currently in the exemption phase of partial retirement). Compared with the number of employees globally as of March 31, 2011 (15,828 employees), this represents a 10% decline. Only 4% of Heidelberg's employees are working part-time. The following table gives an overview of the number of employees in the Heidelberg Group as of March 31 in the years 2011, 2012 and 2013 (end of the respective financial year).

	Number of employees as of March 31		
	2011	**2012**	**2013**
Heidelberg Group[(1)]	15,828	15,414	14,215
Regions[(2)]			
Europe[(3)], Middle East and Africa	11,156	10,833	9,937
of which Germany	10,028	9,754	8,947
Eastern Europe	631	615	551
North America	1,000	882	791
South America	250	262	257
Asia/Pacific	2,160	2,221	2,158

(1) Audited information. Figures include 631 apprentices as of March 31, 2011, 601 apprentices as of March 31, 2012 and 521 apprentices as of March 31, 2013 and exclude subcontracted workers, interns, graduating students, dormant employees and employees in the exemption phase of partial retirement.

(2) Unaudited information. The figures for employees by region are sourced from a Heidelberg internal reporting system. Figures exclude 631 apprentices as of March 31, 2011, 601 apprentices as of March 31, 2012 and 521 apprentices as of March 31, 2013 and exclude subcontracted workers, interns, graduating students, dormant employees and employees in the exemption phase of partial retirement.

(3) Including Germany.

Significant Legal Disputes

The Heidelberg Group is from time to time involved in, and/or threatened with, litigation or arbitration in connection with its business activities. The Company regularly analyzes its prospects for success and litigation risks, provides for safeguards by means of insurance protection and forms, if necessary, provisions, which in the Company's view are adequate.

With the exception of the proceedings presented below, the Company and its subsidiaries are not exposed to any form of government intervention at present and are not party to administrative, court or arbitration proceedings that could have and/or recently have had a significant impact on the financial position or profitability of the Company and/or the Heidelberg Group. To the knowledge of the Company, such proceedings are also neither threatened nor to be expected and, during the past twelve months, have neither been pending nor concluded.

Lawsuit of Campina B.V. / High Tech Coatings International B.V.

Campina B.V, Zaltbommel, Netherlands, a predecessor of Koninklijke FrieslandCampina N.V., Amersfoort, Netherlands, has raised claims against the Company in connection with contaminated milk packages. In 2009, Campina B.V. had to recall milk products in the amount of approximately EUR 2.5 million due to contamination with chemical substances. Campina B.V. claims that the contamination was caused by the ink used in the print of the packaging. The printer of the packaging, Drukkerij St-Luc, bought the ink from a Dutch company, Flintgroep, which in turn has used components for its ink delivered by Hi-Tech Coatings International B.V., a member of the Heidelberg Group. So far, the case has not been filed with a court and investigations are still ongoing. There is no clear evidence that products of Hi-Tech Coatings International B.V. were actually used in the contaminated milk packages.

Lawsuit of Stephan Agencies SAL

Stephan Agencies SAL, Beirut, Lebanon, has sued the Company in Lebanon in several courts because of the termination of a distribution contract. The claimant demanded an indemnity payment from the Company in the original amount of EUR 17.3 million since reduced to EUR 2.6 million. Currently, the amount is being debated before the court of first instance in Beirut. An end to the legal dispute is not foreseeable at present. In the opinion of the Company, it has made sufficient provisions to cover the resulting risks.

Patent Infringement Suit in Germany

In June 2011, a claimant filed a lawsuit in the District Court Düsseldorf against the Company in connection with a German patent. The claimant asserts that the sale of specific modules for ennobling printed products infringes the aforementioned patent. Heidelberg filed a counterclaim for nullification of said patent at the Federal Patent Court in Munich. The respective proceedings are still pending. On November 20, 2012 the District Court Düsseldorf decided in Heidelberg's favour. Claimant filed an appeal against this decision on December 2012 to the Higher Regional Court Düsseldorf. A hearing is scheduled for February 2014. If this lawsuit were lost by Heidelberg, it is to be expected that Heidelberg would have to pay damages in a significant amount. The amount of the possible claim for damages cannot yet be finally assessed, but may range in the area of EUR 5 million.

Proceedings in connection with the Use of Dangerous Materials

Various lawsuits are pending with courts in the United States against Heidelberg USA, Inc. in connection with the historical use of asbestos in typesetting machines. Currently, there are 74 pending lawsuits. Asbestos- containing materials were formerly used also in the printing industry, especially as an insulation substance. The claimants assert that they came into contact with these materials decades ago, for example in connection with typesetting machines that were produced through the 1950s and sold by the former Linotype-Hell AG and its legal predecessors. Lawsuits in the United States are, in principle, subject to considerable legal cost and risk, regardless of their result. Although the Company has

set aside reserves for these lawsuits, there is a risk that such reserves will not be sufficient to cover all costs related to the resolution of such claims.

Insurance Policies

The Company and its subsidiaries carry insurance protection in the form of various insurance policies. These include all significant insurances common to a company active in the printing press industry with the Company's size and operating mode. The most important insurance policies are employer's liability insurance (*Betriebshaftpflichtversicherung*), product liability insurance, environmental liability insurance, property insurance, business interruption insurance and transport insurance policies. Furthermore, the Company has taken out directors' and officers' liability insurance—so- called D&O insurance—for the members of the Management Board and Supervisory Board of the Company, as well as for the members of the governing bodies of the subsidiaries (shareholdings of more than 50%) (see also sections "*Governing Bodies of the Company—Management Board—Remuneration of the Members of the Management Board*" as well as "*Governing Bodies of the Company—Supervisory Board—Remuneration of the Members of the Supervisory Board*").

In the opinion of the Company, the insurance policies and their respective conditions (such as the amount of coverage, premiums, limitations of coverage and exclusions, deductibles) are customary in the industry and provide sufficient and appropriate protection for Heidelberg and jointly insured companies and individuals while balancing costs and potential risks. The insurance protection is regularly reviewed, renewed and adjusted as necessary. It is possible, however, that losses will be incurred by Heidelberg, or that claims will be made against Heidelberg, that go beyond the type and scope of existing insurance cover. This could, for example, include claims associated with earthquakes, which are not fully insurable. Furthermore, claims for damages in connection with war and terror attacks are not insured and damages arising from certain toxic or health-jeopardizing materials in an amount customary in the market are not insurable. Political risks (for example, in connection with assembling operations in China) are also not insured. In addition no assurance can be given that it will be possible for Heidelberg to obtain adequate insurance protection on reasonable terms in the future (see "*Risk Factors—Business-related Risks—Heidelberg's existing insurance coverage may be insufficient and the cost of insurance protection may increase*.").

Environment and Regulatory

Environment

The production of printing presses at Heidelberg's sites, in some cases for decades, is subject to environmental risks that result from the production process such as metal working and metal surface treatment, the operation of foundries and paint shops involving use of dangerous materials and preparations such as coatings and solvents. Moreover, production activities yield emissions of various pollutants into the air and waste water. Business operations of Heidelberg have to comply with extensive environmental provisions, which among others limit air and noise pollution, the introduction of pollutants into water, other emissions into the environment, plant and operational safety, handling and storage of potential water polluting substances or recycling and disposal of waste. These environmental regulations may result from German federal and state laws, regulations (*Rechtsverordnungen*) or administrative provisions (*Verwaltungsvorschriften*) adopted pursuant thereto, from provisions of the European Union law and rules on the prevention of accidents issued by professional associations (*Berufsgenossenschaften*). This legal framework changes continuously and in some cases becomes increasingly strict, which may require Heidelberg's affected sites to undertake measures to upgrade and retrofit their facilities. Environmental permits (*umweltrechtliche Genehmigungen*) are necessary for the operation of some plants. Environmental standards may require Heidelberg to limit emissions as well as to investigate and remedy contaminations or other impacts on the environment, which could result in significant costs. If contamination of the soil and/or of groundwater is detected on previous or current property of Heidelberg, as polluter (*Verursacher*), current or former owner and/or current user of the respective property, Heidelberg could be required by the authorities to take remediation measures. If Heidelberg is the owner of the property or had actual control over it, this could apply even if Heidelberg had not caused the contamination.

Regulatory

The following section describes the legal requirements that are of particular relevance to Heidelberg under German and European law. To a certain extent, similar provisions are also applicable to the business activity of Heidelberg abroad.

Emissions Control Laws (Immissionsschutzrecht)

Plants for metal surface treatment, foundries, paint shops and heat production installations could cause harmful emissions that fall within the scope of the emissions control laws (*Immissionsschutzrecht*). Applicable here are in particular the provisions of the *Bundes-Immissionsschutzgesetz* ("**BImSchG**"—German Federal Emissions Control Act),

and the various regulations implementing the BImSchG, such as the *Bundes- Immissionsschutzverordnungen* ("**BImSchV**"—German Federal Emissions Control Regulations) together with *Technische Anleitungen* ("**TA**"—Technical Instructions, e.g., *TA Luft* (TA Air) and *TA Lärm* (TA Noise)). Pursuant to the *4. Verordnung zur Durchführung des Bundes-Immissionsschutzgesetzes* ("**4. BImSchV**"—4th Regulation on the Implementation of the German Federal Emissions Control Act) construction and operation of certain installations require a permit under specific procedures set out in the BImSchG. With effect as of May 2, 2013 EU Directive 2010/75/EU (Industrial Emission Directive) was implemented into German Law by a framework legislation which amended *inter alia* the BImSchG as well as several of the BImSchV, some of them named below. As a consequence stricter requirements and extended obligations of the operators of the relevant plants have been introduced into German law. The amendments to the BImSchG provide *inter alia* for different permit procedures depending on the respective industry installation: (i) so-called industry emissions installations which are considered particularly dangerous or emission intensive and to which strict material and formal requirements relating to environmental law apply in a formal permitting procedure; (ii) other industry installations for which a formal permitting procedure is required; and (iii) installations which only require a simplified permit procedure.

The installations mentioned in No. 3 and 8 of the Annex to the 4. BImSchV (installations pertaining to steel, iron and other metals including their processing and waste treatment and disposal installations) are of particular relevance to the Company's sites.

The Company operates the following installations that require a permit under the BImSchG:

Site	Facility
Amstetten	Foundry with ancillary installations (resin and acid storage, paint facilities, storage of hazardous materials)
Amstetten	Liquefied petroleum gas storage tanks
Amstetten	Firing installation
Amstetten	Installation for high-velocity flame spraying
Wiesloch-Walldorf	Painting facilities with powder coating and a liquid coating line, pretreatment and thermal after-burner
Wiesloch-Walldorf	Furnace installations including associated boilers
Brandenburg	Waste disposal installation for emulsification separation

Permits issued under the BImSchG are subject to retroactive orders imposing further conditions or restrictions for operating the facilities (section 17 BImSchG). Following the implementation of the Industrial Emission Directive into German Law the competent authorities must now check at regular intervals whether permits require modifications due to changes of the best available techniques ("**BAT**") e.g., in relation to the foundry in Amstetten. Contrary to the former legal situation the BAT now constitutes a compulsory minimum standard e.g., in relation to emission thresholds. The BImSchG provides for transition periods in relation to existing facilities. Notwithstanding the aforementioned, even if the operation of a facility at a site of the Company is not subject to approval under the BImSchG, the BImSchG nevertheless establishes certain environmental standards and requirements which must be complied with. Compliance with such standards and requirements will, *inter alia*, be assessed by the competent authorities in case of an application for a building permit. The Company has to ensure compliance with the threshold value (for benzene) during the operation of an exhaust gas cleaning system at the Amstetten site, and to operate a heating system to comply with the threshold values under the *TA Luft* (TA Air) at the Wiesloch-Walldorf site.

A waste disposal installation for emulsification separation is operated at the Company's Brandenburg site in accordance with a permit issued under the 4. BImSchV Annex 1 No. 8.8 Column 2 in the version published on July 24, 1985. This site is subject to the 17. *Verordnung über die Verbrennung und Mitverbrennung von Abfällen* ("**17. BImSchV**"—German 17th Regulation on the Incineration and Co-Incineration of Waste). In the course of the implementation of the Industrial Emission Directive into German Law with effect as of 2 May 2013, stricter requirements have been set forth under the 17. BImSchV in relation to emission thresholds for dust, nitrogen oxide, ammonia and mercury which the Company must comply with.

Operation of a paint shop at the Wiesloch-Walldorf site has to comply with additional requirements under the *31. Verordnung zur Durchführung des Bundes-Immissionsschutzgesetzes* ("**31. BImSchV**"—German 31st Regulation on the Implementation of the Federal Emissions Control Act) (Annex I of 31. BImschV, 8.1 Coating of Other Metal and Plastic Surfaces (*Anlage zum Beschichten von sonstigen Metall-und Kunststoffoberflächen*)). Furthermore, the Company's Wiesloch-Walldorf site undertakes some activities that are covered by Annex II of 31. BImSchV. The objective of this regulation is to permanently reduce the emissions of volatile organic solvents (VOC emissions) and other volatile organic substances. Among other things, coatings contain volatile organic substances that are released during processing. Although the 31. BImSchV imposes emission limits on plant operators, in this context it does not place specific disposal requirements on Heidelberg. The heating systems operated at the Company's Wiesloch-Walldorf site are subject to the *Treibhausgas-Emissionshandelsgesetz* ("**TEHG**"—German Greenhouse Gas Emission Trading

Act, (Annex 1, II)). The TEHG imposes restrictions on greenhouse gas emissions. It deals with the allocation and trading of emission allowance certificates. Installations under emission trading obligation are allocated emission allowances. The legislation provides for the possibility of trading (selling and buying) allowances. The installations may not emit more greenhouse gases than covered by emission allowance certificates held by the operator. The installations have to maintain a monitoring process to determine and to document their emissions.

The liquefied petroleum gas tank storage facility in Amstetten is subject to the basic requirements of the *Störfallverordnung* (German Hazardous Incidents Regulation).

Waste Legislation

As a producer of waste, the Company has to comply with the *Kreislaufwirtschaftsgesetz* ("**KrWG**"—Waste Management Act). To the extent possible waste has—in this hierarchy—to be (i) prevented, (ii) prepared for reuse, (iii) recycled, (iv) recovered or (v) to be disposed of, if no other treatment is possible. Waste has to be managed without endangering human health and harming the environment.

Legislation governing Water Use and Soil Protection

The discharge of wastewater arising from the operations of the Company is subject to the *Wasserhaushaltsgesetz* ("**WHG**"—German Water Resources Act), the *Abwasserverordnung* ("**AbwV**"—German Waste Water Regulation) and to the *Landeswassergesetze* ("**LAWAG**"—State Water Acts). The discharge of wastewater requires a permit as well as compliance with the threshold on toxic components of the wastewater provided for in the AbwV. In the course of the implementation of the Industrial Emission Directive, BAT requirements have also been introduced into the water law. As a consequence, the waste water discharging facilities are subject to regular checks and must comply with stricter requirements according to the BAT within certain time periods. Facilities for storing, handling and transporting substances hazardous to water have to be constructed, operated and decommissioned in a way preventing water contamination (e.g., tanks for gasoline or heating oil).

Heidelberg's German business operations are subject to the *Bundes-Bodenschutzgesetz* ("**BBodSchG**"—Federal Act on Soil Protection) requiring adequate precautions against soil contaminations (*schädliche Bodenveränderungen*) as well as to the State water acts (*Landeswassergesetze*) and further state laws applicable to contamination of soil and water (including ground water). If soil or water contaminations were caused by Heidelberg, or are present on sites Heidelberg currently owns or uses or has previously owned or abandoned, Heidelberg may be obliged to carry out investigations, to implement remediation measures or to bear the costs for measures implemented by the competent authorities even if Heidelberg or its predecessor did not cause the contamination. Contaminations have been identified at various locations of the Company. The Company also already undertook various restoration and security measures in the past. Furthermore, with effect as of 2 May 2013, when applying for a new permit or a modified permit for a facility which is subject to the Industrial Emission Directive and handles hazardous substances as the foundry in Amstetten, the operator must provide a report on the initial situation of the site in relation to soil and groundwater contaminations according to sec. 10 para 1a BISchG. After closure of such facility the current situation is compared with the initial condition and if the soil and groundwater situation has deteriorated, the original condition must be restored.

Environmental Damages Act

The *Umweltschadensgesetz* (USchG—German Environmental Damages Act) addresses the prevention and remediation of environmental damage. It applies to environmental damage or imminent threat of such damage due to certain occupational activities (including, for example, the operation of a facility that requires a permit) if (i) no other regulations apply or (ii) such other regulations are less strict than the USchG. Under the USchG the competent authorities may order the person responsible for such damage or imminent threat to take measures to prevent the damage or to remedy it. Responsible persons are natural and legal persons exercising an occupational activity listed in an annex to the USchG which has caused the damage or the imminent threat. Thus, the Company, as well as individuals active within the Company (such as those with decision-making-power) can be liable under the USchG. The USchG applies to environmental damages or such threats which ocurred on or after April 30, 2007. As a consequence of the USchG, the Company's German sites and their employees are subject to higher risk of liability for environmental damage or hazards.

Eco-Design Directive and Directive (EC) No. 640/2009

The Directive 2009/125/EC establishing a framework for the setting of ecodesign requirements for energy-related products ("**Ecodesign Directive**", formerly, Directive 2005/32/EC) has been implementend in Germany by the *Gesetz über die umweltgerechte Gestaltung energieverbrauchsrelevanter Produkte* ("**EVPG**"—Law on Environmentally Sound Design of Energy-Related Products). The EVPG applies to any product or product component which is placed on the market and/or put into service and has an impact on energy consumption during use. Products subject to the EVPG must be evaluated for conformity with the applicable requirements before the products may be

marketed. The manufacturer, his authorized representative or the importer of the product must ensure that the product complies with German regulations and with the relevant implementing measures provided for in the Ecodesign Directive. These implementing measures may also require the manufacturer of a product to inform consumers about the environmental characteristics and performance of the product as well as the most environmentally friendly way to use it.

The predecessor of the Ecodesign Directive (i.e, Directive 2005/32/EC) gave rise to Regulation (EC) No. 640/2009, which applies directly in the Member States. This Regulation establishes specific requirements for the environmentally-friendly design of electric motors and pumps, for example, efficiency requirements.

Legislation governing Chemicals and Hazardous Materials

The European Union has passed extensive legislation that governs chemicals and hazardous substances. If these legal provisions are violated, the competent authorities may require that measures be undertaken to eliminate the violation and levy fines; under certain circumstances, serious infringements may even result in criminal prosecution.

In connection with the legislation governing chemicals and hazardous substances, Heidelberg is subject in particular to the following regulations:

RoHS Directive and ElektroStoffV

The Directive 2011/65/EU has amended the restrictions of the use of certain hazardous substances in electrical and electronic equipment ("**RoHS Directive**") and regulates the use of hazardous substances in electrical and electronic equipment and individual components. The aim of the RoHS Directive is to ban hazardous substances in products and in individual product components in order to protect human health and the environment. At its core, the RoHS Directive determines that newly marketed electrical and electronic equipment may not contain any lead, mercury, cadmium, polybrominated biphenyl (PBB), polybrominated diphenyl ether (PBDE) or other substances that are hazardous to health. Excluded from the RoHS Directive are certain listed uses, for example, the use of these hazardous substances in certain lamps or cadmium coatings. The RoHS Directive is currently implemented in Germany by the *Verordnung zur Beschränkung der Verwendung gefährlicher Stoffe in Elektro und Elektronikgeräten (Elektro- und Elektronikgeräte-Stoff-Verordnung* "**ElektroStoffV**"*—Ordinance on the Restriction of Hazardous Substances in Electrical and Electronic Equipment)* and has originally been implemented bythe *Gesetz über das Inverkehrbringen, die Rücknahme und die umweltverträgliche Entsorgung von Elektro- und Elektronikgeräten* ("**ElektroG**"—German Act on the Sale, Return and Environmentally Sound Disposal of Electrical and Electronic Equipment).

However, neither the ElektroStoffV nor the RoHS Directive applies to Heidelberg sheetfed offset presses until today due to the exception for large industrial tools. To avoid the prohibited substances mentioned in RoHS in Heidelberg products is a conscious, but only voluntary commitment of Heidelberg.

REACH Regulation

Regulation (EC) No 1907/2006 of December 18, 2006 concerning the Registration, Evaluation, Authorization and Restriction of Chemicals ("**REACH Regulation**") is the core regulation on chemicals within the Member States of the European Union. The REACH Regulation contains rules relating to the manufacturing, marketing and use of chemical substances in mixtures and products and applies directly in the Member States. Manufacturers and importers must ensure that they only produce and market chemical substances which do not adversely impact human health or the environment. A key element of the REACH Regulation is the registration of chemical substances at the European Chemicals Agency (ECHA) requiring provision of certain data to the ECHA. Transitional periods for registration are applicable with certain milestones ranging from 2010 to 2018. The period applicable depends *inter alia* on the amount of the chemical substance. Without prior registration in accordance with the REACH Regulation, it is generally prohibited to produce chemical substances or place them on the market in the European Union. The type and amount of data to be made available (for example, concerning toxicity, environmental fare properties, physical properties, use and safe handling) depend on the quantity and hazardousness of the respective substance. Chemical substances being particularly hazardous are subject to a licensing procedure and their production, import, sale and/or use may be restricted or even banned. The information about chemical substances and mixtures in products must be made available along the value chain. In particular, a safety data sheet has to be provided. Moreover, chemical substances and mixtures that contain especially hazardous substances must be recorded accordingly.

The *REACH-Anpassungsgesetz* (REACH Adaptation Act) transposed the general requirements of the REACH Regulation by amending several national acts and regulations. The requirements of the REACH Regulation apply to consumables of the printing chemistry such as inks, dampening solution additives, cleaners for printing presses as well as to service parts products. The latest amendment to the REACH Regulation dates 13 May 2013 (Regulation (EU) No 517/2013).

Legislation governing Food Products

In connection with legislation governing food products, Heidelberg is in particular subject to the following legislation:

Regulation (EC) No. 1935/2004

All materials and articles that are used in the packaging of food must comply with the requirements of Regulation (EC) No 1935/2004 of the European Parliament and the Council of October 27, 2004, as last amended on August 7, 2009, on materials and articles intended to come into contact with food ("**Food Contact Regulation**").

The Food Contact Regulation applies generally to all types and components of food packaging and thereby also to the inks used for the corresponding package labels. Manufacturers are required to produce materials and articles that are designed to come into contact with food in accordance with so-called good manufacturing practices. No residue from such materials and articles may pass into food that could endanger human health, cause an unacceptable change in the composition of the food, or result in deterioration of the organoleptic characteristics of food. The Food Contact Regulation provides for individual measures for certain groups of materials (including printing inks and adhesives) and objects. Furthermore, the authorization of new substances, the traceability of materials, labeling, advertising and the form of presentation of materials and objects are regulated.

Regulation (EC) No. 2023/2006

Commission Regulation (EC) No 2023/2006 of December 22, 2006, as last amended on April 17, 2008, on good manufacturing practice for materials and objects intended to come into contact with food ("**Manufacturing Practices Regulation**") is based on the Food Contact Regulation.

The Manufacturing Practice Regulation applies to certain materials that are already listed by the Food Contact Regulation—for example, adhesives, paper and plastics, printing inks, paints and coatings. At its core, the Manufacturing Practice Regulation standardizes the requirements that apply to the production methods for these materials and articles at all stages of production, processing and distribution in Europe. Furthermore, manufacturers are required to introduce a quality assurance and quality control system as well as to document the manufacturing process.

Food, Consumer Goods and Feedingstuff Code

The *Lebensmittel-, Bedarfsgegenstände- und Futtermittelgesetzbuch* ("**LFGB**"—Food, Consumer Goods and Feedingstuff Code) of September 1, 2005, in the version published June 3, 2013, as last amended on August 7, 2013 covers all stages of production and processing of food and consumer products, i.e., materials and objects that are intended to come into contact with food.

Purpose of the LFGB is to ensure the safety of these products. Section 30 LFGB prohibits, among other things, the production or marketing of consumer goods if their material composition, in particular due to toxicologically active substances or hazardous impurities, could be damaging to health. Materials and articles that are not manufactured in accordance with the Food Contact Regulation may not be used or marketed. Further provisions to protect against residues of substances in food, the use of certain substances, as well as the manufacture and marketing of consumer goods have been established by regulations. As a manufacturer of printing inks, which are also used for food packaging, Heidelberg is at least indirectly subject to these regulations.

Ordinance on Hazardous Substances

Heidelberg is also subject to the *Gefahrstoffverordnung* ("**GefStoffV**"—Ordinance on Hazardous Substances) which contains provisions regarding the handling and storage of hazardous substances. It particularly sets forth provisions for the protection of employees which deal with hazardous substances. Among others, the GefStoffV makes reference to EU Regulation 1272/2008 as of December 16, 2008 with respect to classification, labeling and packing of hazardous substances and mixtures.

Bank Supervision

The group company Heidelberg Print Finance International GmbH provides financial leasing and factoring services as defined in section 1(1a) sentence 2 No's 9 and 10 *Kreditwesengesetz* (KWG—German Banking Act). As a financial services institution, this firm is therefore subject to supervision by the Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) ("**BaFin**") as well as the German Central Bank (*Deutsche Bundesbank*). Factoring and financial leasing companies are not required to meet capital, liquidity, solvency requirements, or the large-credit provisions under the KWG. The managing directors (*Geschäftsleiter*) of Heidelberg

Print Finance International Gesellschaft mit beschränkter Haftung must nevertheless be suitable and trustworthy. Print Finance Vermittlung Gesellschaft mit beschränkter Haftung is subject to specific reporting requirements. Among others, Print Finance Vermittlung Gesellschaft mit beschränkter Haftung must inform BaFin and the German Central Bank if a new managing director (*Geschäftsleiter*) is appointed, if a person is granted the power of representation, if the legal form of the firm is changed, if the firm's branch or registered office is moved, or if a significant stake is acquired or divested in an own company. Such a reporting requirement also applies if a close association with another person or another company arises, is changed, or is terminated. Furthermore, section 25a KWG creates special organizational requirements, in particular the obligation to establish adequate risk management and internal control procedures for monitoring and controlling risks. These statutory obligations are formulated in concrete in the form of the *Mindestanforderungen an das Risikomanagement* (MaRisk—Minimum Requirements for Risk Management) of Deecmber 14, 2012. Heidelberg Print Finance International GmbH is also subject to regulation under the *Geldwäschegesetz* (GwG—German Money Laundering Act). Ongoing oversight includes the requirement to submit annual financial statements and audit reports to BaFin. To ensure compliance with the KWG and the regulations adopted under the KWG, BaFin is entitled to request additional information or to arrange on-the-spot inspections. BaFin may furthermore participate in meetings of the management and supervisory bodies of Heidelberg Print Finance International GmbH and also require the convening of meetings. If BaFin discovers irregularities, under certain conditions it could withdraw the permission of Heidelberg Print Finance International GmbH to operate under the KWG, or as a less drastic measure, require the company to dismiss its managing director (*Geschäftsleiter*) and prohibit its managing director (*Geschäftsleiter*) from further exercising his or her functions.

The group company Print Finance Korea Co. Ltd., Seoul, South Korea ("**PFK**") provides equipment financing and financial leasing as defined in Article 46 Specialized Credit Financial Business Act ("**SCFA**"—relevant Korean Act). As a financial institution, this firm is therefore subject to supervision by the Financial Supervisory Service ("**FSS**"—Korean Supervisory Authority) as well as the Bank of Korea. Ongoing supervision includes the requirement to submit annual financial statements and audit reports to FSS. To ensure compliance with the SCFA and the regulations adopted under the FSS, the FSS is entitled to request additional information or to arrange on-the-spot inspections. If the FSS discovers irregularities, under certain conditions it could withdraw the permission of PFK to operate under the SCFA, or as a less drastic measure, require the firm's managing director to step down or prohibit them from further exercising their functions.

GENERAL INFORMATION ON THE COMPANY

Formation and History of the Company

Heidelberg's corporate history dates back to the founding of a bell foundry and machine factory in Frankenthal by Andreas Hamm in 1850. In 1896, the registered office of the Company was moved to Heidelberg. In 1899 this company was registered as a corporation (Aktiengesellschaft) under the name of "Schnellpressenfabrik A. Hamm AG". In 1905, the name of the Company was changed to "Schnellpressenfabrik AG Heidelberg". As of 1967, the Company's name is "Heidelberger Druckmaschinen Aktiengesellschaft".

During the years 1995-1999, Heidelberg evolved from a traditional printing press manufacturer to a provider of solutions for the entire printing process. This included the acquisition of the prepress specialist Linotype-Hell, the Dutch company Stork Contiweb, a manufacturer of pasters and dryers as well as the British producer of bookbinding systems and mailroom equipment Sheridan Systems in 1997. As of December 8, 1997, the shares of the Company are admitted to trading at the Frankfurt Stock Exchange. To achieve a better market penetration, Heidelberg took over numerous offices from foreign representatives in the countries France, Mexico, Brazil, but also in Asia, Africa and Scandinavia in the following years. At the end of 1998, Heidelberg integrated Stahl group into Heidelberg Group and was thus able to incorporate into its product portfolio additional processes related to postpress services. At the end of the 1990s, Heidelberg also entered the digital business and established, among others, a joint venture with Eastman Kodak to produce digital color presses.

In September 1999, Heidelberg acquired 30% of Gallus Holding AG, St. Gallen, Switzerland. A close cooperation with Gallus was agreed upon for the areas of marketing, sales and technology. Gallus develops, produces and distributes narrow-web and medium-web printing presses that are based, in particular, on the methods of flexo printing as well as offset printing and screen printing. With the products and services offered by Gallus, Heidelberg expands the range of products and services in the areas of label printing and folding carton printing. In 2002 Heidelberg acquired two subsidiaries of the Jagenberg AG, Krefeld, in order to expand its spectrum of products offered in the finishing area for packaging printing. The subsidiaries had been located in Mönchengladbach, Neuss and Novè Mésto, Slovakia, but are now integrated in other Heidelberg sites except for the Novè Mésto site. In addition to printing presses, Heidelberg supplies a broad spectrum of equipment for the manufacture of folding cartons, including folder gluers and die cutters. In mid-2004, Heidelberg disposed of its digital printing and web offset segments after substantial losses. To strengthen the less volatile consumables business, Heidelberg acquired the group of companies Hi-Tech Coatings with sites in the United Kingdom and in the Netherlands in financial year 2008/2009.

Legal Form, Registered Office, Financial Year, Duration and Object

Heidelberger Druckmaschinen Aktiengesellschaft is a stock corporation established under the law of the Federal Republic of Germany and is subject to, among other German legal provisions, the rules of the German stock corporation laws.

The Company is registered with the commercial register at the Local Court of Mannheim (*Amtsgericht Mannheim*) under registration number HRB 330004. The Company's registered name is "Heidelberger Druckmaschinen Aktiengesellschaft". The business address of the Company is Kurfürsten-Anlage 52-60, 69115 Heidelberg. The Company's telephone number is +49 (0)6221-9200.

The financial year of the Company does not correspond to the calendar year, but rather to the period from April 1 of one year until March 31 of the following year. The Company is established for an indefinite term. "Heidelberger Druckmaschinen Aktiengesellschaft" and "Heidelberg" are used as commercial names of the Company.

In accordance with section 2(1) of the Articles of Association, the corporate purpose of the Company is the manufacture, sale and distribution of printing presses and other products in the print media industry and the performance of related technical and advisory services. The Company also manufacturers, sells and distributes other products and advisory services in the areas of mechanical engineering, electronics, electrical engineering and the metal industry. In accordance with section 2(2) of the Articles of Association, the Company may undertake any and all transactions and measures that appear necessary or expedient for achieving the company object. In particular, the Company may establish branch offices domestically and abroad, and may form, acquire or acquire interests in companies domestically and abroad.

Share Capital

At the date of this Offering Memorandum, the share capital of the Company, as recorded in the commercial register, amounts to EUR 599.672.166,40, divided into 234.246.940 bearer shares (no-par value shares), each representing a notional interest of EUR 2.56 in the share capital. Section 19(1) of the Articles of Association provides

that each no-par value share shall entitle to one vote at the General Shareholders' Meeting. The share capital is fully paid in.

Since 1997, the share capital of the Company has been admitted to exchange trading at the official market (now together with the former regulated market combined as the Regulated Market) at the Frankfurt Stock Exchange. The Company's share capital has been admitted to trading on the sub-segment of the then official market with additional post-admission obligations (*Prime Standard*) with its introduction on January 1, 2003.

The common shares of the Company have been publicly listed on the SDAX index of Deutsche Börse AG since March 19, 2012.

Own Shares/Treasury Shares

Currently there is no authorization of the Management Board to acquire own shares in accordance with section 71(1) no. 8 AktG. The authorization resolved upon by the General Shareholders' Meeting on July 18, 2008 towards the repurchase of own shares was valid only until January 15, 2010. The Management Board made no use of it.

As of March 31, 2013, the Company held 142,919 no-par value shares, with a notional interest of EUR 2.56 per no-par value share in the share capital (corresponding to 0.06% of the issued shares). There has been no change to the Company's holding since March 31, 2013. The own shares were purchased in March 2007 on the basis of an authorization by the General Shareholders' Meeting of July 20, 2006. The amount of these shares allocated to share capital is EUR 365,872.64 as of March 31, 2013.

Announcements

The Articles of Association of the Company provide that announcements of the Company will be made in the German Federal Gazette (*Bundesanzeiger*). The announcements relating to shares of the Company will also be made in the German Federal Gazette and in a pan-regional newspaper designated for notices of the Frankfurt Stock Exchange.

The publications required under stock exchange regulations will be made in a pan-regional newspaper designated for notices (*überregionales Börsenpflichtblatt*) of the Frankfurt Stock Exchange and, to the extent necessary, in the German Federal Gazette (*Bundesanzeiger*).

GOVERNING BODIES OF THE COMPANY

The governing bodies of the Company are the Management Board (*Vorstand*), the Supervisory Board (*Aufsichtsrat*) and the General Shareholders' Meeting (*Hauptversammlung*). The responsibilities of these bodies are primarily governed by the *Aktiengesetz* (AktG—German Stock Corporation Act), the Articles of Association of the Company and the Rules of Procedure of the Management Board and the Supervisory Board, each in their current version.

Provisions relating to both the Management Board and the Supervisory Board

The members of the Management Board and of the Supervisory Board owe duties of care and loyalty to the Company. The board members must take into account a broad spectrum of interests, in particular those of the Company, its shareholders, its employees and its creditors when discharging these duties. The Management Board must also take into account the rights of shareholders with respect to equal treatment and equal information.

If members of the Management Board or the Supervisory Board have breached their duties towards the Company and if the Company suffers a loss, the Company may file damage claims in court against members of the Management Board or the Supervisory Board. In such cases, in the event of claims against members of the Supervisory Board, the Company will be represented by the Management Board and, in the event of claims against the members of the Management Board, it will be represented by the Supervisory Board. According to a decision of the German Federal Supreme Court (*Bundesgerichtshof*), the Supervisory Board is required to bring damages claims against the Management Board if they appear to be enforceable, unless significant grounds relating to the welfare of the Company speak against such action and unless these grounds outweigh the grounds in favor of the pursuit of such claims or are at least of equal weight.

The members of the Management Board and the Supervisory Board of the Company are, up to a certain limit of indemnity, covered for breaches of their duties as board members by a directors' and officers' ("**D&O**") liability insurance policy. As part of an amendment of the D&O group insurance policy of Heidelberg, effective as of September 30, 2013, an appropriate deductible was agreed upon in accordance with the *Gesetz zur Angemessenheit der Vorstandsvergütung* (VorstAG—German Act on the Appropriateness of Executive Board Remuneration). The costs of the D&O group insurance policy are borne by the Company.

Under German law, individual shareholders like any other persons, are prohibited from using their influence on the Company to instruct a member of the Management Board or the Supervisory Board to take an action detrimental to the Company. Shareholders with a controlling influence may not use their influence to cause a controlled stock corporation with which no controlling agreement (*Beherrschungsvertrag*) exists to enter into a legal transaction which is detrimental to such corporation or to take any measures that are detrimental to such corporation or to omit any measures if such omission would be detrimental to such corporation, unless it is compensated for such detriment. Any person who intentionally uses its influence on a company to cause members of the management board or the supervisory board, a holder of a registered power of representation (*Prokurist*), or an authorized agent (*Handlungsbevollmächtigter*) to act to the detriment of the company or its shareholders must compensate the company for any resulting damage. Moreover, in this case the members of the management board and the supervisory board will be jointly and severally (*gesamtschuldnerisch*) liable if they have acted in breach of their duties.

Management Board

Composition of the Management Board and Appointment of Members of the Management Board

In accordance with section 7 of the Articles of Association of the Company, the Management Board must consist of at least two persons. The Supervisory Board shall appoint and dismiss the members of the Management Board and shall determine their number. Proxy members of the Management Board may be appointed. The members of the Management Board are appointed by the Supervisory Board for a maximum term of five years. They may be reappointed or their term of office extended, in each case for a maximum of five years. The Supervisory Board can revoke the appointment of a member of the Management Board before expiry of his term of office for good cause, e.g., for gross violation of duties or if the General Shareholders' Meeting withdraws its confidence in a member of the Management Board, unless such vote of "no confidence" was based on obviously non objective grounds. The Supervisory Board is also responsible for entering into, amending and cancelling employment contracts with the members of the Management Board.

Allocation of Responsibilities and Internal Structure

The Management Board conducts the business of the Company in accordance with provisions under statute, the Articles of Association of the Company and the Rules of Procedure of the Management Board. The Management Board is directly responsible for managing the Company. Under the Rules of Procedure of the Management Board, every

member of the Management Board has a particular responsibility for his own area of responsibility. However, the members have a joint responsibility for the management of the Company. The members of the Management Board bear joint responsibility for the general management. The entire Management Board shall decide on any and all issues which are of fundamental or material importance and on all other issues which require a decision of the entire Management Board under statute, the Articles of Association or the Rules of Procedure of the Management Board. The Management Board adopts resolutions by a simple majority of the votes cast. If there is a tied vote, the Chairman shall have the casting vote.

According to section 8 of the Articles of Association of the Company, the Company is represented by two members of the Management Board or by one member of the Management Board acting jointly with a holder of a registered power of representation (*Prokurist*). Incidentally, the Company will be represented by holders of a registered power of representation or other authorized signatories (*andere Zeichnungsberechtigte*) in accordance with the assignment by the Management Board. According to the Articles of Association of the Company, the Management Board requires the prior approval of the Supervisory Board to take certain measures and to enter into certain transactions which are of particular importance to the Company or which entail an exceptional economic risk. Section 14 of the Articles of Association contains a list of transactions requiring the approval of the Supervisory Board. Moreover, the Supervisory Board can make other types of transactions subject to its approval. It may also approve certain types of transactions in advance, by general approval or subject to certain conditions (e.g., by framework approval (*Rahmengenehmigung*)).

Duty to report to the Supervisory Board

The Management Board provides the Supervisory Board with regular, prompt and comprehensive information on all issues relevant to the Company and the Heidelberg Group with regard to planning, business development, risk situation and risk management. It reports on deviations of the course of business from agreed plans and targets and identifies the relevant reasons. As a rule, the Management Board must provide the Supervisory Board with a long-term plan for the group on an annual basis and must report on significant deviations from the existing plan. In addition, the Supervisory Board may request special reports from the Management Board at any time. Furthermore, the Management Board and the Supervisory Board report annually on the corporate governance of the Company in the Annual Report.

Members of the Management Board

The members of the Management Board of the Company and the areas for which they are responsible as of the date of this Offering Memorandum are listed in the following overview.

Name	Age	Year first appointed	Appointed until	Area of responsibility
Dr. Gerold Linzbach	57	2012	2017	Chairman, Director of Labor
Dirk Kaliebe	47	2006	2015	Finance
Marcel Kießling	52	2010	2015	Services, Markets, Marketing
Stephan Plenz	48	2008	2017	Equipment

Dr. Gerold Linzbach: Dr. Gerold Linzbach was born in Bad Vilbel, Germany, on February 13, 1956. He holds a doctorate in chemical engineering obtained at the University of Dortmund in 1985. He started his professional career as head of a research group at DECHEMA Institute, Frankfurt, in the same year. In 1988, Dr. Gerold Linzbach assumed the position of a project leader, primarily in the sector process industry, at McKinsey Inc., Germany. Subsequently, he joined Hoechst AG, Frankfurt, in 1991 as head of Corporate Planning, taking on the posts of Global CEO of a business unit within Hoechst AG's fiber operations (Trevira GmbH) and Managing Director Trevira Germany in 1995. In 1999, he moved to U.S.-based Celanese Acetate Group (technical fibers) as Global CEO and President. He became head of the INVISTA textile fibers division located in Wichita, Kansas, United States, a venture of Koch Industries in 2003. Dr. Gerold Linzbach returned to Germany, assuming the position of CEO at Symrise AG, Holzminden in 2005. In 2009, he was appointed CEO and Managing Director at D+S Europe, Hamburg. Since September 2012, Dr. Gerold Linzbach holds the position of CEO at the Company.

Dirk Kaliebe: Dirk Kaliebe was born in Berlin, Germany, on April 26, 1966. He studied economic sciences (*Wirtschaftswissenschaften*) at the University of Cologne, specializing in auditing, insurance business management and international taxation. In 1992, he graduated as *Diplom-Kaufmann* (German degree in business administration). He started his professional career in 1992 at BDO Deutsche Warentreuhand AG Wirtschaftsprüfungsgesellschaft and qualified as a tax consultant in 1997. In 1998, Mr. Kaliebe joined Heidelberger Druckmaschinen Aktiengesellschaft and qualified as a certified public account in 1999. Since 1999, Mr. Kaliebe was responsible for Accounting & Taxes at the Company and since 2000 additionally for Investor Relations. Effective as of October 1, 2006, Mr. Kaliebe has been appointed member of the Management Board of the Company, responsible for Finance.

Marcel Kießling: Marcel Kießling was born on March 4, 1961 in Heilbronn, Germany. Following his studies in business administration (*Betriebswirtschaftslehre*) at Mannheim University, Mr. Kießling started his professional career in the sales division of Heidelberger Druckmaschinen Aktiengesellschaft in 1989. Following several managerial positions in product marketing and product management and as head of the Business Unit Direct Imaging, the *Diplom-Kaufmann* (German degree in business administration) has been responsible for sales in Germany and Switzerland as Chairman of the Management Board of Heidelberger Druckmaschinen Vertrieb Deutschland GmbH since July 2001. In September 2004, as President of Heidelberg Americas, Inc. (Kennesaw, GA, United States), Mr. Kießling became responsible for Heidelberg's business in America. Effective as of January 1, 2010, Mr. Kießling has been appointed member of the Management Board of the Company, responsible for the Heidelberg Services segment and also took on overall responsibility for global sales. Mr. Kießling is in charge of Heidelberg's Regional Markets and Service Organization and Marketing.

Stephan Plenz: Stefan Plenz, born on May 14, 1965 in Oberwesel, Germany, joined the Company in 1986 in the course of his studies in mechanical engineering (with main focus on industrial engineering (*Produktionstechnik*)) at the University of Cooperative Education (*Berufsakademie*) in Mannheim. In September 1989, Mr. Plenz graduated as *Diplom-Ingenieur (BA)* (German degree in engineering), and became quality engineer in Wiesloch (Germany). In June 1993, Mr. Plenz was appointed as a project manager for production of type series Speedmaster 52, in December 1994 head of assembly Speedmaster 52 and in December 1998 head of assembly Speedmaster 50x70. In July 2001, Mr. Plenz worked as the head of Operations Postpress and in August 2004 head of Postpress. Subsequently, in 2005, Mr. Plenz became head of assembly and logistics in Wiesloch, in April 2006 additionally head of the site Wiesloch-Walldorf. Since July 1, 2008, Mr. Plenz has been appointed member of the Management Board of the Company and is responsible for the Heidelberg Equipment segment.

The members of the Management Board can be reached at the business address of Heidelberger Druckmaschinen Aktiengesellschaft, Kurfürsten-Anlage 52- 60, 69115 Heidelberg, Germany.

Overview of Additional Activities of the Members of the Management Board

The following overview contains the names of the members of the Management Board of the Company who are in office as of the date of this Offering Memorandum as well as all entities and companies in which the members of the Management Board are currently members of the administrative, management or supervisory bodies or partners, whereas subsidiaries of the Company in which the respective member of the Management Board is also member of the administrative, management or supervisory boards are not all listed.

Name	Additional Activities
Dr. Gerold Linzbach (Chariman)	• Heidelberg Americas, Inc., USA (chairman of the board of directors) • Heidelberg USA, Inc., USA (chairman of the board of directors)
Dirk Kaliebe (Finance)	• Heidelberger Druckmaschinen Vertrieb Deutschland GmbH (member of the supervisory board) • Gallus Holding AG, Switzerland (member of the administration board) • Heidelberg Americas, Inc., United States (member of the supervisory board) • Heidelberg Graphic Equipment Ltd., Australia (member of the supervisory board) • Heidelberg Graphic Equipment Ltd., United Kingdom (member of the supervisory board) • Heidelberg USA, Inc., United States (member of the supervisory board)
Marcel Kießling (Heidelberg Services)	• Heidelberger Druckmaschinen Vertrieb Deutschland GmbH (chairman of the supervisory board) • Heidelberger Druckmaschinen Austria Vertriebs-GmbH (member of the advisory board) • Heidelberger Druckmaschinen Osteuropa Vertriebs-GmbH (member of the advisory board) • Heidelberg Graphic Equipment Ltd., Australia (member of the supervisory board) • Heidelberg Japan K.K., Japan (member of the supervisory board)
Stephan Plenz (Heidelberg Equipment)	• Gallus Holding AG, Switzerland (chairman of the administration board) • Heidelberg Graphic Equipment (Shanghai) Co., Ltd., China (chairman of the board of directors)

Remuneration of the Members of the Management Board

For financial year 2012/2013, the Management Board's total remuneration consists of a fixed annual salary paid in equal installments at the end of each month, variable single-year and multi-year remuneration (which is calculated on the achievement of certain three-year targets using defined parameters) benefits in kind and a company pension scheme (in addition to share-based pension benefits).

The total remuneration (= total remuneration) of the Management Board for financial year 2012/2013, including non-cash remuneration, amounted to EUR 4.0 million (previous year: EUR 2.7 million), which consisted of variable single-year remuneration of EUR 1.5 million (previous year: EUR 0.9 million) and variable multi-year remuneration of EUR 0.9 million (previous year: EUR 0.3 million).

The detailed remuneration of members of the Management Board was as follows:

in EUR thousands	Non-Performance-related components	Performance-related remuneration	Components with long-term incentive	2012/2013 Total	2011/2012 Total	2010/2011 Total
Dr. Gerold Linzbach(1)	330	289(3)	193	812	—	—
Bernhard Schreier(2)	214	184	125	523	857	857
Dirk Kaliebe	365	329	210	904	618	618
Marcel Kießling	361	329	210	900	625	569
Stephan Plenz	361	329	210	900	609	609

(1) CEO since September 1, 2012

(2) Bernhard Schreier's term as a member of the Management Board ended on August 31, 2012; his contract of employment with Heidelberger Druckmaschinen Aktiengesellschaft ends on June 30, 2013. The figures for 2012 / 2013 relate to the period from April 1, 2012 to August 31, 2012. For the 2012 / 2013 financial year, the company bonus was guaranteed in full on a pro rata temporis basis

(3) For the 2012/2013 financial year, the company bonus is guaranteed in full on a pro rata temporis basis

Pension Plan for the Members of the Management Board

The post-employment benefits for members of the Management Board are as follows: The pension agreement for Dr. Gerold Linzbach provides for a defined contribution plan that is essentially consistent with the defined contribution plan for executive staff. On July 1 of each year, the Company pays a corresponding contribution based on the relevant basic salary retroactively for the previous financial year into an investment fund. In deviation from the 35% usually set for members of the Management Board, the fixed pension contribution for Dr. Gerold Linzbach is only 22% of his eligible remuneration. In return for this reduced pension contribution, at the start of his employment he was granted a performance-based pension commitment to be paid in cash at the end of his contractual term in office on August 31, 2017; this will be paid pro rata temporis in the event of his early departure. The pension agreements for Dirk Kaliebe, Marcel Kießling and Stephan Plenz provide for a defined contribution plan that is essentially consistent with the defined contribution plan for executive staff. On July 1 of each year, the Company pays a corresponding contribution based on the relevant basic salary retroactively for the previous financial year into an investment fund. In view of standard market practice and the structure of defined benefit commitments, the annual contribution rate was uniformly set at 35% of basic salary in the financial year 2011/2012. This resulted in an increase in annual contributions of 5% for Dirk Kaliebe and 2% for Stephan Plenz. Marcel Kießling's contribution rate will also be 35% from the year under review onwards; this marks a reduction of 3%.

The pension agreements for all members of the Management Board stipulate that the amount paid can rise depending on the result of operations of the Company. The exact amount of the pension also depends on the investment success of the fund. The pension can be paid as an early pension from the age of 60. In the event of a member of the Management Board leaving the Company, the pension will be paid from the age of 65 or 60, respectively, principally as a non-recurring payment of pension capital. In addition, the agreements also provide for disability and surviving dependents' benefits (60% of the disability payment or the pension) contingent on the amount of the last basic remuneration. In the event of a disability pension, in deviation from the defined contribution plan for executive staff, the percentage is based on the length of service with the Company, with a maximum pension percentage of 60% due to the attributable time—with the exception of Dr. Gerold Linzbach—for all three other members of the Management Board. If the service agreement expires prior to the start of benefit payments, the claim to the established pension capital at that point in time remains valid. The other pension benefits (disability and surviving dependents' benefits) earned in accordance with Section 2 of the German Company Pension Act (BetrAVG) remain valid on a pro rata temporis basis. Moreover, the statutory vesting periods have been met for Dirk Kaliebe, Marcel Kießling and Stephan Plenz.

Bernhard Schreier was an ordinary member of the Management Board until August 31, 2012; his service agreement with the Company ended on June 30, 2013. Bernhard Schreier receives his pension as per his pension commitment since July 1, 2013. His pension commitment provides for a pension based on the amount of his last basic remuneration and surviving dependents' benefits, thereby deviating from the pension commitments for most employees whose benefits are based on a table related to income groups, which is adjusted regularly in accordance with the development of the cost of living. The percentage therefore depends on the number of years of service with the

Company, with the increase in percentages graduated per year of service. Based on his pension agreement and given his years of service with the Company, the maximum pension rate of 75% has already been achieved. The pension will be paid out from the age of 65 or at the onset of employment disability. Ongoing payments will be adjusted in the same percentage ratio as the basic pay of salary group B9 for civil servants in Germany. No provision is made for a guaranteed adjustment by at least 3% every two years, as is the case with employee remuneration. A pension will also be paid if, before reaching retirement age, the employment contract is cancelled or is not extended by the Company without giving cause that would have entitled the Company to terminate employment without notice. A claim for defined benefits under the Company's pension provisions remains in force in the amount vested by then, even in the case of an early termination. Furthermore, the statutory vesting periods have been met. The payment of the retirement pension is secured by a reinsurance policy, with the related claim against Bernhard Schreier pledged as collateral.

Pension Plan Expenses and Provisions in connection with Pension Obligations

In financial year 2012/2013 the expenses for retirement benefits under IFRS (service cost) for all members of the Management Board amounted to EUR 0.834 million. In financial year 2011/2012 the expenses for retirement benefits under IFRS for members of the Management Board amounted to EUR 0.496 million. In financial year 2010/2011 the expenses for retirement benefits under IFRS for members of the Management Board amounted to EUR 0.458 million.

As of March 31, 2013 provisions in connection with pension obligations confirmed for current members of the Management Board amounted to EUR 3.0 million.

Remuneration Structure for the Members of the Management Board (effective as of April 1, 2012)

The remuneration structure of the Management Board is undergoing a series of changes from the financial year 2012/2013. In the future, the variable single-year remuneration will also be dependent on the Group's success in that financial year; the benchmarks for success have been defined as free cash flow and EBIT. In addition, each member of the Management Board receives a personal, performance-based bonus that is determined by the Supervisory Board at the recommendation of the Human Resources Committee, taking into account their particular duties and responsibilities in addition to any individual targets agreed. If targets are achieved in full, the personal bonus can amount to up to 30% of the basic annual salary; the company bonus can also account for up to 30% or 60% if targets are exceeded. With respect to their personal annual bonuses, the Supervisory Board and the Management Board have agreed to give priority to the annual financial targets, at least until the restructuring has been completed. Until further notice—starting with the year under review—the 30% of the personal bonus will be added on to the company bonus subordinate to the financial targets on which it is based. The Supervisory Board determines the targets for the multi-year variable remuneration of the Management Board for the forthcoming financial years based on the respective situation of the Company, i.e. the corresponding multi-year plan and target values (such as leverage and covenants). Targets are therefore set each financial year for the coming financial year, and for a new three-year period for the multi-year variable remuneration. The achievement of goals is also checked and ascertained each year. However, the multi-year variable remuneration for the achievement of goals will only be paid after the end of the respective three-year period. Multi-year variable remuneration can amount to 90% of the basic annual salary if goals are met in full. The Management Board and the Supervisory Board have revised and adjusted the goals for future years. In addition, they have agreed to a temporary solution on giving members of the Management Board the opportunity, provided that specific goals have been achieved (including compliance with the financial covenants in particular), to earn at least part of the multi-year variable remuneration in the financial year 2012/2013 and in the subsequent year, considering that the long-term component of the bonus for the period to date was partially earned but was not paid on account of the members of the Management Board voluntarily waiving this in the financial year 2011/2012. As an exception, the assessment period for this transitional phase is therefore just two financial years, i. e. the financial year 2012/2013 and the financial year 2013/2014, with a planned payment in the 2014/2015 financial year, whereby this is based on the same targets as for the first two years of the concurrent first three year period for multi-year variable remuneration, which is comprised of the financial year 2012/2013 and the two subsequent financial years and is planned for payment in the financial year 2015/2016. Hence, no long-term bonus was paid in the financial year 2012/2013. Finally, it was determined that if an agreed minimum goal is achieved, a minimum threshold of 25% will be set so that the achievement of a goal will be assessed within a corridor of 25% to 100% in the future and no longer between 0% and 100%. The previous structure of Management Board remuneration was otherwise unchanged in the financial year 2012/2013. That also means that the remuneration for the Management Board, in accordance with the previous regulations, will not exceed 280% of the annual fixed remuneration.

Shares held by the Members of the Management Board

As of the date of this Offering Memorandum, the Members of the Management Board hold 138,236 no-par value shares of the Company. Thereof, Dr. Gerold Linzbach holds 15,728 no-par value shares, Dirk Kaliebe 48,560 no-par value shares, Marcel Kießling 32,261 no-par value shares and Stephan Plenz 41,687 no-par value shares.

Supervisory Board

Composition of the Supervisory Board and Appointment of Members of the Supervisory Board

In accordance with section 9(1) of the Articles of Association of the Company, the Supervisory Board consists of twelve members, namely, six shareholder representatives, who shall be elected in accordance with the provisions of the AktG, and six employee representatives, who shall be elected in accordance with the provisions of the *Mitbestimmungsgesetz* (MitbestG—German Co-determination Act). The members of the Supervisory Board are elected for a term of office that ends upon the conclusion of the General Shareholders' Meeting which resolves on the discharge for the fourth financial year following the beginning of the term of office. The financial year in which the term of office commences is not included in this calculation.

Responsibilities of the Supervisory Board

The Supervisory Board appoints the members of the Management Board and is authorized to remove them from office for good cause. The Supervisory Board advises the Management Board on managing the Company and supervises its conduct of the business.

The Articles of Association of the Company provide that the Management Board requires the prior approval of the Supervisory Board to take certain measures and to enter into certain transactions which are of particular importance to the Company or which entail an exceptional economic risk. Section 14 of the Articles of Association of the Company contains a list of transactions requiring the approval of the Supervisory Board. In addition, the Supervisory Board can make other types of transactions subject to its approval. It may also approve certain types of transactions in advance, by general approval or subject to certain conditions (e.g., by framework approval (*Rahmengenehmigung*)).

Meetings and Adoption of Resolutions

Supervisory Board meetings shall be convened by its Chairman and, in the event of his incapacity, by a deputy or by the Management Board on behalf of the Chairman of the Supervisory Board or his deputy. The Supervisory Board shall have quorum if no less than half of the members of which it must be constituted participate in adopting the relevant resolution. Unless section 29 MitbestG provides otherwise, Supervisory Board resolutions shall be adopted by a majority of votes cast.

Members of the Supervisory Board

The following overview contains the names of the current members of the Supervisory Board of the Company and all entities and companies at which the members of the Supervisory Board are currently also members of the administrative, management, or supervisory bodies or partners, respectively. Not all the subsidiaries of the Company at which the members of the Supervisory Board are also members the respective administrative, management or supervisory bodies are listed.

Name, Position (relevant Experience of the Supervisory Board Members)	Date Membership Began and Ended (Year)	Additional Activities
Robert J. Koehler, Chairman (Many years of experience as member of various management and supervisory boards as well as in the chemistry and carbon industry)	2003–2018	• SGL Carbon SE, Wiesbaden, Germany (chairman of the management board) • Klöckner & Co. SE, Duisburg, Germany (member of the supervisory board) • Lanxess AG, Leverkusen, Germany (member of the supervisory board) • Benteler International AG, Austria (chairman of the supervisory board) • Freudenberg SE, Weinheim, Germany, (member of the supervisory board)
Rainer Wagner*, Deputy Chairman (Chairman of the Central Works Council, Heidelberg/Wiesloch-Walldorf)	1999–2018	None
Edwin Eichler (Many years of experience as member of various management and supervisory boards as well as in the metal industry)	2008–2018	• SGL Carbon SE, Wiesbaden, Germany (member of the supervisory board) • SMS Holding GmbH, Hilchenbach, Germany (member of the supervisory board) • Schmolz & Bickenbach AG, Emmenbrücke, Schweiz (chairman of the administrative board) • Hoberg & Driesch GmbH & Co. KG, Düsseldorf, Germany (member of the advisory board) • Lürssen GmbH & Co. KG, Bremen, Deutschland (member of the advisory board) • Dortmund Technical University, Germany (member of the board of trustees)
Mirko Geiger* (First senior representative of IG Metall Heidelberg; many years of experience as a member of the Supervisory Board)	2005–2018	• ABB AG, Mannheim, Germany (member of the supervisory board)
Jörg Hofmann* (Regional head of IG Metall, Baden-Württemberg; many years of experience as a member of various supervisory boards)	2006–2018	• Daimler AG, Stuttgart, Germany (member of the supervisory board) • Robert Bosch GmbH, Gerlingen-Schillerhöhe, Germany (member of the supervisory board)
Dr. Siegfried Jaschinski** (Many years of experience in the financial industry as a member of various management and supervisory boards)	2007–2018	• MainFirst Bank AG, Frankfurt, Germany (member of the management board and shareholder)

Dr. Herbert Meyer (Many years of experience as member of management and supervisory boards)	2011–2018	• HT Troplast GmbH, Berlin, Germany (member of the supervisory board) • MainFirst Bank AG, Frankfurt, Germany (member of the supervisory board) • MainFirst Holding AG, Zurich, Switzerland (member of the supervisory board) • Verlag Europa Lehrmittel GmbH, Haan-Gruiten, Germany (member of the advisory board)
Beate Schmitt* (Member of the Works Council)	2006–2018	none
Lone Fønss Schrøder (non-executive member of the management bodies of German and foreign companies, Hornbaek, Denmark)	2011–2018	• Bilfinger Berger SE, Mannheim (member of the supervisory board) • AKER Solutions ASA, Lysaker, Norway (member of the board of directors) • NKT Holding AS, Brønby/Denmark (member of the board of directors) • Svenska Handelsbanken AB, Stockholm/Sweden (member of the board of directors) • Volvo Personvagnar AB, Göteborg/Sweden (member of the board of directors)
Prof. Dr.-Ing. Günther Schuh (University professor; chair in production engineering at the RTWH Aachen University, Germany; many years of experience as a member of various administrative, supervisory and other advisory councils)	2008–2018	• Zwiesel Kristallglas AG, Zwiesel, Germany (member of the supervisory board) • KEX Knowledge Exchange AG, Würselen, Germany (chairman of the supervisory board) • Gallus Holding AG, St. Gallen, Switzerland (member of the administration board) • Brose Fahrzeugteile GmbH & Co. KG, Coburg, Germany (member of the advisory board)
Peter Sudadse* (Deputy Chairman of the Central Works Council, Heidelberg/Wiesloch-Walldorf)	2005–2018	none
Christoph Woesler* (head of Purchasing Electric/Electronic, Member of the Speakers Committee for the Executive Staff, Wiesloch-Walldorf)	2013–2018	none

* Employee representative.

** The Prosecutors Office (*Staatsanwaltschaft*) in Stuttgart has initiated criminal proceedings against current and former board members and managers of Landesbank Baden-Württemberg (“LBBW”) as well as its accountants regarding past accounting practices. These proceedings include Dr. Siegfried Jaschinski who was CEO of LBBW at the relevant time. In October 2013, the Regional Court (*Landgericht*) in Stuttgart opened court proceedings in this matter.

The members of the Supervisory Board can be contacted at the business address of Heidelberger Druckmaschinen Aktiengesellschaft, Kurfürsten-Anlage 52-60, 69115 Heidelberg.

Remuneration of the Members of the Supervisory Board

Section 16 of the Articles of Association of the Company regulates the remuneration of the members of the Supervisory Board:

(1) Each member of the Supervisory Board shall receive a fixed remuneration of EUR 40,000.

(2) The Chairman of the Supervisory Board shall receive three times the remuneration stated under (1), and his deputy shall receive double the remuneration, the amount stated under (1).

(3) The members of the Executive Committee, the Audit Committee and the Committee on Arranging Personnel Matters of the Management Board shall receive additional remuneration for their work on these committees. Each committee member shall receive remuneration of EUR 1,500 per meeting for his participation in a meeting of one of these committees. The Chairman of the Audit Committee shall receive remuneration of EUR 4,500 per meeting, the Chairman of the Executive Committee and the Chairman of the Committee on Arranging Personnel Matters of the Management Board shall receive remuneration of EUR 2,500 per meeting.

(4) Members of the Supervisory Board who are on the Supervisory Board for only part of a given financial year shall receive reduced remuneration proportionate to the time served. The fixed remuneration shall be payable after the end of the financial year, the remuneration for participation in committee meetings in accordance with (3) shall be payable after participating in the respective meeting.

(5) The Company shall also grant to each member of the Supervisory Board an attendance fee of EUR 500 for participation in a meeting of the Supervisory Board, a meeting of the committees stated in (3) and a preparatory separate shareholder or employee member meeting if these are held on a different day to the Supervisory Board meeting.

(6) The Company shall reimburse each member of the Supervisory Board for his expenses incurred in the context of his work as a member of the Supervisory Board.

(7) The company shall reimburse each member of the Supervisory Board for the sales tax charged in the context of his work as a member of the Supervisory Board.

(8) The performance of duties by members of the Supervisory Board shall be covered by a D&O insurance policy taken out by the Company.

Shares held by Members of the Supervisory Board

As of the date of this Offering Memorandum, the Members of the Supervisory Board hold a total of 20,841 no-par value shares of the Company: Robert J. Koehler holds 11,000 shares, Dr. Herbert Meyer 4,620 shares, Beate Schmitt 120 shares, Peter Sudadse 3,944 shares, Rainer Wagner 217 shares and Christoph Woesler 940 shares.

Certain Information regarding Members of the Management Board and the Supervisory Board

In the last five years, no current member of the Management Board or the Supervisory Board has been convicted of fraudulent offences. Nor have there been any public incriminations and/or sanctions with respect to members of the Management Board or the Supervisory Board brought by statutory or regulatory authorities.

In the last five years, no current member of the Management Board or Supervisory Board was subject to insolvency, administration, or liquidation in connection with his activities as a member of a Board of Directors, Management Board, or Supervisory Board or as a member of senior management.

No court has ever disqualified a current member of the Management Board or the Supervisory Board from acting as a member of an administrative, management, or supervisory body of a company or from acting in the management or conducting the affairs of any issuer.

As of the date of this Offering Memorandum, there are no family relationships between the members of the Management Board nor between the members of the Management Board and the members of the Supervisory Board.

There are no employment contracts between the Company or any of its subsidiaries and members of the Supervisory Board or the Management Board of the Company which provide for benefits at the end of the employment relationship.

Except for the potential conflicts of interests stated below, the members of the Board of Directors as well as the members of the Supervisory Board are not subject to any potential conflicts of interests regarding their obligations towards the Company on the one hand and their private interests or other obligations on the other hand.

General Shareholders' Meeting

Convening the Meeting and Announcement of the Agenda

According to section 17 of the Articles of Association of the Company, the General Shareholders' Meeting of the Company shall be held at the registered office of the Company, at the site of a domestic branch or business establishment of the Company or at the site of an enterprise affiliated with the Company or at another location within the Federal Republic of Germany having no less than 100,000 inhabitants. The annual ordinary General Shareholders' Meeting shall be held within the first eight months of each financial year. The General Shareholders' Meeting will also be convened if the welfare of the Company so requires, or if shareholders whose aggregate shares constitute 5% of the share capital demand a meeting in writing stating the purpose and reasons for the meeting.

Unless a shorter period of time is prescribed by law, notice of the General Shareholders' Meeting must be made at least 30 days prior to the last day on which the shareholders can register to attend the General Shareholders' Meeting.

Responsibility and Adoption of Resolutions

The General Shareholders' Meeting may adopt resolutions regarding, in particular, the distribution of net retained profits, the discharge of the Management Board and of the Supervisory Board, the selection of the independent auditor and, in the cases prescribed by law, the approval of the annual financial statements.

Unless otherwise required by mandatory statutory provisions, resolutions of the General Shareholders' Meeting are adopted by a simple majority of the votes cast and, if the law requires a majority of the capital in addition to a majority of the votes, by a simple majority of the share capital represented at the adoption of the resolution.

In accordance with the AktG, resolutions of fundamental importance additionally require a majority of at least three quarters of the share capital represented at the adoption of the resolution.

Each no par value share shall be entitled to one vote of the General Shareholders' Meeting.

Entitlement to participate in the General Shareholders' Meeting and Shareholders' Rights at the General Shareholders' Meeting

Section 17(4) of the Articles of Association of the Company provides that only shareholders who register themselves with the Company before the General Shareholders' Meeting and present proof of their share-holdings by way of a certification of the depositary bank in text form in German or English are authorized to participate in the General Shareholders' Meeting and to exercise voting rights. The certification must refer to the start of the 21st day before the meeting. Registration and certification must be received by the Company at the address specified for this purpose in the notice of convening no later than six days before the meeting. The date of receipt is not counted.

Each no-par value share shall be entitled to one vote at the General Shareholders' Meeting. Every shareholder has a right to ask questions and to speak at the General Shareholders' Meeting, which may be subject to certain restrictions, particularly with respect to the confidentiality concerns of the Company and its interest in the orderly and expeditious progress of the General Shareholders' Meeting. Section 18(2) of the Articles of Association of the Company provides that the Chairman of the General Shareholders' Meeting is entitled to impose reasonable time restrictions on the shareholders' rights to ask questions and to speak. Above all, he may at the commencement or during the course of the General Shareholders' Meeting set reasonable time limits for the entire General Shareholders' Meeting, for the period of discussion on any individual agenda items, and for presenting any individual questions and speeches.

Corporate Governance

The Government Commission on the German Corporate Governance Code (*Regierungskommission deutscher Corporate Governance Kodex*) appointed by the Federal Minister of Justice (*Bundesministerin für Justiz*) in September 2001 adopted the German Corporate Governance Code (the "**GCGC**") on February 26, 2002 and, most recently, adopted various amendments to the GCGC on May 13, 2013. The GCGC provides recommendations and suggestions on

managing and supervising listed German companies. In doing so, it is based on recognized international and national standards for good and responsible corporate governance. The purpose of the GCGC is to make the German corporate governance system transparent and comprehensible. The GCGC contains recommendations and suggestions on corporate governance with respect to shareholders and the general shareholders' meeting, the Management Board, the supervisory board, transparency, accounting and auditing. The GCGC can be viewed online at www.corporate-governance-code.de.

There is no legal obligation to comply with the recommendations and suggestions of the GCGC. German stock corporation law (section 161 AktG) merely requires the Management Board and supervisory board of a listed company annually to either make a declaration that the company has been and will be in compliance with the recommendations of the GCGC, or to state which recommendations have not or will not be applied and why. The declaration is to be made permanently available on the website of the company and in the management report of the company as a part of the declaration on corporate governance. A company may deviate from the suggestions made in the GCGC without disclosing this. On November 28, 2012, the Management Board and the Supervisory Board of the Company most recently issued the following declaration of compliance with the GCGC required by section 161 AktG:

"Since its last declaration of compliance on November 25, 2011, Heidelberger Druckmaschinen Aktiengesellschaft has complied with all recommendations published in the official section of the Federal Gazette by the Federal Ministry of Justice of the "Government Commission of the German Corporate Governance Code" as specified in the version effective since May 26, 2010, which was announced on July 2, 2010, during the period to June 14, 2012, and moreover, has complied with all recommendations published in the official section of the Federal Gazette by the Federal Ministry of Justice of the "Government Commission of the German Corporate Governance Code" as specified in the version effective since May 15, 2012, which was announced on June 15, 2012, during the period from June 15, 2012 to November 28, 2012, with the following exceptions and will comply with these recommendations in the future as well with the following exceptions:

One member of the company's Supervisory Board, who belongs to the Executive Board of a listed company, had accepted three Supervisory Board mandates in non-group listed companies and had performed these mandates since the statement of the last Declaration of Compliance on November 25, 2011. Furthermore, this member of the Supervisory Board has performed an additional Supervisory Board mandate in a Supervisory Board of a company with comparable requirements in accordance with the Section 5.4.5 of the GCGC. The member already held all these mandates at the time of the change of the GCGC in 2010, but also already in 2009. Therefore the recommended maximum number of three such mandates in accordance with Section 5.4.5 of the GCGC was not and will not be complied with. However, the Company does not consider this a limitation of the proper fulfillment of the Supervisory Board member's responsibilities, as the Supervisory Board member has sufficient time to perform his mandate at the Company, especially since the number of Supervisory Board mandates was already reduced by September 23, 2011. The Supervisory Board intends to take this recommendation into consideration in future nominations of Supervisory Board members.

The Company differed and will also continue to differ in future from the recommendations in Sections 4.1.5, 5.1.2 Sentence 2 and 5.4.1 second paragraph of the GCGC specified in the version effective since May 26, 2010 and the version effective since May 15, 2012 in so far as therein an appropriate consideration or participation of women should be aspired or provided. Supervisory Board and Management Board of the company took measures last year to advance women in the company and proposed to the Annual General Meeting to vote for another woman in the Supervisory Board. Supervisory Board and Management Board will continue to be guided in proposals and decisions in personnel matters only by the competence and qualification of the available female and male candidates and will not attach special or particular importance to the gender. Supervisory Board and Management Board explicitly welcome all efforts, which counteract a sexual or any other form of discrimination and which support diversity appropriately."

PRINCIPAL SHAREHOLDERS

Until December 9, 2013, the Company received the following notifications from shareholders reaching or exceeding 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% of voting rights in the Company. The following table contains the most recent shareholder notifications in each case in accordance with section 21 et seq. *Wertpapierhandelsgesetz* (WpHG—German Securities Trading Act); the reported share of voting rights may have changed since the date of the notified threshold contact.

Shareholders	Relevant thresholds	Voting share threshold reached on	Allocation	Share of voting rights	
Universal-Investment-Gesellschaft mit beschränkter Haftung, Frankfurt am Main, Germany	5% and 3%	April 30, 2013	direct	6.91%	**8.18%**
			indirect	1.27%	
Union Investment Privatfonds GmbH, Frankfurt am Main, Germany	3%	Feb 20, 2013	direct	3.07%	**3.07%**
Dimensional Fund Advisors LP, Austin, Texas, USA	3%	Jan 17, 2013	indirect	3.01%	**3.01%**
Dimensional Holdings Inc., Austin, Texas, USA	3%	Jan 17, 2013	indirect	3.01%	**3.01%**

MATERIAL AGREEMENTS AND RELATED PARTY TRANSACTIONS

Material Agreements

The following agreements are material for Heidelberg:

Financing Agreements

In November 2013, Heidelberg restructured its financing structure and established new financing agreements expiring at the end of June 2017 and also revised existing financing agreements. For a more detailed description as to the financing agreements, see "*Description of Other Indebtedness*".

Leasing Agreement Rochester/United States

Heidelberg has entered into a long-term lease agreement with a term until 2023 for an administrative and production building in Rochester/United States. This agreement is treated as an onerous contract according to IAS 37. During the years 2000 to 2003, Heidelberg had a new administrative and production building erected in Rochester/United States for its business in digital printing presses at that time. The entire transaction was long-term financed by third parties and incentivized by the State of New York. In the course of the sale of the digital printing press business to Eastman Kodak Company, Kodak rented the building for ten years from the new principal tenant, Heidelberg Americas, Inc. Heidelberger Druckmaschinen Aktiengesellschaft is the guarantor on behalf of its subsidiary, Heidelberg Americas, Inc., vis- à-vis the financing partners. Because Heidelberg was not able to fulfil certain parameters linked to its creditworthiness, the rent per year for the building in Rochester increased by approximately $5.5 million. After the so-called "rate reset" with the financing banks, the current rent burden is stable at the current level. Since Kodak left the building in September 2012 due to its chapter 11 proceedings, Heidelberg is currently searching for new sub-lessees for the Rochester building.

Shareholder and Options Agreement regarding Gallus Holding AG (St. Gallen, Switzerland)

Heidelberg Boxmeer B.V. (the Netherlands), a subsidiary of Heidelberger Druckmaschinen Aktiengesellschaft, holds a 30% share in Gallus Holding AG (St. Gallen, Switzerland). The remaining 70% are held by Ferd. Rüesch AG (St. Gallen, Switzerland) ("**FRAG**"). Heidelberg Boxmeer B.V. and FRAG have signed a shareholder agreement according to which Heidelberg is entitled to the management of Gallus Holding AG. Due to this shareholder agreement, Heidelberg may fully consolidate Gallus Holding AG and its subsidiaries within Heidelberg's consolidated financial statements. Furthermore, an options agreement has been entered into between Heidelberg Boxmeer B.V. and FRAG regarding the remaining shares of Gallus Holding AG held by FRAG. In its version most recently amended in December 2012, it provides that Heidelberg is granted the right to acquire the remaining 70% of the shares in Gallus Holding AG between July 1, 2020 and December 31, 2020 under certain conditions (call option). In return, FRAG was granted the right to sell these shares to Heidelberg under identical terms during the same time period (put option).

Sales Contracts with Staples

For several decades, Heidelberg has cooperated with the Printing Division of Staples and the respective companies of the Staples group, formerly known as "Corporate Express", "Buhrmann" and "KNP-BT". The local companies of the Staples group in Italy, Spain, Greece and the Benelux countries sell Heidelberg products in their local markets and provide relevant services. A long-term framework distribution agreement has been entered into 2002. For several months, Staples tried to sell its Printing Division. Recently these efforts where successful when the printing Division was sold to CoBe Capital in early October 2013. Heidelberg plans to continue its cooperation with the former Staples Printing Division which is supposed to be renamed soon.

Strategic Partnership Agreement with Ricoh

In February 2011, the Company entered into a global strategic cooperation with Ricoh Company, Ltd. (Ricoh), Tokyo, Japan, ("**Ricoh**") a global technology leader, specializing in the office and production printing markets. As a first step, both companies agreed to enter into global distribution contracts between Ricoh's subsidiaries and Heidelberg's Sales and Service Units. The agreements will enable Heidelberg to sell Ricoh's latest color digital press, the Ricoh ProTM C901 Graphic Arts Edition—Ricoh's high speed color digital press with Ricoh PxPTM Chemical toner, as well as appropriate future production printing offerings Ricoh offers. The global strategic cooperation, which includes Ricoh services and support, started in April 2011. After the first markets in United Kingdom and Germany have been worked on, a phased rollout followed in other geographies.

Global Alliance with Fujifilm

In October 2013, Heidelberg entered into a global alliance with Fujifilm, whereby the parties agreed to jointly explore further opportunities in digital printing by utilizing the Fujifilm/Dimatix inkjet technology. The cooperation with Fujifilm aims at dedicated inkjet printing solutions for Heidelberg's customers by complementing the current toner-based digital printing solution, Linoprint C. This should allow Heidelberg to offer larger digital formats than with the Linoprint C and positions the Company to move beyond commercial print or packaging into other industrial print markets. With the Fujifilm inkjet technology Heidelberg can further establish its experience in digital printing and quickly move into the peak performance segment. It is Heidelberg's goal to become a global player in the growing digital printing applications market.Together with Ricoh and Fujifilm, Heidelberg believes to be able to meet customer needs more efficiently and more quickly.

Related Party Transactions

According to International Accounting Standard 24 (IAS 24), entities and persons are considered to be related (*nahestehend*) to a reporting company in particular if the entity or person:

- controls the reporting company or is controlled by this company;
- has an interest in the reporting company which gives it significant influence over this company;
- has joint control over the reporting company;
- is an associate of the reporting company within the meaning of IAS 28;
- is a joint venture in which the reporting company is a venturer within the meaning of IAS 31;
- is a member of the Management Board or of the supervisory board of the reporting company, or a close member of the family of such a member;
- is an entity that is controlled by a member of the Management Board or of the supervisory board of the reporting company or by a close family member of any such individual, is jointly controlled or is significantly influenced by these persons, or for which significant voting power in this entity directly or indirectly resides with these persons; or
- is a post-employment benefit plan for the benefit of the employees of the reporting company or for the benefit of an entity related to this company.

Described below are the material transactions and legal relationships which have existed between the Company and/or other companies in the Heidelberg Group and the aforementioned related persons and entities in the financial years 2010/2011, 2011/2012 and 2012/2013 as well as in the financial year 2013/2014 up to and including the date of this Offering Memorandum. Business relationships between companies of the Heidelberg Group are not included. Material subsidiaries, which are directly or indirectly controlled by the Company and which are included in the consolidated financial statements are listed in section "*Group structure and material shareholdings*" of the notes to the consolidated financial statements of the Company for financial year ending on March 31, 2013, includes elsewhere in this Offering Memorandum.

The following transactions with related parties are primarily transactions with non-consolidated subsidiaries.

In the financial year 2012/2013, transactions were carried out with related parties that resulted in liabilities of EUR 6.9 million, receivables of EUR 15.8 million, expenses of EUR 17.0 million and income of EUR 8.1 million, which essentially includes sales. These were transactions mainly with subsidiaries which were not consolidated due to insignificance. In the year under review write-downs on receivables from related parties were not recognized. In the financial year 2012/2013, members of the Supervisory Board of the Company received remuneration of EUR 0.616 million from Heidelberg Group for consulting, service and hiring agreements.

In the 2011/2012 financial year, transactions were carried out with related parties that resulted in liabilities of EUR 9.5 million, receivables of EUR 17.9 million, expenses of EUR 16.2 million and income of EUR 19.4 million, which essentially includes sales. In the year under review write-downs of EUR 0.648 million were recognized on receivables from related parties. In the 2011/2012 financial year, members of the Supervisory Board of the Company received remuneration of EUR 1.1 million from Heidelberg Group for consulting, service and hiring agreements.

In the 2010/2011 financial year, transactions were carried out with related parties that resulted in liabilities of EUR 5.1 million, receivables of EUR 14.2 million, expenses of EUR 14.1 million and income of EUR 20.6 million, which essentially includes sales. In the year under review write-downs of EUR 1.6 million were recognized on receivables from related parties. In the 2010/2011 financial year, companies controlled by a member of the the Supervisory Board of the Company have provided advisory services to fully consolidated companies amounting to EUR 0.722 million.

In the first six months of the financial year 2013/2014, transactions were carried out with related parties that resulted in liabilities of EUR 5.7 million, receivables of EUR 19.0 million, expenses of EUR 5.9 million and income of EUR 3.9 million, which essentially include sales. In the first two quarters of the 2013/2014 financial year, members of the Supervisory Board of the Company received remuneration of EUR 0.306 million from Heidelberg Group for consulting, service and hiring agreements.

The following transactions with related parties are primarily transactions with non-consolidated subsidiaries.

In connection with members of the Management Board of the Company see in addition "*Governing Bodies of the Company—Management Board—Remuneration of the members of the Management Board*", "*Information about the Governing Bodies of the Company—Supervisory Board—Remuneration of the Members of the Supervisory Board*".

Members of the Supervisory Board of the Company received remuneration of EUR 0.616 million in the financial year 2012/2013 from Heidelberg Group for consulting, service and hiring agreements. For financial year 2011/2012, members of the Supervisory Board received remuneration of EUR 1.070 million and EUR 0.722 million for financial year 2010/2011 for consulting, service and hiring agreements.

In the opinion of the Company, all abovementioned transactions were concluded at standard market terms and did not differ in principle from trade and service relationships with other companies.

DESCRIPTION OF OTHER INDEBTEDNESS

In March 2011, Heidelberg substantially reorganized its financing structure by entering into financing agreements through to April 2018 (final maturity) and adjusted existing financing agreements correspondingly. The core elements of Heidelberg's financing structure currently consist of the Original Notes and a syndicated loan facility (as described in more detail below).

In July 2013, Heidelberg also issued a Convertible Notes amounting to EUR 60 million nominal value and maturing July 10, 2017.

Syndicated Loan Facility

In March 2011, Heidelberg and a banking syndicate, under the lead of BNP Paribas S.A. Niederlassung Frankfurt am Main, Citibank Global Markets Limited, Commerzbank Aktiengesellschaft, Deutsche Bank AG and Landesbank Baden-Württemberg, agreed to enter into a EUR 500 million Revolving Credit Facility maturing on December 31, 2014 (as amended from time to time), which was reduced by EUR 25 million at end of June 2012, by a further EUR 59 million from the net proceeds of a nominal EUR 60 million Convertible Notes successfully placed in July 2013, and by a further reduction to EUR 390 million pursuant to the ARA RCFA. The Revolving Credit Facility is used to satisfy general corporate financing purposes of Heidelberg. See "*Use of Proceeds*." On December 6, 2013, certain conditions were amended with immediate effect, while other conditions were amended with effect as of January 1, 2015 (the "**Deferred Amendments**"), and certain financial covenants have been agreed for the extended maturity period.

On December 6, 2013, Heidelberg agreed with, *inter alia*, its Revolving Credit Facility lenders in the ARA RCFA to extend the final maturity date of its Revolving Credit Facility until June 30, 2017. Pursuant to the ARA RCFA, the amount of the Revolving Credit Facility was reduced from EUR 416.275 million to EUR 390 million. The issuance of the Additional Senior Notes will result in a further reduction of the amount of the Revolving Credit Facility from EUR 390 million to approximately EUR 340 million. See "*Use of Proceeds*." Effective December 31, 2014, the amount of the Revolving Credit Facility will then be further reduced to approximately EUR 277 million. The reduction of the amount of the Revolving Credit Facility on December 31, 2014 is a condition to the effectiveness of the extension of the facility until its new final maturity date on June 30, 2017, as well as to the Deferred Amendments. The extension of the final maturity date and the effectiveness of the Deferred Amendments is further subject to certain documentary conditions precedent in line with ordinary market practice, including, without limitation, corporate documents, legal opinions, security documents and ancillary documentation.

As of September 30, 2013, Heidelberg had drawn in cash an outstanding amount of EUR 4.1 million under the Revolving Credit Facility.

The Revolving Credit Facility tranches bear interest at a rate that corresponds to the total of the applicable margin, the applicable interbank rate, and any applicable mandatory costs (such as defined in the loan agreement). The applicable margin varies depending on leverage (ratio of net debt to EBITDA as defined in more detail in the Revolving Credit Facility).

Under the Revolving Credit Facility, Heidelberg is also obliged to pay a commitment fee on any loan commitments that are not drawn down and not cancelled and a potential further fee, based on a percentage of the amount of the then total commitments, payable on specific dates until the Revolving Credit Facility is repaid and cancelled in full. In addition, Heidelberg is obliged to pay an additional fee for drawing on the syndicated part of the Revolving Credit Facility (with the fee amount depending on the amount drawn). The relevant minimum utilisation fee increases if the aggregate amount drawn down exceeds the respective threshold of 0%, 33.3% and/or 66.6% of the total commitments less the aggregate amount of all ancillary facilities.

Original Notes

In parallel to the negotiations for the Revolving Credit Facility in March 2011, on March 31, 2011 the Company successfully launched the offering of the Original Notes with a notional volume of EUR 304 million. The Original Notes have a maturity of seven years (i.e., April 15, 2018) and pay a coupon of 9.25% per annum, semi-annually in arrears. The issue price was 98.735%. The Original Notes are traded on the Luxembourg Stock Exchange.

At any time after April 15, 2014, the Company has the right to redeem all or part of the notes at certain prices stipulated in the respective Terms & Conditions.

Convertible Notes

In July 2013, the Company issued the EUR 60 million Convertible Notes maturing in July 2017. The unsecured notes pay a coupon of 8.5% per annum, quarterly in arrears. The issue price was 100%. The Convertible Notes are traded on the Open Market (*Freiverkehr*) of the Frankfurt Stock Exchange.

The initial conversion price is EUR 2.62. After the first anniversary, the Company has the right to call the bond under certain conditions which are stipulated in the respective Terms & Conditions.

Real Estate Lease

In connection with a long term loan (book value as of March 31, 2013: EUR 40.7 million), the lender was granted usufruct rights (*Nießbrauchrechte*) to three developed properties. The basis for these rights is a sale (usufructuary)-and-lease-back agreement which specifies a fixed minimum leasing term of ten years, as well as an option to twice extend the lease for respectively four years. The usufructuary rights each have a term of 18 years. After ten years, the usufruct rights can be re- acquired.

Collateralization

In connection with the refinancing concept implemented in 2009, Heidelberg furnished extensive collateral representing essentially all of its assets.

In Germany, this collateral consists of land charges, assignment of receivables, pledging of shares and partnership interests in subsidiaries, guarantees included in the loan agreements provided by Heidelberg and/or a certain Heidelberg Group companies, transfer of ownership as collateral, as well as the pledging of intellectual property ownership rights and bank accounts. Collateral was furnished at the international level via the pledge of shares (or equivalent security rights) in various subsidiaries as well as rights and receivables from various subsidiaries.

The collateral is consolidated in a common security pool with Deutsche Bank Luxembourg S.A. as the security agent. The intercreditor agreement and related security agreements govern in particular the participation in the collateral and/or any proceeds, the position of the security agent who holds the majority of the collateral, and the procedure and necessary authorizations for the release of collateral in addition to the provisions contained in the individual collateral agreements and the loan agreements.

The collateral which had to be furnished in relation to the Revolving Credit Facility (and that replaced the collateral described above) is substantially identical to the collateral which has been furnished in connection with the implementation of the refinancing concept in 2009 except for a few reductions of the collateral package to be furnished on the international level.

Under the current arrangements governing the security pool, such security pool secures not only the obligations of Heidelberg towards its Revolving Credit Facility lenders, but may also secure certain permitted refinancings as set out in more detail in the intercreditor agreement, the last amendment of which took effect on December 6, 2013. Pursuant to said amendment to the intercreditor agreement, there are further amendments that were already agreed now, but will enter into force on January 1, 2015 subject to the entry into force of the deferred amendments under the ARA RCFA. These deferred amendments include the opening of the security pool to allow third party lenders to also participate in the collateral rights inside the collateral pool subject to a maximum amount of the secured obligations (including the secured obligations under the Revolving Credit Facility).

Financial Covenants and Other Restrictions

The financing provided under the Revolving Credit Facility is subject to various restrictions, which limit the Heidelberg Group's operational flexibility.

Certain key financial covenants must be adhered to under the Revolving Credit Facility. The financial covenants specify minimum values for the interest coverage ratio (relationship of earnings before interest, taxes, depreciation and amortization (excluding certain special items) (EBITDA) to all interest payments and commitment fees paid by the Heidelberg Group plus certain fees, but less certain non-recurring payments, less any specific fees payable under the Revolving Credit Facility, and less certain interest income, as defined in detail in the agreement), and equity, as well as maximum values for total leverage (relationship of net total debt to EBITDA), each on a consolidated basis. If these financial covenants cannot be adhered to, the banks can call in the aforementioned loans. Heidelberg adjusted its financial covenants in the financial years 2011/2012 and 2012/2013 in coordination with the financing banks to reflect the effects of the efficiency and cost optimization program Focus 2012 and its re-sharpening component that had been introduced to respond to the changing operating environment and economic situation, as well as to eliminate the impact

of certain changes to the pertinent accounting rules. Financial covenants have been agreed for the extended maturity period as one element to the ARA RCFA on December 6, 2013. According to Heidelberg's current multi-year plan, the Company expects to be able to adhere to the financial covenants with corresponding buffers (headrooms) to cushion any temporary effects. Nevertheless, there is a risk that the Company will not be able to adhere to the financial covenants in the event of poor operating results (or in the case of unexpected events not taken into consideration in planning). See also "*Risk factors—Business-related risks—The terms of the existing loan agreement limit Heidelberg's scope of action. Heidelberg may not be able to comply with the financial covenants it is subject to*".

Under the current Revolving Credit Facility, Heidelberg is required to use net proceeds and cash inflows ensuing, among other things, from disposal of assets (with certain exception for factoring), insurance benefits, etc., under certain requirements and in some cases if certain thresholds are exceeded for mandatory prepayments. If assets are sold, the mandatory prepayment can be avoided if these net proceeds are reinvested in the Heidelberg Group's core business within six months of their receipt. In the case of insurance benefits, the mandatory prepayment can be avoided if the object for which the benefits were paid is restored, or comparable assets are purchased, if the funds related to the reinstatement or replacement purchase are invested within six months. Furthermore, Heidelberg is obligated to use the proceeds from the incurrence of certain indebtedness for mandatory prepayments. Under the Revolving Credit Facility, the issuance of equity does not trigger a mandatory prepayment, but proceeds resulting from the issuance of equity linked instruments (including, convertible bonds) qualify as debt proceeds.

The Revolving Credit Facility includes change of control clauses that grant the contractual parties additional information and cancellation rights and/or rights to early repayment of the loan if the control or majority relationships in the Company change. In addition, certain additional restrictions apply over the entire contractual terms of the Revolving Credit Facility that, among other things, limit the Heidelberg Group's opportunities to furnish assets as collateral, to incur financial obligations, to sell assets, to enter into price hedging transactions, and to conduct takeovers, as well as mergers or spin off operations. In addition, each debtor is also obligated to ensure sufficient insurance coverage and refrain from making any changes to the effect that the Heidelberg Group's core business would no longer include the production and distribution of printers. Furthermore, the Companies of the Heidelberg Group are obligated to provide comprehensive information to the banks under the Revolving Credit Facility.

Each violation of the agreed financial covenants and rules of conduct (in some cases following the unsuccessful expiration of a deadline to remedy the situation) gives rise to an extraordinary right of termination on the part of the respective lenders, who are entitled to immediately call in the affected loans in such a case. In addition, the lenders are entitled to other termination rights; for instance and among other things, if an assurance or commitment is essentially untrue, incorrect, or misleading, certain other financial obligations on the part of member of the group established in an OECD country in the amount of EUR 10 million or more are not paid or are called in before the respective maturity or such a right exists, companies of the Heidelberg Group become insolvent, approvals needed from governments or other authorities, or licenses or authorizations are no longer fully valid or effective, the government sureties or the surety vote are revoked, a reason for cancellation occurs under one of the respective loan agreements, dividends are resolved which are either in excess of the lower of 50% of after-tax profits and 50% of free cash flow or if the leverage exceeds a certain threshold, uncovered U.S. pension obligations arise, or a series of events which, has or will have a Material Adverse Effect.

DESCRIPTION OF THE NOTES

Heidelberger Druckmaschinen Aktiengesellschaft (the "**Issuer**") will issue EUR 51 million aggregate principal amount of additional 9.25% Senior Notes due 2018 (the "**Additional Senior Notes**") in accordance with the conditions of issue (the "**Conditions of Issue**"), dated April 7, 2011. Pursuant to the Conditions of Issue, the Issuer issued, on April 7, 2011, EUR 304,000,000 aggregate principal amount of 9.25% Senior Notes due 2018 (the "**Original Notes**" and, together with the Additional Senior Notes, the "**Notes**"). The Original Notes and the Additional Senior Notes will have the same terms and will be treated as one single class for all purposes under the Conditions of Issue, including without limitation, waivers, amendments, redemptions and offers to purchase. Holders of the Additional Senior Notes will rank *pari passu* with, and vote together with, the holders of the Original Notes. Unless the context requires otherwise, references in this Description of the Notes to the Notes include the Notes and any Additional Notes (as defined herein) that are issued. The terms of the Notes include those set forth in the Conditions of Issue. In this Description of the Notes, the term "Issuer" refers to Heidelberger Druckmaschinen Aktiengesellschaft only and not to any of its subsidiaries.

The following description is a summary of the material provisions of the Notes and the Conditions of Issue and is subject to, and is qualified in its entirety by reference to, all of the provisions of the Notes and the Conditions of Issue, including the definitions of certain terms contained therein. You are urged to read the Conditions of Issue and the Notes in their entirety because they, and not this description, define your rights as Holders. Copies of the Conditions of Issue and the Notes are available as set forth under "*Listing and Legal Information*". You can find the definitions of certain terms used in this description under the subheading "*—Certain Definitions*".

The Original Notes are listed on the official list of the Luxembourg Stock Exchange and have been admitted to trading on the Luxembourg Stock Exchange's Euro MTF market ("**Euro MTF**"). The Issuer has made an application to list the Additional Senior Notes on the official list of the Luxembourg Stock Exchange and to admit the Additional Senior Notes to trading on the Euro MTF market. If and so long as the Additional Senior Notes are admitted for trading on the Euro MTF market and listed on the Official List of the Luxembourg Stock Exchange, the Issuer will maintain a paying or transfer agent in Luxembourg. See "*—Paying Agent, Transfer Agent and Holders' Representative*".

General

The Additional Senior Notes

The Additional Senior Notes will be governed by German law and will:

(a) constitute general obligations of the Issuer;

(b) rank senior in right of payment to all existing and future Indebtedness of the Issuer that is subordinated in right of payment to the Additional Senior Notes;

(c) rank *pari passu* among themselves and *pari passu* in right of payment without any preference with all existing and future Indebtedness of the Issuer that is not subordinated in right of payment to the Notes, unless such obligations are accorded priority under mandatory provisions of statutory law;

(d) be effectively subordinated to all existing and future Indebtedness of the Issuer that is secured by property and assets, including the Revolving Credit Facility, to the extent of the value of the property and assets securing such Indebtedness; and

(e) be structurally subordinated to any and all existing and future liabilities of the Subsidiaries of the Issuer that are not Subsidiary Guarantors.

Additional Notes

The Issuer may, without the consent of the Holders, issue additional Notes ("**Additional Notes**") under the Conditions of Issue from time to time after this offering, having the same terms and conditions as the Notes in all respects (except for the issue date and/or issue price). In particular, any issuance of Additional Notes is subject to all of the covenants in the Conditions of Issue, including the covenant described below under the caption *"—Certain Covenants—Limitation on Indebtedness*" and *"—Certain Covenants—Limitation on Liens*". Any Additional Notes, including the issuance of the Additional Senior Notes, subsequently issued under the Conditions of Issue will be consolidated with, form a single series with and increase the aggregate principal amount of the Notes. If Additional Notes are issued in the future, it is possible that those Additional Notes will not be fungible with the Notes offered hereby for U.S. federal income tax purposes. This could have an adverse tax effect for Holders who hold Notes and did not acquire them in this initial offering, and therefore could adversely affect the marketability and fair market value of the Notes. Holders are urged to consult their own tax advisors concerning such matters.

Form of the Notes

The Notes are represented by one or more permanent bearer global notes without interest coupons (the "**Global Notes**"). The Notes are only transferable in minimum aggregate principal amounts of EUR 50,000 or integral multiples of EUR 1,000 in excess thereof. The amount of Notes represented by each of the Global Notes will be evidenced by the register maintained for that purpose by Clearstream Banking AG, Frankfurt am Main ("**Clearstream**" or the "**Clearing System**"), as agent for the Issuer, showing the aggregate number of Notes represented by each Global Note. Each Global Note will be kept in custody by Clearstream, until all obligations of the Issuer under the Notes will have been satisfied. No definitive Notes will be issued. The book-entry interests in the Notes shall be transferable by appropriate entries in securities accounts in accordance with applicable rules of Clearstream and, outside of the Federal Republic of Germany, of Clearstream Banking, société anonyme (42 Avenue JF Kennedy, 1855 Luxembourg, Luxembourg) and Euroclear Bank SA/NV (Boulevard du Roi Albert II, 1210 Brussels, Belgium) as operator of the Euroclear System and any successor in such capacity.

Transfer and Exchange

The Global Notes may be transferred in accordance with the Conditions of Issue. All transfers of book-entry interests between participants in Euroclear or Clearstream Banking will be effected by Euroclear or Clearstream Banking pursuant to customary procedures and subject to applicable rules and procedures established by Euroclear or Clearstream Banking and their respective participants. See "*Book-entry Delivery and Form*".

The Notes will be subject to certain restrictions on transfer and certification requirements, as described under "*Subscription and Sale—Selling and Transfer Restrictions*".

Principal, Maturity and Interest

The Issuer will issue EUR 51 million aggregate principal amount of Additional Senior Notes in this offering in denominations of EUR 1,000. The Additional Senior Notes are only transferable in minimum aggregate principal amounts of EUR 50,000 and any integral multiples of EUR 1,000 in excess thereof. The Additional Senior Notes will mature on April 15, 2018 (the "**Maturity Date**") at their principal amount, plus accrued and unpaid interest and Additional Amounts, if any, to the Maturity Date.

Interest on the Additional Senior Notes will accrue on their outstanding aggregate principal amount at the rate of 9.25% per annum from and including the Issue Date to but excluding the Maturity Date, and will be payable semi-annually in arrears on April 15 and October 15 of each year, the first interest payment on the Additional Senior Notes will be on April 15, 2014.

If interest is to be calculated for a period of less than one year (a "**Calculation Period**") it shall be calculated on the basis of the Day Count Fraction. "**Day Count Fraction**" means with regard to the calculation of interest on any Note for any Calculation Period the number of days in the Calculation Period divided by 360, the number of days to be calculated on the basis of a year of 360 days with twelve 30-day months.

A Default shall occur, irrespective of any notice, if any amounts payable under the Notes are not paid when due. Any due and unpaid amount of principal shall, irrespective of any notice and for so long as such Default remains outstanding, bear additional default interest of an additional one percent per annum from and including the relevant due date to but excluding the date of payment.

Payments of principal, premium and Additional Amounts, if any, and interest on the Notes will be made to the Paying Agent for on-payment to the Clearing System or to its order for credit to the respective account holders of the Clearing System, and, in the case of principal, upon presentation and surrender of the relevant Global Note. See "*Book-Entry Delivery and Form*". No service charge will be made for any registration of transfer, exchange or redemption of Notes, but the Issuer may require payment in certain circumstances of a sum sufficient to cover any transfer tax or other similar governmental charge that may be imposed in connection therewith. The Issuer will make all payments one Business Day prior to each due date for payment in immediately available funds.

Paying Agent, Transfer Agent and Holders' Representative

The Issuer will maintain a Paying Agent (the "**Paying Agent**") and Transfer Agent (the "**Transfer Agent**") for the Notes. The initial Paying Agent will be Deutsche Bank Aktiengesellschaft, Große Gallusstraße 10-14, 60262 Frankfurt am Main, Germany, Fax: +49 69 910 38762, and the initial Transfer Agent will be Deutsche Bank Aktiengesellschaft, Trust and Securities Operations GTOSCO, Floor LSS5- 12th Floor, Alfred Herrhausen Allee 16-24, 65760 Eschborn, Germany, Fax: +49 69 910 43242.

The Issuer may appoint additional paying agents and transfer agents and revoke the appointment of any paying agent or transfer agent and the Issuer or any of its Subsidiaries may act as Paying Agent other than for purposes of effecting a redemption described under *"—Optional Redemption*", or an offer to purchase the Notes described under *"—Repurchase at the Option of Holders upon a Change of Control*" and "*—Certain Covenants—Limitation on Sales of Assets*"; *provided*, *however*, that, (i) for as long as the Notes are listed on a stock exchange, the Issuer shall at all times ensure that a paying agent is appointed in the jurisdiction in which such stock exchange is located, if so required by the rules of such stock exchange and (ii) in no event may the Issuer act as Paying Agent or appoint a Paying Agent in any member state of the European Union where the Paying Agent would be obliged to withhold or deduct tax in connection with any payment made by it in relation to the Notes unless the Paying Agent would be so obliged if it were located in all other member states. Any such appointment or revocation shall be published without undue delay in accordance with the provisions set forth under *"—Notices*". All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of the Conditions of Issue by the Paying Agent and the Transfer Agent will (in the absence of manifest error) be binding on the Issuer and the Holders. The Paying Agent and the Transfer Agent reserve the right at any time to change their specified offices. Any such change shall be published without undue delay in accordance with procedures set forth under *"—Notices*".

The initial common representative (the "**Holders' Representative**") to exercise the Holders' rights on behalf of each Holder will be Deutsche Bank Aktiengesellschaft, Große Gallusstraße 10-14, 60262 Frankfurt am Main, Germany, Fax: +49 69 910 38395. The Holders' Representative shall have the duties and powers provided for in the Conditions of Issue or by law or granted by resolution of the Holders. The Holders' Representative shall comply with the instructions of the Holders. To the extent that the Holders' Representative has been authorized to assert certain rights of the Holders, the Holders shall not be entitled to assert such rights themselves, unless explicitly provided for in the relevant resolution or the Conditions of Issue. The provisions of the German Act on Debt Securities of 2009, as amended (*Gesetz über Schuldverschreibungen aus Gesamtemissionen*, *Schuldverschreibungsgesetz—SchVG*) apply with regard to the removal of the Holders' Representative and its rights and obligations. Each Holder, by accepting a Note, appoints the Holders' Representative as its agent under the Conditions of Issue. Deutsche Bank Aktiengesellschaft accepts such appointment.

The Holders' Representative will be liable for the proper performance of its duties towards the Holders who will be joint and several creditors (*Gesamtgläubiger*); in the performance of its duties it shall act with the diligence and care of a prudent business manager. The liability of the Holders' Representative will be limited to in the aggregate ten times the amount of its annual remuneration, unless the Holders' Representative has acted willfully or with gross negligence. The liability of the Holders' Representative may be further limited by a resolution passed by the Holders. The Holders shall decide upon the assertion of claims for compensation of the Holders against the Holders' Representative.

The Holders' Representative may demand that the Issuer to furnish all information required for the performance of the duties entrusted to it.

Subsidiary Guarantees

The Additional Senior Notes will be guaranteed by each Restricted Subsidiary of the Issuer which guarantees the Revolving Credit Facility (such entities collectively the "**Initial Subsidiary Guarantors**"). The Initial Subsidiary Guarantors are Heidelberg Graphic Equipment Ltd. (Australia), Heidelberger Druckmaschinen Austria Vertriebs-GmbH (Austria), Heidelberger Druckmaschinen Osteuropa Vertriebs-GmbH (Austria), Heidelberg Canada Graphic Equipment Limited (Canada/Ontario), Heidelberg International Ltd. A/S. (Denmark), Heidelberg International Finance B.V. (The Netherlands), Heidelberg Graphic Equipment Limited (UK), Heidelberg France S.A.S. (France), Heidelberger Druckmaschinen Vertrieb Deutschland GmbH (Germany), Heidelberg Boxmeer Beteiligungs-GmbH (Germany), Heidelberg China-Holding GmbH (Germany), Heidelberg Consumables Holding GmbH (Germany), Heidelberg Postpress Deutschland GmbH (Germany), Heidelberg China Limited (Hong Kong SAR), Heidelberg USA, Inc. (USA/Delaware), Heidelberg Americas, Inc. (USA/Delaware) and Heidelberg Japan K.K. (Japan).

With effect of and following the Issue Date, the Initial Subsidiary Guarantors jointly and severally guarantee unconditionally and irrevocably as primary obligors, and not merely as surety (subject to the limitations set forth below), on a senior basis, the full and punctual payment of all amounts payable under the Additional Senior Notes when due (the "**Initial Subsidiary Guarantees**"). The Initial Subsidiary Guarantees are agreed in separate agreements among Deutsche Bank Aktiengesellschaft as Holders' Representative and each Subsidiary Guarantor and constitute contracts for the benefit of the Holders from time to time as third party beneficiaries in accordance with § 328(1) of the German Civil Code (*Bürgerliches Gesetzbuch*), giving rise to the right of each Holder to require performance of the Subsidiary Guarantees directly from the Subsidiary Guarantors and to enforce the Subsidiary Guarantees directly against the Subsidiary Guarantors. Copies of the Subsidiary Guarantees may be obtained free of charge at the principal office of the Issuer.

The Subsidiary Guarantees of the Additional Senior Notes by the Subsidiary Guarantors will:

(a) constitute direct, unconditional and irrevocable obligations of such Subsidiary Guarantor;

(b) rank senior in right of payment to all of existing and future Indebtedness of such Subsidiary Guarantor that is subordinated in right of payment to such Subsidiary Guarantee;

(c) rank *pari passu* in right of payment with all existing and future Indebtedness of such Subsidiary Guarantor that is not subordinated in right of payment to such Subsidiary Guarantee; and

(d) be effectively subordinated to any existing and future Indebtedness of such Subsidiary Guarantor that is secured by property and assets that do not secure such Subsidiary Guarantee, including guarantees of amounts drawn under the Revolving Credit Facility, to the extent of the value of the property and assets securing such Indebtedness.

The Issuer may from time to time be required to procure from certain of its Subsidiaries (each, an "**Additional Subsidiary Guarantor**") the issuance of additional guarantees pursuant to the provisions set forth under *"—Certain Covenants—Future Subsidiary Guarantors*" below. Any such guarantee (an "**Additional Subsidiary Guarantee**") shall be issued on substantially the same terms as the Initial Subsidiary Guarantees (except that such Additional Subsidiary Guarantees will be countersigned by the Holders' Representative) and be subject to legally advisable appropriate limitations reflecting the laws applicable to the relevant Additional Subsidiary Guarantor. The term "**Subsidiary Guarantees**" shall also include any such Additional Subsidiary Guarantees and the term "**Subsidiary Guarantors**" shall also include any such Additional Subsidiary Guarantors.

As of September 30, 2013, on a pro forma basis after giving effect to the issuance of the Additional Senior Notes, Heidelberg would have had EUR 484.9 million of financial liabilities outstanding and approximately EUR 35 million outstanding as non-cash utilizations under the Revolving Credit Facility relating to the Company's ancillary facility and bank guarantees. As of September 30, 2013, the Issuer's non-guarantor subsidiaries had EUR 81.5 million of financial liabilities, including trade payables but excluding intercompany obligations, all of which would have ranked structurally senior to the Notes.

Not all the Issuer's Subsidiaries will guarantee the Notes. In the event of a bankruptcy, liquidation or reorganization of any of these non-guarantor Subsidiaries, such Subsidiaries will likely be required to repay financial and trade creditors before distributing any assets to the Issuer or a Subsidiary Guarantor.

As of the Issue Date, all the Issuer's Subsidiaries will be Restricted Subsidiaries. However, under the circumstances described below under *"—Certain Covenants—Restricted and Unrestricted Subsidiaries*", the Issuer will be permitted to designate certain of its Subsidiaries as "**Unrestricted Subsidiaries**". Unrestricted Subsidiaries of the Issuer will not be subject to any of the restrictive covenants in the Conditions of Issue.

The obligations under the Subsidiary Guarantees issued by Subsidiary Guarantors will be limited as necessary under the terms of such Subsidiary Guarantees to prevent the Subsidiary Guarantees from constituting a fraudulent conveyance under applicable laws, or otherwise to reflect limitations under applicable laws, including with respect to maintenance of share capital and other applicable mandatory rules. The Subsidiary Guarantees may be subject to claims that they should be subordinated or voided in favor of the Issuer's existing and future creditors under German or other applicable capital maintenance laws. See "*Certain Insolvency Law Considerations and Certain Local Law Considerations on Limitations on Subsidiary Guarantees*".

Release of Subsidiary Guarantees

A Subsidiary Guarantee shall be released and discharged, automatically, unconditionally and without further action on the part of any Holder or the Holders' Representative:

(a) in the event of any sale, exchange or transfer (by merger or otherwise) (i) of the Capital Stock of such Subsidiary Guarantor, after which the applicable Subsidiary Guarantor is no longer a Restricted Subsidiary or (ii) of all or substantially all the assets of such Subsidiary Guarantor to a Person that is not the Issuer or a Restricted Subsidiary, in each of sub- clauses (i) and (ii) of this clause (a), which sale, exchange or transfer is permitted under and made in compliance with the Conditions of Issue;

(b) upon the full discharge of all obligations under the Conditions of Issue and the relevant Subsidiary Guarantee in accordance with the terms of the Conditions of Issue and the relevant Subsidiary Guarantee;

(c) in the case of any Additional Subsidiary Guarantee, upon the release of any other Guarantee or security that gave rise to the relevant Additional Subsidiary Guarantor's obligation to provide an Additional

Subsidiary Guarantee, so long as no other Indebtedness of the Issuer or a Subsidiary Guarantor is at that time Guaranteed or secured by such Additional Subsidiary Guarantor in a manner that would require the granting of an Additional Subsidiary Guarantee; or

(d) if the Issuer designates such Subsidiary Guarantor as an Unrestricted Subsidiary as permitted under and in compliance with the Conditions of Issue.

No release and discharge of a Subsidiary Guarantee shall be effective (i) if a Default or an Event of Default shall have occurred and be continuing under the Conditions of Issue as of the time of such proposed release and discharge until such time as such Default or Event of Default is cured or waived and (ii) until the Issuer shall have delivered to the Holders' Representative (x) an Officers' Request Certificate and (y) Opinion of Counsel, each stating that all conditions precedent set forth in the Conditions of Issue have been fulfilled and that such release and discharge is authorized and permitted under the Conditions of Issue and the relevant Subsidiary Guarantee. The Holders' Representative shall be entitled to accept such Officers' Request Certificate and Opinion of Counsel as sufficient evidence of the satisfaction of such conditions precedent, which shall be conclusive and binding on the Holders.

Payment of Additional Amounts

All payments by the Issuer or, pursuant to the terms of the relevant Subsidiary Guarantee, any present or future Subsidiary Guarantor or any successor of any of the foregoing (each a "**Payor**") under the Notes or any Subsidiary Guarantee shall be made free and clear of and without withholding or deduction for or on account of any present or future taxes, duties, levies, imposts, assessments or other charges of any nature (including penalties, interest and other similar liabilities related thereto) imposed by or on behalf of or levied within (i) the Federal Republic of Germany, (ii) any jurisdiction from or through which payment on the Notes or a Subsidiary Guarantee is made or (iii) any other jurisdiction in which a Payor is organized or otherwise considered to be resident or conducts business for tax purposes (any such jurisdiction under foregoing (i) through (iii) a "**Relevant Tax Jurisdiction**") or any province, municipality or other political subdivision or taxing authority in or of a Relevant Tax Jurisdiction (together "**Withholding Taxes**"), unless the deduction or withholding of such taxes, duties or charges is required by law. In such event, the relevant Payor shall pay (together with such payment) such additional amounts (the "**Additional Amounts**") as may be necessary to ensure that the net amounts received by the Clearing System on behalf of the Holders after such withholding or deduction (including any deduction or withholding from such Additional Amounts), shall equal the respective amounts of principal and interest which would have been receivable in respect of the relevant Notes or Subsidiary Guarantees in the absence of such deduction or withholding, except that no such Additional Amounts shall be payable on account of any taxes or duties which:

(a) are payable by any person acting as custodian bank or collecting agent on behalf of a Holder, or otherwise in any manner which does not constitute a deduction or withholding by the Issuer from payments of principal or interest made by it;

(b) are payable by reason of the Holder having, or having had, any present or former connection with the Relevant Tax Jurisdiction (other than the mere acquisition, ownership, holding or disposition of such Note, the enforcement of rights under such Note or under a Subsidiary Guarantee, or the receipt of any payments in respect of such Note or Subsidiary Guarantee) and not merely by reason of the fact that payments in respect of the Notes are, or for purposes of taxation are deemed to be, derived from sources in, or are secured in, the Relevant Tax Jurisdiction;

(c) are deducted or withheld pursuant to a payment to an individual that is required to be made pursuant to the European Counsel Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Counsel meeting of 26-27 November 2000 on the taxation of savings or any law implementing or complying with, or introduced to conform to, such Directive;

(d) are payable by reason of a change in law that becomes effective more than 30 days after the relevant payment of principal or interest becomes due, or is duly provided for and notice thereof is published in accordance with the procedures set forth in "*—Notices*", whichever occurs later;

(e) are imposed or withheld by reason of the failure of the Holder of the Notes, following the Issuer's or Subsidiary Guarantor's written request addressed to the Holder at least 30 days prior to the date before any such imposition or withholding, to comply with any certification, identification, information or other reporting requirements (to the extent such Holder is legally eligible to do so), whether required by statute, treaty, regulation or administrative practice of a Relevant Tax Jurisdiction, as a precondition to exemption from, or reduction in the rate of deduction or withholding of, taxes imposed by the Relevant Tax Jurisdiction (including, without limitation, a certification that the Holder is not resident in the Relevant Tax Jurisdiction);

(f) are imposed and presentation for payment (where presentation is required) by the Holder occurred more than 30 days after the relevant payment of principal or interest is first made available for payment to the Holder except to the extent that the Holder thereof would have been entitled to Additional Amounts had the Note been presented for payment on the last day of such 30 day period;

(g) are imposed in connection with the presentation of a Note for payment (where presentation is required) by or on behalf of a Holder who would have been able to avoid such withholding or deduction by presenting the relevant Note to another Paying Agent in a Member State of the European Union;

(h) are estate, inheritance, gift, sales, transfer or personal property taxes or any similar taxes, assessments or governmental charges;

(i) are taxes, assessments or other governmental charges that are payable otherwise than by withholding from payments on or in respect of the Notes or any Subsidiary Guarantee; or

(j) are any combination of items (a) through (i) listed above.

In addition, the tax on interest payments (*Zinsabschlagsteuer*, since 1 January 2009: *Kapitalertragsteuer*) which has been in effect in the Federal Republic of Germany since January 1, 1993 and which is withheld and paid by certain entities acting (e.g., as custodian) for the Holders (so-called *die Kapitalerträge auszahlende Stelle* within the meaning of § 44(1) sentence 4 of the German Income Tax Act (*Einkommensteuergesetz*) as amended from time to time) together with any solidarity surcharge (*Solidaritätszuschlag*) and any church tax (if applicable) imposed thereon does not constitute a Withholding Tax.

In case Additional Amounts are to be paid, the Payor will (i) make any required withholding or deduction and (ii) remit the full amount deducted or withheld to the Relevant Tax Jurisdiction in accordance with applicable law. The Payor will use all reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any taxes so deducted or withheld from each Relevant Tax Jurisdiction imposing such taxes and will provide such copies to the Holders' Representative for forwarding to the relevant Holders in accordance with the procedures set forth in "—*Notices*" within a reasonable time after the date on which payment of any taxes is due under applicable law. The Payor will attach to each copy a certificate stating (x) that the amount of Withholding Taxes evidenced by the copy was paid in connection with payments in respect of the principal amount of Notes then outstanding and (y) the amount of such Withholding Taxes paid per EUR 1,000 principal amount of the Notes.

At least 30 days prior to each date on which any payment under or with respect to the Notes or any Subsidiary Guarantee is due and payable (unless such obligation to pay Additional Amounts arises after the 30th day prior to such date, in which case it must be promptly thereafter), if the Payor will be obligated to pay Additional Amounts with respect to such payment, the Payor will deliver to the Paying Agent an Officers' Request Certificate stating the fact that Additional Amounts will be payable, the amounts to be paid and will set forth such other information necessary to enable the Paying Agent to inform the relevant Holders of the payment of such Additional Amounts in accordance with the procedures set forth in "—*Notices*" on the payment date.

The Payor will pay any present or future stamp, court or documentary taxes, or any other excise or property taxes, charges or similar levies imposed by a Relevant Tax Jurisdiction (including penalties, interest and other liabilities related thereto) which arise in any jurisdiction from (i) the execution, delivery, issuance or registration of the Notes or any Subsidiary Guarantee or any other document or instrument referred to therein (other than a transfer of the Notes) or (ii) the receipt of any payments with respect to, or enforcement of, the Notes or any Subsidiary Guarantee.

Whenever in the Conditions of Issue or in this "*Description of the Notes*" there is mentioned, in any context, the payment or non-payment of principal, premium or interest, or any other amount payable under or with respect to any Note or Subsidiary Guarantee, such mention shall be deemed to include mention of the payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The preceding provisions will survive any defeasance of the Notes or the Conditions of Issue and will apply *mutatis mutandis* to any jurisdiction in which any successor person to the Issuer or any Subsidiary Guarantor is incorporated or otherwise resident for tax purposes or any jurisdiction from or through which such person makes any payment on the Notes (or on any Subsidiary Guarantee) and any political subdivision or taxing authority or agency thereof or therein.

Currency Indemnity

The euro is the sole currency of account and payment for all sums payable by the Issuer or any Subsidiary Guarantor under or in connection with the Notes or a Subsidiary Guarantee. Any amount received or recovered in a

currency other than euro (the "**Required Currency**"), which is made to or for the account of any Holder in lawful currency of any other jurisdiction (the "**Judgment Currency**"), whether as a result of any judgment or order or the enforcement thereof or the liquidation of the Issuer or a Subsidiary Guarantor, shall constitute a discharge of the Issuer or such Subsidiary Guarantor's relevant obligation under the Conditions of Issue and the Notes or Subsidiary Guarantee, as the case may be, only to the extent of the amount of the Required Currency which such Holder could purchase in the London foreign exchange markets with the amount of the Judgment Currency in accordance with normal banking procedures at the rate of exchange prevailing on the first Business Day following receipt of the payment in the Judgment Currency. If the amount of the Required Currency that could be so purchased is less than the amount of the Required Currency originally due to such Holder, the Issuer or the relevant Subsidiary Guarantor will indemnify and hold harmless the Holder from and against all loss or damage arising out of, or as a result of, such deficiency. This indemnity shall constitute an obligation separate and independent from the other obligations contained in the Conditions of Issue and shall give rise to a separate and independent cause of action, shall apply irrespective of any waiver granted by any Holder from time to time and shall continue in full force and effect notwithstanding any judgment or order for a liquidated sum in respect of an amount due hereunder or under any judgment or order.

Optional Redemption

Optional Redemption prior to April 15, 2014

At any time prior to April 15, 2014, the Issuer may on any one or more occasions redeem all or a part of the Notes upon not less than 30 nor more than 60 days' prior notice, at a redemption price equal to 100% of the principal amount of the Notes redeemed plus the Applicable Premium and accrued and unpaid interest to but excluding the applicable redemption date. Any such redemption and notice may, at the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent.

Optional Redemption on or after April 15, 2014

At any time on or after April 15, 2014, the Issuer may on any one or more occasions redeem all or a part of the Notes upon not less than 30 nor more than 60 days' prior notice, at the redemption prices (expressed as a percentage of principal amount) set forth below, plus accrued and unpaid interest to but excluding the applicable redemption date:

April 15, 2014	106.9375%
April 15, 2015	104.6250%
April 15, 2016	102.3125%
April 15, 2017 and thereafter	100.0000%

Redemption for Taxation Reasons

If (i) the Issuer becomes obligated to pay Additional Amounts as set forth under "—*Payment of Additional Amounts*" above, (ii) such obligation cannot be avoided by the taking of reasonable measures available to the Issuer and (iii) the requirement arises as a result of:

(a) any change in or amendment to, the laws or treaties (or any regulations or rulings promulgated thereunder) of any Relevant Tax Jurisdiction affecting taxation which change or amendment has not been publicly announced as formally proposed before and which becomes effective on or after the Original Issue Date or, if any Relevant Tax Jurisdiction has changed since the Original Issue Date, the date on which the then current Relevant Tax Jurisdiction became an applicable Relevant Tax Jurisdiction pursuant to the Conditions of Issue (a "**Relevant Tax Jurisdiction Date**"); or

(b) any change in, or amendment to, the existing official position or the introduction of an official position regarding the application, administration or interpretation of such laws, treaties, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction or a change in published practice), which change, amendment, application or interpretation has not been publicly announced as formally proposed before and becomes effective on or after a Relevant Tax Jurisdiction Date,

the Notes may be redeemed, in whole but not in part, at the option of the Issuer, upon not more than 60 days' nor less than 30 days' prior notice of redemption at a redemption price of 100% of their principal amount together with accrued and unpaid interest, if any, to but excluding the date fixed for redemption and Additional Amounts, if any.

Prior to giving any notice of redemption pursuant to this provision, the Issuer shall deliver to the Holders' Representative (i) an Officers' Request Certificate stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (ii) an Opinion of Counsel, subject to customary assumptions and qualifications, qualified under the laws of the Relevant

Tax Jurisdiction to the effect that the redemption complies with the Conditions of Issue of the Notes. The Holders' Representative shall be entitled to accept such Opinion of Counsel as sufficient evidence of the satisfaction of such conditions precedent, in which event it shall be conclusive and binding on the Holders.

No notice of redemption pursuant to this provision may be given (i) earlier than 90 days prior to the earliest date on which the Issuer would be obligated to pay such Additional Amounts were a payment in respect of the Notes then due or (ii) if at the time such notice is given, such obligation to pay such Additional Amounts does not remain in effect.

Procedures of Redemption

Any notice of redemption will be given in accordance with the procedures set forth in "—*Notices*". It must specify the amount of redemption, the terms and date fixed for redemption and must set forth a statement in summary form of the facts constituting the basis for the right of the Issuer so to redeem the Notes. Any redemption of the Notes may, at the Issuer's option, be subject to satisfaction of one or more conditions precedent.

Notwithstanding anything to the contrary, a redemption notice may be mailed more than 60 calendar days prior to the redemption date if the notice is given in connection with a discharge of the Notes under the satisfaction and discharge provisions of the Conditions of Issue, a Legal Defeasance or a Covenant Defeasance.

In the case of a partial redemption of the Notes, the Notes to be redeemed will be selected in accordance with the rules of the relevant Clearing System. Such partial redemption shall be reflected in the records of Clearstream as either a pool factor or a reduction in aggregate principal amount, at the discretion of Clearstream.

Sinking Fund; Offers to Purchase; Open Market Purchases

The Issuer is not required to make any mandatory redemption or sinking fund payments with respect to the Notes. Under certain circumstances, however, the Issuer may be required to offer to purchase the Notes as described under the captions "—*Repurchase at the Option of Holders upon a Change of Control*" and "—*Certain Covenants—Limitation on Sales of Assets*". The Issuer and any of its Subsidiaries or Affiliates may at any time and from time to time purchase Notes in the open market or otherwise.

Repurchase at the Option of Holders upon a Change of Control

If a Change of Control occurs, each Holder shall have the right to require the Issuer to repurchase all or any part (equal to EUR 1,000 or integral multiple thereof; *provided*, *however*, that no Note of EUR 50,000 or less shall be repurchased in part) of such Holder's Notes at a purchase price equal to 101% of the principal amount, plus accrued and unpaid interest to but excluding the applicable purchase date (the "**Change of Control Purchase Price**").

No later than 30 days following any Change of Control, the Issuer shall give notice in accordance with the procedures set forth in "—*Notices*" below, with a copy to the Holders' Representative, stating:

(a) that a Change of Control has occurred or may occur and that each Holder has the right to require the Issuer to purchase such Holder's Notes at the Change of Control Purchase Price (the "**Change of Control Payment**");

(b) the repurchase date (the "**Change of Control Payment Date**"), which date shall be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is given;

(c) the procedures determined by the Issuer, consistent with the Conditions of Issue, that a Holder must follow in order to have its Notes repurchased;

(d) that, if such notice is given prior to the occurrence of a Change of Control, the Change of Control Offer is conditional on the occurrence of such Change of Control;

(e) the circumstances and relevant facts regarding such Change of Control;

(f) that any Note accepted for Change of Control Payment will cease to accrue interest after the Change of Control Payment Date unless the Change of Control Purchase Price is not paid; and

(g) that any Note (or part thereof) not tendered will continue to accrue interest (the offer so being made the "**Change of Control Offer**").

The Issuer shall not be required to make the Change of Control Offer upon a Change of Control if a third party (i) makes an offer in a manner, at the times and otherwise in compliance with the requirements set forth in the Conditions of Issue applicable to a Change of Control Offer made by the Issuer and (ii) purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

The Issuer shall publicly announce the results of the Change of Control Offer or any offer made in lieu thereof in accordance with the procedures set forth in "—*Notices*" on or as soon as practicable after the Change of Control Payment Date.

The Change of Control provisions described above will be applicable whether or not any other provisions of the Conditions of Issue are applicable. Except as otherwise set forth under this heading "—*Repurchase at the Option of Holders upon a Change of Control*", the Conditions of Issue do not contain provisions that permit the Holders to require that the Issuer repurchase or redeem the Notes in the event of certain highly leveraged transactions, or certain other transactions, including a takeover, recapitalization or similar transaction that may adversely affect the Holders if such transaction does not constitute a Change of Control. The Change of Control provisions described under this heading "—*Repurchase at the Option of Holders upon a Change of Control*" may deter certain mergers, tender offers and other takeover attempts involving the Issuer by increasing the capital required to effectuate such transactions.

The Issuer will comply with the requirements of any applicable securities laws or regulations in connection with the repurchase of Notes. To the extent that the provisions of any securities laws or regulations conflict with provisions of the Conditions of Issue, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control provisions of the Conditions of Issue by virtue of the conflict.

The definition of Change of Control includes a phrase relating to the direct or indirect sale, lease, transfer, conveyance or other disposition of "all or substantially all" of the properties or assets of the Issuer and its Restricted Subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase "**substantially all**", primarily using a combination of quantitative and qualitative criteria, there is no precise established definition of the phrase under applicable German law. Accordingly, the ability of a holder of Notes to require the Issuer to repurchase its Notes as a result of a sale, lease, transfer, conveyance or other disposition of less than all of the assets of the Issuer and its Restricted Subsidiaries taken as a whole to another Person or group may be uncertain.

If a Change of Control Offer is made, there can be no assurance that the Issuer will have sufficient funds or other resources to pay the Change of Control Payment for all the Notes that might be delivered by Holders thereof seeking to accept the Change of Control Offer. The occurrence of certain of the events that would constitute a Change of Control may constitute a default under the Revolving Credit Facility. If such a change of control event occurs under the Revolving Credit Facility and the lenders decide to accelerate the Revolving Credit Facility, the outstanding principal amount of the Revolving Credit Facility will become due and payable. In addition, certain events that may constitute a change of control under the Revolving Credit Facility may not constitute a Change of Control under the Conditions of Issue and the Notes. The Issuer's future indebtedness and the future indebtedness of the Issuer's Subsidiaries may also require such indebtedness to be repurchased upon a Change of Control. Moreover, the exercise by Holders of their right to require a repurchase of the Notes upon a Change of Control could cause a default under such indebtedness, even if the Change of Control itself does not, due to the possible financial effect on the Issuer of such repurchase.

As a result of these factors, there can be no assurance that sufficient funds will be available when necessary to enable the Issuer to make any required repurchases. The Issuer's failure to repurchase Notes in a Change of Control, unless waived or modified, would result in a Default under the Conditions of Issue which may, in turn, constitute a default under existing (and may constitute a default under future) Indebtedness of the Issuer or the Subsidiary Guarantors, including the Revolving Credit Facility. See "*Risk Factors—Risks Relating to the Notes and the Subsidiary Guarantees—Heidelberg may not have the ability to raise the funds necessary to finance an offer to repurchase your Notes upon the occurrence of certain events constituting a change of control as required by the Conditions of Issue of the Notes or may be prohibited from making a payment pursuant to such offer*" and "*Risk Factors—Risks Relating to the Notes and the Subsidiary Guarantees—The Company's ability to fulfil its obligations under the Notes depends upon Heidelberg's future financial and operating performance which may be influenced by many factors, some of which are beyond its control*".

Certain Covenants

Limitation on Indebtedness

The Issuer shall not, and shall not permit any of its Restricted Subsidiaries to, directly or indirectly, Incur any Indebtedness (including Acquired Indebtedness); *provided, however*, that if no Event of Default shall have occurred and be continuing or would occur as a consequence of such Incurrence, the Issuer and any Subsidiary Guarantor may Incur

Indebtedness (including Acquired Indebtedness), if on the date thereof and after giving *pro forma* effect thereto (including *pro forma* application of the proceeds therefrom) the Consolidated Coverage Ratio for the Issuer and its Restricted Subsidiaries would be at least 2.00 to 1.00 and (ii) if such Indebtedness is Secured Indebtedness, the Consolidated Secured Leverage Ratio for the Issuer and its Restricted Subsidiaries would be less than 2.75 to 1.00.

The foregoing paragraph shall not prohibit the Incurrence of the following Indebtedness:

(i) Indebtedness of the Issuer or any Subsidiary Guarantor Incurred pursuant to and in compliance with a Credit Facility (including under ancillary facilities made available under such Credit Facility) which does not exceed EUR 500 million, less all principal repayments made with the proceeds from Asset Dispositions utilized in accordance with sub-clause (iii) of the covenant *"—Certain Covenants—Limitation on Sales of Assets*" described below that permanently reduce the commitments thereunder; *provided* that Indebtedness Incurred, or classified as Incurred, pursuant to this sub-clause (i) may not be Public Indebtedness that is Secured Indebtedness.

(ii) Indebtedness of the Issuer or any Restricted Subsidiary owing to and held by the Issuer or any Restricted Subsidiary; *provided, however*, that

(A) if the Issuer or any Subsidiary Guarantor is the obligor on such Indebtedness and the payee is not the Issuer or a Subsidiary Guarantor, such Indebtedness must be unsecured and expressly subordinated to the prior payment in full in cash of all obligations then due with respect to the Notes, in the case of the Issuer, or the relevant Subsidiary Guarantor, in the case of a Subsidiary Guarantor; and

(B) (x) any subsequent issuance or transfer of Capital Stock that results in any such Indebtedness being held by a Person other than the Issuer or a Restricted Subsidiary and (y) any sale or other transfer of any such Indebtedness to a Person that is neither the Issuer nor the Issuer or a Restricted Subsidiary, will be deemed, in each case, to constitute an Incurrence of such Indebtedness by the Issuer or such Restricted Subsidiary, as the case may be, that was not permitted by this sub-clause (ii);

(iii) any Refinancing Indebtedness Incurred in respect of any Indebtedness Incurred pursuant to the first paragraph of this covenant "*Limitation on Indebtedness*" or sub-clauses (iv), (v), or (xi) or this sub-clause (iii);

(iv) Indebtedness outstanding on the Original Issue Date (other than any Credit Facility permitted under sub-clause (i) above and any Indebtedness under the Notes permitted under sub-clause (v) below);

(v) Indebtedness incurred by the Issuer and the Subsidiary Guarantors represented by the Notes (other than any Additional Notes such as the Additional Senior Notes offered hereby) outstanding on the Original Issue Date and the Subsidiary Guarantees in respect of such Notes;

(vi) Indebtedness arising under Subordinated Obligations;

(vii) Indebtedness arising under the Cash Management Arrangements;

(viii) Indebtedness under Hedging Obligations of the Issuer or any of its Restricted Subsidiaries that is Incurred in the ordinary course of business and not for speculative purposes;

(ix) Indebtedness Incurred under a Guarantee by any Subsidiary Guarantor of Indebtedness of the Issuer or any Subsidiary Guarantor to the extent that the guaranteed Indebtedness was permitted to be Incurred by another provision of this covenant "*Limitation on Indebtedness*"; *provided, however*, that if the Indebtedness being guaranteed is subordinated to or *pari passu* with the Notes or a Subsidiary Guarantee, then the Guarantee must be subordinated or *pari passu*, as applicable, to the same extent as the Indebtedness guaranteed;

(x) Indebtedness Incurred after the Original Issue Date in respect of workers' compensation claims, early retirement obligations, pension fund obligations or social security or wage taxes in the ordinary course of business;

(xi) Indebtedness of a Restricted Subsidiary Incurred and outstanding on the date on which such Restricted Subsidiary was acquired by, or merged into, the Issuer or any Restricted Subsidiary (other than Indebtedness Incurred (a) to provide all or any portion of the funds utilized to consummate the

transaction or series of related transactions pursuant to which such Restricted Subsidiary became a Restricted Subsidiary or was otherwise acquired by the Issuer or (b) otherwise in connection with, or in contemplation of, such acquisition); *provided, however*, that at the time such Restricted Subsidiary is acquired by the Issuer, either (x) the Issuer would have been able to Incur EUR 1.00 of additional Indebtedness pursuant to the first paragraph of this covenant "Limitation on Indebtedness" after giving effect to the Incurrence of such Indebtedness pursuant to this clause (xi) or (y) the Consolidated Coverage Ratio of the Issuer would not be less than it was immediately prior to giving *pro forma* effect to the incurrence of such Indebtedness pursuant to this clause (xi);

(xii) Indebtedness of the Issuer or any Restricted Subsidiary represented by Capital Lease Obligations, Purchase Money Obligations, Sale/Leaseback Transaction or other Indebtedness incurred or assumed in connection with the acquisition or development of real or personal, movable or immovable, property or other assets (including Capital Stock), in each case incurred for the purpose of financing or refinancing all or any part of the purchase price, lease expense, rental payments (other than lease payments or rental expenses under a capitalized lease for reporting purposes under IFRS) or cost of design, installation, construction or improvement of property used in the business of the Issuer or such Restricted Subsidiary in an aggregate principal amount pursuant to this clause (xii) not to exceed EUR 15 million; *provided* that the principal amount of any Indebtedness permitted under this clause (xii) did not in each case at the time of incurrence exceed the Fair Market Value of the acquired or constructed asset or improvement so financed;

(xiii) Indebtedness of the Issuer or its Restricted Subsidiaries in respect of (a) letters of credit issued in the ordinary course of business of such Person with respect to trade payables relating to purchase of materials by such Person, (b) other letters of credit, surety, performance or appeal bonds, completion guarantees, judgment, advance payment, customs, VAT or other tax guarantees or similar instruments issued in the ordinary course of business of such Person and not in connection with the borrowing of money, including letters of credit or similar instruments in respect of self-insurance and workers compensation obligations, (c) the financing of insurance premiums in the ordinary course of business, (d) arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business and (e) in connection with inventory financing or any guarantees thereof; *provided, however*, that upon the drawing of such letters of credit or other instrument, such obligations are reimbursed within 30 days following such drawing;

(xiv) Indebtedness of the Issuer of a Restricted Subsidiary the net proceeds of which are promptly irrevocably and unconditionally deposited to repurchase in full or repay in full all of the obligations of the Issuer and the Subsidiary Guarantors under the Notes or to discharge in full or defease in full the Notes; and

(xv) in addition to the items referred to in sub-clauses (i) through (xiv) above, Indebtedness of the Issuer and its Subsidiary Guarantors in an aggregate amount not exceeding EUR 35 million at any time outstanding.

For purposes of determining compliance with this "*Limitation on Indebtedness*" covenant:

(i) in the event that an item of Indebtedness meets the criteria of more than one of the types of Indebtedness described in the foregoing first paragraph of this covenant "*Limitation on Indebtedness*" and sub- clauses (i) through (xv), the Issuer, in its sole discretion, will classify and, with the exception of the foregoing sub-clause (i) of the second paragraph of this covenant "*Limitation on Indebtedness*", may from time to time reclassify such item of Indebtedness in any manner that complies with this covenant and only be required to include the amount and type of such Indebtedness in one of the foregoing sub-clauses (i) through (xv);

(ii) an item of Indebtedness may be divided and classified, or reclassified, in more than one of the types of Indebtedness described in the second paragraph;

(iii) in the event Indebtedness relates to letters of credit, Guarantees or Liens supporting Indebtedness otherwise permitted by this covenant, such letters of credit, Guarantees or Liens will not be treated as an additional Incurrence of Indebtedness;

(iv) the principal amount of any Disqualified Stock of the Issuer or a Subsidiary Guarantor, or preferred stock of a Restricted Subsidiary that is not a Subsidiary Guarantor, will be equal to the greater of the

maximum mandatory redemption or repurchase price (not including, in either case, any redemption or repurchase premium) or the liquidation preference thereof;

(v) the amount of any Indebtedness outstanding as of any date will be:

(A) the accreted value of the Indebtedness, in the case of any Indebtedness issued with original issue discount;

(B) the principal amount of the Indebtedness, in the case of any other Indebtedness; and

(C) in respect of Indebtedness secured by a Lien on the assets of another Person, the lesser of:

(x) the Fair Market Value of such assets at the date of determination; and

(y) the amount of the Indebtedness of such other Person.

(vi) accrual of interest or dividends, the accretion of accreted value, the accretion or amortization of original issue discount, the obligation to pay commitment fees and the payment of interest or dividends in the form of additional Indebtedness of the same class will not be deemed to be an Incurrence of Indebtedness for purposes of this covenant; and

(vii) for purposes of determining compliance with any euro- denominated restriction on the Incurrence of Indebtedness, the Euro Equivalent of the principal amount of Indebtedness denominated in another currency will be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or first committed, in the case of Indebtedness Incurred under a revolving Credit Facility; *provided* that:

(A) if such Indebtedness is incurred to refinance other Indebtedness denominated in a currency other than euro, and such refinancing would cause the applicable euro-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such euro-denominated restriction will be deemed not to have been exceeded so long as the principal amount of such Refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced;

(B) the Euro Equivalent of the principal amount of any such Indebtedness outstanding on the Original Issue Date will be calculated based on the relevant currency exchange rate in effect on the Original Issue Date; and

(C) if and for so long as any such Indebtedness is subject to an agreement intended to protect against fluctuations in currency exchange rates with respect to the currency in which such Indebtedness is denominated covering principal and interest on such Indebtedness, the amount of such Indebtedness, will be the amount of the principal payment required to be made under such currency agreement if it were denominated in euro and, otherwise, the Euro Equivalent of such amount plus the Euro Equivalent of any premium which is at such time due and payable but is not covered by such currency agreement.

Limitation on Restricted Payments

The Issuer shall not, and shall not permit any of its Restricted Subsidiaries to, directly or indirectly, make a Restricted Payment if at the time of such Restricted Payment:

(i) a Default or Event of Default shall have occurred and be continuing (or would result from such Restricted Payment);

(ii) the Issuer is not able to Incur an additional EUR 1.00 of Indebtedness pursuant to the first paragraph described under "*—Certain Covenants—Limitation on Indebtedness*", after giving effect, on a pro forma basis, to such Restricted Payment; or

(iii) the aggregate amount of such Restricted Payment and all other Restricted Payments (other than pursuant to sub-clauses (ii), (iii) and (iv) described under the second paragraph of this "*Limitation on Restricted Payments*" covenant) made subsequent to the Original Issue Date, would exceed the sum of

(A) 50% of Consolidated Net Income for the period (treated as one accounting period) from the beginning of the first fiscal quarter commencing after the Original Issue Date to the end of the Issuer's most recent fiscal quarter ending prior to the date of such Restricted Payment for which consolidated financial statements of the Issuer are available (or, in case such Consolidated Net Income is a deficit, minus 100% of such deficit), plus

(B) 100% of the aggregate Net Cash Proceeds received by the Issuer from the issue or sale of its Capital Stock (other than Disqualified Stock), Subordinated Obligations or other capital contributions subsequent to the Original Issue Date (other than Net Cash Proceeds received from an issuance or sale of such Capital Stock or Subordinated Obligations to a Subsidiary of the Issuer or an employee stock ownership plan, option plan or similar trust to the extent such sale to an employee stock ownership plan or similar trust is financed by loans from or Guaranteed by the Issuer or any Restricted Subsidiary unless such loans have been repaid with cash on or prior to the date of determination) excluding in any event Net Cash Proceeds received by the Issuer from the issue and sale of its Capital Stock or capital contributions to the extent applied to redeem Notes in compliance with the provisions set forth under "—*Optional Redemption*", plus

(C) the amount by which the Issuer's Indebtedness or Indebtedness of any Restricted Subsidiary is reduced on the Issuer's consolidated balance sheet after the Original Issue Date upon the conversion or exchange (other than by the Issuer or its Subsidiaries) of such debt into the Issuer's Capital Stock (other than Disqualified Stock) or Subordinated Obligations, together with the aggregate Net Cash Proceeds received by the Issuer at the time of such conversion or exchange (excluding the Net Cash Proceeds from the issuance of the Issuer's Capital Stock (that is not Disqualified Stock) or Subordinated Obligations financed, directly or indirectly, using funds borrowed from the Issuer or any Subsidiary Guarantor until and to the extent such borrowing is repaid), plus

(D) in the case of the disposition or repayment of any Investment constituting a Restricted Payment made after the Original Issue Date, an amount (to the extent not included in Consolidated Net Income) equal to the lesser of (x) the return on capital with respect to such Investment and the initial amount of such investment, in either case, less the cost of the disposition of such Investment and net of taxes and (y) in the case of the designation of an Unrestricted Subsidiary as a Restricted Subsidiary (so long as the designation of such Subsidiary as an Unrestricted Subsidiary was deemed a Restricted Payment), the Fair Market Value of the Issuer's interest in such Subsidiary; *provided* that such amount will not in any case exceed the amount of the Restricted Payment deemed made at the time that the Subsidiary was designated as an Unrestricted Subsidiary.

The provisions of the preceding paragraph shall not prohibit:

(i) the payment of any dividend within 60 days after the date of declaration thereof, if at such date of declaration such payment was permitted by the provisions of the preceding paragraph and such payment shall have been deemed to have been paid on such date of declaration;

(ii) the purchase or other acquisition of Capital Stock made by exchange for, or out of the proceeds of, the substantially concurrent sale of Capital Stock of the Issuer or a substantially concurrent contribution to the equity of the Issuer;

(iii) the purchase, redemption or other acquisition or retirement for value of Capital Stock in connection with the obligations under any employee or management stock option agreements, equity subscription agreement, stock option agreement, restricted stock grant, or other agreements to compensate management or employees; *provided* that such redemptions or repurchases pursuant to this clause will not exceed EUR 2 million in the aggregate during any calendar year;

(iv) the purchase, redemption, defeasance or other acquisition or retirement for value of any indebtedness that is subordinated in right of payment to the Notes or any Subsidiary Guarantee for, or out of the net cash proceeds of, the substantially concurrent sale of Capital Stock of the Issuer or for, or out of the net cash proceeds of, a substantially concurrent incurrence (other than to a Subsidiary) of Refinancing Indebtedness;

(v) the repurchase of Capital Stock deemed to occur upon the exercise of stock options to the extent such Capital Stock represent a portion of the exercise price of those stock options;

(vi) the declaration and payment of regularly scheduled or accrued dividends to holders of any class or series of any Disqualified Stock of the Issuer or a Subsidiary Guarantor, or preferred stock of a Restricted Subsidiary that is not a Subsidiary Guarantor issued on or after the Original Issue Date in accordance with the covenant described under "—*Limitation on Indebtedness*" above;

(vii) payments of cash, dividends, distributions, advances or other Restricted Payments by the Issuer or any of its Restricted Subsidiaries to allow the payment of cash in lieu of the issuance of fractional shares upon (x) the exercise of options or warrants or (y) the conversion or exchange of Capital Stock of any such Person;

(viii) advances or loans to (a) any future, present or former officer, director, employee or consultant of the Issuer or a Restricted Subsidiary to pay for the purchase or other acquisition for value of Capital Stock of the Issuer, or any obligation under a forward sale agreement, deferred purchase agreement or deferred payment arrangement pursuant to any management equity plan or stock option plan or any other management or employee benefit or incentive plan or other agreement or arrangement or (b) any management equity plan or stock option plan or any other management or employee benefit or incentive plan or unit trust or the trustees of any such plan or trust to pay for the purchase or other acquisition for value of Capital Stock of the Issuer; *provided* that the total aggregate amount of Restricted Payments made under this clause (viii) does not exceed EUR 5 million in any calendar year;

(ix) any purchase, repurchase, redemption, defeasance or other acquisition or retirement for value of Indebtedness of the Issuer or any of its Restricted Subsidiaries pursuant to the provisions similar to those described under the captions "*Repurchase at the Option of Holders upon a Change of Control*"; *provided* that all Notes validly tendered by Holders in connection with a Change of Control Offer, as applicable, have been repurchased, redeemed or acquired for value; and

(x) so long as no Default has occurred or is continuing, Restricted Payments in an amount not to exceed EUR 30 million at any time outstanding.

Limitation on Liens

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, Incur, assume or permit to subsist any Lien (other than Permitted Liens) or other security interest upon any of its or any of its Restricted Subsidiaries' present or future property or assets, or assign or otherwise convey any right to receive income or profits therefrom, to secure any Indebtedness (including any guarantees or indemnities in respect thereof).

Limitation on Restrictions on Distributions from Restricted Subsidiaries

The Issuer shall not, and shall not permit any Restricted Subsidiary to, directly or indirectly, create or otherwise cause or permit to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Restricted Subsidiary to:

(i) pay dividends or make any other distributions on its Capital Stock or pay any Indebtedness or other obligations owed to the Issuer or any Restricted Subsidiary;

(ii) make any loans or advances to the Issuer or any Restricted Subsidiary; or

(iii) to transfer any of its property or assets to the Issuer or any Restricted Subsidiary.

The foregoing paragraph shall not prohibit:

(i) any encumbrance or restriction pursuant to an agreement in effect or entered into on the Original Issue Date and, other than in respect of Refinancing Indebtedness, any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of those agreements; *provided* that the amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings are not materially more restrictive, taken as a whole, with respect to such encumbrance or restriction than those contained in those agreements on the Original Issue Date;

(ii) any encumbrance or restriction with respect to a Restricted Subsidiary in existence on or prior to the date on which such Subsidiary was acquired by the Issuer (other than restrictions incurred in connection with the transaction or series of related transactions pursuant to which such Restricted Subsidiary became a Restricted Subsidiary of the Issuer or was acquired by the Issuer or in contemplation of the transaction) and outstanding on such date;

(iii) any encumbrance or restriction pursuant to an agreement effecting Refinancing Indebtedness; *provided, however,* that the encumbrances and restrictions contained in any such agreement are no less favorable in any material respect to the Holders than the encumbrances and restrictions contained in the agreements governing the Indebtedness being refinanced;

(iv) any restriction with respect to a Restricted Subsidiary of the Issuer imposed pursuant to an agreement entered into for the sale or disposition of all or substantially all the Capital Stock or assets of such Restricted Subsidiary as permitted by the "*Limitation on Sales of Assets*" covenant pending the closing of such sale or disposition;

(v) in the case of sub-clause (iii) of the first paragraph of this "*Limitation on Restrictions on Distributions from Restricted Subsidiaries*" covenant, any encumbrance or restriction:

(A) that restricts in a customary manner the assignment or transfer of any property or asset that is subject to a lease, license or similar contract, or the assignment of transfer of any such lease, license or other contract entered into in the ordinary course of business;

(B) contained in mortgages, pledges or other security agreements permitted under and in compliance with the Conditions of Issue to the extent such encumbrances or restrictions restrict the transfer of the property subject so such mortgages, pledges or other security agreements; or

(C) pursuant to customary provisions restricting dispositions of real property interests set forth in any reciprocal easement agreements of the Issuer or any Restricted Subsidiary;

(vi) encumbrances or restrictions arising or existing by reason of applicable law or any applicable rule, regulation or order or governmental license, permit or concession;

(vii) restrictions created in connection with any Receivables Facility that, in the good faith determination of the Issuer, are necessary or advisable to effect transactions contemplated under such Receivables Facility;

(viii) any customary encumbrances or restrictions created under any agreement or instrument with respect to Indebtedness permitted to be incurred subsequent to the Original Issue Date pursuant to the "—*Limitation on Indebtedness*" covenant if the encumbrances and restrictions contained in any such agreement or instrument taken as a whole are not materially less favorable to the Holders than the encumbrances and restrictions contained in the Revolving Credit Facility in effect on the Original Issue Date (as determined in good faith by the Issuer);

(ix) customary provisions in Sale/Leaseback Transactions, joint venture agreements, asset sale agreements, stock sale agreements and other similar agreements; *provided*, *however*, that any such encumbrance or restriction is applicable only to the Restricted Subsidiary or joint venture subject to such transaction and *provided further*, that the Issuer determines that any such encumbrance or restriction will not materially affect the ability of the Issuer to make any anticipated principal or interest payments on the Notes;

(x) encumbrances or restrictions existing by reason of any Lien permitted under the "*—Limitation on Liens*" covenant;

(xi) restrictions on cash or other deposits or net worth imposed by customers under contracts (not evidencing or relating to Indebtedness) entered into in the ordinary course of business; and

(xii) any encumbrance or restriction existing under any agreement that extends, renews, refinances or replaces the agreements containing the encumbrances or restrictions in the foregoing clauses (ii) through (xi) or in this clause (xii); *provided* that the terms and conditions of any such encumbrances or restrictions are no more restrictive in any material respect than those under or pursuant to the agreement evidencing the Indebtedness so extended, renewed, refinanced or replaced.

Limitation on Sales of Assets

The Issuer shall not, and shall not permit any of its Restricted Subsidiaries to, make any Asset Disposition unless:

(i) the Issuer or such Restricted Subsidiary receives consideration at least equal to the Fair Market Value (such Fair Market Value to be determined on the date of contractually agreeing to such Asset Disposition), as determined in good faith by the Board of Directors of the Issuer (including as to the value of all non-cash consideration), of the shares and assets subject to such Asset Disposition;

(ii) in any such Asset Disposition at least 75% of the consideration is in the form of cash or Cash Equivalents. For purposes of this "*Limitation on Sales of Assets*" covenant, each of the following shall be deemed cash:

(A) any liabilities, as shown on the Issuer's most recent consolidated balance sheet, of the Issuer or any Restricted Subsidiary (other than contingent liabilities, Disqualified Stock and liabilities that are by their terms subordinated to the Notes or any Subsidiary Guarantee) that are assumed by the transferee of any such assets pursuant to any agreement that releases the Issuer or the relevant Restricted Subsidiary from or indemnifies against further liability;

(B) any securities, notes or other obligations received by the Issuer or a Restricted Subsidiary from such transferee that are converted by the Issuer or the relevant Restricted Subsidiary into cash or Cash Equivalents within 60 days following the closing of the Asset Disposition, to the extent of the cash or Cash Equivalents received in that conversion;

(C) any Indebtedness of the Issuer or any Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Disposition, to the extent that the Issuer and the Restricted Subsidiaries following such Asset Disposition are released from any obligation with respect to, and guarantee of, such Indebtedness in connection with such Asset Disposition, and

(D) any consideration consisting of Indebtedness of the Issuer or any Restricted Subsidiary which is either repaid in full or cancelled in connection with such Asset Disposition; and

(iii) an amount equal to 100% of the Net Available Cash from such Asset Disposition is applied by the Issuer or the relevant Restricted Subsidiary, as the case may be:

(A) to the extent the Issuer elects, to prepay, repay or purchase Indebtedness that is secured by the assets that were the subject of the Asset Disposition or is *pari passu* in right of payment with the Notes or the Subsidiary Guarantees (including, for the avoidance of doubt, under the Revolving Credit Facility) or Indebtedness of a Restricted Subsidiary that is not a Subsidiary Guarantor (other than Indebtedness owed to the Issuer or an Affiliate of the Issuer) within 365 days from the date of the receipt of such Net Available Cash, *provided, however*, that in connection with any prepayment, repayment or purchase of Indebtedness pursuant to this sub-clause (A), the Issuer or such Restricted Subsidiary will cause the related commitment (if any) to be permanently reduced in an equal amount to the principal amount so prepaid, repaid or purchased;

(B) to the extent of the balance of such Net Available Cash after application in accordance with the foregoing sub-clause (A), to the extent the Issuer elects, to invest in Additional Assets or make capital expenditures within 365 days from the date of receipt of such Net Available Cash or pursuant to arrangements in place within the 365 day period; and

(C) to the extent of the balance of such Net Available Cash after application in accordance with the foregoing sub-clauses (A) and (B) (the "**Excess Proceeds**"), to make an offer to the Holders and any other Pari Passu Indebtedness (to the extent the terms of such Pari Passu Indebtedness so require) on a *pro rata* basis to purchase the Notes at a purchase price equal to 100% of the principal amount, plus accrued and unpaid interest, to the date of purchase and such Pari Passu Indebtedness pursuant to and subject to the Conditions of Issue (an "**Asset Disposition Offer**").

Notwithstanding the foregoing provisions of this "*Limitation on Sales of Assets*" covenant, the Issuer and such Subsidiaries shall not be required to apply any Excess Proceeds in accordance with sub-clause (C) above except to the extent that the aggregate amount of Excess Proceeds from all Asset Dispositions which have not been applied in accordance with the foregoing sub-clauses (A) and (B) exceeds EUR 25 million. To the extent that the aggregate amount of Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to an Asset Disposition Offer is less than the Excess Proceeds, the Issuer may use any remaining Excess Proceeds for general corporate purposes, subject to other covenants contained in the Conditions of Issue. If the aggregate principal amount of Notes surrendered by Holders thereof and other Pari Passu Indebtedness surrendered by holders or lenders, collectively, exceeds the amount

of Excess Proceeds, the tender agent to be appointed by the Issuer without undue delay shall accept the Notes and Pari Passu Indebtedness to be purchased on a *pro rata* basis of the aggregate principal amount of tendered Notes and Pari Passu Indebtedness in accordance with the terms of the Asset Disposition Offer. Upon completion of such Asset Disposition Offer, the amount of Excess Proceeds shall be reset at zero. The Asset Disposition Offer will remain open for a period of at least 20 Business Days following its commencement, except to the extent that a longer period is required by applicable law (the "**Asset Disposition Offer Period**"). No later than five Business Days after the termination of the Asset Disposition Offer Period (the "**Asset Disposition Purchase Date**"), the Issuer will purchase the principal amount of Notes and Pari Passu Indebtedness required to be purchased pursuant to this covenant (the "**Asset Disposition Offer Amount**") or, if less than the Asset Disposition Offer Amount has been so validly tendered, all Notes and Pari Passu Indebtedness validly tendered in response to the Asset Disposition Offer. On or before the Asset Disposition Purchase Date, the Issuer will, to the extent lawful, accept for payment, on a *pro rata* basis to the extent necessary, the Asset Disposition Offer Amount of Notes and Pari Passu Indebtedness or portions of Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to the Asset Disposition Offer, or if less than the Asset Disposition Offer Amount has been validly tendered and not properly withdrawn, all Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn, in each case in integral multiples of EUR 1,000; *provided* that no Note of less than EUR 50,000 remains outstanding thereafter. The Issuer or the Paying Agent, as the case may be, will promptly (but in any case not later than five Business Days after termination of the Asset Disposition Offer Period) mail or deliver to each tendering Holder of Notes or holder or lender of Pari Passu Indebtedness, as the case may be, an amount equal to the purchase price of the Notes or Pari Passu Indebtedness so validly tendered and not properly withdrawn by such holder or lender, as the case may be, and accepted by the Issuer for purchase. In addition, the Issuer will take any and all other actions required by the agreements governing the Pari Passu Indebtedness. The Issuer will publicly announce the results of the Asset Disposition Offer on the Asset Disposition Purchase Date.

Pending the final application of any Excess Proceeds, the Issuer or a Restricted Subsidiary may temporarily reduce Indebtedness in the form of revolving credit borrowings or otherwise invest the Excess Proceeds in any manner that is not prohibited by the Conditions of Issue.

Limitation on Affiliate Transactions

The Issuer shall not, and shall not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into any transaction (including the rendering of services) with any Affiliate of the Issuer (an "**Affiliate Transaction**"), unless:

(i) the terms of such Affiliate Transaction are no less favorable to the Issuer or such Restricted Subsidiary, as the case may be, than those that could be obtained in a comparable arm's length transaction with a Person who is not an Affiliate;

(ii) in the event such Affiliate Transaction involves an aggregate one-time and/or annual consideration in excess of EUR 5 million, the terms of such transaction have been approved by a majority of the Disinterested Directors of the Board of Directors of the Issuer (and such majority determines that such Affiliate Transaction satisfies the criteria in sub- clause (i)); and

(iii) in the event (a) such Affiliate Transaction involves an aggregate one-time and/or annual consideration in excess of EUR 15 million or (b) such Affiliate Transaction involves an aggregate principal amount of EUR 5 million and there are no Disinterested Directors, the Issuer shall have received a written opinion from an independent investment bank or an accounting or appraisal firm or other recognized independent expert of internationally recognized standing that such Affiliate Transaction is (i) fair from a financial point of view taking into account all relevant circumstances or (ii) not materially less favorable than those that might reasonably have been obtained in a comparable transaction at such time on an arm's length basis from a Person that is not an Affiliate.

The provisions the foregoing paragraph shall not apply to:

(i) transactions pursuant to any employee arrangements or employee or director benefit plans entered into by the Issuer or any of its Restricted Subsidiaries, including under any stock option, stock appreciation rights, stock incentive or similar plans, in the ordinary course of business of the Issuer or such Restricted Subsidiary;

(ii) sales of accounts receivable, or participations therein, in connection with any Receivables Facility;

(iii) any Affiliate Transaction between the Issuer and a Restricted Subsidiary or between Restricted Subsidiaries;

(iv) any Restricted Payment (other than a Restricted Investment) permitted to be made pursuant to the provisions set forth under "*—Certain Covenants—Limitation on Restricted Payments*" above;

(v) any transaction in the ordinary course of business between or among the Issuer or any Restricted Subsidiary and any Affiliate of the Issuer or a joint venture or similar Person that would otherwise be subject to this covenant solely because the Issuer or a Restricted Subsidiary owns any of the Capital Stock of or otherwise controls such Affiliate, joint venture or similar Person;

(vi) the payment of reasonable and customary fees paid to, and indemnity provided on behalf of, directors of the Issuer or any Restricted Subsidiary of the Issuer; and

(vii) transactions pursuant to, or contemplated, by any agreement in effect on the Original Issue Date and transactions pursuant to any amendment, modification or extension to such agreement, so long as such amendment, modification or extension, taken as a whole, is not more disadvantageous to the Holders than the original agreement as in effect on the Original Issue Date.

Reports

For so long as any Notes are outstanding, the Issuer shall post on its website:

(i) within 120 days after the end of each of the Issuer's fiscal years, beginning with the fiscal year ending March 31, 2011, annual reports containing the following information with a level of detail (including with respect to the presentation of EBITDA) that is substantially comparable in all material respects to this Offering Memorandum:

(A) audited consolidated statement of financial position of the Issuer and its consolidated Subsidiaries, audited consolidated income statements and audited consolidated cash flow statement of the Issuer and its consolidated Subsidiaries for such fiscal year and in each case including comparable financial statements for the previous fiscal year in accordance with IFRS;

(B) complete notes to such financial statements as required by IFRS, including information on

(1) critical accounting policies,

(2) all material related party transactions, and

(3) the Indebtedness and material financing arrangements and all material debt instruments;

(4) the report of the independent auditors on the financial statements;

(C) a group management report (*Konzernlagebericht*) containing an operating and financial review (including a discussion of each business segment) of the audited financial statements, including

(1) a discussion of the business and the risks the business is exposed to;

(2) a discussion of the results of operations (including a presentation of EBITDA) as required by Commission Regulation No. 809/2004 of 29 April 2004, Annex I, Item 9, as amended, including a description of the Issuer's financial condition, changes in financial condition and results of operations, including the causes of material changes from year to year in the financial information to the extent necessary for an understanding of the Issuer's business as a whole; information regarding significant factors, including unusual or infrequent events or new developments, materially affecting the issuer's income from operations, indicating the extent to which income was so affected; where the financial statements disclose material changes in EBITDA, net sales or revenues, a narrative discussion of the reasons for such changes; and information regarding any governmental, economic, fiscal, monetary or political policies or factors that have materially affected, or could materially affect, directly or indirectly, the Issuer's operations;

(3) a discussion of financial condition and liquidity and capital resources;

(4) a discussion of material commitments and contingencies;

(5) *pro forma* income statement and balance sheet information, together with any explanatory footnotes, for any Material Transactions that have occurred during the most recently completed fiscal year (unless such pro forma information has been *provided* in a previous report pursuant to sub-clause (ii)(H) below); *provided, however*, that such *pro forma* financial information will be provided only to the extent available without unreasonable expense, failing which the Issuer will provide, in the case of an acquisition or disposition, acquired or disposed company financial statements.

(ii) within 60 days after the end of each of the first three fiscal quarters in each fiscal year of the Issuer, quarterly financial reports for the Issuer and its consolidated Subsidiaries containing:

(A) an unaudited condensed consolidated statement of financial position as of the end of such quarter;

(B) unaudited condensed consolidated income statement for the quarterly and year to date periods ending on the unaudited condensed balance sheet date;

(C) unaudited condensed consolidated cash flow statement for the year to date period ending on the unaudited condensed balance sheet date (in each case of foregoing (i) through (iii) with the comparable prior year periods);

(D) condensed notes to the financial statements;

(E) a discussion of the results of operations (including a presentation of EBITDA) as required by Commission Regulation No. 809/2004 of 29 April 2004, Annex I, Item 9, as amended, including a description of the Issuer's financial condition, changes in financial condition and results of operations, including the causes of material changes from the comparable prior year periods in the financial information to the extent necessary for an understanding of the Issuer's business as a whole; information regarding significant factors, including unusual or infrequent events or new developments, materially affecting the issuer's income from operations, indicating the extent to which income was so affected; where the financial statements disclose material changes in EBITDA, net sales or revenues, a narrative discussion of the reasons for such changes; and information regarding any governmental, economic, fiscal, monetary or political policies or factors that have materially affected, or could materially affect, directly or indirectly, the Issuer's operations;

(F) a discussion of financial condition and liquidity and capital resources;

(G) a discussion of material commitments and contingencies;

(H) *pro forma* income statement and balance sheet information, together with any explanatory footnotes, for any Material Transactions that have occurred during the most recently completed fiscal year unless such *pro forma* information has been provided in a previous report;

(I) information on material developments in the business of the Issuer and its Subsidiaries; and

(J) material recent developments and any material changes to the risks disclosed in the most recent annual report with respect to the Issuer.

(iii) In each case as soon as reasonably practicable:

(A) such information (if any) as the Issuer is required to make publicly available under the requirements of the German Securities Trading Act (*Wertpapierhandelsgesetz*);

(B) information on any Material Transaction; and

(C) any change in the independent accountants of the Issuer.

If the Issuer has designated any of its Subsidiaries as Unrestricted Subsidiaries and such Subsidiaries are Significant Subsidiaries, then the annual and quarterly financial information required by clauses (i) and (ii) of this covenant will include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of the Issuer and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Issuer.

In addition, for so long as any Notes remain outstanding and during any period during which the Issuer is not subject to Section 13 or 15(d) of the U.S. Exchange Act nor exempt therefrom pursuant to Rule 12g3-2(b), the Issuer has agreed that it will furnish to the holders of the Notes and to securities analysts and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(D)(4) under the U.S. Securities Act.

The Issuer will also make available copies of all reports required by clauses (i) through (iii) of this covenant (x) on the Issuer's website and (y) if and for so long as the Notes are listed on the official list of the Luxembourg Stock Exchange for trading on the Euro MTF market and the rules of the Luxembourg Stock Exchange so require, at the specified office of the listing agent in Luxembourg.

Merger and Consolidation

The Issuer shall not directly or indirectly, in a single transaction or through a series of transactions, (x) consolidate with or merge with or into any Person, or (y) sell, assign, convey, transfer, lease or otherwise dispose of all or substantially all its properties or assets to, any Person (whether or not the Issuer is the Successor Company (as defined below)), and the Issuer shall not permit any Restricted Subsidiary to enter into any such transaction or series of transactions, if in the aggregate the result would be the sale, assignment, conveyance, transfer, lease or disposition of all or substantially all the assets of the Issuer on a consolidated basis unless:

(i) the resulting, surviving or transferee Person (the "**Successor Company**") will be a Person organized and existing under the laws of any Member State of the European Union as of 31 December 2003, Norway, Switzerland, the United States of America, any state thereof or the District of Columbia, Canada or any province of Canada, and the Successor Company (if not the Issuer) will expressly assume in appropriate documentation delivered to the Holders' Representative all the obligations of the Issuer under the Notes, the Agency Agreement and the Conditions of Issue;

(ii) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Company or any Subsidiary of the Successor Company as a result of such transaction as having been Incurred by the Successor Company or such Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing;

(iii) immediately after giving effect to such transaction and any related financings the Successor Company would be able to Incur at least an additional EUR 1.00 of Indebtedness pursuant to the first paragraph of the "*—Limitation on Indebtedness*" covenant above;

(iv) each Subsidiary Guarantor shall have delivered to the Holders' Representative a confirmation that its Guarantee shall apply to such Person's obligations in respect of the Notes and the Agency Agreement; and

(v) the Issuer shall deliver to the Holders' Representative an Officers' Request Certificate and Opinion of Counsel, in each case, stating that such consolidation, merger, conveyance, transfer or lease and such assumption by the Successor Company comply with this covenant and the Opinion of Counsel shall state in addition that each of the Subsidiary Guarantees shall apply to such Person's obligations in respect of the Notes and the Agency Agreement to the same or greater extent than they applied to the Notes and Agency Agreement immediately prior to such transaction.

In addition, the Issuer shall not permit any Subsidiary Guarantor to consolidate with or merge with or into any Person (other than the Issuer or any Subsidiary Guarantor) and shall not permit the conveyance, transfer or lease of substantially all of the assets of any Subsidiary Guarantor unless:

(i) the resulting, surviving or transferee Person will be a Person organized and existing under the laws of any member state of the European Union on 31 December 2003, Norway, Switzerland, the United States of America, any state thereof or the District of Columbia, Canada or any province in Canada or, if different, the law of the jurisdiction in which any such Subsidiary Guarantor was incorporated, and such Person (if not a Subsidiary Guarantor) will expressly assume in an appropriate documentation and delivered to the Holders' Representative, all the obligations of such Subsidiary Guarantor under its Subsidiary Guarantee;

(ii) the transaction is made in compliance with the covenant set forth under "*—Covenants—Limitation on Sales of Assets*";

(iii) immediately after giving effect to, and as a result of, such transaction no Event of Default shall have occurred and be continuing; and

(iv) the Issuer and the relevant Subsidiary Guarantor shall deliver to the Holders' Representative an Officers' Request Certificate and Opinion of Counsel, in each case, stating that such consolidation, merger, conveyance, transfer or lease and such assumption by the resulting, surviving or transferee Person comply with this covenant and the Opinion of Counsel shall state in addition that each of the Subsidiary Guarantees shall apply to such Person's obligations in respect of the Notes and the Agency Agreement to the same or greater extent than they applied to the Notes and Agency Agreement immediately prior to such transaction.

The successor to any Subsidiary Guarantor will, in a form satisfactory to the Holders' Representative, succeed to, and be substituted for, such Subsidiary Guarantor under the applicable Subsidiary Guarantee and the Conditions of Issue.

Notwithstanding the foregoing,

(i) a Subsidiary Guarantor may merge with an Affiliate incorporated solely for the purpose of reincorporating such Subsidiary Guarantor in a (or another) state or the District of Columbia of the United States, in Canada, in a (or another) province of Canada, in a (or another) Member State of the European Union on 31 December 2003, Norway or Switzerland so long as the amount of Indebtedness of such Subsidiary Guarantor is not increased thereby, and

(ii) any Subsidiary Guarantor may merge into or transfer all or part of its properties and assets to the Issuer or another Subsidiary Guarantor.

If and for so long as the Notes are listed on the official list of the Luxembourg Stock Exchange for trading on the Euro MTF market and the rules of the Luxembourg Stock Exchange so require, the Issuer shall publish notice of the occurrence of any of the events described in this "*Merger and Consolidation*" covenant in a newspaper having a general circulation in Luxembourg or, to the extent and in the manner permitted by such rules, post it on the website of the Luxembourg Stock Exchange (www.bourse.lu).

Future Subsidiary Guarantors

The Issuer shall cause each Restricted Subsidiary (other than the Issuer) that, after the Issue Date, Guarantees any Indebtedness of the Issuer or any Subsidiary Guarantor to execute and deliver concurrently to the Holders' Representative a Guarantee pursuant to which such Restricted Subsidiary will Guarantee payment of the Notes on substantially the same terms as the guarantee of such other Indebtedness and subject to legally advisable appropriate limitations reflecting the laws applicable to such Restricted Subsidiary.

Limitation on Lines of Business

The Issuer will not, and will not permit any Restricted Subsidiary to, engage in any business other than a Related Business, except as would not be material to the Issuer and its Restricted Subsidiaries taken as a whole.

Payments for Consent

No Person will be permitted to, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any Holder for or as an inducement to any consent or vote with respect to any waiver or amendment of any of the terms or provisions of the Conditions of Issue, Notes, Agency Agreement or any Guarantee unless (and to the extent such offer or payment is not prohibited by applicable law) such consideration is offered to be paid and is paid to all Holders.

Restricted and Unrestricted Subsidiaries

As of the Issue Date, all of the Issuer's Subsidiaries will be Restricted Subsidiaries. For purposes of designating any Restricted Subsidiary as an Unrestricted Subsidiary, all outstanding Investments by the Issuer and the Restricted Subsidiaries (except to the extent repaid) in the Subsidiary so designated will be deemed to be Restricted Payments in an amount which shall be the Restricted Payment's Fair Market Value at the time of such transfer.

The Board of Directors of the Issuer may designate any Subsidiary of the Issuer (including any newly acquired or newly formed Subsidiary or a Person becoming a Subsidiary through merger, consolidation or other business combination transaction, or Investment therein) to be an Unrestricted Subsidiary only if:

(i) such Subsidiary or any of its Subsidiaries does not own any Capital Stock or Indebtedness of or have any Investment in, or own or hold any Lien on any property of, the Issuer or any other Subsidiary of the Issuer which is not a Subsidiary of the Subsidiary to be so designated or which is not an Unrestricted Subsidiary;

(ii) no Indebtedness of such Subsidiary or any of its Subsidiaries shall, at the date of designation, or at any time thereafter, constitute Indebtedness pursuant to which a creditor under such Indebtedness has recourse to any of the assets of the Issuer or any Restricted Subsidiary;

(iii) such Subsidiary is a Person with respect to which neither the Issuer nor any Restricted Subsidiary has any direct or indirect obligation to:

(A) subscribe for additional Capital Stock of such Person; or

(B) maintain or preserve such Person's financial condition or cause such person to achieve any specified levels of operating results;

(iv) a Restricted Payment in such amount would be permitted at such time under the covenant set forth under the "*—Limitation on Restricted Payments*" covenant and under the "*—Limitation on Indebtedness*" covenant and/or the definition of Permitted Investments, and if such Subsidiary otherwise meets the definition of an Unrestricted Subsidiary; and

(v) after giving effect to, and as a result of, such designation there will be no Default or Event of Default.

The Board of Directors of the Issuer may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided, however*, that such designation shall be deemed to be an incurrence of Indebtedness by a Restricted Subsidiary of any outstanding Indebtedness of such Unrestricted Subsidiary and such designation shall be permitted only if (i) immediately after giving effect to such designation, no Default or Event of Default shall have occurred and be continuing and (ii) the Issuer could Incur at least EUR 1.00 of additional Indebtedness as described in the first paragraph under the "*—Limitation on Indebtedness*" covenant, on a *pro forma* basis taking into account such designation as if it had occurred at the beginning of the applicable reference period. Any such designation by the Board of Directors of the Issuer shall be evidenced to the Holders' Representative by filing with the Holders' Representative a resolution of the Board of Directors of the Issuer giving effect to such designation and an Officers' Request Certificate certifying that such designation complies with the foregoing conditions.

Suspension of Covenants

If on any date following the Original Issue Date:

(i) the Notes are rated with an Investment Grade Rating by both Rating Agencies; and

(ii) no Default has occurred and is continuing under the Conditions of Issue (the foregoing conditions being referred to collectively as the "**Suspension Condition**");

then, beginning on that day and subject to the provisions of the following paragraph, the covenants specifically listed under the following captions in this "**Description of the Notes**" (collectively, the "**Suspended Covenants**") of the Conditions of Issue will be suspended as to the Notes:

- "*—Certain Covenants—Limitation on Indebtedness*";
- "*—Certain Covenants—Limitation on Restricted Payments*";
- "*—Certain Covenants—Limitation on Restrictions on Distributions from Restricted Subsidiaries*";
- "*—Certain Covenants—Limitation on Sales of Assets*";
- "*—Certain Covenants—Limitation on Affiliate Transactions*";

- "*—Certain Covenants—Limitation on Lines of Business*"; and
- clause (iii) of the first paragraph of the "*—Certain Covenants—Merger and Consolidation*" covenant.

During any period that the foregoing sections have been suspended, the Issuer's Board of Directors may not designate any of its Subsidiaries as Unrestricted Subsidiaries pursuant to "*—Certain Covenants—Restricted and Unrestricted Subsidiaries*" unless the designation would have complied with the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*".

Notwithstanding the foregoing, if the Issuer and its Restricted Subsidiaries are not subject to the Suspended Covenants with respect to the Notes for any period of time as a result of the Suspension Condition having been met and, subsequently, one or both Rating Agencies withdraw their Investment Grade Rating or downgrade the Investment Grade Rating assigned to the Notes such that the Notes no longer have an Investment Grade Rating from both Rating Agencies, then the Issuer and each of its Restricted Subsidiaries will thereafter again be subject to the Suspended Covenants. Compliance with the Suspended Covenants with respect to Restricted Payments made after the time of such withdrawal or downgrade (i) will be calculated in accordance with the terms of the reinstated "*—Certain Covenants—Limitation on Restricted Payments*" covenant as if the provisions had been in effect since the Original Issue Date (accordingly, Restricted Payments made during such period when the Suspended Covenants are suspended will reduce the amount available to be made as Restricted Payments described under the first paragraph of "*—Certain Covenants—Limitation on Restricted Payments*") and (ii) will be calculated in accordance with the terms of the reinstated "*—Certain Covenants—Limitation on Indebtedness*" covenant as if any Indebtedness incurred on or after the occurrence of the Suspension Condition will be deemed to have been incurred pursuant to the first paragraph described under "*—Certain Covenants—Limitation on Indebtedness*"; *provided further*, that no Default, Event of Default or breach of any kind will be deemed to exist under the Conditions of Issue with respect to the Suspended Covenants based on, any actions taken or events occurring after such Notes attain the required ratings and before any reinstatement of the Suspended Covenants as provided above, or any actions, taken at any time pursuant to any contractual obligations arising prior to the reinstatement of the Suspended Covenants, regardless of whether those actions or events would have been permitted if the applicable sections had remained in effect during such period.

There can be no assurance that the Notes will ever achieve an Investment Grade Rating or that any such rating will be maintained.

Events of Default, Enforcement

Each of the following constitutes an "Event of Default" under the Conditions of Issue:

(a) default in any payment of interest or any Additional Amounts on any Note when due and payable, continued for 30 days;

(b) default in the payment of principal of or premium, if any, on any Note when due and payable at its Stated Maturity, upon redemption, upon repurchase, acceleration or otherwise;

(c) (i) failure by the Issuer or any of the Subsidiary Guarantors to comply with any of its obligations under the covenants set forth under "*—Certain Covenants—Merger and Consolidation*" or (ii) failure by the Issuer or the Issuer to comply for 30 days after notice with any of its obligations under the covenants set forth in "*—Repurchase at the Option of Holders upon a Change of Control*" or "*—Certain Covenants—Limitation on Sales of Assets*" (in each case, other than a failure to purchase Notes which shall constitute an Event of Default under the foregoing sub-clause (b));

(d) failure by the Issuer or any of the Subsidiary Guarantors to comply for 60 days after notice from the Holders' Representative (upon instruction by the Holders) with its other agreements contained in the Conditions of Issue or the Agency Agreement;

(e) default under any instrument evidencing or securing any Indebtedness of the Issuer or any of its Restricted Subsidiaries (or the payment of which is guaranteed by the Issuer or any Restricted Subsidiary), other than Indebtedness owed to the Issuer or a Restricted Subsidiary, whether such Indebtedness or guarantee now exists, or is created after the Issue Date, which default:

    (i) is caused by a failure to pay principal of, or premium, of any, on such Indebtedness when due prior to the expiration of any applicable grace period provided for under the terms of such Indebtedness ("**payment default**"); or

(ii) results in the acceleration of such Indebtedness prior to its maturity (the "**cross acceleration provision**");

and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a payment default or the maturity of which has been so accelerated exceeds EUR 20 million;

(f) events of bankruptcy, insolvency or reorganization under bankruptcy laws of (i) the Issuer, (ii) a Subsidiary Guarantor or (iii) a group of Restricted Subsidiaries that taken together (as of the latest audited consolidated financial statements for the Issuer and its Restricted Subsidiaries) would constitute a Significant Subsidiary;

(g) failure by the Issuer or any Restricted Subsidiary to pay final and enforceable judgments aggregating in excess of EUR 20 million (net of any amounts that are covered by insurance policies issued by reputable and creditworthy insurance companies), which judgments are not paid, bonded or insured by a third Person, discharged or stayed for a period of 90 days after the judgment exceeding such threshold becomes final; or

(h) any Subsidiary Guarantee of a Subsidiary Guarantor ceases to be in full force and effect (except as contemplated by the terms of such Subsidiary Guarantee or the Conditions of Issue or as provided under applicable law) or is declared null and void in a judicial proceeding or the Issuer or any Subsidiary Guarantor denies or disaffirms in writing or in any pleading in any court its obligations under the Conditions of Issue or its Subsidiary Guarantee and any such Default continues for 15 days.

If an Event of Default (other than an Event of Default with respect to the Issuer pursuant to the foregoing sub-clause (f)) occurs and is continuing, the Holders' Representative upon instruction of Holders of at least 25% in principal amount of the outstanding Notes shall by notice to the Issuer terminate the Notes and declare all payments under the Notes to be due and payable immediately, and upon any such declaration all such amounts payable in respect of the Notes will become immediately due and payable. If an Event of Default with respect to the Issuer pursuant to the foregoing sub- clause (f) occurs and is continuing, the Notes will automatically be terminated and all payments under the Notes will become due and payable immediately without any declaration or other act on the part of the Holders' Representative or any Holder.

In the event of a declaration of acceleration of the Notes because an Event of Default pursuant to foregoing sub-clause (e) has occurred and is continuing, the declaration of acceleration of the Notes shall be automatically annulled if the relevant default triggering such Event of Default pursuant to the foregoing sub-clause (e) shall be remedied or cured by the Issuer or a Restricted Subsidiary or waived by the holders of the relevant Indebtedness, or the relevant Indebtedness that gave rise to such Event of Default shall have been discharged in full, within 20 days after the declaration of acceleration with respect thereto and if (i) the annulment of the acceleration of the Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (ii) all existing Events of Default, except non-payment of principal, premium, or interest on the Notes that became due solely because of the acceleration of the Notes, have been cured or waived. The Holders of a majority in principal amount of the outstanding Notes may waive all past or existing Defaults or Events of Default (except with respect to the non- payment of principal, premium or interest or in respect of a covenant or provision of the Conditions of Issue which under the Conditions of Issue cannot be modified or amended without the consent of a majority of 90% of Holders' votes cast) and rescind any acceleration with respect to the Notes and its consequences within three months of the acceleration if rescission would not conflict with any judgment or decree of a court of competent jurisdiction; *provided, however*, that aggregate of such cast votes exceed the number of votes having required the acceleration.

Except to enforce the right to receive payment of principal, premium, if any, or interest when due, no Holder may pursue any remedy with respect to the Conditions of Issue or the Notes unless:

(a) such Holder has previously given the Holders' Representative notice that an Event of Default is continuing;

(b) Holders of at least 25% in principal amount of the outstanding Notes have requested the Holders' Representative to pursue the remedy;

(c) the Holders' Representative has not complied with such request within 60 days following the receipt of the request; and

(d) the Holders of a majority in principal amount of the outstanding Notes have not within such 60 day period given the Holders' Representative a direction that, in the opinion of the Holders' Representative, is inconsistent with such request.

Subject to the Conditions of Issue and applicable law, the Holders of a majority in aggregate principal amount of the outstanding Notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Holders' Representative or of exercising any trust or power conferred on the Holders' Representative.

The Issuer shall deliver to the Holders' Representative, within 120 days after the end of each fiscal year, an Officers' Request Certificate stating whether the signers thereof know of any Default that occurred during the previous year. The Issuer also is required to deliver to the Holders' Representative, after becoming aware of the occurrence thereof, written notice of any events of which it is aware which would constitute Defaults, their status and what action the Issuer is taking or proposes to take in respect thereof.

If an Event of Default occurs and is continuing, the Holders' Representative may

(a) in its sole discretion, but shall not be required to, proceed to protect and enforce the rights of the Holders by such appropriate judicial proceedings as the Holders' Representative shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in the Conditions of Issue or any Guarantee or in aid of the exercise of any power granted herein, or to enforce any other proper remedy, including making demand under one or more of the Guarantees on behalf of the Holders; and

(b) prosecute and enforce all rights of action and claims under the Conditions of Issue or any Guarantee without the possession of any of the Notes or the Global Notes or the production thereof in any proceeding relating thereto, and to bring any such proceeding on behalf of the Holders.

Amendments and Waivers

In accordance with the German Act on Debt Securities of 2009, as amended (*Gesetz über Schuldverschreibungen aus Gesamtemissionen (*Schuldverschreibungsgesetz—SchVG)) the Holders may agree with the Issuer on amendments of the Conditions of Issue with regard to matters permitted by the SchVG by resolution with the majority specified in the following paragraph below. Majority resolutions shall be binding on all Holders. Resolutions which do not provide for identical conditions for all Holders are void, unless Holders who are disadvantaged have expressly consented to their being treated disadvantageously.

Resolutions shall be passed by a majority of not less than 50.1% of the votes cast; *provided*, *however*, that resolutions regarding (i) any change to the covenants, in respect of any reduction of the relevant premium to be paid pursuant to such provision, described under "*—Optional Redemption*", "*—Repurchase at the Option of Holders upon a Change of Control*" and "*—Limitation on Sales of Assets*", as the case may be, and (ii) measures pursuant to § 5(3) Nos. 1 through 9 SchVG, require a majority of not less than 90% of the votes cast and; *provided further* that any amendments regarding the form, custody and clearing, and transferability of the Notes, the book- entry register, payment conditions and the enforcement of rights as set forth in the Conditions of Issue require approval of 100% of the Holders.

All votes shall be taken, subject to the next sentence, exclusively by vote taken without a meeting. The vote shall be chaired by a notary appointed by the Issuer or, if the Holders' Representative has convened the vote, by the Holders' Representative.

Each Holder participating in any vote shall cast votes in accordance with the nominal amount or the notional share of its entitlement to the outstanding Notes.

The notice of noteholder vote (the "**Notice of Noteholder Vote**") shall provide what proof is required to be entitled to vote in the noteholder vote. Unless otherwise provided for in the Notice of Noteholder Vote, a voting certificate provided by an agent appointed by the Issuer shall entitle its bearer to vote in the noteholder vote. The voting certificate shall be dated and shall specify the noteholder vote concerned and the principal amount of Notes held by such Holder. The Notice of Noteholder Vote may also require a proof of identity of a person exercising a voting right.

Satisfaction and Discharge

The Conditions of Issue will be discharged and will cease to be of further effect (except as to surviving rights of registration of transfer or exchange of the Notes as expressly provided for in the Conditions of Issue) as to all outstanding

Notes under the Conditions of Issue when the Issuer has paid or caused to be paid all sums payable under the Conditions of Issue.

Legal Defeasance or Covenant Defeasance

The Conditions of Issue will provide that the Issuer may, as evidenced by a resolution set forth in an Officers' Request Certificate, elect to have the obligations of the Issuer and the Guarantors discharged with respect to the outstanding Notes and Guarantees ("**Legal Defeasance**"). Legal Defeasance means that the Issuer will be deemed to have paid and discharged the entire Indebtedness represented by the outstanding Notes and Guarantees except as to:

(a) the rights of holders of outstanding Notes to receive payments in respect of the principal of, premium, if any, and interest on such Notes when such payments are due from the trust referred to below;

(b) the rights and obligations of the Holders' Representative and the obligations of the Issuer and the Guarantors in connection therewith; and

(c) the Legal Defeasance and Covenant Defeasance provisions of the Conditions of Issue.

In addition, the Issuer may, at its option and at any time, elect to have the obligations of the Issuer and the Guarantors released with respect to certain covenants set forth in the Conditions of Issue ("**Covenant Defeasance**"), and thereafter any omission to comply with such covenants will not constitute a Default or an Event of Default with respect to the Notes. In the event Covenant Defeasance occurs, certain events described under "—*Events of Default*" will no longer constitute an Event of Default with respect to the Notes. These events do not include events relating to non-payment or, solely with respect to the Issuer, bankruptcy, insolvency, receivership and reorganization. The Issuer may exercise its Legal Defeasance option regardless of whether they previously exercised Covenant Defeasance.

In order to exercise either Legal Defeasance or Covenant Defeasance:

(i) the Issuer must irrevocably deposit or cause to be deposited in a trust account for the benefit of the holders of the Notes, cash in euro, non-callable European Government Obligations or a combination thereof, in each case in such amounts as will be sufficient, in the opinion of internationally recognized investment bank, appraisal firm or firm of independent public accountants, to pay and discharge the principal of, premium, if any, and interest, on the outstanding Notes on the Stated Maturity or on the applicable redemption date, as the case may be, and the Issuer must (x) prior to depositary such monies or securities to the trust account, procure an opinion of counsel reasonably acceptable to the Holders' Representative stating, subject to customary assumptions and qualifications, that the trust account will be bankruptcy; (y) specify whether the Notes are being defeased to such Stated Maturity or to a particular redemption date; and (z) if applicable, have delivered to the Holders' Representative an irrevocable notice to redeem all the outstanding Notes of such principal, premium, if any, or interest;

(ii) in the case of Legal Defeasance, the Issuer must have delivered to the Holders' Representative an opinion of counsel reasonably acceptable to the Holders' Representative stating that (i) the Issuer has received from, or there has been published by, the U.S. Internal Revenue Service a ruling, or (ii) since the original issue date of the Notes, there has been a change in applicable U.S. federal income tax law, in either case to the effect that, and based thereon such opinion shall confirm that, the beneficial owners of the outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Legal Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(iii) in the case of Covenant Defeasance, the Issuer must have delivered to the Holders' Representative an opinion of counsel reasonably acceptable to the Holders' Representative to the effect that the beneficial owners of the outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(iv) the Issuer must have delivered to the Holders' Representative an Officers' Request Certificate stating that the deposit was not made by the Issuer with the intent of preferring the holders of the Notes over the other creditors of the Issuer with the intent of defeating, hindering, delaying or defrauding creditors of the Issuer or others; and

(v) the Issuer must have delivered to the Holders' Representative an Officers' Request Certificate and an opinion of counsel, reasonably acceptable to the Holders' Representative, subject to customary assumptions and qualifications, each stating that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance, as the case may be, have been complied with.

Listing

The Original Notes are listed on the official list of the Luxembourg Stock Exchange and have been admitted to trading on the Luxembourg Stock Exchange's Euro MTF market ("**Euro MTF**"). Application has been made to list the Additional Senior Notes on the official list of the Luxembourg Stock Exchange and to admit the Additional Senior Notes to trading on the Euro MTF market. There can be no assurance that the application to list the Additional Senior Notes on the official list of the Luxembourg Stock Exchange and to admit the Additional Senior Notes to trading on the Euro MTF market will be approved and settlement of the Additional Senior Notes is not conditioned on obtaining this listing.

Additional Information

Anyone who has received this Offering Memorandum may, following the Issue Date, obtain a copy of the Conditions of Issue and the Notes, without charge, in each case, by writing to the Issuer, care of Investor Relations at Heidelberger Druckmaschinen Aktiengesellschaft, Kurfürsten Anlage 52-60, 69115 Heidelberg, Germany.

Governing Law

The Conditions of Issue provide that the Notes, both as to form and content, as well as the rights and duties of the Holders, the Issuer, the Holders' Representative and the Paying Agent shall in all respects be determined in accordance with German law.

Place of Jurisdiction and Service of Process; Enforcement

Place of jurisdiction for all proceedings arising from matters provided for in the Conditions of Issue shall be, as far as permitted by law, Frankfurt am Main, Federal Republic of Germany. The Holders are entitled to assert their claims also before any other competent court and the Issuer submits to the jurisdiction of the courts which are competent.

Any Holder may in any proceedings against the Issuer, or to which such Holder and the Issuer are parties, protect and enforce in his own name his rights arising under such Notes on the basis of (i) a statement issued by the Custodian with whom such Holder maintains a securities account in respect of the Notes (a) stating the full name and address of the Holder, (b) specifying the aggregate principal amount of Notes credited to such securities account on the date of such statement and (c) confirming that the Custodian has given written notice to the Clearing System and Book-Entry Register containing the information pursuant to (a) and (b) and bearing acknowledgements of the Clearing System and any other Custodian in the chain of ownership for such Holder as to the Notes held in their respective accounts and (ii) a copy of the Note in global form certified as being a true copy by a duly authorized officer of the Clearing System or a depository of the Clearing System, without the need for production in such proceedings of the actual records or the global note representing the Notes. For purposes of the foregoing, "Custodian" means any bank or other financial institution of recognized standing authorized to engage in securities custody business with which the Holder maintains a securities account in respect of the Notes and includes the Clearing System, Clearstream Banking and Euroclear.

Notices

The Issuer (or the Holders' Representative, as the case may be) shall deliver any notice relating to the Notes to the Clearing System for communication by the Clearing System to the Holders. Any such notice shall be deemed to have been validly given on the seventh day following the day on which the said notice was given to the Clearing System. In addition, so long as any of the Notes are listed on the official list of the Luxembourg Stock Exchange and are admitted to trading on the Euro MTF market and the rules of such stock exchange so require, the Issuer (or the Holders' Representative, as the case may be) notices will be published in a newspaper having general circulation in Luxembourg (which is expected to be the Luxemburger Wort) or, to the extent and in the manner permitted by such rules, posted on the official website of the Luxembourg Stock Exchange (www.bourse.lu).

Presentation Period; Prescription

The presentation period provided for in § 801(1) first sentence of the German civil code (*Bürgerliches Gesetzbuch*) is reduced to ten years for the Notes. The period of limitation for claims under the Notes presented during the period for presentation will be ten years calculated from the expiration of the relevant presentation period.

Certain Definitions

"**Acquired Indebtedness**" means Indebtedness of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary or is merged into or consolidated with any other Person or that is assumed in connection with such merger or consolidation or that is assumed in connection with the acquisition of assets from such Person and, in each case, not Incurred by such Person in connection with, or in anticipation or contemplation of, such Person becoming a Restricted Subsidiary or such merger, consolidation or acquisition.

"**Additional Assets**" means:

(a) any property or assets (other than Indebtedness and Capital Stock) in a Related Business (excluding, for the avoidance of doubt, working capital);

(b) the Capital Stock of a Person that becomes a Restricted Subsidiary as a result of the acquisition of such Capital Stock by the Issuer or a Restricted Subsidiary; or

(c) Capital Stock constituting a minority interest in any Person that at such time is a Restricted Subsidiary;

provided, *however*, that, in the case of clauses (2) and (3), such Restricted Subsidiary is primarily engaged in a Related Business.

"**Adjusted EBITDA**" for any period means, without duplication, the Consolidated Net Income from continued operations for the relevant period, plus or less, as the case may be, the following to the extent deducted in calculating such Consolidated Net Income:

(a) the net interest result as shown in the consolidated financial statements of the Issuer for that Relevant Period (for the avoidance of doubt, the financial result as so reported shall be deemed the net interest result for purposes of this definition); plus

(b) any amount of tax on profits, gains or income by any member of the Group; plus

(c) any depreciation, amortization or impairment losses on assets (including, without limitation, on goodwill); and

(d) plus or less, as the case may be, any special items, including, without limitation, restructuring costs, included in the Issuer's financial statements (whether or not shown as a separate line item).

Notwithstanding the preceding sentence, clauses (2) through (4) relating to amounts of a Restricted Subsidiary of the Issuer will be added to Consolidated Net Income to compute Adjusted EBITDA of the Issuer only to the extent (and in the same proportion) that the net income (loss) of such Restricted Subsidiary was included in calculating the Consolidated Net Income of the Issuer and, to the extent the amounts set forth in clauses (2) through (4) are in excess of those necessary to offset a net loss of such Restricted Subsidiary or if such Restricted Subsidiary has net income for such period included in Consolidated Net Income, only if a corresponding amount would be permitted at the date of determination to be dividended to the Issuer by such Restricted Subsidiary without prior approval (that has not been obtained), pursuant to the terms of its charter and all agreements, instruments, judgments, decrees, orders, statutes, rules and governmental regulations applicable to that Restricted Subsidiary or its stockholders.

"**Affiliate**" of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "**control**" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; *provided* that beneficial ownership of 10% or more of the Voting Stock of a Person will be deemed to be control and the terms "**controlling**" and "**controlled**" have meanings correlative to the foregoing.

"**Agency Agreement**" means the agency agreement dated the Original Issue Date made between, among others, the Paying Agent, the Issuer and any other parties named therein, as amended, restated or otherwise modified or varied from time to time.

"**Applicable Premium**" means on any redemption date, the excess of (i) the present value on such redemption date of (A) the redemption price of such Note at April 15, 2014, plus (B) all required remaining scheduled interest payments due on the Notes through April 15, 2014, computed using a discount rate equal to the Bund Rate plus 50 basis points, over (ii) the principal amount of such Note on such redemption date. The calculation of the Applicable Premium

shall be made by the Issuer or on behalf of the Issuer by such Person as the Issuer shall designate and shall be conclusive in the absence of manifest error.

"**Asset Disposition**" means any direct or indirect sale, conveyance, transfer, assignment or any other disposition, or series of related sales, conveyances, transfers, assignments, leases or other dispositions that form part of a common plan by the Issuer or any of its Restricted Subsidiaries to any Person other than the Issuer or any of its Restricted Subsidiaries, including any disposition by means of a merger, consolidation or similar transaction (each referred to for the purposes of this definition as a "**disposition**"), of any shares of Capital Stock of any of the Issuer's Subsidiaries (other than directors' qualifying shares or shares required by applicable law to be held by a Person other than the Issuer or any of its Subsidiaries) or any other assets of the Issuer or any of its Restricted Subsidiaries, other than:

(a) a disposition of assets or issuance of Capital Stock by a Restricted Subsidiary to the Issuer or another Restricted Subsidiary or by the Issuer to a Subsidiary Guarantor or a Person that becomes a Subsidiary Guarantor at the time of such disposition or issuance;

(b) for purposes of the covenant set forth under "*—Certain Covenants—Limitation on Sales of Assets*" only, a disposition that constitutes a Restricted Payment permitted by the covenant set forth under "*—Certain Covenants—Limitation on Restricted Payments*" or a Permitted Investment;

(c) transactions permitted by the covenant set forth under "*—Certain Covenants—Merger and Consolidation*" and "*—Repurchase at the Option of Holders upon a Change of Control*";

(d) foreclosures on assets and any release of claims which have been written down or written off;

(e) dispositions of obsolete or worn out equipment or equipment that is no longer useful in the conduct of the business of the Issuer and its Restricted Subsidiaries;

(f) sales of accounts receivable, or participations therein, in connection with any Receivables Facility;

(g) dispositions of inventory and goods of sale in the ordinary course of business or a disposal of cash or Cash Equivalents;

(h) the licensing, sublicensing or sale of intellectual property or other intangibles and licenses in the ordinary course of business which do not materially interfere with the ordinary conduct of the business of the Issuer or any of its Restricted Subsidiaries;

(i) dispositions for cash (i) of Capital Stock in the Issuer held by the Issuer at the Original Issue Date on the stock exchange and/or (ii) of any tax refund claim (*Körperschaftsteuerguthaben*);

(j) dispositions arising as a result of any Permitted Lien;

(k) surrender or waiver of contract rights or settlement, release of contract, tort or other claims in the ordinary course of business or that is a foreclosure, condemnation or any similar action with respect to any property or other assets;

(l) dispositions required by law or any governmental authority or agency;

(m) the Fair Market Value of which in the aggregate does not exceed EUR 5 million in any transaction or series of related transactions; or

(n) that is a disposition of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements.

"**Attributable Indebtedness**" in respect of a Sale/Leaseback Transaction means, as at the time of determination, the present value (discounted at the interest rate borne by the Notes, compounded semi- annually) of the total obligations of the lessee for rental payments during the remaining term of the lease included in such Sale/Leaseback Transaction (including any period for which such lease has been extended).

"**Average Life**" means, as of the date of determination, with respect to any Indebtedness, the quotient obtained by dividing (i) the sum of the products of the numbers of years from the date of determination to the dates of each successive scheduled principal payment of such Indebtedness multiplied by the amount of such payment by (ii) the sum of all such payments.

"**Board of Directors**" means, with respect to the Issuer or a Subsidiary, as the case may be, the management board (or other body performing functions similar to any of those performed by a management board or any committee thereof duly authorized to act on behalf of such board (or other body)).

"**Bund Rate**" means the yield to maturity at the time of computation of direct obligations of the Federal Republic of Germany (*Bund or Bundesanleihen)* with a constant maturity (as officially compiled and published in the most recent financial statistics that have become publicly available at least two Business Days (but not more than five Business Days) prior to April 15, 2014 (or, if such financial statistics are not so published or available, any publicly available source of similar market data selected by the Issuer in good faith)) most nearly equal to the period from a redemption date to April 15, 2014; *provided*, *however*, that if the period from such redemption date to April 15, 2014 is not equal to the constant maturity of the direct obligations of the Federal Republic of Germany for which a weekly average yield is given, the Bund Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of direct obligations of the Federal Republic of Germany for which such yields are given, except that if the period from such redemption date to April 15, 2014 is less than one year, the weekly average yield on actually traded direct obligations of the Federal Republic of Germany adjusted to a constant maturity of one year shall be used.

"**Business Day**" means any day which is a day (other than a Saturday or a Sunday) on which the Clearing System as well as all relevant parts of the Trans European Automated Real-time Gross Settlement Express Transfer System 2 (TARGET2) are operational to forward payments in euro.

"**Capital Stock**" of any Person means any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) equity of such Person.

"**Capitalized Lease Obligation**" means an obligation that is required to be classified and accounted for as a capitalized lease for financial reporting purposes in accordance with IFRS (as in effect on the Original Issue Date for purposes of determining whether a lease is a capitalized lease), and the amount of Indebtedness represented by such obligation shall be the capitalized amount of such obligation at the time any determination thereof is to be made as determined in accordance with IFRS, under such lease prior to the first date such lease may be terminated without penalty.

"**Cash Equivalents**" means:

(a) securities issued or directly and fully guaranteed or insured by the U.S. Government or any agency or instrumentality of the United States, Switzerland, Norway or a Member State of the European Union or any agency or instrumentality thereof (*provided*, *however*, that the full faith and credit of the United States, Switzerland, Norway or such Member State of the European Union is pledged in support thereof); having maturities of not more than one year from the date of acquisition;

(b) certificates of deposit, time deposits, Eurodollar time deposits, overnight bank deposits or bankers' acceptances having maturities of not more than one year from the date of acquisition thereof issued by any commercial bank the long term debt of which is rated at the time of acquisition, or "**A**" or the equivalent thereof by Moody's Investors Service, Inc. and having combined capital and surplus in excess of EUR 500 million;

(c) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (a) and (b) entered into with any bank meeting the qualifications specified in clause (b) of this definition;

(d) commercial paper rated at the time of acquisition thereof at least "**A-2**" or the equivalent thereof by Standard & Poor's Ratings Services or "**P-2**" or the equivalent thereof by Moody's Investors Service, Inc., or carrying an equivalent rating by an internationally recognized rating agency, if both of the two named rating agencies cease publishing ratings of investments, and in any case maturing within one year after the date of acquisition thereof; and

(e) interests in any investment company or money market fund which invests 95% or more of its assets in instruments of the type specified in clauses (a) through (d) of this definition.

"**Cash Management Arrangements**" means the cash management arrangements of the Issuer and its Restricted Subsidiaries (including any Indebtedness arising thereunder) which arrangements are in the ordinary course of business consistent with past practice.

"**Change of Control**" means the occurrence of any of the following:

(a) the Issuer becoming aware of any "person" or "group" of persons acting in concert in the meaning given to such term in § 2(5) of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs und Übernahmegesetz*) acquiring and holding, directly or indirectly, the control over more than 50% (1) of the issued share capital of the Issuer, or (2) of the voting rights in the shares of the Issuer, by ownership of the share capital, contract or otherwise;

(b) the sale, lease, transfer, conveyance or other disposition (other than by way of merger, or consolidation or other business combination transaction), in one or a series of related transactions, of all or substantially all of the assets of the Issuer and its Restricted Subsidiaries taken as a whole to a Person other than a Restricted Subsidiary;

(c) during any period of two consecutive years, a majority of the shareholders' representatives on the Board of Directors of the Issuer are not Continuing Directors; or

(d) the adoption of a plan relating to the liquidation, winding up or other disposition of assets of the Issuer.

"**Commodity Hedging Agreement**" means, in respect of a Person, any commodity purchase contract, commodity futures or forward contract, commodities option contract or other similar contract or arrangement with respect to fluctuations in commodity prices (including derivative agreement or arrangements) to which such Person is a party or beneficiary.

"**Consolidated Coverage Ratio**" means as of any date of determination, with respect to the Issuer and its Restricted Subsidiaries, the ratio of (i) the aggregate amount of Adjusted EBITDA for the period of the most recent four consecutive fiscal quarters ending prior to the date of such determination for which consolidated financial statements of the Issuer are available to (ii) Interest Expenses for such four fiscal quarters; *provided*, *however*, that:

(a) if the Issuer or any Restricted Subsidiary:

(i) has Incurred any Indebtedness since the beginning of such period that remains outstanding on such date of determination or if the transaction giving rise to the need to calculate the Consolidated Coverage Ratio is an Incurrence of Indebtedness, Adjusted EBITDA and Interest Expenses for such period shall be calculated after giving effect on a pro forma basis to such Indebtedness as if such Indebtedness had been Incurred on the first day of such period (except that in making such computation, the amount of Indebtedness under any revolving credit facility outstanding on the date of such calculation shall be deemed to be (i) the average daily balance of such Indebtedness during such four fiscal quarters or such shorter period for which such facility was outstanding or (ii) if such facility was created after the end of such four fiscal quarters, the average daily balance of such Indebtedness during the period from the date of creation of such facility to the date of such calculation); or

(ii) has repaid, repurchased, defeased or otherwise discharged any Indebtedness since the beginning of the period that is no longer outstanding on such date of determination or if the transaction giving rise to the need to calculate the Consolidated Coverage Ratio involves a discharge of Indebtedness (in each case other than Indebtedness Incurred under any revolving credit facility unless such Indebtedness has been permanently repaid and the related commitment terminated), Adjusted EBITDA and Interest Expenses for such period shall be calculated after giving effect on a pro forma basis to such discharge of such Indebtedness, including with the proceeds of such new Indebtedness, as if such discharge had occurred on the first day of such period;

(b) if since the beginning of such period the Issuer or any Restricted Subsidiary will have made any Asset Disposition:

(i) the Adjusted EBITDA for such period shall be reduced by an amount equal to the Adjusted EBITDA (if positive) directly attributable to the assets which are the subject of such Asset Disposition for such period or increased by an amount equal to the Adjusted EBITDA (if negative) directly attributable thereto for such period; and

(ii) Interest Expenses for such period shall be reduced by an amount equal to the Interest Expenses directly attributable to any Indebtedness of the Issuer or any Restricted Subsidiary repaid, repurchased, defeased or otherwise discharged with respect to the Issuer and its continuing Restricted Subsidiaries in connection with such Asset Disposition for such period (or, if the Capital Stock of any Restricted Subsidiary is sold, Interest Expenses for such period

shall be reduced by the amount of Interest Expenses directly attributable to the Indebtedness of such Restricted Subsidiary to the extent the Issuer and its continuing Restricted Subsidiaries are no longer liable for such Indebtedness after such sale);

(c) if since the beginning of such period the Issuer or any Restricted Subsidiary (by merger or otherwise) will have made an Investment in any Restricted Subsidiary (or any Person which becomes a Restricted Subsidiary or is merged with or into the Issuer) or an acquisition of assets, including any acquisition of assets occurring in connection with a transaction requiring a calculation to be made hereunder, and which constitutes all or substantially all of a company, division, operating unit, segment, business, group of related assets or line of business, Adjusted EBITDA and Interest Expenses for such period shall be calculated after giving pro forma effect thereto (including the Incurrence of any Indebtedness) as if such Investment or acquisition occurred on the first day of such period; and

(d) if since the beginning of such period any Person (that subsequently became a Restricted Subsidiary or was merged with or into the Issuer or any Restricted Subsidiary since the beginning of such period) will have Incurred any Indebtedness or discharged any Indebtedness, made any Asset Disposition or any Investment or acquisition of assets that would have required an adjustment pursuant to clause (2) or (3) of this definition if made by the Issuer or a Restricted Subsidiary during such period, Adjusted EBITDA and Interest Expenses for such period shall be calculated after giving pro forma effect thereto as if such Incurrence or discharge of Indebtedness, Asset Disposition or Investment or acquisition of assets occurred on the first day of such period.

For purposes of this definition, whenever pro forma effect is to be given to any calculation under this definition, the *pro forma* calculations (including in respect of anticipated expense or cost savings and expense or cost synergies relating to any such transaction) shall be determined in good faith by a responsible financial or accounting officer of the Issuer. If any Indebtedness bears a floating rate of interest and is being given *pro forma* effect, the interest expense on such Indebtedness shall be calculated as if the rate in effect on the date of determination had been the applicable rate for the entire period (taking into account any Interest Rate Agreement applicable to such Indebtedness).

"**Consolidated Net Income**" means, for any period, the profit (loss) for the period (without discontinued operations) of the Issuer and its Restricted Subsidiaries determined on a consolidated basis in accordance with IFRS (as in effect on the Original Issue Date); *provided*, *however*, that there shall not be included in such Consolidated Net Income:

(a) any profit (loss) for the period (without discontinued operations) of any Person (other than the Issuer) if such Person is not a Restricted Subsidiary, except that:

(i) subject to the limitations contained in clauses (b) through (f) of this definition, the Issuer's equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Issuer or a Wholly Owned Restricted Subsidiary as a dividend or other distribution or return on investment; and

(ii) the Issuer's equity in a net loss of any such Person for such period shall be included in determining such Consolidated Net Income;

(b) any net after-tax gain (loss) realized upon the sale or other disposition of any assets of the Issuer or its Restricted Subsidiaries which are not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by an Officer or the Board of Directors of the Issuer);

(c) the amount of any profit of any member of the Group which is attributable to minority interests; *provided* that for as long as the Issuer holds, directly or indirectly, a minority interest in the fully consolidated Gallus Group, any profit attributable to the Gallus Group shall be included in the calculation of Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that could have been distributed by the Gallus Group during such period to the Issuer or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary (other than the Issuer or any Guarantor), to the limitation contained in this definition);

(d) the cumulative effect of a change in accounting principles after the Original Issue Date;

(e) any extraordinary, gain or loss or charge; and

(f) any net income or loss of any Restricted Subsidiary (other than any Subsidiary Guarantor) will be excluded to the extent such net income or loss is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such Restricted Subsidiary, directly or indirectly, to the Issuer (other than restrictions in effect on the Original Issue Date with respect to such Restricted Subsidiary and other restrictions with respect to such Restricted Subsidiary that, taken as a whole, are not materially less favorable to the Holders of the Notes than such restrictions in effect on the Original Issue Date), except that the Issuer's equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary during such period to the Issuer or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary (other than the Issuer or any Guarantor), to the limitation contained in this definition).

"**Consolidated Secured Leverage Ratio**" as of any date of determination, means the ratio of (1) the Consolidated Total Indebtedness that is Secured Indebtedness to (2) the Issuer's Adjusted EBITDA for the most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such event for which such calculation is being made shall occur, in each case with such pro forma adjustments to Consolidated Total Indebtedness and Adjusted EBITDA as are appropriate and consistent with the *pro forma* adjustment provisions set forth in the definition of "Consolidated Coverage Ratio"; *provided* that for purposes of calculating this Consolidated Secured Leverage Ratio, any amount of Indebtedness permitted to be Incurred as of such date of determination under sub-clause (i) of the second paragraph of "*—Certain Covenants—Limitation on Indebtedness*" shall be considered Secured Indebtedness.

"**Consolidated Total Indebtedness**" means, as at any date of determination, an amount equal to the sum of (1) the aggregate amount of all outstanding Indebtedness of the Issuer and its Restricted Subsidiaries on a consolidated basis consisting of Indebtedness for borrowed money, obligations in respect of Capitalized Lease Obligations and debt obligations evidenced by promissory notes and similar instruments (and excluding, for the avoidance of doubt, all obligations relating to Receivables Facilities), (2) any amount of Indebtedness permitted to be Incurred as of such date of determination under sub-clause (i) of the second paragraph of "*—Certain Covenants—Limitation on Indebtedness*" as if such Indebtedness has been Incurred and is outstanding and (3) the aggregate amount of all outstanding Disqualified Stock of the Issuer and all preferred stock of its Restricted Subsidiaries on a consolidated basis, with the amount of such Disqualified Stock and preferred stock equal to the greater of their respective voluntary or involuntary liquidation preferences and maximum fixed repurchase prices, in each case determined on a consolidated basis in accordance with IFRS (as in effect on the Original Issue Date). For purposes hereof, the "**maximum fixed repurchase price**" of any Disqualified Stock or preferred stock that does not have a fixed repurchase price shall be calculated in accordance with the terms of such Disqualified Stock or preferred stock as if such Disqualified Stock or preferred stock were purchased on any date on which Consolidated Total Indebtedness shall be required to be determined pursuant to the Conditions of Issue, and if such price is based upon, or measured by, the Fair Market Value of such Disqualified Stock or preferred stock, such Fair Market Value shall be determined reasonably and in good faith by the Issuer.

"**Continuing Director**" means, as of any date of determination, any shareholder representative on the supervisory board of the Issuer, who was (i) a member of the supervisory board on the Original Issue Date or (ii) nominated for election or, in case of a nomination of a shareholder, supported by the nomination committee (*provided* that the majority of the members of the nomination committee making such nomination or expressing such support are Continuing Directors).

"**Credit Facility**" means one or more debt facilities or arrangements (including the Revolving Credit Facility) or commercial paper facilities with banks or other institutions providing for revolving credit loans, term loans, notes, receivables financing (including through the sale of receivables to such lenders or to special purpose entities formed to borrow from such lenders against such receivables), or letters of credit, in each case, as amended, restated, modified, renewed, refunded, replaced or refinanced in whole or in part from time to time (and whether or not with the original administrative agent and lenders or another administrative agent or agents or other lenders and whether provided under the original Revolving Credit Facility or any other credit or other agreement or indenture).

"**Currency Agreement**" means, in respect of a Person, any foreign exchange contract, currency swap agreement, currency futures contract, currency option contract, currency derivative or other similar agreement as to which such Person is a party or a beneficiary.

"**Default**" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"**Disinterested Director**" means, with respect to any transaction or series of related transactions, a member of the Issuer's Board of Directors who does not have any personal stake in or with respect to such transaction or series of related transactions.

“**Disqualified Stock**” means, with respect to any Person, any Capital Stock of such Person which by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable) or upon the happening of any event:

(a) matures or is mandatory redeemable pursuant to a sinking fund obligation or otherwise;

(b) is convertible or exchangeable for Indebtedness or Disqualified Stock (excluding Capital Stock which is convertible or exchangeable solely at the option of the Issuer or a Restricted Subsidiary); or

(c) is redeemable at the option of the holder of the Capital Stock in whole or in part,

in each case on or prior to the date that is 91 days after the earlier of the date (a) of the stated maturity of the Notes or (b) on which there are no Notes outstanding, *provided, however*, that only the portion of Capital Stock which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date shall be deemed to be Disqualified Stock; *provided further*, *however*, that any Capital Stock that would constitute Disqualified Stock solely because the holders thereof have the right to require the Issuer to repurchase such Capital Stock upon the occurrence of a change of control or asset disposition (each defined in a substantially identical manner to the corresponding definitions in the Conditions of Issue) shall not constitute Disqualified Stock if the terms of such Capital Stock (and all such securities into which it is convertible or for which it is ratable or exchangeable) provide that the Issuer may not repurchase or redeem any such Capital Stock (and all such securities into which it is convertible or for which it is ratable or exchangeable) pursuant to such provision prior to compliance by the Issuer with the provisions as set forth under “*—Repurchase at the Option of Holders upon a Change of Control*” and such repurchase or redemption complies with “*—Certain Covenants—Limitation on Restricted Payments*”.

“**Euro Equivalent**” means, with respect to any monetary amount in a currency other than euro, at any time of determination thereof, the amount of euro obtained by converting such currency other than euro involved in such computation into euro at the spot rate for the purchase of euro with the applicable currency other than euro as published in the Financial Times in the “**Currency and Financial Data**” section (or if the Financial Times is no longer published, or if such information is no longer available in the Financial Times, such source as may be selected in good faith by the Issuer) on the date of such determination. Except as expressly *provided otherwise*, whenever it is necessary to determine whether the Issuer or any of its Restricted Subsidiaries has complied with any covenant or other provision in the Conditions of Issue or if there has occurred an Event of Default and an amount is expressed in a currency other than the euro, such amount will be treated as the Euro Equivalent determined as of the date such amount is initially determined in such non-euro currency.

“**European Government Obligations**” means any security that is (1) a euro-denominated direct obligation of a Member State of the European Union as in effect on December 31, 2003 and has a sovereign local currency rating of Aaa (or equivalent) by Moody’s and AAA (or equivalent) by S&P (in each case, with stable outlook), for the payment of which the full faith and credit of such country is pledged or (2) an obligation of a person controlled or supervised by and acting as an agency or instrumentality of any such country, the payment of which is unconditionally guaranteed as a full faith and credit obligation by such country, which, in either case under the preceding clause (1) or (2), is not callable or redeemable at the option of the issuer thereof.

“**Fair Market Value**” means the value that would be paid by a willing buyer to an unaffiliated willing seller in an arm’s length transaction not involving distress or necessity of either party, determined in good faith by the Board of Directors of the Issuer (unless otherwise provided in the Conditions of Issue).

“**Gallus Group**” means Gallus Ferd. Rüesch AG, Switzerland and its subsidiaries.

“**Guarantee**” means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person, including any such obligation, direct or indirect, contingent or otherwise, of such Person:

(a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise); or

(b) entered into for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part);

provided, however, that the term “**Guarantee**” shall not include endorsements for collection or deposit in the ordinary course of business. The term “Guarantee” used as a verb has a corresponding meaning.

"**Hedging Obligations**" of any Person means the obligations of such Person pursuant to any Interest Rate Agreement or Currency Agreement.

"**Holder**" means any holder of a proportionate co-ownership or other beneficial interest or right in the Notes.

"**IFRS**" means the International Financial Reporting Standards as in effect in the European Union on the Original Issue Date and, solely with respect to the covenant described under "—*Reports*", as in effect from time to time. Except as otherwise expressly set forth in the Conditions of Issue, all ratios and calculations based on IFRS set forth in the Conditions of Issue shall be computed in conformity with IFRS as in effect on the Original Issue Date.

"**Incur**" means issue, create, assume, Guarantee, incur or otherwise become liable for; *provided*, *however*, that any Indebtedness or Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (whether by merger, consolidation, acquisition or otherwise) shall be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary; and the terms "**Incurred**" and "**Incurrence**" have meanings correlative to the foregoing.

"**Indebtedness**"

(a) means:

(i) indebtedness for borrowed money;

(ii) obligations evidenced by bonds, debentures, notes or other similar instruments;

(iii) all reimbursement obligations in respect of letters of credit, bankers' acceptances or other similar instruments (except to the extent such reimbursement obligation relates to a trade payable and such obligation is satisfied within 30 days of Incurrence);

(iv) obligations to pay the deferred and unpaid purchase price of property (except trade payables or similar obligations to trade creditors), which purchase price is due more than six months after the date of placing such property in service or taking delivery and title thereto;

(v) Capitalized Lease Obligations and Attributable Indebtedness related to Sale/Leaseback Transactions;

(vi) the principal component or liquidation preference of all obligations of such Person with respect to the redemption, repayment or other repurchases of any Disqualified Stock or, with respect to any Subsidiary that is not a Guarantor, preferred stock;

(vii) the principal component of Indebtedness of other Persons to the extent Guaranteed by such Person; and

(viii) to the extent not otherwise included in this definition, net obligations of such Person under Hedging Obligations (the amount of any such obligations to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such Person at such time).

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described in this definition and the maximum liability, upon the occurrence of the contingency giving rise to the obligation, of any contingent obligations at such date.

(b) Notwithstanding the other provisions of this definition, in no event shall the following constitute Indebtedness:

(i) in connection with the purchase or disposal by the Issuer or any Restricted Subsidiary of any business, any indemnification, earn-outs, purchase price adjustments, guarantee, post-closing payment adjustments or similar obligations to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; *provided*, *however*, that, (A) at the time of closing, the amount of any such payment is not determinable, (B) the amount of any such payment shall be determinable within twelve months from the closing date and (C), to the extent such payment thereafter becomes fixed and determined, the amount is paid within 90 days thereafter; or

(ii) obligations under or in respect of Receivables Facilities; or

(iii) any obligations in respect of workers' compensation claims, early retirement obligations, pension fund obligations or social security or wage taxes or any obligation to environmental or regulatory agencies in relation to the Issuer or any Restricted Subsidiary's duties under environmental or regulatory laws or regulations; or

(iv) down payments or pre-payments received in the ordinary course of business; or

(v) any lease of property (or Guarantee thereof) which would be considered an operating lease under IFRS.

(c) In addition, "**Indebtedness**" of any Person shall include Indebtedness described in clause (i) of this definition that would not appear as a liability on the balance sheet of such person if:

(i) such Indebtedness is the obligation of a partnership or joint venture that is not a Restricted Subsidiary (a "**Joint Venture**");

(ii) such Person or a Restricted Subsidiary of such Person is a general partner of the Joint Venture (a "**General Partner**"); and

(iii) there is recourse, by contract or operation of law, with respect to the payment of such Indebtedness to property or assets of such Person or a Restricted Subsidiary of such Person; and then such Indebtedness shall be included in an amount not to exceed:

(A) the lesser of (A) the net assets of the General Partner and (B) the amount of such obligations to the extent that there is recourse, by contract or operation of law, to the property or assets of such Person or a Restricted Subsidiary of such Person; or

(B) if less than the amount determined pursuant to the preceding clause (3)(c)(i) of this definition, the actual amount of such Indebtedness that is recourse to such Person or a Restricted Subsidiary of such Person, if the Indebtedness is evidenced in writing and is for a determinable amount and the related interest expense shall be included in Interest Expense to the extent actually paid by the Issuer or its Restricted Subsidiaries.

"**Initial Subsidiary Guarantees**" means a guarantee pursuant to the terms set forth in the Conditions of Issue by an Initial Subsidiary Guarantor.

"**Interest Expense**" means, with respect to the Issuer and its Restricted Subsidiaries for any period, the sum, without duplication, of:

(a) the consolidated cash interest expense of the Issuer and its Restricted Subsidiaries for such period, excluding financing costs such as legal fees, advisory costs, security valuation expenses or similar (but not interest and amounts in the nature of interest including without limitation commissions, fees, discounts, prepayment fees, premium or charges and other finance payments in respect of financial indebtedness whether paid or payable (other than amounts paid prior to the Original Issue Date)), plus

(b) any cash interest on Indebtedness of another Person that is guaranteed by the Issuer or one of its Restricted Subsidiaries or secured by a Lien on assets of the Issuer or one of its Subsidiaries whether or not such Guarantee or Lien is called upon; plus

(c) any non-cash interest and non-cash amounts in the nature of interest (including without limitation pay-in-kind interest, amortization of original issue discount, commissions, fees, discounts, prepayment fees, premium or charges and other finance payments) in respect of financial indebtedness of or guaranteed by the Issuer or any of its Restricted Subsidiaries charged or accrued on or after the Original Issue Date; plus

(d) the product of (a) all dividends paid in cash on any series of Disqualified Stock of the Issuer or a Subsidiary Guarantor, or preferred stock of a Restricted Subsidiary that is not a Subsidiary Guarantor, other than dividends to the Issuer or a Restricted Subsidiary of the Issuer, times (b) a fraction, the numerator of which is one and the denominator of which is one minus the then current combined

federal, state and local statutory tax rate of such Person, expressed as a decimal, in each case, determined on a consolidated basis in accordance with IFRS.

"**Interest Rate Agreement**" means with respect to any Person any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement as to which such Person is party or a beneficiary.

"**Investment**" in any Person means any direct or indirect advance, loan (other than advances to customers in the ordinary course of business that are recorded as trade receivables on the balance sheet of such Person) or other extensions of credit (including by way of Guarantee or similar arrangement) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by such Person and all other items that are or would be classified as investments on a balance sheet prepared in accordance with IFRS; *provided*, *however*, that advances, loans or other extensions of credit arising under the Cash Management Arrangements shall not be deemed Investments.

For purposes of the definition of "**Unrestricted Subsidiary**" and the covenant set forth under "*—Certain Covenants—Limitation on Restricted Payments*", "**Investment**" shall include the portion (proportionate to the Issuer's equity interest in a Restricted Subsidiary to be designated as an Unrestricted Subsidiary) of the Fair Market Value of the net assets of such Restricted Subsidiary at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary; *provided*, *however*, that upon a redesignation of such Subsidiary as a Restricted Subsidiary, the Issuer shall be deemed to continue to have a permanent "**Investment**" in an Unrestricted Subsidiary in an amount (if positive) equal to the excess of the Issuer's "**Investment**" in such Subsidiary at the time of such redesignation less the portion (proportionate to the Issuer's equity interest in such Subsidiary) of the Fair Market Value of the net assets of such Subsidiary at the time that such Subsidiary is so re-designated a Restricted Subsidiary; and any property transferred to or from an Unrestricted Subsidiary shall be valued at its Fair Market Value at the time of such transfer, except as would otherwise be required in relation to the valuation of a Restricted Payment pursuant to the covenant set forth under "*—Certain Covenants—Limitation on Restricted Payments*".

The amount of any Investment outstanding at any time shall be the original cost of such Investment, reduced by any dividend, distribution, interest payment, return of capital, repayment or other amount or value received in respect of such Investment.

"**Investment Grade Rating**" means with respect to Moody's Investors Service Inc.: Baa3 (or its equivalent at the time) or better and with respect to Standard & Poor's Ratings Group, Inc.: BBB- (or its equivalent at the time) or better (or, if either entity ceases to rate the Notes for reasons outside the control of the Issuer, an equivalent rating from another Rating Agency).

"**Issue Date**" means December 17, 2013.

"**Lien**" means any mortgage, pledge, encumbrance, easement, deposit arrangement, security interest, lien or charge of any other kind of security right *in rem* (including with respect to any Capitalized Lease Obligation, conditional sales, or other title retention agreement having substantially the same economic effect as any of the foregoing).

"**Material Transaction**" means any acquisition or disposition by the Issuer of a significant amount of assets (including businesses) representing greater than 20% of the consolidated revenues, Adjusted EBITDA or consolidated assets of the Issuer on a pro forma basis.

"**Net Available Cash**" from an Asset Disposition means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise and net proceeds from the sale or other disposition of any securities received as consideration, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring Person of Indebtedness or other obligations relating to the properties or assets that are the subject of such Asset Disposition or received in any other non-cash form) therefrom, in each case net of:

(a) all direct transaction cost relating to such Asset Disposition, including, but not limited to legal, accounting, investment banking, and other fees and expenses Incurred, and all taxes required to be paid or accrued as a liability under IFRS as a consequence of such Asset Disposition;

(b) all payments made on any Indebtedness which is secured by any assets subject to such Asset Disposition, in accordance with the terms of any Lien upon such assets, or which must by its terms, or

in order to obtain a necessary consent to such Asset Disposition, or by applicable law be repaid out of the proceeds from such Asset Disposition;

(c) all distributions and other payments required to be made to minority interest holders in any of the Issuer's Subsidiaries or joint ventures as a result of such Asset Disposition;

(d) the deduction of appropriate amounts to be provided for by the seller as a reserve, in accordance with IFRS, against any liabilities associated with the assets disposed of in such Asset Disposition and retained by the Issuer or any Restricted Subsidiary after such Asset Disposition; and

(e) any portion of the purchase price from an Asset Disposition required by the terms of the sale agreements to be placed in escrow (A) to provide assurance to the purchaser that the seller will be able to satisfy its indemnification and other obligations with respect to such sale and (B) which escrow is not under the sole control of the Issuer or any of its Subsidiaries; *provided*, *however*, that upon the termination of that escrow, Net Available Cash shall be increased by any portion of funds in the escrow that are released to the Issuer or any Restricted Subsidiary.

"**Net Cash Proceeds**" means, with respect to any issuance or sale of Capital Stock or Indebtedness, the cash proceeds of such issuance or sale net of all direct cost relating to such issuance or sale, including, but not limited to attorneys' fees, accountants' fees, underwriters' or placement agents' fees, listing fees, discounts or commissions and brokerage, consultant and other fees and charges actually Incurred in connection with such issuance or sale and net of taxes paid or payable as a result of such issuance or sale (after taking into account any available tax credit or deductions and any tax sharing arrangements).

"**Officer**" means, with respect to any Person, (1) the members of the Board of Directors, the Chief Executive Officer, the President, the Chief Financial Officer, any Vice President, the Treasurer or the Secretary (a) of such Person or (b) if such Person is owned or managed by a single entity, of such entity, or (2) any other individual designated as an "Officer" for the purposes of the Conditions of Issue by the Board of Directors of such Person.

"**Officers' Request Certificate**" means, with respect to any Person, a certificate signed by two Officers of such Person.

"**Opinion of Counsel**" means a written opinion from legal counsel reasonably satisfactory to the Holders' Representative. The counsel may be an employee of or counsel to the Issuer.

"**Original Issue Date**" means April 7, 2011.

"**Pari Passu Indebtedness**" means, in the case of the Notes, any Indebtedness of the Issuer that ranks equally in right of payment with the Notes and, in the case of the Subsidiary Guarantees, any Indebtedness of the applicable Subsidiary Guarantor that ranks equally in right of payment to the Subsidiary Guarantee of such Subsidiary Guarantor.

"**Permitted Investment**" means an Investment by the Issuer or any Restricted Subsidiary:

(a) in the Issuer, a Restricted Subsidiary or a Person that will, upon the making of such Investment, become a Restricted Subsidiary;

(b) in a Person, if as a result of such Investment, such other Person is merged or consolidated with or into, or transfers or conveys all or substantially all its assets to, the Issuer or a Restricted Subsidiary;

(c) in Permitted Joint Ventures; provided that the aggregate principal amount of all such Investments will not exceed EUR 30 million;

(d) in Capital Stock, obligations or securities received (i) in settlement of debts created in the ordinary course of business and owing to the Issuer or any Restricted Subsidiary, (ii) as a result of foreclosure, perfection or enforcement of any Lien, (iii) in satisfaction of judgments, (iv) pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of a debtor or (v) in settlement of litigation, arbitration or other disputes;

(e) in existence on the Original Issue Date or made pursuant to legally binding commitments in existence on the Original Issue Date and any extension, modification or renewal of any such Investments, but only to the extent not involving additional Investments;

(f) Investments relating to a Receivables Subsidiary that, in the good faith determination of the Issuer are necessary or advisable to effect transactions contemplated under the Receivables Facility;

(g) in any of the Notes;

(h) in cash and Cash Equivalents;

(i) acquired by the Issuer or any Restricted Subsidiary in connection with an Asset Sale permitted under "*—Certain Covenants—Limitation on Sale of Assets*" to the extent such Investments are non-cash proceeds or deemed cash proceeds as permitted under such covenant;

(j) loans or advances to employees or directors made in the ordinary course of business consistent with past practices of the Issuer or such Restricted Subsidiary not to exceed EUR 3 million in the aggregate at any one time outstanding;

(k) Hedging Obligations, which transactions or obligations are incurred in compliance with "*—Certain Covenants—Limitation on Indebtedness*;"

(l) Guarantees of Indebtedness permitted to be incurred by the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" and (other than with respect to Indebtedness) guarantees, keepwells and similar arrangements in the ordinary course of business;

(m) loans made to customers to finance the acquisition of inventory in the ordinary course of business;

(n) acquired after the Original Issue Date as a result of the acquisition by the Issuer or any Restricted Subsidiary of another Person (including by way of a merger, amalgamation or consolidation with or into the Issuer or any of its Restricted Subsidiaries in a transaction that is not prohibited by the covenant described above under the caption "*—Merger and Consolidation*") after the Original Issue Date; *provided* that (i) such Investments were not made in contemplation of such acquisition, merger, amalgamation or consolidation and were in existence on the date of such acquisition, merger, amalgamation or consolidation and (ii) at the time such other Person becomes a Restricted Subsidiary, such Investments would not constitute a Significant Subsidiary of such acquired Person; and

(o) Investments, taken together with all other Investments made pursuant to this clause (o) and at any time outstanding, in an aggregate amount at the time of such Investment not to exceed EUR 50 million.

"**Permitted Joint Venture**" means any Person that is not a Restricted Subsidiary and that is engaged in a Related Business and of which at least 20% of the total Capital Stock and total Voting Stock is at the time of determination owned or controlled, directly or indirectly, by the Company or one or more Restricted Subsidiaries or a combination thereof.

"**Permitted Liens**" means:

(a) pledges, deposits or Liens under workmen's compensation laws, unemployment insurance laws, social security laws, pension regulations or similar legislation, or insurance related obligations, or in connection with bids, tenders, completion guarantees, contracts (other than for the payment of Indebtedness), warranty obligations or leases to which the Issuer or a Restricted Subsidiary is a party, or to secure public or statutory obligations of the Issuer or a Restricted Subsidiary or deposits of cash or Cash Equivalents to secure surety, judgment, performance or appeal bonds (or other similar bonds, instruments or obligations) to which the Issuer or a Restricted Subsidiary is a party, or deposits as security for contested taxes or import or customs duties or for the payment of rent, or other obligations of like nature, in each case Incurred in the ordinary course of business;

(b) Liens imposed by law;

(c) Liens for taxes, assessments or other governmental charges not yet delinquent or which are being contested in good faith by appropriate proceedings; *provided* that appropriate reserves required pursuant to IFRS have been made in respect thereof;

(d) Liens in favor of issuers of surety or performance bonds or letters of credit or bankers' acceptances issued pursuant to the request of and for the account of the Issuer or a Restricted Subsidiary in the ordinary course of its business; *provided*, *however*, that such letters of credit do not constitute Indebtedness;

(e) judgment Liens not giving rise to an Event of Default so long as any appropriate legal proceedings which may have been duly initiated for the review of such judgment have not been finally terminated or the period within which such proceedings may be initiated has not expired;

(f) Liens arising solely by virtue of banks' standard business terms and conditions;

(g) Liens existing on the Original Issue Date (other than on the Notes and the Subsidiary Guarantees);

(h) Liens by means of transfers by way of security (*Sicherungsübereignung*) to a trustee on stock (*Vorratsvermögen*) for the benefit of suppliers (including inter company suppliers) and their credit insurers (*Kreditversicherer*) in the ordinary course of business consistent with past practice;

(i) Liens on property or shares of stock of a Person at the time such Person becomes a Restricted Subsidiary; *provided*, *however*, that such Liens are not created, Incurred or assumed in connection with, or in contemplation of, such other Person becoming a Restricted Subsidiary; *provided further*, *however*, that any such Lien may not extend to any other property owned by the Issuer or any Restricted Subsidiary;

(j) Liens on property at the time the Issuer or a Restricted Subsidiary acquired the property, including any acquisition by means of a merger or consolidation with or into the Issuer or any Restricted Subsidiary; *provided*, *however*, that such Liens are not created, Incurred or assumed in connection with, or in contemplation of, such acquisition; *provided further*, *however*, that such Liens may not extend to any other property owned by the Issuer or any Restricted Subsidiary;

(k) Liens securing Indebtedness or other obligations of the Issuer under a cash pool or similar arrangement owed to a Restricted Subsidiary;

(l) Liens arising in connection with conditional sale or retention of title arrangements (*Eigentumsvorbehalt*), inventory financing arrangements or similar arrangements entered into in the ordinary course of business;

(m) Liens securing Refinancing Indebtedness Incurred to refinance Indebtedness that was previously so secured, *provided*, *however*, that any such Lien is limited to all or part of the same security package that secured the Indebtedness being refinanced and shall rank the same priority as the Indebtedness being refinanced;

(n) Liens to secure Indebtedness permitted by sub-clause (xii) of the second paragraph of the covenant set forth under "—*Limitation on Indebtedness*"; *provided* that any such Lien shall be limited to the asset financed with such Indebtedness;

(o) Liens securing any Indebtedness of a Restricted Subsidiary owed to the Issuer or another Restricted Subsidiary; *provided* that such Liens are subordinated to the Liens securing the Notes;

(p) Liens on accounts receivable and related assets incurred in connection with a Receivables Facility;

(q) Liens to secure Indebtedness permitted by the first paragraph and sub-clauses (i), (vii), (x) and (xiii) as well as, to the extent not Incurred pursuant to a Commodity Hedging Agreement, sub-clause (viii) of the second paragraph of the covenant set forth under "—*Limitation on Indebtedness*";

(r) Liens in favor of the Issuer or, as long as such Lien does not secure any obligation of the Issuer or a Guarantor, any Restricted Subsidiary;

(s) leases (including operating leases), licenses, subleases and sublicenses of assets (including real property and intellectual property rights), in each case entered into in the ordinary course of business;

(t) Liens securing or arising by reason of any netting or set-off arrangement entered into in the ordinary course of banking or other trading activities;

(u) Liens on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets; and

(v) Liens on assets of the Company or any Restricted Subsidiary with respect to Indebtedness that do not exceed EUR 15 million.

"**Person**" means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization, limited liability company, government or any agency or political subdivision thereof or any other entity.

"**Public Indebtedness**" means any Indebtedness consisting of bonds, debentures, notes or other similar debt securities (or any guarantees or intercompany loans in respect thereof) or Disqualified Stock issued in (a) a public offering registered under the U.S. Securities Act, (b) listed on a recognized stock exchange or (c) a private placement to institutional investors that is underwritten for resale in accordance with Rule 144A or Regulation S under the U.S. Securities Act, whether or not it includes registration rights entitling the holders of such debt securities or Disqualified Stock to registration thereof with the SEC for public resale.

"**Purchase Money Obligation**" means any Indebtedness incurred to finance or refinance the acquisition, construction or improvement of property (real or personal) or assets (including Capital Stock), and whether acquired through the direct acquisition of such property or assets or the acquisition of the Capital Stock of any Person owning such property or assets, or otherwise; *provided* that such Indebtedness is Incurred within 180 days after such acquisition, construction or improvement.

"**Rating Agencies**" means Moody's Investors Service Inc. and Standard & Poor's Ratings Group, Inc. (or, if either such entity ceases to rate the Notes for reasons outside the control of the Issuer, any other "**nationally recognized statistical rating organization**" identified by the U.S. Securities and Exchange Commission or to its affiliated rating agencies outside the United States).

"**Receivables Facility**" means one or more receivables financing facilities as amended, supplemented, modified, extended, renewed, restated or refunded from time to time, the obligations of which are non-recourse (except for customary representations, warranties, covenants and indemnities made in connection with such facilities) to the Issuer or any of its Restricted Subsidiaries (other than a Receivables Subsidiary) pursuant to which the Issuer or any of its Restricted Subsidiaries sells its accounts receivable to either (a) a Person that is not a Restricted Subsidiary or (b) a Receivables Subsidiary that in turn sells its accounts receivable to a Person that is not a Restricted Subsidiary.

"**Receivables Subsidiary**" means any Subsidiary formed for the purpose of, and that solely engages only in one or more Receivables Facilities and other activities reasonably related thereto.

"**Refinancing Indebtedness**" means Indebtedness that refinances any Indebtedness Incurred or existing as permitted under and in compliance with the Conditions of Issue; *provided*, *however*, that:

(a) the Refinancing Indebtedness has a Stated Maturity no earlier than the Stated Maturity of the Indebtedness being refinanced;

(b) the Refinancing Indebtedness has an Average Life at the time such Refinancing Indebtedness is Incurred that is equal to or greater than the Average Life of the Indebtedness being refinanced;

(c) such Refinancing Indebtedness has an aggregate principal amount (or, if issued with original issue discount, an aggregate issue price) that is equal to or less than the aggregate principal amount (or, if issued with original issue discount, the aggregate accreted value) then outstanding of the Indebtedness being refinanced (plus all accrued interest and the amount of all fees and expenses, including any premiums and defeasance costs);

(d) if the Indebtedness being refinanced is subordinated in right of payment to the Notes or any Subsidiary Guarantee, such Refinancing Indebtedness is subordinated in right of payment to the Notes or such Subsidiary Guarantee, as the case may be, on terms at least as favorable to the Holders as those contained in the documentation governing the Indebtedness being refinanced;

(e) if the Indebtedness being refinanced is Indebtedness of the Issuer or a Subsidiary Guarantor, the Refinancing Indebtedness may not be Indebtedness of or Guaranteed by a Restricted Subsidiary that is not a Subsidiary Guarantor; and

(f) such Refinancing Indebtedness is incurred either by the Issuer or a Subsidiary Guarantor (if the Issuer or a Subsidiary Guarantor was the obligor of the Indebtedness being refinanced, replaced or discharged) or by the Restricted Subsidiary that was the obligor of the Indebtedness being refinanced, replaced or discharged and is Guaranteed only by Persons who were obligors or Guarantors of the Indebtedness being refinanced, replaced or discharged.

"**Related Business**" means any of the businesses engaged in by the Issuer and its Subsidiaries on the Original Issue Date, and any services, activities or businesses incidental or reasonably related or similar thereto, or any line of business or business activity that is a reasonable extension, development, application or expansion thereof or ancillary thereto (including by way of geography or product or service line).

"**Restricted Investment**" means any Investment other than a Permitted Investment.

"**Restricted Payment**" means:

(a) the declaration or payment of any dividend or any distribution (whether made in cash, securities or other property) by the Issuer or any Restricted Subsidiary on or in respect of its Capital Stock (including any payment in connection with any merger or consolidation involving the Issuer or any of its Restricted Subsidiaries) except:

(i) dividends or distributions payable in Capital Stock of the Issuer (other than Disqualified Stock), or in options, warrants or other rights to purchase such Capital Stock of the Issuer; and

(i) dividends or distributions payable to the Issuer or a Restricted Subsidiary and, if such Restricted Subsidiary making the payment is not a Wholly Owned Subsidiary, to its other holders of Capital Stock on a *pro rata* basis or on a basis that results in the receipt by the Issuer or a Restricted Subsidiary of dividends or distributions of greater value than the Issuer of such Restricted Subsidiary would receive on a *pro rata* basis;

(b) the purchase, redemption or other acquisition for value of any Capital Stock of the Issuer or any direct or indirect parent of the Issuer held by Persons other than the Issuer or a Restricted Subsidiary (other than in exchange for Capital Stock of the Issuer (other than Disqualified Stock));

(c) the purchase, repurchase, redemption, defeasance or other acquisition for value, prior to scheduled maturity or scheduled repayment of any Indebtedness of the Issuer or Subsidiary Guarantor that is contractually subordinated to the Notes or to any Subsidiary Guarantee (excluding any intercompany Indebtedness between or among the Issuer and any of its Restricted Subsidiary), other than the purchase, repurchase, redemption, defeasance or other acquisition of any Indebtedness of the Issuer or any Subsidiary Guarantor that is contractually subordinated to the Notes or to any Subsidiary Guarantee purchased in anticipation of satisfying a sinking fund obligation, principal instalment or final maturity, in each case due within 1 year of the date of such purchase, repurchase, redemption, defeasance or other acquisition; or

(d) the making of any Restricted Investment in any Person.

The amount of all Restricted Payments (other than cash) shall be the Fair Market Value on the date of such Restricted Payment of the asset(s) or securities proposed to be paid, transferred or issued by the Issuer or such Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment. The Fair Market Value of any cash Restricted Payment shall be its face amount and the Fair Market Value of any non-cash Restricted Payment shall be determined conclusively by the Board of Directors of the Issuer acting in good faith whose resolution with respect thereto shall be promptly delivered to the Holders' Representative, such determination to be based upon an opinion or appraisal issued by an accounting, appraisal or investment bank of national standing if such Fair Market Value is estimated in good faith by the Board of Directors of the Issuer to exceed EUR 15 million. No later than the date of making any Restricted Payment, the Issuer shall deliver to the Holders' Representative an Officers' Request Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by the provision set forth under "—*Certain Covenants—Limitation on Restricted Payments*" were computed, together with a copy of any fairness opinion or appraisal required and any other information reasonably requested by the Holders' Representative.

"**Restricted Subsidiary**" means any Subsidiary of the Issuer other than an Unrestricted Subsidiary.

"**Revolving Credit Facility**" means the EUR 500 million revolving and facilities agreement dated March 25, 2011 between, *inter alia*, the Company and the Revolving Credit Facility Lenders, including any related ancillary facility agreements, notes, guarantees, collateral documents, instruments and agreements executed in connection therewith, in each case as the same may be amended, extended, restated, waived or otherwise modified from time to time.

"**Revolving Credit Facility Lenders**" means the "**Lenders**" as defined under the Revolving Credit Facility.

"**Sale/Leaseback Transaction**" means an arrangement relating to property owned on the Original Issue Date or thereafter acquired as permitted under and in compliance with the Conditions of Issue whereby the Issuer, or a Restricted Subsidiary transfers such property to a Person and the Issuer, or Restricted Subsidiary leases it from such Person.

"**Secured Indebtedness**" means, as of any date of determination, any Indebtedness that is secured by a Lien on assets of the Issuer or a Restricted Subsidiary.

"**Senior Indebtedness**" means, whether outstanding on the Original Issue Date or thereafter issued, created, Incurred or assumed, the Revolving Credit Facility and all amounts payable by the Issuer under or in respect of all other Indebtedness of the Issuer, including premiums and accrued and unpaid interest (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization relating to the Issuer at the rate specified in the documentation with respect thereto whether or not a claim for post filing interest is allowed in such proceeding) and fees relating thereto; *provided*, *however*, that Senior Indebtedness will not include:

(a) any Indebtedness Incurred in violation of these Conditions of Issue;

(b) any obligation of the Issuer to any Subsidiary;

(c) any accounts payable or other liability to trade creditors arising in the ordinary course of business (including Guarantees thereof or instruments evidencing such liabilities);

(d) any Indebtedness, Guarantee or obligation of the Issuer that is expressly subordinate or junior in right of payment to any other Indebtedness, Guarantee or obligation of the Issuer, including, without limitation, any Subordinated Obligations; or

(e) any Capital Stock.

"**Significant Subsidiary**" means any Restricted Subsidiary which contributed the equivalent of at least 10% of the Issuer and its Subsidiaries' consolidated revenue or EBITDA for the year.

"**Stated Maturity**" means, with respect to any security, the date specified in such security as the fixed date on which the payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision, but shall not include any contingent obligations to repay, redeem or repurchase any such principal prior to the date originally scheduled for the payment thereof.

"**Subordinated Obligation**" means any Indebtedness of the Issuer (whether outstanding on the Original Issue Date or thereafter Incurred) which is subordinated in right of payment to the Notes pursuant to a written agreement; *provided*, *however*, that such Subordinated Obligation:

(a) does not (including upon the happening of any event) mature or require any amortization or other payment of principal prior to the first anniversary of the maturity of the Notes (other than through conversion or exchange of any such security or instrument for Capital Stock of the Issuer or for any other security or instrument meeting the requirements of the definition);

(b) does not (including upon the happening of any event) require the payment of cash interest prior to the first anniversary of the maturity of the Notes;

(c) does not (including upon the happening of any event) provide for the acceleration of its maturity nor confers any right (including upon the happening of any event) to declare a default or event of default or take any enforcement action, in each case, prior to the first anniversary of the maturity of the Notes;

(d) is not secured by a Lien on any assets of the Issuer or a Restricted Subsidiary and is not Guaranteed by any Subsidiary of the Issuer;

(e) is subordinated in right of payment to the prior payment in full in cash of the Notes in the event of any default, bankruptcy, reorganization, liquidation, winding up or other disposition of assets of the Issuer;

(f) does not (including upon the happening of any event) restrict the payment of amounts due in respect of the Notes or compliance by the Issuer with its obligations under the Notes and the Agency Agreement;

(g) does not (including upon the happening of an event) constitute Voting Stock; and

(h) is not (including upon the happening of any event) mandatorily convertible or exchangeable, or convertible or exchangeable at the option of the holder, in whole or in part, prior to the date on which the Notes mature other than into or for Capital Stock of the Issuer;

provided, *however*, that any event or circumstance that results in such Indebtedness ceasing to qualify as a Subordinated Obligation, such Indebtedness shall constitute an incurrence of such Indebtedness by the Issuer which incurrence will only be permitted to the extent permitted under the provision set forth under "*—Certain Covenants—Limitation on Indebtedness*", and any and all Restricted Payments made through the use of the net proceeds from the Incurrence of such Indebtedness since the date of the original issuance of such Subordinated Obligation shall constitute new Restricted Payments that are deemed to have been made after the date of the original issuance of such Subordinated Obligation.

"**Subsidiary**" means (i) any Person directly or indirectly majority owned by the Issuer and (ii) for so long as it is controlled by the Issuer or a Restricted Subsidiary and consolidated by the Issuer, the Gallus Group.

"**Subsidiary Guarantee**" means a Guarantee on the terms set forth in the Conditions of Issue by a Subsidiary Guarantor of the Issuer's obligations under the Notes and the Conditions of Issue.

"**Subsidiary Guarantor**" means each Subsidiary of the Issuer that is Guaranteeing the obligations of the Issuer under the Notes and the Conditions of Issue and each Additional Subsidiary Guarantor.

"**Total Assets**" means the total consolidated assets, less cash and Cash Equivalents, of the Issuer and its Restricted Subsidiaries, as shown on the most recent balance sheet of the Issuer.

"**Unrestricted Subsidiary**" means:

(a) any Subsidiary of the Issuer that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors of the Issuer in the manner provided for in "*—Certain Covenants—Restricted and Unrestricted Subsidiaries*"; and

(b) any Subsidiary of an Unrestricted Subsidiary.

"**U.S. Exchange Act**" means the U.S. Securities Exchange Act of 1934, as amended.

"**U.S. Securities Act**" means the U.S. Securities Act of 1933, as amended.

"**Voting Stock**" of a corporation or company means all classes of Capital Stock of such corporation or company then outstanding and normally entitled to vote in the election of directors.

"**Wholly Owned Subsidiary**" means a Restricted Subsidiary, all of the Capital Stock of which (other than directors' qualifying shares or shares required by any applicable law or regulation to be held by a Person other than the Issuer or another Wholly Owned Subsidiary) is owned by the Issuer or another Wholly Owned Subsidiary.

INFORMATION ON THE SUBSIDIARY GUARANTORS

Heidelberg Graphic Equipment Ltd.

Heidelberg Graphic Equipment Limited is an Australian unlisted public company limited by shares incorporated under the laws of Australia. It is registered in Victoria with Australian Company Number (ACN) 19 004 395 779. Its registered office is 2 Acacia Place, Notting Hill, Victoria 3168, Australia.

Heidelberg Graphic Equipment Limited's authorised share capital amounts to AUD 50,000,000.

Heidelberger Druckmaschinen Austria Vertriebs-GmbH

Heidelberger Druckmaschinen Austria Vertriebs-GmbH is a limited liability company (*Gesellschaft mit beschränkter Haftung*) incorporated under the laws of Austria. It is registered under registration number FN 89748 h. Its registered office is Hebbelplatz 7, 1100 Wien, Austria.

Heidelberger Druckmaschinen Austria Vertriebs-GmbH's registered share capital amounts to ATS 9,000,000.

Heidelberger Druckmaschinen Osteuropa Vertriebs-GmbH

Heidelberger Druckmaschinen Osteuropa Vertriebs-GmbH is a limited liability company (*Gesellschaft mit beschränkter Haftung*) incorporated under the laws of Austria. It is registered under registration number FN 143000 w. Its registered office is Hebbelplatz 7, 1100 Wien, Austria.

Heidelberger Druckmaschinen Osteuropa Vertriebs-GmbH's registered share capital amounts to ATS 500,000.

Heidelberg Canada Graphic Equipment Limited

Heidelberg Canada Graphic Equipment Limited is a corporation amalgamated under the laws of Ontario, Canada. Its Ontario corporation number is 1863389. Its registered office is 6265 Kenway Drive, Mississauga, Ontario, Canada L5T 2L3.

The authorized capital of Heidelberg Canada Graphic Equipment Limited consists of an unlimited number of common shares of which 106,500 common shares are issued and outstanding.

Heidelberg International Ltd. A/S

Heidelberg International Ltd. A/S is a stock corporation (*Aktieselskab*) incorporated under the laws of Denmark. It is registered with the Danish Business Authority (*Erhvervsstyrelsen*) under the registration number CVR 12673310. Its registered office is Stamholmen 193 E, 2650 Hvidovre, Denmark.

Heidelberg International Ltd. A/S's registered capital amounts to DKK 13,000,000 divided into 130,000 shares with a nominal value of DKK 100 each.

Heidelberg International Finance B.V.

Heidelberg International Finance B.V. is a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of The Netherlands. It is registered with the trade register of the chamber of commerce for Brabant under registration number 17154933. Its registered office is Ir. Wagterstraat 10, 5831 AZ Boxmeer, The Netherlands.

Heidelberg International Finance B.V.'s authorized capital amounts to EUR 18,000. The shares have a nominal value of EUR 1,000 each.

Heidelberg Graphic Equipment Limited

Heidelberg Graphic Equipment Limited is a private company limited by shares incorporated under the laws of England and Wales. It is registered with the Companies House under company number 01177224. Its registered office is 69-76 High St., Brentford, TW8 0AA, United Kingdom.

Heidelberg Graphic Equipment Limited's registered share capital amounts to GBP 10,000,000 divided into 10,000,000 shares of GBP 1 each.

Heidelberg France S.A.S.

Heidelberg France S.A.S. is a limited company (*Société par Actions Simplifée*) incorporated under the laws of France. It is registered with the commercial and companies register (*registre du commerce et des sociétés*) under registration number 582 146 999 RCS Bobigny. Its registered office is 13, rue Charles Cros, ZAC des Petits Ponts, 93294 Tremblay-en-France Cedex, France.

Heidelberg France S.A.S.' registered capital amounts to EUR 10,000,000 divided into EUR 1,000,000 shares (*actions*) with a nominal value of EUR 10 each.

Heidelberger Druckmaschinen Vertrieb Deutschland Gesellschaft mit beschränkter Haftung

Heidelberger Druckmaschinen Vertriebs Deutschland Gesellschaft mit beschränkter Haftung is a limited liability company (*Gesellschaft mit beschränkter Haftung*) incorporated under the laws of Germany. It is registered with the commercial register of the local court (*Amtsgericht*) of Mannheim, Germany, under registration number HRB 334038. Its registered office is Kurfürstenanlage 52-60, 69115 Heidelberg.

Heidelberger Druckmaschinen Vertriebs Deutschland GmbH's registered share capital amounts to EUR 25,616,000.

Heidelberg Boxmeer Beteiligungs-GmbH

Heidelberg Boxmeer Beteiligungs-GmbH is a limited liability company (*Gesellschaft mit beschränkter Haftung*) incorporated under the laws of Germany. It is registered with the commercial register of the local court (*Amtsgericht*) of Mannheim, Germany, under registration number HRB 335309. Its registered office is Kurfürstenanlage 52-60, 69115 Heidelberg.

Heidelberg Boxmeer Beteiligungs-GmbH's registered share capital amounts to EUR 150,000.

Heidelberg China-Holding GmbH

Heidelberg China-Holding GmbH is a limited liability company (*Gesellschaft mit beschränkter Haftung*) incorporated under the laws of Germany. It is registered with the commercial register of the local court (*Amtsgericht*) of Mannheim, Germany, under registration number HRB 336038. Its registered office is Kurfürstenanlage 52-60, 69115 Heidelberg.

Heidelberg China-Holding GmbH's registered share capital amounts to EUR 26,000.

Heidelberg Consumables Holding GmbH

Heidelberg Consumables Holding GmbH is a limited liability company (*Gesellschaft mit beschränkter Haftung*) incorporated under the laws of Germany. It is registered with the commercial register of the local court (*Amtsgericht*) of Mannheim, Germany, under registration number HRB 704147. Its registered office is Kurfürstenanlage 52-60, 69115 Heidelberg.

Heidelberg Consumables Holding GmbH's registered share capital amounts to EUR 25,000.

Heidelberg Postpress Deutschland GmbH

Heidelberg Postpress Deutschland GmbH is a limited liability company (*Gesellschaft mit beschränkter Haftung*) incorporated under the laws of Germany. It is registered with the commercial register of the local court (*Amtsgericht*) of Mannheim, Germany, under registration number HRB 337660. Its registered office is Kurfürstenanlage 52-60, 69115 Heidelberg.

Heidelberg Postpress Deutschland GmbH's registered share capital amounts to EUR 52,000.

Heidelberg China Limited

Heidelberg China Limited is a private company limited by shares incorporated under the laws of Hong Kong SAR. It is registered with the Companies Registry under number 496568. Its registered office is Unit 1605-1616, Metropolis Tower, 10 Metropolis Drive, Hung Hom, Kowloon, Hong Kong.

Heidelberg China Limited's registered share capital amounts to HK$ 65,000,000.

Heidelberg USA, Inc.

Heidelberg USA, Inc. is a corporation organized under the laws of Delaware/United States. Its organizational identification number is 2320173. Its principal office is 1000 Gutenberg Drive NW, Kennesaw, GA 30144-7028, United States.

Heidelberg USA, Inc.'s direct share capital is one share of no par value common stock.

Heidelberg Americas, Inc.

Heidelberg Americas, Inc. is a corporation organized under the laws of Delaware/United States. Its organizational identification number is 0949108. Its principal office is 1000 Gutenberg Drive NW, Kennesaw, GA 30144-7028, United States.

Heidelberg Americas, Inc.'s direct share capital is one share of no par value common stock.

Heidelberg Japan K.K.

Heidelberg Japan K.K. is a limited liability company (*kabushiki kaisha*) incorporated under the laws of Japan. It is registered with the commercial register under number 0107-01-011593. Its registered office is 3-31-8, Higashi-Shinagawa, Shinagawa-ku, Tokyo, Japan.

The subsidiary guarantors may be contacted at the address of the Issuer.

CERTAIN INSOLVENCY LAW CONSIDERATIONS AND CERTAIN LOCAL LAW CONSIDERATIONS ON LIMITATIONS ON SUBSIDIARY GUARANTEES

European Union

Insolvency Law

Pursuant to Council Regulation (EC) No. 1346/2000 on insolvency proceedings (the "**EU Insolvency Regulation**"), the court which shall have jurisdiction to open insolvency proceedings in relation to a company is the court of the member state of the European Economic Area (the "**Member State**") (other than Denmark) where the company concerned has its "centre of main interests" (as that term is used in Article 3(1) of the EU Insolvency Regulation). The determination of where any such company has its "centre of main interests" is a question of fact on which the courts of the different Member States may have differing and even conflicting views. To date, no final decisions have been taken in cases that have been brought before the European Court of Justice in relation to questions of interpretation or the effects of the EU Insolvency Regulation throughout the European Union.

Furthermore, "centre of main interests" is not a static concept and may change from time to time. Although there is a rebuttable presumption under Article 3(1) of the EU Insolvency Regulation that any such company has its "centre of main interests" in the Member State in which it has its registered office, Preamble 13 of the EU Insolvency Regulation states that the "centre of main interests" of a debtor should correspond to the place where the debtor conducts the administration of its interests on a regular basis and "is therefore ascertainable by their parties". In that respect, factors such as where board meetings are held, the location where the company conducts the majority of its business and the location where the large majority of the company's creditors are established may all be relevant in the determination of the place where the company has its "centre of main interests". If the centre of main interests of any such company is and will remain located in the state in which it has its registered office, the main insolvency proceedings in respect of the company under the EU Insolvency Regulation would be commenced in such jurisdiction and accordingly a court in such jurisdiction would be entitled to commence the types of insolvency proceedings referred to in Annex A to the EU Insolvency Regulation. Insolvency proceedings opened in one Member State under the EU Insolvency Regulation are to be recognized in the other Member States (other than Denmark), although secondary proceedings may be opened in another Member State. If the "centre of main interests" of a debtor is in one Member State (other than Denmark) under Article 3(2) of the EU Insolvency Regulation, the courts of another Member State (other than Denmark) have jurisdiction to open secondary proceedings only in the event that such debtor has an "establishment" (within the meaning and as defined in Article 2(h) of the EU Insolvency Regulation) in the territory of such other Member State. The effects of those territorial proceedings are restricted to the assets of the debtor situated in the territory of such other Member State. If the company does not have an establishment in any other Member State, no court of any other Member State has jurisdiction to open secondary proceedings in respect of such issuer or guarantor under the EU Insolvency Regulation (except for companies with an establishment or assets located in Germany, where the courts consider the EU Insolvency Regulation.. Irrespective of the insolvency proceedings being main or secondary proceedings, they will always, subject to certain exemptions, be governed by the *lex fori concurses*, i.e. the local insolvency law of the court which has assumed jurisdiction for the insolvency proceedings of the debtor.

Federal Republic of Germany

Insolvency Law

Several of the Subsidiary Guarantors are incorporated under the laws of Germany (the "**German Guarantors**"). In the event of insolvency, insolvency proceedings may, therefore, be initiated in Germany and German law would then govern those proceedings. The insolvency laws of Germany and, in particular, the provisions of the German Insolvency Code (*Insolvenzordnung*) may be less favorable to the interests of creditors than the insolvency laws of other jurisdictions, including in respect of priority of creditors, the ability to obtain post-petition interest and the duration of the insolvency proceedings, and hence may limit the ability of creditors to recover payments due on the notes to an extent exceeding the limitations arising under other insolvency laws. However, pursuant to the EU Insolvency Regulation, where a German company conducts business in more than one Member State of the European Union, the jurisdiction of the German courts may be limited if the company's "center of main interests" is found to be in a Member State other than Germany. There are a number of factors that are taken into account to ascertain the center of main interests, which should correspond to the place where the company conducts the administration of its interests on a regular basis and is therefore ascertainable by third parties. The company's "center of main interests" at the time of the relevant filing of the petition for the opening of insolvency proceedings will be decisive for determining the applicable insolvency regime.

The following is a brief description of certain aspects of the insolvency laws of Germany.

Under German insolvency law, insolvency proceedings are not initiated by the competent insolvency court *ex officio*, but require that the debtor and/or a creditor files a petition for the opening of insolvency proceedings. Insolvency

proceedings can be initiated either by the debtor or by a creditor in the event of over-indebtedness (*Überschuldung*) of the debtor or in the event that the debtor is unable to pay its debts as and when they fall due (*Zahlungsunfähigkeit*). The debtor is over-indebted when its liabilities exceed the value of its assets which must be assessed on the basis of an over-indebtedness balance sheet and if the continuation of its business is predominantly unlikely. If a limited liability company (*Gesellschaft mit beschränkter Haftung*), a stock corporation (*Aktiengesellschaft*), a European law stock corporation (*Societas Europaea*, or *SE*), any other limited liability company or any company not having an individual as personally liable shareholder gets into a situation of illiquidity and/or over-indebtedness, the management of such company is obliged to file for insolvency without delay, however, at the latest within 21 days after the mandatory insolvency reasons of illiquidity or over-indebtedness have occurred and non-compliance with these obligations exposes management to both damage claims as well as sanctions under criminal law. In addition, the debtor is entitled, but not obliged, to file for insolvency proceedings if it unlikely to be able to pay its debts as and when they fall due in the future (*drohende Zahlungsunfähigkeit*).

If a company faces imminent illiquidity and/or is over-indebted it may also file for preliminary "debtor in possession" moratorium proceedings ("*Schutzschirmverfahren*") unless—according to the view of a restructuring expert—there is no reasonable chance for a successful restructuring. Upon such successful filing by the debtor, the court will appoint a preliminary trustee (*vorläufiger Sachwalter*), prohibit enforcement measures (other than with respect to immoveable assets) for up to three months and set a deadline for the preparation of an insolvency plan, which will extend to maximum three months. Also it may implement other preliminary measures to protect the debtor from creditor enforcement actions for up to three months. During that period, the debtor shall prepare an insolvency plan which ideally will be implemented in formal "debtor in possession" and insolvency plan proceedings (*Planverfahren in Eigenverwaltung*) after formal insolvency proceedings have been opened.

The insolvency proceedings are administered by the competent insolvency court which monitors the due performance of the proceedings. Upon receipt of the insolvency petition, the insolvency court may take preliminary measures to secure the property of the debtor during the preliminary proceedings (*Insolvenzeröffnungsverfahren*), e.g., it may prohibit or suspend any measures taken to enforce individual claims against the debtor's assets during these preliminary proceedings. Unless the debtor has applied for debtor-in-possession proceedings (*Eigenverwaltung*) in which event the court will generally only appoint a preliminary trustee (*vorläufiger Sachwalter*) who will supervise the management of the affairs by the debtor, the insolvency court will, in most cases, appoint a preliminary insolvency administrator (*vorläufiger Insolvenzverwalter*). If it does so, the power to dispose of the assets may fully pass to the preliminary insolvency administrator as the debtor may only be entitled to dispose of its assets with the consent of the preliminary administrator. The duty of the preliminary administrator is, in particular, to safeguard and to preserve the debtor's property (including the continuation of the business carried out by the debtor), to verify the existence of an insolvency reason and to assess whether the debtor's net assets will be sufficient to cover the costs of the insolvency proceedings.

During preliminary insolvency proceedings, the insolvency court generally shall appoint a "preliminary creditors' committee" (*vorläufiger Gläubigerausschuss*) if the debtor satisfies two of the following three requirements:

- a balance sheet total in excess of EUR 4,840,000 (after deducting an equity shortfall if the debtor is over-indebted),
- revenues of at least EUR 9,680,000 in the twelve months prior to the last day of the financial year preceding the filing; and/or
- 50 or more employees on an annual-average basis.

The preliminary creditors' committee will be able to participate in certain important decisions made in the preliminary insolvency proceedings. It will have, for example, the power to influence the following: the selection of a preliminary insolvency administrator (*vorläufiger Insolvenzverwalter*) or an insolvency administrator (*Insolvenzverwalter*), orders for "debtor in possession" proceedings (*Anordnung der Eigenverwaltung*), and appointments of (preliminary) trustees ((*vorläufiger*) *Sachwalter*).

The court orders the opening of insolvency proceedings (*Eröffnung des Insolvenzverfahrens*) if certain formal requirements are met, and if there are sufficient assets to cover at least the cost of the insolvency proceedings. If the assets of the debtor are not expected to be sufficient, the insolvency court will only open formal insolvency proceedings if third parties, for instance creditors, advance the costs themselves. In the absence of such advancement, the petition for opening of insolvency proceedings will be dismissed for insufficiency of assets (*Abweisung mangels Masse*).

Unless the court has granted debtor-in-possession status (*Eigenverwaltung*) in which event the court will only appoint a trustee (*Sachwalter*) who will supervise the management of the affairs by the debtor upon opening of the insolvency proceedings, the court will appoint an insolvency administrator (*Insolvenzverwalter*) who has full

administrative and disposal authority over the debtor's assets, whereas the debtor is no longer entitled to dispose of its assets. The insolvency administrator (or in case of debtor-in-possession proceedings, the debtor) may raise new financial indebtedness and incur other liabilities to continue the debtor's operations, and satisfaction of these liabilities as preferential debts of the estate (*Masseverbindlichkeiten*) will be preferred to any insolvency liabilities created by the debtor.

The insolvency administrator or trustee may also challenge transactions that are deemed detrimental to insolvency creditors and which were effected prior to the opening of the insolvency proceedings (see below).

For the holders of the Notes, the consequences of the opening of German insolvency proceedings against any entity subject to the German insolvency regime would include the following:

- unless the court orders debtor-in-possession proceedings (*Eigenverwaltung*), the right to administer and dispose of the Notes Guarantor's or such subsidiary's assets would generally pass to the insolvency administrator (*Insolvenzverwalter*) as sole representative of the insolvency estate;

- unless the court orders debtor-in-possession proceedings (*Eigenverwaltung*), disposals effected by the Notes Guarantor's or such subsidiary's management after the opening of insolvency proceedings are null and void by operation of law;

- if, during the final month preceding the date of filing for insolvency proceedings, a creditor in the insolvency proceedings acquires through execution (e.g., attachment) a security interest in part of the debtor's property that would normally form part of the insolvency estate, such security becomes null and void by operation of law upon the opening of the insolvency proceedings; and

- claims against any Notes Guarantor or its subsidiaries may generally only be pursued in accordance with the rules set forth in the German Insolvency Act (*Insolvenzordnung*).

All creditors, whether secured or unsecured (unless they have a segregation right (*Aussonderungsrecht*)) as opposed to a preferential right (Absonderungsrecht), who wish to assert claims against the debtor need to participate in the insolvency proceedings. German insolvency proceedings are collective proceedings and creditors may generally no longer pursue their individual claims separately, but can instead only enforce them in compliance with the restrictions of the German Insolvency Code. Therefore, secured creditors are generally not entitled to enforce any security interest outside the insolvency proceedings. In the insolvency proceedings, however, secured creditors have certain preferential rights (*Absonderungsrechte*). Depending on the legal nature of the security interest, entitlement to enforce such security is either vested with the secured creditor or the insolvency administrator. The insolvency administrator generally has the sole right (i) to realize any moveable assets within its possession which are subject to preferential rights (*Absonderungsrechte*) (e.g., pledges over movable assets and rights (*Mobiliarpfandrechte*), transfer by way of security (*Sicherungsübereignung*)) as well (ii) to collect any claims that are subject to security assignment agreements (*Sicherungsabtretungen*). Creditors secured by pledges over shares in subsidiaries of the debtor are entitled to preferential satisfaction with regard to the proceeds realized in an enforcement process with respect to the shares. However, in the absence of authoritative case law, it is uncertain whether the secured creditors are entitled to initiate the enforcement process in respect of the pledged shares on their own or, as far as the pledged assets are part of any insolvency estate, whether the insolvency administrator has standing to realize the pledges on behalf of and for the benefit of the secured creditors

In case of enforcement right is vested in the insolvency administrator, the enforcement proceeds, less certain contributory charges for (i) assessing the value of the secured assets (*Feststellungskosten*) and (ii) realizing the secured assets (*Verwertungskosten*) which, in the aggregate, usually add-up to 9% of the gross enforcement proceeds (plus VAT (if any), are paid to the creditor holding a security interest in the relevant collateral up to an amount equal to its secured claims. With the unencumbered assets of the debtor the insolvency administrator has to satisfy the creditors of the insolvency estate (*Massegläubiger*) first (including the costs of the insolvency proceedings). Typically, liabilities resulting from acts of the insolvency administrator after commencement of formal insolvency proceedings constitute liabilities of the insolvency estate. Thereafter, all other claims (insolvency claims—*Insolvenzforderungen*), in particular claims of unsecured creditors including the holders of Notes, will be satisfied on a pro rata basis if and to the extent there is cash remaining in the insolvency estate of the debtor (*Insolvenzmasse*) after the security interest and the liabilities against the estate have been settled and paid. If a German Guarantor or a subsidiary subject to German insolvency proceedings grants security over its assets to creditors other than the Security Agent, such security may result in a preferred satisfaction (*abgesonderte Befriedigung*) of creditors secured by such security. The proceeds resulting from such collateral may not be sufficient to satisfy the obligations under the Notes by the German Guarantors after such secured creditors have been satisfied. See also "*Risk factors—Risks relating to the Notes and the Subsidiary Guarantees—"The insolvency laws of Germany and other local insolvency laws may not be as favorable to you as the*

U.S. bankruptcy laws and may prelude holders of the Notes from recovering payments tue on the Notes" for insolvency risks.

The right of a creditor to preferred satisfaction (*Absonderungsrecht*) may not necessarily prevent the insolvency administrator from using a movable asset that is subject to this right. The insolvency administrator, however, must compensate the creditor in accordance with specific rules. It may take several years before an insolvency dividend, if any, is distributed to unsecured creditors. A different distribution of enforcement proceeds can be proposed in an insolvency plan (*Insolvenzplan*) that can be submitted by the debtor or the insolvency administrator and which requires, among others and subject to certain exceptions, the consent of the debtor and the consent of each class of creditors in accordance with specific majority rules. Under German insolvency laws, it is possible to implement a debt-to-equity swap through an insolvency plan. However, it will not be possible to force a creditor into a debt-to- equity swap conversion if it does not consent to such debt-equity swap.

Under German insolvency law, there is no consolidation of the assets and liabilities of a group of companies in the event of insolvency. In case of a group of companies, each entity, from an insolvency law point of view, has to be dealt with separately (i.e., there is no group insolvency concept under German insolvency law). As a consequence, there is, in particular, no pooling of claims among the respective entities of a group, but rather claims of and vis-à-vis each entity have to be dealt with separately. As a general principle, the claims arising from a guarantee may be enforced against the respective German guarantor outside of the insolvency proceedings over the assets of the Company. Any insolvency proceeding over the assets of the Company would, however, be a rather strong indication that the overall financial situation of the entire group of affiliated companies has significantly deteriorated, which may cause a German guarantor to subsequently file for insolvency.

The restrictive nature of the covenants and undertakings in the Indenture may result in the holders of the Notes being considered in a "shareholder-like position" (*gesellschafterähnliche Stellung*). In that event, in an insolvency proceeding over the assets of a German guarantor, the claims arising from a Notes guarantee would be treated as a subordinated insolvency claim (*nachrangige Insolvenzforderungen*). Subordinated insolvency claims are not eligible to participate in the insolvency proceedings over the assets of a German guarantor unless the insolvency court handling the case has granted special permission allowing these subordinated insolvency claims to be filed which is not granted in the vast majority of insolvency cases governed by German law.

Hardening Periods and Fraudulent Transfer

Under the German Insolvency Code, an insolvency administrator may also challenge transactions which are deemed detrimental to insolvency creditors and which were effected prior to the commencement of insolvency proceedings. The administrator's right to challenge transactions can, depending on the circumstances, extend to transactions during the ten year period prior to the commencement of insolvency proceedings.

In the event of insolvency proceedings with respect to Heidelberg, which would be based on and governed by the insolvency laws of Germany, the guarantee provided by the Notes guarantors could be subject to potential challenges by an insolvency administrator (*Insolvenzverwalter*) under the rules of avoidance as set out in the German Insolvency Code (*Insolvenzordnung*). In the event such a transaction is successfully voided, the holders of the Notes would be under an obligation to repay the amounts received under the Notes guarantees to the insolvency estate or to waive the Notes guarantees and you would have a claim solely under the Notes.

In particular, an act (*Rechtshandlung*) or a transaction (*Rechtsgeschäft*) (which term includes the granting of a guarantee, the provision of security and the payment of debt) detrimental to the creditors of the debtor may be avoided according to the German Insolvency Code in the following cases:

- a transaction granting a creditor, or anable a creditor to obtain, security (Sicherung) or satisfaction for a debt (Befriedigung) can be avoided if the transaction was effected (i) in the last three months prior to the filing of a petition for the opening of insolvency proceedings, if at the time of the transaction the debtor was illiquid (zahlungsunfähig), which means such debtor was unable to pay its debt when due, and if the creditor had knowledge thereof (or of circumstances that imperatively suggest that the debtor was illiquid at such time), or (ii) after a petition for the opening of insolvency proceedings has been filed and the creditor had knowledge thereof or of the debtor being illiquid (or knowledge of circumstances which imperatively suggesting such illiquidity or filing);

- a transaction granting a creditor, or enabling a creditor to obtain, security or satisfaction for a debt to which such creditor had no right, no right at the respective time or no right as to the respective manner, can be avoided if the transaction was effected in the month prior to the filing of a petition for the opening of insolvency proceedings; if the transaction was effected in the second and third month prior to the filing, it can be avoided if at the time of the transaction (i) the debtor was cash flow insolvent, or (ii) the creditor

knew that the transaction would be detrimental to the creditors of the debtor (or knowledge of circumstances which imperatively suggesting such detrimental effects);

- a legal transaction (*Rechtsgeschäft*) effected by the debtor which is directly detrimental to the creditors of the debtor or by which the debtor loses a right or the ability to enforce a right or by which a proprietary claim against a debtor is obtained or becomes enforceable can be avoided if the transaction was effected (i) in the last three months prior to the filing of a petition for the opening of insolvency proceedings against the debtor, if at the time of the legal transaction the debtor was illiquid and the other party to the legal transaction had knowledge thereof or (ii) after a petition for the opening of insolvency proceedings has been filed against the debtor and the other party to the legal transaction had knowledge thereof or of the debtor being insolvent;

- a transaction whereby a debtor grants security for a third party debt might be regarded as having been granted gratuitously (unentgeltlich); a gratuitous transaction can be avoided if it was effected in the four years prior to the filing of a petition for the opening of insolvency proceedings against the debtor;

- any act performed by the debtor, including the granting of guarantees and security interest, during a period of ten years prior to the filing of the petition for the opening of insolvency proceedings or at any time after such filing, if the debtor acted with the intent the disadvantage its creditors can be avoided if the beneficiary of the act had knowledge of such intent at the time of the transaction;

- any non-gratuitous contract concluded between the debtor and a related party of the debtor which directly operates to the detriment of the creditors can be avoided unless such contract was concluded within two year prior to the filing for the opening of insolvency proceedings or the other party had no knowledge of the debtor's intention to disadvantage its creditors; in terms of corporate entities, the term "related party" includes, subject to certain limitations, members of the management or supervisory board, shareholders owning more than 25% of the debtor's share capital, persons or companies holding comparable positions that give them access to information about the economic situation of the debtor, and other persons that are spouses, relatives or members of the household of any of the foregoing persons;

- any act that provides security or satisfaction for a shareholder loan (Gesellschafterdarlehen) or an economically equivalent claim can be avoided (i) in the event it provided security, if the transaction was effected in the last ten years prior to the filing of a petition for opening of insolvency proceedings or thereafter or (ii) in the event it resulted in satisfaction, if the transaction was effected in the last year prior to the filing of a petition for opening of insolvency proceedings or thereafter; or

- a transaction whereby the debtor grants satisfaction for a loan claim or an economically equivalent claim to a third party can be avoided if the transaction was effected in the last year prior to the filing of a petition for opening of insolvency proceedings or thereafter and if a shareholder of the debtor had granted security or was liable as a guarantor (Bürge) (in which case the shareholder has to compensate the debtor for the amounts paid (subject to further conditions)).

In this context, "knowledge" is generally deemed to exist if the other party is aware of the facts from which the conclusion must be drawn that the debtor was unable to pay its debts generally as they fell due, that a petition for the opening of insolvency proceedings had been filed, or that the act was detrimental to, or intended to prejudice, the insolvency creditors, as the case may be. A person is deemed to have knowledge of the debtor's intention to prejudice the insolvency creditors if it knew of the debtor's imminent illiquidity and that the transaction prejudiced the debtor's creditors. With respect to a "related party", there is a general statutory presumption that such party had "knowledge". The term "related party" includes, subject to certain limitations, in the case of debtors that are corporate persons, members of the management or supervisory board, shareholders owning more than 25% of the debtor's share capital, persons or companies holding comparable positions that give them access to information about the economic situation of the debtor, and persons that are spouses, relatives or members of the household of any of the foregoing persons.

Apart from the examples of an insolvency administrator avoiding transactions according to the German Insolvency Code described above, a creditor who has obtained an enforcement order (*Vollstreckungstitel*) could possibly also avoid any security right or payment performed under the relevant security right according to the German Law of Avoidance (*Anfechtungsgesetz*) outside formal insolvency proceedings. The conditions vary to a certain extent from the rules described above and the avoidance periods are calculated from the date when a creditor exercises its rights of avoidance in the courts.

The beneficiary of a transaction effecting a repayment of the stated share capital of the grantor of the guarantee or security could moreover become personally liable under exceptional circumstances. The German Federal Supreme Court (*Bundesgerichtshof*) ruled that this could be the case if for example the creditor were to act with the intention of

detrimentally influencing the position of the other creditors of the debtor in violation of the legal principle of *bonos mores* (*Sittenwidrigkeit*). Such intention could be present if the beneficiary of the transaction was aware of any circumstances indicating that the grantor of the guarantee or security is close to collapse (*Zusammenbruch*), or had reason to enquire further with respect thereto.

If any guarantee or security is avoided or held unenforceable for any other reason, the claimant would cease to have any claim in respect of the guarantee and would have a claim solely under the notes and the remaining guarantees, if any. Any amounts obtained from transactions that have been avoided would have to be repaid.

Subsidiary Guarantee

The granting of guarantees by German Subsidiary Guarantors is subject to certain capital maintenance rules under German law. Therefore, in order to enable German Subsidiary Guarantors to grant guarantees and security interests securing liabilities of the Issuer without the risk of violating German capital maintenance provisions and to protect management from personal liability, it is standard market practice for credit agreements, notes, guarantees and security documents to contain so-called "limitation language" in relation to subsidiaries incorporated in Germany in the legal form of a German limited liability company (*Gesellschaft mit beschränkter Haftung*), a German stock corporation (*Aktiengesellschaft*) or a German limited partnership with a German limited liability company as general partner (*GmbH & Co. KG*). Pursuant to such limitation language, the enforcement of the Subsidiary Guarantee and security documents given by each of the German Subsidiary Guarantors will be limited reflecting, in case of any German Subsidiary Guarantors incorporated as a German limited liability company (*Gesellschaft mit beschränkter Haftung*) or as a German limited partnership with a German limited liability company as general partner, the requirement under the capital maintenance rules imposed by Sections 30 and 31 of the German Act regarding Companies with Limited Liability (*Gesetz betreffend die Gesellschaften mit beschränkter Haftung*) if and to the extent payments under any such Subsidiary Guarantee or, as the case may be, the enforcement of security documents would cause a German Subsidiary Guarantor's net assets to fall below the amount of its registered share capital (*Stammkapital*) or if and to the extent payments under any Subsidiary Guarantee or, as the case may be, the enforcement of security documents would deprive the German Subsidiary Guarantor of the liquidity necessary to fulfil its financial liabilities to its creditors and, in case of any German Subsidiary Guarantor incorporated as a German stock corporation (*Aktiengesellschaft*) which is subject to a domination and profit loss pooling agreement (*Beherrschungs- und Gewinnabführungsvertrag*) as the dominated entity (*beherrschtes Unternehmen*), the requirement that payments under the Subsidiary Guarantee or, as the case may be, the enforcement of security documents may not cause the German Subsidiary Guarantor to incur a balance sheet loss for which it cannot reasonably expect the dominating entity (*herrschendes Unternehmen*) to make a compensation payment under the domination and profit and loss pooling agreement due to the dominating entity's solvency situation. These limitations would, to the extent applicable, restrict the right of payment and would limit the claim accordingly irrespective of the granting of the Subsidiary Guarantee.

In addition to the limitations resulting from the capital maintenance rules, the Subsidiary Guarantees granted by the German Subsidiary Guarantors will contain additional provisions limiting the enforcement in the event that the enforcement would result in an illiquidity of the relevant German subsidiary.

Furthermore, it cannot be ruled out that the case law of the German Federal Supreme Court (*Bundesgerichtshof*) regarding so-called "destructive interference" (*existenzvernichtender Eingriff*) (i.e., a situation where a shareholder deprives a German limited liability company of the liquidity necessary for it to meet its own payment obligations) may be applied by courts with respect to the enforcement of a Subsidiary Guarantee granted by the German Subsidiary Guarantors. In such case, the amount of proceeds to be realized in an enforcement process may be reduced. According to a decision of the German Federal Supreme Court (*Bundesgerichtshof*), a security agreement may be void due to tortious inducement of breach of contract if a creditor knows about the distressed financial situation of the debtor and anticipates that the debtor will only be able to grant collateral by disregarding the vital interests of its other business partners. It cannot be ruled out that German courts may apply this case law with respect to the granting of Subsidiary Guarantees by the German Subsidiary Guarantors. Furthermore, the beneficiary of a transaction effecting a repayment of the stated share capital of the grantor of the Subsidiary Guarantee could moreover become personally liable under exceptional circumstances. The German Federal Supreme Court (*Bundesgerichtshof*) ruled that this could be the case if for example the creditor were to act with the intention of detrimentally influencing the position of the other creditors of the debtor in violation of the legal principle of *bonos mores* (*Sittenwidrigkeit*). Such intention could be present if the beneficiary of the transaction was aware of any circumstances indicating that the grantor of the guarantee is close to collapse (*Zusammenbruch*), or had reason to enquire further with respect thereto.

Australia

Insolvency Law

One of the guarantors (the "**Australian Guarantor**") is incorporated under the laws of Australia. In the event of an insolvency of the Australian Guarantor, insolvency proceedings with respect to it would be likely to be governed by Australian insolvency law.

Australian insolvency law is different from the insolvency laws of other jurisdictions and the treatment and ranking of any Holder, other creditors of the Australian Guarantor and its shareholders under Australian law may be different to the treatment and ranking of the Issuer or another Guarantor.

As a general proposition under Australian insolvency law, secured creditors rank ahead of unsecured creditors in respect of secured assets (with some exceptions in relation to preferred creditors) and all creditors rank ahead of shareholders (except in relation to some types of unsecured liabilities owing to shareholders).

—Administration

Under Australian law, an administrator may be appointed to a company by:

- the company if the board of the company has resolved that (i) the company is insolvent or likely to become insolvent; and (ii) an administrator should be appointed;

- a liquidator or provisional liquidator if that person thinks the company is or is likely to become insolvent; or

- a secured creditor who is entitled to enforce a charge on the whole, or substantially the whole, of a company's property if the charge has become enforceable.

During an administration, the administrator has control of the company's affairs and certain actions (including voluntary winding up and commencing a proceeding in court in relation to the company or any of its property) are prohibited without the written consent of the administrator or leave of the court. However, a secured creditor with a charge over the whole, or substantially the whole, of the assets of the company may enforce that charge and appoint a receiver at any time in the 13 business day period following notice of the appointment of the administrator.

—Winding Up in Insolvency

An application to an Australian court for a winding up order against a company may be made by certain prescribed parties (including, without limitation, by a creditor, the company, a director, a liquidator or provisional liquidator or, in certain circumstances, the Australian Securities and Investment Commission). Where the court is satisfied that a company is unable to pay its debts as and when they fall due, the court may order that the company be wound up in insolvency.

Following the making of a winding up order, a liquidator may be appointed to the company by the court. A liquidator is charged with winding up the affairs of the company and collecting and realising the assets of the company and applying the resulting proceeds in discharge of the debts and liabilities of the company. A liquidator also has certain specific powers to investigate the validity of past transactions and may seek various court orders, including orders to void certain transactions entered into prior to the winding up of that company and for the repayment of money. These include transactions entered into within a specified period of the winding up that a court considers uncommercial transactions or transactions entered into when winding up was imminent that had the effect of preferring a creditor or creditors or otherwise defeating, delaying or interfering with the rights of creditors.

—Receivership

A receiver and manager may be appointed by a secured creditor or by a court to take charge of the affairs of a company, or part of its property, for the purpose of enforcement of its security and discharge of the debts owed to a secured creditor. A receiver appointed in relation to the Australian Guarantor would be required to take all reasonable care to obtain market value or, if not obtainable, the best price that is reasonably available having regard to the circumstances existing when disposing of assets of the company. However, the receiver would otherwise act in the interests of the relevant secured creditors and would not owe specific duties to unsecured creditors such as the Holders.

—Certain Other Guarantee Limitations

In addition to the matters described above, under the laws of Australia a guarantee may be set aside or unenforceable, or made the subject of a constructive trust, and the proceeds of a claim under it may be required to be paid to a liquidator, by the application of fraudulent conveyance, financial assistance, bankruptcy, insolvency or other similar provisions, including as a result of the application of laws in relation to the duties of directors to act in good faith and for proper purposes. In addition, other debts and liabilities of the Australian Guarantor, such as certain employee entitlements or an administrator's indemnity for debts and remuneration, may rank ahead of claims under the Notes and the Guarantees in the event of administration or insolvency. If the Guarantee of the Australian Guarantor is set aside or unenforceable, the Holder's claim against the Australian Guarantor could be lost or limited and it is possible that the Holders would only have a claim against the Issuer and any remaining Guarantors.

Austria

Insolvency Laws

Two of the guarantors are organized under the laws of Austria, may have their centre of main interest in Austria or may at least have assets located in Austria (each an "**Austrian Guarantor**"). In the event of insolvency, insolvency proceedings may, therefore, be opened against such guarantors in Austria, which are governed by the Austrian Insolvency Act (*Insolvenzordnung*). Creditors' rights might also be affected by the Austrian Business Reorganisation Act (*Unternehmensreorganisationsgesetz*), which does not govern insolvency proceedings but regulates the reorganization of companies in financial distress. The Austrian Insolvency Act regulates on the one hand liquidation proceedings in which the debtor's assets or company as a whole are sold and the proceeds are distributed among its creditors. On the other hand it also provides restructuring proceedings enabling the debtor to discharge its liabilities through quota payments and to continue its activities under certain conditions. The Business Reorganization Act, which regulates the reorganization proceedings for enterprises threatened by insolvency, is not designed to assist creditors in satisfying their debts, but rather to support the reorganization of the debtor's enterprise. The insolvency laws of Austria may not be as favorable to your interests as creditors as the insolvency laws of other jurisdictions. As a result, your ability to recover payments due on the Notes may be limited to an extent exceeding the limitations arising under other insolvency laws.

—The Austrian Insolvency Act (*Insolvenzordnung*)

Insolvency proceedings must be opened by a court upon application by the debtor or a creditor whenever it has been established that a company is illiquid (*zahlungsunfähig*), i.e. unable to pay its debts in due time, or is over-indebted in terms of insolvency law (*insolvenzrechtlich überschuldet*), i.e. that the liabilities exceed its assets at liquidation values and the company has a negative prospect (*Fortbestehensprognose*). Restructuring proceedings may also be initiated, if the risk of the debtor's inability to pay its debts is at least imminent (*drohende Zahlungsunfähigkeit*) and the debtor files an application for the opening of such proceedings.

Depending on whether or not a restructuring plan (*Sanierungsplan*) is presented together with the application for the opening of insolvency proceedings the insolvency proceedings will be initiated as restructuring proceedings (*Sanierungsverfahren*) or bankruptcy proceedings (*Konkursverfahren*). Whenever the debtor applies for the opening of insolvency proceedings and presents a restructuring plan (*Sanierungsplan*) offering a quota of at least 20% to the unsecured creditors within a maximum of two years, the insolvency proceeding is called restructuring proceeding (*Sanierungsverfahren*). A debtor may present such a restructuring plan in the course of a bankruptcy proceeding whereby the bankruptcy proceeding will be continued as restructuring proceeding (*Sanierungsverfahren*).

Restructuring plans intend to discharge the debtor from a part of its debts (up to 80%) and to enable the debtor to continue its business activities. A qualified simple majority of unsecured creditors must approve the restructuring plan. Qualified simple majority means that the simple majority of unsecured creditors in number present at the hearing must vote in favour of the restructuring plan and that the total sum of these unsecured creditors' claims must amount to more than 50% of the unsecured claims present at the hearing. If the restructuring plan is accepted by the creditors, confirmed by the court and fulfilled by the debtor, the latter is released from the rest of its debts. If the debtor applies for the opening of insolvency proceedings and presents qualified documents together with a restructuring plan offering a quota of at least 30%, it is entitled to self administration (*Sanierungsverfahren mit Eigenverwaltung*). If the realization of a restructuring plan fails, the insolvency proceeding will be continued as bankruptcy proceeding.

Unless the debtor meets the requirements for self administration, the debtor is not any longer in the position to dispose of the assets subject to insolvency, i.e. the insolvent's estate (*Insolvenzmasse*), as at the opening of insolvency proceedings. The opening takes effect as of 0:00 a.m. of the day following the publication of the receiving order in the official insolvency data base (www.edikte.justiz.gv.at). After the initiation of insolvency proceedings legal acts of the debtor in relation to the debtor's estate take no effect towards the creditors. The court appoints an insolvency administrator (*Insolvenzverwalter*) along with its decision on the opening of insolvency proceedings, and, if it deems this

necessary in view of the size of the debtor's business, a creditors' committee (*Gläubigerausschuss*) to assist the insolvency administrator. After the opening of insolvency proceedings without self administration (i.e. bankruptcy proceedings or restructuring proceedings without self administration) only the insolvency administrator is entitled to act on behalf of the debtor's estate.

The insolvency administrator's main task is to administer and realize the assets of the insolvent's estate effectively. According to Austrian insolvency law, the insolvency administrator shall continue the debtor's business in order to enable a potential reorganization of the debtor's business either by realizing the debtor's restructuring plan (which he may also apply for during the bankruptcy proceedings) or by a sale of the debtor's business. If neither a restructuring plan nor the sale of the debtor's business is possible, the insolvency administrator will break up the company and the bankruptcy proceedings will ultimately lead to the sale and distribution of the debtor's assets, the debtor remaining liable for its residual debts.

If the debtor meets the requirements for self administration the debtor is monitored by a court appointed restructuring administrator (*Sanierungsverwalter*) to whom certain transactions are reserved.

Unsecured creditors (*Insolvenzgläubiger*) shall file their claim with the competent court within the time period set out in the court order on the opening of insolvency proceedings (usually around two months). At the so called examination hearing (*Prüfungstagsatzung*), which is held at the competent court, the insolvency administrator has to declare whether he acknowledges or contests a claim filed. If the insolvency administrator acknowledges a creditor's claim, this creditor is entitled to participate in the insolvency proceeding, which means that he will finally receive the quota that is distributed to the unsecured creditors. If a creditor's claim is contested by the insolvency administrator, the creditor has to assert its claim in civil proceedings in order to maintain its right to participate in the insolvency proceedings.

Claims of unsecured creditors in insolvency proceedings, which were created before the opening of these proceedings, rank *pari passu*. Taxes, social security contributions, wages and salaries are not, as such, privileged or preferential claims under Austrian insolvency law. Claims which lawfully arose against the debtor's estate after the opening of the proceedings, so called privileged claims (*Masseforderungen*) or claims which are secured by collateral (e.g., by a mortgage, a pledge over bank accounts or shares, an assignment of receivables for security purposes or a security transfer of moveable assets), so called preferential claims (*Absonderungsrechte*), enjoy priority in insolvency proceedings. Creditors who have a right to preferential treatment may participate in the pro rata distribution only to the extent that the proceeds from the realization of the assets charged to them did not cover their claims or if they have waived their right to preferential treatment. Secured creditors do not have a voting right on the restructuring plan to the extent their claim is covered by security.

The costs of the insolvency proceedings and certain liabilities accrued during insolvency proceedings rank prior to all other claims. Creditors with a right of separation of assets (*Aussonderungsberechtigte*), such as creditors with retention of title, remain unaffected by the opening of insolvency proceedings though they may be barred from exercising their rights for a maximum period of six months following the opening of insolvency proceedings, if the exercise of such rights would endanger the carrying on of the debtor's business and the interdiction does not cause a severe personal or economic damage to the secured creditor. The same applies for secured creditors of preferential claims (*Absonderungsberechtigte*).

Once formal proceedings have been opened it is not possible to obtain an execution lien any more. All execution proceedings against the debtor are stayed (*Vollstreckungssperre*). Execution liens obtained within the last 60 days before formal proceedings were opened expire.

Pursuant to section 25b para 2 of the Austrian Insolvency Act, a contractual stipulation providing for the right to withdraw from the agreement or for an automatic termination in the event of opening of insolvency proceedings against the other party is not enforceable.

—The Austrian Business Reorganisation Act (*Unternehmensreorganisationsgesetz*)

The Austrian Business Reorganisation Act (*Unternehmensreorganisationsgesetz*) governs business reorganizations, which are designed to enable businesses in temporary financial distress to continue to do business after having undergone a reorganization procedure. Only the debtor may apply for the opening of a reorganization procedure, provided, however, that it is still solvent at the time of its application. The relevant criteria for the opening of a business reorganization procedure are the quota of own funds (*Eigenmittelquote*) and the fictitious duration of debt redemption (*fiktive Schuldentilgungsdauer*), as defined in the Business Reorganization Act. Upon the opening of reorganization proceedings, contractual provisions that stipulate the right to terminate the agreement in the event of reorganization proceedings are invalid.

—The Right of Avoidance (*Contestation*) in the Event of Insolvency Proceedings

Legal actions and legal transactions that have taken place within certain suspect periods prior to the opening of insolvency proceedings may be subject to an avoidance claim by the insolvency administrator according to the avoidance rules of the Austrian Insolvency Act (*Insolvenzordnung—IO*). General requirements for avoidance are: (i) the avoidance must result in an increase of the insolvent's estate (*Befriedigungstauglichkeit*); (ii) the challenged legal action or challenged legal transaction must have caused a direct or indirect discrimination of the other creditors (*Gläubigerbenachteiligung*); and (iii) the avoidance claim must be filed by the insolvency administrator within one year after the opening of the insolvency proceedings at the latest.

In particular, the following legal transactions and legal acts are voidable:

- Avoidance due to intent to discriminate (section 28/1-3 IO): Transactions concluded in order to discriminate other creditors may be challenged if they were entered into within 10 years preceding the opening of insolvency proceedings and the other party knew about the debtor's intention to discriminate. If the other party was not aware but should have been aware of the debtor's intention to discriminate its creditors the period is shortened to two years prior to the opening of the insolvency proceedings. If the legal act was concluded with or for the benefit of a close relative (relatives, in-laws) the burden of proof regarding the knowledge of the intention to discriminate is shifted to the relative, i.e. the relative must prove that he or she had no knowledge and was not negligent in having no knowledge respectively. Should the debtor be a legal entity capable of being a party in a lawsuit then members of the managerial and supervisory bodies, shareholders with unlimited liability as well as controlling or at least 25% shareholders (pursuant to section 5 EKEG) are deemed to be close relatives.

- Avoidance due to squandering of assets (section 28/4 IO): Avoidance may apply to certain contracts, including purchase and exchange contracts, entered into by the debtor that are considered a squandering of assets at the expense of other creditors, if the counterparty to the contract had knowledge of such squandering or should have. Squandering of assets is assumed if an obvious incongruity exists between performance and consideration. Section 28 no 4 of the Insolvency Act applies to transactions that took place within one year prior to the opening of insolvency proceedings.

- Avoidance of transactions with no consideration and analogous transactions (section 29 IO): Dispositions of the debtor that were concluded free of charge or are equivalent to such dispositions may be challenged. A disposition free of charge requires that the disposing person acts with the intention not to receive any consideration in return. The disposition amounts to a sacrifice by the debtor. Examples for such dispositions are: donations, acknowledgement of a debt, security of liabilities, and payment of someone else's debt. If the debtor receives an adequate service in return (*angemessenes Entgelt*) the disposition may not be challenged pursuant section 29 of the Insolvency Act. Any economic benefit or interest may be qualified as a consideration. Section 29 of the Insolvency Act applies to dispositions concluded within two years prior to the opening of insolvency proceedings.

- Avoidance due to preferential treatment (section 30 IO): The payment of or granting of security to a creditor (*Befriedigung oder Sicherstellung*) carried out after material insolvency or after the request for the opening of insolvency proceedings or within 60 days preceding may be avoided if (i) the creditor obtained security or satisfaction which it was not or not in that way or at that time entitled to, unless he was not favoured by this transaction (objective preferential treatment) (ii) the transaction took place for the benefit of a creditor who knew or should have known about the debtor's intention of the preferential treatment (subjective preferential treatment). Material insolvency means illiquidity (*Zahlungsunfähigkeit*) or over-indebtedness in terms of insolvency law (*Insolvenzrechtliche Überschuldung*). Objective preferential treatment does not require any subjective elements on part of the counterparty. In particular, the counterparty's knowledge of the financial state of the debtor is irrelevant. Subjective preferential treatment requires the debtor's intention and the creditor's knowledge of the debtor's intention to favour a creditor. Transactions carried out more than one year before the opening of the insolvency proceedings may not be contested pursuant to Section 30 of the Insolvency Act.

- Avoidance due to knowledge of insolvency (section 31 IO): Pursuant to Section 31 of the Insolvency Act legal acts carried out after material insolvency or after filing for the opening of insolvency proceedings may be challenged if the legal act (i) constitutes payment of or granting of security to a creditor (*Befriedigung oder Sicherstellung*) or (ii) is considered a disadvantageous legal act (*nachteiliges Rechtsgeschäft*). The legal act by which a creditor's claim is satisfied or secured may only be challenged if the creditor knew or was negligently not knowing of the debtor's material insolvency or pending insolvency petition. A legal act is considered disadvantageous if the chances for satisfaction of other creditor's claims are worsened due to the legal act.

Disadvantageous transactions of the debtor concluded with creditors may be challenged if such agreements are directly disadvantageous to other creditors and the contracting partner knew or should have known of the debtor's material insolvency or pending insolvency petition.

Disadvantageous transactions of the debtor concluded with non-creditors may be challenged if such agreements are either directly or indirectly disadvantageous to creditors, however, only if the contracting partner (i) knew or should have known of the debtor's material insolvency or pending insolvency petition and (ii) the disadvantage for the insolvency estate was objectively predictable at the time of the transaction. Such objective predictability is in particular at hand if a restructuring plan is obviously flawed (*offensichtlich untaugliches Sanierungskonzept*).

A transaction is considered indirectly disadvantageous (*mittelbare Nachteiligkeit*) if the transaction is objectively balanced, i.e. not directly disadvantageous but the transaction nonetheless lowers the recovery rate of creditors. In case of an indirectly disadvantageous transaction the contracting partner must prove that the disadvantage to the insolvency estate was objectively unpredictable. If the contracting partner and thus beneficiary of the satisfaction/securing or disadvantageous act is a close relative, he or she must in addition prove that he or she had no knowledge of the debtor's illiquidity or insolvency petition.

In addition to a receiver avoiding transactions according to the Austrian Insolvency Act, a creditor who has obtained an enforcement order (*Vollstreckungstitel*) could possibly also avoid any transactions according to the Austrian Avoidance Act (*Anfechtungsordnung*) outside of formal insolvency proceedings.

The conditions for such action vary to a certain extent from the rules described above, and the avoidance periods are calculated from the date when such other creditor exercises its rights of avoidance in the courts.

Subsidiary Guarantee

—Corporate Law Capital Maintenance Rules

The enforcement of upstream and cross stream guarantees provided by an Austrian Guarantor is limited by strict capital maintenance rules imposed by Austrian corporate law, including the Austrian Stock Corporation Act (*Aktiengesetz*) and the Austrian Act on Limited Liability Companies (*Gesetz über Gesellschaften mit beschränkter Haftung*). These rules protect the assets of an Austrian Guarantor on behalf of their respective creditors. The entire set of corporate assets, even those exceeding the stated capital, falls under the capital maintenance rules. Shareholder contributions by an Austrian Guarantor may only be made under explicitly specified circumstances. The most important of these explicitly specified circumstances provides that shareholders have the right to receive dividend payments, but only if said payments are restricted to the amount of net profits as shown in the approved annual financial statements and not prohibited by law or the respective subsidiary's articles of association. An Austrian Guarantor may not make any other asset-reducing payments to a group company (not being a direct or indirect subsidiary), except (i) in the context of repayments within the scope of stated capital decreases, or (ii) payments and contributions within the scope of a permitted arms length transaction. Any contribution or payment to an affiliated company (not being a direct or indirect subsidiary) (respectively to a third party to the benefit of such an affiliated company) without an adequate consideration would be considered as a violation of the Austrian capital maintenance rules.

A violation of Austrian capital maintenance rules by an Austrian Guarantor would generally result—as a prohibited repayment of equity (*verbotene Einlagenrückgewähr*)—in the nullification of the relevant transaction between that subsidiary and the shareholder in question (respectively in the nullification of the relevant transaction between an Austrian Guarantor and the third party in case the transaction has been undertaken by an Austrian Guarantor to the benefit of the shareholder in question, for example by providing an upstream or cross stream guarantee for the financing to the parent company). Under the Austrian Supreme Court case law upstream and cross-stream guarantees would only be in compliance with the Austrian capital maintenance rules provided that the corporate bodies of an Austrian Guarantor are satisfied, acting reasonably, that such up stream and side stream "financial assistance" is in the best interest of an Austrian Guarantor and fully justified by a business purpose, respectively corporate benefit (*betriebliche Rechtfertigung*), which means that the respective transaction must be entered into on arm's-length-terms (*fremdüblich*). The Austrian Supreme Court has not yet specified what exactly is meant by corporate benefit. As a consequence, there always remains the risk that the assumption of an upstream/cross-stream guarantee by an Austrian subsidiary violates the Austrian capital maintenance rules (due to a lack of corporate benefit).

According to settled case law of the Austrian Supreme Court, unless an Austrian Guarantor receives adequate consideration for providing the upstream and/or cross stream guarantees, those guarantees would be held to be null and void. The guarantee granted by an Austrian Guarantor to their direct or indirect parent companies may only be held valid and enforceable if:

- an Austrian Guarantor receives a consideration (i.e., a guarantee fee (*Avalprovision*)) from the benefiting parent company for assuming the guarantee;

- such guarantee fee would also be common in comparable banking transactions (*banküblich*) (whereby it should be noted that the Austrian Supreme Court ruled that, in the case of the granting of a mortgage over real property, the consideration must be exceptionally high (*ein ganz ungewöhnliches Entgelt*), higher than is usual in the market; it is unclear whether such ruling only applies to the granting of mortgages over real property or also to the guarantees);

- the management board of the subsidiary has with due care verified that the subsidiary and the parent are in a position to honor their obligations and finance the repayment of the secured funds; and

- the granting of the guarantee does not endanger the existence of the respective company.

Since the policy of granting guarantees by an Austrian Guarantor is different from such policy of a bank, the guarantee fee to be charged by an Austrian Guarantor should be above the guarantee fee a bank would charge in similar transactions.

Austrian capital maintenance rules are subject to ongoing court decisions. The Issuer cannot assure you that future court rulings may not further limit the enforceability of the guarantees, which could negatively affect its ability to make payment on the Notes offered hereby or the ability of the subsidiaries to make payments on the guarantees.

—Equity Replacement Law

The Austrian Act on Equity Replacements (*Eigenkapitalersatzgesetz*) contains detailed provisions regarding equity replacing shareholder loans. It in particular stipulates that a loan granted by a "shareholder" in a financial crisis (i.e., the subsidiary is insolvent, over-indebted or the requirements of a business reorganization procedure are met) is deemed to be equity replacing. In a financial crisis equity replacing shareholder loans may not be repaid. This means in particular that in insolvency respective claims of the lender are subordinated (i.e., there is no right for separation (*Aussonderungsrecht*) or a right for separate satisfaction (*Absonderungsrecht*) for such claims). A "shareholder" is defined to be (i) a shareholder with controlling participation, (ii) a shareholder with a participation of at least 25%, and (iii) any person not holding a participation in the company but having a controlling influence (*beherrschender Einfluss*) with regard to the company. Furthermore, a person granting a loan/credit to a company is to be considered as "shareholder" if (i) it holds a participation or other rights in a person other than the company granted the loan/credit which has a dominant (*beherrschenden*) influence regarding the company granted the loan/credit (indirect controlling participation), or (ii) it indirectly holds a participation in the company granted the loan/credit of at least 33%, or (iii) it holds a controlling direct or indirect participation in a company which holds a participation of at least 25% in the company granted the loan/credit (section 8 of the Act on Equity Replacements).

Prior to the enactment of the Act on Equity Replacements the Austrian Supreme Court had developed even stricter rules on equity replacing shareholder loans compared to the rules stipulated in the Act on Equity Replacements. Following this, it is unclear whether, in addition to the provisions of the Act on Equity Replacements, such rules (or certain of its rules) developed by the Austrian Supreme Court are still applicable/relevant and applied by Austrian courts. In this context it must be noted that it is uncertain whether the rules on equity replacing shareholder loans also apply to "atypical pledgees" (*atypische Pfandgläubiger*) and/or under what circumstances a secured lender may qualify as atypical pledgee.

—Enforcement of Civil Liabilities Restrictions

According to the Austrian Enforcement Act (*Exekutionsordnung*), foreign judgments are only enforceable if the reciprocity is warranted by a bilateral or multilateral treaty between the countries involved or by an ordinance (*Verordnung*) of the Austrian government (in which ordinance the Austrian government confirms the reciprocity). The Republic of Austria and the United States have not entered into a treaty regarding the reciprocal recognition and enforcement of judgments rendered in either court, other than arbitration awards in civil and commercial matters. There is also no applicable ordinance of the Austrian government in place. As such, the courts of Austria will not recognize and/or enforce a judgment obtained in the courts of the United States, be it a judgment rendered by a U.S. federal or state court. Accordingly, the subject matter upon which a judgment has been obtained in a U.S. federal or state court must be re-litigated before Austrian courts in accordance with applicable Austrian Civil Procedure Laws (*Zivilprozessverfahren*). Only after having obtained a final judgment before Austrian courts can enforcement procedures be initiated under the Austrian Enforcement Act.

—Shadow Director

A person granted the rights of information and control and that actually influences the management of an Austrian Guarantor could, depending on the extent of such rights granted and the actual use of such rights, qualify as shadow director (*faktischer Geschäftsführer*). A person qualifying as such could be liable for any acts made in connection with the management company (the shadow director in general has the same obligations and liability as a regular director appointed in accordance with applicable corporate law); in particular the shadow director could be liable towards the creditors of the company.

—Banking Law Restrictions

The Austrian Banking Act (*Bankwesengesetz*) enumerates certain banking activities. Companies may in general only conduct these activities on a commercial basis (*gewerblich*) if they have been granted a banking license by the Austrian supervisory authority. In addition, the Austrian Securities Supervision Act 2007 (Wertpapieraufsichtsgesetz 2007), enumerates certain activities which qualify as investment services and investment activities; such activities include the reception and transmission of orders in relation to one or more financial instruments, the portfolio management, investment advice, etc. Entities may in general only conduct such regulated activities on a commercial basis if they have either been granted a banking license or an investment service license by the Austrian supervisory authority.

Besides any entity licensed by the Austrian supervisory authority to conduct regulated activities within the meaning of the Banking Act and the Securities Supervisory Act also credit institutions or investment firms, respectively, authorised in a member state of the European Economic Area may conduct certain of the regulated activities in Austria. Any such entity may conduct the relevant activities in Austria either by the establishment of a branch office or by way of the freedom to provide services, insofar as such activities are authorised under the legal provisions of the Member State of incorporation and the relevant notification procedure in line with the European law directive 2006/48/EC or the European law directive 2004/39/EC, respectively, and the relevant local laws have been complied with. Accordingly, any entity which intends to conduct activities regulated by the Austrian Banking Act or the Securities Supervision Act in Austria or, from outside of Austria, into Austria on a commercial basis, requires a respective license or successful completion of EEA notification procedures. The conducting of such regulated activities in Austria without the necessary license or successful completion of EEA notification procedures can trigger in particular administrative fines and civil law sanctions. The Banking Act and the Securities Supervision Act, respectively, provide that whoever conducts such regulated activities in Austria without the necessary license shall be punished by the Austrian supervisory authority with monetary penalty of up to EUR 100,000.00 if it does not even qualify as a criminal offense. Furthermore, the laws provide that whoever conducts such regulated activities unlicensed shall not be entitled to any compensation connected with such activities (e.g., interests, commissions, fees, etc); sureties (*Bürgschaften*) and guarantees granted in connection therewith are ineffective. Furthermore, a civil law suits for unfair competition by competitors is possible. The transaction (agreement) itself, however, remains valid.

—Stamp Duty

Under the Austrian Stamp Duty Act (*Gebührengesetz*), stamp duty is triggered upon the creation of a document (*Urkunde*; a term which has a technical meaning within the context of the Stamp Duty Act) on certain dutiable transactions enumerated in the Stamp Duty Act. Dutiable transactions include, e.g., lease agreements, sureties, assignments, mortgages. Stamp duty on loan and credit agreements has been abolished as of January 1, 2011.

According to the Austrian Stamp Duty Act, stamp duty on, e.g.,

(a) sureties (*Bürgschaft*) amounts to 1% of the secured amount (a guarantee may be treated as a surety for stamp duty purposes if the guarantor under the guarantee does not explicitly waive all claims, remedies or defenses with respect to the underlying guaranteed transaction);

(b) assignments amounts to 0.8% of the consideration for the assignment, or, in a case of an assignment for security (*Sicherungszession*), 0.8% of the secured amount however not more than the assigned receivables.

Dutiable transactions for security (in particular sureties, assignments, mortgages) may be exempt from stamp duty if such transaction (exclusively) secures claims under a loan or credit agreement (§ 20(5) of the Austrian Stamp Duty Act).

Basically, Austrian stamp duty is triggered if a document on a dutiable transaction is created in Austria.

Under certain circumstances, the creation of a document on a dutiable transaction outside of Austria may trigger stamp duty. In this case, stamp duty may generally be triggered if (i) the parties to the transaction are resident for stamp duty purposes in Austria (Austrian residence, place of habitual abode, seat, place of effective management or permanent establishment) and (ii) the transaction concerns an Austrian situated asset or a party to the transaction is entitled or obliged to performance under the transaction in Austria (§ 16(2)(1) of the Austrian Stamp Duty Act).

If the creation of a document outside of Austria did not trigger Austrian stamp duty, stamp duty may be triggered if the document (or a certified copy thereof) is imported into Austria and (i) the transaction concerns an Austrian situated asset or a party to the transaction is entitled or obliged to performance under the transaction in Austria, or (ii) a legally relevant action is taken in Austria based on the transaction or official use of the document (or a certified copy thereof) is made in Austria (§ 16(2)(2) of the Austrian Stamp Duty Act).

Austrian stamp duty may also be triggered by a document that refers to a dutiable transaction in a qualified manner (so called confirming document; *rechtsbezeugende Urkunde*). According to the Austrian Federal Ministry of Finance, a confirming document within the present context is constituted if the parties to and the nature of the transaction referred to may be derived from the document. Such document may (already) trigger Austrian stamp duty if signed by one of the parties and sent to the other party or its representative (or, in case of a transaction under which both parties are obliged to performance, a third party in order to furnish proof of the underlying transaction). Further, stamp duty may be triggered by a so called substitute document (*Ersatzurkunde*; e.g., a signed protocol on an orally agreed transaction) on a dutiable transaction or a document that incorporates by reference a document on a dutiable transaction. According to the Supreme Administrative Court also e-mails, even if not printed out may qualify as documents and therefore trigger stamp duty under the same conditions as any other document.

If Austrian stamp duty is triggered, pursuant to the Stamp Duty Act generally the parties to the transaction are jointly and severally liable for the amount of Austrian stamp duty triggered. In case of a transaction under which only one party is obliged to performance, the party in whose interest the document was created is liable for the stamp duty (e.g., the creditor in case of a surety) (§ 28(1) of the Austrian Stamp Duty Act). In any case, the other party (as well as, if the competent tax office is not duly notified of the dutiable transaction, the persons who would be responsible for such notification) would be secondarily liable for the stamp duty triggered (§ 30 of the Austrian Stamp Duty Act). Agreements between the parties as to who shall bear stamp duty if triggered are not relevant for the tax authorities but may be honored by the tax authorities within their discretion.

If stamp duty was triggered and not duly paid or the competent tax office was not duly notified of a dutiable transaction, the competent tax office may, within its discretion, increase the amount of stamp duty due by up to 100%, depending on whether the taxpayer could have recognized that stamp duty was triggered, the notification was made with slight or substantial delay, or provisions of the Stamp Duty Act have been infringed for the first time or repeatedly (§ 9(2) of the Austrian Stamp Duty Act).

—Appointment of a Curator

Pursuant to the Act on Curators regarding Partial Debentures (*Teilschuldverschreibungs—kuratorengesetz*), a curator may be appointed as representative for the holders of partial debentures (*Teilschuldverschreibungen*) by the competent court under specific circumstances, in particular if rights of holders of such partial debentures might be endangered due to the lack of common representation. Following this, in general and with regard to the scope of the representation by the curator, the respective holders of such partial debentures may not exert their rights arising out of the partial debentures on their own as such rights are then exerted by the curator; however, they are in general entitled to accede the respective legal proceedings initiated by the curator against the issuer as intervenor (*Nebenintervenient*).

Canada

Insolvency Law

One of the guarantors is incorporated under the laws of the Province of Ontario, Canada (the "**Canadian Guarantor**"). In the event of insolvency of the Canadian Guarantor, insolvency proceedings may be initiated in Canada. Canadian law would govern those proceedings (subject to laws or protocols that may be applicable to international insolvencies if proceedings also occur in other jurisdictions in respect of the Canadian Guarantor). As creditors, the insolvency laws of Canada may not be as favorable to your interests as the insolvency laws of other jurisdictions, including in respect of priority of creditors, the ability to obtain post-filing interest and the duration of the insolvency proceedings, and hence may limit your ability to recover payments due on the Notes.

In Canada, there are two primary federal statutes that govern bankruptcy, insolvency and restructuring proceedings of insolvent debtors. The *Bankruptcy and Insolvency Act* (Canada) (the "**BIA**") contains provisions for the liquidation of bankrupt persons and for the restructuring of insolvent debtors. A corporate debtor may be petitioned into

bankruptcy by a creditor (i.e., involuntary proceedings) or apply or file for bankruptcy or reorganization (i.e., voluntary proceedings) or be deemed bankrupt as a result of a failed restructuring proposal under the BIA. In addition to the BIA, relief is also available under the *Companies' Creditors Arrangement Act* (Canada) (the "**CCAA**") which is principally a restructuring statute. In either case, a broad stay of creditors' rights and enforcement proceedings is generally implemented (in the case of the BIA by a statutory stay, and in the case of the CCAA by a court-ordered stay authorized by statute). CCAA proceedings are only available to insolvent debtor companies having debts in excess of CDN$5 million (or such other amount prescribed by regulation under the CCAA). Insolvency proceedings in Canada, whether under the BIA or the CCAA, are court-supervised.

Upon the bankruptcy of a debtor corporation, the BIA imposes an automatic stay of any action, execution or other proceeding by unsecured creditors in respect of the debtor. Creditors may obtain leave of the applicable court to lift the stay in certain circumstances. Upon becoming bankrupt, whether voluntarily or involuntarily, all of a debtor's assets (subject to very limited exceptions) vest in a trustee in bankruptcy (subject to the rights of secured creditors with validly perfected security interests), at which point the debtor no longer has any ability to deal with those assets. The trustee typically proceeds to liquidate the assets and distribute the proceeds of the assets in accordance with the provisions of the BIA.

The BIA sets out the priority scheme for the payment of claims against a bankrupt debtor. Subject to certain statutory priority claims enumerated in the BIA and true trust claims, secured creditors have the right to look first to the assets charged by their validly perfected security for payment. Thereafter, the BIA provides a list of preferred creditors who recover their debts in priority to the general body of unsecured creditors. Preferred claims are paid in order of their ranking as between each other. Thereafter, if funds are available, the claims of general unsecured creditors are paid on a *pari passu* basis.

In the present instance, the proceeds resulting from the realization of the estate of the Canadian Guarantor may not be sufficient to satisfy your claims as unsecured creditors under the guarantee granted by the Canadian Guarantor. As general unsecured creditors, your notes would not be paid until the secured claims, preferred claims and other claims that rank in priority to the general unsecured claims of Holders of Notes have been paid in full. As stated above, as a general unsecured creditor, your claim would be paid on a *pari passu* basis as among the general unsecured creditors.

As described above, corporate restructurings in Canada may be implemented under either the BIA or the CCAA. If it applies, the CCAA is often the restructuring statute of choice. Under this court-ordered protection, the debtor can formulate a restructuring proposal or plan, or conduct a going-concern sale or, in some circumstances, an orderly liquidation and distribute the proceeds derived from the sale or liquidation to the creditors in accordance with the priority of their claims. Under the CCAA, an insolvent company applies to the court for an order obtaining a temporary stay of proceedings against it by creditors and other persons dealing with the corporation of up to 30 days, which can be extended by the court, in order to permit the debtor to prepare and file a proposal or plan of arrangement for consideration by all or some of its creditors to be voted on by the various classes of its creditors affected thereby, and thereafter seek approval and implement such plan. A restructuring proposal or plan under either the BIA or the CCAA must be approved by a majority in number representing two-thirds in value of each class of creditors affected by the restructuring present and voting, in person or by proxy, at a meeting called to consider the proposal or plan; and, thereafter, if sanctioned by the court, the restructuring is binding on all creditors (including the dissenting minority). The CCAA requires that a court officer be appointed to monitor the affairs of the debtor company while it is under court supervision and to report to the court on the state of the debtor company's business and financial affairs, including any material adverse change therein while the debtor company is under court protection. Subject to orders of the court either increasing the powers of the monitor or appointing an interim receiver, the debtor company and its management remain in possession and control of the assets of the debtor company while it is under court protection in a CCAA proceeding. In the event of a liquidation under the CCAA, proceeds are generally distributed in accordance with the priority established by statute and the court (which may differ in some respects from those in a bankruptcy under the BIA). The court may also authorize the creation of priority charges ranking ahead of other creditors, including claims of Holders of Notes, in both CCAA and BIA restructurings (for example, for DIP financings, directors' and officers' indemnification and administration costs).

Where a debtor deals with its property in a manner that prejudices its creditors (particularly where such debtor is or becomes thereafter insolvent), such transactions by the debtor may be subject to challenge by creditors or a trustee in bankruptcy and to the scrutiny of the court. Under Canadian federal and provincial laws relating to insolvency, fraudulent preference and conveyance, there are a number of statutory means to challenge or void such transactions. Where a transaction subject to review is held to be contrary to Canadian law, the transaction can be voided or subject to a variety of other remedies. Should the Canadian Guarantor become insolvent within applicable time periods, the granting of the guarantee could be subject to challenge and the guarantee voided, and any amounts obtained under the guarantee that is voided would have to be repaid. Should the Holders of the Notes be repaid or otherwise recover from the Canadian Guarantor at a time when such guarantor is insolvent, or if the Canadian Guarantor thereafter becomes insolvent within applicable time periods, the repayment or recovery may be subject to challenge.

Denmark

Insolvency Law

One of the guarantors is incorporated under the laws of Denmark (the "**Danish Guarantor**"). Accordingly, insolvency proceedings with respect to the Danish Guarantor would likely proceed under and be governed by Danish insolvency law. The Danish Bankruptcy Act of 1977 governs the two main types of insolvency proceedings; restructuring and bankruptcy.

Restructuring

The rules of restructuring were only implemented in the Danish Bankruptcy Act in April 2011, thus there is only limited jurisprudence on the subject.

A petition for restructuring can be filed either by the debtor or by a creditor. If the petition is filed by the debtor the Bankruptcy Court will commence the restructuring proceedings immediately by the receipt of the restructuring petition. The same rule applies if the debtor has given its consent to a petition filed by a creditor. If, however, a petition has been filed by a creditor without the consent of the debtor, the Bankruptcy Court will arrange for a court meeting where the petition will be processed in order to establish that the debtor is in fact insolvent.

Unless the debtor's assets are undoubtedly sufficient to cover the costs of the restructuring procedure, i.e. the administrator and the accountants cost, the petitioning creditor will be required by the Bankruptcy Court to post collateral for an amount determined by the Court. Currently, the standard amount is approximately DKK 30,000/EUR 4,030.

The Bankruptcy Court can on request from the administrator(s) require that the petitioning creditor post additional collateral if it is unlikely, that the standard amount will cover the costs of the restructuring procedure. If the additional collateral is not posted on request, the Court will then determine the end of the restructuring procedure and the debtor will then be declared bankrupt.

The petitioning creditor must also post collateral for the costs of a potential bankruptcy. The collateral—which is the standard amount of app. DKK 30,000/EUR 4,030 − cannot be "used" to cover additional and unexpected costs in the restructuring procedure.

Thus the petitioning creditor is required to post collateral for a minimum amount of DKK 60,000/EUR 8,060 for the costs of the restructuring process and potential subsequent bankruptcy. The petitioning creditor is only liable for the costs of up to 2 × DKK 30,000 + potential additional collateral requested by the administrator(s), c.f. above.

At the commencement of the restructuring procedure the Bankruptcy Court will appoint one or more administrators (in practice always lawyers). The Court is not bound by the proposal in the petition regarding the choice of administrator(s). It is also a statutory requirement that a representative skilled in accounting, who will often be certified public accountant, is appointed at the beginning of the restructuring process.

As a general rule, the commencement of restructuring proceedings does not imply any change in the debtor's (company's) ability to, respectively the management's right to dispose of the company's assets and liabilities. However, the company may not make decisions of major importance without the administrators' consent and a transfer of the activities (including shares of subsidiaries) in the company can only take place in accordance with a restructuring proposal prepared by the administrators that has to be presented to and adopted by the creditors.

If there is any danger that the company will make decisions that are to the detriment of the creditors or do not cooperate with the administrators, the Bankruptcy Court can decide that the administrators are provisionally to take over the management of the company. Accordingly, the substantive content of the above rules is that negotiations with the potential buyer should be conducted by the appointed administrators.

The basic principle is that the administrators shall make an assessment of whether the business of the debtor can be deemed viable when disregarding the current financial difficulties. The administrators are responsible for ensuring that the restructuring process is progressing as planned and that it is concluded in the best possible manner, just as the administrators are responsible for immediately terminating the restructuring process if it is deemed to be futile.

Prior to the commencement of restructuring proceedings a secured creditor seeking to enforce a security will have to execute/take seizure of the secured assets in order to make a forced realisation. If a public auction has been completed (without request for a second auction) **before** the commencement of the restructuring proceedings, the sale will be deemed final. If a request was made for a second auction, such auction can only be completed with the consent of the debtor and the administrator. If the debtor and administrator do not give their consent the first auction will be deemed

final. As the debtor would have been able to avert the forced sale (assuming no auction contract has been made) by paying the due secured claims and all costs in relation to the forced realisation between the first and second auction outside a restructuring process, it is assumed that such possibility will still exist after the commencement of the restructuring proceedings.

As a consequence of the restructuring proceedings a creditor's execution or seizure of assets taken later than three months before the filing date will automatically be rendered void.

During the restructuring period it is—as a general rule—not possible for a secured creditor to execute/take seizure of secured assets and it is not possible to make a forced realisation of secured assets, unless the debtor and administrator gives their consent to such forced realisation. Exempt from the enforcement ban are leased assets, assets sold with retention of title, pledged shares or claims.

In relation to mortgage debt specific rules apply, as the *ongoing performances* pursuant to the mortgage that falls due with the date of the commencement of the restructuring proceedings as cut-off date, will still have to be paid during the restructuring period (provided that the mortgagee is fully covered by the mortgage). Ongoing performances are characterized by specified due dates on a regular basis over a longer period. Debts regarding performances from before the cut-off date will not be included in the future ongoing performances that have to be paid during the restructuring period. This means that a performance due at the end of a month in which a company enters into restructuring will be reduced proportionately by the part of the month relating to the period before the date of the commencement of restructuring. The ongoing performances will only have to be paid for fully covered mortgages. If a mortgage is not fully covered the debtor can ask the Bankruptcy Court to fix a value for the asset. After a price has been fixed by the Court the ongoing performances due will be proportionate with the part of the mortgage covered. Until a value has been fixed however, the debtor will have to pay the full ongoing performances.

No later than one week following the commencement of the restructuring, the administrators shall send a statement containing the following information to all known creditors:

(i) the most material assets and liabilities of the debtor,

(ii) to the extent possible, a list of all creditors with information on any security rights, and

(iii) information on the debtor's keeping of accounts.

No later than four weeks after the commencement of the restructuring, a meeting shall be held at the Bankruptcy Court where a proposed restructuring plan prepared by the administrators shall be presented for a vote among the creditors. The restructuring proposal can only propose (i) a sale of (part of) the activities in the company, (ii) a composition of debts, or (iii) a combination of (i) and (ii). It is a condition that the company's management has approved the administrator's proposed plan. The administrators are obliged to—no later than one week before the four-week meeting—to send the known creditors a draft of the restructuring plan.

Both the restructuring plan and the restructuring proposal (see below) shall be approved by the creditors at the respective meetings before the Bankruptcy Court. The restructuring plan is considered approved unless a majority of the creditors vote against the plan and that majority are representing 25% of the debt (entitled to vote) vote against the plan. All creditors have the right to vote (except creditors that are 'related' to the debtor). The main rule is though, that the creditors can only vote if their claims are expected to get dividends. If the creditor will get fully compensated, the creditor has no right to vote. A creditor, who has charge, can only vote for the part of the claim that is expected not to be covered under the security. The Bankruptcy Court will—based on the information at hand—determine to which degree a claim can be considered covered under a security and thus what part of a claim gives voting rights.

Within three months after the commencement of the restructuring, the administrators shall send a statement to the creditors and the Bankruptcy Court concerning all material matters with respect to the restructuring process, including the result of a possible continuation of the operation of the company's business and information on when a restructuring proposal is expected to be sent to the creditors.

No later than six months after the meeting during which the proposed restructuring plan was adopted (i.e. at the latest six months and four weeks after the commencement of the restructuring) a meeting shall be held before the Bankruptcy Court with the participation of the creditors. During this meeting the creditors shall vote on the (final) restructuring proposal, which shall have been sent to the known creditors (if possible) at least 14 days in advance. Upon request from the debtor and approval from the administrators, the Bankruptcy Court can prolong the six-month deadline by an additional four months, i.e. a total of ten months. The restructuring proposal must thus be presented to the creditors and the Court no later than 10 months and 4 weeks after the commencement of the restructuring.

The restructuring proposal is considered adopted unless creditors representing the majority of the debt (entitled to vote) vote against the proposal.

The Bankruptcy Court must authenticate the restructuring proposal approved by the creditors. Only if the Court finds the approved proposal disproportionate with the company's financial position, the court can refuse to authenticate the proposal. The Court does not have to approve the restructuring proposal (which is within the competence of the creditors) but only ensures ex officio that the restructuring proposal fulfils the statutory requirements (mainly majority rules).

If the restructuring proposal is not adopted by the creditors, the Bankruptcy Court renders that the restructuring is discontinued and that the debtor is declared bankrupt. Thus, it should be noted that once a restructuring procedure has commenced, the debtor's possibilities of saving the business, outside the restructuring, have been exhausted. Consequently, if the restructuring cannot be completed, the debtor will be declared bankrupt.

Bankruptcy

Bankruptcy is the principal form of proceeding in the Danish insolvency system. In bankruptcy, the debtor's assets are liquidated and the proceeds deriving from assets free from charges and encumbrances are distributed to the creditors based on a priority of claims.

As a general rule, the insolvent company or any creditor may present a petition for bankruptcy. A bankruptcy requires the bankruptcy court to be satisfied that the debtor is insolvent based on an assessment of the debtor's liquidity status. A bankruptcy petition by a creditor is barred if the creditor is adequately protected in the event of the debtor's insolvency by means of good and valid security. The Danish bankruptcy scheme is based on the fundamental principle of pari passu satisfaction of the debtor's creditors. The principle is, however, to some extent modified by the rules governing priority of debts in bankruptcy. Some claims—preferential claims and privileged claims—rank before ordinary claims and some—the deferred claims—rank below ordinary claims. The status of a claim is dependent upon express statutory authority (except for subordinated loans). Preferential claims primarily include costs and expenses involved in the administration of the bankruptcy estate and debts approved by the administrator(s) during a restructuring period. Privileged claims are mainly salary claims, including salary income taxes (relating to salary claims being filed) (excluding salary claims from the top management). It should be noted that almost all tax claims are not per se preferential or privileged. Interest accrued on ordinary claims will rank as ordinary claims up to the date of the bankruptcy adjudication, after which date the accrued interest will rank as a deferred claim.

Danish bankruptcy law contains several provisions enabling the trustee to initiate proceedings to have certain transactions prior to the bankruptcy avoided. Most avoidance provisions contain time limits, which are generally three months from the date of the bankruptcy petition being filed, but are in some cases up to two years. Payments made by unusual means before they are due or in amounts that have had a distinctly impairing effect on the debtor's ability to pay its debts are typically subject to invalidation unless the claim of the benefited creditor was secured in full by a good and valid security or the payment was considered ordinary. In addition, all types of charges, mortgages and other types of security that were not granted to the creditor at the time the debt was incurred or that were not protected against legal process without undue delay will be invalidated. A creditor who wishes to contest a claim for invalidation may do so through the trustees, who must litigate the matter under the jurisdiction of the ordinary courts (not the bankruptcy court) if the matter can not be solved out of court. Any proceeds relating to a voidable claim are considered an asset of the bankruptcy estate and are to be distributed to the creditors in accordance with the rules governing priority of debts in bankruptcy. As a general rule, such legal proceedings must be initiated within 12 months after the pronouncement of the bankruptcy adjudication. In the event of bankruptcy, claims in foreign currencies will be converted into Danish kroner using Danmark's Nationalbank official exchange rate for the relevant currency against Danish kroner as of the date of declaration of bankruptcy by the Danish Insolvency Court.

Subsidiary Guarantee

The obligations of the Danish Guarantor under its guarantee may be limited by the operation of Danish law. Such limitations include the following:

- Danish companies are prohibited from granting e.g., guarantees in connection with the financing or refinancing of the direct or indirect acquisition of shares issued or to be issued by the Danish Guarantor itself or by a direct or indirect parent company.

- Danish companies are also prohibited from granting any guarantees for any other obligations of its shareholders, except to the effect that such guarantee is for the benefit of its direct or indirect parent company within the meaning of Danish company law. This exemption applies to both Danish and non-Danish parent companies provided that the non-Danish parent company is located in a jurisdiction

approved by the Danish Commerce and Companies Agency. At present, the approved jurisdictions include all EU and EEA member states, Switzerland, Australia, Canada, Hong Kong, Japan, South Korea, New Zealand, Singapore, Taiwan and the U.S.

- Even though Danish company law does not have a general rule stating that a company can only grant guarantees and loans if it serves the benefit of the company, certain restrictions apply when a company renders guarantees. If the guarantee is an upstream guarantee and (i) it is exceeding the equity of the company or (ii) for purposes that cannot be said to be for the benefit of the company in question, it could lead to liability of the directors of the company.

England and Wales

Insolvency Law

One of the guarantors is a company incorporated under the laws of England and Wales (the "**English Guarantor**"). Therefore, any insolvency proceedings by or against the English Guarantor should in principle be based on English insolvency laws. However, pursuant to the EU Insolvency Regulation 1346/2000, where a company incorporated under English law has its "centre of main interests" in a member state (excluding Denmark) of the European Union other than the UK, then the main insolvency proceedings for that company should be opened in the Member State in which its centre of main interests is located and be subject to the laws of that Member State. This is similar to the concept embedded in the UNCITRAL Model Law on Cross-Border Insolvency implemented in the UK by the UK Cross-Border Insolvency Regulations 2006 which provide that a court of an overseas jurisdiction may have jurisdiction to open insolvency proceedings where a debtor has it has its centre of main interests or where it has an "establishment" (being a place of operations in such foreign jurisdiction, where it carries out non-transitory economic activities with human means and assets or services).

The paragraphs below are a summary description of certain insolvency-related aspects with respect to the laws of England and Wales. The description is only a summary and does not purport to be complete or to discuss all of the limitations or considerations that may affect the validity and enforceability of the guarantees being granted by the English Guarantor. Prospective investors should consult their own legal advisors with respect to such limitations and considerations.

Under English insolvency law, the English courts are empowered to make an administration order in relation to a company in certain circumstances. An administration order can be made if the court is satisfied that the relevant company is, or is likely to become, "unable to pay its debts" (as defined in section 123 of the Insolvency Act 1986) and that the administration is reasonably likely to achieve the purpose of administration. An administrator can also be appointed out of court by the company, the directors of the company or by the holder of a "qualifying floating charge" which has become enforceable. In this case, the prospective administrator must be satisfied that the purpose of administration is reasonably likely to be achieved.

The purpose of administration has the following hierarchy of statutory objectives: (a) rescuing the company as a going concern or, (b) if that is not reasonably practicable, achieving a better result for the company's creditors as a whole than would be likely if the company were wound up (without first being in administration) or (c) if neither of those objectives are reasonably practicable, and the interests of the creditors as a whole are not unnecessarily harmed thereby, realising property to make a distribution to secured or preferred creditors. The rights of creditors, including secured creditors, are particularly curtailed in an administration.

Subject to limited exceptions, upon the appointment of an administrator, no resolution for the winding up of the company may be passed and no order for the winding up of the company may be made. Further, no proceedings or other legal process may be commenced or continued against the company, or security enforced over the company's property, except with the leave of the court or the consent of the administrator. In either case, a court will consider discretionary factors in determining any application for leave, in light of the hierarchy of statutory objectives of administration described above.

Accordingly, if the English Guarantor were to enter into administration, the guarantees granted by the English Guarantor in relation to the Notes could not be enforced while the relevant company was in administration, without the leave of the court or consent of the administrator. There can be no assurance that this leave of the court or consent of the administrator would be obtained. An administrator is given wide powers to conduct the business, manage the affairs of the company and, subject to certain requirements under the Insolvency Act 1986, dispose of the property of a company in administration.

Under English insolvency law, the liquidator or administrator of a company may, among other things, apply to the court to unwind a "transaction at an undervalue" entered into by such company, if such company was "unable to pay

its debts" (as defined in section 123 of the Insolvency Act 1986) at the time of, or as a result of, the transaction and enters into liquidation or administration proceedings within two years of the completion of the transaction.

A transaction may be "at an undervalue" if it involved a gift by the company or the company received consideration of less value than the benefit given by such company. However, a court generally will not intervene if a company entered into the transaction in good faith for the purpose of carrying on its business and at the time it did so there were reasonable grounds for believing the transaction would benefit such company. The Issuer believes that the guarantee granted by the English Guarantor will not constitute a transaction at an undervalue, and that the note guarantee will be provided in good faith for the purposes of carrying on the business of the English Guarantor and that there are reasonable grounds for believing that the transactions will benefit such English Guarantor. In any such proceedings, it is for the liquidator or administrator of the company to demonstrate that the company was unable to pay its debts unless a beneficiary of the transaction was a "connected person" (as defined in the Insolvency Act 1986), in which case there is a presumption the company was unable to pay its debts and the connected person must demonstrate that the company was not unable to pay its debts. There can be no assurance that the provision of the guarantees will not be challenged by a liquidator or administrator or that a court would support this analysis.

If the liquidator or administrator of a company can demonstrate to a court that the English Guarantor has given "preference" to any person (within six months of the onset of liquidation or administration (or two years if the preference is to a "connected person")) and, at the time of the preference, the English Guarantor was insolvent or became so as a result of the preferential transaction, the court has the power, among other things, to set aside the preferential transaction. For these purposes, a company gives preference to a person if that person is one of the company's creditors (or a surety or guarantor for any of the company's debts or liabilities) and the company takes an action which has the effect of putting that person into a position which, in the event of the company going into insolvent liquidation, will be better than the position that person would have been in if that action had not been taken. The court may not make an order avoiding a preferential transaction unless it is satisfied that the company was influenced by a desire to put that person in a better position. Where the alleged preference is given to a "connected person" (as defined in the Insolvency Act) there is a presumption that there was an intention to prefer. This provision of English insolvency law may affect transactions entered into or payments made by the English Guarantor during the relevant period prior to the Issuer's or the English Guarantor's liquidation or administration.

A liquidator or administrator of the company, or a person who is a "victim" of the relevant transaction can apply to the court to set aside a transaction if such transaction was a "transaction defrauding creditors". A transaction will constitute a transaction defrauding creditors if it is a transaction at an undervalue and the court is satisfied the purpose of the transaction was to put assets beyond the reach of actual or potential claimants against it or to otherwise prejudice the interests of such persons, in relation to claims they are making or may make. The court may set aside such a transaction if it determines that the transaction defrauded the company's creditors on this basis; however, there is protection for a third party acting in good faith, for value without notice of the relevant circumstances. There is no statutory time limit within which a claim must be made and the company need not be insolvent at the time of the transaction.

Any interest accruing under or in respect of the Notes for any period from the date of commencement of administration or liquidation proceedings could be recovered by holders of the Notes only from any surplus remaining after payment of all other debts provided in the proceeding and interest accrued but was unpaid up to the date of the commencement of the proceeding.

Under English insolvency law, certain preferential claims, including certain amounts in relation to unpaid contributions to occupational pension schemes and unpaid employees' remuneration will rank ahead of, amongst others, unsecured creditors.

Financial assistance and corporate benefit issues

Further to the above paragraphs, guarantees and security granted by an English company may be subject to limitations arising from any unlawful financial assistance within the meaning of sections 678 or 679 of the Companies Act 2006, or any capacity and corporate benefit related issues with respect to the company granting such guarantee and security.

France

Insolvency Law

One of the guarantors is incorporated under the laws of France (the "**French Guarantor**"). Consequently, in the event of an insolvency of such guarantor, insolvency proceedings may be initiated in France. Such proceedings would then be governed by French law. The jurisdiction of French courts over any insolvency proceedings of the French Guarantor may however be limited if the company's "center of main interests" (COMI) is found to be in a country other

than France. Indeed, as a general rule, the courts of the European Union Member State within the territory of which the centre of a debtor's main interests is situated shall have jurisdiction to open insolvency proceedings. In the case of a company or legal person, the place of the registered office shall be presumed to be the centre of its main interests in the absence of proof to the contrary.

French laws and proceedings affecting creditors include Article 1244-1 of the French Civil Code (*Code civil*), court-assisted informal proceedings (*mandat ad hoc* or *conciliation* proceedings) and court-administered insolvency proceedings (safeguard (*sauvegarde*), accelerated safeguard (*sauvegarde financière accélérée*) reorganization or liquidation proceedings (*redressement* or *liquidation judiciaire*)). In general, French insolvency legislation favors the continuation of a business and protection of employment over the payment of creditors and could limit your ability to enforce your rights under the Notes Guarantees and/or the Transaction Security granted by a French Guarantor.

The following is a brief description of certain aspects of insolvency law in France for information purpose only, and does not address all French insolvency law considerations that may be relevant to holders of the Notes.

—Grace Periods

In addition to insolvency laws discussed below, you could, like any other creditors, be subject to Article 1244-1 of the French Civil Code (*Code civil*).

Pursuant to Article 1244-1 of the French Civil Code (*Code civil*), French courts may, in any civil proceeding involving the debtor, whether initiated by the debtor or the creditor, taking into account the debtor's financial position and the creditor's financial needs, defer or otherwise reschedule the payment dates of payment obligations over a maximum period of two (2) years and decide that any amounts, the payment date of which is thus deferred or rescheduled, will bear interest at a rate which is lower than the contractual rate (but not lower than the legal rate) or that payments made shall first be allocated to repayment of the principal rather than interest. If a court order under Article 1244-1 of the French Civil Code (*Code civil*) is made, it will suspend any pending enforcement measures, and any contractual interest or penalty for late payment will not accrue or be due during the period ordered by the court.

Emergency Procedure

The statutory auditors of the company can request the management and the board of directors to provide an explanation as to elements which the auditors believe put the company's existence as a going concern in jeopardy. Failing satisfactory explanations or corrective measures, the auditors can request that a shareholders' meeting be convened. The auditors must inform the Commercial Court.

Shareholders representing at least 5% of the share capital and the workers' committee have similar rights. The Commercial Court can also itself summon the management to provide explanations on elements which the court believe put the company's existence as a going concern in jeopardy.

Court-assisted Pre-insolvency Proceedings

A French company facing difficulties may request the opening of court-assisted pre-insolvency proceedings (*mandat ad hoc* or *conciliation*) the aim of which is to reach an agreement with the debtor's main creditors. *Mandat ad hoc* and *conciliation* are informal proceedings carried out under the supervision of the president of the court, which do not involve any stay of the proceedings.

—Ad Hoc Agent (*mandat ad hoc*)

French law does not provide for any specific rule in respect of *mandat ad hoc*. In practice, *mandat ad hoc* proceedings are used by debtors that are facing difficulties of an economic or financial nature but are not in a state of cessation of payments (*cessation de paiements*) (i.e., the debtor is considered in a state of cessation of payments where it is unable to pay its debts when they fall due with its liquid assets (taking into account available credit lines and existing rescheduling agreements)). They are confidential and are not limited in time.

The agreement reached by the parties (if any) with the help of the court appointed officer (*mandataire ad hoc*) is reported by the latter to the court but is not sanctioned by the court. The ad hoc agent's duties are determined by the court. Such ad hoc agents are usually appointed in order to facilitate the negotiations with creditors but they cannot coerce the creditors to accept any proposal. Creditors are not barred from taking legal action against the company to recover their claims, but, in practice, they usually try to do so.

—Conciliation proceedings

A company may, in its sole discretion, initiate conciliation proceedings (*procédure de conciliation*) with respect to itself, provided it (i) is able to pay its due debts out of its available assets, or has been unable to pay its due debts out of its available assets for less than 45 days and (ii) experiences legal, economic or financial difficulties. The competent court will appoint a conciliator (*conciliateur*) in charge of assisting the debtor in negotiating with all or part of its creditors and/or trade partners an agreement providing for the restructuring of its indebtedness (reducing or rescheduling its indebtedness). During the proceedings, creditors may continue to sue individually for payment of their claims but the debtor retains the right to petition for debt rescheduling pursuant to article 1244-1 of the French Civil Code (*Code civil*). Upon its execution, the agreement reached by the parties becomes binding upon them and creditors may not take action against the company in respect of claims governed by the agreement. . In addition, without such formalities being an obligation on the parties, the agreement can be either:

- upon all parties' request, acknowledged (*constaté*) by the president of the court; or

- upon the debtor's request, approved (*homologué*) by the Commercial Court.

While the agreement (whether acknowledged, approved or not) is being implemented, any individual proceedings by creditors with respect to the claims included in the agreement are suspended.

While the mere acknowledgement of the agreement by the president of the court will primarily strengthen its enforceability (by giving it the *force executoire*) as against its signatories, the conciliation proceedings remaining confidential, the approval by the court, which is subject to the satisfaction of certain conditions, will make the conciliation proceedings public and will have the following specific consequences:

- creditors who provide new money, goods or services designed to ensure the continuation of the business of the distressed company (other than shareholders providing new equity) will enjoy a priority of payment over all pre-proceeding and post proceeding claims (other than certain post-proceeding employment claims and procedural costs), in the event of subsequent safeguard proceedings, judicial reorganization proceedings or judicial liquidation proceedings; and

- in the event of subsequent judicial reorganization proceedings or judicial liquidation proceedings, the date of the *cessation des paiements* cannot be fixed by the court as of a date earlier than the date of the approval of the agreement by the court (see below the definition of the date of the *cessation des paiements*).

A third party which has granted a guarantee (*sûreté réelle*) or a security interest can benefit from the provisions of the approved or acknowledged agreement.

In case of breach of the agreement, any party to the agreement can petition the Court for its termination.

Court-administered Proceedings—Safeguard, Reorganization and Liquidation Proceedings

Court-administered proceedings may be initiated:

- in the event of safeguard proceedings, upon petition by the debtor only; and

- in the event of judicial reorganization or liquidation, upon petition by the debtor, any creditor or the public prosecutor, or on the court's own initiative.

The debtor may file for safeguard proceedings at any time it is facing difficulties that it cannot overcome, as long as it is not insolvent. It is required to petition for the opening of judicial reorganization proceedings (if recovery is possible) or judicial liquidation proceedings (if recovery is manifestly not possible) within 45 days of becoming insolvent. If it fails to do so, its directors and officers are subject to civil liability.

—Safeguard Proceedings

A company may, in its sole discretion, initiate safeguard proceedings (*procédure de sauvegarde*) with respect to itself, provided it (i) is able to pay its debts as they come due out of its available assets and (ii) experiences difficulties which it is not able to overcome. A court appointed administrator investigates the business of the company during an initial observation period, which may last up to 18 months, and helps the company to elaborate a draft safeguard plan (*projet de plan de sauvegarde*).

During the safeguard procedure, payments by the debtor of any debts incurred prior to the opening of the procedure are prohibited, subject to limited exceptions. The bankruptcy judge can authorize payments for prior debts in order to discharge a lien on property needed for a continued operation of the business or get back goods or rights transferred as collateral in a fiduciary estate (*patrimoine fiduciaire*). Debts arising after the commencement of the safeguard procedure will be given priority over debts incurred prior to the commencement of the safeguard procedure if they relate to expenses necessary for the business's ordinary activities or are for the requirement of procedure.

In case of large companies (with more than 150 employees or turnover greater than € 20 million) or upon request of the debtor or the administrator, two creditors' committees (one for credit institutions (or assimilated institutions and entities having granted credit or advances in favor of the debtor) and their successive assignees having a claim against the debtor and the other for suppliers having a claim that represents more than 3% of the total amount of the claims of all the debtor's suppliers) will then be established. These committees will be consulted on the safeguard plan drafted by the debtor's management during the observation period.

The committees must announce whether they approve or reject the safeguard plan within a minimum of 15 days of its proposal. The plan must be approved by a majority vote of each committee, provided that the majority is two-thirds of the outstanding claims of the creditors expressing a vote. The amounts of the claims secured by a trust (*fiducie*) constituted as a guarantee granted by the debtor are not taken into account. Additionally, creditors for whom the plan does not provide any modification of their repayment schedules or provided for a complete reimbursement in cash of their claims as soon as the plan is adopted or as soon as their claims are admitted, do not take part in the vote.

If there are any bondholders, they are required to vote on the plan during a general meeting of bondholders held for that purpose and must approve the plan at the same two-thirds majority vote. Approval of the plan at the two-thirds majority shall, if the plan is approved by the court, bind all the members of the committees and the bondholders (including those who voted against the adoption of the plan). The plan submitted to the committees and the bondholders, if any, may include rescheduling or cancellation of debts, and/or debt-for-equity swaps.

If, within the first 6 months of the observation period, the creditors' committees and the bondholders' meeting approve the plan, and subject to verification by the court that the interests of all creditors are sufficiently safeguarded and to a rescheduling of the claim of creditors that are not members of the committees or bondholders as discussed hereafter, the court will approve the plan. With respect to creditors who are not members of the committees, or in the event no committees are established, proposals are made to each creditor individually. For those individual creditors who have not reached a negotiated agreement, the court can reschedule repayment of their debts over a maximum period of 10 years, except for debts with maturity dates of more than 10 years, in which case the maturity date may remain the same. The court cannot oblige such creditors to waive part of their claim. The first payment must be made within a year of the judgment adopting the plan (in the third and subsequent years, the amount of each annual installment must be of at least 5% of the total amount of the debt).

In the event that the debtor company's proposed plan is not approved by both committees and the general meeting of bondholders within the first 6 months of the observation period, either because they do not vote on the plan or because they reject it, the court can still adopt a safeguard plan in the time remaining until the end of the observation period. In such a case the rules are the same as the ones applicable to creditors that are not part of the committees and that are not bondholders and, in particular, the court can only impose a rescheduling of the repayment of the debts over a maximum period of 10 years, except for debts with maturity dates of more than 10 years, in which case the maturity date may remain the same.

—Accelerated Financial Safeguard Proceeding

Envisaged as a means of facilitating "pre-pack" bankruptcies in France, Accelerated Financial Safeguard (the "**AFS**") permits a debtor, the majority but not all of the creditors of which support a conciliation agreement, to rapidly begin a safeguard procedure, allowing a restructuring plan to be approved by the two-thirds vote of the creditors applicable in safeguard proceedings. Only financial creditors are implicated in such a restructuring plan, and an AFS filing does not entail suspension of payments to suppliers.

As with a traditional safeguard procedure, the plan adopted in the context of an AFS may provide for rescheduling, debt reduction, and conversion of debt into equity capital in the debtor company.

In order to file for an AFS, the debtor company must (i) be engaged in a conciliation procedure, (ii) be able to pay its debt with its available assets, (iii) face financial difficulties which it finds itself unable to overcome, (iv) have its accounts regularly certified by a statutory auditor or certified public accountant, and (v) have more than 150 employees or annual turnover greater than EUR 20 million.

In addition, the debtor company must produce a restructuring plan intended to ensure the business's continuation as a going concern, and must demonstrate that such plan is likely to receive the support of a sufficiently large number of financial creditors that it could be adopted, by a two-thirds majority, within 2 months of the AFS filing.

Only financial creditors, defined as members of the committee of credit institutions (or assimilated) and assembly of bondholders as above mentioned, are involved in the AFS. Only such financial creditors are consulted concerning the adoption of the restructuring plan, and the plan must be approved by the above mentioned two-thirds majority by value of bank and bond debt holders expressing a vote, as applicable in traditional safeguard proceeding.

Neither public creditors, such as the tax or social security administration, nor suppliers are directly impacted by the AFS. Their debts will continue to be due and payable according to their contractual or legal terms.

As the AFS is by nature an accelerated procedure, very tight deadlines are imposed. The commercial court must approve any restructuring plan within 1 month of the date on which the procedure is begun; this deadline may be extended by up to a maximum of 1 additional month. If a plan is not adopted by the creditors and approved by the court within such deadlines, the court is obliged to terminate the procedure.

—Judicial reorganization or liquidation proceedings

Judicial reorganization or liquidation proceedings (*redressement or liquidation judiciaire*) may be initiated against or by a company if it cannot pay its debts as they come due out of its available assets (i.e., it is in *cessation des paiements*). The company is required to petition for insolvency proceedings (or for conciliation proceedings as discussed above) within 45 days of falling into *cessation des paiements*. If it does not, *de jure* managers (including directors) and, as the case may be, *de facto* managers are subject to civil liability.

The date of *cessation des paiements* is deemed to be the date of the court order commencing proceedings, unless the court sets an earlier date, which may be up to 18 months before the date of the court order. Except for fraud, the date of the *cessation des paiements*, may not be fixed at an earlier date than the date of the final court decision which approved an amicable settlement (*homologation*) in the context of a conciliation procedure. The date of *cessation des paiements* is important because it marks the beginning of the suspect period. Certain transactions undertaken during the suspect period may become void or voidable.

The court order commencing the proceedings may order either the liquidation or the reorganization of the company. In the event of reorganization, an administrator appointed by the court investigates the business of the company during an initial observation period, which may last up to 18 months, and makes proposals for either the reorganization of the company (by helping the debtor to elaborate a reorganization plan, which is similar to a safeguard plan; see above), or the sale of the business or the liquidation of the company. Committees of creditors may be created under the same conditions as in safeguard proceedings (see above). At any time during this observation period, the court can order the liquidation of the company. At the end of the observation period, the outcome of the proceedings is decided by the court.

—Void and voidable transaction

The Court determines the date on which the debtor is deemed to have become insolvent. It can be any date within the 18 months preceding the date of the opening of the proceedings. This marks the beginning of the "hardening period" (*période suspecte*). Certain transactions entered into by the debtor during the hardening period are automatically void or voidable by the court.

Void transactions include transactions or payments entered into during the suspect period that may constitute voluntary preferences for the benefit of some creditors to the detriment of other creditors. These include transfers of assets for no consideration, contracts under which the reciprocal obligations of the company significantly exceed those of the other party, payments of debts not due at the time of payment, payments made in a manner which is not commonly used in the ordinary course of business, security granted for debts previously incurred, and any provisional measures, unless the writ of attachment or seizure predates the date of *cessation des paiements*.

Voidable transactions include transactions or payments for due debts made from the date of *cessation des paiements*, if the party dealing with the company knew that it was in a state of *cessation des paiements*. Transactions relating to the transfer of assets for no consideration are also voidable when realized during the six-month period prior to the beginning of the suspect period.

—Status of creditors during safeguard proceedings, judicial reorganization proceedings or judicial liquidation proceedings

As a general rule, creditors domiciled in France whose debts arose prior to the commencement of the proceedings must file a claim with the creditors' representative within two months of the publication of the court order in the BODACC (*Bulletin Officiel des Annonces Civiles et Commerciales)*; this period is extended to four months for creditors domiciled outside France. Creditors who have not submitted their claims during the relevant period are barred from receiving distributions made in accordance with the proceedings. Employees are not subject to such limits and are preferential creditors under French law. Some special rules may apply to bondholders.

From the date of the court order commencing the insolvency proceedings (*sauvegarde, redressement or liquidation judiciaire procedures*), the company is prohibited from paying debts outstanding prior to that date, subject to specified exceptions, which essentially concern the set-off of inter-related debts and payments made to recover assets for which recovery is justified by the continued operation of the business provided that such payments are authorized by the court. During this period, creditors may not pursue any legal action against the company with respect to any claim arising prior to the court order commencing the proceedings if the objective of such legal action is:

- to obtain an order for or payment of a sum of money by the company to the creditor (however, the creditor may require that a court fix the amount due); or
- to terminate a contract for non-payment of amounts owed by the company; or to enforce the creditor's rights against any assets of the company.

Contractual provisions that would accelerate the payment of the company's obligations upon the occurrence of (i) the opening of safeguard or judicial reorganization proceedings or (ii) a state of *cessation des paiements*, are not enforceable under French law. The opening of liquidation proceedings, however, automatically accelerates the maturity of all of a company's obligations unless the continued operation of the business with a view to the adoption of a "plan of sale of the business" (*plan de cession*) is ordered by the court in which case the acceleration of the obligations will only occur on the date of the court decision adopting the "plan of sale of the business" or on the date on which the continued operation of the business ends.

The administrator may elect to terminate or continue executory contracts (*contrats en cours*) provided that the company fully performs its post-petition contractual obligations.

If the court adopts a safeguard plan or a reorganization plan, claims of creditors who have accepted (individually or through a committee or the assembly of bondholders, the decision taken at the relevant majority of a committee or the assembly of bondholders being binding on all the members of that committee or the assembly of bondholders as discussed below) the plan will be paid according to the plan. With respect to creditors who have not accepted the proposals (creditors who are not members of committee or bondholders, or in case of a failure of the adoption of the plan by the committees and the assembly of bondholders) made by the administrator and the company, the court can decide to reschedule the payment of their claims over a maximum period of 10 years. The court can also set a time period during which the assets that it deems necessary to the continuation of the business of the debtor may not be sold without its consent.

If the court adopts a "plan of sale of the business" (*plan de cession*), the proceeds of the sale will be allocated for the payment of creditors according to their ranking. In particular, employees, officials appointed by the insolvency court, post petition creditors and the French treasury are given priority.

If the court decides to order the judicial liquidation of the company, the court will appoint a liquidator who shall sell the assets of the company and settle the relevant debts.

—Creditors' Liability

Pursuant to article L. 650-1 of the French Commercial Code (*Code de commerce*), where insolvency proceedings or safeguard have been commenced, creditors may be held liable for the losses suffered as a result of facilities granted to the debtor on the following grounds (and may only be held liable on those grounds): (i) fraud; (ii) wrongful interference with the management of the debtor; and (iii) the security or guarantees taken to support the facilities are disproportionate to such facilities. In addition, any security or guarantees taken to support facilities in respect of which a creditor is found liable on any of these grounds can be cancelled or reduced by the court.

—Fraudulent Conveyance

French law contains specific provisions dealing with fraudulent conveyance both in and outside of bankruptcy, the so-called *action paulienne* provisions. The *action paulienne* offers creditors protection against a decrease in their means of recovery. A legal act performed by a person (including, without limitation, an agreement pursuant to which it guarantees the performance of the obligations of a third party or agrees to provide or provides security for any of its or a third-party's obligations, enters into additional agreements benefiting from existing security and any other legal act having similar effect) can be challenged in or outside bankruptcy of the relevant person by the bankruptcy trustee or receiver in a bankruptcy of the relevant person or by any of the creditors of the relevant person outside bankruptcy, and may be declared unenforceable against third parties if: (i) the person performed such acts without an obligation to do so; (ii) the creditor concerned or, in the case of the person's bankruptcy, any creditor, was prejudiced in its means of recovery as a consequence of the act; and (iii) at the time the act was performed both the person and the counterparty to the transaction knew or should have known that one or more of its creditors (existing or future) would be prejudiced in their means of recovery, unless the act was entered into for no consideration (*à titre gratuit*) in which case such knowledge of the counterparty is not necessary for a successful challenge on grounds of fraudulent conveyance. If a court found that the issuance of the Notes, the grant of the security interests, or the granting of a Notes Guarantee involved a fraudulent conveyance that did not qualify for any defense under applicable law, then the issuance of the Notes, the granting of the security interests, or the granting of such Notes Guarantee could be declared unenforceable against third parties or declared unenforceable against the creditor that lodged the claim in relation to the relevant act. As a result of such successful challenges, holders of the Notes may not enjoy the benefit of the Notes, the Notes Guarantees or the security interests in the collateral and the value of any consideration that holders of the Notes received with respect to the Notes, the security interests in the collateral or the Notes Guarantees could also be subject to recovery from the holders of the Notes and, possibly, from subsequent transferees. In addition, under such circumstances, holders of the Notes might be held liable for any damages incurred by prejudiced creditors of the issuer or the Guarantors as a result of the fraudulent conveyance.

Subsidiary Guarantee

The obligations of the French Guarantor under its guarantee may be limited by the operation of French law. Such credit support is subject to:

- certain exceptions, including to the extent any obligations which, if incurred, would constitute prohibited financial assistance within the meaning of article L. 225-216 of the French Code de Commerce or infringement of the provisions of articles L. 241-3 or L. 242-6 of the French Code de Commerce, and

- a financial limitation corresponding to an amount equal to the proceeds from the offering of the Notes which Issuer has applied for the direct or indirect benefit of the French Guarantor through the intercompany loans and cash pooling arrangements that are outstanding on the date a payment is requested to be made by such French Guarantor.

Accordingly, the guarantee by the French Guarantor is limited to amounts that represent either (i) the amount of debt that the French Guarantor can be deemed to have refinanced with the proceeds of the Notes through the intercompany loans, or (ii) the amounts of such proceeds made available to it via any cash-pooling arrangements or otherwise.

If no proceeds made available under the Notes to the issuers is made available to the French Guarantor or its subsidiary, then its guarantee under the Notes Guarantee would be equal to zero.

In addition, if the French Guarantor receives, in return for issuing the guarantee, an economic return that is less than the economic benefit such the French Guarantor would obtain in a transaction entered into on an arms'-length basis, the difference between the actual economic benefit and that in a comparable arms'-length transaction could be taxable under certain circumstances.

—Corporate Benefit

The grant of a guarantee by a French company for the obligations of another group company must be for the corporate benefit of the granting company.

The question of corporate benefit must be determined on a case-by-case basis and consideration has to be given to any direct and/or indirect (group) benefit that the company would derive from the transaction. When the benefit is not a direct one, French case law, which is however not clearly settled, has set a number of criteria to uphold a "group exemption", which may summarized as follows (i) the group must have a "group policy", (ii) the guarantee or collateral must be for a reasonable consideration, (iii) the guarantee or collateral must maintain a balance between the financial

commitments of the concerned affiliates and (iv) the financial support granted by the company should not exceed its financial capabilities.

If the corporate benefit requirement is not met, the directors and/or shareholders of the company may be held liable for breach of their fiduciary duties, and, under certain circumstances, the guarantee or collateral could be declared null and void.

In order to enable the French Guarantor to guarantee the liabilities of a direct or indirect parent or sister company without the risk of being in breach of French rules on corporate benefit, it is standard market practice for indentures, credit agreements, guarantees and security documents to contain so-called "limitation language" in relation to subsidiary incorporated or established in France. Accordingly, the guarantees of the French Guarantor will be so limited. Such limitation language may be drafted as follows:

Notwithstanding anything to the contrary in a guarantee provided by a French company, such guarantee will be subject to the following limitations:

- the obligations and liabilities of a French company under its guarantee will not include any obligation or liability which, if incurred, would constitute prohibited financial assistance within the meaning of article L. 225-216 of the French Commercial Code and/or would constitute a "misuse of corporate assets or powers" within the meaning of articles L.242-6 or L.244-1 of the French Commercial Code and/or would constitute a prohibited guarantee under article L.223-11 al.4 of the French Commercial Code or any other law or regulations having the same effect, as interpreted by French courts; and

- the obligations and liabilities of a French company under its guarantee for the obligations of a parent company shall be limited, at any time, to an amount equal to the lesser of (i) the aggregate nominal amount of all notes issued by the parent company and (ii) the amount (if any) directly or indirectly on-lent or permitted to continue to be on-lent or otherwise provided to the French company and/or any subsidiary(ies) of such French company under intercompany loans or similar arrangements and outstanding at the date a payment is to be made by such French company under its guarantee, it being specified that any payment made by a French company under this guarantee shall automatically reduce pro tanto the outstanding amount of the relevant intercompany loans or similar arrangements due by such French company to the parent company or its subsidiary(ies).

Hong Kong

Insolvency Law

One of the guarantors is a company organized under the laws of Hong Kong (the "**Hong Kong Guarantor**"). In the event of an insolvency of the Hong Kong Guarantor, insolvency proceedings, may be initiated in Hong Kong. Such proceedings will be subject to Hong Kong law. Under certain circumstances, insolvency proceedings may also be opened in Hong Kong in accordance with Hong Kong law with respect to companies that are not incorporated under Hong Kong law (for example, if such company has a sufficient connection with Hong Kong).

The binding effect, validity and enforceability of the Hong Kong Guarantee and the rights and obligations of the Hong Kong Guarantor party thereto may be affected by the laws relating to bankruptcy, insolvency, liquidation, reorganisation, reconstruction or otherwise affecting creditors' rights generally, including as set out below. The following is a brief description of insolvency law in Hong Kong.

Under Hong Kong law, there are two main forms of liquidation (or winding-up) procedure: (i) compulsory liquidation, and (ii) voluntary liquidation. A compulsory liquidation is initiated by a creditor of the relevant company, or by the company itself under certain circumstances (including where the company is "unable to pay its debts"). A voluntary liquidation, in turn, is initiated by a resolution of the shareholders of the company.

The Hong Kong Guarantee constitutes the unsecured obligations of the Hong Kong Subsidiary Guarantor to the Holders. Where there is a winding-up of the Hong Kong Guarantor, Hong Kong law requires that various payments be paid in priority to all other debts, including (among others) the following general categories of preferential claims:

- certain payments due to employees of the Hong Kong Guarantor; and

- all statutory debts due from the Hong Kong Guarantor to the Hong Kong government which become due and payable within twelve months before the commencement of the winding-up.

The above categories, and any other secured obligations of the Hong Kong Guarantor will have preference over any claims made in relation to the Hong Kong Subsidiary Guarantee. There is no assurance that, after providing for all prior claims, there would be sufficient assets to satisfy the claims of the unsecured creditors (including the Holders) under the Hong Kong Subsidiary Guarantee.

Where the Hong Kong Guarantor becomes insolvent, the Hong Kong courts may set aside its obligations under the Hong Kong Subsidiary Guarantee if it determines that its obligations thereunder, or the transactions contemplated therein, fall within certain categories (and, where applicable, were entered into within the relevant period prior to the Hong Kong Guarantor becoming insolvent or upon or after insolvency) including (among others) as follows:

- a transaction entered into at an undervalue;
- a transaction with extortionate or exorbitant terms; or
- a transaction that places certain creditor(s) in a better position, in the event the Hong Kong Guarantor goes into insolvent liquidation, than it would have, had such transaction not been entered into.

The Hong Kong courts may also impose a winding-up order on a company if it determines that it is just and equitable to do so. Please note that Hong Kong law does not currently provide a formal, moratorium-based, statutory corporate rescue mechanism for Hong Kong incorporated companies.

Subsidiary Guarantee

The Hong Kong Subsidiary Guarantee may become voidable if the execution and delivery of the Hong Kong Guarantee, and the Hong Kong Guarantor's assumption of the obligations of a guarantor of the Issuer's obligations under the Notes does not materially benefit the Hong Kong Guarantor, and such obligations were not assumed in good faith for the legitimate purposes of the Hong Kong Guarantor.

Furthermore, the Hong Kong Subsidiary Guarantee may also become voidable if the Hong Kong Subsidiary Guarantee is given by the Hong Kong Guarantor directly or indirectly for the purposes of financing or refinancing an acquisition of shares, constituting "financial assistance" under Hong Kong law.

The enforcement of the Hong Kong Subsidiary Guarantee may also be subject to equitable defences which will relieve the Hong Kong Guarantor of its obligations thereunder.

Japan

Insolvency Law

If a guarantor is organized under the laws of Japan and has its business or office premises in Japan or assets in Japan, it will be the "**Japanese Guarantor**".

Any insolvency proceedings by or against the Japanese Guarantor may be initiated in Japan under Japanese insolvency laws. The insolvency laws of Japan may not be as favorable to your interests as creditors as the insolvency laws of other jurisdictions. As a result, your ability to recover payments due on the notes may be more limited in Japan than in other jurisdictions.

There are four main statutory insolvency procedures in Japan: (i) bankruptcy (*hasan*) proceedings under the Bankruptcy Law, (ii) civil rehabilitation (*minjisaisei*) proceedings under the Civil Rehabilitation Law, (iii) corporate reorganization (*kaishakosei*) proceedings under the Corporate Reorganization Law, and (iv) special liquidation (*tokubetsu Seisan*) proceedings under the Companies Act, each of which is available to a Japanese joint stock company (*kabushiki kaisha*) (such as the Japanese Guarantor). The following sets out an overview of the respective insolvency procedures.

—Bankruptcy (*hasan*) Proceedings

Bankruptcy proceedings against a company (including foreign companies which have their business or office premises in Japan or have assets in Japan) may be commenced if (i) a debtor is unable to pay its debts in due time (*shiharai funo*) or (ii) the amount of the debtor's liabilities exceeds the aggregate amount of its assets (*saimu choka*). Bankruptcy proceedings will be commenced by an order of the court following a petition with the court by the debtor or its creditor. Upon the commencement of the proceedings, the directors of the debtor lose the authority to administer the assets of the debtor and a trustee (*kanzai nin*) who is appointed by the court will administer the assets of the debtor, realize all assets and make distributions to creditors. Once the court orders the commencement of the proceedings, claims against the debtor that existed prior to the commencement of the proceedings may only be enforced through the

proceedings (except for the secured claims). Creditors must file their claims with the court within a certain period of time (otherwise, in general, such creditors will not be entitled to any distributions from the debtor in respect of such claims). If the trustee admits such claims and other creditors do not make objections, the creditors will be entitled to a distribution pro rata to the admitted claims. If the trustee does not admit the claims, or other creditors make objections, the relevant creditor may file a petition with the court to determine whether or not to admit the claims. If the relevant creditor is not satisfied with the decision by the court in this regard, such creditor may file a formal lawsuit against the trustee and/or other creditors. The distributions to creditors shall be made pursuant to the order set out in the bankruptcy law. It should be noted that secured creditors may enforce their security outside the proceedings at any time. During the proceedings, the trustee may challenge certain transactions (including the provision of guarantee). See also "*—Further Insolvency Related Considerations*" below.

—Civil Rehabilitation (*minjisaisei*) Proceedings

Civil Rehabilitation proceedings against a company (including foreign companies which have their business or office premises in Japan or have assets in Japan) may be commenced if there is a significant likelihood that (i) a debtor is unable to pay its debts in due time (*shiharai funo*) (ii) the amount of the debtor's liabilities exceeds the aggregate amount of its assets (*saimu choka*), or (iii) the debtor will be unable to pay its liabilities when due without substantially impeding its ability to carry on its business. Civil Rehabilitation proceedings will be commenced by an order of the court following the petition with the court by the debtor or its creditor (the creditor may file a petition only in the case of (i) and (ii) above). Even after the commencement of the proceedings, the directors of the debtor normally continue to administer the assets of the debtor and work to propose a rehabilitation plan which, if approved by the Company's creditors and confirmed by the court, can then be executed. However, a supervisor (*kantoku iin*) is usually appointed by the court to supervise the debtors. Once the court orders the commencement of the proceedings, claims against the debtor that existed prior to the commencement of the proceedings may only be enforced through the proceedings (except for the secured claims). Creditors must file their claims with the court within a certain period of time (otherwise, in general, such creditors will not be entitled to any distributions from the debtor in respect of such claims). If the debtor admits such claims and other creditors do not make objections, the creditors will be entitled to a distribution pro rata to the admitted claims (which is subject to further changes under the civil rehabilitation plan). If the company does not admit the claims, or other creditors object, the relevant creditor may file a petition with the court to determine whether or not to admit claims. If the relevant creditor is not satisfied with the decision by the court in this regard, such creditor may file a formal lawsuit against the debtor and/or other creditors. The distributions to creditors shall be made pursuant to the civil rehabilitation plan which will be resolved by the creditors and approved by the court. It should be noted that secured creditors may enforce their security outside the proceedings at any time. During the proceedings, the supervisor (or civil rehabilitation trustee, if elected) may challenge certain transactions (including the provision of guarantee). See also "—*Further Insolvency Related Considerations*" below.

—Corporate Reorganization (*kaisha kosei*) Proceedings

Corporate Reorganization proceedings against a company (which only includes Japanese joint stock companies and foreign companies of a similar nature to Japanese joint stock companies with a place of business in Japan) may be commenced if there is a significant likelihood that (i) a debtor is unable to pay its debts in due time *(shiharai funo),* (ii) the amount of the debtors' liabilities exceeds the aggregate amount of its assets *(saimu choka)* or (iii) the debtor will be unable to pay its liabilities when due without substantially impeding its ability to carry on its business. Corporate reorganization proceedings will be commenced by an order of the court following the petition by the debtor, the creditor(s) whose total amount of claims are 10% or more of the debtor company's capital or the shareholder(s) who in total have 10% or more of the voting rights of the debtor company (the creditor(s) or the shareholder(s) may file a petition only in the case of (i) and (ii) above). Upon the commencement of the proceedings, the directors of the debtor usually lose the authority to administer the assets of the debtor and a trustee *(kanzai nin)* who is appointed by the court will take over the Company's operations, assess all assets and liabilities, propose a reorganization plan and, if the plan is approved by the Company's creditors and confirmed by the court, transfer management responsibilities to the new management under the plan. Creditors must file their claims with the court within a certain period of time (otherwise, in general, such creditors will not be entitled to any distribution from the debtor in respect of such claims). Once the court orders the commencement of the proceedings, claims against the debtor that existed prior to the commencement of the proceedings may only be enforced through the proceedings (including the secured claims). If the trustee admits such claims and other creditors and shareholders of the debtor do not object with respect to the claims, the creditors will be entitled to a distribution pro rata to each class of admitted claims (which is subject to further changes under the corporate reorganization plan). If the trustee does not admit such claims or other creditors or shareholders make objections, the relevant creditor may file a petition with the court to determine whether or not to admit the claims. If the relevant creditor is not satisfied with the decision by the court in this regard, such creditor may file a formal lawsuit against the trustee, other creditors and/or shareholders. The distributions to creditors shall be made pursuant to the corporate reorganization plan which will be resolved by each class of stakeholders (the secured creditors, creditors and shareholders (if the debtor company is not in excess of debt)) and approved by the court. Unlike other insolvency procedures, under corporate reorganization proceedings, secured creditors may not enforce their security outside the proceedings and distributions to

the secured creditors shall be made pursuant to the corporate reorganization plan. During corporate reorganization proceedings, the trustee may challenge certain transactions (including the provision of guarantee). See also "*—Further Insolvency Related Considerations*" below.

—Special Liquidation (*tokubetsu Seisan*) Proceedings

Special Liquidation proceedings against a company (which only includes Japanese joint stock companies and any business office in Japan of foreign companies) may be commenced if a debtor is already in liquidation and (i) it is found that there is a significant impediment to the liquidation proceedings or (ii) it is suspected that the company's liabilities exceed its assets. Special Liquidation proceedings will be commenced by an order of the court following a petition by the creditor, the liquidator (usually a former director), the statutory auditor or the shareholder of the debtor. After the commencement of the proceedings, the liquidator of the debtor often continues to liquidate all assets and liabilities and make distributions to creditors. Creditors must notify their claims with the debtor within a certain period of time (otherwise, in general, such creditors will not be entitled to any distributions from the debtor in respect of such claims). The distributions to creditors shall be made in proportion to the amount of their claims. It should be noted that secured creditors may enforce their security outside the proceedings at any time.

—Further Insolvency Related Considerations

Under Japanese insolvency laws, no party (including, without limitation, any director of a company) is expressly obligated to file for the commencement of insolvency proceedings in any particular circumstance (except that liquidators are required to file for the commencement of special liquidation proceedings in certain circumstances). However, the Japanese Guarantor's directors are subject to general fiduciary duties under the Companies Act, which may in certain circumstances require them to take appropriate steps, including filing for the commencement of insolvency proceedings when a cause for insolvency arises. If the Japanese Guarantor's directors do not take appropriate action in such circumstances, they could be subject to civil liabilities.

The provisions of the guarantee by the Japanese Guarantor and payments made to the Holders of the Notes by the Japanese Guarantor may be avoided in insolvency proceedings (except for special liquidation proceedings) by the bankruptcy trustee, reorganization trustee or rehabilitation supervisor (or civil rehabilitation trustee, if elected) pursuant to their "right of avoidance" as a fraudulent conveyance or voidable preference. The acts that are subject to this right of avoidance include:

- acts by the debtor taken with the knowledge that they will prejudice general creditors (except the creation of a security interest or the extinguishment of obligations as to the already existing obligations);

- any act that (except the creation of a security interest or the extinguishment of obligations as to the already existing obligations) (i) prejudices general creditors; and (ii) occurs after the debtor has suspended payments or after the filing of a petition;

- any creation of a security interest or extinguishment of obligations as to the already existing obligations which (i) is taken after the debtor becomes unable to pay its debts or files a petition; or (ii) is taken while the debtor is not required to do so under law or any other pre- existing contract within 30 days prior to the debtor becoming unable to pay its debts; and

- any gratuitous act (or act deemed to be gratuitous) by the debtor after, or within six months prior to, either the suspension of payments by the debtor or the filing of a petition.

For example, the provision of the guarantee by the Japanese Guarantor may be avoided if: (i) the Japanese Guarantor does not receive any fee for provision of the guarantee and if the provision of guarantee occurs after, or within six months prior to, either the suspension of payments by the Japanese Guarantor or the filing of a petition; or (ii) the payment takes place after the Japanese Guarantor has become unable to pay its debts in general, or a petition for insolvency proceedings has been filed, and you are deemed to have been aware of such fact at that time.

Subsidiary Guarantee

The Japanese Guarantor's obligations under the Notes will be subject to certain generally available defenses. These laws and defenses include those that relate to corporate benefit, fraudulent conveyance or transfer, right of avoidance, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally.

If a court decided either that the entry into the obligations by the Japanese Guarantor was a fraudulent conveyance and voided such guarantee, or held it unenforceable for any other reason, you may cease to have any claim in respect of the Japanese Guarantor.

Further, there is uncertainty as to the enforceability, in actions originated in Japanese courts, of liabilities predicated solely upon U.S. securities laws, and as to the enforceability in Japanese courts of judgments of federal or state courts in the United States or other foreign courts obtained in actions predicated upon the civil liability provisions of the U.S. securities laws.

The Netherlands

Insolvency Law

One of the guarantors is organized under the laws of The Netherlands (the "**Dutch Guarantor**"). Where the Dutch Guarantor has its "centre of main interests" or an "establishment" in The Netherlands, it can be subjected to insolvency proceedings in this jurisdiction. Such insolvency proceedings applicable to the Dutch Guarantor will be governed by Dutch insolvency laws, subject to certain exceptions as provided for in the EU Insolvency Regulation.

There are two applicable corporate insolvency regimes under Dutch law: (a) suspension of payments (*surseance van betaling*), which is intended to facilitate the reorganization of a debtor's debts and enable the debtor to continue as a going concern; and (b) bankruptcy (*faillissement*), which is primarily designed to liquidate and distribute the assets of a debtor to its creditors. The usual regime for a reorganisation is bankruptcy, which will lead to a transfer of (parts) of the company going concern. In practice, however, a suspension of payments nearly always results in the bankruptcy of the debtor. The suspension of payments will only affect the unsecured creditors.

Unlike Chapter 11 proceedings under U.S. bankruptcy law, in which both secured and unsecured creditors are generally barred from seeking to exercise remedies against the debtor without court approval, suspension of payments and bankruptcy proceedings against the Dutch Guarantor would allow secured creditors that hold a security interest on assets of (or shares) in the Dutch Guarantor to satisfy their claims by proceeding against the assets that secure their claims, albeit that higher ranking security (if any) will need to be respected upon enforcement. However, a statutory stay of execution of up to two months extendable by another period of up to two months may be applicable.

In Dutch bankruptcy proceedings, the assets of the Dutch Guarantor would generally be liquidated and the proceeds distributed to the Dutch Guarantor's creditors on the basis of the relative priority of the claims of those creditors and, to the extent claims of certain creditors have equal priority, in proportion to the amount of such claims. Certain parties, such as secured creditors, would benefit from special rights. Secured creditors may enforce their rights separately from suspension of payments or bankruptcy and are not required to contribute to the liquidation costs. However, the enforcement of their security interests may be subject to the following: (a) a statutory stay of execution of up to two months, extendable by another period of up to two months, imposed by court order pursuant to Sections 63(a) (and 241(a) in case of suspension of payments) of the Netherlands Bankruptcy Act (*Faillissementswet*), (b) a receiver in bankruptcy (*curator*) may force a secured creditor to foreclose its security interest within a reasonable time, failing which the receiver will be entitled to sell the relevant rights or assets and distribute the proceeds to the secured creditor after deduction of liquidation costs and (c) excess proceeds of enforcement must be returned to the receiver and may not be offset against an unsecured claim of the secured creditor against the Dutch Guarantor. See also the observations on articles 42-47 of the Netherlands Bankruptcy Act below. All unsecured, pre-bankruptcy claims need to be submitted to the receiver for verification, and the receiver makes a determination as to the existence, ranking and value of the claim and whether and to what extent it should be admitted in the bankruptcy proceedings. Creditors that wish to dispute the verification of their claims by the receiver will be referred to the claim validation proceedings (*renvooiprocedure*) in order to establish the amount and rank of the disputed claim.

Interest accruing after the date of the bankruptcy order cannot be admitted unless secured by a pledge or mortgage. In that event, interest will be admitted pro memoria. To the extent that an interest is not covered by the proceeds of the security the creditor may not derive any rights from the admission. No interest is payable in respect of unsecured claims as of the date of a bankruptcy.

Pursuant to article 47 of the Bankruptcy Act avoidance of an "obligatory" transaction can take place when at the time of the transaction the other party had knowledge that a petition for the bankruptcy of the Dutch Guarantor had been filed with the court. Avoidance is also possible where it can be demonstrated that the transaction resulted from "concerted" action of the Dutch Guarantor and the beneficiary aimed at performing towards the latter to the detriment of the Dutch Guarantor's other creditors. Given the highly restricted interpretation of "concerted action" adopted by the Dutch Supreme Court, in order to enhance "legal certainty" in commercial transactions, it is extremely difficult that the liquidator would be able to avoid a transaction on this basis.

Subsidiary Guarantee

Under Dutch law, receipt of any payment under a guarantee may be affected by (a) the standards of reasonableness and fairness (*maatstaven van redelijkheid en billijkheid*); (b) force majeure (*niet- toerekenbare tekortkoming*) and unforeseen circumstances (*onvoorziene omstandigheden*); and (c) the other general defenses available to debtors under Dutch law in respect of the validity, binding effect and enforceability of such guarantee. Other general defenses include claims that a guarantee should be avoided because it was entered into through undue influence (*misbruik van omstandigheden*), fraud (*bedrog*), duress (*bedreiging*) or error (*dwaling*).

The validity and enforceability of a guarantee may also be successfully contested by a Dutch company (or its receiver in bankruptcy) on the basis of an *ultra vires* claim. Such a claim will be successful if both (i) the granting of a guarantee does not fall within the scope of the objects clause as set out in the articles of association of the Dutch company (*doeloverschrijding*) and (ii) the counterparty of such Dutch company under the relevant guarantee knew or ought to have known (without inquiry) of this fact. In determining whether the granting of a guarantee is in furtherance of the objects and purposes of a Dutch company, a court will consider (i) the text of the objects clause in the articles of association of the company; (ii) whether the granting of such guarantee is in the company's corporate interests (*vennootschappelijk belang*) and to its benefit; and (iii) whether the subsistence of the company is jeopardized by the granting of such guarantee. The mere fact that a certain legal act (*rechtshandeling*) is explicitly reflected in a Dutch company's objects clause may not be conclusive evidence to state that such legal act is not *ultra vires*. Rather, a transaction must be in the corporate interest of a Dutch company and must not jeopardize its subsistence in order to withstand a challenge that it is *ultra vires*.

The validity and enforceability of a guarantee may also be successfully contested by any creditor, or by the guarantor's receiver in bankruptcy when the guarantor is in bankruptcy proceedings, if (i) the granting by a Dutch company of the guarantee has led to one or more other creditors being prejudiced in their ability to take recourse and (ii) in the event of a legal act for consideration, at the time of the granting of the guarantee, both the company and its counterparty knew or ought to have known that the granting of the guarantee prejudice one or more other creditors in their ability to take recourse. These requirements are reflected in Article 42 et seq. of the Netherlands Bankruptcy Act (*Faillissementswet*) and Article 3:45 et seq. of the Dutch Civil Code (*Burgerlijk Wetboek*) and would apply so long as the granting of the guarantee is not based on a prior obligation to do so. In that case, the requirements in Article 47 et seq of the Netherlands Bankruptcy Act will need to be met, while such action can only be initiated by the receiver during bankruptcy of a Dutch company.

The United States

Two of the guarantors are corporations organized under the laws of the State of Delaware, United States of America (the "**U.S. Guarantors**"). In the event of an insolvency of a U.S. Guarantor, insolvency proceedings with respect to it would be likely to be governed by U.S. insolvency law.

Under U.S. federal bankruptcy laws or comparable provisions of state fraudulent transfer laws, the issuance of the guarantees by a U.S. Guarantor could be voided, claims in respect of such guarantee obligations could be subordinated to some or all of its other debts and other liabilities, or the holders of the Notes could be required to repay any amounts received in connection with such guarantee, if, among other things, at the time the relevant U.S. Guarantor issued the related guarantee, the U.S. Guarantor (a) intended to hinder, delay or defraud any present or future creditor; or (b) (i) received less than reasonably equivalent value or fair consideration for the issuance of such guarantee and (ii) either:

- was insolvent or rendered insolvent by reason of such issuance of such guarantee;
- was engaged in a business or transaction for which the U.S. Guarantor's remaining assets constituted unreasonably small capital; or
- intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature.

Therefore, the maximum aggregate amount of the obligations for which a U.S. Guarantor will be liable under its guarantee of the Notes will be limited to the maximum amount as will, after giving effect to such maximum amount and all other (contingent or otherwise) liabilities of such U.S. Guarantor that are relevant under such laws, and after giving effect to any rights to contribution pursuant to any agreement providing for equitable contribution among such U.S. Guarantor and the Issuer and any other Subsidiary Guarantor, result in such obligations of such U.S. Guarantor not constituting a fraudulent transfer or conveyance. There is a risk that a court could find such limitations to be ineffective and the guarantee of a U.S. Guarantor to be unenforceable.

TAXATION

The following is a general description of certain tax considerations relating to the Notes in Germany, the Grand Duchy of Luxembourg and the United States. It does not purport to be a complete analysis of all tax considerations relating to the Notes. In particular, this description does not consider any specific facts or circumstances that may apply to a particular purchaser. This description is based on the laws of the Federal Republic of Germany, the Grand Duchy of Luxembourg and the United States of America currently in force and as applied on the date of this Offering Memorandum, which are subject to change, possibly with retroactive or retrospective effect.

PROSPECTIVE PURCHASERS OF NOTES SHOULD CONSULT THEIR TAX ADVISERS AS TO THE CONSEQUENCES, UNDER THE TAX LAWS OF THE COUNTRY IN WHICH THEY ARE RESIDENT FOR TAX PURPOSES AND UNDER THE TAX LAWS OF GERMANY, THE GRAND DUCHY OF LUXEMBOURG AND THE UNITED STATES OF ACQUIRING, HOLDING AND DISPOSING OF NOTES AND RECEIVING PAYMENTS OF PRINCIPAL, INTEREST AND OTHER AMOUNTS UNDER THE NOTES. THE INFORMATION CONTAINED WITHIN THIS SECTION IS LIMITED TO TAXATION ISSUES, AND PROSPECTIVE INVESTORS SHOULD NOT APPLY ANY INFORMATION SET OUT BELOW TO OTHER AREAS; INCLUDING (BUT NOT LIMITED TO) THE LEGALITY OF TRANSACTIONS INVOLVING THE NOTES.

Federal Republic of Germany

Income Tax

Tax Residents

Persons (individuals and corporate entities) who are tax resident in Germany (in particular, persons having a residence, habitual abode, seat or place of management in Germany) are subject to income taxation (income tax or corporate income tax, as the case may be, plus solidarity surcharge thereon plus church tax and/or trade tax, if applicable) on their worldwide income, regardless of its source, including interest from debt of any kind (such as the Notes) and, in general, capital gains.

Taxation if the Notes are held as private assets (*Privatvermögen*)

In the case of German tax-resident individual investors (*unbeschränkt Steuerpflichtige*) holding the Notes as private assets (*Privatvermögen*), the following applies:

– Income

Payments of interest on the Notes qualify as taxable savings income (*Einkünfte aus Kapitalvermögen*) pursuant to section 20 para 1 no 7 German Income Tax Act ("**ITA**"—*Einkommensteuergesetz*).

Capital gains / capital losses realised upon sale of the Notes, computed as the difference between the acquisition costs and the sales proceeds reduced by expenses directly and factually related to the sale, qualify as positive or negative savings income in terms of section 20 para 2 sentence 1 no 7 ITA. Where the Notes are acquired and/or sold in a currency other than Euro, the acquisition costs will be converted into Euro at the time of acquisition, the sales proceeds will be converted into Euro at the time of sale and the difference will then be computed in Euro. If the Notes are assigned, redeemed, repaid or contributed into a corporation by way of a hidden contribution (*verdeckte Einlage in eine Kapitalgesellschaft*) rather than sold, as a rule, such transaction is treated like a sale. Losses from the sale of Notes can only be offset against other savings income and, if there is not sufficient other positive savings income, carried forward in subsequent assessment periods.

Pursuant to a tax decree issued by the Federal Ministry of Finance dated 22 December 2009, as amended on 16 November 2010 and 9 October 2012, a sale shall be disregarded where the transaction costs exceed the sales proceeds, which means that losses suffered from such "sale" shall not be tax- deductible. Similarly, a bad debt loss (*Forderungsausfall*), i.e. should the Issuer become insolvent, and a waiver of a receivable (*Forderungsverzicht*), to the extent the waiver does not qualify as a hidden contribution, shall not be treated like a sale. Accordingly, losses suffered upon such bad debt loss or waiver shall not be tax-deductible.

– German withholding tax (*Kapitalertragsteuer*)

With regard to savings earnings (*Kapitalerträge*), e.g., interest or capital gains, German withholding tax (*Kapitalertragsteuer*) will be levied if the Notes are held in a custodial account which the investor maintains with a German branch of a German or non-German credit or financial services institution or with a German securities trading

business or a German securities trading bank (a "**German Disbursing Agent**") and such German Disbursing Agent credits or pays out the earnings.

The tax base is, in principle, equal to the taxable gross income as set out above (i.e. prior to withholding). However, in the case of capital gains, if the custodial account has changed since the time of acquisition of the Notes (e.g., if the Notes are transferred from a non-EU custodial account) and the acquisition costs of the Notes are not proven to the German Disbursing Agent in the form required by law, withholding tax is applied to 30% of the proceeds from the redemption or sale of the Notes. When computing the tax base for withholding tax purposes, the German Disbursing Agent has to deduct any negative savings income (*negative Kapitalerträge*) or paid accrued interest (*Stückzinsen*) in the same calendar year or unused negative savings income of previous calendar years.

German withholding tax will be levied at a flat withholding tax rate of 26.375% (including solidarity surcharge) plus, if applicable, church tax.

Individuals who are subject to church tax may apply in writing for this tax to be withheld as a surcharge to the withholding tax. Individuals subject to church tax but declining the application have to include their savings income in their tax return and will then be assessed to church tax. For German credit institutions an electronic information system as regards church withholding tax shall apply in respect of interest received after 31 December 2014, with the effect that church tax will be collected by the German Disbursing Agent by way of withholding unless the investor has filed a blocking notice (*Sperrvermerk*) with the German Federal Central Tax Office (*Bundeszentralamt für Steuern*).

No German withholding tax will be levied if the investor has filed a withholding tax exemption certificate (*Freistellungsauftrag*) with the German Disbursing Agent, but only to the extent the savings income does not exceed the exemption amount shown on the withholding tax exemption certificate. Currently, the maximum exemption amount is EUR 801 (EUR 1,602 in the case of jointly assessed husband and wife). Similarly, no withholding tax will be levied if the investor has submitted to the German Disbursing Agent a certificate of non-assessment (*Nichtveranlagungs-Bescheinigung*) issued by the relevant local tax office to the German Disbursing Agent.

The Issuer is, as a rule, not obliged to levy German withholding tax in respect of payments on the Notes.

– Tax assessment

The taxation of savings income shall take place mainly by way of levying withholding tax (please see above). If and to the extent German withholding tax has been levied, such withholding tax shall, in principle, become definitive and replace the investor's income taxation. If no withholding tax has been levied other than by virtue of a withholding tax exemption certificate (Freistellungsauftrag) and in certain other cases, the investor is nevertheless obliged to file a tax return, and the savings income will then be taxed within the assessment procedure. If the investor is subject to church tax and has not applied in writing for this tax to be withheld as a surcharge to the withholding tax or, after 31 December 2014, has filed a blocking notice (*Sperrvermerk*) with the German Federal Central Tax Office (*Bundeszentralamt für Steuern*), the investor is also obliged to include the savings income in the tax return for church tax purposes.

However, also in the assessment procedure, savings income is principally taxed at a separate tax rate for savings income (*gesonderter Steuertarif für Einkünfte aus Kapitalvermögen*) being identical to the withholding tax rate (26.375%—including solidarity surcharge (*Solidaritätszuschlag*) plus, if applicable, church tax). In certain cases, the investor may apply to be assessed on the basis of its personal tax rate if such rate is lower than the above tax rate. Such application can only be filed consistently for all savings income within the assessment period. In case of jointly assessed husband and wife the application can only be filed for savings income of both spouses.

When computing the savings income, the saver's lump sum amount (*Sparer- Pauschbetrag*) of EUR 801 (EUR 1,602 in the case of jointly assessed husband and wife) will be deducted. The deduction of the actual income related expenses, if any, is excluded.

Taxation if the Notes are held as business assets (Betriebsvermögen)

In the case of German tax-resident corporations or individual investors (*unbeschränkt Steuerpflichtige*) holding the Notes as business assets (*Betriebsvermögen*), interest payments and capital gains will be subject to corporate income tax at a rate of 15% or income tax at a rate of up to 45%, as the case may be, (in each case plus 5.5% solidarity surcharge thereon). In addition, trade tax may be levied, the rate of which depends on the municipality where the business is located. Further, in the case of individuals, church tax may be levied. Business expenses that are connected with the Notes are deductable.

The provisions regarding German withholding tax (*Kapitalertragsteuer*) apply, in principle, as set out above in relation to private investors. However, investors holding the Notes as business assets cannot file a withholding tax

exemption certificate with the German Disbursing Agent. German tax-resident corporations and other Instead, no withholding tax will be levied on capital gains from the redemption, sale or assignment of the Notes if, for example, (a) the Notes are held by a corporation or (b) the proceeds from the Notes qualify as income of a domestic business and the investor notifies this to the German Disbursing Agent by use of the officially required form.

Any withholding tax levied is credited as prepayment against the German (corporate) income tax amount. If the tax withheld exceeds the respective (corporate) income tax amount, the difference will be refunded within the tax assessment procedure.

Non-Residents

Persons who are not tax resident in Germany are not subject to tax with regard to income from the Notes unless (i) the Notes are held as business assets (*Betriebsvermögen*) of a German permanent establishment (including a permanent representative) which is maintained by the investor or (ii) the income from the Notes qualifies for other reasons as taxable German source income. If a non-resident person is subject to tax with its income from the Notes, in principle, similar rules apply as set out above with regard to German tax resident persons (please see above).

If the income is subject to German tax as set out in the preceding paragraph, German withholding tax will be applied like in the case of a German tax resident person.

Inheritance and Gift Tax

Inheritance or gift taxes with respect to any Note will, in principle, arise under German law if, in the case of inheritance tax, either the decedent or the beneficiary or, in the case of gift tax, either the donor or the donee is a resident of Germany or if such Note is attributable to a German trade or business for which a permanent establishment is maintained or a permanent representative has been appointed. In addition, certain German expatriates will be subject to inheritance and gift tax.

Other Taxes

No stamp, issue, registration or similar taxes or duties are payable in Germany in connection with the issuance, delivery or execution of the Notes. Currently, net assets tax (*Vermögensteuer*) is not levied in Germany. It is intended to introduce a financial transaction tax. However, it is unclear if and in what form such tax will be actually introduced.

Grand Duchy of Luxembourg

The following is a general description of certain Luxembourg tax considerations relating to the Notes. It specifically contains information on taxes on the income from the Notes withheld at source and provides an indication as to whether the Issuer assumes responsibility for the withholding of taxes at the source. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in Luxembourg or elsewhere. Prospective purchasers of the Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of the Notes payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of Luxembourg. The following is based upon the law as in effect on the date of this Prospectus. The information contained within this section is limited to withholding taxation issues, and prospective investors should not apply any information set out below to other areas, including (but not limited to) the legality of transactions involving the Notes.

Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a withholding tax or a tax of a similar nature refers to Luxembourg tax law and/or concepts only.

Withholding Tax

All payments of interest (including accrued but unpaid interest) and principal by the Issuer in the context of the holding, disposal, redemption or repurchase of the Notes, which are not profit sharing, can be made free and clear of any withholding or deduction for or on account of any taxes of whatsoever nature imposed, levied, withheld, or assessed by Luxembourg or any political subdivision or taxing authority thereof or therein, in accordance with the applicable Luxembourg law, subject however to:

(i) the application of the Luxembourg laws of 21 June, 2005, as amended, implementing the Council Directive 2003/48/EC on the taxation of savings income in the form of interest payment (the "**EU Savings Directive**") and ratifying several agreements concluded with certain dependent or associated territories and providing for the possible application of a withholding tax of 35 per on payments of interest or similar income made or ascribed to certain non Luxembourg resident investors (individuals and certain types of entities called "residual entities" within the meaning of Article 4.2 of the EU Savings Directive) in the event of the Issuer appointing a paying agent in Luxembourg within the meaning of the above-mentioned directive (see "—*EU Savings Tax Directive*" below) or agreements unless the beneficiary of such payment opts for one of the two information exchange procedures available. Luxembourg government officially announced on 10 April 2013 that it will no longer apply the withholding tax system as from 1 January 2015 and will provide with details of payment of interest (or similar income);

(ii) the application as regards Luxembourg resident individuals of the Luxembourg law of 23 December 2005, as amended, which has introduced a 10% withholding tax on savings income (i.e. with certain exemptions, savings income within the meaning of the Luxembourg laws of 21 June 2005 implementing the EU Savings Directive) paid by a paying agent within the meaning of the EU Savings Directive established in Luxembourg.

Pursuant to the law of 23 December 2005 as amended by the law of 17 July 2008, Luxembourg resident individuals can opt to self declare and pay a 10% tax (the "Levy") on interest payments made by paying agents located in a Member State of the European Union other than Luxembourg, a Member State of the European Economic Area or in a State or territory which has concluded an agreement directly relating to the EU Savings Directive on the taxation of savings income.

The 10% withholding tax as described above or the Levy are final when Luxembourg resident individuals are acting in the context of the management of their private wealth.

Responsibility for the withholding of tax in application of the above-mentioned Luxembourg laws of 21 June 2005, as amended, and 23 December 2005, as amended, is assumed by the Luxembourg paying agent within the meaning of these laws and not by the Issuer.

EU Savings Tax Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income (the "**EU Savings Directive**"), each Member State is required to provide to the tax authorities of another Member State details of payments of interest in the meaning of the EU Savings Directive or other similar income paid by a paying agent in the meaning of the EU Savings Directive within its jurisdiction to, or collected by such a paying agent for, an individual resident or certain limited types of entity (called "**Residual Entities**" within the meaning of Article 4.2 of the EU Savings Directive) established in that other Member State; however, for a transitional period, Austria and Luxembourg apply instead a withholding system in relation to such payments, deducting tax at a rate of 35%. In the case of Luxembourg, the recipient of the interest payment may opt for one of the two information exchange procedures available instead of the application of the above withholding system. The transitional period is to terminate at the end of the first full financial year following agreement by certain non-EU countries to the exchange of information relating to such payments.

On 10 April 2013, Luxembourg officially announced that it will no longer apply the withholding tax system as from 1 January 2015 and will provide details of payment of interest (or similar income) as from this date.

A number of non-EU countries, and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a paying agent in the meaning of the EU Savings Directive within its jurisdiction to, or collected by such a paying agent for, an individual resident or a Residual Entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a paying agent in the meaning of the EU Savings Directive in a

Member State to, or collected by such a paying agent for, an individual resident or a Residual Entity established in one of those territories.

On November 13, 2013, the European Commission has proposed certain amendments to the EU Savings Directive, which may, if implemented, amend or broaden the scope of the requirements described above. The proposal has been approved by the European Parliament and is under discussion by the European Council. If implemented, the changes may amend or broaden the scope of the requirements described above Investors who are in any doubt as to their position should consult their professional advisers.

U.S. Federal Income Taxation

The discussion of U.S. tax matters set forth in this Offering Memorandum was written in connection with the promotion or marketing of this offering and was not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding tax-related penalties under U.S. federal, state or local tax law. Each taxpayer should seek advice based on its particular circumstances from an independent tax adviser.

The following summary contains a description of certain U.S. federal income tax considerations of the purchase, ownership and disposition of the Notes acquired at original issuance at a price equal to their issue price (generally, the first price at which a substantial amount of the Notes are sold to the public for cash). This summary is not a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase the Notes. In particular, this summary of U.S. federal income tax matters deals only with U.S. Holders (as defined below) that will hold the Notes as capital assets for U.S. federal income tax purposes (generally, assets held for investment) and does not necessarily address all of the issues relevant to special tax situations, such as the U.S. federal income tax treatment of holders that are (i) subject to special tax rules (e.g., financial institutions, banks, securities or currency dealers, brokers, insurance companies, regulated investment companies, tax-exempt organizations, securities traders that elect mark-to-market tax accounting, certain U.S. expatriates and persons subject to alternative minimum tax), (ii) holding Notes as part of a "straddle," "hedge," "conversion transaction" or other integrated transaction or (iii) U.S. Holders with a currency other than the U.S. dollar as their functional currency.

This summary is based upon the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), the Treasury regulations issued thereunder and official interpretations thereof, each as of the date hereof, all of which are subject to change or differing interpretations, possibly with retroactive effect. Prospective purchasers of the Notes should consult their own tax advisers as to the U.S. federal income tax consequences of the purchase, ownership and disposition of the Notes, in addition to the effect of any estate or gift tax laws, Medicare contribution tax, state or local tax laws or tax laws of any jurisdiction other than the U.S.

As used herein, a "U.S. Holder" means a beneficial owner of a Note who is, for U.S. federal income tax purposes, (i) a citizen or individual resident of the United States or of any State (including the District of Columbia), (ii) a corporation created or organized in or under the laws of the United States, any state thereof or the District of Columbia), (iii) an estate, the income of which is subject to U.S. federal income taxation regardless of its source and (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons (as defined in the Code) have the authority to control all substantial decisions of the trust.

If an entity treated as a partnership for U.S. federal income tax purposes holds Notes, the tax treatment of a partner generally will depend upon the status of the partner and the activities of the partnership. If a U.S. Holder is a partner in a partnership that holds Notes, the holder is urged to consult its own tax adviser regarding the specific tax consequences of the purchase, ownership and disposition of the Notes.

Payments of Interest

Payments of stated interest on the Notes will be includible in a U.S. Holder's gross income as ordinary interest income upon receipt or as it accrues in accordance with such U.S. Holder's usual method (cash or accrual) of tax accounting.

A cash method U.S. Holder that receives stated interest payments in euro will recognize an amount equal to the U.S. dollar value of the euro payment on the date of receipt, whether or not converted into U.S. dollars.

An accrual method U.S. Holder accounts for stated interest in euro by translating the payment into U.S. dollars based on the average exchange rate for the accrual period (or, with respect to an accrual period that spans two taxable years, using the average exchange rate for the partial period within the relevant taxable year). Alternatively, the U.S. Holder can elect to translate interest at the spot exchange rate on the last day of the accrual period (or, in the case of a partial accrual period, the spot rate on the last day of the accrual period in the taxable year) or on the date the interest payment is received if such date is within five business days of the end of the accrual period. A U.S. Holder that makes

such an election must apply it consistently to all debt instruments from year to year and cannot change the election without the consent of the IRS.

Upon receipt of an interest payment denominated in euro, the accrual method U.S. Holder will recognize U.S. source exchange gain or loss, taxable as ordinary income or loss, in an amount equal to the difference if any between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

Interest on the Notes (including any Additional Amounts) constitutes income from sources outside the United States for foreign tax credit purposes. Prospective purchasers should consult their own tax advisers concerning the applicability of the foreign tax credit and source of income rules to income attributable to the Notes.

Amortizable Bond Premium

If a U.S. Holder purchases a Note for an amount that is greater than the amount payable at maturity, the U.S. Holder will be considered to have purchased the Note with amortizable bond premium equal in amount to the excess of the purchase price (excluding an amount equal to the pre-issuance accrued interest) over the amount payable at maturity. The U.S. Holder may elect to amortize this premium, using a constant yield method, over the remaining term of the Note. A U.S. Holder who elects to amortize bond premium must reduce its tax basis in the Note by the amount of the premium amortized in any year. An election to amortize bond premium applies to all taxable debt obligations then owned and thereafter acquired by the U.S. Holder and may be revoked only with the consent of the IRS.

Pre-issuance Accrued Interest

A portion of the price paid for the Notes will be allocable to interest that accrued prior to the date the Note is purchased (the "**pre-issuance accrued interest**"). The Issuer intends to take the position that, on the first interest payment date, a portion of the interest received in an amount equal to the pre-issuance accrued interest will be treated as a return of the pre-issuance accrued interest and not as a payment of interest on the Note. A U.S. Holder's basis in a Note will not include the portion of purchase price allocable to the pre-issuance accrued interest. Amounts treated as a return of pre-issuance accrued interest should not be taxable when received.

Sale, Exchange, Retirement or other Disposition of a Note

A U.S. Holder generally will recognize gain or loss upon the sale, exchange, retirement or other taxable disposition of a Note in an amount equal to the difference between the U.S. dollar value of the amount realized upon such sale, exchange, retirement or other disposition (other than amounts attributable to accrued and unpaid stated interest, which will be treated like a payment of interest and be accounted for in the manner described above under "—*Payments of Interest*") and such U.S. Holder's adjusted tax basis in the Note.

A U.S. Holder's adjusted tax basis in a Note will generally be its U.S. dollar cost for the Note, decreased by the U.S. dollar value of any payments on the Notes other than payments of stated interest and decreased by any amortized bond premium (as discussed above).

A U.S. Holder will recognize U.S. source exchange rate gain or loss, taxable as ordinary income or loss, on the sale or retirement of a Note equal to the difference, if any, between the U.S. dollar value of the issue price (i) on the date of sale, exchange, retirement or other disposition and (ii) the date on which the U.S. Holder acquired the Note. Any such exchange gain or loss (along with any exchange gain or loss with respect to interest paid or deemed paid at that time) will be realized only to the extent of total gain or loss realized on the sale, exchange, retirement or other disposition of the Note.

Any remaining gain or loss will be capital gain or loss and generally will be long-term capital gain or loss if the Note is held for more than one year. Under current law, net long-term capital gains of a noncorporate U.S. Holder are, under certain circumstances, taxed at lower U.S. federal income tax rates than are items of ordinary income. The deductibility of capital losses by a U.S. Holder, however, is subject to significant limitations.

Gain or loss realized on the sale, exchange, retirement or other taxable disposition of a Note (including exchange gain or loss) generally will be treated as U.S. source income or loss for foreign tax credit purposes.

U.S. Dollar Value of Euro

U.S. Holders should consult their own tax advisors regarding the calculation of the U.S. dollar amount of payments, their U.S. dollar basis in Notes and how to account for dispositions of euro for U.S. federal income tax purposes.

Amendments to the Terms of the Notes

Certain amendments of the Conditions of Issue of the Notes may be considered for U.S. federal income tax purposes to be a taxable exchange of the Notes for new notes by the holder, resulting in recognition of taxable gain or loss for U.S. federal income tax purposes and other possible adverse tax consequences. U.S. Holders should consult their own tax advisers regarding the U.S. federal, state, local and other tax consequences of any amendments of the Conditions of Issue of the Notes.

Information Reporting and Backup Withholding

Information returns may be filed with the IRS in connection with payments of principal, and interest on the Notes and the proceeds from the sale, exchange or other disposition of the Notes unless the U.S. Holder establishes that it is exempt under the information reporting rules. If information reports are required to be made, the U.S. Holder may be subject to U.S. backup withholding if it fails to provide its taxpayer identification number. The amount of any backup withholding imposed on a payment will be allowed as a credit against any U.S. federal income tax liability of a U.S. Holder and may entitle the U.S. Holder to a refund, provided the required information is timely furnished to the IRS.

U.S. Holders should consult their own tax advisers regarding any filing or reporting requirements that may apply to their purchase, ownership and disposition of Notes, including reporting that may be required if they have significant losses with respect to the Notes.

BOOK-ENTRY DELIVERY AND FORM

General

The Additional Senior Notes will be represented by one or more global notes in bearer form, without interest coupons attached. One global note will represent Notes sold to qualified institutional buyers pursuant to Rule 144A (the "**144A Global Note**") and one global note will represent Notes sold in offshore transactions to non-U.S. persons pursuant to Regulation S (the "**Regulation S Global Note**" and together with the 144A Global Note, the "**Global Notes**").

Upon issuance, each of the Global Notes will be deposited with Clearstream Banking AG, Frankfurt am Main, Germany, ("**Clearstream Banking**") and will be kept in custody by Clearstream Banking until all obligations of the Issuer under the Additional Senior Notes have been satisfied. Definitive notes representing individual Additional Senior Notes and interest coupons will not be issued.

All interests in the Global Notes will be subject to the operations and procedures of Clearstream Banking. The Notes will be transferable, subject to the limitations and procedures described below under "—*Transfers*", by appropriate entries in securities accounts in accordance with applicable rules of Clearstream Banking. The Notes will not be eligible for clearance through the facilities of the Depositary Trust Company.

Pursuant to the Book-Entry Registration Agreement between the Issuer and Clearstream Banking to be dated on or about the Issue Date, the Issuer has appointed Clearstream Banking as its book-entry registrar (the "**Book-Entry Registrar**") in respect of the Additional Senior Notes and agreed an agent for the Issuer to maintain (i) a register reflecting the aggregate number of Notes represented by each Global Note in accordance with the Conditions of Issue and (ii) a register (the "**Book-Entry Register**") containing records of the Additional Senior Notes credited to the accounts of the accountholders of Clearstream Banking, for the benefit of the holders of the co-ownership interests (*Miteigentumsanteile*) in the Notes represented by the Global Notes. The Issuer and Clearstream Banking have agreed, for the benefit of the holders of co-ownership interests in the Additional Senior Notes, that the actual number of Additional Senior Notes represented by each Global Note from time to time shall be evidenced by the records of the Book-Entry Registrar. No transfer of any Note through the clearing system shall be effective unless it is recorded in the Book-Entry Register. Ownership of interests in each Global Note will be limited to persons who have accounts with Clearstream Banking ("**participants**") or persons who hold interests through participants ("**indirect participants**").

Transfers

Transfers between participants in Clearsteam Banking will be effected in accordance with the applicable rules of Clearstream Banking rules and, outside of the Federal Republic of Germany, of Clearstream Banking, société anonyme (42 Avenue JF Kennedy, 1855 Luxembourg, Luxembourg) and Euroclear Bank SA/NV (Boulevard du Roi Albert II, 1210 Brussels, Belgium) as operator of the Euroclear System and any successor in such capacity, and will be settled in immediately available funds. The Additional Senior Notes will be transferable only in minimum aggregate principal amounts of EUR 50,000 and any integral multiple of EUR 1,000 above 50,000. Each Global Note and interests in each Global Note will be subject to restrictions on transfer as described under "*Notice to Investors*" and "*Subscription and Sale of the Additional Senior Notes—Selling and Transfer Restrictions*".

The Additional Senior Notes represented by the 144A Global Note may be exchanged for Additional Senior Notes represented by the Regulation S Global Note and vice versa, except that no such exchange can be effected in the period starting three business days prior to any payment of principal, interest or any other amount under the Conditions of Issue until (and including) the date of such payment.

If a Holder who holds a book-entry interest in the 144A Global Note wishes at any time to exchange its interest in the 144A Global Note for an interest in the Regulation S Global Note, or to transfer its interest in the 144A Global Note to a person who wishes to take delivery thereof in the form of an interest in the Regulation S Global Note, it may, subject to the rules and procedures of the clearing system and the requirements set forth in this paragraph, exchange or transfer or cause the transfer of such interest for an equivalent interest in the Regulation S Global Note. Such exchange or transfer shall only be made upon:

(a) receipt by the Transfer Agent of a certificate, in the form obtainable from the Transfer Agent, given by such Holder (i) instructing the Transfer Agent to credit or cause to be credited an interest in the Regulation S Global Note in an amount equal to the interest in the 144A Global Note of the same series to be exchanged or transferred, (ii) containing information regarding the account to be credited with such increase and instructing the Transfer Agent to make arrangements to deliver such increase to such 202 account, and (iii) stating that the exchange or transfer of such interest has been made pursuant to and in accordance with Rule 903 or Rule 904 of Regulation S or Rule 144 under the U.S. Securities Act; and

(b) transfer of its interest in the 144A Global Note to be transferred or exchanged to the account of the Transfer Agent with the clearing system designated by the Transfer Agent.

If a Holder who holds a book-entry interest in the Regulation S Global Note wishes at any time to exchange its interest in the Regulation S Global Note for an interest in the 144A Global Note, or to transfer its interest in the Regulation S Global Note to a person who wishes to take delivery thereof in the form of an interest in the 144A Global Note, it may, subject to the rules and procedures of the clearing system and the requirements set forth in this paragraph, exchange or transfer or cause the transfer of such interest for an equivalent interest in the 144A Global Note. Such exchange or transfer shall only be made upon:

(a) receipt by the Transfer Agent of a certificate, in the form obtainable from the Transfer Agent, given by such Holder (i) instructing the Transfer Agent to credit or cause to be credited an interest in the 144A Global Note in an amount equal to the interest in the Regulation S Global Note to be exchanged or transferred, (ii) containing information regarding the account to be credited with such increase and instructing the Transfer Agent to make arrangements to deliver such increase to such account, and (iii) if such transfer or exchange is to be made prior to or on the relevant distribution compliance date, stating that such Holder reasonably believes that the person acquiring such interest in such 144A Global Note is a qualified institutional buyer (as defined in Rule 144A under the Securities Act) and is obtaining such beneficial interest in a transaction meeting the requirements of Rule 144A under the Securities Act and any applicable securities laws of any state of the United States or any other jurisdiction, and

(b) transfer of its interest in the Regulation S Global Note to be transferred or exchanged to the account of the Transfer Agent with the Clearing System designated by the Transfer Agent.

After the relevant distribution compliance date the certification requirement set forth in clause (a)(iii) of the immediately preceding sentence will no longer apply to such transfers. The "**relevant distribution compliance date**" means the 40-day period following the issue date for the Notes.

Any exchange of Additional Senior Notes represented by the 144A Global Note for Notes represented by the Regulation S Global Note, or vice versa, shall be recorded on the register and shall be effected by an increase or a reduction in the aggregate amount represented by the Rule 144A Global Note by the aggregate principal amount of the Notes so exchanged and a corresponding reduction or increase in the aggregate principal amount of Additional Senior Notes represented by the Regulation S Global Note.

Pursuant to an agreement dated on or about the Issue Date between the Issuer and Clearstream Banking, the Issuer has appointed Clearstream Banking as the Book-Entry Registrar. The Book-Entry Registrar has agreed to maintain the Book-Entry Register, as agent of the Issuer, showing the interests of Clearstream Banking accountholders in the Global Notes. No transfer of any Additional Senior Note through the clearing system shall be effective unless it is recorded in the Book-Entry Register. On any redemption of, or payment of an instalment on, or purchase and cancellation of, any of the Additional Senior Notes represented by a Global Note the Issuer shall procure that details of any redemption, payment or purchase and cancellation (as the case may be) in respect of that Global Note shall be entered accordingly in the register and, upon any such entry being made, the principal amount of the Additional Senior Notes represented by the Global Notes shall be reduced by the aggregate principal amount of the Notes so redeemed or purchased and cancelled or by the aggregate amount of such instalment so paid and appropriate entries shall be made in the Book-Entry Register by the Book-Entry Registrar.

Book-Entry Procedures For The Global Notes

The following summaries of those operations and procedures are provided herein solely for the convenience of investors. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. None of the Issuer, the Subsidiary Guarantors or the Managers is responsible for those operations or procedures.

The Issuer and the Subsidiary Guarantors understand the following with respect to Clearstream Banking:

- Clearstream Banking holds securities for participating organizations and facilitate the clearance and settlement of securities transactions between its participants through electronic book-entry changes in accounts of those participants;

- Clearstream Banking provides to its participants, among other things, services for safekeeping, administration, clearance and settlement of securities and securities lending and borrowing;

- Clearstream Banking participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations; and

- indirect access to Clearstream Banking is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Clearstream Banking participant, either directly or indirectly.

Payments of principal, premium (if any) and interest with respect to the Additional Senior Notes will be made by the Issuer in Euros to the Paying Agent, which will pay such amounts to Clearstream Banking, as the holder of the Global Notes. Clearstream Banking will, in turn, distribute those payments to its participants in accordance with its procedures. Payments by participants and indirect participants of Clearstream Banking to the owners of interests in a Global Note will be the responsibility of those participants or indirect participants.

Investors will only be able to make and receive deliveries, payments and other communications relating to the Additional Senior Notes through Clearstream Banking on days when the Clearstream Banking system is open for business. That system may not be open for business on certain days when banks, brokers and other institutions are open for business in the United States. In addition, because of time-zone differences, there may be complications in connection with completing transactions through Clearstream Banking on the same business day as in the United States. U.S. investors who wish to transfer an interest in a Global Note or to receive or make a payment or delivery of such an interest on a particular day may find that the transaction will not be performed until the next business day in Frankfurt am Main, Germany.

Action by Owners of Book-Entry Interests

Clearstream Banking has advised the Issuer that it will take any action permitted to be taken by a holder of Additional Senior Notes only at the direction of one or more participants to whose account the book-entry interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of Additional Senior Notes as to which such participant or participants has or have given such direction. Clearstream Banking will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes.

Book-entry interests in the Global Notes will be subject to the restrictions on transfers and certification requirements as discussed in "*Subscription and Sale of the Notes—Transfer Restrictions*".

SUBSCRIPTION AND SALE OF THE ADDITIONAL SENIOR NOTES

General

The Issuer has agreed to sell to Deutsche Bank AG, London Branch, BNP Paribas, Commerzbank Aktiengesellschaft, Landesbank Baden-Württemberg and DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main and HSBC Bank plc (together, the "**Managers**"), and the Managers have agreed, subject to certain customary closing conditions, to subscribe to and pay for the Additional Senior Notes on December 17, 2013 (the "**Issue Date**") at a price of 105.75% of the aggregate principal amount of the Additional Senior Notes (the "**Purchase Price**"). The sale will be made pursuant to an agreement among the Issuer, the Subsidiary Guarantors and the Managers dated the date hereof the Additional Senior Notes (the "**Purchase Agreement**"). Subject to the terms and conditions of the Purchase Agreement, the Issuer has agreed to sell to each Manager, and each Manager has agreed, severally and not jointly, to purchase from the Issuer, together with all other Managers, all of the Additional Senior Notes. The Purchase Agreement provides that the obligations of the Managers to pay for and accept delivery of the Additional Senior Notes are subject to, among other conditions, the delivery of certain legal opinions by their counsel. The Purchase Agreement also provides that the Issuer and the Subsidiary Guarantors will indemnify the Managers against certain liabilities, including liabilities under the U.S. Securities Act, and will contribute to payments that the Managers may be required to make in respect thereof. The Issuer has furthermore agreed to reimburse the Managers for certain expenses incurred in connection with the issue of the Additional Senior Notes. In the Purchase Agreement, the Issuer and the Subsidiary Guarantors have made certain representations and given certain warranties in respect of their respective legal and financial matters. The Managers are entitled, under certain circumstances, to terminate the Purchase Agreement. In such event, no Additional Senior Notes will be delivered to investors.

No Sale of Similar Securities

Heidelberg has agreed, subject to certain limited exceptions, that they or their affiliates and subsidiaries will not, directly or indirectly, sell or offer to sell any of the Additional Senior Notes or any instrument relating to debt or preferred equity securities with a tenor more than one year for a period of three months from the date the Additional Senior Notes are issued without first obtaining the written consent of the representative of the Managers.

Additional Senior Notes

The Additional Senior Notes are a new issue of securities with no established trading market. Heidelberg has applied to list the Additional Senior Notes on the Official List of the Luxembourg Stock Exchange for admission to trading on the Euro MTF market, though it cannot be assured that the Additional Senior Notes will be approved for listing or that such listing will be maintained. With respect to Additional Senior Notes sold pursuant to Regulation S, after the 40th day following the date of delivery of the Additional Senior Notes, the Additional Senior Notes will trade fungibly with, and will have the same international securities identification numbers and common codes as the outstanding Original Notes. The Managers have advised the Company that they presently intend to make a market in the Additional Senior Notes after Completion of the offering of the Additional Senior Notes. However, the Managers are under no obligation to do so and may discontinue any market making activities at any time without notice. In addition, any such market making activity will be subject to the limits imposed by the U.S. Securities Act and the U.S. Exchange Act. Accordingly, it cannot be assured that any market for the Additional Senior Notes will develop, or that such market will be liquid if it does develop, or that an investor will be able to sell any Additional Senior Notes at a particular time or at a price which will be favorable.

Stamp Tax

Persons that purchase the Additional Senior Notes from the Managers may be required to pay stamp duty, taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the offering price.

Price Stabilization and Short Positions

In connection with the offering, Deutsche Bank AG, London Branch (the "**Stabilizing Manager**") (or persons acting on its behalf) may purchase and sell Additional Senior Notes in the open market. These transactions may include over-allotment, stabilizing transactions, syndicate covering transactions and penalty bids. Over-allotment involves sales in excess of the offering size, which creates a short position for the Managers. Stabilizing transactions involve bids to purchase the Additional Senior Notes in the open market for the purpose of pegging, fixing or maintaining the price of the Additional Senior Notes. Syndicate covering transactions involve purchases of the Additional Senior Notes in the open market after the distribution has been completed in order to cover short positions. Penalty bids permit the Managers to reclaim a selling concession from a broker/dealer when the Notes originally sold by such broker/dealer are purchased in a stabilizing or covering transaction to cover short positions. These transactions may be effected in the over-the-counter market or otherwise.

These activities may stabilize, maintain or otherwise affect the market price of the Additional Senior Notes. As a result, the price of the Additional Senior Notes may be higher than the prices that otherwise might exist in the open market. Neither Heidelberg nor the Managers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Additional Senior Notes. In addition, there is no obligation on the Stabilizing Manager to engage in such transactions and neither Heidelberg nor the Managers make any representation that the Stabilizing Manager will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice. Any stabilizing action, if commenced, must end no later than the earlier of 30 days after the Issue Date and 60 days after the date of the allotment of the Additional Senior Notes.

Initial Settlement

It is expected that delivery of the Additional Senior Notes will be made against payment therefore on or about the date specified on the cover page of this Offering Memorandum, which will be the fifth business day following the date of pricing of the Additional Senior Notes (this settlement cycle is being referred to as "T+5"). Under Rule 15(c)6-1 under the U.S. Exchange Act trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Additional Senior Notes on the date of pricing or the succeeding business days, will be required to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Additional Senior Notes who wish to trade the Additional Senior Notes on the date of pricing or the succeeding business days should consult their own advisor.

Other Relationships

The Managers or their respective affiliates, from time to time, have provided in the past and may provide in the future, investment banking, commercial lending, consulting and financial advisory services to Heidelberg and its affiliates for which they have received or may receive customary advisory and transaction fees, commissions and expense reimbursement. In addition, the Managers or certain of their affiliates are lenders under the Revolving Credit Facility that Heidelberg entered into as a borrower, and such entities may act as counterparties in the hedging arrangements into which Heidelberg expects to enter, and will receive customary fees for their services in such capacities. Deutsche Bank Aktiengesellschaft, an affiliate of one of the Managers, will also act as Holders' Representative in respect of the Notes, and Deutsche Bank Luxembourg S.A. is acting as Facility Agent and Security Agent for the Revolving Credit Facility and the Intercreditor Agreement. Furthermore, Deutsche Bank Luxembourg S.A. is a lender, and Deutsche Bank AG is an ancillary lender, under the Revolving Credit Facility. The commitments of the Revolving Credit Facility lenders shall be reduced and, where appropriate, in part repaid from the net proceeds of the issuance of the Additional Senior Notes and otherwise as set out in the ARA RCFA.

Selling and Transfer Restrictions

The Additional Senior Notes have not been registered under the U.S. Securities Act or any U.S. state securities laws and may not be offered or sold in the United States or to or for the account of U.S. persons except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The Managers have agreed that they will only offer or sell the Additional Senior Notes (1) outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act ("**Regulation S**") and (2) in the United States to persons they reasonably believe to be "Qualified Institutional Buyers" as defined in Rule l44A under the U.S. Securities Act ("**Rule 144A**"). The terms used above have the meanings given to them by Regulation S and Rule 144A. In connection with the sales outside the United States, the Managers have agreed that they will not offer, sell or deliver the Additional Senior Notes to, or for the account or benefit of, U.S. persons (1) as part of the Managers' distribution at any time or (2) otherwise until 40 days after the later of the commencement of this offering or the date the Additional Senior Notes were originally issued. The Managers will send to each dealer to whom they sell such Additional Senior Notes during such 40-day period a confirmation or other notice setting forth the restrictions on offers and sales of the Additional Senior Notes within the United States by a dealer or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of this offering, an offer or sale of any Additional Senior Notes within the United States by any dealer (whether or not participating in this offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or pursuant to another exemption from registration under the U.S. Securities Act.

This Offering Circular has been prepared on the basis that this offering of notes will be made pursuant to an exemption under the Prospectus Directive as implemented in member states of the EEA, from the requirement to produce and publish an Offering Circular which is compliant with the Prospectus Directive, as so implemented, for offers of the notes. Accordingly, any person making or intending to make any offer within the EEA or a Relevant Member State of the notes, which are the subject of the placement referred to in this Offering Circular must only do so in circumstances in which no obligation arises for the issuer to produce and publish an offering circular which is compliant with the Prospectus Directive, including Article 3 thereof, as so implemented for such offer.

Additional Senior Notes may not be offered and will not be offered to the public in any Relevant Member State except that Additional Senior Notes may be offered to:

(i) legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

(ii) any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than EUR 43 million and (3) an annual net turnover of more than EUR 50 million, as shown in its last annual or consolidated accounts;

(iii) fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) in any Relevant Member State subject to obtaining the prior consent of the issuers; or

(iv) investors who acquire Additional Senior Notes for a total consideration of at least EUR 100,000 per investor; or

(v) in any other circumstances falling within Article 3(2) of the Prospectus Directive; provided that no such offer of Additional Senior Notes shall result in a requirement for the publication by the Issuer of an offering circular pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision the expression an "offer of notes to the public" in relation to any notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe the notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

In the United Kingdom, this Offering Circular is directed only at persons ("relevant persons") who (i) fall within Article 19(5) ("investment professionals") of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, (ii) fall within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations etc.) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, or (iii) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any notes may otherwise lawfully be communicated or caused to be communicated.

This Offering Circular must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Offering Circular relates is available only to relevant persons and will be engaged in only with relevant persons. Recipients of this Offering Circular are not permitted to transmit it to any other person. The Additional Senior Notes are not being offered to the public in the United Kingdom.

Any purchaser of Additional Senior Notes will be deemed to have represented and agreed as follows:

(1) Such purchaser understands and acknowledges that the Additional Senior Notes have not been registered under the U.S. Securities Act or any other applicable securities laws and that the Additional Senior Notes are being offered for resale in transactions not requiring registration under the U.S. Securities Act or any other securities laws, including sales pursuant to Rule 144A, and, unless so registered, may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the U.S. Securities Act or any other applicable securities laws, pursuant to an exemption therefrom, or in a transaction not subject thereto, and in each case in compliance with the conditions for transfer set forth in paragraph (4) below.

(2) Such purchaser is not an "affiliate" (as defined in Rule 144) of the Issuer and is not acting on behalf of the Issuer and it is either:

    (a) a QIB and is aware that any sale of these Additional Senior Notes to such purchaser will be made in reliance on Rule 144A and such acquisition will be for such purchaser's own account or for the account of another QIB; or

    (b) not a "U.S. person" as defined in Regulation S or purchasing for the account or benefit of a U.S. person (other than a distributor) and such purchaser is purchasing Additional Senior Notes in an offshore transaction in accordance with Regulation S.

(3) Such purchaser acknowledges that neither the Issuer, the Subsidiary Guarantors, the Managers nor any person representing the Issuer, the Subsidiary Guarantors or the Managers has made any representation

to such purchaser with respect to the Issuer, the Subsidiary Guarantors or the offer or sale of any of the Additional Senior Notes, other than the information contained in this Offering Circular, which Offering Circular has been delivered to such purchaser and upon which such purchaser is relying in making its investment decision with respect to the Additional Senior Notes. Such purchaser acknowledges that none of the Managers or any person representing the Managers makes any representation or warranty as to the accuracy or completeness of this Offering Circular. Such purchaser has had access to such financial and other information concerning the Heidelberg Group and the Additional Senior Notes, including an opportunity to ask questions of, and request information from, the Issuer and the Managers.

(4) Such purchaser is purchasing Additional Senior Notes for its own account, or for one or more investor accounts for which it is acting as a fiduciary or agent, in each case for investment, and not with a view to, or for 206 offer or sale in connection with, any distribution of the Additional Senior Notes in violation of the U.S. Securities Act, subject to any requirement of law that the disposition of such purchaser's property or the property of such investor account or accounts be at all times within such purchaser's or their control and subject to such purchaser's or their ability to resell such Additional Senior Notes pursuant to Rule 144A, Regulation S or any other available exemption from registration available under the U.S. Securities Act. Such purchaser agrees on its own behalf and on behalf of any investor account for which it is purchasing the Additional Senior Notes, and each subsequent holder of these Additional Senior Notes by its acceptance of the Additional Senior Notes will agree, to offer, sell or otherwise transfer such Notes (x) prior to the date that is 40 days (in case of Additional Senior Notes purchased in reliance on Regulation S) or (y) during the holding period then imposed by Rule 144 under the U.S. Securities Act or any successor provision thereunder (in case of Additional Senior Notes purchased in reliance on Rule 144A), in each case after the later of the date of the original issue of these Additional Senior Notes and the last date on which the Issuers or any of their affiliates were the owner of such Additional Senior Notes (or any predecessor thereto) (the "**Resale Restriction Termination Date**") only:

(a) to the Issuer or any of its subsidiaries;

(b) pursuant to a registration statement which has been declared effective under the U.S. Securities Act;

(c) for so long as the Additional Senior Notes are eligible for resale pursuant to Rule 144A, to a person such purchaser reasonably believes is a QIB that purchases for its own account or for the account of another QIB to whom such purchaser gives notice that the transfer is being made in reliance on Rule 144A;

(d) pursuant to offers and sales to non-U.S. persons occurring outside the United States within the meaning of Regulation S; or

(e) pursuant to any other available exemption from the registration requirements of the U.S. Securities Act;

subject in each of the foregoing cases to any requirement of law that the disposition of the seller's property or the property of an investor account or accounts be within the seller or account's control, and in compliance with any applicable state securities laws.

The foregoing restrictions on resale will not apply subsequent to the Resale Restriction Termination Date.

(5) Such purchaser acknowledges that:

(a) the Issuer, the Subsidiary Guarantors, the Managers and others will rely upon the truth and accuracy of such purchaser's acknowledgements, representations and agreements set forth herein and such purchaser agrees that, if any of its acknowledgements, representations or agreements herein cease to be accurate and complete, it will notify the Issuer, the Issuer and the Managers promptly in writing; and

(b) if such purchaser is acquiring any Additional Senior Notes as fiduciary or agent for one or more investor accounts, it represents with respect to each such account that:

(i) it has sole investment discretion; and

(ii) it has full power to make the foregoing acknowledgements, representations and agreements.

(6) Such purchaser agrees that it will give to each person to whom it transfers these Notes notice of any restrictions on the transfer of the Additional Senior Notes.

(7) If such purchaser is a purchaser in a sale that occurs outside the United States within the meaning of Regulation S, such purchaser acknowledges that until the expiration of the "distribution compliance period" (as defined below), it shall not make any offer or sale of these Notes to a U.S. person or for the account or benefit of a U.S. person within the meaning of Rule 902 under the U.S. Securities Act.

The "**distribution compliance period**" means the 40-day period following the issue date for the Notes.

(8) Such purchaser acknowledges that each Global Note will contain the following legend.

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION. THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES, TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") THAT IS [*IN THE CASE OF RULE 144A GLOBAL NOTES*: ONE YEAR] [*IN THE CASE OF REGULATION S GLOBAL NOTES*: 40 DAYS] AFTER THE LATER OF THE ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE ISSUERS OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY), ONLY (A) TO THE ISSUER, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT, OR (E) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE ISSUER'S AND THE TRANSFER AGENT'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSES(D) OR (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/ OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE. [*IN THE CASE OF REGULATION S GLOBAL NOTES:* BY ITS ACQUISITION HEREOF, THE HOLDER HEREOF REPRESENTS THAT IT IS NOT A U.S. PERSON NOR IS IT PURCHASING FOR THE ACCOUNT OF A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT.]

(9) Such purchaser understands that no action has been taken in any jurisdiction (including the United States) by the Issuer, the Subsidiary Guarantors or the Managers that would permit a public offering of the Additional Senior Notes or the possession, circulation or distribution of this Offering Circular or any other material relating to the Issuer, the Subsidiary Guarantors or the Additional Senior Notes in any jurisdiction where action for that purpose is required.

(10) Such purchaser understands that the Additional Senior Notes sold pursuant to Regulation S will be issued bearing a temporary ISIN and common code that differ from the original ISIN and common code assigned to the Original Notes sold pursuant to Regulation S, and will also bear an applicable restrictive U.S. Securities Act legend referred to under "*Subscription and Sale of the Additional Senior Notes—Selling and Transfer Restrictions*" in this Offering Memorandum. The applicable temporary ISIN and common code will be replaced with the original ISIN and common code borne by the Original Notes issued on April 7, 2011 in reliance on Regulation S, and the Regulation S restrictive

legend (referred to in clause (d) above) will be removed at the earlier of (1) 40 days after the Issue Date of the Notes offered hereby and (2) the earliest date or dates permitted under U.S. federal securities laws.

LEGAL MATTERS

Certain legal matters in connection with the Notes and the Subsidiary Guarantees will be passed upon for the Company by Clifford Chance Partnerschaftsgesellschaft (as to matters of German law) and by Clifford Chance LLP (as to matters of U.S. Federal law). Certain legal matters in connection with the Notes and the Subsidiary Guarantees will be passed upon for the initial purchasers by Hengeler Mueller (as to matters of German law) and by Cravath, Swaine & Moore LLP (as to matters of U.S. Federal law).

INDEPENDENT AUDITORS

The independent auditors of the Company are PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft ("**PwC**"), Augustaanlage 66, 68165 Mannheim, Germany. PwC is a member of the German Wirtschaftsprüferkammer (Chamber of Public Accountants), Rauchstraße 26, 10787 Berlin.

The independent auditors have audited the IFRS consolidated financial statements of Heidelberger Druckmaschinen Aktiengesellschaft for the financial years ended March 31, 2013 and 2012 (including comparative figures for the financial years ended March 31, 2011), appearing in this Offering Memorandum, and, in each case, issued an auditors' report.

ENFORCEMENT OF CIVIL LIABILITIES

The Company is a stock corporation established under the law of the Federal Republic of Germany. The Subsidiary Guarantors of the Notes are incorporated in and have their respective principal executive offices in Germany, Australia, Austria, the province of Ontario in Canada, Denmark, the Netherlands, England and Wales, France, the State of Delaware of the United States, Hong Kong SAR and Japan. Each member of the Company's Management Board and Supervisory Board and the majority of the directors and executive officers of the Subsidiary Guarantors are non-residents of the United States, and a substantial portion of the assets of the Company and the Subsidiary Guarantors and such persons are located outside the United States. It may not be possible for investors to effect service of process within the United States upon the Company, a Subsidiary Guarantor or such persons or to enforce against any of them in U.S. courts judgments obtained in U.S. courts predicated upon the civil liability provisions of the federal securities laws of the United States, and there is doubt as to the enforceability in the Federal Republic of Germany and the home jurisdictions of the other Subsidiary Guarantors of civil liabilities predicated upon the federal securities laws of the United States, either in original actions or in actions for enforcement of judgments of U.S. courts.

LISTING AND LEGAL INFORMATION

The Original Notes are listed on the official list of the Luxembourg Stock Exchange and have been admitted to trading on the Luxembourg Stock Exchange's Euro MTF market ("**Euro MTF**"). Application has been made to list the Additional Senior Notes on the official list of the Luxembourg Stock Exchange and to admit the Additional Senior Notes to trading on the Euro MTF market in accordance with the rules of that exchange. Notice of any optional redemption, change of control or any change in the rate of interest payable on the Notes will be published in a Luxembourg newspaper of general circulation (which is expected to be the Luxemburger Wort or, to the extent and in the manner permitted by such rules, posted on the official website of the Luxembourg Stock Exchange (www.bourse.lu).

For so long as the Additional Senior Notes Notes are listed on the official list of the Luxembourg Stock Exchange and the rules of that exchange so require, copies of the following documents may be inspected and obtained at the specified office of the listing agent in Luxembourg during normal business hours on any weekday:

- the articles of association of the Issuer and the Subsidiary Guarantors;
- Heidelberg's most recent audited consolidated financial statements, and any interim quarterly financial statements published by it;
- the Conditions of Issue relating to the Notes (which includes the form of the Notes); and
- the agency agreement.

The Company will maintain a paying agent in Luxembourg for as long as any of the Notes are listed on the Euro MTF market of the Luxembourg Stock Exchange. The Company reserves the right to vary such appointment and will publish notice of such change of appointment in a newspaper having a general circulation in Luxembourg (which is expected to be the *Luxemburger Wort)* or on the official website of the Luxembourg Stock Exchange (www.bourse.lu).

At any time when the Company is neither subject to Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the "**U.S. Exchange Act**"), nor exempt from reporting pursuant to Rule 12g3-2(b) under the U.S. Exchange Act, it will furnish, upon request, to any holder or beneficial owner of the Notes offered hereby, or any prospective investor designated by any such holder or beneficial owner, information satisfying the requirements of subsection (d)(4)(i) of Rule 144A to permit compliance with Rule 144A in connection with resales of the Notes for so long as any of the Notes are "**restricted securities**" within the meaning of Rule 144(a)(3) under the U.S. Securities Act.

The Notes are freely transferable.

Clearing Information

The Additional Senior Notes sold pursuant to Regulation S and Rule 144A have been accepted for clearance through the facilities of Clearstream Banking. The Original Notes sold pursuant to Regulation S and the Additional Senior Notes sold pursuant to Regulation S will initially have different international securities identification numbers (ISIN) and common codes. Once the Additional Senior Notes sold pursuant to Regulation S have become freely tradable, the Additional Senior Notes sold pursuant to Regulation S and the Original Notes sold pursuant to Regulation S will share the same ISIN and common code. The temporary common code for the Additional Senior Notes sold pursuant to Regulation S is 100513625 and the temporary ISIN for the Additional Senior Notes sold pursuant to Regulation S is DE000A1YC2V4. The permanent common code for the Additional Senior Notes sold pursuant to Regulation S is 061430067 and the permanent ISIN for the Additional Senior Notes sold pursuant to Regulation S is DE000A1KQ1E2. The common code for the Additional Senior Notes sold pursuant to Rule 144A is 061430075, and the ISIN for the Additional Senior Notes sold pursuant to Rule 144A is DE000A1KQ1F9.

Legal Information

Except as disclosed in this Offering Memorandum:

there has been no material adverse change in Heidelberg's financial position since September 30, 2013; and none of the Issuer or the Subsidiary Guarantors or any of their respective subsidiaries has been involved in any litigation, administrative proceeding or arbitration relating to claims or amounts which are material in the context of the issue of the Notes, and, so far as the Issuer, the Subsidiary Guarantors and their respective subsidiaries are aware, no such litigation, administrative proceeding or arbitration is pending or threatened.

Authorization

The creation and issuance of the Additional Senior Notes has been authorized by resolutions of the Management Board of the Company dated December 4, 2013 with the approvals of the supervisory board of the Company dated November 27, 2013 and December 6, 2013. The Subsidiary Guarantees were authorized by resolution of the Management Board (or equivalent body), where applicable, and, where required, by the shareholder meetings, of each of the Subsidiary Guarantors.

ANNEX: CONDITIONS OF ISSUE

§ 1
Principal Amount, Denomination, Form

(1) ***Principal amount and denomination.*** The issue of additional 9.25% Senior Notes due 2018 by Heidelberger Druckmaschinen Aktiengesellschaft (the "**Issuer**") in the aggregate principal amount of EUR 51,000,000 is divided into 51,000 notes in a denomination of €1,000 each (the "**Additional Senior Notes**"). The Additional Senior Notes are only transferable in minimum aggregate principal amounts of EUR 50,000 and any integral multiples of EUR 1,000 in excess thereof. The Additional Senior Notes are issued in accordance with the conditions of issue (the "**Conditions of Issue**"), dated April 7, 2011. Pursuant to the Conditions of Issue, the Issuer issued, on April 7, 2011, EUR 304,000,000 aggregate principal amount of 9.25% Senior Notes due 2018 (the "**Original Notes**" and, together with the Additional Senior Notes, the "**Notes**"). The Original Notes and the Additional Senior Notes shall have the same terms and shall be treated as one single class for all purposes under the Conditions of Issue, including without limitation, waivers, amendments, redemptions and offers to purchase. Holders of the Additional Senior Notes will rank pari passu with, and vote together with, the holders of the Original Notes.

(2) ***Form.*** The Additional Senior Notes are represented by two permanent bearer global notes without interest coupons, one of which shall represent the Additional Senior Notes sold in the United States of America (the "**United States**") to qualified institutional buyers (as defined in, and in reliance on, Rule 144A under the U.S. Securities Act) (such global note, a "**144A Additional Global Note**") and the other of which shall represent the Additional Senior Notes sold outside the United States to persons other than U.S. persons as defined in, and in reliance on, Regulation S under the U.S. Securities Act (such global note, a "**Reg S Additional Global Note**" and, together with the 144A Additional Global Note, the "**Additional Global Notes**"). Together, the Additional Senior Notes represented by the 144A Additional Global Note and the Reg S Additional Global Note shall equal the aggregate principal amount of the Additional Senior Notes outstanding at any time. Definitive notes representing individual Additional Senior Notes and interest coupons shall not be issued.

(3) ***Custody and Clearing; Transferability.*** The amount of Additional Senior Notes represented by each of the 144A Additional Global Note and the Reg S Additional Global Note is evidenced by the register maintained for that purpose by Clearstream Banking AG, Frankfurt am Main ("**Clearstream**" or the "**Clearing System**"), as agent for the Issuer, showing the aggregate number of Additional Senior Notes represented by each Additional Global Note. Each Additional Global Note will be kept in custody by Clearstream, until all obligations of the Issuer under the Additional Senior Notes have been satisfied. The book-entry interests in the Additional Senior Notes shall be transferable by appropriate entries in securities accounts in accordance with applicable rules of Clearstream and, outside of the Federal Republic of Germany, of Clearstream Banking, société anonyme and Euroclear Bank SA/NV and any successor in such capacity.

The Additional Senior Notes represented by the 144A Additional Global Note may be exchanged for Additional Senior Notes represented by the Reg S Additional Global Note and vice versa, except that no such exchange can be effected in the period starting three Business Days prior to any payment of principal, interest or any other amount under these Conditions of Issue until (and including) the date of such payment.

If a Holder who holds a book-entry interest in the 144A Additional Global Note wishes at any time to exchange its interest in the 144A Additional Global Note for an interest in the Reg S Additional Global Note, or to transfer its interest in the 144A Additional Global Note to a Person who wishes to take delivery thereof in the form of an interest in the Reg S Additional Global Note, it may, subject to the rules and procedures of the Clearing System and the requirements set forth in this paragraph, exchange or transfer or cause the transfer of such interest for an equivalent interest in the Reg S Additional Global Note. Such exchange or transfer shall only be made upon:

(a) receipt by the Transfer Agent of a certificate, in the form obtainable from the Transfer Agent, given by such Holder (i) instructing the Transfer Agent to credit or cause to be credited an interest in the Reg S Additional Global Note in an amount equal to the interest in the 144A Additional Global Note of the same series to be exchanged or transferred, (ii) containing information regarding the account to be credited with such increase and instructing the Transfer Agent to make arrangements to deliver such increase to such account, and (iii) stating that the exchange or transfer of such interest has been made pursuant to and in accordance with Rule 903 or Rule 904 of Regulation S or Rule 144 under the U.S. Securities Act; and

(b) transfer of its interest in the 144A Additional Global Note to be transferred or exchanged to the account of the Transfer Agent with the Clearing System designated by the Transfer Agent.

If a Holder who holds a book-entry interest in the Reg S Additional Global Note wishes at any time to exchange its interest in the Reg S Additional Global Note for an interest in the 144A Additional Global Note, or to transfer its interest in the Reg S Additional Global Note to a Person who wishes to take delivery thereof in the form of an interest in the 144A Additional Global Note, it may, subject to the rules and procedures of the Clearing System and the requirements set forth in this paragraph, exchange or transfer or cause the transfer of such interest for an equivalent interest in the 144A Additional Global Note. Such exchange or transfer shall only be made upon:

(a) receipt by the Transfer Agent of a certificate, in the form obtainable from the Transfer Agent, given by such Holder (i) instructing the Transfer Agent to credit or cause to be credited an interest in the 144A Additional Global Note in an amount equal to the interest in the Reg S Additional Global Note to be exchanged or transferred, (ii) containing information regarding the account to be credited with such increase and instructing the Transfer Agent to make arrangements to deliver such increase to such account, and (iii) if such transfer or exchange is to be made prior to or on the Relevant Distribution Compliance Date, stating that such Holder reasonably believes that the Person acquiring such interest in such 144A Additional Global Note is a qualified institutional buyer (as defined in Rule 144A under the U.S. Securities Act) and is obtaining such beneficial interest in a transaction meeting the requirements of Rule 144A under the U.S. Securities Act and any applicable securities laws of any state of the United States or any other jurisdiction; and

(b) transfer of its interest in the Reg S Additional Global Note to be transferred or exchanged to the account of the Transfer Agent with the Clearing System designated by the Transfer Agent.

After the Relevant Distribution Compliance Date, the certification requirement set forth in clause (a)(iii) of the immediately preceding sentence will no longer apply to such transfers.

Any exchange of Additional Senior Notes represented by the 144A Additional Global Note for Additional Senior Notes represented by the Reg S Additional Global Note, or vice versa, shall be recorded on the register by Clearstream upon instruction by the Transfer Agent and shall be effected by an increase or a reduction in the aggregate amount represented by the 144A Additional Global Note by the aggregate principal amount of the Additional Senior Notes so exchanged and a corresponding reduction or increase in the aggregate principal amount of Additional Senior Notes represented by the Reg S Additional Global Note.

(4) ***Book-Entry Registrar.*** Pursuant to an agreement dated April 1, 2011 and supplemented on or about the 2013 Notes Issue Date between the Issuer and Clearstream, the Issuer has appointed Clearstream as its book-entry registrar (the "**Book- Entry Registrar**"). The Book-Entry Registrar has agreed to, as agent of the Issuer, maintain (i) the register in accordance with § 1(3) and § 1(5) and (ii) a register (the "**Book-Entry Register**") showing the interests of Clearstream accountholders in the Additional Global Notes. No transfer of any Additional Senior Note through the Clearing System shall be effective unless it is recorded in the Book-Entry Register.

(5) On any redemption of, or payment of an installment on, or purchase and cancellation of, any of the Additional Senior Notes represented by a Additional Global Note the Issuer shall procure that details of any redemption, payment or purchase and cancellation (as the case may be) in respect of that Additional Global Note shall be entered accordingly in the register by Clearstream and, upon any such entry being made, the principal amount of the Additional Senior Notes represented by the Additional Global Notes shall be reduced by the aggregate principal amount of the Additional Senior Notes so redeemed or purchased and cancelled or by the aggregate amount of such installment so paid and appropriate entries shall be made in the Book-Entry Register.

§ 2
Status

(1) ***Status.*** The obligations under the Notes will:

(a) constitute senior obligations of the Issuer;

(b) will be effectively subordinated to all existing and future Indebtedness of the Issuer that is secured by Liens, including the Revolving Credit Facility, or secured by property and assets that do not secure the Notes, to the extent of the value of the property and assets securing such Indebtedness;

(c) rank *pari passu* among themselves and pari passu in right of payment without any preference with all existing and future Indebtedness of the Issuer that is not subordinated in right of payment to the Notes, unless such obligations are accorded priority under mandatory provisions of statutory law;

(d) will rank senior in right of payment to all existing and future Indebtedness of the Issuer that is subordinated in right of payment to the Notes;

(e) will be structurally subordinated to any and all existing and future liabilities of the Subsidiaries of the Issuer that are not Subsidiary Guarantors.

§ 3
Subsidiary Guarantees, Release of Subsidiary Guarantees

(1) ***Initial Subsidiary Guarantors.*** The Additional Senior Notes will be guaranteed by each Restricted Subsidiary of the Issuer which guarantees the Revolving Credit Facility (such entities collectively the "**Initial Subsidiary Guarantors**"). The Initial Subsidiary Guarantors are Heidelberg Graphic Equipment Ltd. (Australia), Heidelberger Druckmaschinen Austria Vertriebs-GmbH (Austria), Heidelberger Druckmaschinen Osteuropa Vertriebs-GmbH (Austria), Heidelberg Canada Graphic Equipment Limited (Canada/Ontario), Heidelberg International Ltd. A/S. (Denmark), Heidelberg International Finance B.V. (The Netherlands), Heidelberg Graphic Equipment Limited (UK), Heidelberg France S.A.S. (France), Heidelberger Druckmaschinen Vertrieb Deutschland GmbH (Germany), Heidelberg Boxmeer Beteiligungs-GmbH (Germany), Heidelberg China-Holding GmbH (Germany), Heidelberg Consumables Holding GmbH (Germany), Heidelberg Postpress Deutschland GmbH (Germany), Heidelberg China Limited (Hong Kong SAR), Heidelberg USA, Inc. (USA/Delaware) and Heidelberg Americas, Inc. (USA/Delaware), Heidelberg Japan K.K. (Japan).

(2) The obligations under the Subsidiary Guarantees issued by Subsidiary Guarantors will be limited as necessary under the terms of such Subsidiary Guarantees to prevent the Subsidiary Guarantees from constituting a fraudulent conveyance under applicable laws, or otherwise to reflect limitations under applicable laws, including with respect to maintenance of share capital and other applicable mandatory rules. The Subsidiary Guarantees may be subject to claims that they should be subordinated or voided in favor of the Issuer's existing and future creditors under German or other applicable capital maintenance laws.

(3) ***Subsidiary Guarantees.*** With effect of and following the 2013 Notes Issue Date, the Initial Subsidiary Guarantors jointly and severally guarantee unconditionally and irrevocably as primary obligors, and not merely as surety (subject to the limitations set forth below), on a senior basis, the full and punctual payment of all amounts payable under the Additional Senior Notes when due (the "**Initial Subsidiary Guarantees**"). The Initial Subsidiary Guarantees are agreed in separate agreements among Deutsche Bank Aktiengesellschaft as Holders' Representative and each Subsidiary Guarantor and constitute contracts for the benefit of the Holders from time to time as third party beneficiaries in accordance with § 328(1) of the German Civil Code (*Bürgerliches Gesetzbuch*), giving rise to the right of each Holder to require performance of the Subsidiary Guarantees directly from the Subsidiary Guarantors and to enforce the Subsidiary Guarantees directly against the Subsidiary Guarantors. Copies of the Subsidiary Guarantees may be obtained free of charge at the principal office of the Issuer, care of Investor Relations at Heidelberger Druckmaschinen Aktiengesellschaft, Kurfürsten-Anlage 52-60, 69115 Heidelberg, Germany.

(4) ***Additional Subsidiary Guarantors.*** The Issuer may from time to time be required to procure from certain of its Subsidiaries (each, an "**Additional Subsidiary Guarantor**") the issuance of additional guarantees pursuant to the provisions set forth in § 9(9) below. Any such guarantee (an "**Additional Subsidiary Guarantee**") shall be issued on substantially the same terms as the Initial Subsidiary Guarantees and be subject to legally advisable appropriate limitations reflecting the laws applicable to the relevant Additional Subsidiary Guarantor. The term "**Subsidiary Guarantees**" shall also include any such Additional Subsidiary Guarantees and the term "**Subsidiary Guarantors**" shall also include any such Additional Subsidiary Guarantors.

(5) ***Release of Subsidiary Guarantees.*** A Subsidiary Guarantee shall be released and discharged, automatically, unconditionally and without further action on the part of any Holder or the Holders' Representative:

(a) in the event of any sale, exchange or transfer (by merger or otherwise) (i) of the Capital Stock of such Subsidiary Guarantor, after which the applicable Subsidiary Guarantor is no longer a Restricted Subsidiary or (ii) of all or substantially all the assets of such Subsidiary Guarantor to a Person that is not the Issuer or a Restricted Subsidiary, in each of sub- clauses (i) and (ii) of this clause (a), which sale, exchange or transfer is permitted under and made in compliance with these Conditions of Issue;

(b) upon the full discharge of all obligations under these Conditions of Issue and the relevant Subsidiary Guarantee in accordance with the terms of these Conditions of Issue and the relevant Subsidiary Guarantee;

(c) in the case of any Additional Subsidiary Guarantee, upon the release of any other Guarantee or security that gave rise to the relevant Additional Subsidiary Guarantor's obligation to provide an Additional Subsidiary Guarantee, so long as no other Indebtedness of the Issuer or a Subsidiary Guarantor is at that time Guaranteed or secured by such Additional Subsidiary Guarantor in a manner that would require the granting of an Additional Subsidiary Guarantee; or

(d) if the Issuer designates such Subsidiary Guarantor as an Unrestricted Subsidiary as permitted under and in compliance with these Conditions of Issue.

No release and discharge of a Subsidiary Guarantee shall be effective (i) if a Default or an Event of Default shall have occurred and be continuing under these Conditions of Issue as of the time of such proposed release and discharge until such time as such Default or Event of Default is cured or waived and (ii) until the Issuer shall have delivered to the Holders' Representative (x) an Officers' Request Certificate and (y) Opinion of Counsel, each stating that all conditions precedent set forth in these Conditions of Issue have been fulfilled and that such release and discharge is authorized and permitted under these Conditions of Issue and the relevant Subsidiary Guarantee. The Holders' Representative shall be entitled to accept such Officers' Request Certificate and Opinion of Counsel as sufficient evidence of the satisfaction of such conditions precedent, which shall be conclusive and binding on the Holders.

§ 4
Interest

(1) ***Rate of interest.*** The Additional Senior Notes shall bear interest on their outstanding aggregate principal amount at the rate of 9.25% per annum from and including October 15, 2013 to but excluding the Maturity Date.

(2) ***Interest Payment Date.*** Interest shall be payable semi- annually in arrears on April 15 and October 15 of each year (each an "**Interest Payment Date**"). The first interest payment shall be made on April 15, 2014 (the "**First Interest Payment Date**").

(3) ***Termination of interest.*** The Notes shall cease to bear interest at the end of the day preceding the relevant due date for repayment.

(4) ***Day Count Fraction.*** If interest is to be calculated for a period of less than one year (a "**Calculation Period**") it shall be calculated on the basis of the Day Count Fraction. "**Day Count Fraction**" means with regard to the calculation of interest on any Note for any Calculation Period the number of days in the Calculation Period divided by 360, the number of days to be calculated on the basis of a year of 360 days with twelve 30-day months.

(5) ***Default interest.*** A Default shall occur, irrespective of any reminder, if any amounts payable under the Notes are not paid when due. Any due and unpaid amount of principal shall irrespective of any notice or reminder bear interest at a rate equal to 10.25% per annum from and including the relevant due date to but excluding the date of payment.

§ 5
Redemption

(1) ***Redemption at maturity.*** The Notes shall be redeemed at par on April 15, 2018 (the "**Maturity Date**").

(2) ***Early redemption at the option of the Issuer.***

(a) ***Optional Redemption***. At any time on or after April 15, 2014, the Issuer may on any one or more occasions redeem all or a part of the Notes upon not less than 30 nor more than 60 days' prior notice, at the redemption prices (expressed as a percentage of principal amount) set forth below, plus accrued and unpaid interest to but excluding the applicable redemption date:

April 15, 2014	106.9375%
April 15, 2015	104.6250%
April 15, 2016	102.3125%
April 15, 2017 and thereafter	100.0000%

(b) ***Make whole redemption.*** At any time prior to April 15, 2014, the Issuer may on any one or more occasions redeem all or a part of the Notes upon not less than 30 nor more than 60 days' prior notice, at a redemption price equal to 100% of the principal amount of the Notes redeemed plus the Applicable

Premium and accrued and unpaid interest to but excluding the applicable redemption date. Any such redemption and notice may, at the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent.

(3) ***Early redemption for taxation reasons.*** If (i) the Issuer becomes obligated to pay Additional Amounts as set forth under § 8 (Taxes) below, (ii) such obligation cannot be avoided by the taking of reasonable measures available to the Issuer and (iii) the requirement arises as a result of:

(a) any change in or amendment to, the laws or treaties (or any regulations or rulings promulgated thereunder) of any Relevant Tax Jurisdiction as defined in § 8(1) affecting taxation which change or amendment has not been publicly announced as formally proposed before and which becomes effective on or after the Issue Date or, if any Relevant Tax Jurisdiction has changed since the Issue Date, the date on which the then current Relevant Tax Jurisdiction became an applicable Relevant Tax Jurisdiction pursuant to these Conditions of Issue (a "**Relevant Tax Jurisdiction Date**"); or

(b) any change in, or amendment to, the existing official position or the introduction of an official position regarding the application, administration or interpretation of such laws, treaties, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction or a change in published practice), which change, amendment, application or interpretation has not been publicly announced as formally proposed before and becomes effective on or after a Relevant Tax Jurisdiction Date,

the Notes may be redeemed, in whole but not in part, at the option of the Issuer, upon not more than 60 days' nor less than 30 days' prior notice of redemption at a redemption price of 100% of their principal amount together with accrued and unpaid interest, if any, to but excluding the date fixed for redemption and Additional Amounts, if any.

Prior to giving any notice of redemption pursuant to this provision, the Issuer shall deliver to the Holders' Representative (i) an Officers' Request Certificate stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (ii) an Opinion of Counsel, qualified under the laws of the Relevant Tax Jurisdiction, subject to customary assumptions and qualifications, to the effect that the redemption complies with these Conditions of Issue of the Notes. The Holders' Representative shall be entitled to accept such Opinion of Counsel as sufficient evidence of the satisfaction of such conditions precedent, in which event it shall be conclusive and binding on the Holders.

No notice of redemption pursuant to this provision may be given (i) earlier than 90 days prior to the earliest date on which the Issuer would be obligated to pay such Additional Amounts were a payment in respect of the Notes then due or (ii) if at the time such notice is given, such obligation to pay such Additional Amounts does not remain in effect.

(4) ***Procedures.*** Any notice of redemption will be given in accordance with the procedures set forth in § 13 (Notices). It must specify the amount of redemption, the terms and date fixed for redemption and must set forth a statement in summary form of the facts constituting the basis for the right of the Issuer so to redeem the Notes. Any redemption of the Notes may, at the Issuer's option, be subject to satisfaction of one or more conditions precedent.

Notwithstanding anything to the contrary, a redemption notice may be mailed more than 60 calendar days prior to the redemption date if the notice is given in connection with a discharge of the Notes under the satisfaction and discharge provisions of these Conditions of Issue, a Legal Defeasance or a Covenant Defeasance.

In the case of a partial redemption of the Notes, the Notes to be redeemed will be selected in accordance with the rules of the relevant Clearing System. Such partial redemption shall be reflected in the records of Clearstream as either a pool factor or a reduction in aggregate principal amount, at the discretion of Clearstream.

§ 6
Change of Control

(1) ***Change of Control.*** If a Change of Control occurs, each Holder shall have the right to require the Issuer to repurchase all or any part (equal to €1,000 or integral multiple thereof; *provided, however*, that no Note of €50,000 or less shall be repurchased in part) of such Holder's Notes at a purchase price equal to 101% of the principal amount, plus accrued and unpaid interest to but excluding the applicable purchase date (the "**Change of Control Purchase Price**").

(2) ***Change of Control Offer.*** No later than 30 days following any Change of Control, the Issuer shall give notice in accordance with the procedures set forth in § 13 (Notices) below, with a copy to the Holders' Representative, stating:

(a) that a Change of Control has occurred or may occur and that each Holder has the right to require the Issuer to purchase such Holder's Notes at the Change of Control Purchase Price (the "**Change of Control Payment**");

(b) the repurchase date (the "**Change of Control Payment Date**"), which date shall be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is given;

(c) the procedures determined by the Issuer, consistent with these Conditions of Issue, that a Holder must follow in order to have its Notes repurchased;

(d) that, if such notice is given prior to the occurrence of a Change of Control, the Change of Control Offer is conditional on the occurrence of such Change of Control;

(e) the circumstances and relevant facts regarding such Change of Control;

(f) that any Note accepted for Change of Control Payment will cease to accrue interest after the Change of Control Payment Date unless the Change of Control Purchase Price is not paid; and

(g) that any Note (or part thereof) not tendered will continue to accrue interest

(the offer so being made the "**Change of Control Offer**").

The Issuer shall not be required to make the Change of Control Offer upon a Change of Control if a third party (i) makes an offer in a manner, at the times and otherwise in compliance with the requirements set forth in these Conditions of Issue applicable to a Change of Control Offer made by the Issuer and (ii) purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

(3) The Change of Control provisions described above apply whether or not any other provisions of these Conditions of Issue apply.

(4) The Issuer shall publicly announce the results of the Change of Control Offer or any offer made in lieu thereof in accordance with the procedures set forth in § 13 (Notices) on or as soon as practicable after the Change of Control Payment Date.

(5) The Issuer will comply with the requirements of any applicable securities laws or regulations in connection with the repurchase of Notes. To the extent that the provisions of any securities laws or regulations conflict with provisions of these Conditions of Issue, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control provisions of these Conditions of Issue by virtue of the conflict.

§ 7
Payments

(1) ***Manner of payment.*** The Issuer shall effect any payments under the Notes in euro. Payment of principal and interest on the Notes shall be made to the Paying Agent for on-payment to the Clearing System or to its order for credit to the respective account holders of the Clearing System, in the case of the payment of principal, upon presentation and surrender of the Global Note.

(2) ***Discharge.*** Payments to the Clearing System or to its order shall to the extent of amounts so paid constitute the discharge of the Issuer from its corresponding liabilities under the Notes.

(3) ***Business Day.*** If the due date for any payment of principal and/or interest is a day other than a Business Day, payment shall be effected only on the next following Business Day. In this case, the relevant Holders shall have no right to claim payment of any interest or other indemnity with respect to such delay.

(4) ***Deposit of principal and interest.*** The Issuer may deposit with the local court (*Amtsgericht*) in Frankfurt am Main principal or interest not claimed by Holders within 12 months after the Maturity Date, even though such Holders may not be in default of acceptance of payment. If and to the extent that the deposit is effected and the right of withdrawal is waived, the respective claims of such Holders against the Issuer shall cease.

§ 8
Taxes

(1) ***Withholding taxes***. All payments by the Issuer or, pursuant to the terms of the relevant Subsidiary Guarantee, any present or future Subsidiary Guarantor or any successor of any of the foregoing (each a "**Payor**") under the Notes or any Subsidiary Guarantee shall be made free and clear of and without withholding or deduction for or on account of any present or future taxes, duties, levies, imposts, assessments or other charges of any nature

(including penalties, interest and other similar liabilities related thereto) imposed by or on behalf of or levied within (i) the Federal Republic of Germany, (ii) any jurisdiction from or through which payment on the Notes or a Subsidiary Guarantee is made or (iii) any other jurisdiction in which a Payor is organized or otherwise considered to be resident or conducts business for tax purposes (any such jurisdiction under foregoing (i) through (iii) a "**Relevant Tax Jurisdiction**") or any province, municipality or other political subdivision or taxing authority in or of a Relevant Tax Jurisdiction (together "**Withholding Taxes**"), unless the deduction or withholding of such taxes, duties or charges is required by law. In such event, the relevant Payor shall pay (together with such payment) such additional amounts (the "**Additional Amounts**") as may be necessary to ensure that the net amounts received by the Clearing System on behalf of the Holders after such withholding or deduction (including any deduction or withholding from such Additional Amounts), shall equal the respective amounts of principal and interest which would have been receivable in respect of the relevant Notes or Subsidiary Guarantees in the absence of such deduction or withholding, except that no such Additional Amounts shall be payable on account of any taxes or duties which:

(a) are payable by any person acting as custodian bank or collecting agent on behalf of a Holder, or otherwise in any manner which does not constitute a deduction or withholding by the Issuer from payments of principal or interest made by it;

(b) are payable by reason of the Holder having, or having had, any present or former connection with the Relevant Tax Jurisdiction (other than the mere acquisition, ownership, holding or disposition of such Note, the enforcement of rights under such Note or under a Subsidiary Guarantee, or the receipt of any payments in respect of such Note or Subsidiary Guarantee) and not merely by reason of the fact that payments in respect of the Notes are, or for purposes of taxation are deemed to be, derived from sources in, or are secured in, the Relevant Tax Jurisdiction;

(c) are deducted or withheld pursuant to a payment to an individual that is required to be made pursuant to the European Counsel Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Counsel meeting of 26-27 November 2000 on the taxation of savings or any law implementing or complying with, or introduced to conform to, such Directive;

(d) are payable by reason of a change in law that becomes effective more than 30 days after the relevant payment of principal or interest becomes due, or is duly provided for and notice thereof is published in accordance with § 13 (Notices), whichever occurs later;

(e) are imposed or withheld by reason of the failure of the Holder of the Notes, following the Issuer's or Subsidiary Guarantor's written request addressed to the Holder at least 30 days prior to the date before any such imposition or withholding, to comply with any certification, identification, information or other reporting requirements (to the extent such Holder is legally eligible to do so), whether required by statute, treaty, regulation or administrative practice of a Relevant Tax Jurisdiction, as a precondition to exemption from, or reduction in the rate of deduction or withholding of, taxes imposed by the Relevant Tax Jurisdiction (including, without limitation, a certification that the Holder is not resident in the Relevant Tax Jurisdiction);

(f) are imposed and presentation for payment (where presentation is required) by the Holder occurred more than 30 days after the relevant payment of principal or interest is first made available for payment to the Holder except to the extent that the Holder thereof would have been entitled to Additional Amounts had the Note been presented for payment on the last day of such 30 day period;

(g) are imposed in connection with the presentation of a Note for payment (where presentation is required) by or on behalf of a Holder who would have been able to avoid such withholding or deduction by presenting the relevant Note to another Paying Agent in a Member State of the European Union;

(h) are estate, inheritance, gift, sales, transfer or personal property taxes or any similar taxes, assessments or governmental charges;

(i) are taxes, assessments or other governmental charges that are payable otherwise than by withholding from payments on or in respect of the Notes or any Subsidiary Guarantee; or

(j) are any combination of items (a) through (i) listed above.

In addition, the tax on interest payments (*Zinsabschlagsteuer*, since 1 January 2009: *Kapitalertragsteuer*) which has been in effect in the Federal Republic of Germany since 1 January 1993 and which is withheld and paid by certain entities acting (e.g., as custodian) for the Holders (so-called *die Kapitalerträge auszahlende Stelle* within

the meaning of § 44(1) sentence 4 of the German Income Tax Act (*Einkommensteuergesetz*) as amended from time to time) together with any solidarity surcharge (*Solidaritätszuschlag*) and any church tax (if applicable) imposed thereon does not constitute a Withholding Tax.

(2) ***Witholding Tax Receipts***. In case Additional Amounts are to be paid, the Payor will (i) make any required withholding or deduction and (ii) remit the full amount deducted or withheld to the Relevant Tax Jurisdiction in accordance with applicable law. The Payor will use all reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any taxes so deducted or withheld from each Relevant Tax Jurisdiction imposing such taxes and will provide such copies to the Holders' Representative for forwarding to the relevant Holders in accordance with the procedures set forth in § 13 (Notices) within a reasonable time after the date on which payment of any taxes is due under applicable law. The Payor will attach to each copy a certificate stating (x) that the amount of Withholding Taxes evidenced by the copy was paid in connection with payments in respect of the principal amount of Notes then outstanding and (y) the amount of such Withholding Taxes paid per €1,000 principal amount of the Notes.

(3) ***Information of Holders***. At least 30 days prior to each date on which any payment under or with respect to the Notes or any Subsidiary Guarantee is due and payable (unless such obligation to pay Additional Amounts arises after the 30th day prior to such date, in which case it must be promptly thereafter), if the Payor will be obligated to pay Additional Amounts with respect to such payment, the Payor will deliver to the Paying Agent an Officers' Request Certificate stating the fact that Additional Amounts will be payable, the amounts to be paid and will set forth such other information necessary to enable the Paying Agent to inform the relevant Holders of the payment of such Additional Amounts in accordance with the procedures set forth in § 13 (Notices) on the payment date.

(4) ***Stamp duties***. The Payor will pay any present or future stamp, court or documentary taxes, or any other excise or property taxes, charges or similar levies imposed by a Relevant Tax Jurisdiction (including penalties, interest and other liabilities related thereto) which arise in any jurisdiction from (i) the execution, delivery, issuance or registration of the Notes or any Subsidiary Guarantee or any other document or instrument referred to therein (other than a transfer of the Notes) or (ii) the receipt of any payments with respect to, or enforcement of, the Notes or any Subsidiary Guarantee.

(5) ***References to payable amounts***. Whenever in these Conditions of Issue there is mentioned, in any context, the payment or non-payment of principal, premium or interest, or any other amount payable under or with respect to any Note or Subsidiary Guarantee, such mention shall be deemed to include mention of the payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

(6) ***Survivial of Defeasance***. The preceding provisions will survive any defeasance of the Notes or these Conditions of Issue and will apply mutatis mutandis to any jurisdiction in which any successor person to the Issuer or any Subsidiary Guarantor is incorporated or otherwise resident for tax purposes or any jurisdiction from or through which such person makes any payment on the Notes (or on any Subsidiary Guarantee) and any political subdivision or taxing authority or agency thereof or therein.

§ 9
Covenants

(1) ***Limitation on Indebtedness.***

(a) The Issuer shall not, and shall not permit any of its Restricted Subsidiaries to, directly or indirectly, Incur any Indebtedness (including Acquired Indebtedness); *provided*, *however*, that if no Event of Default has occurred and is continuing or would occur as a consequence of such Incurrence, the Issuer and any Subsidiary Guarantor may Incur Indebtedness (including Acquired Indebtedness) if on the date thereof and after giving *pro forma* effect thereto (including *pro forma* application of the proceeds therefrom) the Consolidated Coverage Ratio for the Issuer and its Restricted Subsidiaries would be at least 2.00 to 1.00 and (ii) if such Indebtedness is Secured Indebtedness, the Consolidated Secured Leverage Ratio for the Issuer and its Restricted Subsidiaries would be less than 2.75 to 1.00.

(b) The foregoing paragraph shall not prohibit the Incurrence of the following Indebtedness:

(i) Indebtedness of the Issuer or any Subsidiary Guarantor Incurred pursuant to and in compliance with a Credit Facility (including under ancillary facilities made available under such Credit Facility) which does not exceed €500 million, less all principal repayments made with the proceeds from Asset Dispositions utilized in accordance with § 9(5)(c) below that

permanently reduce the commitments thereunder; *provided* that Indebtedness Incurred, or classified as Incurred, pursuant to this sub- clause (i) may not be Public Indebtedness that is Secured Indebtedness.

(ii) Indebtedness of the Issuer or any Restricted Subsidiary owing to and held by the Issuer or any Restricted Subsidiary; *provided, however*, that

(A) if the Issuer or any Subsidiary Guarantor is the obligor of such Indebtedness and the payee is not the Issuer or a Subsidiary Guarantor, such Indebtedness must be unsecured and expressly subordinated to the prior payment in full in cash of all obligations then due with respect to the Notes, in the case of the Issuer, or the relevant Subsidiary Guarantor, in the case of a Subsidiary Guarantor; and

(B) (x) any subsequent issuance or transfer of Capital Stock that results in any such Indebtedness being held by a Person other than the Issuer or a Restricted Subsidiary and (y) any sale or other transfer of any such Indebtedness to a Person that is neither the Issuer nor the Issuer or a Restricted Subsidiary, will be deemed, in each case, to constitute an Incurrence of such Indebtedness by the Issuer or such Restricted Subsidiary, as the case may be, that was not permitted by this sub-clause (ii);

(iii) any Refinancing Indebtedness Incurred in respect of any Indebtedness Incurred pursuant to § 9(1)(a) or sub-clauses (iv), (v), or (xi) or this sub-clause (iii) of this § 9(1)(b);

(iv) Indebtedness outstanding on the Issue Date (other than any Credit Facility permitted under sub-clause (i) above and any Indebtedness under the Notes permitted under sub-clause (v) below);

(v) Indebtedness Incurred by the Issuer and the Subsidiary Guarantors represented by the Original Notes issued on the Issue Date and the Subsidiary Guarantees in respect of these Original Notes;

(vi) Indebtedness arising under Subordinated Obligations;

(vii) Indebtedness arising under the Cash Management Arrangements;

(viii) Indebtedness under Hedging Obligations of the Issuer or any of its Restricted Subsidiaries that is Incurred in the ordinary course of business and not for speculative purposes;

(ix) Indebtedness Incurred under a Guarantee by any Subsidiary Guarantor of Indebtedness of the Issuer or any Subsidiary Guarantor to the extent that the guaranteed Indebtedness was permitted to be Incurred by another provision of this § 9(1); *provided, however*, that if the Indebtedness being guaranteed is subordinated to or pari passu with the Notes or a Subsidiary Guarantee, then the Guarantee must be subordinated or pari passu, as applicable, to the same extent as the Indebtedness guaranteed;

(x) Indebtedness Incurred after the Issue Date in respect of workers' compensation claims, early retirement obligations, pension fund obligations or social security or wage taxes in the ordinary course of business;

(xi) Indebtedness of a Restricted Subsidiary Incurred and outstanding on the date on which such Restricted Subsidiary was acquired by, or merged into, the Issuer or any Restricted Subsidiary (other than Indebtedness Incurred (a) to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Restricted Subsidiary became a Restricted Subsidiary or was otherwise acquired by the Issuer or (b) otherwise in connection with, or in contemplation of, such acquisition); *provided, however*, that at the time such Restricted Subsidiary is acquired by the Issuer, either (x) the Issuer would have been able to Incur €1.00 of additional Indebtedness pursuant to § 9(1)(a) after giving effect to the Incurrence of such Indebtedness pursuant to this clause (xi) or (y) the Consolidated Coverage Ratio of the Issuer would not be less than it was immediately prior to giving pro forma effect to the incurrence of such Indebtedness pursuant to this clause (xi);

(xii) Indebtedness of the Issuer or any Restricted Subsidiary represented by Capital Lease Obligations, Purchase Money Obligations, Sale/Leaseback Transaction or other Indebtedness

incurred or assumed in connection with the acquisition or development of real or personal, movable or immovable, property or other assets (including Capital Stock), in each case incurred for the purpose of financing or refinancing all or any part of the purchase price, lease expense, rental payments (other than lease payments or rental expenses under a capitalized lease for reporting purposes under IFRS) or cost of design, installation, construction or improvement of property used in the business of the Issuer or such Restricted Subsidiary in an aggregate principal amount pursuant to this clause (xii) not to exceed €15 million; provided that the principal amount of any Indebtedness permitted under this clause (xii) did not in each case at the time of incurrence exceed the Fair Market Value of the acquired or constructed asset or improvement so financed;

(xiii) Indebtedness of the Issuer or its Restricted Subsidiaries in respect of (a) letters of credit issued in the ordinary course of business of such Person with respect to trade payables relating to purchase of materials by such Person, (b) other letters of credit, surety, performance or appeal bonds, completion guarantees, judgment, advance payment, customs, VAT or other tax guarantees or similar instruments issued in the ordinary course of business of such Person and not in connection with the borrowing of money, including letters of credit or similar instruments in respect of self-insurance and workers compensation obligations, (c) the financing of insurance premiums in the ordinary course of business, (d) arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business and (e) in connection with inventory financing or any guarantees thereof; *provided, however*, that upon the drawing of such letters of credit or other instrument, such obligations are reimbursed within 30 days following such drawing;

(xiv) Indebtedness of the Issuer of a Restricted Subsidiary the net proceeds of which are promptly irrevocably and unconditionally deposited to repurchase in full or repay in full all of the obligations of the Issuer and the Subsidiary Guarantors under the Notes or to discharge in full or defease in full the Notes; and

(xv) in addition to the items referred to in sub-clauses (i) through (xiv) above, Indebtedness of the Issuer and its Subsidiary Guarantors in an aggregate amount not exceeding €35 million at any time outstanding.

(c) For purposes of determining compliance with this § 9(1):

(i) in the event that an item of Indebtedness meets the criteria of more than one of the types of Indebtedness set forth in § 9(1)(a) and § 9(1)(b) sub-clauses (i) through (xv), the Issuer, in its sole discretion, will classify and, with the exception of § 9(1)(b)(i), may from time to time reclassify such item of Indebtedness in any manner that complies with this covenant and only be required to include the amount and type of such Indebtedness in one of the sub-clauses (i) through (xv) of § 9(1)(b);

(ii) an item of Indebtedness may be divided and classified, or reclassified, in more than one of the types of Indebtedness set forth in § 9(1)(b);

(iii) in the event Indebtedness relates to letters of credit, Guarantees or Liens supporting Indebtedness otherwise permitted by this covenant, such letters of credit, Guarantees or Liens will not be treated as an additional Incurrence of Indebtedness;

(iv) the principal amount of any Disqualified Stock of the Issuer or a Subsidiary Guarantor, or preferred stock of a Restricted Subsidiary that is not a Subsidiary Guarantor, will be equal to the greater of the maximum mandatory redemption or repurchase price (not including, in either case, any redemption or repurchase premium) or the liquidation preference thereof;

(v) the amount of any Indebtedness outstanding as of any date will be:

(A) the accreted value of the Indebtedness, in the case of any Indebtedness issued with original issue discount;

(B) the principal amount of the Indebtedness, in the case of any other Indebtedness; and

(C) in respect of Indebtedness secured by a Lien on the assets of another Person, the lesser of:

(1) the Fair Market Value of such assets at the date of determination; and

(2) the amount of the Indebtedness of such other Person.

(vi) accrual of interest or dividends, the accretion of accreted value, the accretion or amortization of original issue discount, the obligation to pay commitment fees and the payment of interest or dividends in the form of additional Indebtedness of the same class will not be deemed to be an Incurrence of Indebtedness for purposes of this covenant; and

(vii) for purposes of determining compliance with any euro- denominated restriction on the Incurrence of Indebtedness, the Euro Equivalent of the principal amount of Indebtedness denominated in another currency will be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or first committed, in the case of Indebtedness Incurred under a revolving Credit Facility; *provided* that:

(A) if such Indebtedness is incurred to refinance other Indebtedness denominated in a currency other than euro, and such refinancing would cause the applicable euro-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such euro-denominated restriction will be deemed not to have been exceeded so long as the principal amount of such Refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced;

(B) the Euro Equivalent of the principal amount of any such Indebtedness outstanding on the Issue Date will be calculated based on the relevant currency exchange rate in effect on the Issue Date; and

(C) if and for so long as any such Indebtedness is subject to an agreement intended to protect against fluctuations in currency exchange rates with respect to the currency in which such Indebtedness is denominated covering principal and interest on such Indebtedness, the amount of such Indebtedness, will be the amount of the principal payment required to be made under such currency agreement if it were denominated in euro and, otherwise, the Euro Equivalent of such amount plus the Euro Equivalent of any premium which is at such time due and payable but is not covered by such currency agreement.

(2) ***Limitation on Restricted Payments.***

(a) The Issuer shall not, and shall not permit any of its Restricted Subsidiaries to, directly or indirectly, make a Restricted Payment if at the time of such Restricted Payment:

(i) a Default or Event of Default shall have occurred and be continuing (or would result from such Restricted Payment);

(ii) the Issuer is not able to Incur an additional €1.00 of Indebtedness pursuant to § 9(1)(a), after giving effect, on a pro forma basis, to such Restricted Payment; or

(iii) the aggregate amount of such Restricted Payment and all other Restricted Payments (other than pursuant to sub-clauses (ii), (iii) and (iv) of § 9(2)(b) below) made subsequent to the Issue Date, would exceed the sum of

(A) 50% of Consolidated Net Income for the period (treated as one accounting period) from the beginning of the first fiscal quarter commencing after the Issue Date to the end of the Issuer's most recent fiscal quarter ending prior to the date of such Restricted Payment for which consolidated financial statements of the Issuer are available (or, in case such Consolidated Net Income is a deficit, minus 100% of such deficit), plus

(B) 100% of the aggregate Net Cash Proceeds received by the Issuer from the issue or sale of its Capital Stock (other than Disqualified Stock), Subordinated Obligations or other capital contributions subsequent to the Issue Date (other than Net Cash Proceeds received from an issuance or sale of such Capital Stock or Subordinated Obligations to a Subsidiary of the Issuer or an employee stock ownership plan, option plan or similar trust to the extent such sale to an employee stock ownership plan or similar trust is financed by loans from or Guaranteed by the Issuer or any Restricted Subsidiary unless such loans have been repaid with cash on or prior to the date of determination) excluding in any event Net Cash Proceeds received by the Issuer from the issue and sale of its Capital Stock or capital contributions to the extent applied to redeem Notes in compliance with the provisions set forth under § 5(2) above, plus

(C) the amount by which the Issuer's Indebtedness or Indebtedness of any Restricted Subsidiary is reduced on the Issuer's consolidated balance sheet after the Issue Date upon the conversion or exchange (other than by the Issuer or its Subsidiaries) of such debt into the Issuer's Capital Stock (other than Disqualified Stock) or Subordinated Obligations, together with the aggregate Net Cash Proceeds received by the Issuer at the time of such conversion or exchange (excluding the Net Cash Proceeds from the issuance of the Issuer's Capital Stock (that is not Disqualified Stock) or Subordinated Obligations financed, directly or indirectly, using funds borrowed from the Issuer or any Subsidiary Guarantor until and to the extent such borrowing is repaid), plus

(D) in the case of the disposition or repayment of any Investment constituting a Restricted Payment made after the Issue Date, an amount (to the extent not included in Consolidated Net Income) equal to the lesser of (x) the return on capital with respect to such Investment and the initial amount of such investment, in either case, less the cost of the disposition of such Investment and net of taxes and (y) in the case of the designation of an Unrestricted Subsidiary as a Restricted Subsidiary (so long as the designation of such Subsidiary as an Unrestricted Subsidiary was deemed a Restricted Payment), the Fair Market Value of the Issuer's interest in such Subsidiary; *provided* that such amount will not in any case exceed the amount of the Restricted Payment deemed made at the time that the Subsidiary was designated as an Unrestricted Subsidiary.

(b) The provisions of the preceding paragraph shall not prohibit:

(i) the payment of any dividend within 60 days after the date of declaration thereof, if at such date of declaration such payment was permitted by the provisions of the preceding paragraph and such payment shall have been deemed to have been paid on such date of declaration;

(ii) the purchase or other acquisition of Capital Stock made by exchange for, or out of the proceeds of, the substantially concurrent sale of Capital Stock of the Issuer or a substantially concurrent contribution to the equity of the Issuer;

(iii) the purchase, redemption or other acquisition or retirement for value of Capital Stock in connection with the obligations under any employee or management stock option agreements, equity subscription agreement, stock option agreement, restricted stock grant, or other agreements to compensate management or employees; provided that such redemptions or repurchases pursuant to this clause will not exceed €2 million in the aggregate during any calendar year;

(iv) the purchase, redemption, defeasance or other acquisition or retirement for value of any indebtedness that is subordinated in right of payment to the Notes or any Subsidiary Guarantee for, or out of the net cash proceeds of, the substantially concurrent sale of Capital Stock of the Issuer or for, or out of the net cash proceeds of, a substantially concurrent incurrence (other than to a Subsidiary) of Refinancing Indebtedness;

(v) the repurchase of Capital Stock deemed to occur upon the exercise of stock options to the extent such Capital Stock represent a portion of the exercise price of those stock options;

(vi) the declaration and payment of regularly scheduled or accrued dividends to holders of any class or series of any Disqualified Stock of the Issuer or a Subsidiary Guarantor, or preferred

stock of a Restricted Subsidiary that is not a Subsidiary Guarantor issued on or after the Issue Date in accordance with § 9(1) above;

(vii) payments of cash, dividends, distributions, advances or other Restricted Payments by the Issuer or any of its Restricted Subsidiaries to allow the payment of cash in lieu of the issuance of fractional shares upon (x) the exercise of options or warrants or (y) the conversion or exchange of Capital Stock of any such Person;

(viii) advances or loans to (a) any future, present or former officer, director, employee or consultant of the Issuer or a Restricted Subsidiary to pay for the purchase or other acquisition for value of Capital Stock of the Issuer, or any obligation under a forward sale agreement, deferred purchase agreement or deferred payment arrangement pursuant to any management equity plan or stock option plan or any other management or employee benefit or incentive plan or other agreement or arrangement or (b) any management equity plan or stock option plan or any other management or employee benefit or incentive plan or unit trust or the trustees of any such plan or trust to pay for the purchase or other acquisition for value of Capital Stock of the Issuer; provided that the total aggregate amount of Restricted Payments made under this clause (viii) does not exceed €5 million in any calendar year;

(ix) any purchase, repurchase, redemption, defeasance or other acquisition or retirement for value of Indebtedness of the Issuer or any of its Restricted Subsidiaries pursuant to the provisions similar to those of § 6; provided that all Notes validly tendered by Holders in connection with a Change of Control Offer, as applicable, have been repurchased, redeemed or acquired for value; and

(x) so long as no Default has occurred or is continuing, Restricted Payments in an amount not to exceed €30 million at any time outstanding.

(3) ***Limitation on Liens.***

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, Incur, assume or permit to subsist any Lien (other than Permitted Liens) or other security interest upon any of its or any of its Restricted Subsidiaries' present or future property or assets, or assign or otherwise convey any right to receive income or profits therefrom, to secure any Indebtedness (including any guarantees or indemnities in respect thereof).

(4) ***Limitation on restrictions on distributions from Restricted Subsidiaries.***

(a) The Issuer shall not, and shall not permit any Restricted Subsidiary to, directly or indirectly, create or otherwise cause or permit to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Restricted Subsidiary to:

(i) pay dividends or make any other distributions on its Capital Stock or pay any Indebtedness or other obligations owed to the Issuer or any Restricted Subsidiary;

(ii) make any loans or advances to the Issuer or any Restricted Subsidiary; or

(iii) to transfer any of its property or assets to the Issuer or any Restricted Subsidiary.

(b) The foregoing paragraph shall not prohibit:

(i) any encumbrance or restriction pursuant to an agreement in effect or entered into on the Issue Date and, other than in respect of Refinancing Indebtedness, any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of those agreements; *provided* that the amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings are not materially more restrictive, taken as a whole, with respect to such encumbrance or restriction than those contained in those agreements on the Issue Date;

(ii) any encumbrance or restriction with respect to a Restricted Subsidiary in existence on or prior to the date on which such Subsidiary was acquired by the Issuer (other than restrictions incurred in connection with the transaction or series of related transactions pursuant to which

such Restricted Subsidiary became a Restricted Subsidiary of the Issuer or was acquired by the Issuer or in contemplation of the transaction) and outstanding on such date;

(iii) any encumbrance or restriction pursuant to an agreement effecting Refinancing Indebtedness; provided, however, that the encumbrances and restrictions contained in any such agreement are no less favorable in any material respect to the Holders than the encumbrances and restrictions contained in the agreements governing the Indebtedness being refinanced;

(iv) any restriction with respect to a Restricted Subsidiary of the Issuer imposed pursuant to an agreement entered into for the sale or disposition of all or substantially all the Capital Stock or assets of such Restricted Subsidiary as permitted by § 9(5) pending the closing of such sale or disposition;

(v) in the case of § 9(4)(a)(iii), any encumbrance or restriction:

(A) that restricts in a customary manner the assignment or transfer of any property or asset that is subject to a lease, license or similar contract, or the assignment of transfer of any such lease, license or other contract entered into in the ordinary course of business;

(B) contained in mortgages, pledges or other security agreements permitted under and in compliance with these Conditions of Issue to the extent such encumbrances or restrictions restrict the transfer of the property subject so such mortgages, pledges or other security agreements; or

(C) pursuant to customary provisions restricting dispositions of real property interests set forth in any reciprocal easement agreements of the Issuer or any Restricted Subsidiary;

(vi) encumbrances or restrictions arising or existing by reason of applicable law or any applicable rule, regulation or order or governmental license, permit or concession;

(vii) restrictions created in connection with any Receivables Facility that, in the good faith determination of the Issuer, are necessary or advisable to effect transactions contemplated under such Receivables Facility;

(viii) any customary encumbrances or restrictions created under any agreement or instrument with respect to Indebtedness permitted to be incurred subsequent to the Issue Date pursuant to § 9(1) if the encumbrances and restrictions contained in any such agreement or instrument taken as a whole are not materially less favorable to the Holders than the encumbrances and restrictions contained in the Revolving Credit Facility in effect on the Issue Date (as determined in good faith by the Issuer);

(ix) customary provisions in Sale/Leaseback Transactions, joint venture agreements, asset sale agreements, stock sale agreements and other similar agreements; *provided*, *however*, that any such encumbrance or restriction is applicable only to the Restricted Subsidiary or joint venture subject to such transaction; and *provided further*, that the Issuer determines that any such encumbrance or restriction will not materially affect the ability of the Issuer to make any anticipated principal or interest payments on the Notes;

(x) encumbrances or restrictions existing by reason of any Lien permitted under § 9(3);

(xi) restrictions on cash or other deposits or net worth imposed by customers under contracts (not evidencing or relating to Indebtedness) entered into in the ordinary course of business; and

(xii) any encumbrance or restriction existing under any agreement that extends, renews, refinances or replaces the agreements containing the encumbrances or restrictions in the foregoing clauses (ii) through (xi) or in this clause (xii); provided that the terms and conditions of any such encumbrances or restrictions are no more restrictive in any material respect than those under or pursuant to the agreement evidencing the Indebtedness so extended, renewed, refinanced or replaced.

(5) ***Limitation on sales of assets.*** The Issuer shall not, and shall not permit any of its Restricted Subsidiaries to, make any Asset Disposition unless:

(a) the Issuer or such Restricted Subsidiary receives consideration at least equal to the Fair Market Value (such Fair Market Value to be determined on the date of contractually agreeing to such Asset Disposition), as determined in good faith by the Board of Directors of the Issuer (including as to the value of all non-cash consideration), of the shares and assets subject to such Asset Disposition;

(b) in any such Asset Disposition at least 75% of the consideration is in the form of cash or Cash Equivalents. For purposes of this § 9(5), each of the following shall be deemed cash:

(i) any liabilities, as shown on the Issuer's most recent consolidated balance sheet, of the Issuer or any Restricted Subsidiary (other than contingent liabilities, Disqualified Stock and liabilities that are by their terms subordinated to the Notes or any Subsidiary Guarantee) that are assumed by the transferee of any such assets pursuant to any agreement that releases the Issuer or the relevant Restricted Subsidiary from or indemnifies against further liability;

(ii) any securities, notes or other obligations received by the Issuer or a Restricted Subsidiary from such transferee that are converted by the Issuer or the relevant Restricted Subsidiary into cash or Cash Equivalents within 60 days following the closing of the Asset Disposition, to the extent of the cash or Cash Equivalents received in that conversion;

(iii) any Indebtedness of the Issuer or any Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Disposition, to the extent that the Issuer and the Restricted Subsidiaries following such Asset Disposition are released from any obligation with respect to, and guarantee of, such Indebtedness in connection with such Asset Disposition, and

(iv) any consideration consisting of Indebtedness of the Issuer or any Restricted Subsidiary which is either repaid in full or cancelled in connection with such Asset Disposition; and

(c) an amount equal to 100% of the Net Available Cash from such Asset Disposition is applied by the Issuer or the relevant Restricted Subsidiary, as the case may be:

(i) to the extent the Issuer elects, to prepay, repay or purchase Indebtedness that is secured by the assets that were the subject of the Asset Disposition or is *pari passu* in right of payment with the Notes or the Subsidiary Guarantees (including, for the avoidance of doubt, under the Revolving Credit Facility) or Indebtedness of a Restricted Subsidiary that is not a Subsidiary Guarantor (other than Indebtedness owed to the Issuer or an Affiliate of the Issuer) within 365 days from the date of the receipt of such Net Available Cash, *provided*, *however*, that in connection with any prepayment, repayment or purchase of Indebtedness pursuant to this sub-clause (i), the Issuer or such Restricted Subsidiary will cause the related commitment (if any) to be permanently reduced in an equal amount to the principal amount so prepaid, repaid or purchased;

(ii) to the extent of the balance of such Net Available Cash after application in accordance with the foregoing sub-clause (i), to the extent the Issuer elects, to invest in Additional Assets or make capital expenditures within 365 days from the date of receipt of such Net Available Cash or pursuant to arrangements in place within the 365 day period; and

(iii) to the extent of the balance of such Net Available Cash after application in accordance with the foregoing sub-clauses (i) and (ii) (the "**Excess Proceeds**"), to make an offer to the Holders and any other *Pari Passu* Indebtedness (to the extent the terms of such *Pari Passu* Indebtedness so require) on a pro rata basis to purchase the Notes at a purchase price equal to 100% of the principal amount, plus accrued and unpaid interest, to the date of purchase and such *Pari Passu* Indebtedness pursuant to and subject to these Conditions of Issue (an "**Asset Disposition Offer**").

Notwithstanding the foregoing provisions of this § 9(5), the Issuer and such Subsidiaries shall not be required to apply any Excess Proceeds in accordance with § 10(5)(c)(iii) above except to the extent that the aggregate amount of Excess Proceeds from all Asset Dispositions which have not been applied in accordance with § 9(5)(c)(i) and § 9(5)(c)(ii) exceeds €25 million. To the extent that the aggregate amount of Notes and *Pari Passu* Indebtedness so validly tendered and not properly withdrawn pursuant to an Asset Disposition Offer is less than the Excess Proceeds, the Issuer may use any remaining Excess Proceeds for general corporate

purposes, subject to other covenants contained in these Conditions of Issue. If the aggregate principal amount of Notes surrendered by Holders thereof and other *Pari Passu* Indebtedness surrendered by holders or lenders, collectively, exceeds the amount of Excess Proceeds, a tender agent to be appointed by the Issuer without undue delay shall accept the Notes and *Pari Passu* Indebtedness to be purchased on a pro rata basis of the aggregate principal amount of tendered Notes and *Pari Passu* Indebtedness in accordance with the terms of the Asset Disposition Offer. Upon completion of such Asset Disposition Offer, the amount of Excess Proceeds shall be reset at zero. The Asset Disposition Offer will remain open for a period of at least 20 Business Days following its commencement, except to the extent that a longer period is required by applicable law (the "**Asset Disposition Offer Period**"). No later than five Business Days after the termination of the Asset Disposition Offer Period (the "**Asset Disposition Purchase Date**"), the Issuer will purchase the principal amount of Notes and *Pari Passu* Indebtedness required to be purchased pursuant to this § 9(5) (the "**Asset Disposition Offer Amount**") or, if less than the Asset Disposition Offer Amount has been so validly tendered, all Notes and *Pari Passu* Indebtedness validly tendered in response to the Asset Disposition Offer. On or before the Asset Disposition Purchase Date, the Issuer will, to the extent lawful, accept for payment, on a pro rata basis to the extent necessary, the Asset Disposition Offer Amount of Notes and *Pari Passu* Indebtedness or portions of Notes and *Pari Passu* Indebtedness so validly tendered and not properly withdrawn pursuant to the Asset Disposition Offer, or if less than the Asset Disposition Offer Amount has been validly tendered and not properly withdrawn, all Notes and *Pari Passu* Indebtedness so validly tendered and not properly withdrawn, in each case in integral multiples of €1,000; *provided* that no Note of less than €50,000 remains outstanding thereafter. The Issuer or the Paying Agent, as the case may be, will promptly (but in any case not later than five Business Days after termination of the Asset Disposition Offer Period) mail or deliver to each tendering Holder of Notes or holder or lender of *Pari Passu* Indebtedness, as the case may be, an amount equal to the purchase price of the Notes or *Pari Passu* Indebtedness so validly tendered and not properly withdrawn by such holder or lender, as the case may be, and accepted by the Issuer for purchase. In addition, the Issuer will take any and all other actions required by the agreements governing the *Pari Passu* Indebtedness. The Issuer will publicly announce the results of the Asset Disposition Offer on the Asset Disposition Purchase Date.

Pending the final application of any Excess Proceeds, the Issuer or a Restricted Subsidiary may temporarily reduce Indebtedness in the form of revolving credit borrowings or otherwise invest the Excess Proceeds in any manner that is not prohibited by these Conditions of Issue.

(6) ***Limitation on Affiliate Transactions.***

(a) The Issuer shall not, and shall not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into any transaction (including the rendering of services) with any Affiliate of the Issuer (an "**Affiliate Transaction**"), unless:

(i) the terms of such Affiliate Transaction are no less favorable to the Issuer or such Restricted Subsidiary, as the case may be, than those that could be obtained in a comparable arm's-length transaction with a Person who is not an Affiliate;

(ii) in the event such Affiliate Transaction involves an aggregate one-time and/or annual consideration in excess of €5 million, the terms of such transaction have been approved by a majority of the Disinterested Directors of the Board of Directors of the Issuer (and such majority determines that such Affiliate Transaction satisfies the criteria in sub-clause (i)); and

(iii) in the event (a) such Affiliate Transaction involves an aggregate one-time and/or annual consideration in excess of €15 million or (b) such Affiliate Transaction involves an aggregate principal amount of €5 million and there are no Disinterested Directors, the Issuer shall have received a written opinion from an independent investment bank or an accounting or appraisal firm or other recognized independent expert of internationally recognized standing that such Affiliate Transaction is (i) fair from a financial point of view taking into account all relevant circumstances or (ii) not materially less favorable than those that might reasonably have been obtained in a comparable transaction at such time on an arm's-length basis from a Person that is not an Affiliate.

(b) The provisions of subclause (a) shall not apply to:

(i) transactions pursuant to any employee arrangements or employee or director benefit plans entered into by the Issuer or any of its Restricted Subsidiaries, including under any stock option, stock appreciation rights, stock incentive or similar plans, in the ordinary course of business of the Issuer or such Restricted Subsidiary;

(ii) sales of accounts receivable, or participations therein, in connection with any Receivables Facility;

(iii) any Affiliate Transaction between the Issuer and a Restricted Subsidiary or between Restricted Subsidiaries;

(iv) any Restricted Payment (other than a Restricted Investment) permitted to be made pursuant to the provisions set forth in § 9(2) above;

(v) any transaction in the ordinary course of business between or among the Issuer or any Restricted Subsidiary and any Affiliate of the Issuer or a joint venture or similar Person that would otherwise be subject to this covenant solely because the Issuer or a Restricted Subsidiary owns any of the Capital Stock of or otherwise controls such Affiliate, joint venture or similar Person;

(vi) the payment of reasonable and customary fees paid to, and indemnity provided on behalf of, directors of the Issuer or any Restricted Subsidiary of the Issuer; and

(vii) transactions pursuant to, or contemplated, by any agreement in effect on the Issue Date and transactions pursuant to any amendment, modification or extension to such agreement, so long as such amendment, modification or extension, taken as a whole, is not more disadvantageous to the Holders than the original agreement as in effect on the Issue Date.

(7) ***Reports.*** For so long as any Notes are outstanding, the Issuer shall post on its website: (i) within 120 days after the end of each of the Issuer's fiscal years, beginning with the fiscal year ending March 31, 2011, annual reports containing the following information with a level of detail (including with respect to the presentation of EBITDA) that is substantially comparable in all material respects to this Offering Memorandum:

(a) audited consolidated statement of financial position of the Issuer and its consolidated Subsidiaries, audited consolidated income statements and audited consolidated cash flow statement of the Issuer and its consolidated Subsidiaries for such fiscal year and in each case including comparable financial statements for the previous fiscal year in accordance with IFRS;

(b) complete notes to such financial statements as required by IFRS, including information on

(i) critical accounting policies,

(ii) all material related party transactions, and

(iii) the Indebtedness and material financing arrangements and all material debt instruments;

(c) the report of the independent auditors on the financial statements;

(d) a group management report (Konzernlagebericht) containing an operating and financial review (including a discussion of each business segment) of the audited financial statements, including

(i) a discussion of the business and the risks the business is exposed to;

(ii) a discussion of the results of operations (including a presentation of EBITDA) as required by Commission Regulation No. 809/2004 of 29 April 2004, Annex I, Item 9, as amended, including a description of the Issuer's financial condition, changes in financial condition and results of operations, including the causes of material changes from year to year in the financial information to the extent necessary for an understanding of the Issuer's business as a whole; information regarding significant factors, including unusual or infrequent events or new developments, materially affecting the issuer's income from operations, indicating the extent to which income was so affected; where the financial statements disclose material changes in EBITDA, net sales or revenues, a narrative discussion of the reasons for such changes; and information regarding any governmental, economic, fiscal, monetary or political policies or factors that have materially affected, or could materially affect, directly or indirectly, the Issuer's operations;

(iii) a discussion of financial condition and liquidity and capital resources;

(iv) a discussion of material commitments and contingencies;

(v) *pro forma* income statement and balance sheet information, together with any explanatory footnotes, for any Material Transactions that have occurred during the most recently completed fiscal year (unless such *pro forma* information has been provided in a previous report pursuant to sub-clause (e)(vii) below); *provided*, *however*, that such *pro forma* financial information will be provided only to the extent available without unreasonable expense, failing which the Issuer will provide, in the case of an acquisition or disposition, acquired or disposed company financial statements.

(e) within 60 days after the end of each of the first three fiscal quarters in each fiscal year of the Issuer, quarterly financial reports for the Issuer and its consolidated Subsidiaries containing:

(i) an unaudited condensed consolidated statement of financial position as of the end of such quarter;

(ii) unaudited condensed consolidated income statement for the quarterly and year to date periods ending on the unaudited condensed balance sheet date;

(iii) unaudited condensed consolidated cash flow statement for the year to date period ending on the unaudited condensed balance sheet date (in each case of (i) through (iii) with the comparable prior year periods);

(iv) condensed notes to the financial statements;

(v) a discussion of the results of operations (including a presentation of EBITDA) as required by Commission Regulation No. 809/2004 of 29 April 2004, Annex I, Item 9, as amended, including a description of the Issuer's financial condition, changes in financial condition and results of operations, including the causes of material changes from the comparable prior year periods in the financial information to the extent necessary for an understanding of the Issuer's business as a whole; information regarding significant factors, including unusual or infrequent events or new developments, materially affecting the issuer's income from operations, indicating the extent to which income was so affected; where the financial statements disclose material changes in EBITDA, net sales or revenues, a narrative discussion of the reasons for such changes; and information regarding any governmental, economic, fiscal, monetary or political policies or factors that have materially affected, or could materially affect, directly or indirectly, the Issuer's operations;

(vi) a discussion of financial condition and liquidity and capital resources;

(vii) a discussion of material commitments and contingencies;

(viii) *pro forma* income statement and balance sheet information, together with any explanatory footnotes, for any Material Transactions that have occurred during the most recently completed fiscal year unless such pro forma information has been provided in a previous report;

(ix) information on material developments in the business of the Issuer and its Subsidiaries; and

(x) material recent developments and any material changes to the risks disclosed in the most recent annual report with respect to the Issuer.

(f) In each case as soon as reasonably practicable:

(i) such information (if any) as the Issuer is required to make publicly available under the requirements of the German Securities Trading Act (*Wertpapierhandelsgesetz*);

(ii) information on any Material Transaction; and

(iii) any change in the independent accountants of the Issuer.

If the Issuer has designated any of its Subsidiaries as Unrestricted Subsidiaries and such Subsidiaries are Significant Subsidiaries, then the annual and quarterly financial information required by clauses (a) through

(e) of this covenant will include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of the Issuer and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Issuer.

In addition, for so long as any Notes remain outstanding and during any period during which the Issuer is not subject to Section 13 or 15(d) of the U.S. Exchange Act nor exempt therefrom pursuant to Rule 12g3-2(b), the Issuer has agreed that it will furnish to the holders of the Notes and to securities analysts and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(D)(4) under the U.S. Securities Act.

The Issuer will also make available copies of all reports required by clauses (a) through (f) of this covenant (x) on the Issuer's website and (y) if and for so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange for trading on the Euro MTF market and the rules of the Luxembourg Stock Exchange so require, at the specified office of the listing agent in Luxembourg.

(8) ***Merger and consolidation.***

(a) The Issuer shall not directly or indirectly, in a single transaction or through a series of transactions, (x) consolidate with or merge with or into any Person, or (y) sell, assign, convey, transfer, lease or otherwise dispose of all or substantially all its properties or assets to, any Person (whether or not the Issuer is the Successor Company (as defined below)), and the Issuer shall not permit any Restricted Subsidiary to enter into any such transaction or series of transactions, if in the aggregate the result would be the sale, assignment, conveyance, transfer, lease or disposition of all or substantially all the assets of the Issuer on a consolidated basis unless:

(i) the resulting, surviving or transferee Person (the "**Successor Company**") will be a Person organized and existing under the laws of any Member State of the European Union as of 31 December 2003, Norway, Switzerland, the United States of America, any state thereof or the District of Columbia or any province of Canada, and the Successor Company (if not the Issuer) will expressly assume in appropriate documentation delivered to the Holders' Representative all the obligations of the Issuer under the Notes, the Agency Agreement and these Conditions of Issue;

(ii) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Company or any Subsidiary of the Successor Company as a result of such transaction as having been Incurred by the Successor Company or such Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing;

(iii) immediately after giving effect to such transaction and any related financings the Successor Company would be able to Incur at least an additional €1.00 of Indebtedness pursuant to § 9(1)(a) above;

(iv) each Subsidiary Guarantor shall have delivered to the Holders' Representative a confirmation that its Guarantee shall apply to such Person's obligations in respect of the Notes and the Agency Agreement; and

(v) the Issuer shall deliver to the Holders' Representative an Officers' Request Certificate and Opinion of Counsel, in each case, stating that such consolidation, merger, conveyance, transfer or lease and such assumption by the Successor Company comply with this covenant and the Opinion of Counsel shall state in addition that each of the Subsidiary Guarantees shall apply to such Person's obligations in respect of the Notes and the Agency Agreement to the same or greater extent than they applied to the Notes and Agency Agreement immediately prior to such transaction.

(b) In addition, the Issuer shall not permit any Subsidiary Guarantor to consolidate with or merge with or into any Person (other than the Issuer or any Subsidiary Guarantor) and shall not permit the conveyance, transfer or lease of substantially all of the assets of any Subsidiary Guarantor unless:

(i) the resulting, surviving or transferee Person will be a Person organized and existing under the laws of any Member State of the European Union on 31 December 2003, Norway, Switzerland, the United States of America, any state thereof or the District of Columbia or any

province in Canada or, if different, the law of the jurisdiction in which any such Subsidiary Guarantor was incorporated, and such Person (if not a Subsidiary Guarantor) will expressly assume in an appropriate documentation and delivered to the Holders' Representative, all the obligations of such Subsidiary Guarantor under its Subsidiary Guarantee;

(ii) the transaction is made in compliance with the covenant set forth under § 9(1);

(iii) immediately after giving effect to, and as a result of, such transaction no Event of Default shall have occurred and be continuing; and

(iv) the Issuer and the relevant Subsidiary Guarantor shall deliver to the Holders' Representative an Officers' Request Certificate and Opinion of Counsel, in each case, stating that such consolidation, merger, conveyance, transfer or lease and such assumption by the resulting, surviving or transferee Person comply with this covenant and the Opinion of Counsel shall state in addition that each of the Subsidiary Guarantees shall apply to such Person's obligations in respect of the Notes and the Agency Agreement to the same or greater extent than they applied to the Notes and Agency Agreement immediately prior to such transaction.

The successor to any Subsidiary Guarantor will, in a form satisfactory to the Holders' Representative, succeed to, and be substituted for, such Subsidiary Guarantor under the applicable Subsidiary Guarantee and these Conditions of Issue.

Notwithstanding the foregoing, a Subsidiary Guarantor may merge with an Affiliate incorporated solely for the purpose of reincorporating such Subsidiary Guarantor in a (or another) state or the District of Columbia of the United States, in a (or another) province of Canada, in a (or another) Member State of the European Union on 31 December 2003, Norway or Switzerland so long as the amount of Indebtedness of such Subsidiary Guarantor is not increased thereby, and any Subsidiary Guarantor may merge into or transfer all or part of its properties and assets to the Issuer or another Subsidiary Guarantor.

(c) If and for so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange for trading on the Euro MTF market and the rules of the Luxembourg Stock Exchange so require, the Issuer shall publish notice of the occurrence of any of the events set forth in this § 9(8) in a newspaper having a general circulation in Luxembourg or, to the extent and in the manner permitted by such rules, post it on the website of the Luxembourg Stock Exchange (www.bourse.lu).

(9) ***Future Subsidiary Guarantors.*** The Issuer shall cause each Restricted Subsidiary (other than the Issuer) that, after the Issue Date, Guarantees any Indebtedness of the Issuer or any Subsidiary Guarantor to execute and deliver concurrently to the Holders' Representative a Guarantee pursuant to which such Restricted Subsidiary will Guarantee payment of the Notes on substantially the same terms as the guarantee of such other Indebtedness and subject to legally advisable appropriate limitations reflecting the laws applicable to such Restricted Subsidiary.

(10) ***Limitation on lines of business.*** The Issuer will not, and will not permit any Restricted Subsidiary to, engage in any business other than a Related Business, except as would not be material to the Issuer and its Restricted Subsidiaries taken as a whole.

(11) ***Payments for consent.*** No Person will be permitted to, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any Holder for or as an inducement to any consent or vote with respect to any waiver or amendment of any of the terms or provisions of these Conditions of Issue, Notes, Agency Agreement or any Guarantee unless (and to the extent such offer or payment is not prohibited by applicable law) such consideration is offered to be paid and is paid to all Holders.

(12) ***Restricted and Unrestricted Subsidiaries.*** As of the Issue Date, all of the Issuer's Subsidiaries are Restricted Subsidiaries. For purposes of designating any Restricted Subsidiary as an Unrestricted Subsidiary, all outstanding Investments by the Issuer and the Restricted Subsidiaries (except to the extent repaid) in the Subsidiary so designated will be deemed to be Restricted Payments in an amount which shall be the Restricted Payment's Fair Market Value at the time of such transfer.

The Board of Directors of the Issuer may designate any Subsidiary of the Issuer (including any newly acquired or newly formed Subsidiary or a Person becoming a Subsidiary through merger, consolidation or other business combination transaction, or Investment therein) to be an Unrestricted Subsidiary only if:

(a) such Subsidiary or any of its Subsidiaries does not own any Capital Stock or Indebtedness of or have any Investment in, or own or hold any Lien on any property of, the Issuer or any other Subsidiary of the Issuer which is not a Subsidiary of the Subsidiary to be so designated or which is not an Unrestricted Subsidiary;

(b) no Indebtedness of such Subsidiary or any of its Subsidiaries shall, at the date of designation, or at any time thereafter, constitute Indebtedness pursuant to which a creditor under such Indebtedness has recourse to any of the assets of the Issuer or any Restricted Subsidiary;

(c) such Subsidiary is a Person with respect to which neither the Issuer nor any Restricted Subsidiary has any direct or indirect obligation to:

(i) subscribe for additional Capital Stock of such Person; or

(ii) maintain or preserve such Person's financial condition or cause such person to achieve any specified levels of operating results;

(d) a Restricted Payment in such amount would be permitted at such time under § 9(2) and under § 9(1) and/or the definition of Permitted Investments, and if such Subsidiary otherwise meets the definition of an Unrestricted Subsidiary; and

(e) after giving effect to, and as a result of, such designation there will be no Default or Event of Default.

The Board of Directors of the Issuer may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided*, *however*, that such designation shall be deemed to be an incurrence of Indebtedness by a Restricted Subsidiary of any outstanding Indebtedness of such Unrestricted Subsidiary and such designation shall be permitted only if (i) immediately after giving effect to such designation, no Default or Event of Default shall have occurred and be continuing and (ii) the Issuer could Incur at least €1.00 of additional Indebtedness as set forth in § 9(1)(a), on a *pro forma* basis taking into account such designation as if it had occurred at the beginning of the applicable reference period. Any such designation by the Board of Directors of the Issuer shall be evidenced to the Holders' Representative by filing with the Holders' Representative a resolution of the Board of Directors of the Issuer giving effect to such designation and an Officers' Request Certificate certifying that such designation complies with the foregoing conditions.

(13) ***Suspension of Covenants***. If on any date following the date of these Conditions of Issue:

(a) the Notes are rated with an Investment Grade Rating by both Rating Agencies; and

(b) no Default has occurred and is continuing under these Conditions of Issue (the foregoing conditions being referred to collectively as the "**Suspension Condition**");

then, beginning on that day and subject to the provisions of the following paragraph, the covenants specifically listed under the following captions in these Conditions of Issue (collectively, the "**Suspended Covenants**") will be suspended as to the Notes:

- "Limitation on Indebtedness" (§ 9(1));
- "Limitation on Restricted Payments" (§ 9(2));
- "Limitation on restrictions on distributions from Restricted Subsidiaries" (§ 9(4));
- "Limitation on sales of assets" (§ 9(5));
- "Limitation on Affiliate Transactions" (§ 9(6));
- "Limitation on lines of business" (§ 9(10)); and
- clause § 9(8)(a)(iii).

During any period that the foregoing sections have been suspended, the Issuer's Board of Directors may not designate any of its Subsidiaries as Unrestricted Subsidiaries pursuant to § 9(12) unless the designation would have complied with § 9(2).

Notwithstanding the foregoing, if the Issuer and its Restricted Subsidiaries are not subject to the Suspended Covenants with respect to the Notes for any period of time as a result of the Suspension Condition having been met and, subsequently, one or both Rating Agencies withdraw their Investment Grade Rating or downgrade the Investment Grade Rating assigned to the Notes such that the Notes no longer have an Investment Grade Rating from both Rating Agencies, then the Issuer and each of its Restricted Subsidiaries will thereafter again be subject to the Suspended Covenants. Compliance with the Suspended Covenants with respect to Restricted Payments made after the time of such withdrawal or downgrade (i) will be calculated in accordance with the terms of the reinstated § 9(2) as if the provisions had been in effect since the Issue Date (accordingly, Restricted Payments made during such period when the Suspended Covenants are suspended will reduce the amount available to be made as Restricted Payments under § 9(2)(a)) and (ii) will be calculated in accordance with the terms of the reinstated § 9(1) as if any Indebtedness incurred on or after the occurrence of the Suspension Condition will be deemed to have been incurred pursuant to § 9(1)(a); *provided further*, that no Default, Event of Default or breach of any kind will be deemed to exist under these Conditions of Issue with respect to the Suspended Covenants based on, any actions taken or events occurring after such Notes attain the required ratings and before any reinstatement of the Suspended Covenants as provided above, or any actions, taken at any time pursuant to any contractual obligations arising prior to the reinstatement of the Suspended Covenants, regardless of whether those actions or events would have been permitted if the applicable sections had remained in effect during such period.

§ 10
Events of Default, Enforcement

(1) Each of the following constitutes an "**Event of Default**" under these Conditions of Issue:

(a) default in any payment of interest or any Additional Amounts on any Note when due and payable, continued for 30 days;

(b) default in the payment of principal of or premium, if any, on any Note when due and payable at its Stated Maturity, upon redemption, upon repurchase, acceleration or otherwise;

(c) (i) failure by the Issuer or any of the Subsidiary Guarantors to comply with any of its obligations under § 9(8) or (ii) failure by the Issuer or the Issuer to comply for 30 days after notice with any of its obligations under § 6 or § 9(5) (in each case, other than a failure to purchase Notes which shall constitute an Event of Default under the foregoing sub-clause (b));

(d) failure by the Issuer or any of the Subsidiary Guarantors to comply for 60 days after notice from the Holders' Representative (upon instruction by the Holders) with its other agreements contained in these Conditions of Issue or the Agency Agreement;

(e) default under any instrument evidencing or securing any Indebtedness of the Issuer or any of its Restricted Subsidiaries (or the payment of which is guaranteed by the Issuer or any Restricted Subsidiary), other than Indebtedness owed to the Issuer or a Restricted Subsidiary, whether such Indebtedness or guarantee now exists, or is created after the date of these Conditions of Issue, which default:

(i) is caused by a failure to pay principal of, or premium, of any, on such Indebtedness when due prior to the expiration of any applicable grace period provided for under the terms of such Indebtedness ("**payment default**"); or

(ii) results in the acceleration of such Indebtedness prior to its maturity (the "**cross-acceleration provision**");

and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a payment default or the maturity of which has been so accelerated exceeds €20 million;

(f) events of bankruptcy, insolvency or reorganization under bankruptcy laws of (i) the Issuer, (ii) a Subsidiary Guarantor or (iii) a group of Restricted Subsidiaries that taken together (as of the latest audited consolidated financial statements for the Issuer and its Restricted Subsidiaries) would constitute a Significant Subsidiary;

(g) failure by the Issuer or any Restricted Subsidiary to pay final and enforceable judgments aggregating in excess of €20 million (net of any amounts that are covered by insurance policies issued by reputable

and creditworthy insurance companies), which judgments are not paid, bonded or insured by a third Person, discharged or stayed for a period of 90 days after the judgment exceeding such threshold becomes final; or

(h) any Subsidiary Guarantee of a Subsidiary Guarantor ceases to be in full force and effect (except as contemplated by the terms of such Subsidiary Guarantee or these Conditions of Issue or as provided under applicable law) or is declared null and void in a judicial proceeding or the Issuer or any Subsidiary Guarantor denies or disaffirms in writing or in any pleading in any court its obligations under these Conditions of Issue or its Subsidiary Guarantee and any such Default continues for 15 days.

(2) If an Event of Default (other than an Event of Default with respect to the Issuer pursuant to the foregoing § 10(1)(f)) occurs and is continuing, the Holders' Representative upon instruction of Holders of at least 25% in principal amount of the outstanding Notes shall by notice to the Issuer terminate the Notes and declare all payments under the Notes to be due and payable immediately, and upon any such declaration all such amounts payable in respect of the Notes will become immediately due and payable. If an Event of Default with respect to the Issuer pursuant to the foregoing § 10(1)(f) occurs and is continuing, the Notes will automatically be terminated and all payments under the Notes will become due and payable immediately without any declaration or other act on the part of the Holders' Representative or any Holder.

(3) In the event of a declaration of acceleration of the Notes because an Event of Default pursuant to foregoing § 10(1)(e) has occurred and is continuing, the declaration of acceleration of the Notes shall be automatically annulled if the relevant default triggering such Event of Default pursuant to the foregoing § 10(1)(e) shall be remedied or cured by the Issuer or a Restricted Subsidiary or waived by the holders of the relevant Indebtedness, or the relevant Indebtedness that gave rise to such Event of Default shall have been discharged in full, within 20 days after the declaration of acceleration with respect thereto and if (i) the annulment of the acceleration of the Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (ii) all existing Events of Default, except non-payment of principal, premium, or interest on the Notes that became due solely because of the acceleration of the Notes, have been cured or waived. The Holders of a majority in principal amount of the outstanding Notes may waive all past or existing Defaults or Events of Default (except with respect to the non- payment of principal, premium or interest or in respect of a covenant or provision of these Conditions of Issue which under these Conditions of Issue cannot be modified or amended without the consent of a majority of 90% of Holders' votes cast) and rescind any acceleration with respect to the Notes and its consequences within three months of the acceleration if rescission would not conflict with any judgment or decree of a court of competent jurisdiction; *provided*, *however*, that aggregate of such cast votes exceed the number of votes having required the acceleration.

(4) Except to enforce the right to receive payment of principal, premium, if any, or interest when due, no Holder may pursue any remedy with respect to these Conditions of Issue or the Notes unless:

(a) such Holder has previously given the Holders' Representative notice that an Event of Default is continuing;

(b) Holders of at least 25% in principal amount of the outstanding Notes have requested the Holders' Representative to pursue the remedy;

(c) the Holders' Representative has not complied with such request within 60 days following the receipt of the request; and

(d) the Holders of a majority in principal amount of the outstanding Notes have not within such 60 day period given the Holders' Representative a direction that, in the opinion of the Holders' Representative, is inconsistent with such request.

(5) Subject to these Conditions of Issue and applicable law, the Holders of a majority in aggregate principal amount of the outstanding Notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Holders' Representative or of exercising any trust or power conferred on the Holders' Representative.

(6) The Issuer shall deliver to the Holders' Representative, within 120 days after the end of each fiscal year, an Officers' Request Certificate stating whether the signers thereof know of any Default that occurred during the previous year. The Issuer also is required to deliver to the Holders' Representative, after becoming aware of the occurrence thereof, written notice of any events of which it is aware which would constitute Defaults, their status and what action the Issuer is taking or proposes to take in respect thereof.

(7) If an Event of Default occurs and is continuing, the Holders' Representative may

(a) in its sole discretion, but shall not be required to, proceed to protect and enforce the rights of the Holders by such appropriate judicial proceedings as the Holders' Representative shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in the Conditions of Issue or any Guarantee or in aid of the exercise of any power granted herein, or to enforce any other proper remedy, including making demand under one or more of the Guarantees on behalf of the Holders; and

(b) prosecute and enforce all rights of action and claims under the Conditions of Issue or any Guarantee without the possession of any of the Notes or the Global Notes or the production thereof in any proceeding relating thereto, and to bring any such proceeding on behalf of the Holders.

§ 11
Paying Agent and Transfer Agent

(1) ***Paying Agent and Transfer Agent.*** The Issuer has appointed Deutsche Bank Aktiengesellschaft, Große Gallusstraße 10- 14, 60262 Frankfurt am Main, Federal Republic of Germany, as the paying agent (the "**Paying Agent**") and Deutsche Bank Aktiengesellschaft, Trust and Securities Operations GTOSCO, Floor LSS5-12th Floor, Alfred- Herrhausen- Allee 16-24, 65760 Eschborn, Federal Republic of Germany, as the transfer agent ("**Transfer Agent**").

(2) ***Change of office of Paying Agent.*** The Paying Agent and the Transfer Agent reserve the right at any time to change their specified offices. Any such change shall be published without undue delay in accordance with procedures set forth in § 13 (Notices).

(3) ***Status of the Paying Agent and Transfer Agent.*** The Paying Agent and Transfer Agent are acting exclusively as agent of the Issuer and do not have any relationship of agency or trust with the Holders.

(4) ***Determinations binding.*** All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of these Conditions of Issue by the Paying Agent and the Transfer Agent shall (in the absence of manifest error) be binding on the Issuer and the Holders.

(5) ***Variation or termination of appointment.*** The Issuer may appoint additional paying agents and transfer agents and revoke the appointment of any paying agent or transfer agent, *provided, however*, that, (i) for as long as the Notes are listed on a stock exchange, the Issuer shall at all times ensure that a paying agent is appointed in the jurisdiction in which such stock exchange is located, if so required by the rules of such stock exchange and (ii) in no event may the Issuer act as Paying Agent or appoint a Paying Agent in any Member State of the European Union where the Paying Agent would be obliged to withhold or deduct tax in connection with any payment made by it in relation to the Notes unless the Paying Agent would be so obliged if it were located in all other Member States. Any such appointment or revocation shall be published without undue delay in accordance with § 13 (Notices).

§ 12
Holders' Representative

(1) ***Holders' Representative.*** The common representative (the "**Holders' Representative**") to exercise the Holders' rights on behalf of each Holder shall be Deutsche Bank Aktiengesellschaft, Große Gallusstraße 10-14, 60262 Frankfurt am Main, Federal Republic of Germany. The Holders' Representative shall have the duties and powers provided for by these Conditions of Issue, by law or granted by resolution of the Holders. The Holders' Representative shall comply with the instructions of the Holders. To the extent that the Holders' Representative has been authorized to assert certain rights of the Holders, the Holders shall not be entitled to assert such rights themselves, unless explicitly provided for in the relevant resolution or these Conditions of Issue. The provisions of the German Act on Debt Securities of 2009 (*Gesetz über Schuldverschreibungen aus Gesamtemissionen* (*Schuldverschreibungsgesetz-SchVG*)) apply with regard to the removal of the Holders' Representative and its rights and obligations. Deutsche Bank Aktiengesellschaft accepts such appointment.

(2) ***Disclosure.*** Pursuant to § 8(1) in conjunction with § 7(1) of the SchVG, it is hereby disclosed that the liabilities of the Issuer and affiliates of the Issuer vis-à-vis Deutsche Bank Aktiengesellschaft exceed 20% of the aggregate principal amount of the Notes as of the Issue Date.

(3) ***Liability standard and liability cap.*** The Holders' Representative shall be liable for the proper performance of its duties towards the Holders who shall be joint and several creditors (*Gesamtgläubiger*); in the performance of its duties it shall act with the diligence and care of a prudent business manager. The liability of the Holders' Representative shall be limited to in the aggregate ten times the amount of its annual remuneration, unless the Holders' Representative has acted willfully or with gross negligence. The liability of the Holders' Representative may be further limited by a resolution passed by the Holders. The Holders shall decide upon the assertion of claims for compensation of the Holders against the Holders' Representative.

(4) ***Right to information.*** The Holders' Representative may demand from the Issuer to furnish all information required for the performance of the duties entrusted to it.

§ 13
Notices

(1) ***Notification to Clearing System.*** The Issuer (or the Holders' Representative, as the case may be) shall deliver any notice relating to the Notes to the Clearing System for communication by the Clearing System to the Holders. Any such notice shall be deemed to have been validly given on the seventh day following the day on which the said notice was given to the Clearing System.

(2) ***Notification in case of listing.*** If and for so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange for trading on the Euro MTF market and the rules of the Luxembourg Stock Exchange so require, the Issuer (or the Holders' Representative, as the case may be) shall publish notices in a newspaper having a general circulation in Luxembourg or, to the extent and in the manner permitted by such rules, post them on the website of the Luxembourg Stock Exchange (www.bourse.lu).

§ 14
Further Issues, Purchases of Notes

(1) ***Further issues.*** Subject to these Conditions of Issue, the Issuer may from time to time, without the consent of the Holders, issue further Notes having the same terms and conditions as the Notes in all respects (or in all respects except for the issue date and/or issue price) so that such further Notes shall be consolidated with, form a single series with and increase the aggregate principal amount of the Notes.

(2) ***Purchases.*** The Issuer may at any time purchase Notes in the open market or otherwise and at any price. Notes purchased by the Issuer may, at the option of the Issuer, be held, resold or surrendered to the Paying Agent for cancellation.

§ 15
Amendment of the Conditions of Issue

(1) ***Amendment of the Conditions of Issue.*** In accordance with the German Act on Debt Securities of 2009 (*Gesetz über Schuldverschreibungen aus Gesamtemissionen* (*Schuldverschreibungsgesetz- SchVG*)) the Holders may agree with the Issuer on amendments of these Conditions of Issue with regard to matters permitted by the SchVG by resolution with the majority specified in sub- clause (2). Majority resolutions shall be binding on all Holders. Resolutions which do not provide for identical conditions for all Holders are void, unless Holders who are disadvantaged have expressly consented to their being treated disadvantageously.

(2) ***Majority.*** Resolutions shall be passed by a majority of not less than 50.1% of the votes cast; *provided, however*, that resolutions regarding (i) any reduction of the relevant premium to be paid pursuant to § 5(2) and § 6(1), as the case may be, and (ii) measures pursuant to § 5(3) Nos. 1 through 9 SchVG require a majority of not less than 90% of the votes cast and; *provided further* that any amendments to § 1(2) through (5), § 7 or § 19(4) of these Conditions of Issue require approval of 100% of the Holders.

(3) ***Vote without a meeting.*** All votes shall be taken, subject to the next sentence, exclusively by vote taken without a meeting.

(4) ***Chair of the vote.*** The vote shall be chaired by a notary appointed by the Issuer or, if the Holders' Representative has convened the vote, by the Holders' Representative.

(5) ***Voting rights.*** Each Holder participating in any vote shall cast votes in accordance with the nominal amount or the notional share of its entitlement to the outstanding Notes.

(6) ***Evidence of entitlement to vote.*** The notice of noteholder vote (the "**Notice of Noteholder Vote**") shall provide what proof is required to be entitled to vote in the noteholder vote. Unless otherwise provided for in the Notice of Noteholder Vote, a voting certificate provided by an agent appointed by the Issuer shall entitle its bearer to vote in the noteholder vote. The voting certificate shall be dated and shall specify the noteholder vote concerned and the principal amount of Notes held by such Holder. The Notice of Noteholder Vote may also require a proof of identity of a person exercising a voting right.

§ 16

Legal Defeasance and Covenant Defeasance

(1) The Issuer may, as evidenced by a resolution set forth in an Officers' Request Certificate, elect to have the obligations of the Issuer and the Guarantors discharged with respect to the outstanding Notes and Guarantees ("**Legal Defeasance**"). Legal Defeasance means that the Issuer will be deemed to have paid and discharged the entire Indebtedness represented by the outstanding Notes and Guarantees except as to:

(a) the rights of holders of outstanding Notes to receive payments in respect of the principal of, premium, if any, and interest on such Notes when such payments are due from the trust referred to below;

(b) the rights and obligations of the Holders' Representative and the obligations of the Issuer and the Guarantors in connection therewith; and

(c) the Legal Defeasance and Covenant Defeasance provisions of the Conditions of Issue.

(2) In addition, the Issuer may, at its option and at any time, elect to have the obligations of the Issuer and the Guarantors released with respect to certain covenants set forth in the Conditions of Issue ("**Covenant Defeasance**"), and thereafter any omission to comply with such covenants will not constitute a Default or an Event of Default with respect to the Notes. In the event Covenant Defeasance occurs, certain events set forth under § 10 will no longer constitute an Event of Default with respect to the Notes. These events do not include events relating to non-payment or, solely with respect to the Issuer, bankruptcy, insolvency, receivership and reorganization. The Issuer may exercise its Legal Defeasance option regardless of whether they previously exercised Covenant Defeasance.

(3) In order to exercise either Legal Defeasance or Covenant Defeasance:

(i) the Issuer must irrevocably deposit or cause to be deposited in a trust account for the benefit of the holders of the Notes, cash in euro, non-callable European Government Obligations or a combination thereof, in each case in such amounts as will be sufficient, in the opinion of internationally recognized investment bank, appraisal firm or firm of independent public accountants, to pay and discharge the principal of, premium, if any, and interest, on the outstanding Notes on the Stated Maturity or on the applicable redemption date, as the case may be, and the Issuer must (A) prior to depositing the monies to the trust account, procure an opinion of counsel stating, subject to customary assumptions and qualifications, that the trust account will be bankruptcy remote; (B) specify whether the Notes are being defeased to such Stated Maturity or to a particular redemption date; (C) from the date of deposit give timely instructions to the holder of the trust account to pay the appropriate interest amount on the respective Interest Payment Dates and the principal amount on the Maturity Date out of the trust account to the Paying Agent and (D) if applicable, have delivered to the Holders' Representative an irrevocable notice of redemption of all the outstanding Notes of such principal, premium, if any, or interest and have instructed the holder of the trust account to make the relevant payments out of the trust account;

(ii) in the case of Legal Defeasance, the Issuer must have delivered to the Holders' Representative an opinion of counsel stating, subject to customary assumptions and qualifications, that (i) the Issuer has received from, or there has been published by, the U.S. Internal Revenue Service a ruling, or (ii) since the original issue date of the Notes, there has been a change in applicable U.S. federal income tax law, in either case to the effect that, and based thereon such opinion shall confirm that, the beneficial owners of the outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Legal Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(iii) in the case of Covenant Defeasance, the Issuer must have delivered to the Holders' Representative an opinion of counsel, subject to customary assumptions and qualifications, to the effect that the beneficial owners of the outstanding Notes will not recognize income, gain or loss for U.S. federal income tax

purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(iv) the Issuer must have delivered to the Holders' Representative an Officers' Request Certificate stating that the deposit in the trust account was not made by the Issuer with the intent of preferring the holders of the Notes over the other creditors of the Issuer with the intent of defeating, hindering, delaying or defrauding creditors of the Issuer or others; and

(v) the Issuer must have delivered to the Holders' Representative an Officers' Request Certificate and an opinion of counsel each stating, subject to customary assumptions and qualifications, that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance, as the case may be, have been complied with.

§ 17
Presentation Period, Prescription

(1) ***Presentation period.*** The presentation period provided for in § 801(1) first sentence of the German civil code (*Bürgerliches Gesetzbuch*) is reduced to ten years for the Notes.

(2) ***Prescription.*** The period of limitation for claims under the Notes presented during the period for presentation shall be ten years calculated from the expiration of the relevant presentation period.

§ 18
Other Provisions

(1) ***Applicable law.*** The Notes, both as to form and content, as well as the rights and duties of the Holders, the Issuer, the Holders' Representative and the Paying Agent shall in all respects be determined in accordance with German law.

(2) ***Place of performance.*** Place of performance shall be Frankfurt am Main.

(3) ***Place of jurisdiction.*** Place of jurisdiction for all proceedings arising from matters provided for in these Conditions of Issue shall be, as far as permitted by law, Frankfurt am Main. The Holders are entitled to assert their claims also before any other competent court. The Issuer hereby submits to the jurisdiction of the courts which are competent pursuant to this sub-clause.

(4) ***Enforcement.*** Subject to the provisions set forth in § 10, any Holder may in any proceedings against the Issuer, or to which such Holder and the Issuer are parties, protect and enforce in his own name his rights arising under such Notes on the basis of

(a) a statement issued by the Custodian with whom such Holder maintains a securities account in respect of the Notes

(i) stating the full name and address of the Holder;

(ii) specifying the aggregate principal amount of Notes credited to such securities account on the date of such statement; and

(iii) confirming that the Custodian has given written notice to the Clearing System and Book-Entry Register containing the information pursuant to the foregoing sub-clauses (i) and (ii) of this § 19(4)(a) and bearing acknowledgements of the Clearing System and any other Custodian in the chain of ownership for such Holder as to the Notes held in their respective accounts; and

(b) a copy of the Note in global form certified as being a true copy by a duly authorized officer of the Clearing System or a depository of the Clearing System, without the need for production in such proceedings of the actual records or the global note representing the Notes.

For purposes of the foregoing, "**Custodian**" means any bank or other financial institution of recognized standing authorized to engage in securities custody business with which the Holder maintains a securities account in respect of the Notes and includes the Clearing System, Clearstream Banking, société anonyme and Euroclear Bank SA/NV.

(5) *Language.* These Conditions of Issue are in the English language only. The English language version of these Conditions of Issue shall prevail over any translation of these Conditions of Issue. However, where a German translation of a word or phrase appears in the text of these Conditions of Issue, the German translation of such word or phrase shall prevail wherever such original English word or phrase translated by such German word or phrase appears in the text of these Conditions of Issue. Wherever a German legal term or concept is used in these Conditions of Issue, such German legal term or concept (and not the English or other legal term or concept to which it relates) shall be authoritative for the construction. Where an English legal term or concept is used in these Conditions of Issue, the related German legal term or concept shall be authoritative for the purpose of construction, unless specifically so provided.

(6) *Judgment Currency.* The euro is the sole currency of account and payment for all sums payable by the Issuer or any Subsidiary Guarantor under or in connection with the Notes or a Subsidiary Guarantee. Any amount received or recovered in a currency other than euro (the "**Required Currency**"), which is made to or for the account of any Holder in lawful currency of any other jurisdiction (the "**Judgment Currency**"), whether as a result of any judgment or order or the enforcement thereof or the liquidation of the Issuer or a Subsidiary Guarantor, shall constitute a discharge of the Issuer or such Subsidiary Guarantor's relevant obligation under these Conditions of Issue and the Notes or Subsidiary Guarantee, as the case may be, only to the extent of the amount of the Required Currency which such Holder could purchase in the London foreign exchange markets with the amount of the Judgment Currency in accordance with normal banking procedures at the rate of exchange prevailing on the first Business Day following receipt of the payment in the Judgment Currency. If the amount of the Required Currency that could be so purchased is less than the amount of the Required Currency originally due to such Holder, the Issuer or the relevant Subsidiary Guarantor will indemnify and hold harmless the Holder from and against all loss or damage arising out of, or as a result of, such deficiency. This indemnity shall constitute an obligation separate and independent from the other obligations contained in these Conditions of Issue and shall give rise to a separate and independent cause of action, shall apply irrespective of any waiver granted by any Holder from time to time and shall continue in full force and effect notwithstanding any judgment or order for a liquidated sum in respect of an amount due hereunder or under any judgment or order.

(7) ***No personal liability of directors, officers, employees, incorporators and stockholders.*** No director, officer, employee, incorporator or stockholder of the Issuer, any of its Subsidiaries, as such, shall have any liability for any obligations of the Issuer or any Subsidiary under the Notes, these Conditions of Issue or the Subsidiary Guarantees or for any claim based on, in respect of, or by reason of such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes.

(8) **Copies of Conditions of Issue and Notes.** Copies of these Conditions of Issue and the Notes may be obtained free of charge at the principal office of the Issuer, care of Investor Relations at Heidelberger Druckmaschinen Aktiengesellschaft, Kurfürsten-Anlage 52-60, 69115 Heidelberg, Germany.

§ 19
Certain Definitions

"**2013 Notes Issue Date**" means December 17, 2013.

"**Acquired Indebtedness**" means Indebtedness of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary or is merged into or consolidated with any other Person or that is assumed in connection with such merger or consolidation or that is assumed in connection with the acquisition of assets from such Person and, in each case, not Incurred by such Person in connection with, or in anticipation or contemplation of, such Person becoming a Restricted Subsidiary or such merger, consolidation or acquisition.

"**Additional Assets**" means:

(1) any property or assets (other than Indebtedness and Capital Stock) in a Related Business (excluding, for the avoidance of doubt, working capital);

(2) the Capital Stock of a Person that becomes a Restricted Subsidiary as a result of the acquisition of such Capital Stock by the Issuer or a Restricted Subsidiary; or

(3) Capital Stock constituting a minority interest in any Person that at such time is a Restricted Subsidiary;

provided, *however*, that, in the case of clauses (2) and (3), such Restricted Subsidiary is primarily engaged in a Related Business.

"**Adjusted EBITDA**" for any period means, without duplication, the Consolidated Net Income from continued operations for the relevant period, plus or less, as the case may be, the following to the extent deducted in calculating such Consolidated Net Income:

(1) the net interest result as shown in the consolidated financial statements of the Issuer for that Relevant Period (for the avoidance of doubt, the financial result as so reported shall be deemed the net interest result for purposes of this definition); plus

(2) any amount of tax on profits, gains or income by any member of the Group; plus

(3) any depreciation, amortization or impairment losses on assets (including, without limitation, on goodwill); and

(4) plus or less, as the case may be, any special items, including, without limitation, restructuring costs, included in the Issuer's financial statements (whether or not shown as a separate line item).

Notwithstanding the preceding sentence, clauses (2) through (4) relating to amounts of a Restricted Subsidiary of the Issuer will be added to Consolidated Net Income to compute Adjusted EBITDA of the Issuer only to the extent (and in the same proportion) that the net income (loss) of such Restricted Subsidiary was included in calculating the Consolidated Net Income of the Issuer and, to the extent the amounts set forth in clauses (2) through (4) are in excess of those necessary to offset a net loss of such Restricted Subsidiary or if such Restricted Subsidiary has net income for such period included in Consolidated Net Income, only if a corresponding amount would be permitted at the date of determination to be dividended to the Issuer by such Restricted Subsidiary without prior approval (that has not been obtained), pursuant to the terms of its charter and all agreements, instruments, judgments, decrees, orders, statutes, rules and governmental regulations applicable to that Restricted Subsidiary or its stockholders.

"**Affiliate**" of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; *provided* that beneficial ownership of 10% or more of the Voting Stock of a Person will be deemed to be control and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"**Agency Agreement**" means the agency agreement dated April 5, 2011 and supplemented on or prior the 2013 Notes Issue Date made between, among others, the Paying Agent, the Issuer and any other parties named therein, as amended, restated or otherwise modified or varied from time to time.

"**Applicable Premium**" means on any redemption date, the excess of (i) the present value on such redemption date of (A) the redemption price of such Note at April 15, 2014, plus (B) all required remaining scheduled interest payments due on the Notes through April 15, 2014, computed using a discount rate equal to the Bund Rate plus 50 basis points, over (ii) the principal amount of such Note on such redemption date. The calculation of the Applicable Premium shall be made by the Issuer or on behalf of the Issuer by such Person as the Issuer shall designate and shall be conclusive in the absence of manifest error.

"**Asset Disposition**" means any direct or indirect sale, conveyance, transfer, assignment or any other disposition, or series of related sales, conveyances, transfers, assignments, leases or other dispositions that form part of a common plan by the Issuer or any of its Restricted Subsidiaries to any Person other than the Issuer or any of its Restricted Subsidiaries, including any disposition by means of a merger, consolidation or similar transaction (each referred to for the purposes of this definition as a "disposition"), of any shares of Capital Stock of any of the Issuer's Subsidiaries (other than directors' qualifying shares or shares required by applicable law to be held by a Person other than the Issuer or any of its Subsidiaries) or any other assets of the Issuer or any of its Restricted Subsidiaries, other than

(1) a disposition of assets or issuance of Capital Stock by a Restricted Subsidiary to the Issuer or another Restricted Subsidiary or by the Issuer to a Subsidiary Guarantor or a Person that becomes a Subsidiary Guarantor at the time of such disposition or issuance;

(2) for purposes of § 9(5) only, a disposition that constitutes a Restricted Payment permitted by § 9(2) or a Permitted Investment;

(3) transactions permitted by the covenant set forth under § 9(8) and § 5;

(4) foreclosures on assets and any release of claims which have been written down or written off;

(5) dispositions of obsolete or worn out equipment or equipment that is no longer useful in the conduct of the business of the Issuer and its Restricted Subsidiaries;

(6) sales of accounts receivable, or participations therein, in connection with any Receivables Facility;

(7) dispositions of inventory and goods of sale in the ordinary course of business or a disposal of cash or Cash Equivalents;

(8) the licensing, sublicensing or sale of intellectual property or other intangibles and licenses in the ordinary course of business which do not materially interfere with the ordinary conduct of the business of the Issuer or any of its Restricted Subsidiaries;

(9) dispositions for cash (i) of Capital Stock in the Issuer held by the Issuer at Issue Date on the stock exchange and/or (ii) of any tax refund claim (*Körperschaftsteuerguthaben*);

(10) dispositions arising as a result of any Permitted Lien;

(11) surrender or waiver of contract rights or settlement, release of contract, tort or other claims in the ordinary course of business or that is a foreclosure, condemnation or any similar action with respect to any property or other assets;

(12) dispositions required by law or any governmental authority or agency;

(13) the Fair Market Value of which in the aggregate does not exceed €5 million in any transaction or series of related transactions; or

(14) that is a disposition of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements.

"**Attributable Indebtedness**" in respect of a Sale/Leaseback Transaction means, as at the time of determination, the present value (discounted at the interest rate borne by the Notes, compounded semi- annually) of the total obligations of the lessee for rental payments during the remaining term of the lease included in such Sale/Leaseback Transaction (including any period for which such lease has been extended).

"**Average Life**" means, as of the date of determination, with respect to any Indebtedness, the quotient obtained by dividing (i) the sum of the products of the numbers of years from the date of determination to the dates of each successive scheduled principal payment of such Indebtedness multiplied by the amount of such payment by (ii) the sum of all such payments.

"**Board of Directors**" means, with respect to the Issuer or a Subsidiary, as the case may be, the management board (or other body performing functions similar to any of those performed by a management board or any committee thereof duly authorized to act on behalf of such board (or other body)).

"**Bund Rate**" means the yield to maturity at the time of computation of direct obligations of the Federal Republic of Germany (Bund or Bundesanleihen) with a constant maturity (as officially compiled and published in the most recent financial statistics that have become publicly available at least two Business Days (but not more than five Business Days) prior to April 15, 2014 (or, if such financial statistics are not so published or available, any publicly available source of similar market data selected by the Issuer in good faith)) most nearly equal to the period from a redemption date to April 15, 2014; *provided*, *however*, that if the period from such redemption date to April 15, 2014 is not equal to the constant maturity of the direct obligations of the Federal Republic of Germany for which a weekly average yield is given, the Bund Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of direct obligations of the Federal Republic of Germany for which such yields are given, except that if the period from such redemption date to April 15, 2014 is less than one year, the weekly average yield on actually traded direct obligations of the Federal Republic of Germany adjusted to a constant maturity of one year shall be used.

"**Business Day**" means any day which is a day (other than a Saturday or a Sunday) on which the Clearing System as well as all relevant parts of the Trans-European Automated Real-time Gross Settlement Express Transfer System 2 (TARGET2) are operational to forward payments in euro.

"**Capital Stock**" of any Person means any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) equity of such Person.

"**Capitalized Lease Obligation**" means an obligation that is required to be classified and accounted for as a capitalized lease for financial reporting purposes in accordance with IFRS, and the amount of Indebtedness represented by such obligation shall be the capitalized amount of such obligation at the time any determination thereof is to be made as determined in accordance with IFRS, under such lease prior to the first date such lease may be terminated without penalty.

"**Cash Equivalents**" means:

(1) securities issued or directly and fully guaranteed or insured by the United States Government or any agency or instrumentality of the United States, Switzerland, Norway or a Member State of the European Union or any agency or instrumentality thereof (*provided*, *however*, that the full faith and credit of the United States, Switzerland, Norway or such Member State of the European Union is pledged in support thereof); having maturities of not more than one year from the date of acquisition;

(2) certificates of deposit, time deposits, Eurodollar time deposits, overnight bank deposits or bankers' acceptances having maturities of not more than one year from the date of acquisition thereof issued by any commercial bank the long term debt of which is rated at the time of acquisition, or "A" or the equivalent thereof by Moody's Investors Service, Inc. and having combined capital and surplus in excess of €500 million;

(3) repurchase obligations with a term of not more than seven days for underlying securities of the types set forth in clauses (1) and (2) entered into with any bank meeting the qualifications specified in clause (2) of this definition;

(4) commercial paper rated at the time of acquisition thereof at least "A-2" or the equivalent thereof by Standard & Poor's Ratings Services or "P-2" or the equivalent thereof by Moody's Investors Service, Inc., or carrying an equivalent rating by an internationally recognized rating agency, if both of the two named rating agencies cease publishing ratings of investments, and in any case maturing within one year after the date of acquisition thereof; and

(5) interests in any investment company or money market fund which invests 95% or more of its assets in instruments of the type specified in clauses (1) through (4) of this definition.

"**Cash Management Arrangements**" means the cash management arrangements of the Issuer and its Restricted Subsidiaries (including any Indebtedness arising thereunder) which arrangements are in the ordinary course of business consistent with past practice.

"**Change of Control**" means the occurrence of any of the following:

(1) the Issuer becoming aware of any "person" or "group" of persons acting in concert in the meaning given to such term in § 2(5) of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*) acquiring and holding, directly or indirectly, the control over more than 50% (1) of the issued share capital of the Issuer, or (2) of the voting rights in the shares of the Issuer, by ownership of the share capital, contract or otherwise;

(2) the sale, lease, transfer, conveyance or other disposition (other than by way of merger, or consolidation or other business combination transaction), in one or a series of related transactions, of all or substantially all of the assets of the Issuer and its Restricted Subsidiaries taken as a whole to a Person other than a Restricted Subsidiary;

(3) during any period of two consecutive years, a majority of the shareholders' representatives on the Board of Directors of the Issuer are not Continuing Directors; or

(4) the adoption of a plan relating to the liquidation, winding up or other disposition of assets of the Issuer.

"**Commodity Hedging Agreement**" means, in respect of a Person, any commodity purchase contract, commodity futures or forward contract, commodities option contract or other similar contract or arrangement with respect to fluctuations in commodity prices (including derivative agreement or arrangements) to which such Person is a party or beneficiary.

"**Consolidated Coverage Ratio**" means as of any date of determination, with respect to the Issuer and its Restricted Subsidiaries, the ratio of (i) the aggregate amount of Adjusted EBITDA for the period of the most recent four consecutive fiscal quarters ending prior to the date of such determination for which consolidated financial statements of the Issuer are available to (ii) Interest Expenses for such four fiscal quarters; *provided, however,* that:

(1) if the Issuer or any Restricted Subsidiary:

(a) has Incurred any Indebtedness since the beginning of such period that remains outstanding on such date of determination or if the transaction giving rise to the need to calculate the Consolidated Coverage Ratio is an Incurrence of Indebtedness, Adjusted EBITDA and Interest Expenses for such period shall be calculated after giving effect on a *pro forma* basis to such Indebtedness as if such Indebtedness had been Incurred on the first day of such period (except that in making such computation, the amount of Indebtedness under any revolving credit facility outstanding on the date of such calculation shall be deemed to be (i) the average daily balance of such Indebtedness during such four fiscal quarters or such shorter period for which such facility was outstanding or (ii) if such facility was created after the end of such four fiscal quarters, the average daily balance of such Indebtedness during the period from the date of creation of such facility to the date of such calculation); or

(b) has repaid, repurchased, defeased or otherwise discharged any Indebtedness since the beginning of the period that is no longer outstanding on such date of determination or if the transaction giving rise to the need to calculate the Consolidated Coverage Ratio involves a discharge of Indebtedness (in each case other than Indebtedness Incurred under any revolving credit facility unless such Indebtedness has been permanently repaid and the related commitment terminated), Adjusted EBITDA and Interest Expenses for such period shall be calculated after giving effect on a *pro forma* basis to such discharge of such Indebtedness, including with the proceeds of such new Indebtedness, as if such discharge had occurred on the first day of such period;

(2) if since the beginning of such period the Issuer or any Restricted Subsidiary will have made any Asset Disposition:

(a) the Adjusted EBITDA for such period shall be reduced by an amount equal to the Adjusted EBITDA (if positive) directly attributable to the assets which are the subject of such Asset Disposition for such period or increased by an amount equal to the Adjusted EBITDA (if negative) directly attributable thereto for such period; and

(b) Interest Expenses for such period shall be reduced by an amount equal to the Interest Expenses directly attributable to any Indebtedness of the Issuer or any Restricted Subsidiary repaid, repurchased, defeased or otherwise discharged with respect to the Issuer and its continuing Restricted Subsidiaries in connection with such Asset Disposition for such period (or, if the Capital Stock of any Restricted Subsidiary is sold, Interest Expenses for such period shall be reduced by the amount of Interest Expenses directly attributable to the Indebtedness of such Restricted Subsidiary to the extent the Issuer and its continuing Restricted Subsidiaries are no longer liable for such Indebtedness after such sale);

(3) if since the beginning of such period the Issuer or any Restricted Subsidiary (by merger or otherwise) will have made an Investment in any Restricted Subsidiary (or any Person which becomes a Restricted Subsidiary or is merged with or into the Issuer) or an acquisition of assets, including any acquisition of assets occurring in connection with a transaction requiring a calculation to be made hereunder, and which constitutes all or substantially all of a company, division, operating unit, segment, business, group of related assets or line of business, Adjusted EBITDA and Interest Expenses for such period shall be calculated after giving *pro forma* effect thereto (including the Incurrence of any Indebtedness) as if such Investment or acquisition occurred on the first day of such period; and

(4) if since the beginning of such period any Person (that subsequently became a Restricted Subsidiary or was merged with or into the Issuer or any Restricted Subsidiary since the beginning of such period) will have Incurred any Indebtedness or discharged any Indebtedness, made any Asset Disposition or any Investment or acquisition of assets that would have required an adjustment pursuant to clause (2) or (3) of this definition if made by the Issuer or a Restricted Subsidiary during such period, Adjusted EBITDA and Interest Expenses for such period shall be calculated after giving *pro forma* effect thereto as if such Incurrence or discharge of Indebtedness, Asset Disposition or Investment or acquisition of assets occurred on the first day of such period.

For purposes of this definition, whenever *pro forma* effect is to be given to any calculation under this definition, the *pro forma* calculations (including in respect of anticipated expense or cost savings and expense or cost synergies relating to any such transaction) shall be determined in good faith by a responsible financial or accounting officer of the Issuer. If any Indebtedness bears a floating rate of interest and is being given *pro forma* effect, the interest expense on such Indebtedness shall be calculated as if the rate in effect on the date of determination had been the applicable rate for the entire period (taking into account any Interest Rate Agreement applicable to such Indebtedness).

"**Consolidated Net Income**" means, for any period, the profit (loss) for the period (without discontinued operations) of the Issuer and its Restricted Subsidiaries determined on a consolidated basis in accordance with IFRS (as in effect on the Issue Date); *provided*, *however*, that there shall not be included in such Consolidated Net Income

(1) any profit (loss) for the period (without discontinued operations) of any Person (other than the Issuer) if such Person is not a Restricted Subsidiary, except that:

(a) subject to the limitations contained in clauses (2) through (6) of this definition, the Issuer's equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Issuer or a Wholly Owned Restricted Subsidiary as a dividend or other distribution or return on investment; and

(b) the Issuer's equity in a net loss of any such Person for such period shall be included in determining such Consolidated Net Income;

(2) any net after-tax gain (loss) realized upon the sale or other disposition of any assets of the Issuer or its Restricted Subsidiaries which are not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by an Officer or the Board of Directors of the Issuer);

(3) the amount of any profit of any member of the Group which is attributable to minority interests; *provided* that for as long as the Issuer holds, directly or indirectly, a minority interest in the fully consolidated Gallus Group, any profit attributable to the Gallus Group shall be included in the calculation of Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that could have been distributed by the Gallus Group during such period to the Issuer or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary (other than the Issuer or any Guarantor), to the limitation contained in this definition)

(4) the cumulative effect of a change in accounting principles after the Issue Date;

(5) any extraordinary, gain or loss or charge; and

(6) any net income or loss of any Restricted Subsidiary (other than any Subsidiary Guarantor) will be excluded to the extent such net income or loss is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such Restricted Subsidiary, directly or indirectly, to the Issuer (other than restrictions in effect on the Issue Date with respect to such Restricted Subsidiary and other restrictions with respect to such Restricted Subsidiary that, taken as a whole, are not materially less favorable to the Holders of the Notes than such restrictions in effect on the Issue Date), except that the Issuer's equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary during such period to the Issuer or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary (other than the Issuer or any Guarantor), to the limitation contained in this definition).

"**Consolidated Secured Leverage Ratio**" as of any date of determination, means the ratio of (1) the Consolidated Total Indebtedness that is Secured Indebtedness to (2) the Issuer's Adjusted EBITDA for the most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such event for which such calculation is being made shall occur, in each case with such *pro forma* adjustments to Consolidated Total Indebtedness and Adjusted EBITDA as are appropriate and consistent with the *pro forma* adjustment provisions set forth in the definition of "Consolidated Coverage Ratio"; provided that for purposes of calculating this Consolidated Secured Leverage Ratio, any amount of Indebtedness permitted to be Incurred as of such date of determination under sub-clause (i) of § 9(1)(b) shall be considered Secured Indebtedness.

"**Consolidated Total Indebtedness**" means, as at any date of determination, an amount equal to the sum of (1) the aggregate amount of all outstanding Indebtedness of the Issuer and its Restricted Subsidiaries on a consolidated basis consisting of Indebtedness for borrowed money, obligations in respect of Capitalized Lease Obligations and debt obligations evidenced by promissory notes and similar instruments (and excluding, for the avoidance of doubt, all obligations relating to Receivables Facilities), (2) any amount of Indebtedness permitted to be Incurred as of such date of determination under sub-clause (i) of § 9(1)(b) as if such Indebtedness has been Incurred and is outstanding and (3) the aggregate amount of all outstanding Disqualified Stock of the Issuer and all preferred stock of its Restricted Subsidiaries on a consolidated basis, with the amount of such Disqualified Stock and preferred stock equal to the greater of their respective voluntary or involuntary liquidation preferences and maximum fixed repurchase prices, in each case determined on a consolidated basis in accordance with IFRS (as in effect on the Issue Date). For purposes hereof, the

"maximum fixed repurchase price" of any Disqualified Stock or preferred stock that does not have a fixed repurchase price shall be calculated in accordance with the terms of such Disqualified Stock or preferred stock as if such Disqualified Stock or preferred stock were purchased on any date on which Consolidated Total Indebtedness shall be required to be determined pursuant to these Conditions of Issue, and if such price is based upon, or measured by, the Fair Market Value of such Disqualified Stock or preferred stock, such Fair Market Value shall be determined reasonably and in good faith by the Issuer.

"**Continuing Director**" means, as of any date of determination, any shareholder representative on the supervisory board of the Issuer, who was (i) a member of the supervisory board on the Issue Date or (ii) nominated for election or, in case of a nomination of a shareholder, supported by the nomination committee (*provided* that the majority of the members of the nomination committee making such nomination or expressing such support are Continuing Directors).

"**Credit Facility**" means one or more debt facilities or arrangements (including the Revolving Credit Facility) or commercial paper facilities with banks or other institutions providing for revolving credit loans, term loans, notes, receivables financing (including through the sale of receivables to such lenders or to special purpose entities formed to borrow from such lenders against such receivables), or letters of credit, in each case, as amended, restated, modified, renewed, refunded, replaced or refinanced in whole or in part from time to time (and whether or not with the original administrative agent and lenders or another administrative agent or agents or other lenders and whether provided under the original Revolving Credit Facility or any other credit or other agreement or indenture).

"**Currency Agreement**" means, in respect of a Person, any foreign exchange contract, currency swap agreement, currency futures contract, currency option contract, currency derivative or other similar agreement as to which such Person is a party or a beneficiary.

"**Default**" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"**Disinterested Director**" means, with respect to any transaction or series of related transactions, a member of the Issuer's Board of Directors who does not have any personal stake in or with respect to such transaction or series of related transactions.

"**Disqualified Stock**" means, with respect to any Person, any Capital Stock of such Person which by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable) or upon the happening of any event:

(1) matures or is mandatory redeemable pursuant to a sinking fund obligation or otherwise;

(2) is convertible or exchangeable for Indebtedness or Disqualified Stock (excluding Capital Stock which is convertible or exchangeable solely at the option of the Issuer or a Restricted Subsidiary); or

(3) is redeemable at the option of the holder of the Capital Stock in whole or in part,

in each case on or prior to the date that is 91 days after the earlier of the date (a) of the stated maturity of the Notes or (b) on which there are no Notes outstanding, *provided*, *however*, that only the portion of Capital Stock which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date shall be deemed to be Disqualified Stock; *provided further*, *however*, that any Capital Stock that would constitute Disqualified Stock solely because the holders thereof have the right to require the Issuer to repurchase such Capital Stock upon the occurrence of a change of control or asset disposition (each defined in a substantially identical manner to the corresponding definitions in these Conditions of Issue) shall not constitute Disqualified Stock if the terms of such Capital Stock (and all such securities into which it is convertible or for which it is ratable or exchangeable) provide that the Issuer may not repurchase or redeem any such Capital Stock (and all such securities into which it is convertible or for which it is ratable or exchangeable) pursuant to such provision prior to compliance by the Issuer with the provisions as set forth under § 5 and such repurchase or redemption complies with § 9(2).

"**Euro Equivalent**" means, with respect to any monetary amount in a currency other than euro, at any time of determination thereof, the amount of euro obtained by converting such currency other than euro involved in such computation into euro at the spot rate for the purchase of euro with the applicable currency other than euro as published in the Financial Times in the "Currency and Financial Data" section (or if the Financial Times is no longer published, or if such information is no longer available in the Financial Times, such source as may be selected in good faith by the Issuer) on the date of such determination. Except as expressly provided otherwise, whenever it is necessary to determine whether the Issuer or any of its Restricted Subsidiaries has complied with any covenant or other provision in these Conditions of Issue or if there has occurred an Event of Default and an amount is expressed in a currency other than the

euro, such amount will be treated as the Euro Equivalent determined as of the date such amount is initially determined in such non- euro currency.

"**European Government Obligations**" means any security that is (1) a euro-denominated direct obligation of a Member State of the European Union as in effect on December 31, 2003 and has a sovereign local currency rating of Aaa (or equivalent) by Moody's and AAA (or equivalent) by S&P (in each case, with stable outlook), for the payment of which the full faith and credit of such country is pledged or (2) an obligation of a person controlled or supervised by and acting as an agency or instrumentality of any such country, the payment of which is unconditionally guaranteed as a full faith and credit obligation by such country, which, in either case under the preceding clause (1) or (2), is not callable or redeemable at the option of the issuer thereof.

"**Fair Market Value**" means the value that would be paid by a willing buyer to an unaffiliated willing seller in an arm's length transaction not involving distress or necessity of either party, determined in good faith by the Board of Directors of the Issuer (unless otherwise provided in these Conditions of Issue).

"**Gallus Group**" means Gallus Holding AG and its subsidiaries.

"**Guarantee**" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person, including any such obligation, direct or indirect, contingent or otherwise, of such Person:

(1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise); or

(2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part),

provided, *however*, that the term "Guarantee" shall not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"**Hedging Obligations**" of any Person means the obligations of such Person pursuant to any Interest Rate Agreement or Currency Agreement.

"**Holder**" means any holder of a proportionate co-ownership or other beneficial interest or right in the Notes.

"**IFRS**" means the International Financial Reporting Standards as in effect in the European Union on the Issue Date and, solely with respect to the covenant set forth under § 9(7), as in effect from time to time. Except as otherwise expressly set forth in these Conditions of Issue, all ratios and calculations based on IFRS set forth in these Conditions of Issue shall be computed in conformity with IFRS as in effect on the Issue Date.

"**Incur**" means issue, create, assume, Guarantee, incur or otherwise become liable for; *provided*, *however*, that any Indebtedness or Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (whether by merger, consolidation, acquisition or otherwise) shall be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary; and the terms "Incurred" and "Incurrence" have meanings correlative to the foregoing.

"**Indebtedness**"

(1) means:

(a) indebtedness for borrowed money;

(b) obligations evidenced by bonds, debentures, notes or other similar instruments;

(c) all reimbursement obligations in respect of letters of credit, bankers' acceptances or other similar instruments (except to the extent such reimbursement obligation relates to a trade payable and such obligation is satisfied within 30 days of Incurrence);

(d) obligations to pay the deferred and unpaid purchase price of property (except trade payables or similar obligations to trade creditors), which purchase price is due more than six months after the date of placing such property in service or taking delivery and title thereto;

(e) Capitalized Lease Obligations and Attributable Indebtedness related to Sale/Leaseback Transactions;

(f) the principal component or liquidation preference of all obligations of such Person with respect to the redemption, repayment or other repurchases of any Disqualified Stock or, with respect to any Subsidiary that is not a Guarantor, preferred stock;

(g) the principal component of Indebtedness of other Persons to the extent Guaranteed by such Person; and

(h) to the extent not otherwise included in this definition, net obligations of such Person under Hedging Obligations (the amount of any such obligations to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such Person at such time).

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as set forth in this definition and the maximum liability, upon the occurrence of the contingency giving rise to the obligation, of any contingent obligations at such date.

(2) Notwithstanding the other provisions of this definition, in no event shall the following constitute Indebtedness:

(a) in connection with the purchase or disposal by the Issuer or any Restricted Subsidiary of any business, any indemnification, earn-outs, purchase price adjustments, guarantee, post-closing payment adjustments or similar obligations to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; *provided*, *however*, that, (A) at the time of closing, the amount of any such payment is not determinable, (B) the amount of any such payment shall be determinable within twelve months from the closing date and (C), to the extent such payment thereafter becomes fixed and determined, the amount is paid within 90 days thereafter; or

(b) obligations under or in respect of Receivables Facilities; or

(c) any obligations in respect of workers' compensation claims, early retirement obligations, pension fund obligations or social security or wage taxes or any obligation to environmental or regulatory agencies in relation to the Issuer or any Restricted Subsidiary's duties under environmental or regulatory laws or regulations; or

(d) down payments or pre-payments received in the ordinary course of business; or

(e) any lease of property (or Guarantee thereof) which would be considered an operating lease under IFRS.

(3) In addition, "Indebtedness" of any Person shall include Indebtedness set forth in clause (1) of this definition that would not appear as a liability on the balance sheet of such person if:

(a) such Indebtedness is the obligation of a partnership or joint venture that is not a Restricted Subsidiary (a "**Joint Venture**");

(b) such Person or a Restricted Subsidiary of such Person is a general partner of the Joint Venture (a "**General Partner**"); and

(c) there is recourse, by contract or operation of law, with respect to the payment of such Indebtedness to property or assets of such Person or a Restricted Subsidiary of such Person; and then such Indebtedness shall be included in an amount not to exceed:

(i) the lesser of (A) the net assets of the General Partner and (B) the amount of such obligations to the extent that there is recourse, by contract or operation of law, to the property or assets of such Person or a Restricted Subsidiary of such Person; or

(ii) if less than the amount determined pursuant to the preceding clause (3)(c)(i) of this definition, the actual amount of such Indebtedness that is recourse to such Person or a Restricted Subsidiary of such Person, if the Indebtedness is evidenced in writing and is for a determinable amount and the related interest expense shall be included in Interest Expense to the extent actually paid by the Issuer or its Restricted Subsidiaries.

"**Initial Subsidiary Guarantees**" means a guarantee pursuant to the terms set forth in these Conditions of Issue by an Initial Subsidiary Guarantor.

"**Interest Expense**" means, with respect to the Issuer and its Restricted Subsidiaries for any period, the sum, without duplication, of:

(1) the consolidated cash interest expense of the Issuer and its Restricted Subsidiaries for such period, excluding financing costs such as legal fees, advisory costs, security valuation expenses or similar (but not interest and amounts in the nature of interest including without limitation commissions, fees, discounts, prepayment fees, premium or charges and other finance payments in respect of financial indebtedness whether paid or payable (other than amounts paid prior to the Issue Date)), plus

(2) any cash interest on Indebtedness of another Person that is guaranteed by the Issuer or one of its Restricted Subsidiaries or secured by a Lien on assets of the Issuer or one of its Subsidiaries whether or not such Guarantee or Lien is called upon; plus

(3) any non-cash interest and non-cash amounts in the nature of interest (including without limitation pay-in-kind interest, amortization of original issue discount, commissions, fees, discounts, prepayment fees, premium or charges and other finance payments) in respect of financial indebtedness of or guaranteed by the Issuer or any of its Restricted Subsidiaries charged or accrued on or after the Issue Date; plus

(4) the product of (a) all dividends paid in cash on any series of Disqualified Stock of the Issuer or a Subsidiary Guarantor, or preferred stock of a Restricted Subsidiary that is not a Subsidiary Guarantor, other than dividends to the Issuer or a Restricted Subsidiary of the Issuer, times (b) a fraction, the numerator of which is one and the denominator of which is one minus the then current combined federal, state and local statutory tax rate of such Person, expressed as a decimal, in each case, determined on a consolidated basis in accordance with IFRS.

"**Interest Rate Agreement**" means with respect to any Person any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement as to which such Person is party or a beneficiary.

"**Investment**" in any Person means any direct or indirect advance, loan (other than advances to customers in the ordinary course of business that are recorded as trade receivables on the balance sheet of such Person) or other extensions of credit (including by way of Guarantee or similar arrangement) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by such Person and all other items that are or would be classified as investments on a balance sheet prepared in accordance with IFRS; *provided*, *however*, that advances, loans or other extensions of credit arising under the Cash Management Arrangements shall not be deemed Investments.

For purposes of the definition of "Unrestricted Subsidiary" and § 9(2), "Investment" shall include the portion (proportionate to the Issuer's equity interest in a Restricted Subsidiary to be designated as an Unrestricted Subsidiary) of the Fair Market Value of the net assets of such Restricted Subsidiary at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary; *provided*, *however*, that upon a redesignation of such Subsidiary as a Restricted Subsidiary, the Issuer shall be deemed to continue to have a permanent "Investment" in an Unrestricted Subsidiary in an amount (if positive) equal to the excess of the Issuer's "Investment" in such Subsidiary at the time of such redesignation less the portion (proportionate to the Issuer's equity interest in such Subsidiary) of the Fair Market Value of the net assets of such Subsidiary at the time that such Subsidiary is so re-designated a Restricted Subsidiary; and any property transferred to or from an Unrestricted Subsidiary shall be valued at its Fair Market Value at the time of such transfer, except as would otherwise be required in relation to the valuation of a Restricted Payment pursuant to the covenant set forth in § 9(2).

The amount of any Investment outstanding at any time shall be the original cost of such Investment, reduced by any dividend, distribution, interest payment, return of capital, repayment or other amount or value received in respect of such Investment.

"**Investment Grade Rating**" means with respect to Moody's Investors Service Inc.: Baa3 (or its equivalent at the time) or better and with respect to Standard & Poor's Ratings Group, Inc.: BBB- (or its equivalent at the time) or better (or, if either entity ceases to rate the Notes for reasons outside the control of the Issuer, an equivalent rating from another Rating Agency).

"**Issue Date**" means April 7, 2011.

"**Lien**" means any mortgage, pledge, encumbrance, easement, deposit arrangement, security interest, lien or charge of any other kind of security right *in rem* (including with respect to any Capitalized Lease Obligation, conditional sales, or other title retention agreement having substantially the same economic effect as any of the foregoing).

"**Material Transaction**" means any acquisition or disposition by the Issuer of a significant amount of assets (including businesses) representing greater than 20% of the consolidated revenues, Adjusted EBITDA or consolidated assets of the Issuer on a *pro forma* basis.

"**Net Available Cash**" from an Asset Disposition means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise and net proceeds from the sale or other disposition of any securities received as consideration, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring Person of Indebtedness or other obligations relating to the properties or assets that are the subject of such Asset Disposition or received in any other non-cash form) therefrom, in each case net of:

(1) all direct transaction cost relating to such Asset Disposition, including, but not limited to legal, accounting, investment banking, and other fees and expenses Incurred, and all taxes required to be paid or accrued as a liability under IFRS as a consequence of such Asset Disposition;

(2) all payments made on any Indebtedness which is secured by any assets subject to such Asset Disposition, in accordance with the terms of any Lien upon such assets, or which must by its terms, or in order to obtain a necessary consent to such Asset Disposition, or by applicable law be repaid out of the proceeds from such Asset Disposition;

(3) all distributions and other payments required to be made to minority interest holders in any of the Issuer's Subsidiaries or joint ventures as a result of such Asset Disposition;

(4) the deduction of appropriate amounts to be provided for by the seller as a reserve, in accordance with IFRS, against any liabilities associated with the assets disposed of in such Asset Disposition and retained by the Issuer or any Restricted Subsidiary after such Asset Disposition; and

(5) any portion of the purchase price from an Asset Disposition required by the terms of the sale agreements to be placed in escrow (A) to provide assurance to the purchaser that the seller will be able to satisfy its indemnification and other obligations with respect to such sale and (B) which escrow is not under the sole control of the Issuer or any of its Subsidiaries; *provided*, *however*, that upon the termination of that escrow, Net Available Cash shall be increased by any portion of funds in the escrow that are released to the Issuer or any Restricted Subsidiary.

"**Net Cash Proceeds**" means, with respect to any issuance or sale of Capital Stock or Indebtedness, the cash proceeds of such issuance or sale net of all direct cost relating to such issuance or sale, including, but not limited to attorneys' fees, accountants' fees, underwriters' or placement agents' fees, listing fees, discounts or commissions and brokerage, consultant and other fees and charges actually Incurred in connection with such issuance or sale and net of taxes paid or payable as a result of such issuance or sale (after taking into account any available tax credit or deductions and any tax sharing arrangements).

"**Officer**" means, with respect to any Person, (1) the members of the Board of Directors, the Chief Executive Officer, the President, the Chief Financial Officer, any Vice President, the Treasurer or the Secretary (a) of such Person or (b) if such Person is owned or managed by a single entity, of such entity, or (2) any other individual designated as an "Officer" for the purposes of these Conditions of Issue by the Board of Directors of such Person.

"**Officers' Request Certificate**" means, with respect to any Person, a certificate signed by two Officers of such Person.

"**Opinion of Counsel**" means a written opinion from legal counsel reasonably satisfactory to the Holders' Representative. The counsel may be an employee of or counsel to the Issuer.

"***Pari Passu*** **Indebtedness**" means, in the case of the Notes, any Indebtedness of the Issuer that ranks equally in right of payment with the Notes and, in the case of the Subsidiary Guarantees, any Indebtedness of the applicable Subsidiary Guarantor that ranks equally in right of payment to the Subsidiary Guarantee of such Subsidiary Guarantor.

"**Permitted Investment**" means an Investment by the Issuer or any Restricted Subsidiary:

(1) in the Issuer, a Restricted Subsidiary or a Person that will, upon the making of such Investment, become a Restricted Subsidiary;

(2) in a Person, if as a result of such Investment, such other Person is merged or consolidated with or into, or transfers or conveys all or substantially all its assets to, the Issuer or a Restricted Subsidiary;

(3) in Permitted Joint Ventures; *provided* that the aggregate principal amount of all such Investments will not exceed €30 million;

(4) in Capital Stock, obligations or securities received (i) in settlement of debts created in the ordinary course of business and owing to the Issuer or any Restricted Subsidiary, (ii) as a result of foreclosure, perfection or enforcement of any Lien, (iii) in satisfaction of judgments, (iv) pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of a debtor or (v) in settlement of litigation, arbitration or other disputes;

(5) in existence on the Issue Date or made pursuant to legally binding commitments in existence on the Issue Date and any extension, modification or renewal of any such Investments, but only to the extent not involving additional Investments;

(6) Investments relating to a Receivables Subsidiary that, in the good faith determination of the Issuer are necessary or advisable to effect transactions contemplated under the Receivables Facility;

(7) in any of the Notes;

(8) in cash and Cash Equivalents;

(9) acquired by the Issuer or any Restricted Subsidiary in connection with an Asset Sale permitted pursuant to § 9(5) to the extent such Investments are non-cash proceeds or deemed cash proceeds as permitted under such covenant;

(10) loans or advances to employees or directors made in the ordinary course of business consistent with past practices of the Issuer or such Restricted Subsidiary not to exceed €3 million in the aggregate at any one time outstanding;

(11) Hedging Obligations, which transactions or obligations are incurred in compliance with § 9(1);

(12) Guarantees of Indebtedness permitted to be incurred under § 9(1) and (other than with respect to Indebtedness) guarantees, keepwells and similar arrangements in the ordinary course of business;

(13) loans made to customers to finance the acquisition of inventory in the ordinary course of business;

(14) acquired after the Issue Date as a result of the acquisition by the Issuer or any Restricted Subsidiary of another Person (including by way of a merger, amalgamation or consolidation with or into the Issuer or any of its Restricted Subsidiaries in a transaction that is not prohibited by § 9(8) after the Issue Date; *provided* that (i) such Investments were not made in contemplation of such acquisition, merger, amalgamation or consolidation and were in existence on the date of such acquisition, merger, amalgamation or consolidation and (ii) at the time such other Person becomes a Restricted Subsidiary, such Investments would not constitute a Significant Subsidiary of such acquired Person; and

(15) Investments, taken together with all other Investments made pursuant to this clause (15) and at any time outstanding, in an aggregate amount at the time of such Investment not to exceed €50 million.

"**Permitted Joint Venture**" means any Person that is not a Restricted Subsidiary and that is engaged in a Related Business and of which at least 20% of the total Capital Stock and total Voting Stock is at the time of determination owned or controlled, directly or indirectly, by the Company or one or more Restricted Subsidiaries or a combination thereof.

"**Permitted Liens**" means:

(1) pledges, deposits or Liens under workmen's compensation laws, unemployment insurance laws, social security laws, pension regulations or similar legislation, or insurance-related obligations, or in connection with bids, tenders, completion guarantees, contracts (other than for the payment of Indebtedness), warranty obligations or leases to which the Issuer or a Restricted Subsidiary is a party, or to secure public or statutory obligations of the

Issuer or a Restricted Subsidiary or deposits of cash or Cash Equivalents to secure surety, judgment, performance or appeal bonds (or other similar bonds, instruments or obligations) to which the Issuer or a Restricted Subsidiary is a party, or deposits as security for contested taxes or import or customs duties or for the payment of rent, or other obligations of like nature, in each case Incurred in the ordinary course of business;

(2) Liens imposed by law;

(3) Liens for taxes, assessments or other governmental charges;

(4) Liens in favor of issuers of surety or performance bonds or letters of credit or bankers' acceptances issued pursuant to the request of and for the account of the Issuer or a Restricted Subsidiary in the ordinary course of its business; *provided*, *however*, that such letters of credit do not constitute Indebtedness;

(5) judgment Liens not giving rise to an Event of Default so long as any appropriate legal proceedings which may have been duly initiated for the review of such judgment have not been finally terminated or the period within which such proceedings may be initiated has not expired;

(6) Liens arising solely by virtue of banks' standard business terms and conditions;

(7) Liens existing on the Issue Date (other than on the Notes and the Subsidiary Guarantees);

(8) Liens by means of transfers by way of security (*Sicherungsübereignung*) to a trustee on stock (*Vorratsvermögen*) for the benefit of suppliers (including inter- company suppliers) and their credit insurers (*Kreditversicherer*) in the ordinary course of business consistent with past practice;

(9) Liens on property or shares of stock of a Person at the time such Person becomes a Restricted Subsidiary; *provided*, *however*, that such Liens are not created, Incurred or assumed in connection with, or in contemplation of, such other Person becoming a Restricted Subsidiary; *provided further*, *however*, that any such Lien may not extend to any other property owned by the Issuer or any Restricted Subsidiary;

(10) Liens on property at the time the Issuer or a Restricted Subsidiary acquired the property, including any acquisition by means of a merger or consolidation with or into the Issuer or any Restricted Subsidiary; *provided*, *however*, that such Liens are not created, Incurred or assumed in connection with, or in contemplation of, such acquisition; *provided further*, *however*, that such Liens may not extend to any other property owned by the Issuer or any Restricted Subsidiary;

(11) Liens securing Indebtedness or other obligations of the Issuer under a cash pool or similar arrangement owed to a Restricted Subsidiary;

(12) Liens arising in connection with conditional sale or retention of title arrangements (*Eigentumsvorbehalt*), inventory financing arrangements or similar arrangements entered into in the ordinary course of business;

(13) Liens securing Refinancing Indebtedness Incurred to refinance Indebtedness that was previously so secured, *provided*, *however*, that any such Lien is limited to all or part of the same security package that secured the Indebtedness being refinanced and shall rank the same priority as the Indebtedness being refinanced;

(14) Liens to secure Indebtedness permitted by § 9(1)(b)(xii); *provided* that any such Lien shall be limited to the asset financed with such Indebtedness;

(15) Liens securing any Indebtedness of a Restricted Subsidiary owed to the Issuer or another Restricted Subsidiary; *provided* that such Liens are subordinated to the Liens securing the Notes;

(16) Liens on accounts receivable and related assets incurred in connection with a Receivables Facility;

(17) Liens to secure Indebtedness permitted by § 9(1)(a) and sub-clauses (i), (vii), (x) and (xiii) as well as, to the extent not Incurred pursuant to a Commodity Hedging Agreement, sub-clause (viii) of § 9(1)(b);

(18) Liens in favor of the Issuer or, as long as such Lien does not secure any obligation of the Issuer or a Guarantor, any Restricted Subsidiary;

(19) leases (including operating leases), licenses, subleases and sublicenses of assets (including real property and intellectual property rights), in each case entered into in the ordinary course of business;

(20) Liens securing or arising by reason of any netting or set-off arrangement entered into in the ordinary course of banking or other trading activities;

(21) Liens on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets; and

(22) Liens on assets of the Company or any Restricted Subsidiary with respect to Indebtedness that do not exceed €15 million.

"**Person**" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company, government or any agency or political subdivision thereof or any other entity.

"**Public Indebtedness**" means any Indebtedness consisting of bonds, debentures, notes or other similar debt securities (or any guarantees or intercompany loans in respect thereof) or Disqualified Stock issued in (a) a public offering registered under the U.S. Securities Act, (b) listed on a recognized stock exchange or (c) a private placement to institutional investors that is underwritten for resale in accordance with Rule 144A or Regulation S under the U.S. Securities Act, whether or not it includes registration rights entitling the holders of such debt securities or Disqualified Stock to registration thereof with the SEC for public resale.

"**Purchase Money Obligation**" means any Indebtedness incurred to finance or refinance the acquisition, construction or improvement of property (real or personal) or assets (including Capital Stock), and whether acquired through the direct acquisition of such property or assets or the acquisition of the Capital Stock of any Person owning such property or assets, or otherwise; *provided* that such Indebtedness is Incurred within 180 days after such acquisition, construction or improvement.

"**Rating Agencies**" means Moody's Investors Service Inc. and Standard & Poor's Ratings Group, Inc. (or, if either such entity ceases to rate the Notes for reasons outside the control of the Issuer, any other "nationally recognized statistical rating organization" identified by the U.S. Securities and Exchange Commission or to its affiliated rating agencies outside the United States).

"**Receivables Facility**" means one or more receivables financing facilities as amended, supplemented, modified, extended, renewed, restated or refunded from time to time, the obligations of which are non-recourse (except for customary representations, warranties, covenants and indemnities made in connection with such facilities) to the Issuer or any of its Restricted Subsidiaries (other than a Receivables Subsidiary) pursuant to which the Issuer or any of its Restricted Subsidiaries sells its accounts receivable to either (a) a Person that is not a Restricted Subsidiary or (b) a Receivables Subsidiary that in turn sells its accounts receivable to a Person that is not a Restricted Subsidiary.

"**Receivables Subsidiary**" means any Subsidiary formed for the purpose of, and that solely engages only in one or more Receivables Facilities and other activities reasonably related thereto.

"**Refinancing Indebtedness**" means Indebtedness that refinances any Indebtedness Incurred or existing as permitted under and in compliance with these Conditions of Issue; *provided*, *however*, that:

(1) the Refinancing Indebtedness has a Stated Maturity no earlier than the Stated Maturity of the Indebtedness being refinanced;

(2) the Refinancing Indebtedness has an Average Life at the time such Refinancing Indebtedness is Incurred that is equal to or greater than the Average Life of the Indebtedness being refinanced;

(3) such Refinancing Indebtedness has an aggregate principal amount (or, if issued with original issue discount, an aggregate issue price) that is equal to or less than the aggregate principal amount (or, if issued with original issue discount, the aggregate accreted value) then outstanding of the Indebtedness being refinanced (plus all accrued interest and the amount of all fees and expenses, including any premiums and defeasance costs);

(4) if the Indebtedness being refinanced is subordinated in right of payment to the Notes or any Subsidiary Guarantee, such Refinancing Indebtedness is subordinated in right of payment to the Notes or such Subsidiary Guarantee, as the case may be, on terms at least as favorable to the Holders as those contained in the documentation governing the Indebtedness being refinanced;

(5) if the Indebtedness being refinanced is Indebtedness of the Issuer or a Subsidiary Guarantor, the Refinancing Indebtedness may not be Indebtedness of or Guaranteed by a Restricted Subsidiary that is not a Subsidiary Guarantor; and

(6) such Refinancing Indebtedness is incurred either by the Issuer or a Subsidiary Guarantor (if the Issuer or a Subsidiary Guarantor was the obligor of the Indebtedness being refinanced, replaced or discharged) or by the Restricted Subsidiary that was the obligor of the Indebtedness being refinanced, replaced or discharged and is Guaranteed only by Persons who were obligors or Guarantors of the Indebtedness being refinanced, replaced or discharged.

"**Related Business**" means any of the businesses engaged in by the Issuer and its Subsidiaries on the Issue Date, and any services, activities or businesses incidental or reasonably related or similar thereto, or any line of business or business activity that is a reasonable extension, development, application or expansion thereof or ancillary thereto (including by way of geography or product or service line).

"**Relevant Distribution Compliance Date**" means (i) with respect to the €304,000,000 in aggregate principal amount of Notes originally issued on the Issue Date, and (ii) with respect to any additional Notes issued after the Issue Date pursuant to § 14(1), the date which is the 40th day after the later of (x) the date when such additional Notes were first offered to persons other than distributors in reliance upon Regulation S under theU.S. Securities Act and (y) the relevant issue date for such additional Notes.

"**Restricted Investment**" means any Investment other than a Permitted Investment.

"**Restricted Payment**" means:

(1) the declaration or payment of any dividend or any distribution (whether made in cash, securities or other property) by the Issuer or any Restricted Subsidiary on or in respect of its Capital Stock (including any payment in connection with any merger or consolidation involving the Issuer or any of its Restricted Subsidiaries) except:

   (a) dividends or distributions payable in Capital Stock of the Issuer (other than Disqualified Stock), or in options, warrants or other rights to purchase such Capital Stock of the Issuer; and

   (b) dividends or distributions payable to the Issuer or a Restricted Subsidiary and, if such Restricted Subsidiary making the payment is not a Wholly Owned Subsidiary, to its other holders of Capital Stock on a pro rata basis or on a basis that results in the receipt by the Issuer or a Restricted Subsidiary of dividends or distributions of greater value than the Issuer of such Restricted Subsidiary would receive on a pro rata basis;

(2) the purchase, redemption or other acquisition for value of any Capital Stock of the Issuer or any direct or indirect parent of the Issuer held by Persons other than the Issuer or a Restricted Subsidiary (other than in exchange for Capital Stock of the Issuer (other than Disqualified Stock));

(3) the purchase, repurchase, redemption, defeasance or other acquisition for value, prior to scheduled maturity or scheduled repayment of any Indebtedness of the Issuer or Subsidiary Guarantor that is contractually subordinated to the Notes or to any Subsidiary Guarantee (excluding any intercompany Indebtedness between or among the Issuer and any of its Restricted Subsidiary), other than the purchase, repurchase, redemption, defeasance or other acquisition of any Indebtedness of the Issuer or any Subsidiary Guarantor that is contractually subordinated to the Notes or to any Subsidiary Guarantee purchased in anticipation of satisfying a sinking fund obligation, principal instalment or final maturity, in each case due within 1 year of the date of such purchase, repurchase, redemption, defeasance or other acquisition; or

(4) the making of any Restricted Investment in any Person.

The amount of all Restricted Payments (other than cash) shall be the Fair Market Value on the date of such Restricted Payment of the asset(s) or securities proposed to be paid, transferred or issued by the Issuer or such Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment. The Fair Market Value of any cash Restricted Payment shall be its face amount and the Fair Market Value of any non-cash Restricted Payment shall be determined conclusively by the Board of Directors of the Issuer acting in good faith whose resolution with respect thereto shall be promptly delivered to the Holders' Representative, such determination to be based upon an opinion or appraisal issued by an accounting, appraisal or investment bank of national standing if such Fair Market Value is estimated in good faith by the Board of Directors of the Issuer to exceed €15 million. No later than the date of making any Restricted Payment, the Issuer shall deliver to the Holders' Representative an Officers' Request Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by § 9(2) were computed, together with a copy of any fairness opinion or appraisal required and any other information reasonably requested by the Holders' Representative.

"**Restricted Subsidiary**" means any Subsidiary of the Issuer other than an Unrestricted Subsidiary.

"**Revolving Credit Facility**" means the €500 million revolving and facilities agreement dated March 25, 2011 between, *inter alia,* Heidelberger Druckmaschinen Aktiengesellschaft and the Revolving Credit Facility Lenders, including any related ancillary facility agreements, notes, guarantees, collateral documents, instruments and agreements executed in connection therewith, in each case as the same may be amended, extended, restated, waived or otherwise modified from time to time.

"**Revolving Credit Facility Lenders**" means the "Lenders" as defined under the Revolving Credit Facility.

"**Sale/Leaseback Transaction**" means an arrangement relating to property owned on the Issue Date or thereafter acquired as permitted under and in compliance with these Conditions of Issue whereby the Issuer, or a Restricted Subsidiary transfers such property to a Person and the Issuer, or Restricted Subsidiary leases it from such Person.

"**Secured Indebtedness**" means, as of any date of determination, any Indebtedness that is secured by a Lien on assets of the Issuer or a Restricted Subsidiary.

"**Senior Indebtedness**" means, whether outstanding on the Issue Date or thereafter issued, created, Incurred or assumed, the Revolving Credit Facility and all amounts payable by the Issuer under or in respect of all other Indebtedness of the Issuer, including premiums and accrued and unpaid interest (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization relating to the Issuer at the rate specified in the documentation with respect thereto whether or not a claim for post filing interest is allowed in such proceeding) and fees relating thereto; *provided*, *however*, that Senior Indebtedness will not include:

(1) any Indebtedness Incurred in violation of these Conditions of Issue;

(2) any obligation of the Issuer to any Subsidiary;

(3) any accounts payable or other liability to trade creditors arising in the ordinary course of business (including Guarantees thereof or instruments evidencing such liabilities);

(4) any Indebtedness, Guarantee or obligation of the Issuer that is expressly subordinate or junior in right of payment to any other Indebtedness, Guarantee or obligation of the Issuer, including, without limitation, any Subordinated Obligations; or

(5) any Capital Stock.

"**Significant Subsidiary**" means any Restricted Subsidiary which contributed the equivalent of at least 10% of the Issuer and its Subsidiaries' consolidated revenue or EBITDA for the year.

"**Stated Maturity**" means, with respect to any security, the date specified in such security as the fixed date on which the payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision, but shall not include any contingent obligations to repay, redeem or repurchase any such principal prior to the date originally scheduled for the payment thereof.

"**Subordinated Obligation**" means any Indebtedness of the Issuer (whether outstanding on the Issue Date or thereafter Incurred) which is subordinated in right of payment to the Notes pursuant to a written agreement; *provided*, *however*, that such Subordinated Obligation:

(1) does not (including upon the happening of any event) mature or require any amortization or other payment of principal prior to the first anniversary of the maturity of the Notes (other than through conversion or exchange of any such security or instrument for Capital Stock of the Issuer or for any other security or instrument meeting the requirements of the definition);

(2) does not (including upon the happening of any event) require the payment of cash interest prior to the first anniversary of the maturity of the Notes;

(3) does not (including upon the happening of any event) provide for the acceleration of its maturity nor confers any right (including upon the happening of any event) to declare a default or event of default or take any enforcement action, in each case, prior to the first anniversary of the maturity of the Notes;

(4) is not secured by a Lien on any assets of the Issuer or a Restricted Subsidiary and is not Guaranteed by any Subsidiary of the Issuer;

(5) is subordinated in right of payment to the prior payment in full in cash of the Notes in the event of any default, bankruptcy, reorganization, liquidation, winding up or other disposition of assets of the Issuer;

(6) does not (including upon the happening of any event) restrict the payment of amounts due in respect of the Notes or compliance by the Issuer with its obligations under the Notes and the Agency Agreement;

(7) does not (including upon the happening of an event) constitute Voting Stock; and

(8) is not (including upon the happening of any event) mandatorily convertible or exchangeable, or convertible or exchangeable at the option of the holder, in whole or in part, prior to the date on which the Notes mature other than into or for Capital Stock of the Issuer;

provided, *however*, that any event or circumstance that results in such Indebtedness ceasing to qualify as a Subordinated Obligation, such Indebtedness shall constitute an incurrence of such Indebtedness by the Issuer which incurrence will only be permitted to the extent permitted under the provision set forth under § 9(1), and any and all Restricted Payments made through the use of the net proceeds from the Incurrence of such Indebtedness since the date of the original issuance of such Subordinated Obligation shall constitute new Restricted Payments that are deemed to have been made after the date of the original issuance of such Subordinated Obligation.

"**Subsidiary**" means (i) any Person directly or indirectly majority owned by the Issuer and (ii) for so long as it is controlled by the Issuer or a Restricted Subsidiary and consolidated by the Issuer, the Gallus Group.

"**Subsidiary Guarantee**" means a Guarantee on the terms set forth in these Conditions of Issue by a Subsidiary Guarantor of the Issuer's obligations under the Notes and these Conditions of Issue.

"**Subsidiary Guarantor**" means each Subsidiary of the Issuer that is Guaranteeing the obligations of the Issuer under the Notes and these Conditions of Issue and each Additional Subsidiary Guarantor.

"**Total Assets**" means the total consolidated assets, less cash and Cash Equivalents, of the Issuer and its Restricted Subsidiaries, as shown on the most recent balance sheet of the Issuer.

"**Unrestricted Subsidiary**" means:

(1) any Subsidiary of the Issuer that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors of the Issuer in the manner provided for in § 9(12); and

(2) any Subsidiary of an Unrestricted Subsidiary.

"**U.S. Exchange Act**" means the U.S. Securities Exchange Act of 1934, as amended.

"**U.S. Securities Act**" means the U.S. Securities Act of 1933, as amended.

"**Voting Stock**" of a corporation or company means all classes of Capital Stock of such corporation or company then outstanding and normally entitled to vote in the election of directors.

"**Wholly Owned Subsidiary**" means a Restricted Subsidiary, all of the Capital Stock of which (other than directors' qualifying shares or shares required by any applicable law or regulation to be held by a Person other than the Issuer or another Wholly Owned Subsidiary) is owned by the Issuer or another Wholly Owned Subsidiary.

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Interim consolidated income statement April 1, 2013 to September 30, 2013

	Note	1-Apr-2012 to 30-Sep-2012[(1)]	1-Apr-2013 to 30-Sep-2013
		Figures in € thousands	
Net sales		1,217,315	1,096,805
Change in inventories		65,043	60,186
Other own work capitalized		19,157	9,239
Total operating performance		1,301,515	1,166,230
Other operating income	3	41,181	47,912
Cost of materials	4	636,123	537,811
Staff costs		479,723	435,193
Depreciation and amortization		40,950	38,364
Other operating expenses	5	260,426	210,017
Special items	6	22,339	1,412
Result of operating activities		−96,865	−8,655
Financial income	7	13,027	6,491
Financial expenses	8	36,393	34,112
Financial result		−23,366	−27,621
Income before taxes		−120,231	−36,276
Taxes on income		−12,324	10,795
Consolidated net loss		−107,907	**−47,071**
Basic earnings per share according to IAS 33 (in €/share)	9	−0.46	**−0.20**
Diluted earnings per share according to IAS 33 (in €/share)	9	−0.46	**−0.20**

(1) Figures of the previous year were restated due to first-time adoption of IAS 19 (2011), see note 1

Interim consolidated statement of comprehensive income April 1, 2013 to September 30, 2013

	1-Apr-2012 to 30-Sep-2012[1]	1-Apr-2013 to 30-Sep-2013
	Figures in € thousands	
Consolidated net loss	−107,907	−47,071
Other comprehensive income not reclassified to the income statement		
Pension obligations	−86,693	12,873
Deferred income taxes	1,742	450
	−84,951	13,323
Other comprehensive income which may subsequently be reclassified to the income statement		
Currency translation	8,258	−23,008
Available-for-sale financial assets	−511	215
Cash flow hedges	−2,868	−195
Deferred income taxes	135	103
	5,014	−22,885
Total other comprehensive income	−79,937	−9,562
Total comprehensive income	−187,844	−56,633

(1) Figures of the previous year were restated due to first-time adoption of IAS 19 (2011), see note 1

Interim consolidated income statement July 1, 2013 to September 30, 2013

	1-Jul-2012 to 30-Sep-2012[(1)]	1-Jul-2013 to 30-Sep-2013
	Figures in € thousands	
Net sales	697,242	592,632
Change in inventories	−29,962	−6,446
Other own work capitalized	17,214	6,617
Total operating performance	684,494	592,803
Other operating income	18,365	19,328
Cost of materials	332,986	268,395
Staff costs	229,561	206,182
Depreciation and amortization	20,147	19,908
Other operating expenses	127,362	104,627
Special items	16,563	369
Result of operating activities	−23,760	12,650
Financial income	6,962	1,678
Financial expenses	18,304	17,272
Financial result	−11,342	−15,594
Income before taxes	−35,102	−2,944
Taxes on income	−3,615	5,650
Consolidated net loss	−31,487	**−8,594**
Basic earnings per share according to IAS 33 (in €/share)	−0.13	**−0.04**
Diluted earnings per share according to IAS 33 (in €/share)	−0.13	**−0.04**

(1) Figures of the previous year were restated due to first-time adoption of IAS 19 (2011), see note 1

Interim consolidated statement of comprehensive income July 1, 2013 to September 30, 2013

	1-Jul-2012 to 30-Sep-2012[1]	1-Jul-2013 to 30-Sep-2013
	Figures in € thousands	
Consolidated net loss	−31,487	−8,594
Other comprehensive income not reclassified to the income statement		
Pension obligations	−40,807	−973
Deferred income taxes	560	−4
	−40,247	−977
Other comprehensive income which may subsequently be reclassified to the income statement		
Currency translation	−2,432	−7,917
Available-for-sale financial assets	−158	159
Cash flow hedges	5,459	−1,299
Deferred income taxes	59	88
	2,928	−8,969
Total other comprehensive income	−37,319	−9,946
Total comprehensive income	−68,806	**−18,540**

(1) Figures of the previous year were restated due to first-time adoption of IAS 19 (2011), see note 1

Interim consolidated statement of financial position as of September 30, 2013

	Note	31-Mar-2013	30-Sep-2013
		Figures in € thousands	
>Assets			
Non-current assets			
Intangible assets	10	234,676	228,102
Property, plant and equipment	10	530,517	518,986
Investment property		6,988	5,262
Financial assets		23,590	23,552
Receivables from sales financing		63,215	52,849
Other receivables and other assets	12	19,225	12,364
Income tax assets		345	247
Deferred tax assets		36,145	32,718
		914,701	874,080
Current assets			
Inventories	11	699,692	731,969
Receivables from sales financing		55,049	46,719
Trade receivables		381,842	243,160
Other receivables and other assets	12	110,257	116,882
Income tax assets		17,120	16,855
Cash and cash equivalents	13	157,492	197,708
		1,421,452	1,353,293
Assets held for sale		2,049	3,743
Total assets		2,338,202	**2,231,116**
> Equity and liabilities			
Equity	14		
Issued capital		599,308	599,308
Capital reserves and retained earnings		−80,720	−204,610
Consolidated net loss		−117,067	−47,071
		401,521	347,627
Non-current liabilities			
Provisions for pensions and similar obligations	15	415,361	413,120
Other provisions	16	246,834	217,786
Financial liabilities	17	331,235	388,889
Other liabilities	18	121,509	119,453
Deferred tax liabilities		8,282	7,706
		1,123,221	1,146,954
Current liabilities			
Other provisions	16	336,147	272,109
Financial liabilities	17	87,628	48,022
Trade payables		139,134	142,063
Income tax liabilities		3,086	2,509
Other liabilities	18	247,465	271,832
		813,460	736,535
Total equity and liabilities		2,338,202	**2,231,116**

(1) Figures of the previous year were restated due to first-time adoption of IAS 19 (2011), see note 1

Statement of changes in consolidated equity as of September 30, 2013[1]

	Issued capital	Capital reserves	Retained earnings: Currency translation	Retained earnings: Fair value of other financial assets	Retained earnings: Fair value of cash flow hedges	Retained earnings: Other retained earnings	Retained earnings: Total retained earnings
						Figures in € thousands	
April 1, 2012	599,308	27,098	−160,836	−1,158	−2,059	343,437	179,384
Changes in accounting policies[2]	0	0	0	0	0	2,874	2,874
April 1, 2012, restated[2]	599,308	27,098	−160,836	−1,158	−2,059	346,311	182,258
Profit (+)/loss (−) carryforward	0	0	0	0	0	−230,093	−230,093
Total comprehensive income[2]	0	0	8,258	−511	−2,733	−84,951	−79,937
Consolidation adjustments/other changes	0	0	0	0	0	990	990
September 30, 2012	599,308	27,098	−152,578	−1,669	−4,792	32,257	−126,782
April 1, 2013	599,308	27,098	−150,044	−946	3,733	30,313	−116,944
Changes in accounting policies[2]	0	0	0	0	0	9,126	9,126
April 1, 2013, restated[2]	599,308	27,098	−150,044	−946	3,733	39,439	−107,818
Profit (+)/loss (−) carryforward	0	0	0	0	0	−117,067	−117,067
Total comprehensive income	0	0	−23,008	215	−92	13,323	−9,562
Consolidation adjustments/other changes	0	1,301	0	0	0	1,438	1,438
September 30, 2013	**599,308**	**28,399**	**−173,052**	**−731**	**3,641**	**−62,867**	**−233,009**

(1) Please see note 14 for further information

(2) Figures of the previous year were restated due to first-time adoption of IAS 19 (2011), see note 1

Interim consolidated statement of cash flows April 1, 2013 to September 30, 2013

	1-Apr-2012 to 30-Sep-2012[1]	1-Apr-2013 to 30-Sep-2013
	Figures in € thousands	
Consolidated net loss	−107,907	−47,071
Depreciation and amortization, write-downs and reversals[2]	43,176	38,364
Change in pension provisions	14,342	11,237
Change in deferred tax assets/deferred tax liabilities/tax provisions	−10,363	1,860
Result from disposals[2]	161	−718
Cash flow	−60,591	**3,672**
Change in inventories	−66,802	−43,482
Change in sales financing	24,879	13,657
Change in trade receivables/payables	21,063	127,926
Change in other provisions	−22,067	−79,728
Change in other items of the statement of financial position	20,725	29,545
Other operating changes	−22,202	**47,918**
Cash used in/generated by operating activities	−82,793	**51,590**
Intangible assets/property, plant and equipment/investment property		
Investments	−42,311	−30,383
Income from disposals	10,222	6,764
Financial assets/business acquisitions		
Investments	−294	−2
Income from disposals	0	6
Cash used in investing activities	−32,383	**−23,615**
Change in financial liabilities	41,528	18,645
Cash generated by financing activities	41,528	**18,645**
Net change in cash and cash equivalents	−73,648	**46,620**
Cash and cash equivalents at the beginning of the reporting period	194,556	**157,492**
Currency adjustments	3,176	−6,404
Net change in cash and cash equivalents	−73,648	46,620
Cash and cash equivalents as of the end of the reporting period	124,084	**197,708**
Cash used in/generated by operating activities	−82,793	51,590
Cash used in investing activities	−32,383	−23,615
Free cash flow	−115,176	**27,975**

(1) Figures of the previous year were restated due to first-time adoption of IAS 19 (2011), see note 1

(2) Relates to intangible assets, property, plant and equipment, investment property as well as financial assets

Notes

1 Accounting policies

The interim consolidated financial statements as of September 30, 2013 are consistent with and were prepared in line with the regulations of IAS 34 (Interim Financial Reporting). They should be read in conjunction with the consolidated financial statements as of March 31, 2013, which were prepared in line with the International Financial Reporting Standards (IFRS) as endorsed in the EU.

The interim consolidated financial statements were generally prepared using the same accounting policies as the consolidated financial statements for the 2012/2013 financial year. In accordance with the regulations of IAS 34, a condensed scope of reporting was chosen as against the consolidated financial statements as of March 31, 2013. All amounts are generally stated in € thousands.

The International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRS IC) have approved and amended the following standards and interpretations, which are to be applied for the first time in financial year 2013/2014:

Standards	Publication by the IASB/IFRS IC	Effective date[1]	Published in the Official Journal of the EU	Effects
Amendments to standards				
Amendments to IAS 1: Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income	16-Jun-2011	1-Jul-2012	6-Jun-2012	The statement of comprehensive income was restated accordingly
Amendments to IAS 12: Income Taxes: Deferred Tax: Recovery of Underlying Assets	20-Dec-2010	1-Jan-2013	29-Dec-2012	None
Amendments to IAS 19: Employee Benefits	16-Jun-2011	1-Jan-2013	6-Jun-2012	Anticipated effects are shown on page 30
Amendments to IFRS 1: First-time Adoption: Severe Hyperinflation and Removal of Fixed Dates for First- time Adopters	20-Dec-2010	1-Jan-2013	29-Dec-2012	None
Amendments to IFRS 1: Government Loans	13-Mar-2012	1-Jan-2013	5-Mar-2013	None
Amendment to IFRS 7: Financial Instruments: Disclosures: Offsetting Financial Assets and Financial Liabilities	16-Dec-2011	1-Jan-2013	29-Dec-2012	No material effects
Improvements to International Financial Reporting Standards for 2009-2011 Cycle	17-May-2012	1-Jan-2013	28-Mar-2013	No material effects
New standards				
IFRS 13: Fair Value Measurement	12-May-2011	1-Jan-2013	29-Dec-2012	Extension of disclosures in the notes to the financial statements (see note 19)
New interpretations				
IFRIC Interpretation 20: Stripping Costs in the Production Phase of a Surface Mine	19-Oct-2011	1-Jan-2013	29-Dec-2012	None

(1) For financial years beginning on or after this date

In accordance with the mandatory adoption of the **Amendments to IAS 19: Employee Benefits** in financial year 2013/2014, the return on plan assets will no longer be offset against staff costs at individual entity level up to the amount of expenses for pension claims. In addition, the net interest approach will replace the concept of an expected return on plan assets; accordingly, interest on plan assets will be calculated using the discount rate for pension obligations. Furthermore, the amendments to IAS 19: Employee Benefits affect the recognition and measurement of top-up payments within the scope of partial retirement obligations in Germany. The notes to the consolidated financial statements for the period ended March 31, 2014 will also include additional disclosures.

As a result of the retrospective application of the amendments to IAS 19: Employee Benefits, the amounts carried forward as of April 1, 2012 and April 1, 2013 were adjusted as follows: Capital reserves and retained earnings increased by € 2,874 thousand and € 9,126 thousand respectively. The consolidated net loss carried forward as of April 1, 2012 remained unchanged, while the figure as of April 1, 2013 increased by € 7,200 thousand. The provisions for

pensions and similar obligations declined by € 80 thousand and € 385 thousand respectively. Other provisions declined by € 2,794 thousand and € 1,541 thousand respectively.

In the interim income statement for the period from April 1, 2012 to September 30, 2012, the retrospective application of the amendments to IAS 19: Employee Benefits resulted in an increase of €17,345 thousand in staff costs and of € 399 thousand in special items, and hence a reduction in the result of operating activities of € 17,744 thousand, as well as an increase of € 13,272 thousand in the financial result and € 325 thousand in taxes on income. Accordingly, the consolidated net loss for the period increased by € 4,147 thousand.

As a result of the retrospective application of the amendments to IAS 19: Employee Benefits, total comprehensive income decreased by € 942 thousand in the interim consolidated statement of comprehensive income for the period from April 1, 2012 to September 30, 2012.

The IASB and the IFRS IC have approved and amended the following standards and interpretations, whose application during financial year 2013/2014 is not yet compulsory or which have not yet been endorsed by the European Union (EU).

- IAS 27: Separate Financial Statements
- IAS 28: Investments in Associates and Joint Ventures
- Amendments to IAS 32: Financial Instruments: Presentation: Offsetting Financial Assets and Financial Liabilities
- Amendments to IAS 36: Recoverable Amount Disclosures for Non-financial Assets
- Amendments to IAS 39: Novation of Derivatives and Continuation of Hedge Accounting
- IFRS 9: Financial Instruments
- Amendments to IFRS 9 and IFRS 7: Mandatory Effective Date and Transition Disclosures
- IFRS 10: Consolidated Financial Statements
- IFRS 11: Joint Arrangements
- IFRS 12: Disclosure of Interests in Other Entities
- Amendments to IFRS 10: Consolidated Financial Statements, IFRS 11: Joint Arrangements, and IFRS 12: Disclosure of Interests in Other Entities: Transition Guidance
- Amendments to IFRS 10, IFRS 12 and IAS 27: Investment Entities
- IFRIC 21: Levies

The effects of first-time adoption of the IFRS relevant to Heidelberg on the financial statements of the Heidelberg Group are currently being examined. Heidelberg is not currently planning to apply these standards at an early date.

Traditionally, Heidelberg generates more sales in the second half of the financial year than the first. Income that is generated due to seasonal reasons, economic reasons, or only occasionally within the financial year is not brought forward or deferred in the interim consolidated financial statements. Expenses that are incurred irregularly during the financial year are deferred in cases in which they would also be deferred at the end of the financial year.

2 Scope of consolidation

The interim consolidated financial statements of Heidelberger Druckmaschinen Aktiengesellschaft include a total of 69 (March 31, 2013: 72) domestic and foreign companies in which Heidelberger Druckmaschinen Aktiengesellschaft has a controlling influence as defined by IAS 27. Of these, 58 (March 31, 2013: 61) are located outside Germany. Subsidiaries that are of minor importance are not included.

3 Other operating income

	1-Apr-2012 to 30-Sep-2012	1-Apr-2013 to 30-Sep-2013
Reversal of other provisions/deferred liabilities	15,308	16,875
Recoveries on loans and other assets previously written down	6,975	10,233
Hedging/exchange rate gains	2,769	5,217
Income from operating facilities	6,798	4,175
Income from disposals of intangible assets, property, plant and equipment and investment property	344	1,007
Other income	8,987	10,405
	41,181	**47,912**

The income from hedging/exchange rate gains is offset by expenses for hedging/exchange rate losses reported under other operating expenses (see note 5).

4 Cost of materials

The cost of materials includes the pro rata interest expense in connection with the Heidelberg Financial Services segment of € 964 thousand (April 1, 2012 to September 30, 2012: € 1,120 thousand); the interest income from sales financing of € 4,457 thousand (April 1, 2012 to September 30, 2012: € 6,069 thousand) is reported in sales.

5 Other operating expenses

	1-Apr-2012 to 30-Sep-2012	1-Apr-2013 to 30-Sep-2013
Other deliveries and services not included in the cost of materials	63,782	51,697
Special direct sales expenses including freight charges	51,725	44,465
Rent and leases	32,844	26,750
Travel expenses	22,030	20,330
Bad debt allowances and impairment on other assets	8,234	8,474
Insurance expense	6,130	7,494
Costs of car fleet (excluding leases)	3,991	3,577
Hedging/exchange rate losses	4,548	3,228
Additions to provisions and accruals relating to several types of expense	15,272	2,787
Other overheads	51,870	41,215
	260,426	**210,017**

The expenses for hedging/exchange rate losses are offset by income from hedging/exchange rate gains reported under other operating income (see note 3).

6 Special items

Expenses recognized under special items in the reporting period of € 1,412 thousand (April 1, 2012 to September 30, 2012: € 22,339 thousand) essentially result from staff-related outlays and consultancy fees in connection with our Focus 2012 efficiency program.

7 Financial income

	1-Apr-2012 to 30-Sep-2012	1-Apr-2013 to 30-Sep-2013
Interest and similar income	8,428	4,031
Income from financial assets/loans/securities	4,599	2,460
	13,027	**6,491**

8 Financial expenses

	1-Apr-2012 to 30-Sep-2012	1-Apr-2013 to 30-Sep-2013
Interest and similar expenses	35,433	32,597
Expenses for financial assets/loans/securities	960	1,515
	36,393	**34,112**

9 Earnings per share

Earnings per share are calculated by dividing the earnings for the period attributable to shareholders by the weighted number of shares outstanding in the period. The weighted number of shares outstanding in the period under review was 234,104,021 (April 1, 2012 to September 30, 2012: 234,104,021). The weighted number of shares outstanding was influenced by the holdings of treasury shares. As of September 30, 2013, the Company held 142,919 (March 31, 2013: 142,919) treasury shares.

The calculation of diluted earnings per share assumes conversion of outstanding debt securities (convertible bond) to shares. Due to the fact that the interim result is concurrently adjusted for the interest expense recognized for the convertible bond in the financial result, taking into account the respective number of shares from the convertible bond issued on July 10, 2013 did not have a dilutive effect on earnings per share during the period from April 1, 2013 to September 30, 2013. In the future, the convertible bond may have a fully dilutive effect.

10 Intangible assets and property, plant and equipment

In the period from April 1, 2013 to September 30, 2013, there were additions to intangible assets of € 3,123 thousand (April 1, 2012 to September 30, 2012: € 4,845 thousand) and to property, plant and equipment of € 27,641 thousand (April 1, 2012 to September 30, 2012: € 38,725 thousand). In the same period, the carrying amount of disposals from intangible assets was € 33 thousand (April 1, 2012 to September 30, 2012: € 31 thousand) and € 6,014 thousand (April 1, 2012 to September 30, 2012: € 10,351 thousand) for property, plant and equipment.

In the first quarter of the 2013/2014 financial year we partly adjusted the useful lives of intangible assets and of property, plant and equipment. Assuming unchanged useful lives over the reporting period, amortization of intangible assets would have been € 478 thousand higher while depreciation of property, plant and equipment would have been € 3,017 thousand higher.

11 Inventories

Inventories include raw materials and supplies totaling € 107,997 thousand (March 31, 2013: € 115,364 thousand), work and services in progress amounting to € 315,656 thousand (March 31, 2013: € 292,132 thousand), finished goods and goods for resale of € 306,088 thousand (March 31, 2013: € 289,964 thousand), and advance payments of € 2,228 thousand (March 31, 2013: € 2,232 thousand).

12 Other receivables and other assets

The Other receivables and other assets item includes receivables from derivative financial instruments of € 7,173 thousand (March 31, 2012: €11,771 thousand) and prepaid expenses of € 20,236 thousand (March 31, 2013: € 12,949 thousand).

13 Cash and cash equivalents

Restrictions on disposal of cash and cash equivalents due to foreign exchange restrictions amount to € 111,733 thousand (March 31, 2013: € 61,562 thousand).

14 Equity

As at March 31, 2013, the Company still held 142,919 treasury shares on September 30, 2013. The repurchased 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.

Please see note 26 in the notes to the consolidated financial statements as of March 31, 2013 for information on the contingent and authorized capitals as of March 31, 2013. The Annual General Meeting of July 23, 2013 did not pass any resolutions leading to changes in the contingent and authorized capitals.

On July 10, 2013, Heidelberger Druckmaschinen Aktiengesellschaft issued an unsecured, unsubordinated convertible bond convertible into shares of Heidelberger Druckmaschinen Aktiengesellschaft. The convertible bond has a total issue volume of € 60 million, a term of four years (final maturity: July 10, 2017) and an annual coupon of 8.50 percent, payable quarterly in arrears.

The conversion right securitized with the convertible bond will be recognized under the capital reserve as the difference between the proceeds from the issue and the fair value of the liabilities component. As a result, the capital reserve increased by € 1,301 thousand.

15 Provisions for pensions and similar obligations

A discount rate of 3.75 percent (March 31, 2013: 3.50 percent) was used to calculate the actuarial gains and losses of German companies as of September 30, 2013. With a discounting rate in Germany of 3.50 percent, which would have resulted without modification in the composition of the portfolio of the corporate bonds used to calculate the interest rate as of September 30, 2013, the present value of the defined benefit obligation for employees would have been € 37,964 thousand higher.

16 Other provisions

Other provisions relate to tax provisions of € 93,450 thousand (March 31, 2013: € 95,176 thousand) and other provisions of € 396,445 thousand (March 31, 2013: € 487,805 thousand). Other provisions include staff obligations of € 79,885 thousand (March 31, 2013: € 104,214 thousand), sales obligations of € 111,164 thousand (March 31, 2013: € 124,131 thousand) and miscellaneous other provisions of € 205,396 thousand (March 31, 2013: € 259,460 thousand). The latter predominantly include provisions in connection with our Focus 2012 efficiency program.

17 Financial liabilities

	31-Mar-2013			30-Sep-2013		
	Current	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
High-yield bond	12,966	292,844	305,810	12,967	293,704	306,671
Convertible bond	0	0	0	1,150	57,083	58,233
Amounts due to banks	57,355	32,420	89,775	17,071	32,972	50,043
From finance leases	2,035	5,971	8,006	1,982	5,130	7,112
Other	15,272	0	15,272	14,852	0	14,852
	87,628	331,235	418,863	48,022	388,889	**436,911**

For details concerning the financing, please refer to the explanations in note 29 of the consolidated financial statements as of March 31, 2013.

On July 10, 2013, Heidelberger Druckmaschinen Aktiengesellschaft issued an unsubordinated, unsecured convertible bond convertible into shares of Heidelberger Druckmaschinen Aktiengesellschaft The liabilities component of the convertible bond is recognized under financial liabilities. It was recorded by applying a market interest rate at the present value of the contractually defined future payments on the date of issue; in line with the effective interest rate method, it will be increased by the interest portion of the relevant period at each closing date. Further information on the convertible bond is presented in note 14.

With the issue of the convertible bond, the revolving credit facility was reduced to approximately € 416 million.

18 Other liabilities

Other liabilities include advance payments on orders of €101,362 thousand (March 31, 2013: € 70,570 thousand), liabilities from derivative financial instruments of € 3,664 thousand (March 31, 2013: € 4,097 thousand), and deferred income of € 62,806 thousand (March 31, 2013: € 67,724 thousand).

19 Additional information on financial instruments

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

The individual levels are defined as follows:

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

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

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

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

Securities are classified as financial assets available for sale. In line with IAS 39, these financial instruments are also carried at fair value. The underlying quoted prices for the measurement of the vast majority of securities correspond to level 1 of the fair value hierarchy set out in IFRS 13, as only quoted prices observed on active markets are used in measurement. If the fair value of securities cannot be reliably determined, they are carried at cost.

The following table provides an overview of financial assets and financial liabilities measured at fair value in accordance with the IFRS 13 fair value hierarchy as of September 30, 2013:

	30-Sep-2013			
	Level 1	**Level 2**	**Level 3**	**Total**
Securities	2,894	0	0	2,894
Derivative financial assets	0	7,173	0	7,173
Financial assets measured at fair value	2,894	7,173	0	**10,067**
Derivative financial liabilities	0	3,664	0	3,664
Financial liabilities measured at fair value	0	3,664	0	**3,664**

Shares in subsidiaries in the amount of € 16,757 thousand (March 31, 2013: € 16,800 thousand) and other investments in the amount of € 3,461 thousand (March 31, 2013: € 3,461 thousand) are classified as financial assets available for sale and carried at cost, as their fair values cannot be reliably determined due to the lack of a market for these items.

The fair value of receivables from sales financing essentially corresponds to the reported carrying amount. This fair value is based upon expected cash flows, which are discounted using interest rates with matching maturities and the customer-specific credit rating.

The carrying amount of trade receivables, other financial receivables reported in other receivables and other assets, and cash and cash equivalents is generally assumed as an appropriate estimate of the fair value.

The fair values of the high-yield bond and the convertible bond—which are reported under financial liabilities—as calculated on the basis of the quoted price are € 314,780 thousand (March 31, 2013: € 298,832 thousand) and € 64,176 thousand respectively, compared to the carrying amounts of € 306,671 thousand (March 31, 2013: € 305,810 thousand) and € 58,233 thousand.

In connection with the arranging of a long-term loan of € 37,044 thousand (March 31, 2013: € 40,739 thousand), which is also reported in financial liabilities, the lender was granted usufructuary rights to three developed properties. The basis of this is a sale (usufructuary rights) and leaseback transaction in accordance with SIC 27, which provides for a fixed basic term for the lease agreement of ten years and two renewal options of four years each. The usufructuary rights each have a term of 18 years. The usufructuary rights can be commuted after ten years. As a result of the first-time application of IFRS 13 in the financial year 2013/2014, the fair value of this loan calculated on the basis of the discounted cash flow method using market interest rates with matching maturities declined from € 44,689 thousand (March 31, 2013) to € 35,349 thousand.

The fair value of a noncurrent financial liability reported in other liabilities calculated on the basis of the discounted cash flow method using market interest rates is € 60,893 thousand (March 31, 2013: € 60,246 thousand), while the carrying amount is € 79,580 thousand (March 31, 2013: € 78,880 thousand).

The carrying amount of other financial liabilities, trade payables and miscellaneous other liabilities is generally assumed as an appropriate estimate of the fair value.

20 Contingent liabilities and other financial liabilities

As of September 30, 2013, the contingent liabilities for warranties and guarantees amounted to € 4,929 thousand (March 31, 2013: € 7,325 thousand).

The other financial liabilities amounted to € 250,981 thousand as of September 30, 2013 (March 31, 2013: € 282,175 thousand). Of this amount, € 214,235 thousand (March 31, 2013: € 234,478 thousand) related to lease and rental obligations and € 36,746 thousand (March 31, 2013: € 47,697 thousand) related to investments and other purchase commitments.

21 Group segment reporting

Segment reporting is based on the management approach.

The Heidelberg Group consists of the business segments Heidelberg Equipment, Heidelberg Services and Heidelberg Financial Services. Heidelberg Equipment essentially comprises new machinery business. Services, consumables, service parts and remarketed equipment business are bundled in the Heidelberg Services segment. The Heidelberg Financial Services segment comprises sales financing business. Further information on the business activities, products and services of the individual segments can be found in the sections “Management and Control” and “Segments and Business Areas” in the Group management report as of March 31, 2013.

During the fourth quarter of the previous year, our organization was adjusted in line with the changed market environment (see note 37 of the notes to the consolidated financial statements as of March 31, 2013). The previous year’s figures were restated accordingly.

Segment information April 1, 2013 to September 30, 2013:

	Heidelberg Equipment		Heidelberg Services		Heidelberg Financial Services		Heidelberg Group	
	1-Apr-2012 to 30-Sep-2012[1]	1-Apr-2013 to 30-Sep-2013	1-Apr-2012 to 30-Sep-2012[1]	1-Apr-2013 to 30-Sep-2013	1-Apr-2012 to 30-Sep-2012[1]	1-Apr-2013 to 30-Sep-2013	1-Apr-2012 to 30-Sep-2012[1]	1-Apr-2013 to 30-Sep-2013
External sales	712,261	621,070	498,985	471,278	6,069	4,457	1,217,315	1,096,805
Result of operating activities (segment result)	−115,467	−49,646	14,195	37,371	4,407	3,620	−96,865	−8,655
Investments	36,950	25,145	6,618	5,619	2	1	43,570	30,765

(1) Figures of the previous year were adjusted (see explanations on page 37)

The segment result is reconciled to earnings before taxes as follows:

	1-Apr-2012 to 30-Sep-2012	1-Apr-2013 to 30-Sep-2013
Result of operating activities (segment result)	−96,865	−8,655
Financial result	−23,366	−27,621
Income before taxes	−120,231	**−36,276**

External sales relate to the different regions as follows:

	1-Apr-2012 to 30-Sep-2012	1-Apr-2013 to 30-Sep-2013
Europe, Middle East and Africa		
Germany	183,712	153,245
Other Europe, Middle East and Africa regions	251,985	221,560
	435,697	374,805
Asia/Pacific		
China	214,475	219,035
Other Asia/Pacific regions	210,994	178,404
	425,469	397,439
Eastern Europe	141,587	126,273
North America	156,768	148,747
South America	57,794	49,541
	1,217,315	**1,096,805**

22 Supervisory Board/Management Board

The members of the Supervisory Board and the Management Board are presented on pages 42 to 43.

23 Related party transactions

As described in note 41 of the notes to the consolidated financial statements as of March 31, 2013, business relationships exist between numerous companies and Heidelberger Druckmaschinen Aktiengesellschaft and its subsidiaries in the course of ordinary business. This also includes associated companies, which are regarded as related companies of the Heidelberg Group.

In the reporting period, transactions were performed with related parties that resulted in liabilities of € 5,715 thousand (March 31, 2013: € 6,879 thousand), receivables of € 19,002 thousand (March 31, 2013: € 15,846 thousand), expenses of € 5,864 thousand (April 1, 2012 to September 30, 2012: € 9,280 thousand) and income of € 3,862 thousand (April 1, 2012 to September 30, 2012: € 6,921 thousand), which essentially comprises sales. All transactions were again conducted as at arm's length and did not differ from relationships with other companies.

Members of the Supervisory Board have received a remuneration of € 306 thousand (April 1, 2012 to September 30, 2012: € 264 thousand) from Heidelberger Druckmaschinen Aktiengesellschaft in line with services rendered under consulting, service and employment contracts in the reporting period.

24 Significant events after the end of the reporting period

There were no significant events after the end of the reporting period.

Heidelberg, November 5, 2013

Heidelberger Druckmaschinen Aktiengesellschaft
The Management Board

Review

This interim report has neither been audited according to Section 317 HGB nor reviewed by the auditors.

Responsibility statement

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

Heidelberg, November 5, 2013

Heidelberger Druckmaschinen Aktiengesellschaft
The Management Board

/s/ Bernhard Schreier
Bernhard Schreier
/s/ Marcel Kießling
Marcel Kießling

/s/ Dirk Kaliebe
Dirk Kaliebe
/s/ Stephan Plenz
Stephan Plenz

The Supervisory Board

Robert J. Koehler – Chairman of the Supervisory Board
Rainer Wagner* – Deputy Chairman of the Supervisory Board
Edwin Eichler
Wolfgang Flörchinger* – through July 23, 2013
Martin Gauß* – through July 23, 2013
Mirko Geiger*
Gunther Heller* – through July 23, 2013
Jörg Hofmann*
Dr. Siegfried Jaschinski
Dr. Herbert Meyer
Dr. Gerhard Rupprecht – through July 23, 2013
Beate Schmitt*
Lone Fønss Schrøder
Prof. Dr.-Ing. Günther Schuh
Peter Sudadse*
Christoph Woesler* – since July 23, 2013

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* Employee representative

Committees of the Supervisory Board

Management Committee
Robert J. Koehler (Chairman)
Rainer Wagner
Martin Gauß**
Mirko Geiger
Dr. Gerhard Rupprecht**
Lone Fønss Schrøder***
Prof. Dr.-Ing. Günther Schuh
Peter Sudadse***
Mediation Committee under Article 27 paragraph 3 of the Codetermination Act
Robert J. Koehler
Rainer Wagner
Wolfgang Flörchinger**
Dr. Herbert Meyer***
Dr. Gerhard Rupprecht**
Peter Sudadse***
Committee on arranging personnel matters of the Management Board
Robert J. Koehler (Chairman)
Rainer Wagner
Dr. Gerhard Rupprecht**
Beate Schmitt
Prof. Dr.-Ing. Günther Schuh***
Audit Committee
Dr. Herbert Meyer (Chairman)
Dr. Siegfried Jaschinski
Mirko Geiger
Rainer Wagner
Nomination Committee
Robert J. Koehler (Chairman)
Dr. Gerhard Rupprecht**
Edwin Eichler***
Lone Fønss Schrøder***
Strategy Committee
Robert J. Koehler (Chairman)
Rainer Wagner
Edwin Eichler
Mirko Geiger
Dr. Siegfried Jaschinski

Dr. Herbert Meyer
Dr. Gerhard Rupprecht**
Lone Fønss Schrøder
Prof. Dr.-Ing. Günther Schuh

** through July 23, 2013

*** since July 23, 2013

The Management Board

Dr. Gerold Linzbach – Chief Executive Officer and Chief Human Resources Officer
Dirk Kaliebe
Marcel Kiessling
Stephan Plenz

Consolidated income statement 2012/2013

	Note	1-Apr-2011 to 31-Mar-2012	1-Apr-2012 to 31-Mar-2013
		Figures in € thousands	
Net sales	8	2,595,670	2,734,646
Change in inventories		15,888	−71,674
Other own work capitalized		10,710	26,649
Total operating performance		2,622,268	2,689,621
Other operating income	9	123,084	105,642
Cost of materials	10	1,231,719	1,278,245
Staff costs	11	904,530	901,473
Depreciation and amortization	12	87,050	82,947
Other operating expenses	13	519,540	504,661
Special items	14	142,274	64,724
Result of operating activities		−139,761	−36,787
Financial income	16	20,475	16,850
Financial expenses	17	110,029	98,543
Financial result	15	−89,554	−81,693
Income before taxes		−229,315	−118,480
Taxes on income	18	778	−8,613
Consolidated net loss		−230,093	**−109,867**
Basic earnings per share according to IAS 33 (in € per share)	35	−0.98	**−0.47**
Diluted earnings per share according to IAS 33 (in € per share)	35	−0.98	**−0.47**

Consolidated statement of comprehensive income 2012/2013

	Note	1-Apr-2011 to 31-Mar-2012	1-Apr-2012 to 31-Mar-2013
		Figures in € thousands	
Consolidated net loss		−230,093	−109,867
Pension obligations[1]		−94,841	−82,149
Currency translation			
Change in other comprehensive income		35,448	10,792
Change in profit or loss		0	0
		35,448	10,792
Available-for-sale financial assets			
Change in other comprehensive income		−292	212
Change in profit or loss		0	0
		−292	212
Cash flow hedges			
Change in other comprehensive income		−9,631	−4,864
Change in profit or loss		−101	10,069
		−9,732	5,205
Deferred income taxes	23	174	−1,322
Total other comprehensive income		−69,243	−67,262
Total comprehensive income		−299,336	**−177,129**

(1) Change in actuarial gains and losses and change in adjustment amount on account of IAS 19.58b)

Consolidated statement of financial position as of March 31, 2013

	Note	31-Mar-2012	31-Mar-2013
		Figures in € thousands	
> Assets			
Non-current assets			
Intangible assets	19	245,832	234,676
Property, plant and equipment	20	547,660	530,517
Investment property	20	7,358	6,988
Financial assets	21	27,488	23,590
Receivables from sales financing	22	85,830	63,215
Other receivables and other assets(1)	22	16,598	19,225
Income tax assets		422	345
Deferred tax assets	23	38,646	36,145
		969,834	914,701
Current assets			
Inventories	24	785,726	699,692
Receivables from sales financing	22	70,460	55,049
Trade receivables	22	360,958	381,842
Other receivables and other assets(2)	22	116,418	110,257
Income tax assets		17,428	17,120
Cash and cash equivalents	25	194,556	157,492
		1,545,546	1,421,452
Assets held for sale	20	2,694	2,049
Total assets		2,518,074	**2,338,202**

(1) Of which € 12,127 thousand (previous year: € 8,721 thousand) account for financial assets and € 7,098 thousand (previous year: € 7,877 thousand) for non- financial assets

(2) Of which € 63,784 thousand (previous year: € 54,892 thousand) account for financial assets and € 46,473 thousand (previous year: € 61,526 thousand) for non- financial assets

	Note	31-Mar-2012	31-Mar-2013
		Figures in € thousands	
> Equity and liabilities			
Equity	26		
Issued capital		599,308	599,308
Capital reserves and retained earnings		206,482	−89,846
Consolidated net loss		−230,093	−109,867
		575,697	399,595
Non-current liabilities			
Provisions for pensions and similar obligations	27	326,080	415,746
Other provisions	28	284,209	247,259
Financial liabilities	29	339,137	331,235
Other liabilities(3)	31	124,998	121,509
Deferred tax liabilities	23	7,987	8,282
		1,082,411	1,124,031
Current liabilities			
Other provisions	28	322,740	337,263
Financial liabilities	29	98,559	87,628
Trade payables	30	165,051	139,134
Income tax liabilities		2,372	3,086
Other liabilities(4)	31	271,244	247,465
		859,966	814,576
Total equity and liabilities		2,518,074	**2,338,202**

(3) Of which € 81,268 thousand (previous year: € 84,483 thousand) account for financial liabilities and € 40,241 thousand (previous year: € 40,515 thousand) for non- financial liabilities

(4) Of which € 86,924 thousand (previous year: € 117,620 thousand) account for financial liabilities and € 160,541 thousand (previous year: € 153,624 thousand) for non-financial liabilities

Statement of changes in consolidated equity[1]

	Issued capital	Capital reserves	Retained earnings: Pension obligations	Currency translation	Fair value of other financial assets	Fair value of cash flow hedges	Other retained earnings	Total retai earning
						Figures in € thousands		
April 1, 2011	596,302	27,694	−106,874	−196,284	−893	5,840	671,697	373,4
Capital increase	2,347	325	0	0	0	0	0	
Loss carryforward	0	0	0	0	0	0	−128,890	−128,8
Total comprehensive income	0	0	−96,527	35,448	−265	−7,899	0	−69,2
Consolidation adjustments/ other changes	659	−921	0	0	0	0	4,031	4,0
March 31, 2012	599,308	27,098	−203,401	−160,836	−1,158	−2,059	546,838	179,3
April 1, 2012	599,308	27,098	−203,401	−160,836	−1,158	−2,059	546,838	179,3
Loss carryforward	0	0	0	0	0	0	−230,093	−230,0
Total comprehensive income	0	0	−84,058	10,792	212	5,792	0	−67,2
Consolidation adjustments/ other changes	0	0	0	0	0	0	1,027	1,0
March 31, 2013	**599,308**	**27,098**	**−287,459**	**−150,044**	**−946**	**3,733**	**317,772**	**−116,9**

(1) For further details please refer to note 26

Consolidated statement of cash flows 2012/2013[1]

	1-Apr-2011 to 31-Mar-2012	1-Apr-2012 to 31-Mar-2013
	Figures in € thousands	
Consolidated net loss	−230,093	−109,867
Depreciation and amortization, write-downs and reversals[2]	90,801	85,331
Change in pension provisions	14,467	7,052
Change in deferred tax assets/ deferred tax liabilities/tax provisions	−4,380	−20,985
Result from disposals[2]	−712	−1,039
Cash flow	−129,917	**−39,508**
Change in inventories	−25,223	95,022
Change in sales financing	29,385	40,212
Change in trade receivables/payables	73,005	−42,959
Change in other provisions	89,250	−5,647
Change in other items of the statement of financial position	19,485	−13,781
Other operating changes	185,902	**72,847**
Cash used in/generated by operating activities*	55,985	**33,339**
Intangible assets/property, plant and equipment/ investment property		
Investments	−65,931	−80,382
Income from disposals	28,492	31,493
Business acquisitions	−6,676	−1,773
Financial assets		
Investments	−2,145	−306
Income from disposals	87	0
Cash used in investing activities	−46,173	**−50,968**
Borrowing of financial liabilities	410,186	126,511
Repayment of financial liabilities	−380,922	−151,079
Cash generated by/used in financing activities	29,264	**−24,568**
Net change in cash and cash equivalents	39,076	**−42,197**
Cash and cash equivalents at the beginning of the year	147,934	**194,556**
Change in scope of consolidation	0	2,174
Currency adjustments	7,546	2,959
Net change in cash and cash equivalents	39,076	−42,197
Cash and cash equivalents at year-end	194,556	**157,492**
Cash generated by operating activities	55,985	33,339
Cash used in investing activities	−46,173	−50,968
Free cash flow	9,812	**−17,629**

(1) For further details please refer to note 36

(2) Relates to intangible assets, property, plant and equipment, investment property, loans and other securities

(3) Includes income taxes paid and refunded of € 26,092 thousand (previous year: € 12,048 thousand) and € 13,187 thousand (previous year: € 4,185 thousand) respectively. Interest expenses and interest income amount to € 43,659 thousand (previous year: € 41,268 thousand) and € 18,480 thousand (previous year € 27,699 thousand) respectively

Financial section 2012/2013

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

	Cost							Cumulative depreci			
	As of start of financial year	Change in scope of consolidation	Additions	Reclassifi-cations(1)	Currency adjustments	Disposals	As of end of financial year	As of start of financial year	Change in scope of consolidation	Depreciation and amortization(2)(3)	Recl cati
								Figures in € thousands			
2011/2012											
Intangible assets											
Goodwill	122,901	0	0	0	339	0	123,240	3	0	0	
Development costs	283,492	0	1,085	0	0	8,013	276,564	169,832	0	19,086	
Software/other rights	126,501	0	1,749	0	613	28,865	99,998	97,642	0	6,642	
Advance payments	1,250	0	1,466	0	0	0	2,716	0	0	0	
	534,144	0	4,300	0	952	36,878	502,518	267,477	0	25,728	
Property, plant and equipment											
Land and buildings	667,745	0	13,718	9,599	7,797	693	698,166	433,184	0	11,916	
Technical equipment and machinery	624,779	0	5,672	2,244	2,252	21,302	613,645	473,690	0	16,893	
Other equipment, operating and office equipment	731,609	0	37,644	4,135	3,860	66,891	710,357	568,464	0	35,573	
Advance payments and assets under construction	21,177	0	8,326	−19,786	556	1,047	9,226	0	0	0	
	2,045,310	0	65,360	−3,808	14,465	89,933	2,031,394	1,475,338	0	64,382	
Investment property	8,225	0	5	1,863	−134	0	9,959	2,561	0	71	
2012/2013											
Intangible assets											
Goodwill	123,240	676	0	0	−59	0	123,857	3	0	0	
Development costs	276,564	0	1,875	0	0	0	278,439	180,905	0	14,481	
Software/other rights	99,998	731	4,634	313	−35	811	104,830	75,778	0	6,089	
Advance payments	2,716	0	1,666	−316	0	0	4,066	0	0	0	
	502,518	**1,407**	**8,175**	**−3**	**−94**	**811**	**511,192**	**256,686**	**0**	**20,570**	
Property, plant and equipment											
Land and buildings	698,166	5	3,370	667	2,609	14,107	690,710	447,226	0	14,076	
Technical equipment and machinery	613,645	679	14,801	3,751	129	26,849	606,156	476,064	273	16,668	
Other equipment, operating and office equipment	710,357	330	43,474	3,648	1,936	53,064	706,681	560,444	112	33,788	
Advance payments and assets under construction	9,226	0	12,075	−6,304	0	797	14,200	0	0	0	
	2,031,394	**1,014**	**73,720**	**1,762**	**4,674**	**94,817**	**2,017,747**	**1,483,734**	**385**	**64,532**	
Investment property	**9,959**	**0**	**0**	**1**	**−22**	**446**	**9,492**	**2,601**	**0**	**71**	

(1) Including reclassifications to "Assets held for sale" of € 1 thousand (previous year: € 775 thousand)

(2) Including impairment loss of € 2,420 thousand (previous year: € 3,285 thousand), see note 12

(3) Including special items of € 2,226 thousand (previous year: € 3,131 thousand)

General notes

1 Basis for the preparation of the consolidated financial statements

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

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

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

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

These consolidated financial statements relate to the 2012/2013 financial year (April 1, 2012 to March 31, 2013). They were approved for publication by the Management Board of Heidelberger Druckmaschinen Aktiengesellschaft on May 24, 2013.

2 Adoption of amended or new standards

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

The International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRS IC) have issued the following new standards and interpretations as well as amendments to existing standards and interpretations, which are to be applied for the first time in the 2012/2013 financial year:

Standard	Publication by the IASB/ IFRS IC	Date of adoption in EU[1]	Published in Official journal of the EU	Effects
Amendments to standards				
Amendment to IFRS 7: Financial Instruments: Disclosures Transfers of Financial Assets	7-Oct-2010	1-Jul-2011	23-Nov-2011	None

(1) For financial years beginning on or after this date

New accounting provisions

The IASB and the IFRS IC approved and amended other standards and interpretations, whose application is not yet compulsory in the 2012/2013 financial year or which have not yet been endorsed by the European Union (EU). Heidelberg is not currently planning to apply these standards at an early date.

Standards	Publication by the IASB/IFRS IC	Effective date[1]	Published in Official Journal of the EU	Content	Expected effects
Amendments to standards					
Amendments to IAS 1: Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income	16-Jun-2011	1-Jul-2012	6-Jun-2012	> Items of other comprehensive income must be grouped according to whether or not they can be recycled to the income statement; subtotals must be presented for both groups. > Income taxes in connection with items reported before taxes must be shown separately in OCI for each of these two groups.	Currently being examined
Amendments to IAS 12: Income Taxes: Deferred Taxes: Recovery of Underlying Assets	20-Dec-2010	1-Jan-2013	29-Dec-2012	> Under IAS 12, the measurement of deferred taxes is based on whether the carrying amount of the underlying asset is realized by sale or use. For investment property, which is measured at fair value under IAS 40, it is assumed in line with the amendment to IAS 12 that the carrying amount is realized by way of sale.	None

Amendments to IAS 19: Employee Benefits	16-Jun-2011	1-Jan-2013	6-Jun-2012	> The amendments relate to the abolition of the deferral of actuarial gains and losses (the corridor method), combined with the duty to recognize these directly in other comprehensive income, the substitution of the concept of expected return on plan assets by the net interest approach and the modification of the recognition of post-employment benefits. > The disclosure requirements for defined benefit plans were also amended.	Anticipated effects are shown below this table
IAS 27: Separate Financial Statements	12-Jun-2011	1-Jan-2014	29-Dec-2012	> The individual standard now only includes the—unchanged—regulations on accounting for interests in subsidiaries, associates and joint ventures in separate financial statements.	None
IAS 28: Investments in Associates and Joint Ventures	12-Jun-2011	1-Jan-2014	29-Dec-2012	> Most of the changes are a result of the inclusion of joint ventures in the scope of IAS 28.	Currently being examined
Amendment to IAS 32: Financial Instruments: Presentation: Offsetting Financial Assets and Financial Liabilities	16-Dec-2011	1-Jan-2014	29-Dec-2012	> The changes include clarifications of regulations on the offsetting of financial assets and financial liabilities.	Currently being examined
Amendments to IFRS 1: First-time Adoption: Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	20-Dec-2010	1-Jan-2013	29-Dec-2012	> The amendments relate to additional information for first-time adopters whose currency was subject to hyperinflation on the one hand and the elimination of the set first-time adoption date on the other.	None
Amendments to IFRS 1: Government Loans with a Below-market Rate of Interest	13-Mar-2012	1-Jan-2013	5-Mar-2013	> The amendments relate to accounting for government loans with a below-market interest rate at the time of transition to IFRS.	None

Amendment to IFRS 7: Financial Instruments: Disclosures: Offsetting Financial Assets and Financial Liabilities	16-Dec-2011	1-Jan-2013	29-Dec-2012	> The changes include additional disclosure requirements for netted financial instruments.	Currently being examined
Amendments to IFRS 9 and IFRS 7: Date of Mandatory First-time Adoption and Transition Disclosures	16-Dec-2011	1-Jan-2015	Outstanding	> The standard stipulates that IFRS 9 is only mandatory for financial years beginning after January 1, 2015. It also grants the option not to restate comparative figures in the year of first-time adoption of IFRS 9 and includes additions to IFRS 7.	Currently being examined
Amendments to IFRS 10, IFRS 11 and IFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	28-Jun-2012	1-Jan-2014	5-Apr-2013	> The amendments provide further details on the transition regulations for IFRS 10. > Only the prior-year figures for the immediately preceding period have to be restated on first-time adoption of standards. > The comparative information on periods prior to first-time adoption of IFRS 12 is not required for disclosures on structured entities.	Currently being examined
Amendments to IFRS 10, IFRS 12 and IAS 27: Investment Entities	31-Oct-2012	1-Jan-2014	Outstanding	> The amendments exclude investment entities from the consolidation requirement of IFRS 10. Instead they are accounted for at fair value.	Currently being examined
Improvements to International Financial Reporting Standards for 2009-2011 cycle	17-May-2012	1-Jan-2013	28-Mar-2013	> Minor and non-urgent improvements are made to IFRS as part of the IASB's annual improvement project.	Currently being examined

New standards

IFRS 9: Financial Instruments	12-Nov-2009	1-Jan-2015	Outstanding	> Introduction of new provisions on the classification and measurement of financial assets. > The aim of the IFSB is to completely replace IAS 39 in future to increase comprehension of the recognition of financial instruments and to reduce complexity.	Currently being examined
IFRS 10: Consolidated Financial Statements	12-May-2011	1-Jan-2014	29-Dec-2012	> IFRS 10 creates a uniform basis for the definition of a parent-subsidiary relationship and for the specific definition of the scope of consolidation. > The uniform consolidation model for all companies is based on the parent's control of the subsidiary.	Currently being examined
IFRS 11: Joint Arrangements	12-May-2011	1-Jan-2014	29-Dec-2012	> IFRS 11 replaces IAS 31 and regulates accounting for matters in which an entity participates in a joint venture or a joint operation.	currently being examined
IFRS 12: Disclosure of Interests in Other Entities	12-May-2011	1-Jan-2014	29-Dec-2012	> IFRS 12 compiles the necessary disclosures for entities reporting in accordance with the new standard IFRS 10, IFRS 11 and IAS 28 investments in Associates and Joint Ventures.	Currently being examined
IFRS 13: Fair value Measurement	12-May-2011	1-Jan-2013	29-Dec-2012	> IFRS 13 compiles the guidelines for determining fair value found in various individual standards. Fair value is basically defined as the selling price.	Currently being examined
New interpretations					
IFRIC interpretation 20: stripping costs in the production phase of a surface mine	19-Oct-2011	1-Jan-2013	29-Dec-2012	> IFRIC 20 regulates accounting for stripping costs in the production phase of a surface mine.	None

(1) For financial years beginning on or after this date

In line with the mandatory adoption of IAS 19 (2011) (Amendments to IAS 19: Employee Benefits) in fnancial year 2013/2014, the return on plan assets will in future no longer be offset against staff costs at individual entity level up to the amount of expenses for pension claims. As a consequence, in future—ceteris paribus—income estimated at € 25 million to € 30 million will be reclassified from the result of operating activities to the financial result. We expect

the replacement of the concept of an expected return on plan assets by the so-called net interest approach to result in a reduction of the anticipated return on plan assets by € 14 million. Additionally, the notes to the consolidated financial statements will include further information.

3 Scope of consolidation

The consolidated financial statements of Heidelberger Druckmaschinen Aktiengesellschaft include a total of 72 (previous year: 70) domestic and foreign companies controlled by Heidelberger Druckmaschinen Aktiengesellschaft within the meaning of IAS 27. Of these companies, 61 (previous year: 59) are located outside Germany.

	2011/2012	2012/2013
April 1	75	70
Initial consolidation due to formation	0	0
Initial consolidation due to acquisition	0	3
Merger	4	0
Deconsolidation	0	0
Liquidation	1	1
March 31	70	72

Control as defined by IAS 27 exists if the financial and operating policy of a company can be influenced in order to derive benefits from its activities. Owing to the business management by Heidelberger Druckmaschinen Aktiengesellschaft, the Company also has a controlling influence over subsidiaries in which it holds less than 50 percent of the capital. These subsidiaries are therefore consolidated in full. Inclusion in the consolidated financial statements occurs at the time that control is established. Subsidiaries that are of minor importance are not included. These subsidiaries are of minor significance if the total of the equity, total assets, sales and net profit or loss of the subsidiaries not included amounts to only a minor portion of the Group figure. The list of all shareholdings of Heidelberger Druckmaschinen Aktiengesellschaft, which is a component of the notes to the consolidated financial statements, can be found in the appendix to these notes (see pages 174 to 177).

The Heidelberg consolidated financial statements as of March 31, 2013, include five (previous year: five) companies whose reporting period ends as of December 31, 2012. If these companies conduct material transactions between December 31 and March 31, they are included in the consolidated financial statements.

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

> First-time inclusion in consolidation:

In the year under review, Heidelberg acquired the Swiss prepress and consumer materials dealer OFS, a group consisting of the companies OF Schweiz Holding AG, Pfaffnau, Switzerland, OF Schweiz AG, Pfaffnau, Switzerland, and OF Service AG, Pfaffnau, Switzerland. The companies were added to the scope of consolidation in the third quarter of the 2012/2013 financial year.

> Liquidation:

Linotype-Hell Finance Ltd., Brentford, UK, was liquidated as of March 26, 2013.

4 Principles of consolidation

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

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

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

5 Currency translation

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

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

Currency differences arising against the previous year's translation in the Heidelberg Group are also offset against retained earnings.

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

Currency translation is based on the following exchange rates:

	Average rates for the year		Reporting date rates	
	2011/2012	2012/2013	2011/2012	2012/2013
	€ 1 =	€ 1 =	€ 1 =	€ 1 =
AUD	1.3152	1.2487	1.2836	1.2308
CAD	1.3702	1.2932	1.3311	1.3021
CHF	1.2102	1.2094	1.2045	1.2195
CNY	8.8491	8.0928	8.4089	7.9600
GBP	0.8643	0.8163	0.8339	0.8456
HKD	10.7772	9.9974	10.3705	9.9420
JPY	109.3292	107.4091	109.5600	120.8700
USD	1.3861	1.2889	1.3356	1.2805

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

6 General accounting policies

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

General principles

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

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

Uniform accounting policies

The consolidated financial statements are prepared on the basis of accounting policies that are applied uniformly throughout the Group.

Consistency of accounting policies

The accounting policies were retained.

Revenue recognition

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

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

Income from operating and finance leases is recognized based on the provisions of IAS 17.

Intangible assets

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

Research and development costs

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

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

Property, plant and equipment

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

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

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

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

Investment property

Investment property (IAS 40: Investment Property) is recognized at cost less cumulative straight-line depreciation and cumulative impairment in line with the option provided under IAS 40. The fair value of investment property is disclosed in the notes to the consolidated financial statements. About half of this figure is calculated by Group-external, independent experts in line with internationally acknowledged valuation methods, such as the discounted cash flow method; otherwise it is derived from the current market price of comparable real estate.

Leases

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

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

Depreciation and amortization

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

	2011/2012	2012/2013
Development costs	3 to 12	3 to 12
software/other rights	3 to 5	3 to 5
Buildings	10 to 50	10 to 50
Technical equipment and machinery	6 to 29	6 to 29
Motor vehicles	6 to 9	6 to 9
Operating and office equipment	4 to 15	4 to 15
Investment property	10 to 50	10 to 50

Impairment of non-financial assets

The carrying amount of intangible assets (including capitalized development costs) and of property, plant and equipment is reviewed at the end of each financial year for evidence and indications of impairment.

An impairment loss is recognized if the impairment test finds that the recoverable amount of the asset is lower than its carrying amount. The recoverable amount is the higher of the fair value less costs to sell and the value in use. If the asset is part of an independent cash-generating unit, impairment is determined on the basis of the recoverable amount of this cash-generating unit. If the reasons for impairment cease to apply, the impairment is reversed up to amortized cost (IAS 36).

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

Inventories

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

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

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

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

Financial instruments

Basic information

A financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments are recognized when Heidelberg becomes party to a contract for the financial instrument. If the trade date and settlement date differ for standard purchases or sales, financial

instruments are recognized at the settlement date. First-time measurement of financial assets and liabilities is at fair value. The carrying amount of financial instruments not measured at fair value through profit or loss includes the directly attributable transaction costs. Subsequent measurement of financial instruments is in line with the measurement categories defined in IAS 39 "Financial Instruments: Recognition and Measurement". Under IAS 39, on first-time recognition financial assets and liabilities can be designated as financial instruments in the fair value through the profit and loss category. Heidelberg did not exercise this option.

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

In accordance with IAS 39, an impairment loss is recognized when there is sufficient objective evidence of impairment of a financial asset. Such evidence may lie in a deterioration of the customer's creditworthiness, delinquency or default, the restructuring of contract terms, or the increased probability that insolvency proceedings will be opened. The calculation of the amount of impairment needed takes into account historical default rates, the extent to which payment is past due, any collateral pledged and regional conditions.

Financial assets are examined for impairment requirements both individually (specific allowances for impairment losses) and in groups with similar default risk profiles (specific impairment allowances calculated on a portfolio basis). Appropriate risk provisioning was recognized for all discernible risks of default. The theoretically maximum remaining risk of default of financial assets is therefore the same as their recognized carrying amounts.

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

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

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

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

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

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

Investments and securities

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

Investments (including shares in affiliates) and securities are classified as financial assets available for sale. In line with IAS 39, these financial instruments are carried at fair value. Investments are measured at cost as their fair value cannot be reliably determined. Securities are measured at their stock market prices. If this value cannot be reliably determined, securities are measured at cost. Unrealized profits and losses arising from changes in fair value are recognized outside profit or loss, taking into consideration deferred taxes. At the time of a sale, realized profit or loss is

taken directly to the income statement in net financial income. The carrying amounts of investments and securities measured at cost are reviewed for impairment as of the end of each reporting period; impairment losses are recognized in profit or loss.

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

Loans

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

Receivables from sales financing

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

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

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

Trade receivables

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

Receivables and other assets

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

Cash and cash equivalents

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

Financial liabilities

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

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

Derivative financial instruments

Derivative financial instruments in the Heidelberg Group comprise hedging instruments used to manage interest rates and exchange rate fluctuations. These instruments serve to reduce income volatility. The Group does not enter into

trading positions, i.e. derivatives without an underlying hedged item. We currently use over-the-counter (OTC) instruments. These include:

> forward exchange transactions,

> currency options, and

> interest rate swaps.

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

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

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

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

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

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

Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are calculated in accordance with the standard international liability method (IAS 12). Under this method, deferred taxes are recognized for all temporary differences between IFRS carrying amounts and the tax carrying amounts of the individual companies or Group companies and on corresponding consolidation adjustments. In addition, deferred tax assets for future benefits from tax loss carryforwards are also taken into account. Deferred tax assets for accounting differences and for tax loss carryforwards are recognized in the amount for which it is probable that taxable income will be available, i.e. for which utilization seems reasonably assured. Deferred taxes are measured on the basis of the income tax rates of the respective countries. A tax rate of 28.26 percent (previous year: 28.43 percent) is used to calculate domestic deferred taxes. In addition to the corporation tax of 15 percent and the solidarity surcharge of 5.5 percent, the average trade tax rate was also taken into account.

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

Assets and liabilities held for sale

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

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

Provisions for pensions and similar obligations

The provisions for pensions and similar obligations comprise the obligations of the Group to establish provisions under both defined benefit plans and defined contribution plans. In the case of defined benefit plans, the pension obligations are calculated using the projected unit credit method (IAS 19). Under this method, expert actuarial

reports are commissioned each year. Mortality is calculated on the basis of the current Heubeck mortality tables (2005G) or comparable foreign mortality tables. Plan assets carried at fair value are offset against defined benefit obligations. The service cost is reported under staff costs and the interest portion of the additions to provisions under net financial income. The return on plan assets is offset from staff costs at the level of the individual company up to the amount of expenses for pension claims. Any excess amount is reported in net financial income.

The discounting rate used to calculate the present value of pension claims is based on the currency-specific returns on high-quality corporate bonds with a similar maturity. The calculation of the return expected on plan assets in the long term depends on the respective asset category. Our forecasts are based on long-term historical average figures.

Actuarial gains and losses are entirely offset in equity. Actuarial gains and losses recognized in equity are shown separately in the consolidated statement of comprehensive income together with the related deferred taxes.

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

Other provisions

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

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

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

Advance payments

Advance payments are recognized under liabilities.

Deferred income

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

Contingent liabilities

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

7 Estimates and judgments

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

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

> assessing the recoverability of goodwill,

> the measurement of other intangible assets and of items of property, plant and equipment,

> assessing impairment of trade receivables and receivables from sales financing,

> recognition and measurement of other provisions,

> recognition and measurement of provisions for pensions and similar obligations.

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

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

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

The amount and probability of utilization are estimated in the recognition and measurement of other provisions. They are measured either at the most likely settlement amount or, if probabilities are equal, at the expected settlement amount. The amount of the actual utilization could deviate from estimates.

The calculation of the provisions for pensions and similar obligations is based on the parameters listed in note 27. Increasing or reducing the interest rate used in calculations by one-quarter of a percentage point to 3.75 percent or 3.25 percent respectively (previous year: to 4.75 percent or 4.25 percent respectively) would result in a € 37,940 thousand (previous year: € 30,874 thousand) reduction or a € 40,586 thousand (previous year: € 32,936 thousand) increase in domestic pension claims. After income taxes, the losses offset in other comprehensive income would be reduced by € 27,218 thousand (previous year: € 22,096 thousand) or increased by € 29,116 thousand (previous year: € 23,572 thousand) respectively.

The goodwill impairment test is based on the parameters listed in note 19. As in the previous year, increasing the discount rate before taxes by one percentage point to 10.7 percent (previous year: 10.0 percent) for the cash-generating unit Heidelberg Equipment and 10.9 percent (previous year: 10.4 percent) for the cash-generating unit Heidelberg Services would not result in any impairment requirements. The same applies to a reduction in the growth factor used to calculate the perpetual annuity by one percentage point either way and 5 percent for the reduction in the result of operating activities.

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

Notes to the consolidated income statement

8 Net sales

In addition to income from sales of products and services, sales include income from commission, finance and operating leases totaling € 6,559 thousand (previous year: € 5,891 thousand) and interest income from sales financing and finance leases amounting to € 10,905 thousand (previous year: € 14,581 thousand).

Further information on sales can be found in the Segment Report and the Report on the Regions in the consolidated management report. The classification of sales by segment and sales by region is shown in note 37.

9 Other operating income

	2011/2012	2012/2013
Reversal of other provisions and deferred liabilities	51,183	52,421
Recoveries on loans and other assets previously written down	16,935	12,837
Income from operating facilities	12,845	10,027
Hedging/exchange rate gains	13,965	3,675
Income from disposals of intangible assets, property, plant and equipment, and investment property	2,004	1,770
Other income	26,152	24,912
	123,084	**105,642**

10 Cost of materials

	2011/2012	2012/2013
Cost of raw materials, consumables and supplies, and of goods purchased and held for resale	1,111,999	1,157,405
Cost of purchased services	117,310	118,692
Interest expense of Heidelberg Financial Services	2,410	2,148
	1,231,719	**1,278,245**

The ratio of the cost of materials to total operating performance is 47.5 percent (previous year: 47.0 percent).

11 Staff costs and number of employees

	2011/2012	2012/2013
Wages and salaries	762,234	760,171
Retirement benefit expenses[1]	34,268	35,945
Return on plan assets	−27,880	−29,582
Other social security contributions and expenses	135,908	134,939
	904,530	**901,473**

(1) See note 27

The interest component of the pension claims is shown under net financial income. The return on plan assets is offset against staff costs at the level of the individual company up to the amount of retirement benefit expenses. Any excess amount is shown in net financial income.

Reimbursements from the German Federal Labor Agency for social security expenses as part of reduced working hours decreased staff costs by € 0 thousand (previous year: € 11,246 thousand).

The number of **Employees**[(1)] was:

	Average		As of	
	2011/2012	2012/2013	31-Mar-2012	31-Mar-2013
Europe, Middle East and Africa	10,930	10,136	10,833	9,937
Eastern Europe	624	582	615	551
North America	940	837	882	791
South America	264	261	262	257
Asia/Pacific	2,215	2,181	2,221	2,158
	14,973	13,997	14,813	13,694
Trainees	672	609	601	521
	15,645	**14,606**	15,414	**14,215**

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

12 Depreciation and amortization

Depreciation and amortization including impairment and special items of € 85,173 thousand (previous year: € 90,181 thousand) relate to intangible assets (€ 20,570 thousand; previous year: € 25,728 thousand), property, plant and equipment (€ 64,532 thousand; previous year: € 64,382 thousand) and investment property (€ 71 thousand; previous year: € 71 thousand).

Impairment was recognized as follows: € 1,661 thousand on land and buildings (previous year: € 169 thousand), € 759 thousand on other equipment, operating and office equipment (previous year: € 408 thousand) and € 0 thousand on intangible assets (previous year: € 2,708 thousand). Impairment primarily relates to the Heidelberg Equipment Division and is essentially recognized under special items.

13 Other operating expenses

	2011/2012	2012/2013
Special direct sales expenses including freight charges	121,954	122,196
Other deliveries and services not included in the cost of materials	111,888	120,710
Rent and leases	62,474	60,179
Travel expenses	43,928	42,632
Bad debt allowances and impairment on other assets	20,590	18,114
Additions to provisions and accruals relating to several types of expense	18,853	15,970
Insurance expense	10,967	10,547
Hedging/exchange rate losses	20,337	9,323
Costs of car fleet (excluding leases)	8,045	7,726
Other overheads	100,504	97,264
	519,540	**504,661**

14 Special items

Special items include expenses in connection with our efficiency program Focus 2012.

Staff-related expenses of € 55,557 thousand (previous year: € 123,123 thousand) were incurred as part of this program in the reporting period. The remaining expenses of € 9,167 thousand (previous year: € 19,151 thousand) essentially relate to other structural measures in connection with Focus 2012 and include impairment losses on inventories and consulting costs.

15 Financial result

	2011/2012	2012/2013
Financial income	20,475	16,850
Financial expenses	110,029	98,543
Financial result	−89,554	**−81,693**

16 Financial income

	2011/2012	2012/2013
Interest and similar income	14,974	10,813
Income from financial assets/loans/securities	5,501	6,037
Financial income	20,475	**16,850**

17 Financial expenses

	2011/2012	2012/2013
Interest and similar expenses	106,465	90,664
—of which: net interest cost of pensions	(34,431)	(36,402)
Expenses for financial assets/loans/securities	3,564	7,879
Financial expenses	110,029	**98,543**

Interest and similar expenses include expenses in connection with the high yield bond and the credit facility (see note 29). Net interest expenses for pensions comprise interest expenses for pension rights less the portion of return on plan assets not netted against staff costs (see note 11).

Costs of financial assets/loans/securities include write-downs/reversals of write-downs of € 8 thousand (previous year: € 620 thousand).

18 Taxes on income

Taxes on income are broken down as follows:

	2011/2012	2012/2013
Current taxes	−81,586	−10,892
of which Germany	(−85,863)	(−4,857)
of which abroad	(4,277)	(−6,035)
Deferred taxes	82,364	2,279
of which Germany	(77,455)	(1,192)
of which abroad	(4,909)	(1,087)
	778	**−8,613**

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

Taxes on income comprise German corporate tax (15 percent) including the solidarity surcharge (5.5 per-cent), trade tax (12.43 percent; previous year: 12.60 per-cent) and comparable taxes of the foreign subsidiaries. The nominal total German tax rate is 28.26 percent for the financial year (previous year: 28.43 percent).

No deferred tax liabilities were recognized for temporary differences on shares in subsidiaries of € 277,663 thousand (previous year: € 232,011 thousand) as it is unlikely that these differences will reverse in the foreseeable future or the corresponding effects are not subject to taxation. Any recognition of deferred taxes would be based on the respective applicable tax rates in line with local taxation on distributed dividends.

Owing to the reduction in deferred tax assets on temporary differences, deferred tax expenses amounted to € 520 thousand in the reporting year (previous year: € 20,576 thousand).

Total tax loss carryforwards for which no deferred tax assets were recognized amount to € 1,099,749 thousand (previous year: € 1,067,871 thousand). Of these, € 0 thousand can be used until 2014 (previous year: € 1,763 thousand until 2013), € 0 thousand until 2015 (previous year: € 7,240 thousand until 2014), € 0 thousand until 2016 (previous year: € 9,428 thousand until 2015), € 106 thousand until 2017 (previous year: € 3,965 thousand until 2016), € 0 thousand until 2018 (previous year: € 2,136 thousand until 2017) and € 1,099,643 thousand until 2019 and later (previous year: € 1,043,339 thousand until 2018 and later).

Deferred tax assets are only recognized for tax loss carryforwards if their realization is guaranteed in the near future. Write-downs of deferred tax assets for loss carryforwards recognized in previous years were recognized in the amount of € 835 thousand in the year under review (previous year: € 63,952 thousand). Deferred tax assets totaling € 0 thousand (previous year: € 1,250 thousand) were recognized in the reporting year on tax loss carryforwards not

previously recognized. Deferred tax assets on current tax losses amounting to € 44 thousand (previous year: € 1,007 thousand) were recognized in profit or loss in the reporting year. The existence of tax loss carryforwards is basically an indication that the use of deferred tax assets cannot be assumed. On the basis of tax planning, it was assumed that positive taxable income will be available in the foreseeable future. Accordingly, deferred tax assets of € 7,831 thousand (previous year: € 14,941 thousand) were capitalized at companies that generated a tax loss in the current or prior financial year.

Income of € 0 thousand was recognized from loss carrybacks in the reporting year (previous year: € 0 thousand).

Unutilized tax credit for which no deferred tax assets have been recognized in the consolidated statement of financial position amounted to € 2,560 thousand (previous year: € 2,454 thousand).

Current taxes were reduced in the reporting year by € 9,864 thousand (previous year: € 4,023 thousand) as a result of deferred tax assets for tax loss carryforwards that had not previously been taken into account. In the reporting period, current income taxes included net prior-period income of € 30,228 thousand (previous year: € 97,376 thousand).

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

	2011/2012	2012/2013
Income before taxes:	−229,315	−118,480
Theoretical tax rate in percent	28.43	28.26
Theoretical tax income	−65,194	**−33,482**
Change in theoretical tax expense/income due to:		
—Differing tax rate	−7,990	−4,217
—Tax loss carryforwards[1]	144,003	35,559
—Reduction due to tax-free income	−10,898	−6,921
—Tax increase due to non-deductible expenses	12,586	15,533
—Change in tax provisions/taxes attributable to previous years/impairment of deferred tax assets temporary differences	−74,339	−17,315
—Other	2,610	2,230
Taxes on income	778	**−8,613**
Tax rate in percent	−0.34	**7.27**

(1) Amortization of loss carryforwards, utilization of non- recognized loss carryforwards and non-recognition of current losses

Notes to the consolidated statement of financial position

19 Intangible assets

Goodwill includes amounts arising from the acquisition of businesses (asset deals) and from capital consolidation. For the purpose of impairment testing, assets are allocated to cash-generating units. These are the same as the segments (see note 37). The carrying amounts of the goodwill associated with the cash-generating units Heidelberg Equipment and Heidelberg Services total € 69,340 thousand (previous year: € 69,319 thousand) or € 54,514 thousand (previous year: € 53,918 thousand) respectively.

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

The calculated cash flows were discounted on the basis of market data using weighted average costs of capital (WACC) before taxes of 9.7 percent (previous year: 9.0 percent) for the Heidelberg Equipment cash-generating unit and of 9.9 percent (previous year: 9.4 percent) for the Heidelberg Services cash-generating unit. As in the previous year

Heidelberg uses constant growth rates of 1 percent to show expected inflation to extrapolate cash flows beyond the detailed planning period.

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

Capitalized **Development costs** relate for the most part to the development of machinery in the Heidelberg Equipment segment. Non-capitalized development costs from all segments—including research expenses—amount to € 116,372 thousand in the reporting year (previous year: € 127,922 thousand).

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

The carrying amounts of assets capitalized in non-current assets from finance leases in which we are the lessee are € 3,412 thousand (previous year: € 3,917 thousand) for land and buildings and € 4,461 thousand (previous year: € 5,196 thousand) for other equipment, operating and office equipment. The latter are mainly vehicles and IT equipment.

The carrying amounts of assets capitalized in non-current assets from operating leases in which we are the lessor are € 14,461 thousand (previous year: € 14,637 thousand). These assets are reported under technical equipment and machinery. These assets are printing presses leased to customers. The gross carrying amounts were € 29,844 thousand (previous year: € 29,677 thousand) and cumulative depreciation amounted to € 15,383 thousand (previous year: € 15,039 thousand). Depreciation of € 4,111 thousand (previous year: € 4,264 thousand) was recognized in the reporting year. Future lease income of € 2,842 thousand (previous year: € 2,444 thousand) is anticipated from operating leases. Payments with maturities of up to one year, between one and five years, and more than five years amount to € 1,555 thousand (previous year: € 1,184 thousand), € 1,032 thousand (previous year: € 1,130 thousand) and € 255 thousand (previous year: € 129 thousand) respectively.

In connection with a loan received (carrying amount: € 40,739 thousand; previous year: € 48,548 thousand), the lender was granted usufructuary rights on three developed plots of land (carrying amount: € 34,533 thousand; previous year: € 35,533 thousand). In connection with the refinancing of the Heidelberg Group (see note 29), property, plant and equipment and investment property were pledged as collateral by way of assignment and the appointment of a collective land charge. The carrying amounts of this collateral as of the end of the reporting period were € 359,682 thousand (previous year: € 362,507 thousand) and € 4,656 thousand (previous year: € 4,939 thousand) respectively.

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

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

The fair value of investment property (IAS 40: Investment Property) is € 9,078 thousand (previous year: € 9,390 thousand). As in the previous year, only immaterial current income or expenses were incurred in connection with investment property in the reporting year.

In line with IFRS 5, assets of € 2,049 thousand (previous year: € 2,694 thousand) were classified as held for sale as of March 31, 2013. These essentially relate to three developed plots of land, the sale of which is planned and has been initiated, and which are mostly allocated to the Heidelberg Services segment.

21 Financial assets

Financial assets include shares in subsidiaries totaling € 16,800 thousand (previous year: € 20,659 thousand), other investments of € 3,461 thousand (previous year: € 3,464 thousand) and securities of € 3,329 thousand (previous year: € 3,365 thousand). The underlying quoted prices for the securities qualify under level 1 in the hierarchy of fair values stipulated by IFRS 7: Financial Instruments: Disclosures as only quoted prices observed on active markets were used in measurement.

22 Receivables and other assets

	31-Mar-2012			31-Mar-2013		
	Current	Non-current	Total	Current	Non-current	Total
Receivables from sales financing	70,460	85,830	156,290	55,049	63,215	118,264
Trade receivables	360,958	0	360,958	381,842	0	381,842

Other receivables and other assets						
Other tax assets	18,039	0	18,039	21,664	0	21,664
Loans	279	7,016	7,295	376	8,528	8,904
Derivative financial instruments	15,406	395	15,801	11,743	28	11,771
Deferred interest	140	0	140	137	0	137
Deferred income	16,061	1,536	17,597	11,847	1,102	12,949
Other assets	66,493	7,651	74,144	64,490	9,567	74,057
	116,418	16,598	133,016	110,257	19,225	**129,482**

In the reporting year, plan assets of € 2,351 thousand (previous year: € 913 thousand) are included in non-current other assets (see note 27).

In connection with the refinancing of the Heidelberg Group (see note 29), trade receivables, receivables from sales financing, and other receivables and other assets were assigned as collateral by way of undisclosed assignment. The carrying amounts of this collateral as of the end of the reporting period were € 121,779 thousand (previous year: € 91,457 thousand), € 72,824 thousand (previous year: € 98,388 thousand) and € 11,243 thousand (previous year: € 10,598 thousand) respectively.

Receivables from sales financing

Receivables from sales financing are shown in the table below:

Contract currency	Carrying amount 31-Mar-2012 in € thousand	Remaining term in years	Effective interest rate in %	Carrying amount 31-Mar-2013 in € thousand	Remaining term in years	Effective interest rate in %
EUR	91,701	up to 9	up to 18	74,083	up to 9	up to 14
AUD	24,944	up to 7	up to 13	18,486	up to 7	up to 12
USD	11,736	up to 5	up to 11	5,132	up to 6	up to 12
KRW	12,299	up to 7	up to 10	9,607	up to 7	up to 10
Other	15,610			10,956		
	156,290			**118,264**		

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

The fair value of receivables from sales financing is essentially the reported carrying amount. This fair value is based upon expected cash flows, which are discounted taking into account the interest rates with matching maturities prevailing at the end of the reporting period and the customer-specific credit rating.

A specific allowance for impairment losses of € 16,770 thousand (previous year: € 19,570 thousand) was recognized for receivables from sales financing with a gross carrying amount of € 39,106 thousand (previous year: € 48,972 thousand). The derived market value of the collateral held for receivables from machinery sales was € 114,169 thousand (previous year: € 148,591 thousand) as of the end of the reporting period. This collateral is essentially reservations of title, with the amount of security varying from region to region.

To the extent that there was no individual, objective evidence of impairment, a specific impairment allowance calculated on a portfolio basis was recognized for receivables from sales financing. The carrying amounts of these receivables, which are also offset by rights of recourse to the delivered products, were past due as follows as of the end of the reporting period:

	31-Mar-2012	31-Mar-2013
Receivables from sales financing neither past due nor impaired	113,976	80,949
Receivables past due but not impaired		
less than 30 days	2,657	6,064
between 30 and 60 days	1,592	1,254
between 60 and 90 days	2,938	783
between 90 and 180 days	2,246	3,063
more than 180 days	3,479	3,815
Total	12,912	14,979
	126,888	**95,928**

The total impairment loss in the period for receivables from sales financing was € 5,798 thousand (previous year: € 9,002 thousand). Of this, impairment amounts booked to allowance accounts developed as follows:

	2011/2012	2012/2013
As of the start of the financial year	31,089	23,413
Additions	8,710	5,480
Utilization	−7,096	−2,843
Reversals	−9,505	−5,631
Change in scope of consolidation, currency adjustments, other changes	215	−1,333
As of the end of the financial year	23,413	**19,086**

Receivables from sales financing include lease receivables from finance leases in which in particular our financing companies act as lessors. Cumulative impairment on these lease receivables amounts to € 13 thousand (previous year: € 15 thousand). Leases are subject to the following parameters:

	31-Mar-2012				31-Mar-2013			
	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	
Total lease payments	—	—	—	15,615	—	—	—	15,636
Lease payments received	—	—	—	−13,813	—	—	—	−14,550
Outstanding lease payments	779	1,023	—	1,802	809	277	0	1,086
Interest portion of outstanding lease payments	−76	−38	—	−114	−31	−10	0	−41
Present value of outstanding lease payments (carrying amount)	703	985	—	1,688	778	267	0	**1,045**

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

Trade receivables

A specific allowance for impairment losses of € 33,948 thousand (previous year: € 34,316 thousand) was recognized for trade receivables with a gross carrying amount of € 41,767 thousand (previous year: € 44,918 thousand). To the extent that there was no individual, objective evidence of impairment, a specific impairment allowance calculated on a portfolio basis was recognized for trade receivables. The carrying amount of these receivables was past due as follows as of the end of the reporting period:

	31-Mar-2012	31-Mar-2013
Trade receivables neither past due nor impaired	239,914	273,068
Receivables past due but not impaired		
less than 30 days	58,447	58,777
between 30 and 60 days	18,219	15,169
between 60 and 90 days	10,197	6,008
between 90 and 180 days	10,487	11,904
more than 180 days	13,092	9,097
Total	110,442	100,955
	350,356	**374,023**

The derived market value of the collateral held for receivables from machinery sales was € 231,423 thousand (previous year: € 183,369 thousand) as of the end of the reporting period. This collateral is essentially reservations of title, with the amount of security varying from region to region.

The total impairment loss in the period for trade receivables was € 11,175 thousand (previous year: € 11,193 thousand). Of this, impairment amounts booked to allowance accounts developed as follows:

2011/2012	2012/2013

As of the start of the financial year	45,275	41,198
Additions	9,743	9,848
Utilization	−7,287	−4,672
Reversals	−7,065	−7,726
Change in scope of consolidation, currency adjustments, other changes	532	2,587
As of the end of the financial year	41,198	**41,235**

Trade receivables in the reporting year did not include a significant concentration of risk.

Other receivables and other assets

The carrying amounts of non-current receivables and other financial assets are largely identical to the fair values. Any discrepancies that arise are of minor financial significance.

Specific allowances for impairment losses of € 4,993 thousand (previous year: €5,162 thousand) and € 5,264 thousand (previous year: € 4,453 thousand) relate to loans (gross carrying amount € 13,897 thousand; previous year: € 12,459 thousand) and other financial assets (gross carrying amount € 47,865 thousand; previous year: € 30,983 thousand) respectively.

Of the impairment recognized on loans in the previous year, € 115 thousand (previous year: € 87 thousand) were utilized and € 22 thousand (previous year: € 3 thousand) were reversed. Additions to impairment losses of € 33 thousand were required (previous year: € 63 thousand). Of the impairment recognized on other financial assets in the previous year, € 0 thousand (previous year: € 0 thousand) was utilized and € 30 thousand (previous year: € 1 thousand) were reversed. Additions to impairment of € 1,110 thousand were required (previous year: € 383 thousand).

€ 425 thousand (previous year: € 818 thousand) of unimpaired loans and other financial assets were past due by more than 180 days.

Derivative financial instruments essentially include positive fair values from cash flow hedges of € 6,650 thousand (previous year: € 13,697 thousand) and from fair value hedges of € 4,996 thousand (previous year: € 1,778 thousand).

23 Deferred tax assets and deferred tax liabilities

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

	31-Mar-2012		31-Mar-2013	
	Asset	Liability	Asset	Liability
Tax loss carry-forwards	7,797	0	5,437	0
Assets:				
Intangible assets/property, plant and equipment/investment property/financial assets	9,359	6,719	8,106	6,364
Inventories, receivables and other assets	10,206	1,889	8,305	1,794
Securities	0	0	0	0
Liabilities				
Provisions	12,478	4,136	13,767	5,023
Liabilities	4,586	1,023	5,869	440
Gross amount	44,426	13,767	41,484	13,621
Offsetting	5,780	5,780	5,339	5,339
Carrying amount	38,646	7,987	**36,145**	**8,282**

Deferred tax assets include non-current deferred taxes of € 23,895 thousand (previous year: € 33,228 thousand). Deferred tax liabilities include non-current deferred taxes of € 5,715 thousand (previous year: € 6,220 thousand).

Due to currency translation, deferred tax assets increased by € 910 thousand (previous year: € 220 thousand) in the reporting year. Modifications in the scope of consolidation resulted in a change in deferred tax liabilities not recognized in profit or loss totaling € 105 thousand (previous year: € 0 thousand).

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

	2011/2012			2012/2013		
	Before income taxes	Income taxes	After income taxes	Before income taxes	Income taxes	After income taxes
Pension obligations	−94,841	−1,686	−96,527	−82,149	−1,909	−84,058
Currency translation	35,448	0	35,448	10,792	0	10,792
Financial assets available for sale	−292	27	−265	212	0	212
Cash flow hedges	−9,732	1,833	−7,899	5,205	587	5,792
Total other comprehensive income	−69,417	174	−69,243	−65,940	−1,322	**−67,262**

24 Inventories

	31-Mar-2012	31-Mar-2013
Raw materials and supplies	121,925	115,364
Work and services in progress	334,796	292,132
Finished goods and goods for resale	325,264	289,964
Advance payments	3,741	2,232
	785,726	**699,692**

In order to adjust inventories to the net realizable value, impairment of € 3,722 thousand was recognized in the year under review (previous year: € 1,900 thousand). The reason for the write-down to the lower net realizable value is primarily the decreased likelihood of market success for a small portion of our inventories. Remarketed equipment was repossessed as collateral owing to the insolvency of customers. In the year under review, remarketed equipment of € 973 thousand (previous year: € 373 thousand) was reported under finished goods and goods held for resale. The repossession of this collateral resulted in cash and cash equivalents of € 733 thousand (previous year: € 797 thousand) at German companies in the reporting period.

The carrying amount of the inventories pledged as collateral in connection with the refinancing of the Heidelberg Group (see note 29) was € 401,712 thousand (previous year: € 468,305 thousand).

25 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and bank balances. Restrictions on disposal of cash and cash equivalents due to foreign exchange restrictions amount to € 61,562 thousand (previous year: € 63,644 thousand). Bank balances are exclusively held for short- term cash management purposes.

26 Equity

Share capital/number of shares outstanding/treasury stock

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

The share capital of Heidelberger Druckmaschinen Aktiengesellschaft is unchanged from the previous year; it amounts to € 599,672,166.40 and remains divided into 234,246,940 shares. For information on the capital increase performed in the previous year please see "Authorized capital".

As of March 31, 2013, the Company holds 142,919 shares, as in the previous year. The amount of these shares allocated to share capital is € 366 thousand (previous year: € 366 thousand), with a notional amount of share capital of 0.06 percent as of March 31, 2013 (previous year: 0.06 percent).

The shares were acquired in March 2007. The cost of the acquisition was € 13,246 thousand. Additional transaction fees amounted to € 12 thousand. The total cost of the acquisition was therefore € 13,258 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.

At the beginning of the previous year, 257,081 treasury shares were used for an employee share participation program agreed in the 2010/2011 financial year; the shares were issued free of charge for the employees. In the year under review, the employee program did not result in expenses, income (previous year: income of € 1,027 thousand) or an allocation to the capital reserves (March 31, 2012: € 1,339 thousand).

Contingent capital

On July 26, 2012, the Annual General Meeting authorized the Management Board, with the approval of the Supervisory Board, to issue bearer or registered warrants or convertible bonds, profit-sharing rights or participating bonds, or a combination of these instruments (collectively referred to as "bonds") up to a total nominal amount of € 150,000,000.00, dated or undated, on one or several occasions by July 25, 2017, and to grant or impose on the bearers or creditors of option warrants or option profit-sharing rights or option participating bonds option rights or obligations, or to grant or impose on the bearers or creditors of convertible bonds, convertible profit-sharing rights or convertible participating bonds conversion rights or obligations to bearer shares of the company with a pro rata amount of share capital of up to € 119,934,433.28 in total, in accordance with the further conditions of these bonds. Shareholder preemptive subscription rights can be disapplied in accordance with the further conditions of authorization. The share capital was contingently increased by up to € 119,934,433.28 (Contingent Capital 2012) for this purpose; details of Contingent Capital 2012 can be found in Article 3 (3) of the Articles of Association. The resolution was entered in the commercial register on August 13, 2012.

In accordance with the resolution of the Annual General Meeting of July 20, 2006, the share capital was contingently increased by up to € 21,260,979.20 by issuing up to 8,305,070 new bearer shares with a pro rata amount of share capital of € 2.56 each (Contingent Capital 2006). This contingent capital increase would have been carried out only to the extent that bearers of option or conversion rights or those obliged to exercise their conversion rights/options from bonds with warrants or convertible bonds issued or guaranteed by the Company or a subsidiary Group company would have exercised their option or conversion rights or fulfilled their obligation regarding conversion/the exercising of options by July19, 2011. However, the Company did not issue any such bonds or rights before July 19, 2011. The Annual General Meeting withdrew Contingent Capital 2006 on July 26, 2012.

At the Annual General Meeting on July 18, 2008, the Management Board was granted two authorizations valid until July 17, 2013, which have the same content but which differ with regard to the option and conversion prices stipulated, to issue convertible bonds and/or bonds with warrants, profit- sharing rights and/or profit participating bonds (or combinations of these instruments) with or without a limit on the term with a total nominal amount of up to € 500,000,000.00 and to grant conversion or option rights on bearer shares in the Company with a total pro rata amount

of share capital of up to € 19,979,118.08 to the bearers or creditors of bonds and for disapplying subscription rights. To ensure any option or conversion rights or obligations of bonds or similar instruments created on the basis of the above authorizations, the following two contingent capitals have been created:

In accordance with the resolution of the Annual General Meeting of July 18, 2008, the share capital was contingently increased by up to € 19,979,118.08 by issuing up to 7,804,343 new bearer shares with a pro rata amount of share capital per share of € 2.56 (Contingent Capital 2008/I). The contingent capital increase was for the purpose of granting bearer shares to the bearers or creditors of convertible bonds or bonds with warrants, profit-sharing rights or participating bonds (or combinations of these instruments) that were issued by the Company or one of its direct or indirect Group companies on the basis of the authorization resolved at the Annual General Meeting on July 18, 2008, under agenda item 9a) and that grant a conversion or option right to bearer shares in the Company or that stipulate a conversion obligation.

In accordance with the resolution of the Annual General Meeting of July 18, 2008, the share capital was contingently increased by up to € 19,979,118.08 by issuing up to 7,804,343 new bearer shares with a pro rata amount of share capital per share of € 2.56 (Contingent Capital 2008/II). The contingent capital increase was for the purpose of granting bearer shares to the bearers or creditors of convertible bonds or bonds with warrants, profit- sharing rights or participating bonds (or combinations of these instruments) that were issued by the Company or one of its direct or indirect Group companies on the basis of the authorization resolved at the Annual General Meeting on July 18, 2008 under agenda item 10a) and that grant a conversion or option right to bearer shares in the Company or that stipulate a conversion obligation.

On July 26, 2012, the Annual General Meeting withdrew both Contingent Capital 2008/I and Contingent Capital 2008/II.

Authorized capital

By way of resolution of the Annual General Meeting of July 18, 2008, the Management Board was authorized, with the approval of the Supervisory Board, to increase the share capital of Heidelberger Druckmaschinen Aktiengesellschaft by up to € 59,937,356.80 on one or several occasions against cash or non-cash contributions by July 1, 2011 (Authorized Capital 2008).

A capital increase was carried out in the previous year to implement the court settlement with the former shareholders of Linotype-Hell Aktiengesellschaft. Under the amicable settlement of the court dispute with the former shareholders of Linotype-Hell Aktiengesellschaft regarding the exchange ratio on March 30, 2011, it was agreed by way of court settlement to compensate the shareholders in shares of Heidelberger Druckmaschinen Aktiengesellschaft. For this purpose, the Management Board resolved, with the approval of the Supervisory Board, to increase the share capital by € 2,346,593.28 by issuing 916,638 new shares. Shareholders' preemptive subscription rights were disapplied with the approval of the Supervisory Board. To create new shares, the Management Board partially exercised its authorization under the resolution of the Annual General Meeting on July 18, 2008, to increase the share capital by issuing new shares against contributions (**Authorized capital 2008**). The capital increase resolution was entered in the commercial register on June 6, 2011.

The Annual General Meeting on July 26, 2012, authorized the Management Board, with the approval of the Supervisory Board, to increase the share capital of the Company by up to € 119,934,433.28 on one or several occasions by issuing new shares against cash or non-cash contributions by July 25, 2017 (**Authorized capital 2012**). Preemptive subscription rights can be disapplied in accordance with the further conditions of authorization. Details of Authorized Capital 2012 can be found in Article 3 (4) of the Articles of Association. The authorization took effect on entry of the amendment of the Articles of Association in the commercial register on August 13, 2012.

In accordance with the resolution of the Annual General Meeting on July 28, 2011, the Management Board was authorized, with the approval of the Supervisory Board, to increase the share capital of the company by up to € 119,934,433.28 on one or several occasions by issuing new shares against cash contributions by July 27, 2016 (**Authorized capital 2011**). On July 26, 2012, the Annual General Meeting withdrew Authorized Capital 2011 effective from the entry of Authorized Capital 2012.

Capital reserves

The capital reserves essentially include amounts from the capital increase in accordance with Section 272 (2)1 of the German Commercial Code (HGB), from the simplified capital reduction in accordance with Section 237 (5) Aktiengesetz (AktG—German Stock Corporation Act) and expenses from the issuance of option rights to employees in line with IFRS 2: Share-based Payment.

Retained earnings

The retained earnings include the earnings generated but not yet distributed of Heidelberger Druckmaschinen Aktiengesellschaft and its consolidated subsidiaries in previous years, the effects of consolidation, exchange rate effects, IAS 39 fair value changes in equity and the actuarial gains and losses on pension obligations.

The amicable settlement of the court dispute with the former shareholders of Linotype-Hell Aktiengesellschaft regarding the exchange ratio on March 30, 2011, resulted in the derecognition in the previous year of the risk provisions recognized for this purpose, thereby increasing retained earnings.

Appropriation of the net profit of heidelberger druckmaschinen aktiengesellschaft

The net loss of € 30,017,081.24 incurred by Heidelberger Druckmaschinen Aktiengesellschaft in the 2011/2012 financial year was withdrawn in full from other retained earnings in its annual financial statements.

The net loss of € 76,515,071.84 incurred by Heidelberger Druckmaschinen Aktiengesellschaft in the year under review was also offset in full in its annual financial statements by way of withdrawal from retained earnings.

27 Provisions for pensions and similar obligations

The Heidelberg Group operates pension schemes—either directly or through premium payments to schemes financed by private institutions—for the majority of employees for the time after their retirement. The amount of benefit payments depends on the conditions in particular countries. The amounts are generally based on the term of employment and the salary of the employees. Liabilities include both those arising from current pensions and vested pension rights for pensions payable in the future. The pension payments expected following the start of benefit payments are distributed over the employee's full period of employment. The group of beneficiaries participating in the defined benefit plans financed by funds at Heidelberger Druckmaschinen Aktiengesellschaft and Heidelberger Druckmaschinen Vertrieb Deutschland GmbH has been closed.

The expenses for defined contribution plans amounted to € 63,383 thousand (previous year: € 64,136 thousand) in the reporting year and essentially include contributions to the statutory pension insurance.

The so-called third option was exercised in line with IAS 19. In line with this, actuarial gains and losses and the restrictions of IAS 19.58b) are offset outside profit or loss.

As part of a contractual trust arrangement (CTA) of Heidelberger Druckmaschinen Aktiengesellschaft and Heidelberger Druckmaschinen Vertrieb Deutschland GmbH set up in March 2006, assets were transferred to a trustee, Heidelberg Pension-Trust e.V., Heidelberg. The purpose of the CTA is to finance all pension obligations.

The calculation of the pension provisions is based on the following assumptions:

Figures in percent

	2011/2012		2012/2013	
	Domestic	**Foreign**	**Domestic**	**Foreign**
Discount rate	4.50	3.52	3.50	3.50
Expected return on plan assets	5.17	4.60	5.37	4.41
Expected future salary increases	3.00	2.44	3.00	2.43
Expected future pension increases	2.00	2.35	1.75	2.37

The determination of the discount rate, based on Bloomberg data and the adjustment of the expected pension increase, which was carried out for the first time on September 30, 2012, resulted in an overall reduction of actuarial losses at domestic affiliates by € 35,480 thousand as of March 31, 2013. The calculation was based on a discount rate of 3.50 percent (March 31, 2012: 4.50 percent), which without adjustment would also have equally been 3.50 percent, and an expected pension increase of 1.75 percent (March 31, 2012: 2.00 percent).

To determine the expected return on plan assets, we use amounts generated in the past and forecasts concerning the expected development of plan assets.

The information on pensions is structured as follows:

(1) Composition and development of the net carrying amounts.

(2) Reconciliation of the present value of the defined benefit obligation for employees and the fair value of plan assets to the provisions for pensions.

(3) Development of the present value of the defined benefit obligation for employees.

(4) Development of the fair value of plan assets.

(5) Composition of plan assets.

(6) Breakdown of retirement benefit expenses.

(7) Five-year comparison: total defined benefit obligation for employees and experience adjustments.

(1) The net carrying amounts break down as follows:

	31-Mar-2012	31-Mar-2013
Provisions for pensions and similar obligations	326,080	415,746
Reported assets	913	2,351
Net carrying amounts at the end of the financial year	325,167	**413,395**

The net carrying amounts developed as follows:

	2011/2012	2012/2013
Net carrying amounts at the start of the financial year	214,014	325,167
Expenses for pension obligations	70,321	65,415
Pension payments	−8,023	−12,374
Employer/employee contributions	−7,232	−7,296
Actuarial gains (−)/losses (+)	94,841	82,149
Expected return on plan assets	−42,634	−41,625
Change in scope of consolidation, currency adjustments, other changes	3,880	1,959
Net carrying amounts at the end of the financial year	325,167	**413,395**

(2) The provisions for pensions and similar obligations are derived from the present value of the defined benefit obligation for employees and the fair value of plan assets as follows:

	31-Mar-2012	31-Mar-2013
Present value of defined benefit obligation for employees (funded)	1,140,457	1,256,035
Less fair value of plan assets	−846,400	−872,099
	294,057	383,936
Present value of defined benefit obligation for employees (unfunded)	31,110	29,459
Net carrying amount	325,167	413,395
Reported assets included therein	913	2,351
Provisions for pensions and similar obligations	326,080	**415,746**

(3) The defined benefit obligation for employees developed as follows:

	2011/2012	2012/2013
Present value of the defined benefit obligation for employees at the start of the financial year	1,037,033	1,171,567
Current service cost	20,215	21,679
Interest expense	49,185	48,445
Pension payments	−44,954	−57,925
Actuarial gains (−)/losses (+)	85,710	108,269
Past service cost	2,527	−3,541
Curtailments	−1,607	−1,168
Change in scope of consolidation, currency adjustments, other changes	23,458	−1,832
Present value of the defined benefit obligation for employees at the end of the financial year	1,171,567	**1,285,494**
—of which: funded	1,140,457	1,256,035
—of which: unfunded	31,110	29,459

(4) The fair value of plan assets developed as follows:

	2011/2012	2012/2013
Fair value of plan assets at the start of the financial year	823,019	846,400
Expected return on plan assets	42,634	41,625
Employer contributions	4,176	4,855
Employee contributions	3,056	2,441
Pension payments from funds	−36,931	−45,551
Actuarial gains (+)/losses (−)	−9,131	26,120
Change in scope of consolidation, currency adjustments, other changes	19,577	−3,791
Fair value of fund assets at the end of the financial year	846,400	**872,099**

The actual return on plan assets is € 67,745 thousand (previous year: € 33,503 thousand).

(5) Plan assets break down as follows:

	31-Mar-2012	31-Mar-2013
Fixed-income securities	447,306	425,373
Funds	95,141	201,335
Shares	211,262	144,711
Cash and cash equivalents	18,059	33,687
Qualifying insurance policy	29,385	29,537
Real estate	34,986	13,120
Others	10,261	24,336
	846,400	**872,099**

(6) Retirement benefit expenses break down as follows:

	2011/2012	2012/2013
Current service cost	20,215	21,679
Interest expense	49,185	48,445
Past service cost	2,527	−3,541
Curtailments	−1,607	−1,168
Expenses for pension obligations	70,320	65,415
Expected return on plan assets	−42,634	−41,625
Expenses for other pension plans	15,660	15,435
	43,346	**39,225**

The return on plan assets at individual entity level is included in staff costs up to the amount of the corresponding expense for pension claims; any excess is shown together with interest expenses in net financial income. Retirement benefit expenses reported under staff costs before netting against the return on plan assets amount to € 35,945 thousand (previous year: € 34,268 thousand).

It was not possible to reliably estimate expected future contributions to the employee pension funds as of the end of the reporting period.

The cumulative actuarial losses and the cumulative adjustment amount in accordance with IAS 19.58b) are € 298,450 thousand as of the end of the reporting period (previous year: € 216,990 thousand).

(7) Five-year comparison: total defined benefit obligation for employees and experience adjustments.

The present value of the defined benefit obligations for employees, the fair values of plan assets, the funding status at the end of reporting periods and experience adjustments to liabilities and plan assets are shown in the following tables:

	31-Mar-2009	31-Mar-2010	31-Mar-2011	31-Mar-2012	31-Mar-2013
Present value of defined benefit obligation for employees (funded)	832,648	996,681	1,011,907	1,140,457	1,256,035
Less fair value of plan assets	−702,810	−806,263	−823,019	−846,400	−872,099

	129,838	190,418	188,888	294,057	**383,936**
Present value of defined benefit obligation for employees (unfunded)	24,324	26,055	25,126	31,110	29,459

	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013
Experience adjustments to assets	1,223	14,846	5,107	5,203	4,482
Experience adjustments to liabilities	−108,105	88,944	−9,883	−9,131	26,120

28 Other provisions

	31-Mar-2012			31-Mar-2013		
	Current	Non-current	Total	Current	Non-current	Total
Tax provisions	25,002	92,951	117,953	13,058	82,118	**95,176**
Other provisions						
Staff obligations	73,812	31,944	105,756	73,428	31,360	104,788
Sales obligations	114,598	13,205	127,803	109,524	14,607	124,131
Other	109,328	146,109	255,437	141,253	119,174	260,427
	297,738	191,258	488,996	324,205	165,141	489,346
	322,740	284,209	606,949	337,263	247,259	**584,522**

	As of 1-Apr-2012	Change in scope of consolidation, currency adjustments, reclassification	Utilization	Reversal	Addition	As of 31-Mar-2013
Tax provisions ...	117,953	486	5,707	29,177	11,621	**95,176**
Other provisions						
Staff obligations..	105,756	298	58,372	2,045	59,151	104,788
Sales obligations .	127,803	1,479	39,927	32,974	67,750	124,131
Other	255,437	4,221	73,494	23,924	98,187	260,427
	488,996	5,998	171,793	58,943	225,088	489,346
	606,949	6,484	177,500	88,120	236,709	**584,522**

Additions include accrued interest and the effects of the change in discount rates of € 4,669 thousand (previous year: € 10,357 thousand). These relate to expenses of € 2,128 thousand (previous year: € 2,122 thousand) for staff obligations, € 148 thousand (previous year: € 158 thousand) for sales and marketing obligations and expenses of € 2,393 thousand (previous year: expenses of € 8,077 thousand) for miscellaneous other provisions.

As in previous years, **Tax provisions** primarily recognize the risks of additional assessments. The decline in tax provisions in the year under review resulted from the absence of such risks at foreign Group companies.

Staff provisions essentially relate to bonuses (€ 33,132 thousand; previous year: € 30,018 thousand), costs of early retirement payments and the partial retirement program (€ 21,364 thousand; previous year: € 26,465 thousand) and anniversary expenses (€ 16,832 thousand; previous year: € 16,624 thousand).

Sales and marketing provisions mainly relate to warranties, reciprocal liability and buyback obligations (€ 76,751 thousand; previous year: € 78,468 thousand). The provisions for warranty obligations and obligations to provide subsequent performance and product liability serve to cover risks that are either not insured or which go beyond insurable risks. Utilization of these provisions in Germany is predominantly expected over a short- to medium-term horizon. € 7,788 thousand (previous year: € 8,575 thousand) of the reciprocal liability and buyback obligations of € 10,442 thousand (previous year: € 11,236 thousand) relates to financial guarantees issued to finance partners of our customers for sales financing. The maximum risk of default of these financial guarantees that can result in cash outflows in the subsequent financial year is € 35,982 thousand (previous year: € 47,369 thousand). Utilization of the provisions for reciprocal liability and buyback obligations is predominantly expected over a short- to medium-term horizon. In connection with the finance guarantees for sales financing, there are claims against third parties for the transfer of machinery. Outstanding claims were not capitalized.

Miscellaneous other provisions include provisions for onerous contracts of € 66,426 thousand (previous year: € 68,908 thousand) and research and development obligations of € 10,638 thousand (previous year: € 7,055 thousand). Furthermore, there are provisions of € 148,118 thousand (previous year: € 143,790 thousand) essentially relating to the **Focus 2012 efficiency program**. Utilization of these latter provisions is predominantly expected over a short- to medium-term horizon; utilization of the remaining miscellaneous other provisions is predominantly expected over a short- to long-term horizon.

29 Financial liabilities

	31-Mar-2012				31-Mar-2013			
	Up to 1 year	Between 1 and 5 years	More than 5 years	Total	Up to 1 year	Between 1 and 5 years	More than 5 years	Total
Borrower's note loan	50,000	0	0	50,000	0	0	0	0
High-yield bond[1]	12,966	0	291,244	304,210	12,966	0	292,844	305,810
Amounts due to banks[1] ...	15,276	32,031	9,072	56,379	57,355	32,420	0	89,775
From finance leases	1,955	4,735	2,055	8,745	2,035	4,596	1,375	8,006
Others...............................	18,362	0	0	18,362	15,272	0	0	15,272
	98,559	36,766	302,371	437,696	87,628	37,016	294,219	**418,863**

(1) Including deferred interest

Borrower's note loans

The floating-rate borrower's note loan with a nominal amount of € 50,000 thousand outstanding in the previous year included bullet maturity in March 2013 and was repaid accordingly.

High-yield bond

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

Amounts due to banks

Amounts due to banks (including borrower's note loans) are shown in the table below:

Type	Contract currency	Carrying amount 31-Mar-2012 in € thousand	Remaining term in years	Effective interest rate in %	Carrying amount 31-Mar-2013 in € thousand	Remaining term in years	Effective interest rate in %
Loans	EUR	98,877	up to 6	up to 6.57	62,429	up to 5	up to 6.57
Loans	Other	4,058	up to 2	up to 16.2	25,759	up to 2	up to 16.2
Others................................	Other	3,444	up to 1	up to 15.5	1,587	up to 1	up to 14.5
		106,379			**89,775**		

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

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

In connection with the arranging of a long-term loan of € 40,739 thousand (previous year: € 48,548 thou sand), the lender was granted usufructuary rights to three developed properties. The basis of this is a sale (usufructuary rights)-and-leaseback transaction in line with SIC 27, which provides for a fixed basic term for the lease agreement of ten years and two renewal options of four years each. The usufructuary rights each have a term of 18 years. The usufructuary rights can be commuted after ten years. The fair value of this loan calculated on the basis of the discounted cash flow method using market interest rates is € 44,689 thousand (previous year: € 52,124 thousand).

The Heidelberg Group was able to meet its financial obligations at all times in the reporting year. The **Credit lines** not yet fully utilized in our Group of € 490,559 thousand (previous year: € 506,001 thousand) can be used as financing for general business purposes and for measures in connection with our Focus 2012 efficiency program (see note 14).

Also in connection with the refinancing agreed on March 25, 2011, a new revolving credit facility concluded with a syndicate of banks for € 500 million maturing at the end of 2014 entered into effect parallel to the high-yield bond. The financing agreements for the credit facility contain standard financial covenants regarding the financial position of the Heidelberg Group.

In order to adjust the originally agreed financial covenants to a level in line with the changes in the economic environment as part of the Focus 2012 efficiency program, an amendment to the credit terms was agreed with the syndicate banks in March 2012. Owing to Heidelberg's reduced financing requirements as a result of its successful asset management, the credit facility was also reduced by € 25 million from July 1, 2012.

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

Liabilities from finance leases

Liabilities from finance leases are as follows:

31-Mar-2012	31-Mar-2013

	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	
Total lease payments				18,480				18,134
Lease payments already made........				−7,268				−8,177
Outstanding lease payments.............	2,553	6,253	2,406	11,212	2,573	5,859	1,525	9,957
Interest portion of outstanding lease payments.............	−598	−1,518	−351	−2,467	−539	−1,262	−150	−1,951
Present value of outstanding lease payments (carrying amount)	1,955	4,735	2,055	8,745	2,034	4,597	1,375	**8,006**

30 Trade payables

As a general rule, until full payment has been effected trade payables are collateralized by reservation of title.

31 Other liabilities

	31-Mar-2012				31-Mar-2013			
	Up to 1 year	Between 1 and 5 years	More than 5 years	Total	Up to 1 year	Between 1 and 5 years	More than 5 years	Total
Deferred liabilities (staff)	42,597	0	0	42,597	35,976	0	0	35,976
Advance payments on orders	66,145	0	0	66,145	70,570	0	0	70,570
From derivative financial instruments..........	17,826	0	0	17,826	4,097	0	0	4,097
From other taxes ...	34,766	0	0	34,766	42,532	0	44	42,576
For social security contributions	8,459	1,547	690	10,696	8,906	813	528	10,247
Deferred income ...	42,246	22,293	3,616	68,155	42,258	22,056	3,410	67,724
Other.....................	59,205	82,759	14,093	156,057	43,126	80,366	14,292	137,784
	271,244	106,599	18,399	396,242	247,465	103,235	18,274	**368,974**

Derivative financial instruments

Derivative financial instruments include liabilities from cash flow hedges of €2,430 thousand (previous year: €15,946 thousand) and from fair value hedges of €1,667 thousand (previous year: €1,880 thousand).

Deferred income

Deferred income includes taxable investment subsidies of €1,728 thousand (previous year: €2,511 thousand), tax-free investment allowances of €330 thousand (previous year: €717 thousand), and other deferred income of €65,666 thousand (previous year: € 64,927 thousand).

Taxable subsidies essentially comprise funds under the regional economic promotion program for investing in the Brandenburg production site. The subsidies were for Heidelberger Druckmaschinen Aktiengesellschaft in connection with the joint task for the development area totaling €953 thousand (previous year: €1,643 thousand).

Tax-free allowances include allowances in line with the German Investment Allowance Act of 1999/2005/2007/2010 of €330 thousand (previous year: €717 thousand), mainly for the Brandenburg production site.

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

Miscellaneous other liabilities

Recognized liabilities are essentially the undiscounted contractual cash flows. The fair value of one non-current financial liability calculated on the basis of the discounted cash flow method using market interest rates is €60,246 thousand (previous year: €72,807 thousand) compared to the carrying amount of €78,880 thousand (previous year: €83,101 thousand). The carrying amounts of the miscellaneous non-current other financial liabilities are largely the same as their fair values.

32 Information on financial instruments

Carrying amounts of financial instruments

The carrying amounts of financial instruments are assigned to the measurement categories of IAS 39:

> Reconciliation > Assets

Items in statement of financial position	IAS 39 measurement category(1)	Carrying amounts 31-Mar-2012			Carrying amounts 31-Mar-2013		
		Current	Non-current	Total	Current	Non-current	Total
Financial assets							
Shares in affiliated companies	AFS	0	20,659	20,659	0	16,800	16,800
Other investments	AFS	0	3,464	3,464	0	3,461	3,461
Securities	AFS	0	3,365	3,365	0	3,329	3,329
		0	27,488	27,488	0	23,590	23,590
Receivables from sales financing							
Receivables from sales financing not including finance leases	L&R	69,757	84,845	154,602	54,271	62,948	117,219
Receivables from finance leases	n.a.	703	985	1,688	778	267	1,045
		70,460	85,830	156,290	55,049	63,215	118,264
Trade receivables	L&R	360,958	0	360,958	381,842	0	381,842
Other receivables and other assets							
Derivative financial instruments	n.a.(2)	15,406	395	15,801	11,743	28	11,771
Other financial assets	L&R	39,486	8,326	47,812	52,041	12,099	64,140
		54,892	8,721	63,613	63,784	12,127	75,911
Miscellaneous other assets		61,526	7,877	69,403	46,473	7,098	53,571
		116,418	16,598	133,016	110,257	19,225	129,482
Cash and cash equivalents	L&R	194,556	0	194,556	157,492	0	157,492

(1) Information on abbreviations of the IAS 39 measurement categories:
AFS: available-for-sale financial assets
L&R: loans and receivables
n.a.: no IAS 39 measurement category

(2) Derivative financial instruments include € 125 thousand in short-term hedges (previous year: € 362 thousand) assigned to the IAS 39 measurement category of financial instruments held for trading

> Reconciliation > Equity and liabilities

Items in statement of financial position	IAS 39 measurement category(1)	Carrying amounts 31-Mar-2012			Carrying amounts 31-Mar-2013		
		Current	Non-current	Total	Current	Non-current	Total
Financial liabilities							

High-yield bond	FLAC	12,966	291,244	304,210	12,966	292,844	305,810
Borrower's note loans	FLAC	50,000	0	50,000	0	0	0
Amounts due to banks	FLAC	15,276	41,103	56,379	57,355	32,420	89,775
Liabilities from finance leases	n.a.	1,955	6,790	8,745	2,035	5,971	8,006
Other financial liabilities	FLAC	18,362	0	18,362	15,272	0	15,272
		98,559	339,137	437,696	87,628	331,235	418,863
Trade payables	FLAC	165,051	0	165,051	139,134	0	139,134
Other liabilities							
Derivative financial instruments	n.a.[2]	17,826	0	17,826	4,097	0	4,097
Other financial liabilities	FLAC	99,794	84,483	184,277	82,827	81,268	164,095
		117,620	84,483	202,103	86,924	81,268	168,192
Miscellaneous other liabilities		153,624	40,515	194,139	160,541	40,241	200,782
		271,244	124,998	396,242	247,465	121,509	368,974

(1) Information on abbreviations of the IAS 39 measurement categories:
FLAC: financial liabilities at amortized cost
n.a.: no IAS 39 measurement category

(2) Derivative financial instruments include € 0 thousand in short-term hedges (previous year: € 0 thousand) assigned to the IAS 39 measurement category of financial instruments held for trading

Liquidity risk of financial liabilities

The following table shows the contractually agreed, undiscounted cash flows of financial liabilities. The yield curves of the respective currencies valid as of the end of the reporting period were used to determine the variable interest payments from financial instruments. Where necessary, foreign currencies were translated at reporting date rates. Financial liabilities repayable on demand are always assigned to the earliest time band. Utilization of the syndicated credit facility is on a short-term basis. The period of utilization is normally not more than three months. These loans have therefore been assigned to the "Up to 1 year" column, although the agreements on which they are based run until December 2014.

	31-Mar-2012	31-Mar-2013
Up to 1 year	117,315	106,036
Between 1 and 5 years	155,254	154,858
More than 5 years	357,991	319,585
	630,560	**580,479**

Net gains and losses

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

	2011/2012	2012/2013
Financial assets available for sale	2,279	4,383
Loans and receivables	−6,667	−1,513
Financial liabilities at amortized cost	−49,393	−41,747

Changes in the value of available for sale financial assets of € 212 thousand (previous year: € −292 thousand) were also recognized in other comprehensive income.

Net gains and losses include € 7,009 thousand (previous year: € 9,864 thousand) of interest income and € 44,036 thousand (previous year: € 51,367 thousand) of interest expenses for financial assets and financial liabilities not measured at fair value through profit or loss.

In addition, there were net losses on financial instruments held for trading of € 0 thousand (previous year: € −774 thousand). These financial instruments relate to hedges that do not satisfy the documentation requirements of IAS 39 for hedge accounting or whose underlying hedged items no longer exist.

Derivative financial instruments

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

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

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

Currency risks arise in particular as a result of exchange rate fluctuations in connection with receivables and liabilities, anticipated cash flows and onerous contracts. **Interest rate risks** essentially occur with regard to variable-rate interest refinancing transactions. In hedge accounting, the derivative financial instruments designated as a hedge of these currency risks and of interest rate risks are shown as follows:

	Nominal volumes		**Fair values**	
	31-Mar-2012	**31-Mar-2013**	**31-Mar-2012**	**31-Mar-2013**
Currency hedging				
Cash flow hedge				
Forward exchange transactions....	280,863	232,695	1,095	4,142
—of which: assets.......................	(167,337)	(121,504)	(3,327)	(6,469)
—of which: liabilities	(113,526)	(111,191)	(−2,232)	(−2,327)
Currency options.........................	475,000	14,457	−2,328	78
—of which: assets.......................	(285,000)	(5,661)	(10,370)	(181)
—of which: liabilities	(190,000)	(8,796)	(−12,698)	(−103)
	755,863	247,152	−1,233	4,220
Fair value hedge				
Forward exchange transactions....	291,239	276,384	−102	3,329
—of which: assets.......................	(147,542)	(162,139)	(1,778)	(4,996)
—of which: liabilities	(143,697)	(114,245)	(−1,880)	(−1,667)
Interest rate hedging				
Cash flow hedge				
Interest rate swaps.......................	50,000	0	−1,016	0
—of which: assets.......................	(0)	(0)	(0)	(0)
—of which: liabilities	(50,000)	(0)	(−1,016)	(0)

The nominal volumes result from the total of all the purchase and sale amounts of the underlying hedged items. The fair values correspond to changes in value arising from a notional revaluation taking into consideration market parameters applicable at the end of the reporting period. The fair values were calculated using standardized measurement procedures (discounted cash flow and option pricing models), which is level 2 of the fair value calculation hierarchy of IFRS 7: Financial Instruments: Disclosures as only input data observed on the market was used.

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

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

	31-Mar-2012				31-Mar-2013			
	Up to 1 year	Between 1 and 5 years	More than 5 years	Total undiscounted cash flows	Up to 1 year	Between 1 and 5 years	More than 5 years	Total undiscounted cash flows
Derivative financial liabilities								
Outgoing payments	−391,843	0	0	−391,843	−217,758	0	0	−217,758
Associated incoming payments	376,006	0	0	376,006	214,120	0	0	214,120
Derivative financial assets								
Outgoing payments	−403,381	−7,140	0	−410,521	−298,530	0	0	−298,530
Associated incoming payments	415,112	7,571	0	422,683	308,926	0	0	308,926

Currency hedging

Cash flow hedge

The forward exchange and currency option transactions outstanding as of the end of the reporting period essentially hedge highly likely currency risks expected from purchase volumes of our subsidiaries over the next 12 months. Therefore, the remaining term of these derivatives at the end of the reporting period was up to one year. Of the hedges, 34 percent (previous year: 38 percent) of the hedging volume relates to the US dollar and 21 percent (previous year: 15 percent) to the Japanese yen as of the end of the reporting period.

As of the end of the reporting period, hedges resulted in total assets of € 6,650 thousand (previous year: € 13,697 thousand) and liabilities of € 2,430 thousand (previous year: € 14,930 thousand). The change in value of the designated portion of the hedge was recognized outside profit and loss and will be recognized in income from operating activities over the subsequent 12 months. In the year under review, no cash flow hedges were terminated early on account of purchasing volumes of subsidiaries no longer highly likely and reclassified from the hedge reserve to the financial result (previous year: € 913 thousand).

Fair value hedge

This is essentially the exchange rate hedge for loan receivables in foreign currencies within the Group. The opposing net gain on the fair value of hedges of € 3,021 thousand (previous year: € 23,770 thousand) and the translation of hedged items at reporting date rates of € 2,811 thousand (previous year: € −23,954 thousand) are reported in the consolidated income statement.

Interest rate hedging

Cash flow hedge

The Heidelberg Group limits the risk from increasing interest expenses for refinancing by using interest rate swaps, under which Heidelberg receives variable-rate interest and pays fixed interest (payer interest rate swap). Interest rate swaps were no longer held as of March 31, 2013. In the previous year, the measurement of all transactions resulted in liabilities of € 1,016 thousand, which were recognized in other comprehensive income and reversed to the financial result in the year under review. The expenses from deferred interest included in the fair values of the interest rate swaps of € 11 thousand in the previous year were recognized in the consolidated income statement.

Sensitivity analysis

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

Recognized **Currency risks** as defined by IFRS 7 are caused by monetary financial instruments not in the functional currency. The portfolio of primary monetary financial instruments is mainly held directly in the functional

currency or transferred to the functional currency through the use of derivatives. It is therefore assumed in this analysis that changes in exchange rates show no influence on income or equity with regard to this portfolio. The impact of the translation of the subsidiaries' financial statements into the Group currency (translation risk) is not taken into account either. Accordingly, the analysis includes the derivative financial instruments that were concluded in order to hedge highly probable future cash flows in a foreign currency (cash flow hedge). Assuming a 10 percent increase in the value of the euro against all currencies, the hedge reserve would have been € 14,774 thousand (previous year: € 24,478 thousand) higher as of the end of the reporting period and the financial result would have been € 41 thousand lower (previous year: € 792 thousand). Assuming a 10 percent decrease in the value of the euro, the hedge reserve would have been € 18,058 thousand (previous year: € 25,544 thousand) lower and the financial result would have been € 50 thousand higher (previous year: € 652 thousand lower).

In accordance with IFRS 7, recognized **Interest rate risks** of the Heidelberg Group must also be shown. These are partly due to the portion of primary floating rate financial instruments that were not hedged through the use of derivative financial instruments within cash flow hedging transactions. In addition, a hypothetical change in market interest rates with regard to derivative financial instruments would result in changes to the hedge reserve in the cash flow hedge. However, fixed-income financial instruments carried at amortized cost and floating rate financial instruments hedged within cash flow hedges are not subject to any recognized interest rate risk. These financial instruments are therefore not taken into account. Assuming an increase of 100 basis points in the market interest rate across all terms, the hedge reserve would have been unchanged (previous year: € 370 thousand higher) as of the end of the reporting period and the financial result would have been € 47 thousand lower (previous year: € 119 thousand higher). Assuming a decrease of 100 basis points in the market interest rate across all terms, the hedge reserve would have been unchanged (previous year: € 380 thousand lower) and the financial result would have been € 47 thousand higher (previous year: € 119 thousand lower).

Risk of default

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

33 Contingent liabilities

Contingent liabilities from warranties and guarantees, amounting to € 7,325 thousand as of March 31, 2013 (previous year: € 4,729 thousand), comprise among others reciprocal liability and buyback obligations for third-party liabilities in connection with long-term sales financing, which in turn largely correspond to rights of recourse on the delivered products.

34 Other financial liabilities

Other financial liabilities break down as follows:

	31-Mar-2012				31-Mar-2013			
	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	
Lease obligations	43,628	120,003	81,415	245,046	43,358	117,560	73,560	234,478
Investments and other purchasing requirements	43,055	11,864	0	54,919	35,201	12,496	0	47,697
	86,683	131,867	81,415	299,965	**78,559**	**130,056**	**73,560**	**282,175**

The figures shown are nominal values.

The minimum lease payments for operating leases primarily comprise:

- the research and development center (Heidelberg) in the amount of € 31,571 thousand (previous year: € 35,069 thousand);
- the Print Media Academy (Heidelberg) in the amount of € 27,036 thousand (previous year: € 32,458 thousand);
- the World Logistics Center (WLC) (Wiesloch-Walldorf plant) in the amount of € 24,122 thousand (previous year: € 28,033 thousand);
- the X-House administrative building (Heidelberg) in the amount of € 7,514 thousand (previous year: € 8,901 thousand);
- the administrative and production building in Rochester, New York, USA, in the amount of € 15,734 thousand (previous year: € 12,923 thousand);
- the administrative and production building in Durham, New Hampshire, USA, in the amount of € 15,312 thousand (previous year: € 16,374 thousand); and
- motor vehicles with a total value of € 23,524 thousand (previous year: € 27,454 thousand).

Investments and other purchasing requirements are largely financial obligations in connection with orders of property, plant and equipment, and obligations for the purchase of raw materials and supplies.

Future payments for other financial obligations are partially offset by future incoming payments for license agreements.

Additional information

35 Earnings per share in accordance with IAS 33

	2011/2012	2012/2013
Consolidated net loss for the year (€ thousand)	−230,093	−109,867
Number of shares in thousands (weighted average)	233,899	234,104
Basic earnings per share (€)	−0.98	−0.47
Diluted earnings per share (€)	−0.98	−0.47

The basic earnings per share are calculated by dividing the consolidated net loss for the year by the weighted average number of the shares outstanding in the reporting year of 234,104 thousand (previous year: 233,899 thousand). The weighted number of shares outstanding was influenced by the holdings of treasury shares. In the reporting period, 257,081 treasury shares were issued to employees of Heidelberger Druckmaschinen Aktiengesellschaft and its subsidiaries as employee shares. There were still 142,919 treasury shares as of March 31, 2013 (March 31, 2012: 142,919).

36 Information on the consolidated statement of cash flows

The consolidated statement of cash flows shows the changes in the cash and cash equivalents of the Heidelberg Group during the financial year as a result of the inflows and outflows of cash. Cash flows are broken down into operating, investing and financing activities (IAS 7). The changes in statement of finacial position items shown in the consolidated statement of cash flows cannot be derived directly from the consolidated statement of financial position as the effects of currency translation and changes in the scope of consolidation do not affect cash and have therefore been eliminated.

€ 8,175 thousand (previous year: € 4,300 thousand) of investments in intangible assets, property, plant and equipment and investment property relates to intangible assets, € 72,207 thousand (previous year: € 61,626 thousand) to property, plant and equipment and € 0 thousand (previous year: € 5 thousand) to investment property. Investments do not include additions from finance leases of € 1,513 thousand (previous year: € 3,734 thousand). € 12 thousand (previous year: € 9 thousand) of income from the disposal of intangible assets, property, plant and equipment and investment property relates to intangible assets and € 31,481 thousand (previous year: € 28,483 thousand) to property, plant and equipment. The cash used in intangible assets, property, plant and equipment and investment property includes investments of € 3,713 thousand (previous year: € 18,104 thousand) used to increase operating capacity.

The payments from operating leases in which Heidelberg is the lessee are shown in the consolidated statement of cash flows under operating activities. The repayment portion of lease installments for finance leases in which Heidelberg is the lessee is reported under financing activities. The interest portion of lease installments is shown under operating activities.

Payments received from operating and finance leases in which Heidelberg is the lessor are reported under changes in cash from operating activities.

The carrying amounts of the collateral pledged in connection with the loan agreements as part of a collateral pool concept is shown under the appropriate notes. Please see note 29 for information on the unutilized credit lines.

Cash and cash equivalents include cash and cash equivalents only (€ 157,492 thousand; previous year: € 194,556 thousand).

Detailed information on the consolidated statement of cash flows can be found in the Group management report.

37 Information on segment reporting

	Heidelberg Equipment		Heidelberg Services		Heidelberg Financial Services		Heidelberg Group	
	1-Apr-2011 to 31-Mar-2012(2)	1-Apr-2012 to 31-Mar-2013	1-Apr-2011 to 31-Mar-2012(2)	1-Apr-2012 to 31-Mar-2013	1-Apr-2011 to 31-Mar-2012(2)	1-Apr-2012 to 31-Mar-2013	1-Apr-2011 to 31-Mar-2012(2)	1-Apr-2012 to 31-Mar-2013
	Figures in € thousands							
External sales	1,609,506	1,711,583	971,583	1,012,158	14,581	10,905	2,595,670	2,734,646
Depreciation and amortization	74,117	66,600	12,776	16,150	3	3	86,896	82,753
Non-cash expenses	307,722	228,751	83,103	82,491	13,208	7,404	404,033	318,646
Special items(1)	117,495	50,568	24,534	14,124	245	32	142,274	64,724
Result of operating activities (segment result)	−188,760	−96,023	35,606	50,578	13,393	8,658	−139,761	−36,787
Investments	59,755	64,660	9,907	17,230	3	5	69,665	81,895

(1) Expenses (+); income (−)

(2) Prior-year figures restated accordingly (please refer to explanations below)

In the Heidelberg Group, segments are defined by the services performed by the divisions. The segments are based on internal reporting in line with the **Management approach**.

The Heidelberg Group’s structure is broken down in line with the internal organizational and reporting structure into the segments Heidelberg Equipment, Heidelberg Services and Heidelberg Financial Services. Heidelberg Equipment essentially comprises new machinery business. Services, consumables, spare parts and remarketed equipment business are bundled in the Heidelberg Services segment. The Heidelberg Financial Services segment comprises sales financing business. Further information on the business activities, products, and services of the individual segments can be found in the chapters “Management and Control” and “Segments and Business Areas” in the Group management report.

As part of the adjustment of our organization in line with the changing market environment in the year under review, in the Gallus business area (BA)—together with flexo printing machinery—the associated consumables, spare parts and technical services have been shown in the Heidelberg Equipment segment since the fourth quarter of financial year 2012/2013. Since the same date, software solutions for the Prinect printing workflow, previously assigned to Heidelberg Services, have been allocated to Heidelberg Equipment. Figures for the previous year were restated accordingly.

Regionally, we distinguish between Europe, Middle East and Africa, Eastern Europe, North America, South America and Asia/Pacific.

Further information on the business areas can be found in the chapters "Segment Report" and "Report on the Regions" in the Group management report. Transfer prices for internal Group sales are determined using a market-driven approach, based on the principle of dealing at arm's length.

Notes on segment data

Segment performance is measured on the basis of the result of operating activities as shown in the consolidated income statement.

In the year under review and the previous year, the Heidelberg Group did not generate more than 10 percent of (external) sales with any one customer.

Inter-segment sales are of minor financial significance.

Investments comprise investments in intangible assets, property, plant and equipment and investment property.

The segment result is assigned to income before taxes as follows:

	1-Apr-2011 to 31-Mar-2012	1-Apr-2012 to 31-Mar-2013
Result of operating activities (segment result)	−139,761	−36,787
Financial income	20,475	16,850
Financial expenses	110,029	98,543
Financial result	−89,554	−81,693
Income before taxes	−229,315	**−118,480**

Information by region

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

	1-Apr-2011 to 31-Mar-2012	1-Apr-2012 to 31-Mar-2013
Europe, Middle East and Africa		
Germany	387,708	393,922
Other Europe, Middle East and Africa regions	564,991	616,401
	952,699	1,010,323
Asia/Pacific		
China	412,523	429,435
Other Asia/Pacific regions	441,371	468,382
	853,894	897,817
Eastern Europe	296,417	303,774
North America	328,643	375,340
South America	164,017	147,392
	2,595,670	**2,734,646**

Of the non-current assets, which comprise intangible assets, property, plant and equipment and investment property, € 531,522 thousand (previous year: € 546,055 thousand) relates to Germany and € 240,660 thousand (previous year: € 254,795 thousand) to other countries.

38 Capital management

In the context of implementing the holistic management approach, it is the task of capital management to provide the best possible support in the attainment of the Heidelberg Group's goals. These focus on ensuring liquidity and creditworthiness and increasing the enterprise value of the Heidelberg Group on an ongoing basis. We calculate the value contribution for a reporting period, the benchmark used for this as the net total of return on capital employed (ROCE) and capital costs (see Group management report, pages 82 to 83). The value contribution shows whether the Heidelberg Group earned its capital costs in the period under review. The following capital structure is used to calculate the cost of capital:

	2011/2012	2012/2013
Equity	575,697	399,595
—Net deferred taxes	30,659	27,863
Adjusted equity	545,038	**371,732**
Annual average	650,501	458,385
Pension provisions	326,080	415,746
+ Tax provisions	117,953	95,176
+ Net tax receivables/liabilities	1,249	6,533
+ Non-operating financial liabilities	409,605	396,524
Liabilities	854,887	**913,979**
Annual average	824,264	884,433
Adjusted total capital	1,399,925	**1,285,711**
Annual average	1,474,765	1,342,818

Neither the capital management strategy nor its focus has changed as against the previous year. Priority is given to reducing the commitment of capital, strengthening the equity ratio and securing liquidity. In the year under review, the equity of the Heidelberg Group declined from € 575,697 thousand to € 399,595 thousand. Based on total assets, the equity ratio therefore dropped from 22.9 percent to 17.1 percent.

As a result of the payments in connection with the Focus 2012 efficiency program and the greater capital requirements to settle the drupa orders, net debt were up year-on-year at € 261,371 thousand (previous year: € 243,140 thousand). The net debt are the total financial liabilities and cash and cash equivalents.

Heidelberg is not subject to any capital requirements arising from its Articles of Association.

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

Also in connection with the refinancing agreed on March 25, 2011, a new revolving credit facility concluded with a syndicate of banks for € 500 million maturing at the end of 2014 entered into effect parallel to the high-yield bond.

The financing agreements for the new credit facility contain standard financial covenants regarding the financial situation of the Heidelberg Group.

In order to adjust the originally agreed financial covenants to a level in line with the changes in the economic environment as part of the Focus 2012 efficiency program (see note 14), an amendment to the credit terms was agreed with the syndicate banks in March 2012. Owing to Heidelberg's reduced financing requirements as a result of its successful asset management, the credit facility was also reduced by € 25 million from July 1, 2012.

One of the covenants of this credit line is the minimum equity criterion that the Heidelberg Group must comply with.

39 Declaration of compliance in accordance with Section 161 of the German Stock Corporation Act

The Management Board and the Supervisory Board of Heidelberger Druckmaschinen Aktiengesellschaft issued the declaration of compliance in accordance with Section 161 of the German Stock Corporation Act and made it permanently accessible to the shareholders on our Web site www.heidelberg.com under Corporate Governance. Earlier declarations of compliance are also permanently available here.

40 Executive bodies of the Company

The basic characteristics of the remuneration system and amounts of remuneration for the members of the Management Board and Supervisory Board are presented in the remuneration report. The remuneration report is part of the Group management report (see pages 102 to 109) and the corporate governance report.

The members of the Supervisory Board and the Management Board are listed in the separate overview presented on pages 178 to 180 (Supervisory Board) and page 181 (Management Board).

The total cash remuneration (= total remuneration) of the Management Board for the year under review including non-cash remuneration amounted to € 4,039 thousand (previous year: € 2,709 thousand), comprising variable single-year remuneration of € 1,460 thousand (previous year: € 942 thousand) and variable multi-year remuneration of € 948 thousand (previous year: € 306 thousand).

The IFRS service cost for members of the Management Board amounted to € 834 thousand in the year under review (previous year: € 496 thousand).

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

The total cash remuneration (= total remuneration) for former members of the Management Board and their surviving dependents amounted to € 3,810 thousand (previous year: € 3,064 thousand); this comprises € 882 thousand (previous year: € 876 thousand) in obligations to former members of the Management Board and their surviving dependents of Linotype-Hell Aktiengesellschaft, which were assumed in the 1997/1998 financial year under the provisions of universal succession.

The pension obligations (defined benefit obligations) to former members of the Management Board and their surviving dependents amount to € 50,783 thousand (previous year: € 40,687 thousand); € 9,330 thousand (previous year: € 9,188 thousand) of this relates to pension obligations of the former Linotype-Hell Aktiengesellschaft, which were assumed in the 1997/1998 financial year under the provisions of universal succession.

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

No loans or advances were made to members of the Company's Management Board or the Supervisory Board in the reporting period.

The Heidelberg Group has not undertaken any contingent liabilities for either the members of the Management Board or the Supervisory Board.

As in the previous year, fixed remuneration (plus a flat rate reimbursement of € 500 per meeting day) of € 384 thousand (previous year: € 404 thousand), but no variable remuneration, was paid to the members of the Supervisory Board for the year under review; these payments do not include value added tax.

41 Related party transactions

Business relations exist between numerous companies and Heidelberger Druckmaschinen Aktiengesellschaft and its subsidiaries in the course of ordinary business. This also includes associated companies, which are regarded as related companies of the Heidelberg Group. Related parties include members of the Management Board and the Supervisory Board.

In the 2012/2013 financial year, transactions were carried out with related parties that resulted in liabilities of € 6,879 thousand (previous year: € 9,502 thousand), receivables of € 15,846 thousand (previous year: € 17,872 thousand), expenses of € 17,009 thousand (previous year: € 16,229 thousand) and income of € 8,089 thousand (previous year: € 19,386 thousand), which essentially includes sales. Write-downs of € 0 thousand were recognized on receivables from related parties (previous year: € 648 thousand). All transactions were concluded at standard market terms and did not differ from trade relationships with other companies.

Members of the Supervisory Board received remuneration of € 616 thousand (previous year: € 1,070 thousand) from Heidelberger Druckmaschinen Aktiengesellschaft and its consolidated companies in the year under review for consulting, service and hiring agreements.

42 Exemption under Section 264(3) and 264b of the German Commercial Code

The following subsidiaries exercised the exemption provisions of Section 264(3) and 264b HGB with regard to the preparation and disclosure of financial statements in the period under review:

- Heidelberger Druckmaschinen Vertrieb Deutschland GmbH, Heidelberg(1)(2);
- Heidelberg Postpress Deutschland GmbH, Heidelberg(1)(2);
- Heidelberg China-Holding GmbH, Heidelberg(2);
- Heidelberg Boxmeer Beteiligungs-GmbH, Heidelberg(2);
- Heidelberg Print Finance International GmbH, Heidelberg(3);
- Heidelberg Consumables Holding GmbH, Heidelberg(2);
- Heidelberger Druckmaschinen Real Estate GmbH & Co. KG, Walldorf(1)(2).

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(1) Exempt from preparing a management report in accordance with Section 264(3) or Section 264b HGB

(2) Exempt from disclosing annual financial statements in accordance with Section 264(3) or Section 264b HGB

(3) Exempt from disclosing annual financial statements and a management report in accordance with Section 264(3) in conjunction with Section 340a(2) sentence 4 HGB

43 Auditor's fees

In the reporting year, the following expenses were incurred for services by the auditor:

Fees for	2011/2012	2012/2013
Audits of financial statements	866	744
Other assurance services	35	36
Tax advisory services	4	1
Other services	742	678
	1,647	**1,459**

44 Events after the end of the reporting period

There were no significant events after the end of the reporting period.

Heidelberg, May 24, 2013

Heidelberger Druckmaschinen Aktiengesellschaft

The Management Board

/s/ Bernhard Schreier
Bernhard Schreier
/s/ Marcel Kießling
Marcel Kießling

/s/ Dirk Kaliebe
Dirk Kaliebe
/s/ Stephan Plenz
Stephan Plenz

Responsibility statement

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

Heidelberg, May 24, 2013

Heidelberger Druckmaschinen Aktiengesellschaft

The Management Board

/s/ Bernhard Schreier	/s/ Dirk Kaliebe
Bernhard Schreier	Dirk Kaliebe
/s/ Marcel Kießling	/s/ Stephan Plenz
Marcel Kießling	Stephan Plenz

List of Shareholdings

List of shareholdings as per Section 285 no. 11 and Section 313 para. 2 (in relation to Section 315a para. 1) of the German Commercial Code (figures in € thousands in line with IFRS)

Name	Country/Domicile		Shareholding in %	Equity	Net result after taxes
Affiliated companies included in the consolidated financial statements					
DOMESTIC					
Gallus Druckmaschinen GmbH..........	D	Langgöns-Oberkleen	30	2,045	−5,867
Gallus Stanz- und Druckmaschinen GmbH	D	Weiden	30	4,611	−9,918
Heidelberg Boxmeer Beteiligungs-GmbH[(1)]...................	D	Heidelberg	100	153,720	1,016
Heidelberg China-Holding GmbH[(1)]...	D	Heidelberg	100	58,430	38,450
Heidelberg Consumables Holding GmbH[(1)]..........................	D	Heidelberg	100	20,025	−1,603
Heidelberg Postpress Deutschland GmbH[(1)]...................	D	Heidelberg	100	25,887	−15,837
Heidelberger Druckmaschinen Real Estate GmbH & Co. KG................	D	Walldorf	100	116,310	5,828
Heidelberger Druckmaschinen Vermögensverwaltungsgesellschaf t mbH	D	Walldorf	100	21	−1
Heidelberger Druckmaschinen Vertrieb Deutschland GmbH[(1)]......	D	Heidelberg	100	54,901	6,403
Heidelberg Print Finance International GmbH[(1)]...................	D	Heidelberg	100	34,849	5,802
Saphira Handelsgesellschaft mbH......	D	Waiblingen	100	26	−1,346
ABROAD[(2)]					
Baumfolder Corporation	USA	Sidney, Ohio	100	3,419	−2,161
Europe Graphic Machinery Far East Ltd.	PRC	Hong Kong	100	597	17
Gallus Ferd. Rüesch AG	CH	St. Gallen	30	47,713	3,609
Gallus Holding AG	CH	St. Gallen	30	80,603	8,817
Gallus Inc.	USA	Philadelphia, Pennsylvania	30	1,321	294
Heidelberg Americas, Inc..................	USA	Kennesaw	100	109,779	−5,241
Heidelberg Asia Pte. Ltd.	SGP	Singapore	100	14,261	487
Heidelberg Baltic Finland OÜ...........	EST	Tallinn	100	9,412	813
Heidelberg Boxmeer B.V.	NL	Boxmeer	100	62,414	543
Heidelberg Canada Graphic Equipment Ltd..............................	CDN	Mississauga	100	7,459	−219
Heidelberg China Ltd.	PRC	Hong Kong	100	23,338	7,015
Heidelberg do Brasil Sistemas Graficos e Servicos Ltda.	BR	São Paulo	100	11,082	−3,374
Heidelberg France S.A.S.	F	Tremblay-en-France	100	6,409	1,760
Heidelberg Grafik Ticaret Servis Limited Sirketi	TR	Istanbul	100	5,753	692
Heidelberg Graphic Equipment (Shanghai) Co. Ltd.	PRC	Shanghai	100	74,501	14,919
Heidelberg Graphic Equipment Ltd. – Heidelberg Australia –	AUS	Notting Hill, Melbourne	100	15,366	−3,388
Heidelberg Graphic Equipment Ltd. – Heidelberg New Zealand –	NZ	Auckland	100	5,286	606
Heidelberg Graphic Equipment Ltd. – Heidelberg UK –	GB	Brentford	100	12,399	3,611
Heidelberg Graphic Systems Southern Africa (Pty) Ltd.	ZA	Johannesburg	100	2,309	141
Heidelberg Graphics (Beijing) Co. Ltd.	PRC	Beijing	100	1,420	741
Heidelberg Graphics (Thailand) Ltd.	TH	Bangkok	100	7,666	1,646
Heidelberg Graphics (Tianjin) Co. Ltd.	PRC	Tianjin	100	9,131	9,395
Heidelberg Graphics Taiwan Ltd.	TWN	Wu Ku Hsiang	100	5,356	856
Heidelberg Group Trustees Ltd.	GB	Brentford	100	0	0
Heidelberg Hong Kong Ltd.	PRC	Hong Kong	100	14,926	1,217
Heidelberg India Private Ltd.	IN	Chennai	100	6,857	799
Heidelberg International Finance B.V.	NL	Boxmeer	100	2,030	30
Heidelberg International Ltd. A/S	DK	Ballerup	100	36,694	1,314
Heidelberg International Trading (Shanghai) Co. Ltd.	PRC	Shanghai	100	334	174
Heidelberg Japan K.K.	J	Tokyo	100	20,958	6,528
Heidelberg Korea Ltd.	ROK	Seoul	100	3,833	−1,891
Heidelberg Magyarország Kft.	HU	Kalasch	100	6,427	394
Heidelberg Malaysia Sdn Bhd	MYS	Petaling Jaya	100	−368	−1,316

Heidelberg Mexico Services, S. de R.L. de C.V.	MEX	Mexico City	100	1,670	615
Heidelberg Mexico, S. de R.L. de C.V.	MEX	Mexico City	100	9,517	2,054
Heidelberg Philippines, Inc.	PH	Makati City	100	6,105	652
Heidelberg Polska Sp z.o.o.	PL	Warsaw	100	10,103	711
Heidelberg Praha spol s.r.o.	CZ	Prague	100	1,803	737
Heidelberg Print Finance Americas, Inc.	USA	Portsmouth	100	11,947	231
Heidelberg Print Finance Australia Pty Ltd.	AUS	Notting Hill, Melbourne	100	48,870	1,532
Heidelberg Print Finance Korea Ltd.	ROK	Seoul	100	15,656	3,426
Heidelberg Print Finance Osteuropa Finanzierungsvermittlung GmbH(1)	A	Vienna	100	31,961	107
Heidelberg Schweiz AG	CH	Bern	100	3,178	5,228
Heidelberg Shenzhen Ltd.	PRC	Shenzhen	100	6,657	1,115
Heidelberg Slovensko s.r.o.	SK	Bratislava	100	2,514	126
Heidelberg Sverige AB	S	Solna	100	6,379	940
Heidelberg USA, Inc.	USA	Kennesaw	100	111,427	9,574
Heidelberger CIS OOO	RUS	Moscow	100	−2,998	−630
Heidelberger Druckmaschinen Austria Vertriebs-GmbH	A	Vienna	100	77,637	3,368
Heidelberger Druckmaschinen Osteuropa Vertriebs-GmbH(1)........	A	Vienna	100	70,183	4,543
Heidelberger Druckmaschinen WEB-Solution CEE Ges.m.b.H.....	A	Vienna	100	2,066	−63
Hi-Tech Coatings International B.V...	NL	Zwaag	100	10,747	396
Hi-Tech Coatings International Limited..	GB	Aylesbury, Bucks	100	7,972	543
Hi-Tech Coatings Limited..................	GB	Aylesbury, Bucks	100	120	0
Linotype-Hell Ltd.	GB	Brentford	100	3,842	0
Modern Printing Equipment Ltd.	PRC	Hong Kong	100	3,587	−515
MTC Co., Ltd.....................................	J	Tokyo	99.99	8,603	−6
OFS Holding AG	CH	Pfaffnau	100	1,706	−11
OF Service AG...................................	CH	Pfaffnau	100	438	−115
OF Schweiz AG	CH	Pfaffnau	100	933	38
P.T. Heidelberg Indonesia	ID	Jakarta	100	5,394	1,939
Affiliated companies not included in the consolidated financial statements					
DOMESTIC					
D. Stempel AG i. A.(3)	D	Heidelberg	99.23	137	−48
Heidelberg Catering Services GmbH(1)	D	Wiesloch	100	386	−1,854
Heidelberg CSAT GmbH	D	Eggenstein- Leopoldshafen	100	1,545	22
Heidelberg Direkt Vertriebs GmbH(3).	D	Heidelberg	100	333	37
Menschick Trockensysteme GmbH....	D	Renningen	30	343	−12
Kurpfalz Asset Management GmbH(1)	D	Heidelberg	100	26	−1
Sporthotel Heidelberger Druckmaschinen GmbH(1)	D	Heidelberg	100	26	−133
ABROAD(2)					
Cerm Benelux NV..............................	BE	Oostkamp	100	981	361
CSAT Germany Inc.	USA	Longmont	100	3	0
CSAT America LLC	USA	Louisville	100	55	52
Gallus Ferd. Ruesch (Shanghai) Co. Ltd.	PRC	Shenzhen	30	178	−113
Gallus Printing Machinery Corp.	USA	Philadelphia	30	−868	−286
Gallus Australia Pty Ltd....................	AUS	Bayswater	30	119	8
Gallus India Private Limited	IN	Mumbai	30	0	0
Gallus Scandinavia A/S......................	DK	Glostrup	30	−546	−118
Gallus South East Asia Pte. Ltd.	SGP	Singapore	30	119	−37
Gallus-Group UK Ltd.	GB	Royston	30	334	128
Heidelberg Asia Procurement Centre Sdn Bhd...	MYS	Petaling Jaya	100	−581	−101
Heidelberg East Africa Ltd.................	KE	Nairobi	99.99	−4,682	−30
Heidelberg Graphic Systems Ltd........	CY	Nicosia	99.99	2	−3
Heidelberg Lebanon...........................	LB	Beirut	99.96	1,104	5
Heidelberg Postpress Slovensko spol. s r.o.	SK	Nové Mesto nad Váhom	100	4,598	961
Heidelberg Used Equipment Ltd.(3)	GB	Brentford	100	560	30
Heidelberger Druckmaschinen Ukraina Ltd.	UA	Kiev	100	−1,257	78
Inline Cutting L.L.C.	USA	Baltimore	30	−1,348	0
Associated companies not accounted for using the equity method					
ABROAD(2)					
Heidelberg Middle East FZ Co.	AE	Dubai	50	1,330	0

Print Media Academy Ceska Republika a.s.	CZ	Pardubice	24	0		0
Other shareholdings (>5%)						
DOMESTIC						
InnovationLab GmbH	D	Heidelberg	8.33	840		336
SABAL GmbH & Co. Objekt FEZ Heidelberg KG	D	Munich	99.90	−3,887	−551	
Minor shareholdings						
DOMESTIC						
KITZ Kieler Innovations- u. Technologiezentrum GmbH[3]	D	Kiel	3.08	389		0
Printpromotion Gesellschaft	D	Frankfurt a. M.	2	473		111

(1) Result prior to profit and loss transfer

(2) Disclosures for companies outside Germany in accordance with IFRS

(3) Prior-year figures; financial statements not yet available

The Supervisory Board*

Robert J. Koehler – Chairman of the Management Board of SGL Carbon SE, Wiesbaden
Chairman of the Supervisory Board
(a) Klöckner & Co. SE
LANXESS AG
(b) Benteler International AG, Austria (Chairman)
Rainer Wagner** – Chairman of the Central Works Council, Heidelberg/Wiesloch-Walldorf
Deputy Chairman of the Supervisory Board
Edwin Eichler – Member of various Supervisory Boards, Düsseldorf
(a) SGL Carbon SE
SMS Holding GmbH
(b) Member of the Board of Trustees at the Düsseldorf Technical University
Wolfgang Flörchinger** – Member of the Works Council, Heidelberg/Wiesloch-Walldorf
Martin Gauß** – Chairman of the Speakers Committee for the Executive Staff, Heidelberg
Mirko Geiger** – First Senior Representative of IG Metall, Heidelberg
(a) ABB AG
Gunther Heller** – Chairman of the Works Council, Amstetten
Jörg Hofmann** – Regional head of IG Metall, Baden-Württemberg region, Stuttgart
(a) Daimler AG
Robert Bosch GmbH
Dr. Siegfried Jaschinski – Member of the Management Board of MainFirst Bank AG, Frankfurt
(a) Adcapital AG
Dr. Herbert Meyer – Member of the Auditor Oversight Commission (AOC), Berlin

(a) HT Troplast GmbH
MainFirst Bank AG
WEBASTO AG
(b) Verlag Europa Lehrmittel GmbH
(Member of the Advisory Board)
MainFirst Holding AG, Switzerland
Dr. Gerhard Rupprecht – Member of various Supervisory Boards, Gerlingen

(a) Fresenius Management SE
Fresenius SE & Co. KGaA
Euler Hermes Deutschland AG
(b) Allianz France SA, France
Beate Schmitt** – Member of the Works Council, Heidelberg/Wiesloch-Walldorf
Lone Fønss Schrøder – Member of various Supervisory Boards, Hornbaek, Denmark
(a) Bilfinger Berger SE
(b) AKER Solutions ASA, Lysaker/Norway
(Member of the Board of Directors)
NKT Holding AS, Brønby/Denmark
(Member of the Board of Directors)
Svenska Handelsbanken AB,
Stockholm/Sweden
(Member of the Board of Directors)
Vattenfall AB, Stockholm/Sweden
(Member of the Board of Directors)
Volvo Personvagnar AB, Göteborg/Sweden
(Member of the Board of Directors)
Prof. Dr.-Ing. Günther Schuh – Professor and holder of the chair in production engineering at RWTH Aachen University, Aachen
(a) Zwiesel Kristallglas AG
(b) Gallus Holding AG, Switzerland
(Member of the Administration Board)
Brose Fahrzeugteile GmbH & Co. KG
(Member of the Advisory Board)
Dr. Klaus Sturany – through August 13, 2012***
Member in various Supervisory Boards, Dortmund
(a) Bayer AG
Hannover Rückversicherung AG

(b) Sulzer AG, Switzerland
(Member of the Administration Board)
Peter Sudadse** – Deputy Chairman of the Central Works Council, Heidelberg/Wiesloch-Walldorf

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* At the end of December 2012, the Management Board of Heidelberger Druckmaschinen Aktien-gesellschaft initiated status proceedings in accordance with section 97 AktG by way of a corresponding announcement that the number of members of the Supervisory Board of the Company was no longer consistent with the provisions of the German Codetermination Act. According to this statement, the number of employees at the German sites of the Company has been permanently less than the threshold of 10,001 since December 2012. Following the Annual General Meeting in July 2013, the Supervisory Board is therefore expected to only consist of 12 members rather than the current number of 16.

** Employee representative

*** As of the date of retirement

(a) Membership in other Supervisory Boards

(b) Membership in comparable German and foreign control bodies of business enterprises

Committees of the Supervisory Board

Management Committee
Robert J. Koehler (Chairman)
Rainer Wagner
Martin Gauß
Mirko Geiger
Dr. Gerhard Rupprecht
Prof. Dr.-Ing. Günther Schuh – since July 15, 2012
Dr. Klaus Sturany – through July 15, 2012

Mediation Committee under Article 27 Paragraph 3 of the Codetermination Act
Robert J. Koehler
Rainer Wagner
Wolfgang Flörchinger
Dr. Gerhard Rupprecht

Committee on arranging personnel matters of the Management Board
Robert J. Koehler (Chairman)
Rainer Wagner
Dr. Gerhard Rupprecht
Beate Schmitt

Audit Committee
Dr. Herbert Meyer (Chairman) – since July 15, 2012
Dr. Klaus Sturany – through July 15, 2012
Dr. Siegfried Jaschinski – since July 15, 2012
Mirko Geiger
Rainer Wagner

Nomination Committee
Robert J. Koehler (Chairman)
Dr. Gerhard Rupprecht – since July 15, 2012
Dr. Klaus Sturany – through July 15, 2012

Strategy Committee
Robert J. Koehler (Chairman)
Rainer Wagner
Edwin Eichler
Mirko Geiger
Dr. Siegfried Jaschinski
Dr. Herbert Meyer
Dr. Gerhard Rupprecht
Lone Fønss Schrøder
Prof. Dr.-Ing. Günther Schuh

The Management Board

Dr. Gerold Linzbach – since September 1, 2012
Frankfurt am Main
Chief Executive Officer and Chief Human Resources Officer

Heidelberg Americas, Inc., USA**
(Chairman of the Board of Directors)
Heidelberg USA, Inc., USA
(Chairman of the Board of Directors)
Bernhard Schreier – through August 31, 2012***
Walldorf
Chief Executive Officer and Chief Human Resources Officer
ABB Aktiengesellschaft*
Universitätsklinikum Heidelberg (institution under public law)
Heidelberger Druckmaschinen Vertrieb Deutschland GmbH (Chairman)
Heidelberg Graphic Equipment Ltd., UK**
(Chairman of the Board of Directors)
Heidelberg Japan K.K., Japan
Heidelberg Americas, Inc., US
(Chairman of the Board of Directors)
Heidelberg USA, Inc., US
(Chairman of the Board of Directors)
Dirk Kaliebe
Sandhausen
Chief Financial Officer and Head of the Heidelberg Financial Services Segment

Heidelberger Druckmaschinen Vertrieb Deutschland GmbH*
Gallus Holding AG, Switzerland**
(Member of the Administration Board)
Heidelberg Americas, Inc., USA
Heidelberg Graphic Equipment Ltd.
Heidelberg Australia, Australia
Heidelberg Graphic Equipment Ltd., UK
Heidelberg USA, Inc., USA
Marcel Kiessling
Heidelberg
Head of the Heidelberg Sales and Services Segment
Heidelberger Druckmaschinen Vertrieb Deutschland GmbH (Chairman)*
Heidelberger Druckmaschinen Austria Vertriebs-GmbH**
(Member of the Advisory Board)
Heidelberger Druckmaschinen Osteuropa Vertriebs-GmbH
(Member of the Advisory Board)
Heidelberg Graphic Equipment Ltd.
Heidelberg Australia, Australia
Heidelberg Japan K.K., Japan
Stephan Plenz
Sandhausen
Head of the Heidelberg Equipment Segment
Gallus Holding Aktiengesellschaft, Switzerland**
(Chairman of the Administration Board);
Heidelberg Graphic Equipment (Shanghai) Co. Ltd., China
(Chairman of the Board of Directors)

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* Membership in Supervisory Boards

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

*** As of the date of retirement

The following auditor's report (*Bestätigungsvermerk*) has been issued in accordance with Section 322 of the German Commercial Code (*Handelsgesetzbuch*) on the consolidated financial statements and group management report (*Konzernlagebericht*) of Heidelberger Druckmaschinen AG as of and for the fiscal year ended March 31, 2013. The group management report is neither included nor incorporated by reference in this Offering Memorandum.

Auditor's Report

We have audited the consolidated financial statements prepared by Heidelberger Druckmaschinen Aktiengesellschaft, Heidelberg, comprising the income statement, the statement of comprehensive income, the statement of financial position, the statement of changes in consolidated equity, the statement of cash flows and the notes to the consolidated financial statements, together with the Group management report for the financial year from April 1, 2012, to March 31, 2013. The preparation of the consolidated financial statements and the Group management report in accordance with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315 a (1) of the Handelsgesetzbuch (HGB—German Commercial Code) are the responsibility of the Management Board of the Company. Our responsibility is to express an opinion on the consolidated financial statements and the Group management report based on our audit.

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

Our audit has not led to any reservations.

In our opinion based on the findings of our audit the consolidated financial statements comply with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315 a (1) of the Handelsgesetzbuch and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The Group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Mannheim, May 27, 2013

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Ernst-Wilhelm Frings
Wirtschaftsprüfer
(German Public Auditor)

ppa. Stefan Sigmann
Wirtschaftsprüfer
(German Public Auditor)

Consolidated income statement 2011/2012

	Note	1-Apr-2010 to 31-Mar-2011	1-Apr-2011 to 31-Mar-2012
		Figures in € thousands	
Net sales	8	2,628,921	2,595,670
Change in inventories		−45,613	15,888
Other own work capitalized		14,757	10,710
Total operating performance		2,598,065	2,622,268
Other operating income	9	136,462	123,084
Cost of materials	10	1,234,047	1,231,719
Staff costs	11	872,711	904,530
Depreciation and amortization	12	99,600	87,050
Other operating expenses	13	524,245	519,540
Special items	14	−2,233	142,274
Result of operating activities		6,157	−139,761
Financial income	16	22,690	20,475
Financial expenses	17	171,724	110,029
Financial result	15	−149,034	−89,554
Income before taxes		−142,877	−229,315
Taxes on income	18	−13,987	778
Consolidated net loss		−128,890	**−230,093**
Basic earnings per share according to IAS 33 (in € per share)	35	−0.83	**−0.98**
Diluted earnings per share according to IAS 33 (in € per share)	35	−0.83	**−0.98**

Consolidated statement of comprehensive income 2011/2012

	Note	1-Apr-2010 to 31-Mar-2011	1-Apr-2011 to 31-Mar-2012
		Figures in € thousands	
Consolidated net loss		−128,890	−230,093
Pension obligations[1]		16,761	−94,841
Currency translation			
Change in other comprehensive income		4,257	35,448
Change in profit or loss		0	0
		4,257	35,448
Available-for-sale financial assets			
Change in other comprehensive income		−362	−292
Change in profit or loss		0	0
		−362	−292
Cash flow hedges			
Change in other comprehensive income		904	−9,631
Change in profit or loss		16,625	−101
		17,529	−9,732
Deferred income taxes	23	−14,279	174
Total other comprehensive income		23,906	−69,243
Total comprehensive income		−104,984	**−299,336**

(1) Change in actuarial gains and losses and change in adjustment amount on account of IAS 19.58b)

Consolidated statement of financial position as of March 31, 2012

	Note	31-Mar-2011	31-Mar-2012
		Figures in € thousands	
ASSETS			
Non-current assets			
Intangible assets	19	266,667	245,832
Property, plant, and equipment	20	569,972	547,660
Investment property	20	5,664	7,358
Financial assets	21	19,547	27,488
Receivables from sales financing	22	90,419	85,830
Other receivables and other assets[(1)]	22	42,920	16,598
Income tax assets		499	422
Deferred tax assets	23	118,927	38,646
		1,114,615	969,834
Current assets			
Inventories	24	747,680	785,726
Receivables from sales financing	22	87,582	70,460
Trade receivables	22	376,928	360,958
Other receivables and other assets[(2)]	22	153,523	116,418
Income tax assets		13,862	17,428
Cash and cash equivalents	25	147,934	194,556
		1,527,509	1,545,546
Assets held for sale	20	908	2,694
Total assets		2,643,032	**2,518,074**

(1) Of which € 8,721 thousand (previous year: € 19,501 thousand) account for financial assets and € 7,877 thousand (previous year: € 23,419 thousand) for non-financial assets

(2) Of which € 54,892 thousand (previous year: € 83,730 thousand) account for financial assets and € 61,526 thousand (previous year: € 69,793 thousand) for non-financial assets

Consolidated statement of financial position as of March 31, 2012

	Note	31-Mar-2011	31-Mar-2012
		Figures in € thousands	
EQUITY AND LIABILITIES			
Equity	26		
Issued capital		596,302	599,308
Capital reserves and retained earnings		401,180	206,482
Consolidated net loss		−128,890	−230,093
		868,592	575,697
Non-current liabilities			
Provisions for pensions and similar obligations	27	221,011	326,080
Other provisions	28	303,014	284,209
Financial liabilities	29	105,256	339,137
Other liabilities(3)	31	127,670	124,998
Deferred tax liabilities	23	6,298	7,987
		763,249	1,082,411
Current liabilities			
Other provisions	28	291,239	322,740
Financial liabilities	29	289,361	98,559
Trade payables	30	129,726	165,051
Income tax liabilities		1,842	2,372
Other liabilities(4)	31	299,023	271,244
		1,011,191	859,966
Total equity and liabilities		2,643,032	**2,518,074**

(3) Of which € 84,483 thousand (previous year: € 87,184 thousand) account for financial liabilities and € 40,515 thousand (previous year: € 40,486 thousand) for non-financial liabilities

(4) Of which € 117,620 thousand (previous year: € 126,104 thousand) account for financial liabilities and € 153,624 thousand (previous year: € 172,919 thousand) for non-financial liabilities

Statement of changes in consolidated equity[1]

	Issued capital	Capital reserves	Retained earnings						
			Pension obligations	Currency translation	Fair value of other financial assets	Fair value of cash flow hedges	Other retained earnings	Total retai earning
						Figures in € thousands		
April 1, 2010	198,767	19,025	−114,638	−200,541	−253	−6,685	911,782	589,6
Capital increase[2]	397,535	6,409	0	0	0	0	0	
Loss carryforward	0	0	0	0	0	0	−228,507	−228,5
Total comprehensive income	0	0	7,764	4,257	−640	12,525	0	23,9
Consolidation adjustments/ other changes	0	2,260	0	0	0	0	−11,578	−11,5
March 31, 2011	596,302	27,694	−106,874	−196,284	−893	5,840	671,697	373,4
April 1, 2011	596,302	27,694	−106,874	−196,284	−893	5,840	671,697	373,4
Capital increase	2,347	325	0	0	0	0	0	
Loss carryforward	0	0	0	0	0	0	−128,890	−128,8
Total comprehensive income	0	0	−96,527	35,448	−265	−7,899	0	−69,2
Consolidation adjustments/ other changes	659	−921	0	0	0	0	4,031	4,0
March 31, 2012	**599,308**	**27,098**	**−203,401**	**−160,836**	**−1,158**	**−2,059**	**546,838**	**179,3**

(1) For further details please refer to note 26

(2) The capital increase in the prior financial year was reduced by issuing costs after taxes of € 15,498 thousand

Consolidated statement of cash flows 2011/2012[1]

	1-Apr-2010 to 31-Mar-2011	1-Apr-2011 to 31-Mar-2012
	Figures in € thousands	
Consolidated net loss	−128,890	−230,093
Depreciation and amortization, write-downs and reversals[2]	101,716	90,801
Change in pension provisions	13,619	14,467
Change in deferred tax assets/deferred tax liabilities/tax provisions	−17,313	−4,380
Result from disposals[2]	−9,813	−712
Cash flow	−40,681	**−129,917**
Change in inventories	80,662	−25,223
Change in sales financing	31,988	29,385
Change in trade receivables/payables	18,064	73,005
Change in other provisions	−79,507	89,250
Change in other items of the statement of financial position	88,869	19,485
Other operating changes	140,076	**185,902**
Cash generated by operating activities[3]	99,395	**55,985**
Intangible assets/property, plant, and equipment/investment property		
Investments	−73,348	−65,931
Proceeds from disposals	37,875	28,492
Business acquisitions	−900	−6,676
Financial assets		
Investments	−2,470	−2,145
Income from disposals	14,316	87
Cash used in investing activities	−24,527	**−46,173**
Income from capital increase	397,787	0
Borrowing of financial liabilities	34,221	410,186
Repayment of financial liabilities	−482,047	−380,922
Cash generated by/used in financing activities	−50,039	**29,264**
Net change in cash and cash equivalents	24,829	**39,076**
Cash and cash equivalents at the beginning of the year	120,696	**147,934**
Currency adjustments	2,409	7,546
Net change in cash and cash equivalents	24,829	39,076
Cash and cash equivalents at year-end	147,934	**194,556**
Cash generated by operating activities	99,395	55,985
Cash used in investing activities	−24,527	−46,173
Free cash flow	74,868	**9,812**

(1) For further details please refer to note 36

(2) Relates to intangible assets, property, plant, and equipment, investment property, loans, and other securities

(3) Includes income taxes paid and refunded of € 12,048 thousand (previous year: € 11,912 thousand) and € 4,185 thousand (previous year: € 5,271 thousand) respectively. Interest expenses and interest income amount to € 41,268 thousand (previous year: € 85,469 thousand) and € 27,699 thousand (previous year: € 23,027 thousand) respectively

Financial Section 2011/2012

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

	Cost						Cumulative depreciatio		
	As of start of financial year	Additions	Reclassifi-cations[1]	Currency adjustments	Disposals	As of end of financial year	As of start of financial year	Depreciation and amortization[2][3]	Reclassifi-cations[1]
	Figures in € thousands								
2010/2011									
Intangible assets									
Goodwill	122,554	207	0	140	0	122,901	3	0	0
Development costs	290,511	19	0	0	7,038	283,492	155,229	20,504	0
Software/other rights	126,070	2,116	20	322	2,027	126,501	91,298	8,142	5
Advance payments	0	1,250	0	0	0	1,250	0	0	0
	539,135	3,592	20	462	9,065	534,144	246,530	28,646	5
Property, plant, and equipment									
Land and buildings	665,524	8,642	−8,221	3,600	1,800	667,745	422,700	11,585	−1,571
Technical equipment and machinery	631,297	12,227	9,096	2,456	30,297	624,779	473,109	21,982	−17
Other equipment, operating and office equipment	745,770	34,307	5,516	142	54,126	731,609	569,719	37,540	−61
Advance payments and assets under construction	18,059	19,976	−14,997	−518	1,343	21,177	0	0	0
	2,060,650	75,152	−8,606	5,680	87,566	2,045,310	1,465,528	71,107	−1,649
Investment property	6,650	0	7,192	14	5,631	8,225	4,900	1,768	800
2011/2012									
Intangible assets									
Goodwill	122,901	0	0	339	0	123,240	3	0	0
Development costs	283,492	1,085	0	0	8,013	276,564	169,832	19,086	0
Software/other rights	126,501	1,749	0	613	28,865	99,998	97,642	6,642	−2
Advance payments	1,250	1,466	0	0	0	2,716	0	0	0
	534,144	**4,300**	**0**	**952**	**36,878**	**502,518**	**267,477**	**25,728**	**−2**
Property, plant, and equipment									
Land and buildings	667,745	13,718	9,599	7,797	693	698,166	433,184	11,916	−323
Technical equipment and machinery	624,779	5,672	2,244	2,252	21,302	613,645	473,690	16,893	−605
Other equipment, operating and office equipment	731,609	37,644	4,135	3,860	66,891	710,357	568,464	35,573	313
Advance payments and assets under construction	21,177	8,326	−19,786	556	1,047	9,226	0	0	0
	2,045,310	**65,360**	**−3,808**	**14,465**	**89,933**	**2,031,394**	**1,475,338**	**64,382**	**−615**
Investment property	**8,225**	**5**	**1,863**	**−134**	**0**	**9,959**	**2,561**	**71**	**0**

(1) Includes reclassifications to "Assets held for sale" of € 775 thousand (previous year: € 791 thousand)

(2) Including impairment loss of € 3,285 thousand (previous year: € 3,964 thousand), see note 12

(3) Including special items of € 3,131 thousand (previous year: € 1,921 thousand)

General notes

1 Basis for the preparation of the consolidated financial statements

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

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

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

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

These consolidated financial statements relate to financial year 2011/2012 (April 1, 2011 to March 31, 2012). They were approved for publication by the Management Board of Heidelberger Druckmaschinen Aktiengesellschaft on May 24, 2012.

2 Adoption of amended or new standards

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

The International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRS IC) have issued the following new standards and interpretations as well as amendments to existing standards and interpretations, which are to be applied for the first time in financial year 2011/2012:

Standard	Publication by the IASB/IFRS IC	Date of adoption in EU(1)	Published in Official Journal of the EU	Effects
Amendments to standards				
IAS 24: Related Party Disclosures (Revised 2009)..	4-Nov-2009	1-Jan-2011	20-Jul-2010	> None
Amendment to IFRS 1: Limited Exemption for First-time Adopters from IFRS 7 and to IFRS 7: Financial Instruments: Disclosures	28-Jan-2010	1-Jul-2010	1-Jul-2010	> None
Improvements to International Financial Reporting Standards 2010....................	10-May-2010	Various, 1-Jul-2010 at earliest	19-Feb-2011	> None
Amendments to interpretations				
Amendments to IFRIC 14: Prepayments of a Minimum Funding Requirement...........	26-Nov-2009	1-Jan-2011	20-Jul-2010	> None
New interpretations				
IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments	26-Nov-2009	1-Jul-2010	24-Jul-2010	> None

(1) For financial years beginning on or after this date

New accounting provisions

The IASB and the IFRS IC approved and amended other standards and interpretations, whose application during financial year 2011/2012 is not yet compulsory or which have not yet been approved by the European Union (EU). Heidelberg is not currently planning to apply these standards at an early date.

Standards	Publication by the IASB/IFRS IC	Effective date[1]	Published in Official Journal of the EU
Amendments to standards			
Amendments to IAS 1: Presentation of Financial Statements	16-Jun-2011	1-Jul-2012	Open
Amendments to IAS 12: Deferred Tax: Recovery of Underlying Assets	20-Dec-2010	1-Jan-2012	Open
Amendments to IAS 19: Employee Benefits	16-Jun-2011	1-Jan-2013	Open
IAS 27: Separate Financial Statements	12-May-2011	1-Jan-2013	Open
IAS 28: Investments in Associates	12-May-2011	1-Jan-2013	Open
Amendment to IAS 32: Offsetting Financial Assets and Financial Liabilities	19-Oct-2011	1-Jan-2014	Open
Amendments to IFRS 1: Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	20-Dec-2010	1-Jul-2011	Open
Amendments to IFRS 1: Government Loans with a Below-market Rate of Interest	13-Mar-2012	1-Jan-2013	Open
Amendments to IFRS 7: Financial instruments: Disclosures: Transfers of Financial Assets	7-Oct-2010	1-Jul-2011	23-Nov-2011
Amendment to IFRS 7: Financial Instruments: Offsetting Financial Assets and Financial Liabilities	19-Oct-2011	1-Jan-2013	Open
Amendments to IFRS 9 and IFRS 7: Date of Mandatory First-time Adoption and Transition Disclosures	16-Dec-2011	1-Jan-2015	Open
New standards			
IFRS 9: Financial Instruments	12-Nov-2009	1-Jan-2015	Open
IFRS 10: Consolidated Financial Statements	12-May-2011	1-Jan-2013	Open
IFRS 11: Joint Arrangements	12-May-2011	1-Jan-2013	Open
IFRS 12: Disclosure of Interests in Other Entities	12-May-2011	1-Jan-2013	Open
IFRS 13: Fair Value Measurement	12-May-2011	1-Jan-2013	Open
New interpretations			
IFRIC 20: Stripping Costs in the Production Phase of a Surface Mine	19-Oct-2011	1-Jan-2013	Open

(1) For financial years beginning on or after this date

Content	Expected effects
> Items of other comprehensive income must be grouped according to whether or not they are recycled to profit or loss; subtotals must be presented for both groups. > Income taxes in connection with items reported before taxes must be shown separately in other comprehensive income for each of these two groups.	> Currently being examined
> Under IAS 12, the measurement of deferred taxes is based on whether the carrying amount of the underlying asset is realized by sale or use. For investment property, which is measured at fair value under IAS 40, it is assumed in line with the amendment to IAS 12 that the carrying amount is realized by way of sale.	> None
> The amendments relate to the abolition of the deferral of actuarial gains and losses (the corridor method), combined with the duty to recognize these directly in other comprehensive income, the substitution of the concept of expected return on plan assets by the net interest approach, and the modification of the recognition of post-employment benefits. > The disclosure requirements for defined benefit plans were also amended.	> Currently being examined
> The individual standard now only includes the—unchanged—regulations on accounting for interests in subsidiaries, associates, and joint ventures in separate financial statements.	> None
> Most of the changes are as a result of the inclusion of joint ventures in the scope of IAS 28.	> Currently being examined
> The changes include clarifications of regulations on the offsetting of financial assets and financial liabilities.	> Currently being examined
> The amendments relate to additional information for first- time adopters whose currency was subject to severe hyperinflation on the one hand and the elimination of the set first-time adoption date on the other.	> None
> The amendments relate to accounting for government loans with a below-market interest rate at the time of transition to IFRS.	> None
> The amendments relate to the disclosure of risks resulting from transfers of financial assets.	> Currently being examined
> The changes include additional disclosure requirements for netted financial instruments.	> Currently being examined
> The standard stipulates that IFRS 9 is only effective for financial years beginning	> Currently being examined

after January 1, 2015. It also grants the option not to restate comparative figures in the year of first-time adoption of IFRS 9 and includes additions to IFRS 7.	
> Introduction of new provisions on the classification and measurement of financial assets.	> Currently being examined
> The aim of the IASB is to completely replace IAS 39 in future to increase comprehension of the recognition of financial instruments and to reduce complexity.	
> IFRS 10 creates a uniform basis for the definition of a parent-subsidiary relationship and for the specific definition of the consolidated group.	> Currently being examined
> The uniform consolidation model for all companies is based on the parent's control of the subsidiary.	
> IFRS 11 replaces IAS 31 and regulates accounting for matters in which an entity participates in a joint venture or a joint operation.	> Currently being examined
> IFRS 12 compiles the necessary disclosures for entities reporting in accordance with the new standards IFRS 10, IFRS 11, and IAS 28 Investments in Associates and Joint Ventures	> Currently being examined
> IFRS 13 compiles the guidelines for determining fair value found in various individual standards. Fair value is basically defined as the selling price.	> Currently being examined
> IFRIC 20 regulates accounting for stripping costs in the production phase of a surface mine.	> None

3 Scope of consolidation

The consolidated financial statements of Heidelberger Druckmaschinen Aktiengesellschaft include a total of 70 (previous year: 75) domestic and foreign companies controlled by Heidelberger Druckmaschinen Aktiengesellschaft within the meaning of IAS 27. Of these companies, 59 (previous year: 64) are located outside Germany.

	2010/2011	2011/2012
April 1	75	75
Initial consolidation due to formation	0	0
Initial consolidation due to acquisition	0	0
Merger	0	4
Deconsolidation	0	0
Liquidation	0	1
March 31	75	70

Control as defined by IAS 27 exists if the financial and operating policy of a company can be influenced in order to derive benefits from its activities. Owing to the business management by Heidelberger Druckmaschinen Aktiengesellschaft, the Company also has a controlling influence over subsidiaries in which it holds less than 50 percent of the capital. These subsidiaries are therefore consolidated in full. Inclusion in the consolidated financial statements occurs at the time that control is established. Subsidiaries that are of minor importance are not included. These subsidiaries are of minor significance if the total of the equity, total assets, sales, and net profit or loss of the subsidiaries not included amounts to only a minor portion of the Group figure. The list of all shareholdings of Heidelberger Druckmaschinen Aktiengesellschaft, which is a component of the notes to the consolidated financial statements, can be found on our Web site WWW.HEIDELBERG.COM in the "Investor Relations" section under "Annual General Meeting". It is also published in the Bundesanzeiger (Federal Gazette). The material subsidiaries included in the consolidated financial statements are listed in the notes to the consolidated financial statements in the appendix "Material investments".

The Heidelberg consolidated financial statements as of March 31, 2012 include five (previous year: five) companies whose reporting period ends as of December 31, 2011. If these companies conduct material transactions between December 31 and March 31, they are included in the consolidated financial statements.

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

> Merger:

As of November 1, 2011, Heidelberg Latvija SIA, Riga, Latvia, Heidelberg Lietuva UAB, Vilnius, Lithuania, and Heidelberg Finland Oy, Vantaa, Finland, were merged with Heidelberg Baltic Finland OÜ, Tallinn, Estonia. As of March 30, 2012, Heidelberg Print Finance Japan K.K., Tokyo, Japan, was merged with Heidelberg Japan K.K., Tokyo, Japan.

> Liquidation:

As of December 30, 2011, International Machinery & Oil Company (Pty) Ltd., Johannesburg, South Africa, was liquidated.

4 Principles of consolidation

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

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

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

5 Currency translation

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

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

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

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

Currency translation is based on the following exchange rates:

	Average rates for the year		Reporting date rates	
	2010/2011	**2011/2012**	**2010/2011**	**2011/2012**
	€1 =	**€1 =**	**€1 =**	**€1 =**
AUD	1.3975	**1.3152**	1.3668	**1.2836**
CAD	1.3459	**1.3702**	1.3674	**1.3311**
CHF	1.3292	**1.2102**	1.2993	**1.2045**
CNY	8.8591	**8.8491**	9.2381	**8.4089**
GBP	0.8503	**0.8643**	0.8789	**0.8339**
HKD	10.2881	**10.7772**	10.9696	**10.3705**
JPY	112.6583	**109.3292**	117.0100	**109.5600**
USD	1.3229	**1.3861**	1.4090	**1.3356**

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

6 General accounting policies

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

General principles

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

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

Uniform accounting policies

The consolidated financial statements are prepared on the basis of accounting policies that are applied uniformly throughout the Group.

Consistency of accounting policies

The accounting policies were retained.

Revenue recognition

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

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

Income from **Operating and finance leases** is recognized based on the provisions of IAS 17.

Intangible assets

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

Research and development costs

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

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

Property, plant, and equipment

Property, plant, and equipment, including that leased in operating leases, are measured at cost less cumulative straight-line depreciation and cumulative impairment in line with the option provided under IAS 16. In addition to direct costs, the cost also includes appropriate portions of material and production overheads.

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

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

Investment property

Investment property (IAS 40: Investment Property) is recognized at cost less cumulative straight-line depreciation and cumulative impairment in line with the option provided under IAS 40. The notes to the consolidated financial statements provide information on the fair value of investment property, which among other things is calculated by independent, third-party experts in line with internationally acknowledged valuation methods, such as the discounted cash flow method, or is derived from the current market price of comparable real estate.

Leases

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

If economic ownership is not assigned to the Heidelberg Group as the lessee and the leases in question are therefore operating leases, the lease installments are recognized in profit or loss in the consolidated income statement on a straight-line basis over the term of the lease.

Depreciation and amortization

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

	2010/2011	2011/2012
Development costs	3 to 12	3 to 12
Software/other rights	3 to 5	3 to 5
Buildings	10 to 50	10 to 50
Technical equipment and machinery	3 to 15	6 to 29
Motor vehicles	6 to 9	6 to 9
Operating and office equipment	4 to 15	4 to 15
Investment property	10 to 50	10 to 50

Impairment of non-financial assets

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

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

Inventories

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

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

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

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

Financial instruments

Basic information

A financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments are recognized when Heidelberg becomes party to a contract for the financial instrument. If the trade date and settlement date differ for standard purchases or sales, financial instruments are recognized at the settlement date. First-time measurement of financial assets and liabilities is at fair value. The carrying amount of financial instruments not measured at fair value through profit or loss includes the directly

attributable transaction costs. Subsequent measurement of financial instruments is in line with the measurement categories defined in IAS 39 "Financial Instruments: Recognition and Measurement". Under IAS 39, on first-time recognition financial assets and liabilities can be designated as financial instruments in the fair value through profit and loss category. Heidelberg did not exercise this option.

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

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

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

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

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

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

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

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

Investments and securities

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

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

Loans

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

Receivables from sales financing

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

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

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

Trade receivables

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

Receivables and other assets

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

Cash and cash equivalents

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

Financial liabilities

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

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

Derivative financial instruments

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

– forward exchange transactions,

– currency options, and

– interest rate swaps.

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

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

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

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

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

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

Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are calculated in accordance with the standard international liability method (IAS 12). Under this method, deferred taxes are recognized for all temporary differences between IFRS carrying amounts and the tax carrying amounts of the individual companies or Group companies and on corresponding consolidation adjustments. In addition, deferred tax assets for future benefits from tax loss carryforward are also taken into account. Deferred tax assets for accounting differences and for tax loss carryforwards are recognized in the amount for which it is probable that taxable income will be available, i. e. for which utilization seems reasonably assured. Deferred taxes are measured on the basis of the income tax rates of the respective countries. A tax rate of 28.43 percent (previous year: 28.43 percent) is used to calculate domestic deferred taxes. In addition to the corporation tax of 15 percent and the solidarity surcharge of 5.5 percent, the average trade tax rate was also taken into account.

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

Assets and liabilities held for sale

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

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

Provisions for pensions and similar obligations

The provisions for pensions and similar obligations comprise the obligations of the Group to establish provisions under both defined benefit plans and defined contribution plans. In the case of defined benefit plans, the pension obligations are calculated using the projected unit credit method (IAS 19). Under this method, expert actuarial reports are commissioned each year. Mortality is calculated on the basis of the current Heubeck mortality tables (2005 G) or comparable foreign mortality tables. Plan assets carried at fair value are offset against defined benefit obligations. The service cost is reported under staff costs and the interest portion of the additions to provisions under net financial income. The return on plan assets is offset from staff costs at the level of the individual company up to the amount of expenses for pension claims. Any excess amount is reported in net financial income.

The calculation of the return expected on plan assets in the long term depends on the respective asset category. Our forecasts are based on long-term historical average figures. Actuarial gains and losses are entirely offset in equity. Actuarial gains and losses recognized in equity are shown separately in the consolidated statement of comprehensive income together with the related deferred taxes.

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

Other provisions

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

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

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

Advance payments

Advance payments are recognized under liabilities.

Prepaid expenses and deferred income

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

Contingent liabilities

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

7 Estimates and judgments

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

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

> assessing the recoverability of goodwill,

> the measurement of other intangible assets and of items of property, plant, and equipment,

> assessing impairment of trade receivables and receivables from sales financing,

> recognition and measurement of other provisions,

> recognition and the measurement of provisions for pensions and similar obligations.

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

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

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

The amount and probability of utilization are estimated in the recognition and measurement of other provisions. They are measured either at the most likely settlement amount or, if probabilities are equal, at the expected settlement amount. The amount of the actual utilization could deviate from estimates.

The calculation of the provisions for pensions and similar obligations is based on the parameters listed in note 27. Increasing or reducing the interest rate used in calculations by one quarter of a percentage point to 4.75 percent or 4.25 percent respectively (previous year: to 5.25 percent or 4.75 percent respectively) would result in a € 30,874 thousand (previous year: € 26,818 thousand) reduction or a € 32,936 thousand (previous year: € 28,564 thousand) increase in domestic pension claims. After income taxes, the losses offset in other comprehensive income would be reduced by € 22,096 thousand (previous year: € 19,194 thousand) or increased by € 23,572 thousand (previous year: € 20,443 thousand) respectively.

The goodwill impairment test is based on the parameters listed in note 19. As in the previous year, increasing the discount rate before taxes by one percentage point to 10.0 percent (previous year: 10.7 percent) for the cash-generating unit Heidelberg Equipment and 10.4 percent (previous year: 11.0 percent) for the cash-generating unit Heidelberg Services would not result in any impairment requirements. The same applies to a reduction in the growth factor used to calculate the perpetual annuity by one percentage point either way and 5 percent for the reduction in the result of operating activities.

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

Notes to the consolidated income statement

8 Net sales

In addition to income from sales of products and services, sales include income from commission, finance, and operating leases totaling € 5,891 thousand (previous year: € 7,404 thousand) and interest income from sales financing and finance leases amounting to € 14,581 thousand (previous year: € 16,148 thousand).

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

9 Other operating income

	2010/2011	2011/2012
Reversal of other provisions and deferred liabilities	44,369	51,183
Recoveries on loans and other assets previously written down	22,455	16,935
Hedging/exchange rate gains	11,035	13,965
Income from operating facilities	14,161	12,845
Income from disposals of intangible assets, property, plant, and equipment, and investment property	8,791	2,004
Other income	35,651	26,152
	136,462	**123,084**

10 Cost of materials

	2010/2011	2011/2012
Cost of raw materials, consumables and supplies, and of goods purchased and held for resale	1,111,793	1,111,999
Cost of purchased services	119,044	117,310
Interest expense of Heidelberg Financial Services	3,210	2,410
	1,234,047	**1,231,719**

The ratio of the cost of materials to total operating performance is 47.0 percent (previous year: 47.5 percent).

11 Staff costs and number of employees

	2010/2011	2011/2012
Wages and salaries	733,677	762,234
Retirement benefit expenses[1]	41,932	34,268
Return on plan assets	−30,847	−27,880
Other social security contributions and expenses	127,949	135,908
	872,711	**904,530**

(1) See note 27

The interest component of the pension claims is shown under net financial income. The return on plan assets is offset against staff costs at the level of the individual company up to the amount of retirement benefit expenses. Any excess amount is shown in net financial income.

Reimbursements from the German Federal Labor Agency for social security expenses as part of reduced working hours decreased staff costs by € 11,246 thousand (previous year: € 14,040 thousand).

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

	Average		As of	
	2010/2011	2011/2012	31-Mar-2011	31-Mar-2012
Europe, Middle East and Africa	11,286	10,930	11,156	10,833
Eastern Europe	653	624	631	615
North America	1,033	940	1,000	882
South America	245	264	250	262
Asia/Pacific	2,133	2,215	2,160	2,221
	15,350	14,973	15,197	14,813

Trainees	714	672	631	601
	16,064	**15,645**	15,828	**15,414**

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

12 Depreciation and amortization

Depreciation and amortization including impairment and special items of € 90,181 thousand (previous year: € 101,521 thousand) relate to intangible assets (€ 25,728 thousand; previous year: € 28,646 thousand), property, plant, and equipment (€ 64,382 thousand; previous year: € 71,107 thousand), and investment property (€ 71 thousand; previous year: € 1,768 thousand).

Impairment was recognized as follows: € 0 thousand (previous year: € 1,756 thousand) on investment property, € 169 thousand on land and buildings (previous year: € 307 thousand), € 408 thousand on other equipment, office and operating equipment (previous year: € 258 thousand) and, due to lower earnings prospects, € 2,708 thousand on intangible assets (previous year: € 1,643 thousand). Impairment primarily relates to the Heidelberg Equipment Division and is essentially recognized under special items.

13 Other operating expenses

	2010/2011	2011/2012
Special direct sales expenses including freight charges	117,734	121,954
Other deliveries and services not included in the cost of materials	109,222	111,888
Rent and leases	65,761	62,474
Travel expenses	41,993	43,928
Bad debt allowances and impairment on other assets	18,242	20,590
Hedging/exchange rate losses	25,596	20,337
Additions to provisions and deferred liabilities relating to several types of expense	19,719	18,853
Insurance expense	12,714	10,967
Costs of car fleet (excluding leases)	8,302	8,045
Other overheads	104,962	100,504
	524,245	**519,540**

14 Special items

Special items include expenses in connection with our efficiency program Focus 2012.

Staff-related expenses of € 123,123 thousand were incurred as part of this program in the reporting period. The remaining expenses of € 19,151 thousand essentially relate to other structural measures in connection with Focus 2012 and include impairment losses on inventories and intangible assets, consulting costs, and costs due to building vacancies.

15 Financial result

	2010/2011	2011/2012
Financial income	22,690	20,475
Financial expenses	171,724	110,029
Financial result	−149,034	**−89,554**

16 Financial income

	2010/2011	2011/2012
Interest and similar income	14,036	14,974
Income from financial assets/loans/securities	8,654	5,501
Financial income	22,690	**20,475**

17 Financial expenses

	2010/2011	2011/2012
Interest and similar expenses	169,459	106,465
— of which: net interest expenses for pensions	(37,403)	(34,431)

Expenses for financial assets/loans/securities	2,265	3,564
Financial expenses	171,724	**110,029**

Interest and similar expenses include expenses in connection with the high-yield bond and the credit facility (see note 29). Net interest expenses for pensions comprise interest expenses for pension rights less the portion of return on plan assets not netted against staff costs (see note 11).

Expenses for financial assets/loans/securities include write-downs and reversals of write-downs of € 620 thousand (previous year: € 194 thousand).

18 Taxes on income

Taxes on income are broken down as follows:

	2010/2011	2011/2012
Current taxes	−33,664	−81,586
of which Germany	(−24,862)	(−85,863)
of which abroad	(−8,802)	(4,277)
Deferred taxes	19,677	82,364
of which Germany	(−36,105)	(77,455)
of which abroad	(55,782)	(4,909)
	−13,987	**778**

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

Taxes on income comprise German corporate tax (15 percent) including the solidarity surcharge (5.5 percent), trade tax (12.60 percent) and comparable taxes of the foreign subsidiaries. The nominal total German tax rate is still 28.43 percent for the financial year.

No deferred tax liabilities were recognized for temporary differences on shares in subsidiaries of € 232,011 thousand (previous year: € 282,425 thousand) as it is unlikely that these differences will reverse in the foreseeable future or the corresponding effects are not subject to taxation. Any recognition of deferred taxes would be based on the respective applicable tax rates in line with local taxation on distributed dividends.

Owing to the reduction in deferred tax assets on temporary differences, deferred tax expenses amounted to € 20,576 thousand in the reporting year (previous year: € 54,586 thousand).

Total tax loss carryforwards for which no deferred tax assets were recognized amount to a total of € 1,067,871 thousand (previous year: € 525,865 thousand). Of these, € 1,763 thousand can be used until 2013 (previous year: € 4,556 thousand until 2012), € 7,240 thousand until 2014 (previous year: € 5,688 thousand until 2013), € 9,428 thousand until 2015 (previous year: € 7,406 thousand until 2014), € 3,965 thousand until 2016 (previous year: € 2,518 thousand until 2015), € 2,136 thousand until 2017 (previous year: € 6,416 thousand until 2016) and € 1,043,339 thousand until 2018 and later (previous year: € 499,281 thousand until 2017 and later).

Deferred tax assets are only recognized for tax loss carryforwards if their realization is guaranteed in the near future. Write-downs of deferred tax assets for loss carryforwards recognized in previous years were carried out in the year under review in the amount of € 63,952 thousand (previous year: € 0 thousand). Deferred tax assets totaling € 1,250 thousand (previous year: € 0 thousand) were recognized in the reporting year on tax loss carryforwards not previously recognized. Deferred tax assets on current tax losses amounting to € 1,007 thousand (previous year: € 968 thousand) were recognized in the reporting year. The existence of tax loss carryforwards is a basic indication that the use of deferred tax assets cannot be assumed. On the basis of tax planning, it was assumed that positive taxable income will be available in the foreseeable future. Accordingly, deferred tax assets of € 14,941 thousand (previous year: € 107,312 thousand) were capitalized at companies that generated a tax loss in the current or prior financial year.

Income of € 0 thousand was recognized from loss carrybacks in the reporting year (previous year: € 215 thousand).

Unutilized tax credit for which no deferred tax assets have been recognized on the consolidated statement of financial position amounted to € 2,454 thousand (previous year: € 2,326 thousand).

Current taxes were reduced in the reporting year by € 4,023 thousand (previous year: € 1,418 thousand) as a result of deferred tax assets for tax loss carryforwards that had not previously been taken into account. In the reporting period, current income taxes included net prior-period income of € 97,376 thousand (previous year: € 50,804 thousand).

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

	2010/2011	2011/2012
Income before taxes	−142,877	−229,315
Theoretical tax rate in percent	28.43	28.43
Theoretical tax income	−40,620	**−65,194**
Change in theoretical tax expense/income due to:		
—Corporate income tax credit from previous years due to a change in the German Corporation Tax Act	−9,173	0
—Differing tax rate	−4,363	−7,990
—Tax loss carryforwards(1)	26,214	144,003
—Reduction due to tax-free income	−7,419	−10,898
—Tax increase due to non-deductible expenses	5,310	12,586
—Change in tax provisions/taxes attributable to previous years/impairment deferred tax assets temporary differences	21,427	−74,339
—Other	−5,363	2,610
Taxes on income	−13,987	**778**
Tax rate in percent	9.79	**−0.34**

(1) Amortization of loss carryforwards, utilization of non-recognized loss carryforwards, and non-recognition of current losses

Notes to the consolidated statement of financial position

19 Intangible assets

Goodwill includes amounts arising from the acquisition of businesses (asset deals) and from capital consolidation. For the purpose of impairment testing, assets are allocated to cash-generating units. These are the same as the segments (see note 37). The carrying amounts of the goodwill associated with the cash-generating units Heidelberg Equipment and Heidelberg Services total € 47,542 thousand (previous year: € 47,527 thousand) and € 75,695 thousand (previous year: € 75,371 thousand) respectively.

According to IAS 36, in line with the impairment test the recoverable amount of the cash-generating units is determined based on the higher of the fair value less costs to sell and the value in use. The fair value here reflects the best estimate of the amount for which an independent third party would acquire the cash-generating units at the end of the

reporting period. The value in use is the present value of the estimated future cash flows expected from the cash-generating unit. The calculation of the value in use by Heidelberg on the basis of the discounted cash flow method is based on the planning authorized by the Management Board, which in turn is based on medium-term planning for the result of operating activities for a period of five (previous year: five) financial years. This planning process is based on past experience, external information sources and expectations of future market development. Key assumptions on which the calculation of the value in use by the management is based include future developments of sale prices and the forecasts of market prices for commodities, the Company's investment activities, the competitive situation, growth rates, and the costs of capital. As a result, and as in the previous year, there were no impairment requirements for the Heidelberg Equipment, Heidelberg Services, and Heidelberg Financial Services cash-generating units.

The calculated cash flows were discounted on the basis of market data using weighted average costs of capital (WACC) before taxes of 9.0 percent (previous year: 9.7 percent) for the Heidelberg Equipment cash-generating unit and of 9.4 percent (previous year: 10.0 percent) for the Heidelberg Services cash-generating unit. As in the previous year Heidelberg uses constant growth rates of 1 percent to show expected inflation to extrapolate cash flows beyond the detailed planning period.

Capitalized **Development Costs** relate for the most part to the development of machinery in the Heidelberg Equipment segment. Non-capitalized development costs from all segments—including research expenses—amount to € 127,922 thousand in the reporting year (previous year: € 121,470 thousand).

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

The carrying amounts of assets capitalized in fixed assets from finance leases in which we are the lessee are € 3,917 thousand (previous year: € 4,423 thousand) for land and property and € 5,196 thousand (previous year: € 3,445 thousand) for other operating and office equipment. The latter are mainly vehicles and IT equipment.

The carrying amounts of assets capitalized in fixed assets from operating leases in which we are the lessor are € 14,637 thousand (previous year: € 21,697 thousand). These assets are reported under technical equipment and machinery. These assets are printing presses leased to customers. The gross carrying amounts were € 29,677 thousand (previous year: € 38,891 thousand) and cumulative depreciation amounted to € 15,039 thousand (previous year: € 17,194 thousand). Depreciation of € 4,264 thousand (previous year: € 5,590 thousand) was recognized in the reporting year. Future lease income of € 2,444 thousand (previous year: € 5,456 thousand) is anticipated from operating leases. Payments with maturities of up to one year, between one and five years, and more than five years amount to € 1,184 thousand (previous year: € 2,506 thousand), € 1,130 thousand (previous year: € 2,809 thousand), and € 129 thousand (previous year: € 141 thousand) respectively.

In connection with a loan (carrying amount: € 48,548 thousand; previous year: € 55,564 thousand), the lender was granted usufructory rights on three developed plots of land (carrying amount: € 35,533 thousand; previous year: € 36,534 thousand). In connection with the refinancing of the Heidelberg Group (see note 29), property, plant, and equipment, and investment property were pledged as collateral by way of assignment and the appointment of a collective land charge. The carrying amounts of this collateral as of the end of the reporting period were € 362,507 thousand (previous year: € 379,388 thousand) and € 4,939 thousand (previous year: € 3,076 thousand) respectively.

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

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

The fair value of investment property (IAS 40: Investment Property) is € 9,390 thousand (previous year: € 7,596 thousand). As in the previous year, only immaterial current income or expenses were incurred in connection with investment property in the reporting year.

The useful lives of some property, plant, and equipment were adjusted in the reporting year. If the useful lives had remained unchanged, depreciation would have been € 3,993 thousand higher in the reporting year.

In line with IFRS 5, assets of € 2,694 thousand (previous year: € 908 thousand) were classified as held for sale as of March 31, 2012. These essentially relate to one undeveloped and three developed plots of land, the sale of which has been planned and initiated, and which are mostly assigned to the Heidelberg Services segment.

21 Financial assets

Financial assets include shares in subsidiaries totaling € 20,659 thousand (previous year: € 12,645 thousand), other investments of € 3,464 thousand (previous year: € 3,476 thousand) and securities of € 3,365 thousand (previous year: € 3,426 thousand). The underlying quoted prices for the securities qualify under level 1 in the hierarchy of fair values stipulated by IFRS 7: Financial Instruments: Disclosures as only quoted prices observed on active markets were used in measurement.

22 Receivables and other assets

	31-Mar-2011			31-Mar-2012		
	Current	Non-current	Total	Current	Non-current	Total
Receivables from sales financing	87,582	90,419	178,001	70,460	85,830	156,290
Trade receivables	376,928	0	376,928	360,958	0	360,958
Other receivables and other assets						
Other tax assets	18,757	0	18,757	18,039	0	18,039
Loans	421	7,333	7,754	279	7,016	7,295
Derivative financial instruments	30,318	8,500	38,818	15,406	395	15,801
Deferred interest	104	0	104	140	0	140
Prepaid expenses	12,544	2,190	14,734	16,061	1,536	17,597
Other assets	91,379	24,897	116,276	66,493	7,651	74,144
	153,523	42,920	196,443	116,418	16,598	**133,016**

In the reporting year, plan assets of € 913 thousand (previous year: € 6,997 thousand) were included in non-current other assets (see note 27).

In connection with the refinancing of the Heidelberg Group (see note 29), trade receivables, receivables from sales financing, and other receivables and other assets were assigned as collateral by way of undisclosed assignment. The carrying amounts of this collateral as of the end of the reporting period were € 91,457 thousand (previous year: € 170,616 thousand), € 98,388 thousand (previous year: € 106,116 thousand), and € 10,598 thousand (previous year: € 9,027 thousand) respectively.

Receivables from sales financing

Receivables from sales financing are shown in the following table:

Contract currency	Carrying amount 31-Mar-2011 in € thousand	Remaining term in years	Effective interest rate in %	Carrying amount 31-Mar-2012 in € thousand	Remaining term in years	Effective interest rate in %
EUR	96,663	up to 8	up to 18	91,701	up to 9	up to 18
AUD	29,027	up to 7	up to 13	24,944	up to 7	up to 13
USD	20,637	up to 6	up to 11	11,736	up to 5	up to 11
Other	31,674			27,909		
	178,001			**156,290**		

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

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

A specific allowance for impairment losses of € 19,570 thousand (previous year: € 27,406 thousand) was recognized for receivables from sales financing with a gross carrying amount of € 48,972 thousand (previous year: € 52,728 thousand). The derived market value of the collateral held for receivables from sales financing was € 148,591 thousand (previous year: € 170,938 thousand) as of the end of the reporting period. This collateral is essentially reservations of title, though the amount of security varies from region to region.

To the extent that there was no individual, objective evidence of impairment, a specific impairment allowance calculated on a portfolio basis was recognized for receivables from sales financing. The carrying amounts of these

receivables, which are also offset by rights of recourse to the delivered products, were past due as follows as of the end of the reporting period:

	31-Mar-2011	31-Mar-2012
Receivables from sales financing neither past due nor impaired	139,156	113,976
Receivables past due but not impaired		
less than 30 days	5,888	2,657
between 30 and 60 days	1,646	1,592
between 60 and 90 days	702	2,938
between 90 and 180 days	1,636	2,246
more than 180 days	3,651	3,479
Total	13,523	12,912
	152,679	**126,888**

The total impairment loss in the period for receivables from sales financing was € 9,002 thousand (previous year: € 6,761 thousand). Of this, impairment amounts booked to allowance accounts developed as follows:

	2010/2011	2011/2012
As of the start of the financial year	43,147	31,089
Additions	5,291	8,710
Utilization	−7,025	−7,096
Reversals	−10,829	−9,505
Change in scope of consolidation, currency adjustments, other changes	505	215
As of the end of the financial year	31,089	**23,413**

Receivables from sales financing include lease receivables from finance leases in which in particular our financing companies act as lessors. Cumulative impairment on these lease receivables amounts to € 15 thousand (previous year: € 1,177 thousand). Leases are subject to the following parameters:

	31-Mar-2011				31-Mar-2012			
	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	
Total lease payments	—	—	—	19,692	—	—	—	15,615
Lease payments received	—	—	—	−15,101	—	—	—	−13,813
Outstanding lease payments	1,659	2,932	—	4,591	779	1,023	—	1,802
Interest portion of outstanding lease payments	−286	−359	—	−645	−76	−38	—	−114
Present value of outstanding lease payments (carrying amount)	1,373	2,573	—	3,946	703	985	—	1,688

Trade receivables

A specific allowance for impairment losses of € 34,316 thousand (previous year: € 37,823 thousand) was recognized for trade receivables with a gross carrying amount of € 44,918 thousand (previous year: € 46,140 thousand). To the extent that there was no individual, objective evidence of impairment, a specific impairment allowance calculated on a portfolio basis was recognized for trade receivables. The carrying amount of these receivables was past due as follows as of the end of the reporting period:

	31-Mar-2011	31-Mar-2012
Trade receivables neither past due nor impaired	252,781	239,914
Receivables past due but not impaired		
less than 30 days	65,197	58,447
between 30 and 60 days	17,425	18,219
between 60 and 90 days	6,042	10,197
between 90 and 180 days	13,362	10,487
more than 180 days	13,804	13,092

Total	115,830	110,442
	368,611	**350,356**

The derived market value of the collateral held for receivables from machinery sales was € 183,369 thousand (previous year: € 209,213 thousand) as of the end of the reporting period. This collateral is essentially reservations of title, though the amount of security varies from region to region.

The total impairment loss in the period for trade receivables was € 11,193 thousand (previous year: € 10,881 thousand). Of this, impairment amounts booked to allowance accounts developed as follows:

	2010/2011	2011/2012
As of the start of the financial year	50,672	45,275
Additions	8,344	9,743
Utilization	−5,012	−7,287
Reversals	−9,090	−7,065
Change in scope of consolidation, currency adjustments, other changes	361	532
As of the end of the financial year	45,275	**41,198**

Other receivables and other assets

The carrying amounts of non-current receivables and other financial assets are largely identical to the fair values. Any discrepancies that arise are of minor financial significance.

Specific allowances for impairment losses of € 5,162 thousand (previous year: € 4,959 thousand) and € 4,453 thousand (previous year: € 4,661 thousand) relate to loans (gross carrying amount € 12,459 thousand; previous year: € 12,716 thousand) and other financial assets (gross carrying amount € 30,983 thousand; previous year: € 52,857 thousand) respectively.

Of the impairment recognized on loans in the previous year, € 87 thousand (previous year: € 116 thousand) were utilized and € 3 thousand (previous year: € 51 thousand) were reversed. Additions to impairment losses of € 63 thousand were required (previous year: € 89 thousand). Of the impairment recognized on other financial assets in the previous year, € 0 thousand (previous year: € 1,454 thousand) were utilized and € 1 thousand (previous year: € 34 thousand) were reversed. Additions to impairment of € 383 thousand were required (previous year: € 551 thousand).

€ 818 thousand (previous year: € 318 thousand) of unimpaired loans and other financial assets were past due by more than 180 days.

Derivative financial instruments essentially include asset cash flow hedges of € 13,697 thousand (previous year: € 35,241 thousand) and asset fair value hedges of € 1,778 thousand (previous year: € 1,745 thousand).

23 Deferred tax assets and deferred tax liabilities

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

	31-Mar-2011		31-Mar-2012	
	Asset	Liability	Asset	Liability
Tax loss carryforwards	70,574	0	7,797	0
Assets:				
Intangible assets/property, plant, and equipment/investment property/financial assets	35,571	59,380	9,359	6,719
Inventories, receivables, and other assets	15,676	11,593	10,206	1,889
Securities	286	0	0	0
Liabilities:				
Provisions	71,103	6,003	12,478	4,136
Liabilities	8,392	11,997	4,586	1,023
Gross amount	201,602	88,973	44,426	13,767
Offsetting	82,675	82,675	5,780	5,780
Carrying amount	118,927	6,298	**38,646**	**7,987**

Deferred tax assets include non-current deferred taxes of € 33,228 thousand (previous year: € 92,227 thousand). Deferred tax liabilities include non-current deferred taxes of € 6,220 thousand (previous year: € 5,430 thousand).

Due to currency translation, deferred tax assets were increased in equity by € 220 thousand (previous year: € 1,860 thousand) in the reporting year. As in the previous year, there was no change recognized outside profit or loss in deferred tax liabilities owing to changes in the scope of consolidation.

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

	2010/2011			2011/2012		
	Before income taxes	Income taxes	After income taxes	Before income taxes	Income taxes	After income taxes
Pension obligations.	16,761	−8,997	7,764	−94,841	−1,686	−96,527
Currency translation	4,257	0	4,257	35,448	0	35,448
Available-for-sale financial assets....	−362	−278	−640	−292	27	−265
Cash flow hedges....	17,529	−5,004	12,525	−9,732	1,833	−7,899
Total other comprehensive income................	38,185	−14,279	23,906	−69,417	174	**−69,243**

24 Inventories

	31-Mar-2011	31-Mar-2012
Raw materials and supplies...	113,572	121,925
Work and services in progress	332,086	334,796
Finished goods and goods for resale	299,160	325,264
Advance payments..	2,862	3,741
	747,680	**785,726**

In order to adjust inventories to the net realizable value, impairment of € 1,900 thousand was recognized in the year under review (previous year: € 12,614 thousand). The reason for the write-down to the lower net realizable value is primarily the decreased likelihood of market success for a small portion of our inventories. Remarketed equipment was repossessed as collateral owing to the insolvency of customers. In the year under review, remarketed equipment of € 373 thousand (previous year: € 527 thousand) was reported under finished goods and goods held for resale. The repossession of this collateral resulted in cash inflows of € 797 thousand (previous year: € 900 thousand) at German companies in the reporting period.

The carrying amount in connection with the refinancing of the Heidelberg Group (see note 29) was € 468,305 thousand (previous year: € 470,776 thousand).

25 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and bank balances. Restrictions on disposal of cash and cash equivalents due to foreign exchange restrictions amount to € 63,644 thousand (previous year: € 70,650 thousand). Bank balances are exclusively held for short-term cash management purposes.

26 Equity

Share capital/number of shares outstanding/treasury stock

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

The share capital of Heidelberger Druckmaschinen Aktiengesellschaft therefore amounts to € 599,672,166.40 (previous year: € 597,325,573.12) and is divided into 234,246,940 shares (previous year: 233,330,302). For information on the capital increase performed in the year under review please see “Authorized capital”.

The Company held 400,000 treasury shares as of March 31, 2011. The shares were acquired in March 2007. The cost of the acquisition was € 13,246 thousand. Additional transaction fees amounted to € 12 thousand. The total cost of the acquisition was therefore € 13,258 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 Aktien gesellschaft or one of its associates.

As part of the agreement reached at the start of the previous year between the management and employee representatives on the coordination of interests for German locations it was agreed to set up an employee share participation program. The issuance of shares was therefore free of charge for employees. At the beginning of the year under review 257,081 treasury shares were used for this employee share participation program. In the previous year, employee shares were measured on the basis of IFRS 2: Share-based Payment. The employee program attained earnings totaling € 1,027 thousand in the year under review (previous year: expenses of € 3,025 thousand). The employee share participation program resulted in an allocation to capital reserves of € 1,339 thousand as of March 31, 2012 (previous year: € 2,260 thousand).

As of March 31, 2012, the Company still held 142,919 treasury shares. The amount of these shares allocated to share capital is € 366 thousand (previous year: € 1,024 thousand), with a notional share of share capital of 0.06 percent as of March 31, 2012 (previous year: 0.17 percent).

Contingent capital

In accordance with the resolution of the Annual General Meeting on September 29, 1999, the share capital of Heidelberger Druckmaschinen Aktiengesellschaft was contingently increased in connection with the share option program (**contingent capital**). As the last share options expired on August 18, 2010, this Contingent Capital became irrelevant. The Supervisory Board resolved a corresponding amendment of the Articles of Association, which was entered in the commercial register on April 1, 2011.

In addition, in accordance with the resolution of the Annual General Meeting of July 21, 2004, the share capital was contingently increased by up to € 21,992,570.88 by issuing up to 8,590,848 new bearer shares with a pro rata amount of share capital of € 2.56 each (**contingent capital II**). Contingent Capital II became irrelevant on full repayment of the convertible bond. The Supervisory Board resolved a corresponding amendment of the Articles of Association, which was entered in the commercial register on April 1, 2011.

According to Article 3 (3) of the Articles of Association and the resolution of the Annual General Meeting of July 20, 2006, the share capital can be contingently increased by up to € 21,260,979.20 by issuing up to 8,305,070 new bearer shares with a pro rata amount of share capital of € 2.56 each (**contingent capital 2006**). This contingent capital increase would have been carried out only to the extent that bearers of option or conversion rights or those obliged to exercise their conversion rights/options from bonds with warrants or convertible bonds issued or guaranteed by the Company or a subsidiary Group company would have exercised their option or conversion rights or fulfilled their obligation regarding conversion/the exercising of options by July 19, 2011. However, the Company did not issue any such bonds or rights before July 19, 2011.

At the Annual General Meeting on July 18, 2008, the Management Board was granted two authorizations valid until July 17, 2013, which have the same content but which differ with regard to the option and conversion prices stipulated, to issue convertible bonds and/or bonds with warrants, profitsharing rights and/or profit participating bonds (or combinations of these instruments) with or without a limit on the term with a total nominal amount of up to € 500,000,000.00 and to grant conversion or option rights on bearer shares in the Company with a total pro rata amount of share capital of up to € 19,979,118.08 to the bearers or creditors of bonds and while disapplying subscription rights. To ensure any option or conversion rights or obligations of bonds or similar instruments created on the basis of the above authorizations, the following two contingent capitals have been created:

According to Article 3 (5) of the Articles of Association and the resolution of the Annual General Meeting of July 18, 2008, the share capital can be contingently increased by up to € 19,979,118.08 by issuing up to 7,804,343 new bearer shares with a pro rata amount of share capital of € 2.56 each (**contingent capital 2008/I**). The contingent capital increase is for the purpose of granting bearer shares to the bearers or creditors of convertible bonds and/or bonds with warrants, profit-sharing rights, and/or participating bonds (or combinations of these instruments) that were issued by the Company or one of its direct or indirect Group companies on the basis of the authorization resolved at the Annual General Meeting on July 18, 2008 under agenda item 9 (a) and that grant a conversion or option right to bearer shares in the company or that stipulate a conversion obligation.

According to Article 3 (6) of the Articles of Association and the resolution of the Annual General Meeting of July 18, 2008, the share capital can be contingently increased by up to € 19,979,118.08 by issuing up to 7,804,343 new bearer shares with a pro rata amount of share capital of € 2.56 each (**contingent capital 2008/II**). The contingent capital increase is for the purpose of granting bearer shares to the bearers or creditors of convertible bonds and/or bonds with warrants, profit-sharing rights, and/or participating bonds (or combinations of these instruments) that were issued by the Company or one of its direct or indirect Group companies on the basis of the authorization resolved at the Annual General Meeting on July 18, 2008 under agenda item 10 (a) and that grant a conversion or option right to bearer shares in the Company or that stipulate a conversion obligation.

Authorized capital

By way of resolution of the Annual General Meeting of July 18, 2008, the Management Board was authorized, with the approval of the Supervisory Board, to increase the share capital of Heidelberger Druckmaschinen Aktiengesellschaft by up to € 59,937,356.80 on one or several occasions against cash or non-cash contributions by July 1, 2011 (Authorized Capital 2008).

By way of resolution dated July 23, 2009, the Annual General Meeting authorized the Management Board, with the approval of the Supervisory Board, to increase the share capital of the Company by up to € 39,958,236.16 on one or several occasions by issuing new shares against cash contributions by July 1, 2014 (Authorized Capital 2009). Authorized Capital 2009 was revoked by way of resolution of the ordinary Annual General Meeting on July 28, 2011.

A capital increase was carried out in financial year 2011/2012 to implement the court settlement with the former shareholders of Linotype-Hell Aktiengesellschaft. Under the amicable settlement of the court dispute with the former shareholders of Linotype-Hell Aktiengesellschaft regarding the exchange ratio on March 30, 2011, it was agreed by way of court settlement to compensate the shareholders in shares of Heidelberger Druckmaschinen Aktiengesellschaft. For this purpose, the Management Board resolved, with the approval of the Supervisory Board, to increase the share capital by € 2,346,593.28 by issuing 916,638 new shares. Shareholders' subscription rights were disapplied with the approval of the Supervisory Board. To create new shares, the Management Board partially exercised its authorization under the resolution of the Annual General Meeting on July 18, 2008 to increase the share capital by issuing new shares against deposits (Authorized Capital 2008). The capital increase resolution was entered in the commercial register on June 6, 2011.

The Annual General Meeting on July 28, 2011 authorized the Management Board, with the approval of the Supervisory Board, to increase the share capital of the Company by up to € 119,934,433.28 on one or several occasions by issuing new shares against cash contributions by July 27, 2016 (Authorized Capital 2011). The Management Board was authorized, with the approval of the Supervisory Board, to determine the further content of the shares' rights and the conditions for their issue. The authorization took effect on entry of the amendment of the Articles of Association in the commercial register; this took place on August 5, 2011.

Capital reserves

The capital reserves essentially include amounts from the capital increases in accordance with Section 272 (2) 1 of the Handelsgesetzbuch (HGB—German Commercial Code), from simplified capital reductions in accordance with Section 237 (5) of the Aktiengesetz (AktG—German Stock Corporation Act) and expenses from the issuance of option rights to employees in line with IFRS 2: Share-based Payment.

Retained earnings

The retained earnings include the earnings generated but not yet distributed of Heidelberger Druckmaschinen Aktiengesellschaft and its consolidated subsidiaries in previous years, the effects of consolidation, exchange rate effects, IAS 39 fair value changes in equity, and the actuarial gains and losses on pension obligations.

The amicable settlement of the court dispute with the former shareholders of Linotype-Hell Aktiengesellschaft regarding the exchange ratio on March 30, 2011 resulted in the derecognition in the year under review of the risk provisions recognized in the previous year, thereby increasing retained earnings.

Appropriation of the net profit of Heidelberger Druckmaschinen Aktiengesellschaft

To settle the loss generated by Heidelberger Druckmaschinen Aktiengesellschaft in the 2010/2011 financial year of € 22,364,781.44, after offsetting the reversed reserve for treasury shares of € 1,024,000.00 in the annual financial statements in the previous year, the difference of € 21,340,781.44 was withdrawn from retained earnings.

The loss of € 30,017,081.24 generated by Heidelberger Druckmaschinen Aktiengesellschaft in the year under review was offset in full in its annual financial statements by way of withdrawal from retained earnings.

27 Provisions for pensions and similar obligations

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

over the employee's full period of employment. The group of beneficiaries participating in the defined benefit plans financed by funds at Heidelberger Druckmaschinen Aktiengesellschaft and Heidelberger Druckmaschinen Vertrieb Deutschland GmbH has been closed.

The expenses for defined contribution plans amounted to € 64,136 thousand (previous year: € 58,511 thousand) in the reporting year and essentially include contributions to the statutory pension insurance.

The so-called third option was exercised in line with IAS 19. In line with this, actuarial gains and losses and the restrictions of IAS 19.58 (b) are offset in equity.

As part of a contractual trust arrangement (CTA) of Heidelberger Druckmaschinen Aktiengesellschaft and Heidelberger Druckmaschinen Vertrieb Deutschland GmbH set up in March 2006, assets were transferred to a trustee, Heidelberg Pension-Trust e. V., Heidelberg. The purpose of the CTA is to finance all pension obligations.

The calculation of the pension provisions is based on the following assumptions:

Figures in percent	2010/2011		2011/2012	
	Domestic	Foreign	Domestic	Foreign
Discount rate	5.00	4.30	4.50	3.52
Expected return on plan assets	4.91	5.16	5.17	4.60
Expected future salary increases	3.00	2.69	3.00	2.44
Expected future pension increases	2.00	2.04	2.00	2.35

To determine the expected return on plan assets, we use amounts generated in the past and forecasts concerning the expected development of plan assets.

The information on pensions is structured as follows:

(1) Composition and development of the net carrying amounts.

(2) Reconciliation of the present value of the defined benefit obligation for employees and the fair value of plan assets to the provisions for pensions.

(3) Development of the present value of the defined benefit obligation for employees.

(4) Development of the fair value of plan assets.

(5) Composition of plan assets.

(6) Breakdown of retirement benefit expenses.

(7) Five-year comparison: total defined benefit obligation for employees and experience adjustments.

(1) The net carrying amounts break down as follows:

	31-Mar-2011	31-Mar-2012
Provisions for pensions and similar obligations	221,011	326,080
Reported assets	6,997	913
Net carrying amounts at the end of the financial year	214,014	**325,167**

The net carrying amounts developed as follows:

	2010/2011	2011/2012
Net carrying amounts at the start of the financial year	216,473	214,014
Expenses for pension obligations	69,981	70,321
Pension payments	−10,118	−8,023
Funding of pensions/contributions	−6,915	−7,232
Change in actuarial gains (−)/losses (+)	−16,761	94,841
Expected return on plan assets	−41,201	−42,634
Change in scope of consolidation, currency adjustments, other changes	2,555	3,880
Net carrying amounts at the end of the financial year	214,014	**325,167**

(2) The provisions for pensions and similar obligations are derived from the present value of the defined benefit obligation for employees and the fair value of plan assets as follows:

	31-Mar-2011	31-Mar-2012
Present value of defined benefit obligation for employees (funded)	1,011,907	1,140,457
Less fair value of plan assets	–823,019	–846,400
	188,888	294,057
Present value of defined benefit obligation for employees (unfunded)	25,126	31,110
Net carrying amount	214,014	325,167
Reported assets included therein	6,997	913
Provisions for pensions and similar obligations	221,011	**326,080**

(3) The present value of the defined benefit obligation for employees developed as follows:

	2010/2011	2011/2012
Present value of the defined benefit obligation for employees at the start of the financial year	1,022,736	1,037,033
Current service cost	21,552	20,215
Interest expense	47,757	49,185
Pension payments	–45,348	–44,954
Change in actuarial gains (–) / losses (+)	–26,645	85,710
Past service cost	0	2,527
Curtailments	672	–1,607
Change in scope of consolidation, currency adjustments, other changes	16,309	23,458
Present value of the defined benefit obligation for employees at the end of the financial year	1,037,033	**1,171,567**
—of which: funded	1,011,907	1,140,457
—of which: unfunded	25,126	31,110

(4) The fair value of plan assets developed as follows:

	2010/2011	2011/2012
Fair value of plan assets at the start of the financial year	806,263	823,019
Expected return on plan assets	41,201	42,635
Funding of pensions	3,963	4,176
Employee contributions	2,952	3,056
Pension payments from funds	–35,230	–36,931
Change in actuarial gains (+) / losses (–)	–9,884	–9,131
Change in scope of consolidation, currency adjustments, other changes	13,754	19,576
Fair value of fund assets at end of the financial year	823,019	**846,400**

The actual return on plan assets is € 33,504 thousand (previous year: € 31,318 thousand).

(5) Plan assets break down as follows:

	31-Mar-2011	31-Mar-2012
Fixed-income securities	440,440	447,306
Shares	275,122	211,262
Funds	4,195	95,141
Real estate	36,201	34,986
Qualifying insurance policy	29,192	29,385
Cash and cash equivalents	25,886	18,059
Other	11,983	10,261
	823,019	**846,400**

(6) Retirement benefit expenses break down as follows:

	2010/2011	2011/2012
Current service cost	21,552	20,215
Interest expense	47,757	49,185
Past service cost	0	2,527
Curtailments	672	–1,607
Expenses for pension obligations	69,981	70,320
Expected return on plan assets	–41,201	–42,634
Expenses for other pension plans	19,708	15,660
	48,488	**43,346**

The return on plan assets at individual entity level is included in staff costs up to the amount of the corresponding expense for pension claims; any excess is shown together with interest expenses in net financial income.

Retirement benefit expenses reported under staff costs before netting against the return on plan assets amount to € 34,268 thousand (previous year: € 41,932 thousand).

It was not possible to reliably estimate expected future contributions to the employee pension funds as of the end of the reporting period.

The cumulative actuarial losses and the cumulative adjustment amount in accordance with IAS 19.58 (b) are € 216,990 thousand as of the end of the reporting period (previous year: € 119,379 thousand).

(7) Five-year comparison: total defined benefit obligation for employees and experience adjustments.

The present value of the defined benefit obligations for employees, the fair values of plan assets, the funding status at the end of reporting periods and experience adjustments to liabilities and plan assets are shown in the following tables:

	31-Mar-2008	31-Mar-2009	31-Mar-2010	31-Mar-2011	31-Mar-2012
Present value of defined benefit obligation for employees (funded)	810,564	832,648	996,681	1,011,907	1,140,457
Less fair value of plan assets	–817,618	–702,810	–806,263	–823,019	–846,400
	–7,054	129,838	190,418	188,888	**294,057**
Present value of defined benefit obligation for employees (unfunded).......	21,201	24,324	26,055	25,126	31,110

	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012
Experience adjustments to liabilities	–1,699	1,223	14,846	5,107	5,203
Experience adjustments to assets......................	–57,071	–108,105	88,944	–9,883	–9,131

28 Other provisions

	31-Mar-2011			31-Mar-2012		
	Current	Non-current	Total	Current	Non-current	Total
Tax provisions	27,364	176,313	203,677	25,002	92,951	**117,953**
Other provisions						
Staff obligations.....................................	73,009	36,427	109,436	73,812	31,944	105,756
Sales obligations	120,927	13,695	134,622	114,598	13,205	127,803
Other	69,939	76,579	146,518	109,328	146,109	255,437
	263,875	126,701	390,576	297,738	191,258	488,996
	291,239	303,014	594,253	322,740	284,209	**606,949**

	As of 31-Mar-2011	Change in scope of consolidation, currency adjustments, reclassification	Utilization	Reversal	Addition	As of 31-Mar-2012
Tax provisions ...	203,677	1,020	5,687	98,963	17,906	**117,953**
Other provisions						
Staff obligations..	109,436	8,203	65,475	7,226	60,818	105,756
Sales obligations .	134,622	3,187	43,028	34,930	67,952	127,803
Other	146,518	–2,220	37,850	14,802	163,791	255,437
	390,576	9,170	146,353	56,958	292,561	488,996
	594,253	10,190	152,040	155,921	310,467	**606,949**

Additions include accrued interest and the effects of the change in discount rates of € 10,357 thousand (previous year: € 8,214 thousand). These relate to expenses of € 2,122 thousand (previous year: € 2,196 thousand) for staff obligations, € 158 thousand (previous year: € 253 thousand) for sales obligations, and expenses of € 8,077 thousand (previous year: € 5,765 thousand) for miscellaneous other provisions.

As in previous years, **Tax provisions** primarily recognize the risks of additional assessments. The decrease in tax provisions primarily results from finalized appeal procedures and annual tax audit at Heidelberger Druckmaschinen Aktiengesellschaft.

Staff provisions essentially relate to bonuses (€ 30,018 thousand; previous year: € 29,221 thousand), expenses for early retirement payments and for the partial retirement program (€ 26,465 thousand; previous year: € 25,739 thousand) and anniversary expenses (€ 16,624 thousand; previous year: € 16,585 thousand).

Sales provisions mainly relate to warranties, reciprocal liability, and buyback obligations (€ 78,468 thousand; previous year: € 87,430 thousand). The provisions for warranty obligations and obligations to provide subsequent performance and product liability serve to cover risks that are either not insured or which go beyond insurable risks. Of the reciprocal liability and buyback obligations of € 11,236 thousand (previous year: € 13,091 thousand), € 8,575 thousand (previous year: € 10,716 thousand) relates to financial guarantees issued to finance partners of our customers for sales financing. The maximum risk of default of these financial guarantees that can result in cash outflows in the subsequent financial year is € 47,369 thousand (previous year: € 68,239 thousand). In connection with the finance guarantees for sales financing, there are claims against third parties in connection with the transfer of machinery. Outstanding claims were not capitalized.

Miscellaneous other provisions include provisions for onerous contracts of € 68,908 thousand (previous year: € 49,944 thousand) and research and development obligations of € 7,055 thousand (previous year: € 5,511 thousand). In addition, there are provisions of € 143,790 thousand (previous year: € 51,550 thousand) primarily in connection with our **Focus 2012 efficiency program**.

29 Financial liabilities

	31-Mar-2011				31-Mar-2012			
	Up to 1 year	Between 1 and 5 years	More than 5 years	Total	Up to 1 year	Between 1 and 5 years	More than 5 years	Total
Borrower's note loans[1] ..	4,518	50,000	0	54,518	50,000	0	0	50,000
High-yield bond[1]	0	0	0	0	12,966	0	291,244	304,210
Amounts due to banks[1] .	264,679	32,067	17,660	314,406	15,276	32,031	9,072	56,379
From finance leases	2,152	2,868	2,661	7,681	1,955	4,735	2,055	8,745
Other	18,012	0	0	18,012	18,362	0	0	18,362
	289,361	84,935	20,321	394,617	98,559	36,766	302,371	**437,696**

(1) Including deferred interest

Borrower's note loans

There is currently one (previous year: two) floating-rate borrower's note loan with a nominal amount of € 50,000 thousand (previous year: € 54,500 thousand) with bullet maturity in March 2013. The contractually arranged interest rate adjustment periods are up to three months.

High-yield bond

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

Amounts due to banks

Amounts due to banks (including borrower's note loans) are shown in the table below:

Type	Contract currency	Carrying amount 31-Mar-2011 in € thousand	Remaining term in years	Effective interest rate in %	Carrying amount 31-Mar-2012 in € thousand	Remaining term in years	Effective interest rate in %
Loans	EUR	363,491	up to 7	up to 6.57	98,877	up to 6	up to 6.57
Loans	Other	2,873	up to 3	up to 14.4	4,058	up to 2	up to 16.2
Other	Other	2,560	up to 1	up to 14.5	3,444	up to 1	up to 15.5
		368,924			**106,379**		

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

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

In connection with the arranging of a long-term loan of € 48,548 thousand (previous year: € 55,564 thousand), the lender was granted usufructory rights to three developed properties. The basis of this is a sale (usufructory rights)-and-leaseback transaction in line with SIC 27, which provides for a fixed basic term for the lease agreement of ten years and two renewal options of four years each. The usufructory rights each have a term of 18 years. The usufructory rights can be commuted after ten years. The fair value of this loan calculated on the basis of the discounted cash flow method using market interest rates is € 52,124 thousand (previous year: € 57,135 thousand).

The Heidelberg Group was able to meet its financial obligations at all times in the reporting year. The **credit lines** not yet fully utilized in our Group of € 506,001 thousand (previous year: € 636,937 thousand) can be used as financing for general business purposes and for measures in connection with our Focus 2012 efficiency program (see note 14).

In June and August 2009, Heidelberg had negotiated loan agreements with its financing banks for a total facility of € 1,400 million originally set to mature in summer 2012. This consisted of a loan from the KfW's special program, originally for € 300 million, a credit line of € 550 million 90 percent backed by guarantees from the German government and the states of Baden- Württemberg and Brandenburg, and a syndicated credit line from a syndicate of banks of € 550 million.

In the previous year, the proceeds from the share capital increase at Heidelberger Druckmaschinen Aktiengesellschaft in September 2010 were used in full, less the issuing costs, to repay the required amount for the syndicated credit line and the credit line guaranteed by the public sector and for the early repayment of the loan from the special KfW program.

At the start of the year under review, some of the net issue proceeds from the high-yield bond were used for the early repayment of the two credit lines. Also in connection with the refinancing agreed on March 25, 2011, a new revolving credit facility concluded with a syndicate of banks for € 500 million maturing at the end of 2014 entered into effect parallel to this to replace the previous credit lines. The financing agreements for the new credit facility contain standard financial covenants regarding the financial situation of the Heidelberg Group.

In order to adjust the originally agreed financial covenants to a level in line with the changes in the economic environment as part of the Focus 2012 efficiency program, an amendment to the credit terms was agreed with the syndicate banks in March 2012. Due to Heidelberg's reduced financing requirements as a result of its successful asset management, this agreement with the banks also includes a € 25 million reduction of the credit line from July 1, 2012.

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

Liabilities from finance leases

Liabilities from finance leases are as follows:

	31-Mar-2011				31-Mar-2012			
	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**	
Total lease payments	—	—	—	20,423	—	—	—	18,480
Lease payments already made	—	—	—	−9,758	—	—	—	−7,268
Outstanding lease payments	2,789	4,589	3,287	10,665	2,553	6,253	2,406	11,212
Interest portion of outstanding lease payments	−637	−1,721	−626	−2,984	−598	−1,518	−351	−2,467
Present value of outstanding lease payments (carrying amount)	2,152	2,868	2,661	7,681	1,955	4,735	2,055	**8,745**

30 Trade payables

As a general rule, until full payment has been effected trade payables are collateralized by reservation of title.

31 Other liabilities

	31-Mar-2011				31-Mar-2012			
	Up to 1 year	Between 1 and 5 years	More than 5 years	Total	Up to 1 year	Between 1 and 5 years	More than 5 years	Total
Deferred liabilities (staff)...	46,655	0	0	46,655	42,597	0	0	42,597
Advance payments on orders............................	86,610	0	0	86,610	66,145	0	0	66,145
From derivative financial instruments....................	15,680	10,040	0	25,720	17,826	0	0	17,826
From other taxes...............	33,628	0	0	33,628	34,766	0	0	34,766
For social security contributions.................	8,010	2,254	845	11,109	8,459	1,547	690	10,696
Deferred income...............	44,223	22,406	4,045	70,674	42,246	22,293	3,616	68,155
Other................................	64,217	75,221	12,859	152,297	59,205	82,759	14,093	156,057
	299,023	109,921	17,749	426,693	271,244	106,599	18,399	**396,242**

Derivative financial instruments

Derivative financial instruments include liability cash flow hedges of € 15,946 thousand (previous year: € 22,025 thousand) and liability fair value hedges of € 1,880 thousand (previous year: € 1,860 thousand).

Deferred income

Deferred income includes taxable investment subsidies of € 2,511 thousand (previous year: € 2,673 thousand), tax-free investment allowances of € 717 thousand (previous year: € 899 thousand), and other deferred income of € 64,927 thousand (previous year: € 67,102 thousand).

Taxable subsidies essentially comprise funds under the regional economic promotion program for investing in Brandenburg. The subsidies were for Heidelberger Druckmaschinen Aktiengesellschaft in connection with the joint task for the development area totaling € 1,643 thousand (previous year: € 2,534 thousand).

Tax-free allowances include allowances in line with the German Investment Allowance Act of 1991/1996/1999/2005/2007 of € 717 thousand (previous year: € 899 thousand) mainly for the Brandenburg location.

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

Miscellaneous other liabilities

Recognized liabilities are essentially the undiscounted contractual cash flows. The fair value of one non-current financial liability calculated on the basis of the discounted cash flow method using market interest rates is € 72,807 thousand (previous year: € 63,516 thousand) compared to the carrying amount of € 83,101 thousand (previous year: € 78,452 thousand). The carrying amounts of the miscellaneous non-current other financial liabilities are largely the same as their fair values.

32 Information on financial instruments

Carrying amounts of financial instruments

The carrying amounts of financial instruments are assigned to the measurement categories of IAS 39:

> RECONCILIATION > ASSETS

Items in statement of financial position	IAS 39 measurement category[1]	Carrying amounts 31-Mar-2011			Carrying amounts 31-Mar-2012		
		Current	Non-current	Total	Current	Non-current	Total
Financial assets							
Shares in affiliated companies...........	AFS	0	12,645	12,645	0	20,659	20,659

Other investments ...	AFS	0	3,476	3,476	0	3,464	3,464
Securities	AFS	0	3,426	3,426	0	3,365	3,365
		0	19,547	19,547	0	27,488	27,488
Receivables from sales financing							
Receivables from sales financing not including finance leases ..	L&R	86,209	87,846	174,055	69,757	84,845	154,602
Receivables from finance leases	n.a.	1,373	2,573	3,946	703	985	1,688
		87,582	90,419	178,001	70,460	85,830	156,290
Trade receivables	L&R	376,928	0	376,928	360,958	0	360,958
Other receivables and other assets							
Derivative financial instruments..........	n.a.(2)	30,318	8,500	38,818	15,406	395	15,801
Other financial assets	L&R	53,412	11,001	64,413	39,486	8,326	47,812
		83,730	19,501	103,231	54,892	8,721	63,613
Miscellaneous other assets		69,793	23,419	93,212	61,526	7,877	69,403
		153,523	42,920	196,443	116,418	16,598	133,016
Cash and cash equivalents	L&R	147,934	0	147,934	194,556	0	194,556

(1) Information on abbreviations of the IAS 39 measurement categories:

AFS: available-for-sale financial assets

L&R: loans and receivables

n.a.: no IAS 39 measurement category

(2) Derivative financial instruments include € 326 thousand in short-term hedges (previous year: € 1,832 thousand) assigned to the IAS 39 measurement category of financial instruments held for trading

> RECONCILIATION > EQUITY AND LIABILITIES

Items in statement of financial position	IAS 39 measurement category[1]	Carrying amounts 31-Mar-2011 Current	Non-current	Total	Carrying amounts 31-Mar-2012 Current	Non-current	Total
Financial liabilities							
Convertible bond	FLaC	0	0	0	12,966	291,244	304,210
Borrower's note loans	FLaC	4,518	50,000	54,518	50,000	0	50,000
Amounts due to banks	FLaC	264,679	49,727	314,406	15,276	41,103	56,379
Liabilities from finance leases	n.a.	2,152	5,529	7,681	1,955	6,790	8,745
Other financial liabilities	FLaC	18,012	0	18,012	18,362	0	18,362
		289,361	105,256	394,617	98,559	339,137	437,696
Trade payables	FLaC	129,726	0	129,726	165,051	0	165,051
Other liabilities							
Derivative financial instruments	n.a.[2]	15,680	10,040	25,720	17,826	0	17,826
Other financial liabilities	FLaC	110,424	77,144	187,568	99,794	84,483	184,277
		126,104	87,184	213,288	117,620	84,483	202,103
Miscellaneous other liabilities		172,919	40,486	213,405	153,624	40,515	194,139
		299,023	127,670	426,693	271,244	124,998	396,242

(1) Information on abbreviations of the IAS 39 measurement categories:

FLAC: financial liabilities at amortized cost

n.a.: no IAS 39 measurement category

(2) Derivative financial instruments include € 0 thousand in short-term hedges (previous year: € 1,835 thousand) assigned to the IAS 39 measurement category of financial instruments held for trading

Liquidity risk of financial liabilities

The following table shows the contractually agreed, undiscounted cash flows of financial liabilities. The yield curves of the respective currencies valid as of the end of the reporting period were used to determine the variable interest payments from financial instruments. Where necessary, foreign currencies were translated at reporting date rates. Financial liabilities repayable on demand are always assigned to the earliest time band. Utilization of the syndicated credit facility is on a short-term basis. The period of utilization is normally not more than three months. These loans have therefore been assigned to the "Up to 1 year" column, although the agreements on which they are based run until December 2014.

	31-Mar-2011	31-Mar-2012
Up to 1 year	294,105	117,315
Between 1 and 5 years	93,770	155,254
More than 5 years	21,722	357,991
	409,597	**630,560**

Net gains and losses

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

	2010/2011	2011/2012
Available-for-sale financial assets	7,827	2,279
Loans and receivables	−3,942	−6,667

Financial liabilities at amortized cost	−99,324	−49,393

Changes in the value of available for sale financial assets of € −292 thousand (previous year: €−362 thousand) were also recognized in other comprehensive income.

Net gains and losses include € 9,864 thousand (previous year: € 8,595 thousand) of interest income and € 51,367 thousand (previous year: € 103,128 thousand) of interest expenses for financial assets and financial liabilities not measured at fair value through profit or loss.

In addition, there were net losses on financial instruments held for trading of €−774 thousand (previous year: €−22 thousand). These financial instruments relate to hedges that do not satisfy the documentation requirements of IAS 39 for hedge accounting or whose underlying hedged items no longer exist.

Derivative financial instruments

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

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

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

Currency risks arise in particular as a result of exchange rate fluctuations in connection with net risk positions in foreign currencies occurring with regard to receivables and liabilities, anticipated cash flows, and onerous contracts. **Interest rate risks** essentially occur with regard to variable-rate interest refinancing transactions. In hedge accounting, the derivative financial instruments designated as a hedge of these currency risks and of interest rate risks are shown as follows:

	Nominal volumes		Fair values	
	31-Mar-2011	31-Mar-2012	31-Mar-2011	31-Mar-2012
Currency hedging				
Cash flow hedge				
Forward exchange transactions.........	191,878	280,863	3,770	1,095
—of which: assets............................	(135,455)	(167,337)	(4,681)	(3,327)
—of which: liabilities	(56,423)	(113,526)	(−911)	(−2,232)
Currency options..............................	1,156,342	475,000	10,520	−2,328
—of which: assets............................	(672,742)	(285,000)	(30,560)	(10,370)
—of which: liabilities	(483,600)	(190,000)	(−20,040)	(−12,698)
	1,348,220	755,863	14,290	−1,233
Fair value hedge				
Forward exchange transactions.........	495,260	291,239	−115	−102
—of which: assets............................	(243,188)	(147,542)	(1,745)	(1,778)
—of which: liabilities	(252,072)	(143,697)	(−1,860)	(−1,880)
Interest rate hedging				
Cash flow hedge				
Interest rate swaps............................	50,404	50,000	−1,074	−1,016
—of which: assets............................	(0)	(0)	(0)	(0)
—of which: liabilities	(50,404)	(50,000)	(−1,074)	(−1,016)

The nominal volumes result from the total of all the purchase and sale amounts of the underlying hedged items. The fair values correspond to changes in value arising from a notional revaluation taking into consideration market parameters applicable at the end of the reporting period. The fair values were calculated using standardized measurement procedures (discounted cash flow and option pricing models), which is level 2 of the fair value calculation hierarchy of IFRS 7: Financial Instruments: Disclosures as only input data observed on the market was used.

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

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

	Up to 1 year	between 1 and 5 years	More than 5 years	Total undiscounted cash flows
31-Mar-2011				
Derivative financial liabilities				
Outgoing payments	−433,116	−89,726	0	−522,842
Associated incoming payments	420,765	88,577	0	509,342
Derivative financial assets				
Outgoing payments	−573,518	−61,447	0	−634,965
Associated incoming payments	598,648	63,383	0	662,031
31-Mar-2012				
Derivative financial liabilities				
Outgoing payments	−391,843	0	0	−391,843
Associated incoming payments	376,006	0	0	376,006
Derivative financial assets				
Outgoing payments	−403,381	−7,140	0	−410,521
Associated incoming payments	415,112	7,571	0	422,683

Currency hedging

Cash flow hedge

The forward exchange and currency option transactions outstanding as of the end of the reporting period essentially hedge highly likely currency risks expected from purchase volumes of our subsidiaries over the next 24 months. Therefore, the remaining term of these derivatives at the end of the reporting period was up to two years. Of the hedges, 38 percent (previous year: 50 percent) of the hedging volume relates to the US dollar and 15 percent (previous year: 24 percent) to the Japanese yen as of the end of the reporting period.

As of the end of the reporting period, hedges resulted in total asset values of € 13,697 thousand (previous year: € 35,241 thousand) and liability values of € 14,930 thousand (previous year: € 20,951 thousand). The change in value of the designated portion of the hedge was recognized outside profit and loss and will be recognized in income from operating activities over the subsequent 24 months. As the forecast purchasing volumes of our subsidiaries are no longer highly likely, cash flow hedges were terminated early and expenses totaling € 913 thousand (previous year: € 1,702 thousand) were transferred from the hedge reserve to the financial result.

Fair value hedge

This is essentially the exchange rate hedge for loan receivables in foreign currencies within the Group. The opposing result from the fair value of hedges of € 23,770 thousand (previous year: €−17,365 thousand) and the translation of hedged items at reporting date rates of €−23,954 thousand (previous year: € 15,936 thousand) are reported in the consolidated income statement.

Interest rate hedging

Cash flow hedge

The Heidelberg Group limits the risk from increasing interest expenses for refinancing by using interest rate swaps, under which Heidelberg receives variable-rate interest and pays fixed interest (payer interest rate swap). The remaining terms of these interest rate swaps are up to one year and are in line with our planning horizon. As of the end of

the reporting period, the measurement of all transactions resulted in liabilities of € 1,016 thousand (previous year: € 1,074 thousand), which were recognized in other comprehensive income and will be reversed to net financial income over the term of the transactions. The expenses from deferred interest included in the fair values of the interest rate swaps of € 11 thousand (previous year: € 11 thousand) was recognized in the consolidated income statement.

Sensitivity analysis

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

Recognized **Currency risks** as defined by IFRS 7 are caused by monetary financial instruments not in the functional currency. The portfolio of primary monetary financial instruments is mainly held directly in the functional currency or transferred to the functional currency through the use of derivatives. It is therefore assumed in this analysis that changes in exchange rates show no influence on income or equity with regard to this portfolio. The impact of the translation of the subsidiaries' financial statements into the Group currency (translation risk) is not taken into account either. Accordingly, the analysis includes the derivative financial instruments that were concluded in order to hedge highly probable future cash flows in a foreign currency (cash flow hedge). Assuming a 10 percent increase in the value of the euro against all currencies, the hedge reserve would have been € 24,478 thousand (previous year: € 27,190 thousand) higher as of the end of the reporting period and the financial result would have been € 792 thousand lower (previous year: € 897 thousand). Assuming a 10 percent decrease in the value of the euro, the hedge reserve would have been € 25,544 thousand (previous year: € 29,540 thousand) lower and the financial result would have been € 652 thousand lower (previous year: € 690 thousand higher).

In accordance with IFRS 7, recognized **Interest rate risks** of the Heidelberg Group must still be shown. These are partly due to the portion of primary floating rate financial instruments that were not hedged through the use of derivative financial instruments within cash flow hedging transactions. In addition, a hypothetical change in market interest rates with regard to derivative financial instruments would result in changes to the hedge reserve in the cash flow hedge. However, fixed-income financial instruments carried at amortized cost and floating rate financial instruments hedged within cash flow hedges are not subject to any recognized interest rate risk. These financial instruments are therefore not taken into account. Assuming an increase of 100 basis points in the market interest rate across all terms, the hedge reserve would have been € 370 thousand (previous year: € 841 thousand) higher as of the end of the reporting period and the financial result would have been € 119 thousand higher (previous year: € 3,053 thousand lower). Assuming a decrease of 100 basis points in the market interest rate across all terms, the hedge reserve would have been € 380 thousand (previous year: € 869 thousand) lower and the financial result would have been € 119 thousand lower (previous year: € 3,053 thousand higher).

Risk of default

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

33 Contingent liabilities

Contingent liabilities from guarantees, amounting to € 4,729 thousand as of March 31, 2012 (previous year: € 3,476 thousand), comprise in particular reciprocal liability and buyback obligations for third-party liabilities in connection with long-term sales financing, which in turn largely correspond to rights of recourse on the delivered products.

34 Other financial liabilities

Other financial liabilities break down as follows:

	31-Mar-2011				31-Mar-2012			
	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	
Lease obligations	49,146	129,548	106,531	285,225	43,628	120,003	81,415	245,046
Investments and other purchasing requirements	39,462	3,590	0	43,052	43,055	11,864	0	54,919
	88,608	133,138	106,531	328,277	**86,683**	**131,867**	**81,415**	**299,965**

The figures shown are nominal values.

The minimum lease payments for operating leases primarily comprise:

> the Research and Development Center (Heidelberg) in the amount of € 35,069 thousand (previous year: € 38,565 thousand);

> the Print Media Academy (Heidelberg) in the amount of € 32,458 thousand (previous year: € 31,805 thousand);

> the World Logistics Center (WLC) (Wiesloch-Walldorf plant) in the amount of € 28,033 thousand (previous year: € 29,669 thousand);

> the X-House administrative building (Heidelberg) in the amount of € 8,901 thousand (previous year: € 12,893 thousand);

> the administrative and production building in Rochester, New York, USA, in the amount of € 12,923 thousand (previous year: € 31,327 thousand);

> the administrative and production building in Durham, USA, in the amount of € 16,374 thousand (previous year: € 17,476 thousand); and

> motor vehicles with a total value of € 27,454 thousand (previous year: € 23,192 thousand).

Investments and other purchasing requirements are largely financial obligations in connection with orders of property, plant, and equipment, and obligations for the purchase of raw materials and supplies.

Future payments for other financial obligations are partially offset by future incoming payments for license agreements.

Additional Information

35 Earnings per share in accordance with IAS 33

	2010/2011	2011/2012
Consolidated net loss for the year (€ thousand)	−128,890	−230,093
Number of shares in thousands (weighted average)	156,140	233,899
Basic earnings per share (€)	−0.83	−0.98
Diluted earnings per share (€)	−0.83	−0.98

The basic earnings per share are calculated by dividing the consolidated net loss for the year by the weighted average number of the shares outstanding in the reporting year of 233,899 thousand (previous year: 156,140 thousand shares). The weighted number of shares outstanding was influenced by the capital increase to implement the court settlement with the former shareholders of Linotype-Hell Aktiengesellschaft (see note 26) and the holdings of treasury shares. In the reporting period, 257,081 treasury shares were issued to employees of Heidelberger Druckmaschinen Aktiengesellschaft and its subsidiaries as employee shares. 142,919 treasury shares were still held as of March 31, 2012 (March 31, 2011: 400,000).

36 Information on the consolidated statement of cash flows

The consolidated statement of cash flows shows the changes in the cash and cash equivalents of the Heidelberg Group during the financial year as a result of the inflows and outflows of cash. Cash flows are broken down into operating, investing, and financing activities (IAS 7). The changes in statement of financial position items shown in the consolidated statement of cash flows cannot be derived directly from the consolidated statement of financial position as the effects of currency translation and changes in the scope of consolidation do not affect cash and have therefore been eliminated.

€ 4,300 thousand (previous year: € 3,592 thousand) of investments in intangible assets, property, plant, and equipment, and investment property relate to intangible assets, € 61,626 thousand (previous year: € 69,756 thousand) to property, plant, and equipment, and € 5 thousand (previous year: € 0 thousand) to investment property. The additions from finance leases of € 3,734 thousand (previous year: € 5,396 thousand) are not included in investments. An amount of € 9 thousand (previous year: € 28 thousand) of income from the disposal of intangible assets, property, plant, and

equipment, and investment property relates to intangible assets and € 28,483 thousand (previous year: € 37,847 thousand) to property, plant, and equipment.

The cash used in intangible assets, property, plant, and equipment, and investment property includes investments of € 18,104 thousand (previous year: € 15,993 thousand) used to increase operating capacity.

The payments from operating leases in which Heidelberg is the lessee are shown in the consolidated statement of cash flows under operating activities. The repayment portion of lease installments for finance leases in which Heidelberg is the lessee is reported under financing activities. The interest portion of lease installments is shown under operating activities.

Payments received from operating and finance leases in which Heidelberg is the lessor are reported under changes in cash from operating activities.

The carrying amounts of the collateral pledged in connection with the loan agreements as part of a collateral pool concept is shown under the appropriate notes. Please see note 29 for information on the unutilized credit lines.

Cash and cash equivalents include cash and cash equivalents only (€ 194,556 thousand; previous year: € 147,934 thousand).

Detailed information on the consolidated statement of cash flows can be found in the Group management report.

37 Information on segment reporting

	Heidelberg Equipment		Heidelberg Services		Heidelberg Financial Services		Heidelberg Group	
	1-Apr-2010 to 31-Mar-2011	1-Apr-2011 to 31-Mar-2012	1-Apr-2010 to 31-Mar-2011	1-Apr-2011 to 31-Mar-2012	1-Apr-2010 to 31-Mar-2011	1-Apr-2011 to 31-Mar-2012	1-Apr-2010 to 31-Mar-2011	1-Apr-2011 to 31-Mar-2012
	Figures in € thousands							
External sales	1,515,944	1,522,550	1,096,829	1,058,539	16,148	14,581	2,628,921	2,595,670
Depreciation and amortization	80,244	73,896	17,302	12,997	11	3	97,557	86,896
Non-cash expenses	216,528	307,570	84,588	83,255	9,515	13,208	310,631	404,033
Special items[(1)]	−9,813	117,495	7,473	24,534	107	245	−2,233	142,274
Result of operating activities (segment result)	−88,339	−201,011	76,653	47,857	17,843	13,393	6,157	−139,761
Investments	67,459	59,683	11,278	9,979	7	3	78,744	69,665

(1) Expenses (+); income (−)

In the Heidelberg Group, segments are defined by the services performed by the divisions. The segments are based on internal reporting in line with the **Management approach**.

The Heidelberg Group's structure has been broken down in line with the internal organizational and reporting structure into the segments Heidelberg Equipment, Heidelberg Services, and Heidelberg Financial Services. Heidelberg Equipment essentially comprises new machinery business. Services, consumables, and remarketed equipment business are bundled in the Heidelberg Services segment. The Heidelberg Financial Services segment comprises sales finance business. Further information on the business activities, products, and services of the individual segments can be found in "Group Corporate Structure and Organization" in the Group management report.

Regionally, we distinguish between Europe, Middle East and Africa, Eastern Europe, North America, South America, and Asia/Pacific.

Further information on the business areas can be found in the chapters "Segment Reporting" and "Sales and Regions" in the Group management report. Transfer prices for internal Group sales are determined using a market-driven approach, based on the principle of dealing at arm's length.

Notes on segment data

Segment performance is measured on the basis of the result of operating activities as shown in the consolidated income statement.

In the year under review and the previous year, the Heidelberg Group did not generate more than 10 percent of (external) sales with any one customer.

Inter-segment sales are of minor financial significance.

Investments comprise investments in intangible assets, property, plant, and equipment, and investment property.

The segment result is assigned to income before taxes as follows:

	1-Apr-2010 to 31-Mar-2011	1-Apr-2011 to 31-Mar-2012
Result of operating activities (segment result)	6,157	−139,761
Financial income	22,690	20,475
Financial expenses	171,724	110,029
Financial result	−149,034	−89,554
Income before taxes	−142,877	**−229,315**

Information by region

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

	1-Apr-2010 to 31-Mar-2011	1-Apr-2011 to 31-Mar-2012
Europe, Middle East and Africa		
Germany	397,565	387,708
Other Europe, Middle East and Africa regions	613,716	564,991
	1,011,281	**952,699**
Asia/Pacific		
China	418,875	412,523
Other Asia/Pacific regions	437,437	441,371
	856,312	**853,894**
Eastern Europe	299,175	**296,417**
North America	300,821	**328,643**
South America	161,332	**164,017**
	2,628,921	**2,595,670**

Of the non-current assets, which comprise intangible assets, property, plant, and equipment, and investment property, € 546,055 thousand (previous year: € 599,373 thousand) relates to Germany and € 254,795 thousand (previous year: € 242,930 thousand) to other countries.

38 Capital management

In the context of implementing the holistic management approach, it is the task of capital management to provide the best possible support in the attainment of the Heidelberg Group's goals. These focus on ensuring liquidity and creditworthiness and increasing the enterprise value of the Heidelberg Group on an ongoing basis. We calculate the value contribution for a reporting period, the benchmark used for this as the net total of return on capital employed (ROCE) and capital costs (see Group management report, page 74). The value contribution shows whether the Heidelberg Group earned its capital costs in the period under review. The following capital structure is used to calculate the cost of capital:

	2010/2011	2011/2012
Equity	868,592	575,697
—Net deferred taxes	112,629	30,659
Adjusted equity	755,963	**545,038**
Annual average	598,172	650,501
Pension provisions	221,011	326,080
+ Tax provisions	203,677	117,953
+ Net tax receivables/liabilities	2,352	1,249
+ Non-operating financial liabilities	366,601	409,605
Liabilities	793,641	**854,887**

Annual average	1,003,650	824,264
Adjusted total capital	1,549,604	**1,399,925**
Annual average	1,601,822	1,474,765

Neither the capital management strategy nor its focus has changed as against the previous year. Priority is given to reducing the commitment of capital, strengthening the equity ratio and securing liquidity. In the year under review, the equity of the Heidelberg Group declined sharply from € 868,592 thousand to € 575,697 thousand. Based on total assets, the equity ratio therefore dropped from 32.9 percent to 22.9 percent.

Owing to the increase in the share capital of Heidelberger Druckmaschinen Aktiengesellschaft in September 2010 and our measures to reduce capital tie-up, net financial liabilities were virtually unchanged from € 246,683 thousand in the previous year at € 243,140 thousand. The net financial liabilities are the total financial liabilities and cash and cash equivalents.

Heidelberg is not subject to any capital requirements arising from its Articles of Association.

In June and August 2009, Heidelberg had negotiated loan agreements with its financing banks for a total facility of € 1,400 million originally set to mature in summer 2012. This consisted of a loan from the KfW's special program, originally for € 300 million, a credit line of € 550 million 90 percent backed by guarantees from the German government and the states of Baden-Württemberg and Brandenburg, and a syndicated credit line from a syndicate of banks of € 550 million. In the previous year, the proceeds from the share capital increase at Heidelberger Druckmaschinen Aktiengesellschaft in September 2010 were used in full, less the issuing costs, to repay the required amount for the syndicated credit line and the credit line guaranteed by the public sector and for the early repayment of the loan from the KfW's special program.

On April 7, 2011, in connection with the refinancing agreed on March 25, 2011, Heidelberg issued a high-yield, unsecured bond of € 304 million with a seven-year term and a coupon of 9.25 percent p. a. At the start of the year under review, some of the net issue proceeds from the high-yield bond were used for the early repayment of the two credit lines. Also in connection with the refinancing agreed on March 25, 2011, a new revolving credit facility concluded with a syndicate of banks for € 500 million maturing at the end of 2014 entered into effect parallel to this to replace the previous credit lines.

The financing agreements for the new credit facility contain standard financial covenants regarding the financial situation of the Heidelberg Group.

In order to adjust the originally agreed financial covenants to a level in line with the changes in the economic environment as part of the Focus 2012 efficiency program (see note 14), an amendment to the credit terms was agreed with the syndicate banks in March 2012. As a result of Heidelberg's reduced financing requirements as a result of its successful asset management, this agreement with the banks also includes a € 25 million reduction of the credit line from July 1, 2012.

One of the covenants of this credit line is the minimum equity criterion that the Heidelberg Group must comply with.

39 Declaration of Compliance in Accordance with Section 161 of the German Stock Corporation Act

The Management Board and the Supervisory Board of Heidelberger Druckmaschinen Aktiengesellschaft issued the declaration of compliance in accordance with Section 161 of the German Stock Corporation Act and made it permanently accessible to the shareholders on our Web site WWW.HEIDELBERG.COM in the "Investor Relations" section under "Corporate Governance". Earlier declarations of compliance are also permanently available here.

40 Executive Bodies of the Company

The basic characteristics of the remuneration system and amounts of remuneration for the members of the Management Board and Supervisory Board are presented in the remuneration report. The remuneration report is part of the Group management report (see pages 40 to 47) and the corporate governance report.

The members of the Supervisory Board and the Management Board are listed in the separate overview presented on pages 228 to 229 (Supervisory Board) and 231 (Management Board).

Total cash remuneration of the Management Board for the year under review including non-cash remuneration amounted to € 2,709 thousand (previous year: € 2,653 thousand), bonus remuneration accounted for € 942 thousand of

this in total (previous year: € 1,080 thousand) and the multi-year long-term bonus for € 306 thousand (previous year: € 0 thousand).

As the last outstanding performance share units awarded under the expired long-term incentive (LTI) plan lapsed in the previous year, no performance share units were awarded in the year under review. Thus, total remuneration in the period under review amounted to € 2,709 thousand (previous year: € 2,653 thousand). As in the previous year, stock options awarded from the stock option program in previous years and long-term incentive performance share units were not paid out in the year under review.

In the reporting year, the expenses for retirement benefits under IFRS (service cost and interest cost) for members of the Management Board amounted to € 800 thousand (previous year: € 731 thousand); this includes the service cost of € 496 thousand (previous year: € 458 thousand).

As of the end of the reporting period and as in the previous year, the Management Board members held no stock options under the expired stock option plan.

Former members of the Management Board and their surviving dependents received € 3,064 thousand (previous year: € 3,087 thousand). € 876 thousand of this (previous year: € 855 thousand) relates to liabilities to former members of the Management Board of Linotype-Hell Aktiengesellschaft and their surviving dependents, which were assumed in financial year 1997/1998 within the framework of universal succession. The pension obligations (defined benefit obligations) to former members of the Management Board and their surviving dependents amount to € 40,687 thousand (previous year: € 40,040 thousand). € 9,188 thousand of this (previous year: € 8,929 thousand) relates to the pension obligations of the former Linotype-Hell Aktiengesellschaft, acquired in financial year 1997/1998 under the provisions of universal succession. As in the previous year, former members of the Management Board held no stock options as of the end of the reporting period.

No loans or advances were made to members of the Company's Management Board or the Supervisory Board in the reporting period. One member of the Management Board had loans collateralized by real estate dating back to before Group affiliation at interest of 5.31 percent. These loans were originally granted by a foreign subsidiary to finance a home for the member at his place of business abroad. As of March 31, 2011, these loans amounted to € 522 thousand with a remaining term of 23$^1/_2$ years. Both loans were repaid in full in the reporting year. The Heidelberg Group has not undertaken any contingent liabilities for either the members of the Management Board or the Supervisory Board.

Fixed remuneration of € 425 thousand (previous year: € 404 thousand), but no variable remuneration, as in the previous year, was paid to the members of the Supervisory Board for financial year 2011/2012, these payments do not include value added tax.

41 Related Party transactions

Business relations exist between numerous companies and Heidelberger Druckmaschinen Aktiengesellschaft and its subsidiaries in the course of ordinary business. This also includes associated companies, which are regarded as related companies of the Heidelberg Group. Related parties include members of the Management Board and the Supervisory Board.

In financial year 2011/2012, transactions were carried out with related parties that resulted in liabilities of € 9,502 thousand (previous year: € 5,101 thousand), receivables of € 17,872 thousand (previous year: € 14,157 thousand), expenses of € 16,229 thousand (previous year: € 14,113 thousand) and income of € 19,386 thousand (previous year: € 20,617 thousand), which essentially includes sales. Write-downs of € 648 thousand were recognized on receivables from related parties (previous year: € 1,604 thousand). All transactions were concluded at standard market terms and did not differ from trade relationships with other companies.

Members of the Supervisory Board received remuneration of € 1,070 thousand (previous year: € 722 thousand) from Heidelberger Druckmaschinen Aktiengesellschaft and its consolidated companies in the year under review for consulting, service, and hiring agreements.

42 Stock option program[(1)]

The Annual General Meeting of September 29, 1999 had approved a contingent share capital increase of up to € 10,996 thousand through the issue of up to 4,295,425 shares (Contingent Capital). The sole purpose of the contingent capital increase is to grant subscription rights to members of the Company's Management Board, to members of the management boards of subsidiaries in Germany and abroad, and to other senior executives within the Heidelberg Group.

(1) The information on the stock option program is also a component of the corporate governance report

The term of the last tranche (2004) of Heidelberg's stock option program ended on August 18, 2010. Please see note 42 in the notes to the consolidated financial statements as of March 31, 2011 for further information on the expired stock option program.

The regulations of IFRS 2: Share-Based Payment were applied to the recognition and measurement of the last tranche in the previous year. There were neither expenses nor income from the stock option program in the previous year. The provisions and the capital reserves amounted to € 0 thousand and € 9,431 thousand respectively in the previous year.

43 Long-Term Incentive Plan (LTI)[2]

Heidelberger Druckmaschinen Aktiengesellschaft offered participation in its long-term incentive (LTI) plan to selected members of the Heidelberg Group's senior management. Heidelberg's LTI expired with the last outstanding performance share units (PSU) in the previous year. Please see note 43 in the notes to the consolidated financial statements as of March 31, 2011 for further information on the long-term incentive plan.

(2) The information on the long-term incentive plan (LTI) is also a component of the corporate governance report

The last tranche (2007) of the LTI was measured on the basis of IFRS 2 in the previous year. The LTI was to be settled in cash; the provision for this amounted to € 0 thousand in the previous year. The LTI resulted in neither expenses nor income in the previous year.

44 Exemption under Section 264 (3) and 264 b of the German Commercial Code

The following subsidiaries exercised the provisions of Section 264 (3) and 264 b of the German Commercial code (HGB) with regard to the specification and disclosure of the exemption regulations in the period under review:

Heidelberger Druckmaschinen Vertrieb Deutschland GmbH, Heidelberg(3)(4);

Heidelberg Postpress Deutschland GmbH, Heidelberg(3)(4);

Heidelberg China-Holding GmbH, Heidelberg(4);

Heidelberg Boxmeer Beteiligungs-GmbH, Heidelberg(4);

Heidelberg Print Finance International GmbH, Heidelberg(5);

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(3) Exempt from preparing a management report in accordance with Section 264 (3) and 264 b HGB

(4) Exempt from disclosing annual financial statements in accordance with Section 264 (3) and 264 b HGB

(5) Exempt from disclosing annual financial statements and a management report in accordance with Section 264 (3) and in connection with Section 340 a (2) clause 4 HGB

Heidelberg Consumables Holding GmbH, Heidelberg(4);

Heidelberger Druckmaschinen Real Estate GmbH & Co. KG, Walldorf(3)(4).

45 Auditors' fees

In the reporting year, the following expenses were incurred for services by the auditors:

Fees for	2010/2011	2011/2012
Audits of financial statements	843	866
Other assurance services	236	35
Tax advisory services	43	4
Other services	1,985	742
	3,107	**1,647**

46 Events after the end of the reporting period

There were no significant events after the end of the reporting period.

Heidelberg, May 24, 2012

Heidelberger Druckmaschinen Aktiengesellschaft

The Management Board

/s/ Bernhard Schreier
Bernhard Schreier
/s/ Marcel Kießling
Marcel Kießling

/s/ Dirk Kaliebe
Dirk Kaliebe
/s/ Stephan Plenz
Stephan Plenz

Responsibility statement

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

Heidelberg, May 24, 2012

Heidelberger Druckmaschinen Aktiengesellschaft

The Management Board

/s/ Bernhard Schreier
Bernhard Schreier
/s/ Marcel Kießling
Marcel Kießling

/s/ Dirk Kaliebe
Dirk Kaliebe
/s/ Stephan Plenz
Stephan Plenz

> List of material investments in affiliated companies (figures in € thousands in line with IFRS)

Name	Location		Share in equity in percent	Equity	Net result after taxes
Domestic					
Europe, Middle East and Africa					
Heidelberger Druckmaschinen Vertrieb Deutschland GmbH[(1)(2)]	D	Heidelberg	100	54,901	8,705
Heidelberg Print Finance International GmbH[(1)(2)]	D	Heidelberg	100	34,849	8,457
Heidelberg Postpress Deutschland GmbH[(1)(2)]	D	Heidelberg	100	25,887	−13,501
Foreign					
Europe, Middle East and Africa					
Heidelberg International Ltd. A/S	DK	Ballerup	100	35,454	4,455
Hi-Tech Coatings International B.V.	NL	Zwaag	100	10,350	319
Heidelberg Graphic Equipment Ltd.[(3)]	GB	Brentford	100	6,440	−708
Heidelberg Schweiz AG	CH	Bern	100	5,861	6,257
Heidelberg France S.A.S.	F	Tremblay-en-France	100	5,315	−8,114
Heidelberg Sverige AB	S	Solna	100	5,113	867
Eastern Europe					
Heidelberger Druckmaschinen Austria Vertriebs-GmbH	A	Vienna	100	74,471	659
Heidelberger Druckmaschinen Osteuropa Vertriebs-GmbH[(4)]	A	Vienna	100	74,268	3,396
Heidelberg Polska Sp z.o.o.	PL	Warsaw	100	9,509	407
Heidelberg Baltic Finland OÜ	EST	Tallinn	100	8,599	−43
Heidelberg Grafik Ticaret Servis Limited Sirketi	TR	Istanbul	100	5,894	1,311
Heidelberger CIS OOO	RUS	Moscow	100	−2,368	12,498
North America					
Heidelberg USA, Inc.	USA	Kennesaw	100	96,383	5,792
Heidelberg Canada Graphic Equipment Ltd.	CDN	Mississauga	100	7,627	−599
Heidelberg Mexico Services S.de R.L.de C.V.[(3)]	MEX	Mexico City	100	8,352	2,672
South America					
Heidelberg do Brasil Sistemas Graficos e Servicos Ltda.	BR	São Paulo	100	15,318	−198
Asia/Pacific					
Heidelberg Graphic Equipment (Shanghai) Co. Ltd.	PRC	Shanghai	100	56,505	7,785
Heidelberg China Ltd.	PRC	Hong Kong	100	15,920	6,385
Heidelberg Japan K.K.	J	Tokyo	100	14,690	−5,218
Heidelberg Hong Kong Ltd.	PRC	Hong Kong	100	13,145	2,017
Heidelberg Asia Pte Ltd.	SGP	Singapore	100	13,052	1,103
Heidelberg Graphics (Tianjin) Co. Ltd.	PRC	Beijing	100	28,433	7,838
Heidelberg Korea Ltd.	ROK	Seoul	100	5,403	729
Heidelberg Malaysia Sdn Bhd	MYS	Petaling Jaya	100	610	−333
Heidelberg Graphic Equipment Ltd.	AUS	Melbourne	100	−152	−17,184

(1) Result prior to profit and loss transfer to Heidelberger Druckmaschinen Aktiengesellschaft

(2) According to German Commercial Code (HGB)

(3) Pre-consolidated financial statements

(4) Result prior to profit and loss transfer to Heidelberger Druckmaschinen Austria Vertriebs-GmbH

The Supervisory Board

Robert J. Koehler – Chairman of the Management Board of SGL Carbon SE, Wiesbaden
Chairman of the Supervisory Board – since July 28, 2011
(Member of the Supervisory Board – through July 28, 2011)
(a) Klöckner & Co. SE
LANXESS AG
(b) Benteler International AG, Austria (Chairman)
Dr. Mark Wössner – through July 28, 2011**
Member in various Supervisory Boards, Munich
Chairman of the Supervisory Board
(a) Douglas Holding AG
Loewe AG
(b) AEG Power Solutions B.V., the Netherlands
Rainer Wagner* – Chairman of the Central Works Council, Heidelberg/Wiesloch-Walldorf
Deputy Chairman of the Supervisory Board
Dr. Werner Brandt – through July 28, 2011**
Member of the Management Board of SAP AG, Walldorf

(a) Deutsche Lufthansa AG

(b) QIAGEN N.V., the Netherlands
SAP (Schweiz) AG, Switzerland
SAP America, Inc., US
SAP (UK) Limited, UK
SAP Japan Co. Ltd., Japan
Edwin Eichler – Member of the Management Board of ThyssenKrupp AG, Essen/Duisburg

(a) Hüttenwerke Krupp Mannesmann GmbH
SGL Carbon SE
ThyssenKrupp Materials International GmbH (Chairman)
ThyssenKrupp Nirosta GmbH (Chairman)
(b) ANSC-TKS Galvanizing Co., Ltd., China (Chairman)
ThyssenKrupp Steel Americas, LLC, US (Chairman)
Wolfgang Flörchinger* – Member of the Works Council, Heidelberg/Wiesloch-Walldorf
Martin Gauß* – Chairman of the Speakers
Committee for the Executive Staff, Heidelberg
Mirko Geiger* – First Senior Representative of IG Metall, Heidelberg

(a) ABB AG
Gunther Heller* – Chairman of the Works Council, Amstetten
Jörg Hofmann* – Regional head of IG Metall, Baden-Wuerttemberg region, Stuttgart

(a) Daimler AG
Robert Bosch GmbH
Dr. Siegfried Jaschinski – Member of the Management Board of MainFirst Bank AG, Frankfurt

(a) Adcapital AG

Dr. Herbert Meyer – since July 28, 2011
Member of the Auditor Oversight Commission (AOC), Berlin
(a) MainFirst Bank AG
WEBASTO AG
(b) Verlag Europa Lehrmittel GmbH
(Member of the Advisory Board)
Dr. Gerhard Rupprecht – Member of various Supervisory Boards, Gerlingen

(a) Fresenius Management SE
Fresenius SE & Co. KGaA
Euler Hermes Deutschland AG
Beate Schmitt* – Member of the Works Council, Heidelberg/Wiesloch-Walldorf
Lone Fønss Schrøder – since July 28, 2011
Member in various Supervisory Boards, Hornbaek, Denmark

(a) Bilfinger Berger SE

(b) AKER Solutions ASA, Lysaker/Norway
(Member of the Board of Directors)
KVAERNER ASA, Oslo/Norway
(Member of the Board of Directors)
NKT Holding AS, Brønby/Denmark
(Member of the Board of Directors)
Svenska Handelsbanken AB,
Stockholm/Sweden
(Member of the Board of Directors)
Vattenfall AB, Stockholm/Sweden
(Member of the Board of Directors)
Volvo Personvagnar AB, Göteborg/Sweden
(Member of the Board of Directors)

Prof. Dr.-Ing. Günther Schuh – Professor and holder of the chair in production engineering at RWTH Aachen University, Aachen
(a) Schott AG
Zwiesel Kristallglas AG
(b) Gallus Holding AG, Switzerland
(Member of the Administration Board)
Brose Fahrzeugteile GmbH & Co. KG
(Member of the Advisory Board)
Dr. Klaus Sturany – Member in various Supervisory Boards, Dortmund

(a) Bayer AG
Hannover Rückversicherung AG
(b) Österreichische Industrieholding AG, Austria
Sulzer AG, Switzerland
(Member of the Administration Board)
Peter Sudadse* – Deputy Chairman of the Central Works Council, Heidelberg/Wiesloch-Walldorf

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* Employee representative

** As of the date of retirement

(a) Membership in other Supervisory Boards

(b) Membership in comparable German and foreign control bodies of business enterprises

Committees of the Supervisory Board

Management Committee
Robert J. Koehler (Chairman) – since July 28, 2011
Dr. Mark Wössner (Chairman) – through July 28, 2011

Rainer Wagner
Martin Gauß
Mirko Geiger
Dr. Gerhard Rupprecht
Dr. Klaus Sturany

Mediation Committee under Article 27 Paragraph 3 of the Codetermination Act
Robert J. Koehler – since July 28, 2011
Dr. Mark Wössner – through July 28, 2011
Rainer Wagner
Wolfgang Flörchinger
Dr. Gerhard Rupprecht

Committee on arranging personnel matters of the Management Board
Robert J. Koehler (Chairman) – since July 28, 2011
Dr. Mark Wössner (Chairman) – through July 28, 2011
Rainer Wagner
Dr. Gerhard Rupprecht
Beate Schmitt

Audit Committee
Dr. Klaus Sturany (Chairman)
Dr. Werner Brandt – through July 28, 2011
Mirko Geiger
Dr. Herbert Meyer – through July 28, 2011
Rainer Wagner

Nomination Committee
Robert J. Koehler (Chairman) – since July 28, 2011
Dr. Mark Wössner (Chairman) – through July 28, 2011
Dr. Klaus Sturany

The Management Board

Bernhard Schreier
Walldorf
Chief Executive Officer and Chief Human Resources Officer
ABB AG*
Universitätsklinikum Heidelberg
(institution under public law)
Heidelberger Druckmaschinen Vertrieb Deutschland GmbH (Chairman)
Heidelberg Graphic Equipment Ltd., UK**
(Chairman of the Board of Directors)
Heidelberg Japan K.K., Japan
Heidelberg Americas, Inc., US
(Chairman of the Board of Directors)
Heidelberg USA, Inc., US
(Chairman of the Board of Directors)

Marcel Kiessling
Heidelberg
Head of the Heidelberg Sales and Services Segment
Dirk Kaliebe
Sandhausen
Chief Financial Officer and Head of the Heidelberg Financial Services Segment
Heidelberger Druckmaschinen Vertrieb Deutschland GmbH*
Heidelberg Graphic Equipment Ltd., UK**
Heidelberg Americas, Inc., US
Gallus Holding AG, Switzerland
(Member of the Administration Board)
Stephan Plenz
Sandhausen
Head of the Heidelberg Equipment Segment

Gallus Holding AG, Switzerland**
(Member of the Administration Board)
Heidelberg Graphic Equipment (Shanghai) Co. Ltd., China
(Chairman of the Board of Directors)

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* Membership in Supervisory Boards

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

The following auditor's report (*Bestätigungsvermerk*) has been issued in accordance with Section 322 of the German Commercial Code (*Handelsgesetzbuch*) on the complete consolidated financial statements and group management report (*Konzernlagebericht*) of Heidelberger Druckmaschinen AG as of and for the fiscal year ended March 31, 2012. The group management report is neither included nor incorporated by reference in this Offering Memorandum. Furthermore, the list of shareholdings, which is a compulsory component of the notes to the consolidated financial statements according to Section 315a(1) in connection with Section 313(2) of the German Commercial Code (*Handelsgesetzbuch*) has been omitted.

Auditor's Report

We have audited the consolidated financial statements prepared by Heidelberger Druckmaschinen Aktiengesellschaft, Heidelberg, comprising the income statement, the statement of comprehensive income, the statement of financial position, the statement of changes in consolidated equity, the statement of cash flows, and the notes to the consolidated financial statements, together with the Group management report for the financial year from April 1, 2011 to March 31, 2012. The preparation of the consolidated financial statements and the Group management report in accordance with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315 a (1) of the Handelsgesetzbuch (HGB—German Commercial Code) are the responsibility of the Management Board of the Company. Our responsibility is to express an opinion on the consolidated financial statements and the Group management report based on our audit.

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

Our audit has not led to any reservations.

In our opinion based on the findings of our audit the consolidated financial statements comply with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315 a (1) HGB and give a true and fair view of the net assets, financial position, and results of operations of the Group in accordance with these requirements. The Group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Mannheim, May 25, 2012

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Ernst-Wilhelm Frings	ppa. Stefan Sigmann
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

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GLOSSARY

Term/Acronym	Explanation
Anicolor	Heidelberg presented its Anicolor inking unit technology for the first time at the 2006 IPEX trade show. With Anicolor, hardly any start-up sheets are required—usually only 10 to 20. This allows for up to 90% less start-up maculation (i.e. waste of material). The fact that no ink zone settings are required reduces make-ready-times by up to 40%, and can improve printing press productivity by up to 25%.
Carbon footprint	A colloquial expression for the carbon footprint is the "CO2 footprint"; i.e. the volume of CO2 released over the entire process of manufacturing and distributing goods.
Commercial printing	Commercial printing includes all printing products manufactured for the purposes of advertising endorsement, sales promotion, public relations, event marketing and direct marketing.
CtP	CtP stands for Computer-to-Plate and describes methods and systems that for example can be implemented as platesetters in pre-printing for the development and transfer of images to printing plates.
eCall functionality	eCall functionality describes the possibility of communicating directly with a machine, system, or automobile via the Internet or GPS systems in order to, for example, retrieve data on incidents or accidents. Heidelberg's machines that are equipped with eCall functionality recommend that the operator contact Heidelberg in response to defined malfunctions. If the operator follows this recommendation, the machine will automatically contact the 24-hour service offered by Heidelberg seven days of the week and transmits relevant data (such as error messages, machine configuration, software, operating condition etc.).
Emerging markets	Heidelberg considers all countries from Asia/Pacific (excluding Australia and Japan), South America, Mexico, Puerto Rico, Eastern Europe (excluding Austria and Baltic Countries), the Middle East and Africa to be emerging markets.
Flexo printing	A method of letterpress printing using flexible printing plates and low-viscosity inks in which the raised areas of the printing form convey the image. Flexo printing is applied especially for the printing of packages and multi- color labels.
Gallus	The Gallus Group, consisting of Gallus Ferd. Rüesch AG, Switzerland, and its subsidiaries.
GTO	Large platen offset (*Großer Tiegel Offset*), a category of small format printing presses.
Industrialized nations	Heidelberg considers all countries that are not emerging markets to be industrialized nations.
Inkjet	Inkjet refers to a non-contact technology frequently used in digital printing systems in addition to electrophotography. In inkjet methods, tiny drops of ink are sprayed on the print substrate via digitally-controlled jets. The ink is applied directly to the printing substrate without the need for an image carrier such as a printing plate in the offset printing press.
Maculation	Damaged, defective or not yet rejected printed matter that arises in the printing process. Maculation results from the make-ready process as well as during production for example, due to defective ink feeds or color registers or contamination—as well as during the finishing process.
Make-ready time	The time required to prepare a machine for a specific work process. During make-ready times, machines—printing presses or postpress machines—cannot be used for production purposes and do not yield a return. Therefore, make-ready times are an important factor in cost accounting and calculation.
Mechatronic assemblies	Mechatronic refers in general to the synergetic interaction of the technical disciplines mechanical engineering, electrical engineering and information technology in the design and production of industrial goods and process design. Mechatronic assemblies are groups of components/modules that connect electrical systems, electronics, automated technology (controlling and regulation technology) and software with one another.
Prepress	All the steps required to prepare the printing form for the actual printing process: the preparation of text, graphic elements, images, and design, including the application of images to printing forms (e.g., a printing plate).
Prinect	With its Prinect workflow software, Heidelberg provides the comprehensive software in the print media industry: Prinect includes management solutions, production solutions and color solutions. Customers thereby attain remarkable production security, e.g., in color management with color measuring devices as well as closely coordinated measurement fields and seamless integration in the workflow.

Printing unit	As a rule, a sheetfed offset printing press is constructed modularly from multiple printing units, whereby each printing unit through which the sheet of paper to be printed is fed accounts for one ink component. A complete color print is achieved by running a sheet of paper through four printing units of a sheetfed offset printing press with the elementary colors blue, red, yellow, and black.
Postpress	All the manufacturing steps after the printing process in order to prepare a product (e.g., cutting, creasing, punching, folding, stapling, binding and packaging).
REACH conformity	REACH refers to the EU chemical regulation with the official designation Regulation (EC) No. 1907/2006 ("REACH Directive") that applies in all members states of the European Union. REACH stands for "Registration, Evaluation, Authorization and restriction of Chemicals". All materials brought into circulation in the European Union must meet the requirements of the REACH Directive.
Regulated market	The regulated market is an organized market within the meaning of section 2(5) Wertpapierhandelsgesetz (WpHG—German Securities Trading Act). At the Frankfurt Stock Exchange, admittance can be obtained to the regulated market (General Standard) or the regulated market subsegment with further post-admission listing obligations (Prime Standard).
Sheetfed offset printing	Offset printing is based on the principle that oil (ink) and water repel each other. The printing areas of the printing plate attract the oils (absorb the ink) and repel water. The non-printing areas of the plate attract water (do not absorb ink). Offset printing is an indirect method of printing: The ink-water mixture is not pressed directly from the printing plate onto paper; instead, the ink is first transferred via an additional roller—the rubber sheet cylinder. As the name indicates, the sheetfed offset process prints individual sheets as opposed to web offset printing, which prints onto paper rolls.
Total operating performance	Total operating performance includes own work capitalized and the change in inventories of work in progress and finished goods, in addition to net sales.
VOC (Volatile Organic Compounds)	General term for organic carbonic compounds that slightly volatize and are present as gas already at low temperatures. A definition used in particular in the United States describes every chemical compound based on carbon that participates in photochemical reactions in the atmosphere as VOC, with the exception of carbon monoxide, carbon dioxide, carbon dioxide gas, metal carbides and carbonates and ammonium carbonate.

NAMES AND ADDRESSES

Issuer

Heidelberger Druckmaschinen Aktiengesellschaft
Kurfürstenanlage 52-60
69115 Heidelberg
Germany

Joint Bookrunners and Joint Lead Managers

Deutsche Bank AG
London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

BNP PARIBAS
Grüneburgweg 14
60322 Frankfurt am Main
Germany

Commerzbank
Aktiengesellschaft
Kaiserstraße 16
(Kaiserplatz)
60311 Frankfurt am Main
Germany

Landesbank
Baden-Württemberg
Am Hauptbahnhof 2
70173 Stuttgart
Germany

Co-Managers

DZ BANK AG Deutsche
Zentral-Genossenschaftsbank,
Frankfurt am Main
Platz der Republik
60325 Frankfurt am Main
Germany

HSBC Bank plc
8 Canada Square
London E14 5HQ
United Kingdom

Legal Advisors to the Issuer

as to German law
Clifford Chance Partnerschaftsgesellschaft
Mainzer Landstrasse 46
60325 Frankfurt am Main
Germany

as to U.S. Federal law
Clifford Chance LLP
10 Upper Bank Street
London E14 5JJ
United Kingdom

Legal Advisor to the Initial Purchasers

as to German law
Hengeler Mueller
Partnerschaft von Rechtsanwälten
Bockenheimer Landstrasse 24
60323 Frankfurt am Main
Germany

as to U.S. Federal law
Cravath, Swaine & Moore LLP
CityPoint
One Ropemaker Street
London EC2Y 9HR
United Kingdom

Independent Auditors to the Issuer

PricewaterhouseCoopers
Aktiengesellschaft Wirtschaftsprüfungsgesellschaft
Augustaanlage 66
68165 Mannheim
Germany

Paying Agent
Deutsche Bank Aktiengesellschaft
Große Gallusstraße 10-14
60262 Frankfurt am Main
Germany

Luxembourg Listing Agent
Deutsche Bank Luxembourg S.A.
2, boulevard Konrad Adenauer
L-115 Luxembourg

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OFFERING MEMORANDUM

HEIDELBERG

EUR 51,000,000
9.25% Senior Notes due 2018

Joint Bookrunners and Joint Lead Managers

Deutsche Bank
BNP PARIBAS
Commerzbank
Landesbank Baden-Württemberg

Co-Managers

DZ BANK AG
HSBC

December 10, 2013

CONDITIONS OF ISSUE

§ 1
Principal Amount, Denomination, Form

(1) ***Principal amount and denomination.*** The issue of additional 9.25% Senior Notes due 2018 by Heidelberger Druckmaschinen Aktiengesellschaft (the "**Issuer**") in the aggregate principal amount of EUR 51,000,000 is divided into 51,000 notes in a denomination of €1,000 each (the "**Additional Senior Notes**"). The Additional Senior Notes are only transferable in minimum aggregate principal amounts of EUR 50,000 and any integral multiples of EUR 1,000 in excess thereof. The Additional Senior Notes are issued in accordance with the conditions of issue (the "**Conditions of Issue**"), dated April 7, 2011. Pursuant to the Conditions of Issue, the Issuer issued, on April 7, 2011, EUR 304,000,000 aggregate principal amount of 9.25% Senior Notes due 2018 (the "**Original Notes**" and, together with the Additional Senior Notes, the "**Notes**"). The Original Notes and the Additional Senior Notes shall have the same terms and shall be treated as one single class for all purposes under the Conditions of Issue, including without limitation, waivers, amendments, redemptions and offers to purchase. Holders of the Additional Senior Notes will rank pari passu with, and vote together with, the holders of the Original Notes.

(2) ***Form.*** The Additional Senior Notes are represented by two permanent bearer global notes without interest coupons, one of which shall represent the Additional Senior Notes sold in the United States of America (the "**United States**") to qualified institutional buyers (as defined in, and in reliance on, Rule 144A under the U.S. Securities Act) (such global note, a "**144A Additional Global Note**") and the other of which shall represent the Additional Senior Notes sold outside the United States to persons other than U.S. persons as defined in, and in reliance on, Regulation S under the U.S. Securities Act (such global note, a "**Reg S Additional Global Note**" and, together with the 144A Additional Global Note, the "**Additional Global Notes**"). Together, the Additional Senior Notes represented by the 144A Additional Global Note and the Reg S Additional Global Note shall equal the aggregate principal amount of the Additional Senior Notes outstanding at any time. Definitive notes representing individual Additional Senior Notes and interest coupons shall not be issued.

(3) ***Custody and Clearing; Transferability.*** The amount of Additional Senior Notes represented by each of the 144A Additional Global Note and the Reg S Additional Global Note is evidenced by the register maintained for that purpose by Clearstream Banking AG, Frankfurt am Main ("**Clearstream**" or the "**Clearing System**"), as agent for the Issuer, showing the aggregate number of Additional Senior Notes represented by each Additional Global Note. Each Additional Global Note will be kept in custody by Clearstream, until all obligations of the Issuer under the Additional Senior Notes have been satisfied. The book-entry interests in the Additional Senior Notes shall be transferable by appropriate entries in securities accounts in accordance with applicable rules of Clearstream and, outside of the Federal Republic of Germany, of Clearstream Banking, société anonyme and Euroclear Bank SA/NV and any successor in such capacity.

The Additional Senior Notes represented by the 144A Additional Global Note may be exchanged for Additional Senior Notes represented by the Reg S Additional Global Note and vice versa, except that no such exchange can be effected in the period starting three Business Days prior to any payment of principal, interest or any other amount under these Conditions of Issue until (and including) the date of such payment.

If a Holder who holds a book-entry interest in the 144A Additional Global Note wishes at any time to exchange its interest in the 144A Additional Global Note for an interest in the Reg S Additional Global Note, or to transfer its interest in the 144A Additional Global Note to a Person who wishes to take delivery thereof in the form of an interest in the Reg S Additional Global Note, it may, subject to the rules and procedures of the Clearing System and the requirements set forth in this paragraph, exchange or transfer or cause the transfer of such interest for an equivalent interest in the Reg S Additional Global Note. Such exchange or transfer shall only be made upon:

(a) receipt by the Transfer Agent of a certificate, in the form obtainable from the Transfer Agent, given by such Holder (i) instructing the Transfer Agent to credit or cause to be credited an interest in the Reg S Additional Global Note in an amount equal to the interest in the 144A Additional Global Note of the same series to be exchanged or transferred, (ii) containing information regarding the account to be credited with such increase and instructing the Transfer Agent to make arrangements to deliver such increase to such account, and (iii) stating that the exchange or transfer of such interest has been made pursuant to and in accordance with Rule 903 or Rule 904 of Regulation S or Rule 144 under the U.S. Securities Act; and

(b) transfer of its interest in the 144A Additional Global Note to be transferred or exchanged to the account of the Transfer Agent with the Clearing System designated by the Transfer Agent.

If a Holder who holds a book-entry interest in the Reg S Additional Global Note wishes at any time to exchange its interest in the Reg S Additional Global Note for an interest in the 144A Additional Global Note, or to transfer its interest in the Reg S Additional Global Note to a Person who wishes to take delivery thereof in the form of an interest in the 144A Additional Global Note, it may, subject to the rules and procedures of the Clearing System and the requirements set forth in this paragraph, exchange or transfer or cause the transfer of such interest for an equivalent interest in the 144A Additional Global Note. Such exchange or transfer shall only be made upon:

(a) receipt by the Transfer Agent of a certificate, in the form obtainable from the Transfer Agent, given by such Holder (i) instructing the Transfer Agent to credit or cause to be credited an interest in the 144A Additional Global Note in an amount equal to the interest in the Reg S Additional Global Note to be exchanged or transferred, (ii) containing information regarding the account to be credited with such increase and instructing the Transfer Agent to make arrangements to deliver such increase to such account, and (iii) if such transfer or exchange is to be made prior to or on the Relevant Distribution Compliance Date, stating that such Holder reasonably believes that the Person acquiring such interest in such 144A Additional Global Note is a qualified institutional buyer (as defined in Rule 144A under the U.S. Securities Act) and is obtaining such beneficial interest in a transaction meeting the requirements of Rule 144A under the U.S. Securities Act and any applicable securities laws of any state of the United States or any other jurisdiction; and

(b) transfer of its interest in the Reg S Additional Global Note to be transferred or exchanged to the account of the Transfer Agent with the Clearing System designated by the Transfer Agent.

After the Relevant Distribution Compliance Date, the certification requirement set forth in clause (a)(iii) of the immediately preceding sentence will no longer apply to such transfers.

Any exchange of Additional Senior Notes represented by the 144A Additional Global Note for Additional Senior Notes represented by the Reg S Additional Global Note, or vice versa, shall be recorded on the register by Clearstream upon instruction by the Transfer Agent and shall be effected by an increase or a reduction in the aggregate amount represented by the 144A Additional Global Note by the aggregate principal amount of the Additional Senior Notes so exchanged and a corresponding reduction or increase in the aggregate principal amount of Additional Senior Notes represented by the Reg S Additional Global Note.

(4) ***Book-Entry Registrar.*** Pursuant to an agreement dated April 1, 2011 and supplemented on or about the 2013 Notes Issue Date between the Issuer and Clearstream, the Issuer has appointed Clearstream as its book-entry registrar (the "**Book- Entry Registrar**"). The Book-Entry Registrar has agreed to, as agent of the Issuer, maintain (i) the register in accordance with § 1(3) and § 1(5) and (ii) a register (the "**Book-Entry Register**") showing the interests of Clearstream accountholders in the Additional Global Notes. No transfer of any Additional Senior Note through the Clearing System shall be effective unless it is recorded in the Book-Entry Register.

(5) On any redemption of, or payment of an installment on, or purchase and cancellation of, any of the Additional Senior Notes represented by a Additional Global Note the Issuer shall procure that details of any redemption, payment or purchase and cancellation (as the case may be) in respect of that Additional Global Note shall be entered accordingly in the register by Clearstream and, upon any such entry being made, the principal amount of the Additional Senior Notes represented by the Additional Global Notes shall be reduced by the aggregate principal amount of the Additional Senior Notes so redeemed or purchased and cancelled or by the aggregate amount of such installment so paid and appropriate entries shall be made in the Book-Entry Register.

§ 2
Status

(1) ***Status.*** The obligations under the Notes will:

(a) constitute senior obligations of the Issuer;

(b) will be effectively subordinated to all existing and future Indebtedness of the Issuer that is secured by Liens, including the Revolving Credit Facility, or secured by property and assets that do not secure the Notes, to the extent of the value of the property and assets securing such Indebtedness;

(c) rank *pari passu* among themselves and pari passu in right of payment without any preference with all existing and future Indebtedness of the Issuer that is not subordinated in right of payment to the Notes, unless such obligations are accorded priority under mandatory provisions of statutory law;

(d) will rank senior in right of payment to all existing and future Indebtedness of the Issuer that is subordinated in right of payment to the Notes;

(e) will be structurally subordinated to any and all existing and future liabilities of the Subsidiaries of the Issuer that are not Subsidiary Guarantors.

§ 3
Subsidiary Guarantees, Release of Subsidiary Guarantees

(1) ***Initial Subsidiary Guarantors.*** The Additional Senior Notes will be guaranteed by each Restricted Subsidiary of the Issuer which guarantees the Revolving Credit Facility (such entities collectively the "**Initial Subsidiary Guarantors**"). The Initial Subsidiary Guarantors are Heidelberg Graphic Equipment Ltd. (Australia), Heidelberger Druckmaschinen Austria Vertriebs-GmbH (Austria), Heidelberger Druckmaschinen Osteuropa Vertriebs-GmbH (Austria), Heidelberg Canada Graphic Equipment Limited (Canada/Ontario), Heidelberg International Ltd. A/S. (Denmark), Heidelberg International Finance B.V. (The Netherlands), Heidelberg Graphic Equipment Limited (UK), Heidelberg France S.A.S. (France), Heidelberger Druckmaschinen Vertrieb Deutschland GmbH (Germany), Heidelberg Boxmeer Beteiligungs-GmbH (Germany), Heidelberg China-Holding GmbH (Germany), Heidelberg Consumables Holding GmbH (Germany), Heidelberg Postpress Deutschland GmbH (Germany), Heidelberg China Limited (Hong Kong SAR), Heidelberg USA, Inc. (USA/Delaware) and Heidelberg Americas, Inc. (USA/Delaware), Heidelberg Japan K.K. (Japan).

(2) The obligations under the Subsidiary Guarantees issued by Subsidiary Guarantors will be limited as necessary under the terms of such Subsidiary Guarantees to prevent the Subsidiary Guarantees from constituting a fraudulent conveyance under applicable laws, or otherwise to reflect limitations under applicable laws, including with respect to maintenance of share capital and other applicable mandatory rules. The Subsidiary Guarantees may be subject to claims that they should be subordinated or voided in favor of the Issuer's existing and future creditors under German or other applicable capital maintenance laws.

(3) ***Subsidiary Guarantees.*** With effect of and following the 2013 Notes Issue Date, the Initial Subsidiary Guarantors jointly and severally guarantee unconditionally and irrevocably as primary obligors, and not merely as surety (subject to the limitations set forth below), on a senior basis, the full and punctual payment of all amounts payable under the Additional Senior Notes when due (the "**Initial Subsidiary Guarantees**"). The Initial Subsidiary Guarantees are agreed in separate agreements among Deutsche Bank Aktiengesellschaft as Holders' Representative and each Subsidiary Guarantor and constitute contracts for the benefit of the Holders from time to time as third party beneficiaries in accordance with § 328(1) of the German Civil Code (*Bürgerliches Gesetzbuch*), giving rise to the right of each Holder to require performance of the Subsidiary Guarantees directly from the Subsidiary Guarantors and to enforce the Subsidiary Guarantees directly against the Subsidiary Guarantors. Copies of the Subsidiary Guarantees may be obtained free of charge at the principal office of the Issuer, care of Investor Relations at Heidelberger Druckmaschinen Aktiengesellschaft, Kurfürsten-Anlage 52-60, 69115 Heidelberg, Germany.

(4) ***Additional Subsidiary Guarantors.*** The Issuer may from time to time be required to procure from certain of its Subsidiaries (each, an "**Additional Subsidiary Guarantor**") the issuance of additional guarantees pursuant to the provisions set forth in § 9(9) below. Any such guarantee (an "**Additional Subsidiary Guarantee**") shall be issued on substantially the same terms as the Initial Subsidiary Guarantees and be subject to legally advisable appropriate limitations reflecting the laws applicable to the relevant Additional Subsidiary Guarantor. The term "**Subsidiary Guarantees**" shall also include any such Additional Subsidiary Guarantees and the term "**Subsidiary Guarantors**" shall also include any such Additional Subsidiary Guarantors.

(5) ***Release of Subsidiary Guarantees.*** A Subsidiary Guarantee shall be released and discharged, automatically, unconditionally and without further action on the part of any Holder or the Holders' Representative:

(a) in the event of any sale, exchange or transfer (by merger or otherwise) (i) of the Capital Stock of such Subsidiary Guarantor, after which the applicable Subsidiary Guarantor is no longer a Restricted Subsidiary or (ii) of all or substantially all the assets of such Subsidiary Guarantor to a Person that is not the Issuer or a Restricted Subsidiary, in each of sub- clauses (i) and (ii) of this clause (a), which sale, exchange or transfer is permitted under and made in compliance with these Conditions of Issue;

(b) upon the full discharge of all obligations under these Conditions of Issue and the relevant Subsidiary Guarantee in accordance with the terms of these Conditions of Issue and the relevant Subsidiary Guarantee;

(c) in the case of any Additional Subsidiary Guarantee, upon the release of any other Guarantee or security that gave rise to the relevant Additional Subsidiary Guarantor's obligation to provide an Additional Subsidiary Guarantee, so long as no other Indebtedness of the Issuer or a Subsidiary Guarantor is at that time Guaranteed or secured by such Additional Subsidiary Guarantor in a manner that would require the granting of an Additional Subsidiary Guarantee; or

(d) if the Issuer designates such Subsidiary Guarantor as an Unrestricted Subsidiary as permitted under and in compliance with these Conditions of Issue.

No release and discharge of a Subsidiary Guarantee shall be effective (i) if a Default or an Event of Default shall have occurred and be continuing under these Conditions of Issue as of the time of such proposed release and discharge until such time as such Default or Event of Default is cured or waived and (ii) until the Issuer shall have delivered to the Holders' Representative (x) an Officers' Request Certificate and (y) Opinion of Counsel, each stating that all conditions precedent set forth in these Conditions of Issue have been fulfilled and that such release and discharge is authorized and permitted under these Conditions of Issue and the relevant Subsidiary Guarantee. The Holders' Representative shall be entitled to accept such Officers' Request Certificate and Opinion of Counsel as sufficient evidence of the satisfaction of such conditions precedent, which shall be conclusive and binding on the Holders.

§ 4
Interest

(1) ***Rate of interest.*** The Additional Senior Notes shall bear interest on their outstanding aggregate principal amount at the rate of 9.25% per annum from and including October 15, 2013 to but excluding the Maturity Date.

(2) ***Interest Payment Date.*** Interest shall be payable semi- annually in arrears on April 15 and October 15 of each year (each an "**Interest Payment Date**"). The first interest payment shall be made on April 15, 2014 (the "**First Interest Payment Date**").

(3) ***Termination of interest.*** The Notes shall cease to bear interest at the end of the day preceding the relevant due date for repayment.

(4) ***Day Count Fraction.*** If interest is to be calculated for a period of less than one year (a "**Calculation Period**") it shall be calculated on the basis of the Day Count Fraction. "**Day Count Fraction**" means with regard to the calculation of interest on any Note for any Calculation Period the number of days in the Calculation Period divided by 360, the number of days to be calculated on the basis of a year of 360 days with twelve 30-day months.

(5) ***Default interest.*** A Default shall occur, irrespective of any reminder, if any amounts payable under the Notes are not paid when due. Any due and unpaid amount of principal shall irrespective of any notice or reminder bear interest at a rate equal to 10.25% per annum from and including the relevant due date to but excluding the date of payment.

§ 5
Redemption

(1) ***Redemption at maturity.*** The Notes shall be redeemed at par on April 15, 2018 (the "**Maturity Date**").

(2) ***Early redemption at the option of the Issuer.***

(a) ***Optional Redemption***. At any time on or after April 15, 2014, the Issuer may on any one or more occasions redeem all or a part of the Notes upon not less than 30 nor more than 60 days' prior notice, at the redemption prices (expressed as a percentage of principal amount) set forth below, plus accrued and unpaid interest to but excluding the applicable redemption date:

April 15, 2014	106.9375%
April 15, 2015	104.6250%
April 15, 2016	102.3125%
April 15, 2017 and thereafter	100.0000%

(b) ***Make whole redemption.*** At any time prior to April 15, 2014, the Issuer may on any one or more occasions redeem all or a part of the Notes upon not less than 30 nor more than 60 days' prior notice, at a redemption price equal to 100% of the principal amount of the Notes redeemed plus the Applicable

Premium and accrued and unpaid interest to but excluding the applicable redemption date. Any such redemption and notice may, at the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent.

(3) ***Early redemption for taxation reasons.*** If (i) the Issuer becomes obligated to pay Additional Amounts as set forth under § 8 (Taxes) below, (ii) such obligation cannot be avoided by the taking of reasonable measures available to the Issuer and (iii) the requirement arises as a result of:

(a) any change in or amendment to, the laws or treaties (or any regulations or rulings promulgated thereunder) of any Relevant Tax Jurisdiction as defined in § 8(1) affecting taxation which change or amendment has not been publicly announced as formally proposed before and which becomes effective on or after the Issue Date or, if any Relevant Tax Jurisdiction has changed since the Issue Date, the date on which the then current Relevant Tax Jurisdiction became an applicable Relevant Tax Jurisdiction pursuant to these Conditions of Issue (a "**Relevant Tax Jurisdiction Date**"); or

(b) any change in, or amendment to, the existing official position or the introduction of an official position regarding the application, administration or interpretation of such laws, treaties, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction or a change in published practice), which change, amendment, application or interpretation has not been publicly announced as formally proposed before and becomes effective on or after a Relevant Tax Jurisdiction Date,

the Notes may be redeemed, in whole but not in part, at the option of the Issuer, upon not more than 60 days' nor less than 30 days' prior notice of redemption at a redemption price of 100% of their principal amount together with accrued and unpaid interest, if any, to but excluding the date fixed for redemption and Additional Amounts, if any.

Prior to giving any notice of redemption pursuant to this provision, the Issuer shall deliver to the Holders' Representative (i) an Officers' Request Certificate stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (ii) an Opinion of Counsel, qualified under the laws of the Relevant Tax Jurisdiction, subject to customary assumptions and qualifications, to the effect that the redemption complies with these Conditions of Issue of the Notes. The Holders' Representative shall be entitled to accept such Opinion of Counsel as sufficient evidence of the satisfaction of such conditions precedent, in which event it shall be conclusive and binding on the Holders.

No notice of redemption pursuant to this provision may be given (i) earlier than 90 days prior to the earliest date on which the Issuer would be obligated to pay such Additional Amounts were a payment in respect of the Notes then due or (ii) if at the time such notice is given, such obligation to pay such Additional Amounts does not remain in effect.

(4) ***Procedures.*** Any notice of redemption will be given in accordance with the procedures set forth in § 13 (Notices). It must specify the amount of redemption, the terms and date fixed for redemption and must set forth a statement in summary form of the facts constituting the basis for the right of the Issuer so to redeem the Notes. Any redemption of the Notes may, at the Issuer's option, be subject to satisfaction of one or more conditions precedent.

Notwithstanding anything to the contrary, a redemption notice may be mailed more than 60 calendar days prior to the redemption date if the notice is given in connection with a discharge of the Notes under the satisfaction and discharge provisions of these Conditions of Issue, a Legal Defeasance or a Covenant Defeasance.

In the case of a partial redemption of the Notes, the Notes to be redeemed will be selected in accordance with the rules of the relevant Clearing System. Such partial redemption shall be reflected in the records of Clearstream as either a pool factor or a reduction in aggregate principal amount, at the discretion of Clearstream.

§ 6
Change of Control

(1) ***Change of Control.*** If a Change of Control occurs, each Holder shall have the right to require the Issuer to repurchase all or any part (equal to €1,000 or integral multiple thereof; *provided, however*, that no Note of €50,000 or less shall be repurchased in part) of such Holder's Notes at a purchase price equal to 101% of the principal amount, plus accrued and unpaid interest to but excluding the applicable purchase date (the "**Change of Control Purchase Price**").

(2) ***Change of Control Offer.*** No later than 30 days following any Change of Control, the Issuer shall give notice in accordance with the procedures set forth in § 13 (Notices) below, with a copy to the Holders' Representative, stating:

(a) that a Change of Control has occurred or may occur and that each Holder has the right to require the Issuer to purchase such Holder's Notes at the Change of Control Purchase Price (the "**Change of Control Payment**");

(b) the repurchase date (the "**Change of Control Payment Date**"), which date shall be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is given;

(c) the procedures determined by the Issuer, consistent with these Conditions of Issue, that a Holder must follow in order to have its Notes repurchased;

(d) that, if such notice is given prior to the occurrence of a Change of Control, the Change of Control Offer is conditional on the occurrence of such Change of Control;

(e) the circumstances and relevant facts regarding such Change of Control;

(f) that any Note accepted for Change of Control Payment will cease to accrue interest after the Change of Control Payment Date unless the Change of Control Purchase Price is not paid; and

(g) that any Note (or part thereof) not tendered will continue to accrue interest

(the offer so being made the "**Change of Control Offer**").

The Issuer shall not be required to make the Change of Control Offer upon a Change of Control if a third party (i) makes an offer in a manner, at the times and otherwise in compliance with the requirements set forth in these Conditions of Issue applicable to a Change of Control Offer made by the Issuer and (ii) purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

(3) The Change of Control provisions described above apply whether or not any other provisions of these Conditions of Issue apply.

(4) The Issuer shall publicly announce the results of the Change of Control Offer or any offer made in lieu thereof in accordance with the procedures set forth in § 13 (Notices) on or as soon as practicable after the Change of Control Payment Date.

(5) The Issuer will comply with the requirements of any applicable securities laws or regulations in connection with the repurchase of Notes. To the extent that the provisions of any securities laws or regulations conflict with provisions of these Conditions of Issue, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control provisions of these Conditions of Issue by virtue of the conflict.

§ 7
Payments

(1) ***Manner of payment.*** The Issuer shall effect any payments under the Notes in euro. Payment of principal and interest on the Notes shall be made to the Paying Agent for on-payment to the Clearing System or to its order for credit to the respective account holders of the Clearing System, in the case of the payment of principal, upon presentation and surrender of the Global Note.

(2) ***Discharge.*** Payments to the Clearing System or to its order shall to the extent of amounts so paid constitute the discharge of the Issuer from its corresponding liabilities under the Notes.

(3) ***Business Day.*** If the due date for any payment of principal and/or interest is a day other than a Business Day, payment shall be effected only on the next following Business Day. In this case, the relevant Holders shall have no right to claim payment of any interest or other indemnity with respect to such delay.

(4) ***Deposit of principal and interest.*** The Issuer may deposit with the local court (*Amtsgericht*) in Frankfurt am Main principal or interest not claimed by Holders within 12 months after the Maturity Date, even though such Holders may not be in default of acceptance of payment. If and to the extent that the deposit is effected and the right of withdrawal is waived, the respective claims of such Holders against the Issuer shall cease.

§ 8
Taxes

(1) ***Withholding taxes***. All payments by the Issuer or, pursuant to the terms of the relevant Subsidiary Guarantee, any present or future Subsidiary Guarantor or any successor of any of the foregoing (each a "**Payor**") under the Notes or any Subsidiary Guarantee shall be made free and clear of and without withholding or deduction for or on account of any present or future taxes, duties, levies, imposts, assessments or other charges of any nature

(including penalties, interest and other similar liabilities related thereto) imposed by or on behalf of or levied within (i) the Federal Republic of Germany, (ii) any jurisdiction from or through which payment on the Notes or a Subsidiary Guarantee is made or (iii) any other jurisdiction in which a Payor is organized or otherwise considered to be resident or conducts business for tax purposes (any such jurisdiction under foregoing (i) through (iii) a "**Relevant Tax Jurisdiction**") or any province, municipality or other political subdivision or taxing authority in or of a Relevant Tax Jurisdiction (together "**Withholding Taxes**"), unless the deduction or withholding of such taxes, duties or charges is required by law. In such event, the relevant Payor shall pay (together with such payment) such additional amounts (the "**Additional Amounts**") as may be necessary to ensure that the net amounts received by the Clearing System on behalf of the Holders after such withholding or deduction (including any deduction or withholding from such Additional Amounts), shall equal the respective amounts of principal and interest which would have been receivable in respect of the relevant Notes or Subsidiary Guarantees in the absence of such deduction or withholding, except that no such Additional Amounts shall be payable on account of any taxes or duties which:

(a) are payable by any person acting as custodian bank or collecting agent on behalf of a Holder, or otherwise in any manner which does not constitute a deduction or withholding by the Issuer from payments of principal or interest made by it;

(b) are payable by reason of the Holder having, or having had, any present or former connection with the Relevant Tax Jurisdiction (other than the mere acquisition, ownership, holding or disposition of such Note, the enforcement of rights under such Note or under a Subsidiary Guarantee, or the receipt of any payments in respect of such Note or Subsidiary Guarantee) and not merely by reason of the fact that payments in respect of the Notes are, or for purposes of taxation are deemed to be, derived from sources in, or are secured in, the Relevant Tax Jurisdiction;

(c) are deducted or withheld pursuant to a payment to an individual that is required to be made pursuant to the European Counsel Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Counsel meeting of 26-27 November 2000 on the taxation of savings or any law implementing or complying with, or introduced to conform to, such Directive;

(d) are payable by reason of a change in law that becomes effective more than 30 days after the relevant payment of principal or interest becomes due, or is duly provided for and notice thereof is published in accordance with § 13 (Notices), whichever occurs later;

(e) are imposed or withheld by reason of the failure of the Holder of the Notes, following the Issuer's or Subsidiary Guarantor's written request addressed to the Holder at least 30 days prior to the date before any such imposition or withholding, to comply with any certification, identification, information or other reporting requirements (to the extent such Holder is legally eligible to do so), whether required by statute, treaty, regulation or administrative practice of a Relevant Tax Jurisdiction, as a precondition to exemption from, or reduction in the rate of deduction or withholding of, taxes imposed by the Relevant Tax Jurisdiction (including, without limitation, a certification that the Holder is not resident in the Relevant Tax Jurisdiction);

(f) are imposed and presentation for payment (where presentation is required) by the Holder occurred more than 30 days after the relevant payment of principal or interest is first made available for payment to the Holder except to the extent that the Holder thereof would have been entitled to Additional Amounts had the Note been presented for payment on the last day of such 30 day period;

(g) are imposed in connection with the presentation of a Note for payment (where presentation is required) by or on behalf of a Holder who would have been able to avoid such withholding or deduction by presenting the relevant Note to another Paying Agent in a Member State of the European Union;

(h) are estate, inheritance, gift, sales, transfer or personal property taxes or any similar taxes, assessments or governmental charges;

(i) are taxes, assessments or other governmental charges that are payable otherwise than by withholding from payments on or in respect of the Notes or any Subsidiary Guarantee; or

(j) are any combination of items (a) through (i) listed above.

In addition, the tax on interest payments (*Zinsabschlagsteuer*, since 1 January 2009: *Kapitalertragsteuer*) which has been in effect in the Federal Republic of Germany since 1 January 1993 and which is withheld and paid by certain entities acting (e.g., as custodian) for the Holders (so-called *die Kapitalerträge auszahlende Stelle* within

the meaning of § 44(1) sentence 4 of the German Income Tax Act (*Einkommensteuergesetz*) as amended from time to time) together with any solidarity surcharge (*Solidaritätszuschlag*) and any church tax (if applicable) imposed thereon does not constitute a Withholding Tax.

(2) ***Witholding Tax Receipts***. In case Additional Amounts are to be paid, the Payor will (i) make any required withholding or deduction and (ii) remit the full amount deducted or withheld to the Relevant Tax Jurisdiction in accordance with applicable law. The Payor will use all reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any taxes so deducted or withheld from each Relevant Tax Jurisdiction imposing such taxes and will provide such copies to the Holders' Representative for forwarding to the relevant Holders in accordance with the procedures set forth in § 13 (Notices) within a reasonable time after the date on which payment of any taxes is due under applicable law. The Payor will attach to each copy a certificate stating (x) that the amount of Withholding Taxes evidenced by the copy was paid in connection with payments in respect of the principal amount of Notes then outstanding and (y) the amount of such Withholding Taxes paid per €1,000 principal amount of the Notes.

(3) ***Information of Holders***. At least 30 days prior to each date on which any payment under or with respect to the Notes or any Subsidiary Guarantee is due and payable (unless such obligation to pay Additional Amounts arises after the 30th day prior to such date, in which case it must be promptly thereafter), if the Payor will be obligated to pay Additional Amounts with respect to such payment, the Payor will deliver to the Paying Agent an Officers' Request Certificate stating the fact that Additional Amounts will be payable, the amounts to be paid and will set forth such other information necessary to enable the Paying Agent to inform the relevant Holders of the payment of such Additional Amounts in accordance with the procedures set forth in § 13 (Notices) on the payment date.

(4) ***Stamp duties***. The Payor will pay any present or future stamp, court or documentary taxes, or any other excise or property taxes, charges or similar levies imposed by a Relevant Tax Jurisdiction (including penalties, interest and other liabilities related thereto) which arise in any jurisdiction from (i) the execution, delivery, issuance or registration of the Notes or any Subsidiary Guarantee or any other document or instrument referred to therein (other than a transfer of the Notes) or (ii) the receipt of any payments with respect to, or enforcement of, the Notes or any Subsidiary Guarantee.

(5) ***References to payable amounts***. Whenever in these Conditions of Issue there is mentioned, in any context, the payment or non-payment of principal, premium or interest, or any other amount payable under or with respect to any Note or Subsidiary Guarantee, such mention shall be deemed to include mention of the payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

(6) ***Survivial of Defeasance***. The preceding provisions will survive any defeasance of the Notes or these Conditions of Issue and will apply mutatis mutandis to any jurisdiction in which any successor person to the Issuer or any Subsidiary Guarantor is incorporated or otherwise resident for tax purposes or any jurisdiction from or through which such person makes any payment on the Notes (or on any Subsidiary Guarantee) and any political subdivision or taxing authority or agency thereof or therein.

§ 9
Covenants

(1) ***Limitation on Indebtedness.***

(a) The Issuer shall not, and shall not permit any of its Restricted Subsidiaries to, directly or indirectly, Incur any Indebtedness (including Acquired Indebtedness); *provided*, *however*, that if no Event of Default has occurred and is continuing or would occur as a consequence of such Incurrence, the Issuer and any Subsidiary Guarantor may Incur Indebtedness (including Acquired Indebtedness) if on the date thereof and after giving *pro forma* effect thereto (including *pro forma* application of the proceeds therefrom) the Consolidated Coverage Ratio for the Issuer and its Restricted Subsidiaries would be at least 2.00 to 1.00 and (ii) if such Indebtedness is Secured Indebtedness, the Consolidated Secured Leverage Ratio for the Issuer and its Restricted Subsidiaries would be less than 2.75 to 1.00.

(b) The foregoing paragraph shall not prohibit the Incurrence of the following Indebtedness:

(i) Indebtedness of the Issuer or any Subsidiary Guarantor Incurred pursuant to and in compliance with a Credit Facility (including under ancillary facilities made available under such Credit Facility) which does not exceed €500 million, less all principal repayments made with the proceeds from Asset Dispositions utilized in accordance with § 9(5)(c) below that

permanently reduce the commitments thereunder; *provided* that Indebtedness Incurred, or classified as Incurred, pursuant to this sub- clause (i) may not be Public Indebtedness that is Secured Indebtedness.

(ii) Indebtedness of the Issuer or any Restricted Subsidiary owing to and held by the Issuer or any Restricted Subsidiary; *provided, however*, that

(A) if the Issuer or any Subsidiary Guarantor is the obligor of such Indebtedness and the payee is not the Issuer or a Subsidiary Guarantor, such Indebtedness must be unsecured and expressly subordinated to the prior payment in full in cash of all obligations then due with respect to the Notes, in the case of the Issuer, or the relevant Subsidiary Guarantor, in the case of a Subsidiary Guarantor; and

(B) (x) any subsequent issuance or transfer of Capital Stock that results in any such Indebtedness being held by a Person other than the Issuer or a Restricted Subsidiary and (y) any sale or other transfer of any such Indebtedness to a Person that is neither the Issuer nor the Issuer or a Restricted Subsidiary, will be deemed, in each case, to constitute an Incurrence of such Indebtedness by the Issuer or such Restricted Subsidiary, as the case may be, that was not permitted by this sub-clause (ii);

(iii) any Refinancing Indebtedness Incurred in respect of any Indebtedness Incurred pursuant to § 9(1)(a) or sub-clauses (iv), (v), or (xi) or this sub-clause (iii) of this § 9(1)(b);

(iv) Indebtedness outstanding on the Issue Date (other than any Credit Facility permitted under sub-clause (i) above and any Indebtedness under the Notes permitted under sub-clause (v) below);

(v) Indebtedness Incurred by the Issuer and the Subsidiary Guarantors represented by the Original Notes issued on the Issue Date and the Subsidiary Guarantees in respect of these Original Notes;

(vi) Indebtedness arising under Subordinated Obligations;

(vii) Indebtedness arising under the Cash Management Arrangements;

(viii) Indebtedness under Hedging Obligations of the Issuer or any of its Restricted Subsidiaries that is Incurred in the ordinary course of business and not for speculative purposes;

(ix) Indebtedness Incurred under a Guarantee by any Subsidiary Guarantor of Indebtedness of the Issuer or any Subsidiary Guarantor to the extent that the guaranteed Indebtedness was permitted to be Incurred by another provision of this § 9(1); *provided, however*, that if the Indebtedness being guaranteed is subordinated to or pari passu with the Notes or a Subsidiary Guarantee, then the Guarantee must be subordinated or pari passu, as applicable, to the same extent as the Indebtedness guaranteed;

(x) Indebtedness Incurred after the Issue Date in respect of workers' compensation claims, early retirement obligations, pension fund obligations or social security or wage taxes in the ordinary course of business;

(xi) Indebtedness of a Restricted Subsidiary Incurred and outstanding on the date on which such Restricted Subsidiary was acquired by, or merged into, the Issuer or any Restricted Subsidiary (other than Indebtedness Incurred (a) to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Restricted Subsidiary became a Restricted Subsidiary or was otherwise acquired by the Issuer or (b) otherwise in connection with, or in contemplation of, such acquisition); *provided, however*, that at the time such Restricted Subsidiary is acquired by the Issuer, either (x) the Issuer would have been able to Incur €1.00 of additional Indebtedness pursuant to § 9(1)(a) after giving effect to the Incurrence of such Indebtedness pursuant to this clause (xi) or (y) the Consolidated Coverage Ratio of the Issuer would not be less than it was immediately prior to giving pro forma effect to the incurrence of such Indebtedness pursuant to this clause (xi);

(xii) Indebtedness of the Issuer or any Restricted Subsidiary represented by Capital Lease Obligations, Purchase Money Obligations, Sale/Leaseback Transaction or other Indebtedness

incurred or assumed in connection with the acquisition or development of real or personal, movable or immovable, property or other assets (including Capital Stock), in each case incurred for the purpose of financing or refinancing all or any part of the purchase price, lease expense, rental payments (other than lease payments or rental expenses under a capitalized lease for reporting purposes under IFRS) or cost of design, installation, construction or improvement of property used in the business of the Issuer or such Restricted Subsidiary in an aggregate principal amount pursuant to this clause (xii) not to exceed €15 million; provided that the principal amount of any Indebtedness permitted under this clause (xii) did not in each case at the time of incurrence exceed the Fair Market Value of the acquired or constructed asset or improvement so financed;

(xiii) Indebtedness of the Issuer or its Restricted Subsidiaries in respect of (a) letters of credit issued in the ordinary course of business of such Person with respect to trade payables relating to purchase of materials by such Person, (b) other letters of credit, surety, performance or appeal bonds, completion guarantees, judgment, advance payment, customs, VAT or other tax guarantees or similar instruments issued in the ordinary course of business of such Person and not in connection with the borrowing of money, including letters of credit or similar instruments in respect of self-insurance and workers compensation obligations, (c) the financing of insurance premiums in the ordinary course of business, (d) arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business and (e) in connection with inventory financing or any guarantees thereof; *provided, however*, that upon the drawing of such letters of credit or other instrument, such obligations are reimbursed within 30 days following such drawing;

(xiv) Indebtedness of the Issuer of a Restricted Subsidiary the net proceeds of which are promptly irrevocably and unconditionally deposited to repurchase in full or repay in full all of the obligations of the Issuer and the Subsidiary Guarantors under the Notes or to discharge in full or defease in full the Notes; and

(xv) in addition to the items referred to in sub-clauses (i) through (xiv) above, Indebtedness of the Issuer and its Subsidiary Guarantors in an aggregate amount not exceeding €35 million at any time outstanding.

(c) For purposes of determining compliance with this § 9(1):

(i) in the event that an item of Indebtedness meets the criteria of more than one of the types of Indebtedness set forth in § 9(1)(a) and § 9(1)(b) sub-clauses (i) through (xv), the Issuer, in its sole discretion, will classify and, with the exception of § 9(1)(b)(i), may from time to time reclassify such item of Indebtedness in any manner that complies with this covenant and only be required to include the amount and type of such Indebtedness in one of the sub-clauses (i) through (xv) of § 9(1)(b);

(ii) an item of Indebtedness may be divided and classified, or reclassified, in more than one of the types of Indebtedness set forth in § 9(1)(b);

(iii) in the event Indebtedness relates to letters of credit, Guarantees or Liens supporting Indebtedness otherwise permitted by this covenant, such letters of credit, Guarantees or Liens will not be treated as an additional Incurrence of Indebtedness;

(iv) the principal amount of any Disqualified Stock of the Issuer or a Subsidiary Guarantor, or preferred stock of a Restricted Subsidiary that is not a Subsidiary Guarantor, will be equal to the greater of the maximum mandatory redemption or repurchase price (not including, in either case, any redemption or repurchase premium) or the liquidation preference thereof;

(v) the amount of any Indebtedness outstanding as of any date will be:

(A) the accreted value of the Indebtedness, in the case of any Indebtedness issued with original issue discount;

(B) the principal amount of the Indebtedness, in the case of any other Indebtedness; and

(C) in respect of Indebtedness secured by a Lien on the assets of another Person, the lesser of:

(1) the Fair Market Value of such assets at the date of determination; and

(2) the amount of the Indebtedness of such other Person.

(vi) accrual of interest or dividends, the accretion of accreted value, the accretion or amortization of original issue discount, the obligation to pay commitment fees and the payment of interest or dividends in the form of additional Indebtedness of the same class will not be deemed to be an Incurrence of Indebtedness for purposes of this covenant; and

(vii) for purposes of determining compliance with any euro- denominated restriction on the Incurrence of Indebtedness, the Euro Equivalent of the principal amount of Indebtedness denominated in another currency will be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or first committed, in the case of Indebtedness Incurred under a revolving Credit Facility; *provided* that:

(A) if such Indebtedness is incurred to refinance other Indebtedness denominated in a currency other than euro, and such refinancing would cause the applicable euro-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such euro-denominated restriction will be deemed not to have been exceeded so long as the principal amount of such Refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced;

(B) the Euro Equivalent of the principal amount of any such Indebtedness outstanding on the Issue Date will be calculated based on the relevant currency exchange rate in effect on the Issue Date; and

(C) if and for so long as any such Indebtedness is subject to an agreement intended to protect against fluctuations in currency exchange rates with respect to the currency in which such Indebtedness is denominated covering principal and interest on such Indebtedness, the amount of such Indebtedness, will be the amount of the principal payment required to be made under such currency agreement if it were denominated in euro and, otherwise, the Euro Equivalent of such amount plus the Euro Equivalent of any premium which is at such time due and payable but is not covered by such currency agreement.

(2) ***Limitation on Restricted Payments.***

(a) The Issuer shall not, and shall not permit any of its Restricted Subsidiaries to, directly or indirectly, make a Restricted Payment if at the time of such Restricted Payment:

(i) a Default or Event of Default shall have occurred and be continuing (or would result from such Restricted Payment);

(ii) the Issuer is not able to Incur an additional €1.00 of Indebtedness pursuant to § 9(1)(a), after giving effect, on a pro forma basis, to such Restricted Payment; or

(iii) the aggregate amount of such Restricted Payment and all other Restricted Payments (other than pursuant to sub-clauses (ii), (iii) and (iv) of § 9(2)(b) below) made subsequent to the Issue Date, would exceed the sum of

(A) 50% of Consolidated Net Income for the period (treated as one accounting period) from the beginning of the first fiscal quarter commencing after the Issue Date to the end of the Issuer's most recent fiscal quarter ending prior to the date of such Restricted Payment for which consolidated financial statements of the Issuer are available (or, in case such Consolidated Net Income is a deficit, minus 100% of such deficit), plus

(B) 100% of the aggregate Net Cash Proceeds received by the Issuer from the issue or sale of its Capital Stock (other than Disqualified Stock), Subordinated Obligations or other capital contributions subsequent to the Issue Date (other than Net Cash Proceeds received from an issuance or sale of such Capital Stock or Subordinated Obligations to a Subsidiary of the Issuer or an employee stock ownership plan, option plan or similar trust to the extent such sale to an employee stock ownership plan or similar trust is financed by loans from or Guaranteed by the Issuer or any Restricted Subsidiary unless such loans have been repaid with cash on or prior to the date of determination) excluding in any event Net Cash Proceeds received by the Issuer from the issue and sale of its Capital Stock or capital contributions to the extent applied to redeem Notes in compliance with the provisions set forth under § 5(2) above, plus

(C) the amount by which the Issuer's Indebtedness or Indebtedness of any Restricted Subsidiary is reduced on the Issuer's consolidated balance sheet after the Issue Date upon the conversion or exchange (other than by the Issuer or its Subsidiaries) of such debt into the Issuer's Capital Stock (other than Disqualified Stock) or Subordinated Obligations, together with the aggregate Net Cash Proceeds received by the Issuer at the time of such conversion or exchange (excluding the Net Cash Proceeds from the issuance of the Issuer's Capital Stock (that is not Disqualified Stock) or Subordinated Obligations financed, directly or indirectly, using funds borrowed from the Issuer or any Subsidiary Guarantor until and to the extent such borrowing is repaid), plus

(D) in the case of the disposition or repayment of any Investment constituting a Restricted Payment made after the Issue Date, an amount (to the extent not included in Consolidated Net Income) equal to the lesser of (x) the return on capital with respect to such Investment and the initial amount of such investment, in either case, less the cost of the disposition of such Investment and net of taxes and (y) in the case of the designation of an Unrestricted Subsidiary as a Restricted Subsidiary (so long

as the designation of such Subsidiary as an Unrestricted Subsidiary was deemed a Restricted Payment), the Fair Market Value of the Issuer's interest in such Subsidiary; *provided* that such amount will not in any case exceed the amount of the Restricted Payment deemed made at the time that the Subsidiary was designated as an Unrestricted Subsidiary.

(b) The provisions of the preceding paragraph shall not prohibit:

(i) the payment of any dividend within 60 days after the date of declaration thereof, if at such date of declaration such payment was permitted by the provisions of the preceding paragraph and such payment shall have been deemed to have been paid on such date of declaration;

(ii) the purchase or other acquisition of Capital Stock made by exchange for, or out of the proceeds of, the substantially concurrent sale of Capital Stock of the Issuer or a substantially concurrent contribution to the equity of the Issuer;

(iii) the purchase, redemption or other acquisition or retirement for value of Capital Stock in connection with the obligations under any employee or management stock option agreements, equity subscription agreement, stock option agreement, restricted stock grant, or other agreements to compensate management or employees; provided that such redemptions or repurchases pursuant to this clause will not exceed €2 million in the aggregate during any calendar year;

(iv) the purchase, redemption, defeasance or other acquisition or retirement for value of any indebtedness that is subordinated in right of payment to the Notes or any Subsidiary Guarantee for, or out of the net cash proceeds of, the substantially concurrent sale of Capital Stock of the Issuer or for, or out of the net cash proceeds of, a substantially concurrent incurrence (other than to a Subsidiary) of Refinancing Indebtedness;

(v) the repurchase of Capital Stock deemed to occur upon the exercise of stock options to the extent such Capital Stock represent a portion of the exercise price of those stock options;

(vi) the declaration and payment of regularly scheduled or accrued dividends to holders of any class or series of any Disqualified Stock of the Issuer or a Subsidiary Guarantor, or preferred stock of a Restricted Subsidiary that is not a Subsidiary Guarantor issued on or after the Issue Date in accordance with § 9(1) above;

(vii) payments of cash, dividends, distributions, advances or other Restricted Payments by the Issuer or any of its Restricted Subsidiaries to allow the payment of cash in lieu of the issuance of fractional shares upon (x) the exercise of options or warrants or (y) the conversion or exchange of Capital Stock of any such Person;

(viii) advances or loans to (a) any future, present or former officer, director, employee or consultant of the Issuer or a Restricted Subsidiary to pay for the purchase or other acquisition for value of Capital Stock of the Issuer, or any obligation under a forward sale agreement, deferred purchase agreement or deferred payment arrangement pursuant to any management equity plan or stock option plan or any other management or employee benefit or incentive plan or other agreement or arrangement or (b) any management equity plan or stock option plan or any other management or employee benefit or incentive plan or unit trust or the trustees of any such plan or trust to pay for the purchase or other acquisition for value of Capital Stock of the Issuer; provided that the total aggregate amount of Restricted Payments made under this clause (viii) does not exceed €5 million in any calendar year;

(ix) any purchase, repurchase, redemption, defeasance or other acquisition or retirement for value of Indebtedness of the Issuer or any of its Restricted Subsidiaries pursuant to the provisions similar to those of § 6; provided that all Notes validly tendered by Holders in connection with a Change of Control Offer, as applicable, have been repurchased, redeemed or acquired for value; and

(x) so long as no Default has occurred or is continuing, Restricted Payments in an amount not to exceed €30 million at any time outstanding.

(3) ***Limitation on Liens.***

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, Incur, assume or permit to subsist any Lien (other than Permitted Liens) or other security interest upon any of its or any of its Restricted Subsidiaries' present or future property or assets, or assign or otherwise convey any right to receive income or profits therefrom, to secure any Indebtedness (including any guarantees or indemnities in respect thereof).

(4) ***Limitation on restrictions on distributions from Restricted Subsidiaries.***

(a) The Issuer shall not, and shall not permit any Restricted Subsidiary to, directly or indirectly, create or otherwise cause or permit to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Restricted Subsidiary to:

(i) pay dividends or make any other distributions on its Capital Stock or pay any Indebtedness or other obligations owed to the Issuer or any Restricted Subsidiary;

(ii) make any loans or advances to the Issuer or any Restricted Subsidiary; or

(iii) to transfer any of its property or assets to the Issuer or any Restricted Subsidiary.

(b) The foregoing paragraph shall not prohibit:

(i) any encumbrance or restriction pursuant to an agreement in effect or entered into on the Issue Date and, other than in respect of Refinancing Indebtedness, any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of those agreements; *provided* that the amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings are not materially more restrictive, taken as a whole, with respect to such encumbrance or restriction than those contained in those agreements on the Issue Date;

(ii) any encumbrance or restriction with respect to a Restricted Subsidiary in existence on or prior to the date on which such Subsidiary was acquired by the Issuer (other than restrictions incurred in connection with the transaction or series of related transactions pursuant to which such Restricted Subsidiary became a Restricted Subsidiary of the Issuer or was acquired by the Issuer or in contemplation of the transaction) and outstanding on such date;

(iii) any encumbrance or restriction pursuant to an agreement effecting Refinancing Indebtedness; provided, however, that the encumbrances and restrictions contained in any such agreement are no less favorable in any material respect to the Holders than the encumbrances and restrictions contained in the agreements governing the Indebtedness being refinanced;

(iv) any restriction with respect to a Restricted Subsidiary of the Issuer imposed pursuant to an agreement entered into for the sale or disposition of all or substantially all the Capital Stock or assets of such Restricted Subsidiary as permitted by § 9(5) pending the closing of such sale or disposition;

(v) in the case of § 9(4)(a)(iii), any encumbrance or restriction:

(A) that restricts in a customary manner the assignment or transfer of any property or asset that is subject to a lease, license or similar contract, or the assignment of transfer of any such lease, license or other contract entered into in the ordinary course of business;

(B) contained in mortgages, pledges or other security agreements permitted under and in compliance with these Conditions of Issue to the extent such encumbrances or restrictions restrict the transfer of the property subject so such mortgages, pledges or other security agreements; or

(C) pursuant to customary provisions restricting dispositions of real property interests set forth in any reciprocal easement agreements of the Issuer or any Restricted Subsidiary;

(vi) encumbrances or restrictions arising or existing by reason of applicable law or any applicable rule, regulation or order or governmental license, permit or concession;

(vii) restrictions created in connection with any Receivables Facility that, in the good faith determination of the Issuer, are necessary or advisable to effect transactions contemplated under such Receivables Facility;

(viii) any customary encumbrances or restrictions created under any agreement or instrument with respect to Indebtedness permitted to be incurred subsequent to the Issue Date pursuant to § 9(1) if the encumbrances and restrictions contained in any such agreement or instrument taken as a whole are not materially less favorable to the Holders than the encumbrances and restrictions contained in the Revolving Credit Facility in effect on the Issue Date (as determined in good faith by the Issuer);

(ix) customary provisions in Sale/Leaseback Transactions, joint venture agreements, asset sale agreements, stock sale agreements and other similar agreements; *provided*, *however*, that any such encumbrance or restriction is applicable only to the Restricted Subsidiary or joint venture subject to such transaction; and *provided further*, that the Issuer determines that any such encumbrance or restriction will not materially affect the ability of the Issuer to make any anticipated principal or interest payments on the Notes;

(x) encumbrances or restrictions existing by reason of any Lien permitted under § 9(3);

(xi) restrictions on cash or other deposits or net worth imposed by customers under contracts (not evidencing or relating to Indebtedness) entered into in the ordinary course of business; and

(xii) any encumbrance or restriction existing under any agreement that extends, renews, refinances or replaces the agreements containing the encumbrances or restrictions in the foregoing clauses (ii) through (xi) or in this clause (xii); provided that the terms and conditions of any such encumbrances or restrictions are no more restrictive in any material respect than those under or pursuant to the agreement evidencing the Indebtedness so extended, renewed, refinanced or replaced.

(5) ***Limitation on sales of assets.*** The Issuer shall not, and shall not permit any of its Restricted Subsidiaries to, make any Asset Disposition unless:

(a) the Issuer or such Restricted Subsidiary receives consideration at least equal to the Fair Market Value (such Fair Market Value to be determined on the date of contractually agreeing to such Asset Disposition), as determined in good faith by the Board of Directors of the Issuer (including as to the value of all non-cash consideration), of the shares and assets subject to such Asset Disposition;

(b) in any such Asset Disposition at least 75% of the consideration is in the form of cash or Cash Equivalents. For purposes of this § 9(5), each of the following shall be deemed cash:

(i) any liabilities, as shown on the Issuer's most recent consolidated balance sheet, of the Issuer or any Restricted Subsidiary (other than contingent liabilities, Disqualified Stock and liabilities that are by their terms subordinated to the Notes or any Subsidiary Guarantee) that are assumed by the transferee of any such assets pursuant to any agreement that releases the Issuer or the relevant Restricted Subsidiary from or indemnifies against further liability;

(ii) any securities, notes or other obligations received by the Issuer or a Restricted Subsidiary from such transferee that are converted by the Issuer or the relevant Restricted Subsidiary into cash or Cash Equivalents within 60 days following the closing of the Asset Disposition, to the extent of the cash or Cash Equivalents received in that conversion;

(iii) any Indebtedness of the Issuer or any Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Disposition, to the extent that the Issuer and the Restricted Subsidiaries following such Asset Disposition are released from any obligation with respect to, and guarantee of, such Indebtedness in connection with such Asset Disposition, and

(iv) any consideration consisting of Indebtedness of the Issuer or any Restricted Subsidiary which is either repaid in full or cancelled in connection with such Asset Disposition; and

(c) an amount equal to 100% of the Net Available Cash from such Asset Disposition is applied by the Issuer or the relevant Restricted Subsidiary, as the case may be:

(i) to the extent the Issuer elects, to prepay, repay or purchase Indebtedness that is secured by the assets that were the subject of the Asset Disposition or is *pari passu* in right of payment with the Notes or the Subsidiary Guarantees (including, for the avoidance of doubt, under the Revolving Credit Facility) or Indebtedness of a Restricted Subsidiary that is not a Subsidiary Guarantor (other than Indebtedness owed to the Issuer or an Affiliate of the Issuer) within 365 days from the date of the receipt of such Net Available Cash, *provided*, *however*, that in connection with any prepayment, repayment or purchase of Indebtedness pursuant to this sub-clause (i), the Issuer or such Restricted Subsidiary will cause the related commitment (if any) to be permanently reduced in an equal amount to the principal amount so prepaid, repaid or purchased;

(ii) to the extent of the balance of such Net Available Cash after application in accordance with the foregoing sub-clause (i), to the extent the Issuer elects, to invest in Additional Assets or make capital expenditures within 365 days from the date of receipt of such Net Available Cash or pursuant to arrangements in place within the 365 day period; and

(iii) to the extent of the balance of such Net Available Cash after application in accordance with the foregoing sub-clauses (i) and (ii) (the "**Excess Proceeds**"), to make an offer to the Holders and any other *Pari Passu* Indebtedness (to the extent the terms of such *Pari Passu* Indebtedness so require) on a pro rata basis to purchase the Notes at a purchase price equal to 100% of the principal amount, plus accrued and unpaid interest, to the date of purchase and such *Pari Passu* Indebtedness pursuant to and subject to these Conditions of Issue (an "**Asset Disposition Offer**").

Notwithstanding the foregoing provisions of this § 9(5), the Issuer and such Subsidiaries shall not be required to apply any Excess Proceeds in accordance with § 10(5)(c)(iii) above except to the extent that the aggregate amount of Excess Proceeds from all Asset Dispositions which have not been applied in accordance with § 9(5)(c)(i) and § 9(5)(c)(ii) exceeds €25 million. To the extent that the aggregate amount of Notes and *Pari Passu* Indebtedness so validly tendered and not properly withdrawn pursuant to an Asset Disposition Offer is less than the Excess Proceeds, the Issuer may use any remaining Excess Proceeds for general corporate purposes, subject to other covenants contained in these Conditions of Issue. If the aggregate principal amount of Notes surrendered by Holders thereof and other *Pari Passu* Indebtedness surrendered by holders or lenders, collectively, exceeds the amount of Excess Proceeds, a tender agent to be appointed by the Issuer without undue delay shall accept the Notes and *Pari Passu* Indebtedness to be purchased on a pro rata basis of the aggregate principal amount of tendered Notes and *Pari Passu* Indebtedness in accordance with the terms of the Asset Disposition Offer. Upon completion of such Asset Disposition Offer, the amount of Excess Proceeds shall be reset at zero. The Asset Disposition Offer will remain open for a period of at least 20 Business Days following its commencement, except to the extent that a longer period is required by applicable law (the "**Asset Disposition Offer Period**"). No later than five Business Days after the termination of the Asset Disposition Offer Period (the "**Asset Disposition Purchase Date**"), the Issuer will purchase the principal amount of Notes and *Pari Passu* Indebtedness required to be purchased pursuant to this § 9(5) (the "**Asset Disposition Offer Amount**") or, if less than the Asset Disposition Offer Amount has been so validly tendered, all Notes and *Pari Passu* Indebtedness validly tendered in response to the Asset Disposition Offer. On or before the Asset Disposition Purchase Date, the Issuer will, to the extent lawful, accept for payment, on a pro rata basis to the extent necessary, the Asset Disposition Offer Amount of Notes and *Pari Passu* Indebtedness or portions of Notes and *Pari Passu* Indebtedness so validly tendered and not properly withdrawn pursuant to the Asset Disposition Offer, or if less than the Asset Disposition Offer Amount has been validly tendered and not properly withdrawn, all Notes and *Pari Passu* Indebtedness so validly tendered and not properly withdrawn, in each case in integral multiples of €1,000; *provided* that no Note of less than €50,000 remains outstanding thereafter. The Issuer or the Paying Agent, as the case may be, will promptly (but in any case not later than five Business Days after termination of the Asset Disposition Offer Period) mail or deliver to each tendering Holder of Notes or holder or lender of *Pari Passu* Indebtedness, as the case may be, an amount equal to the purchase price of the Notes or *Pari Passu* Indebtedness so validly tendered and not properly withdrawn by such holder or lender, as the case may be, and accepted by the Issuer for purchase. In addition, the Issuer will take any and all other actions required by the agreements governing the *Pari Passu* Indebtedness. The Issuer will publicly announce the results of the Asset Disposition Offer on the Asset Disposition Purchase Date.

Pending the final application of any Excess Proceeds, the Issuer or a Restricted Subsidiary may temporarily reduce Indebtedness in the form of revolving credit borrowings or otherwise invest the Excess Proceeds in any manner that is not prohibited by these Conditions of Issue.

(6) ***Limitation on Affiliate Transactions.***

(a) The Issuer shall not, and shall not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into any transaction (including the rendering of services) with any Affiliate of the Issuer (an "**Affiliate Transaction**"), unless:

(i) the terms of such Affiliate Transaction are no less favorable to the Issuer or such Restricted Subsidiary, as the case may be, than those that could be obtained in a comparable arm's-length transaction with a Person who is not an Affiliate;

(ii) in the event such Affiliate Transaction involves an aggregate one-time and/or annual consideration in excess of €5 million, the terms of such transaction have been approved by a majority of the Disinterested Directors of the Board of Directors of the Issuer (and such majority determines that such Affiliate Transaction satisfies the criteria in sub-clause (i)); and

(iii) in the event (a) such Affiliate Transaction involves an aggregate one-time and/or annual consideration in excess of €15 million or (b) such Affiliate Transaction involves an aggregate principal amount of €5 million and there are no Disinterested Directors, the Issuer shall have received a written opinion from an independent investment bank or an accounting or appraisal firm or other recognized independent expert of internationally recognized standing that such Affiliate Transaction is (i) fair from a financial point of view taking into account all relevant circumstances or (ii) not materially less favorable than those that might reasonably have been obtained in a comparable transaction at such time on an arm's-length basis from a Person that is not an Affiliate.

(b) The provisions of subclause (a) shall not apply to:

(i) transactions pursuant to any employee arrangements or employee or director benefit plans entered into by the Issuer or any of its Restricted Subsidiaries, including under any stock option, stock appreciation rights, stock incentive or similar plans, in the ordinary course of business of the Issuer or such Restricted Subsidiary;

(ii) sales of accounts receivable, or participations therein, in connection with any Receivables Facility;

(iii) any Affiliate Transaction between the Issuer and a Restricted Subsidiary or between Restricted Subsidiaries;

(iv) any Restricted Payment (other than a Restricted Investment) permitted to be made pursuant to the provisions set forth in § 9(2) above;

(v) any transaction in the ordinary course of business between or among the Issuer or any Restricted Subsidiary and any Affiliate of the Issuer or a joint venture or similar Person that would otherwise be subject to this covenant solely because the Issuer or a Restricted Subsidiary owns any of the Capital Stock of or otherwise controls such Affiliate, joint venture or similar Person;

(vi) the payment of reasonable and customary fees paid to, and indemnity provided on behalf of, directors of the Issuer or any Restricted Subsidiary of the Issuer; and

(vii) transactions pursuant to, or contemplated, by any agreement in effect on the Issue Date and transactions pursuant to any amendment, modification or extension to such agreement, so long as such amendment, modification or extension, taken as a whole, is not more disadvantageous to the Holders than the original agreement as in effect on the Issue Date.

(7) ***Reports.*** For so long as any Notes are outstanding, the Issuer shall post on its website: (i) within 120 days after the end of each of the Issuer's fiscal years, beginning with the fiscal year ending March 31, 2011, annual reports containing the following information with a level of detail (including with respect to the presentation of EBITDA) that is substantially comparable in all material respects to this Offering Memorandum:

(a) audited consolidated statement of financial position of the Issuer and its consolidated Subsidiaries, audited consolidated income statements and audited consolidated cash flow statement of the Issuer and its consolidated Subsidiaries for such fiscal year and in each case including comparable financial statements for the previous fiscal year in accordance with IFRS;

(b) complete notes to such financial statements as required by IFRS, including information on

(i) critical accounting policies,

(ii) all material related party transactions, and

(iii) the Indebtedness and material financing arrangements and all material debt instruments;

(c) the report of the independent auditors on the financial statements;

(d) a group management report (Konzernlagebericht) containing an operating and financial review (including a discussion of each business segment) of the audited financial statements, including

(i) a discussion of the business and the risks the business is exposed to;

(ii) a discussion of the results of operations (including a presentation of EBITDA) as required by Commission Regulation No. 809/2004 of 29 April 2004, Annex I, Item 9, as amended, including a description of the Issuer's financial condition, changes in financial condition and results of operations, including the causes of material changes from year to year in the financial information to the extent necessary for an understanding of the Issuer's business as a whole; information regarding significant factors, including unusual or infrequent events or new developments, materially affecting the issuer's income from operations, indicating the extent to which income was so affected; where the financial statements disclose material changes in EBITDA, net sales or revenues, a narrative discussion of the reasons for such changes; and information regarding any governmental, economic, fiscal, monetary or political policies or factors that have materially affected, or could materially affect, directly or indirectly, the Issuer's operations;

(iii) a discussion of financial condition and liquidity and capital resources;

(iv) a discussion of material commitments and contingencies;

(v) *pro forma* income statement and balance sheet information, together with any explanatory footnotes, for any Material Transactions that have occurred during the most recently completed fiscal year (unless such *pro forma* information has been provided in a previous report pursuant to sub-clause (e)(vii) below); *provided*, *however*, that such *pro forma* financial information will be provided only to the extent available without unreasonable expense, failing which the Issuer will provide, in the case of an acquisition or disposition, acquired or disposed company financial statements.

(e) within 60 days after the end of each of the first three fiscal quarters in each fiscal year of the Issuer, quarterly financial reports for the Issuer and its consolidated Subsidiaries containing:

(i) an unaudited condensed consolidated statement of financial position as of the end of such quarter;

(ii) unaudited condensed consolidated income statement for the quarterly and year to date periods ending on the unaudited condensed balance sheet date;

(iii) unaudited condensed consolidated cash flow statement for the year to date period ending on the unaudited condensed balance sheet date (in each case of (i) through (iii) with the comparable prior year periods);

(iv) condensed notes to the financial statements;

(v) a discussion of the results of operations (including a presentation of EBITDA) as required by Commission Regulation No. 809/2004 of 29 April 2004, Annex I, Item 9, as amended, including a description of the Issuer's financial condition, changes in financial condition and results of operations, including the causes of material changes from the comparable prior year periods in the financial information to the extent necessary for an understanding of the Issuer's business as a whole; information regarding significant factors, including unusual or infrequent events or new developments, materially affecting the issuer's income from operations, indicating the extent to which income was so affected; where the financial statements disclose

material changes in EBITDA, net sales or revenues, a narrative discussion of the reasons for such changes; and information regarding any governmental, economic, fiscal, monetary or political policies or factors that have materially affected, or could materially affect, directly or indirectly, the Issuer's operations;

(vi) a discussion of financial condition and liquidity and capital resources;

(vii) a discussion of material commitments and contingencies;

(viii) *pro forma* income statement and balance sheet information, together with any explanatory footnotes, for any Material Transactions that have occurred during the most recently completed fiscal year unless such pro forma information has been provided in a previous report;

(ix) information on material developments in the business of the Issuer and its Subsidiaries; and

(x) material recent developments and any material changes to the risks disclosed in the most recent annual report with respect to the Issuer.

(f) In each case as soon as reasonably practicable:

(i) such information (if any) as the Issuer is required to make publicly available under the requirements of the German Securities Trading Act (*Wertpapierhandelsgesetz*);

(ii) information on any Material Transaction; and

(iii) any change in the independent accountants of the Issuer.

If the Issuer has designated any of its Subsidiaries as Unrestricted Subsidiaries and such Subsidiaries are Significant Subsidiaries, then the annual and quarterly financial information required by clauses (a) through (e) of this covenant will include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of the Issuer and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Issuer.

In addition, for so long as any Notes remain outstanding and during any period during which the Issuer is not subject to Section 13 or 15(d) of the U.S. Exchange Act nor exempt therefrom pursuant to Rule 12g3-2(b), the Issuer has agreed that it will furnish to the holders of the Notes and to securities analysts and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(D)(4) under the U.S. Securities Act.

The Issuer will also make available copies of all reports required by clauses (a) through (f) of this covenant (x) on the Issuer's website and (y) if and for so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange for trading on the Euro MTF market and the rules of the Luxembourg Stock Exchange so require, at the specified office of the listing agent in Luxembourg.

(8) ***Merger and consolidation.***

(a) The Issuer shall not directly or indirectly, in a single transaction or through a series of transactions, (x) consolidate with or merge with or into any Person, or (y) sell, assign, convey, transfer, lease or otherwise dispose of all or substantially all its properties or assets to, any Person (whether or not the Issuer is the Successor Company (as defined below)), and the Issuer shall not permit any Restricted Subsidiary to enter into any such transaction or series of transactions, if in the aggregate the result would be the sale, assignment, conveyance, transfer, lease or disposition of all or substantially all the assets of the Issuer on a consolidated basis unless:

(i) the resulting, surviving or transferee Person (the "**Successor Company**") will be a Person organized and existing under the laws of any Member State of the European Union as of 31 December 2003, Norway, Switzerland, the United States of America, any state thereof or the District of Columbia or any province of Canada, and the Successor Company (if not the Issuer) will expressly assume in appropriate documentation delivered to the Holders' Representative all the obligations of the Issuer under the Notes, the Agency Agreement and these Conditions of Issue;

(ii) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Company or any Subsidiary of the Successor Company as a result of such transaction as having been Incurred by the Successor Company or such Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing;

(iii) immediately after giving effect to such transaction and any related financings the Successor Company would be able to Incur at least an additional €1.00 of Indebtedness pursuant to § 9(1)(a) above;

(iv) each Subsidiary Guarantor shall have delivered to the Holders' Representative a confirmation that its Guarantee shall apply to such Person's obligations in respect of the Notes and the Agency Agreement; and

(v) the Issuer shall deliver to the Holders' Representative an Officers' Request Certificate and Opinion of Counsel, in each case, stating that such consolidation, merger, conveyance, transfer or lease and such assumption by the Successor Company comply with this covenant and the Opinion of Counsel shall state in addition that each of the Subsidiary Guarantees shall apply to such Person's obligations in respect of the Notes and the Agency Agreement to the same or greater extent than they applied to the Notes and Agency Agreement immediately prior to such transaction.

(b) In addition, the Issuer shall not permit any Subsidiary Guarantor to consolidate with or merge with or into any Person (other than the Issuer or any Subsidiary Guarantor) and shall not permit the conveyance, transfer or lease of substantially all of the assets of any Subsidiary Guarantor unless:

(i) the resulting, surviving or transferee Person will be a Person organized and existing under the laws of any Member State of the European Union on 31 December 2003, Norway, Switzerland, the United States of America, any state thereof or the District of Columbia or any province in Canada or, if different, the law of the jurisdiction in which any such Subsidiary Guarantor was incorporated, and such Person (if not a Subsidiary Guarantor) will expressly assume in an appropriate documentation and delivered to the Holders' Representative, all the obligations of such Subsidiary Guarantor under its Subsidiary Guarantee;

(ii) the transaction is made in compliance with the covenant set forth under § 9(1);

(iii) immediately after giving effect to, and as a result of, such transaction no Event of Default shall have occurred and be continuing; and

(iv) the Issuer and the relevant Subsidiary Guarantor shall deliver to the Holders' Representative an Officers' Request Certificate and Opinion of Counsel, in each case, stating that such consolidation, merger, conveyance, transfer or lease and such assumption by the resulting, surviving or transferee Person comply with this covenant and the Opinion of Counsel shall state in addition that each of the Subsidiary Guarantees shall apply to such Person's obligations in respect of the Notes and the Agency Agreement to the same or greater extent than they applied to the Notes and Agency Agreement immediately prior to such transaction.

The successor to any Subsidiary Guarantor will, in a form satisfactory to the Holders' Representative, succeed to, and be substituted for, such Subsidiary Guarantor under the applicable Subsidiary Guarantee and these Conditions of Issue.

Notwithstanding the foregoing, a Subsidiary Guarantor may merge with an Affiliate incorporated solely for the purpose of reincorporating such Subsidiary Guarantor in a (or another) state or the District of Columbia of the United States, in a (or another) province of Canada, in a (or another) Member State of the European Union on 31 December 2003, Norway or Switzerland so long as the amount of Indebtedness of such Subsidiary Guarantor is not increased thereby, and any Subsidiary Guarantor may merge into or transfer all or part of its properties and assets to the Issuer or another Subsidiary Guarantor.

(c) If and for so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange for trading on the Euro MTF market and the rules of the Luxembourg Stock Exchange so require, the Issuer shall publish notice of the occurrence of any of the events set forth in this § 9(8) in a newspaper

having a general circulation in Luxembourg or, to the extent and in the manner permitted by such rules, post it on the website of the Luxembourg Stock Exchange (www.bourse.lu).

(9) ***Future Subsidiary Guarantors.*** The Issuer shall cause each Restricted Subsidiary (other than the Issuer) that, after the Issue Date, Guarantees any Indebtedness of the Issuer or any Subsidiary Guarantor to execute and deliver concurrently to the Holders' Representative a Guarantee pursuant to which such Restricted Subsidiary will Guarantee payment of the Notes on substantially the same terms as the guarantee of such other Indebtedness and subject to legally advisable appropriate limitations reflecting the laws applicable to such Restricted Subsidiary.

(10) ***Limitation on lines of business.*** The Issuer will not, and will not permit any Restricted Subsidiary to, engage in any business other than a Related Business, except as would not be material to the Issuer and its Restricted Subsidiaries taken as a whole.

(11) ***Payments for consent.*** No Person will be permitted to, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any Holder for or as an inducement to any consent or vote with respect to any waiver or amendment of any of the terms or provisions of these Conditions of Issue, Notes, Agency Agreement or any Guarantee unless (and to the extent such offer or payment is not prohibited by applicable law) such consideration is offered to be paid and is paid to all Holders.

(12) ***Restricted and Unrestricted Subsidiaries.*** As of the Issue Date, all of the Issuer's Subsidiaries are Restricted Subsidiaries. For purposes of designating any Restricted Subsidiary as an Unrestricted Subsidiary, all outstanding Investments by the Issuer and the Restricted Subsidiaries (except to the extent repaid) in the Subsidiary so designated will be deemed to be Restricted Payments in an amount which shall be the Restricted Payment's Fair Market Value at the time of such transfer.

The Board of Directors of the Issuer may designate any Subsidiary of the Issuer (including any newly acquired or newly formed Subsidiary or a Person becoming a Subsidiary through merger, consolidation or other business combination transaction, or Investment therein) to be an Unrestricted Subsidiary only if:

(a) such Subsidiary or any of its Subsidiaries does not own any Capital Stock or Indebtedness of or have any Investment in, or own or hold any Lien on any property of, the Issuer or any other Subsidiary of the Issuer which is not a Subsidiary of the Subsidiary to be so designated or which is not an Unrestricted Subsidiary;

(b) no Indebtedness of such Subsidiary or any of its Subsidiaries shall, at the date of designation, or at any time thereafter, constitute Indebtedness pursuant to which a creditor under such Indebtedness has recourse to any of the assets of the Issuer or any Restricted Subsidiary;

(c) such Subsidiary is a Person with respect to which neither the Issuer nor any Restricted Subsidiary has any direct or indirect obligation to:

(i) subscribe for additional Capital Stock of such Person; or

(ii) maintain or preserve such Person's financial condition or cause such person to achieve any specified levels of operating results;

(d) a Restricted Payment in such amount would be permitted at such time under § 9(2) and under § 9(1) and/or the definition of Permitted Investments, and if such Subsidiary otherwise meets the definition of an Unrestricted Subsidiary; and

(e) after giving effect to, and as a result of, such designation there will be no Default or Event of Default.

The Board of Directors of the Issuer may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided*, *however*, that such designation shall be deemed to be an incurrence of Indebtedness by a Restricted Subsidiary of any outstanding Indebtedness of such Unrestricted Subsidiary and such designation shall be permitted only if (i) immediately after giving effect to such designation, no Default or Event of Default shall have occurred and be continuing and (ii) the Issuer could Incur at least €1.00 of additional Indebtedness as set forth in § 9(1)(a), on a *pro forma* basis taking into account such designation as if it had occurred at the beginning of the applicable reference period. Any such designation by the Board of Directors of the Issuer shall be evidenced to the Holders' Representative by filing with the Holders' Representative a resolution of the Board of Directors of the Issuer giving effect to such designation and an Officers' Request Certificate certifying that such designation complies with the foregoing conditions.

(13) ***Suspension of Covenants***. If on any date following the date of these Conditions of Issue:

(a) the Notes are rated with an Investment Grade Rating by both Rating Agencies; and

(b) no Default has occurred and is continuing under these Conditions of Issue (the foregoing conditions being referred to collectively as the "**Suspension Condition**");

then, beginning on that day and subject to the provisions of the following paragraph, the covenants specifically listed under the following captions in these Conditions of Issue (collectively, the "**Suspended Covenants**") will be suspended as to the Notes:

- "Limitation on Indebtedness" (§ 9(1));
- "Limitation on Restricted Payments" (§ 9(2));
- "Limitation on restrictions on distributions from Restricted Subsidiaries" (§ 9(4));
- "Limitation on sales of assets" (§ 9(5));
- "Limitation on Affiliate Transactions" (§ 9(6));
- "Limitation on lines of business" (§ 9(10)); and
- clause § 9(8)(a)(iii).

During any period that the foregoing sections have been suspended, the Issuer's Board of Directors may not designate any of its Subsidiaries as Unrestricted Subsidiaries pursuant to § 9(12) unless the designation would have complied with § 9(2).

Notwithstanding the foregoing, if the Issuer and its Restricted Subsidiaries are not subject to the Suspended Covenants with respect to the Notes for any period of time as a result of the Suspension Condition having been met and, subsequently, one or both Rating Agencies withdraw their Investment Grade Rating or downgrade the Investment Grade Rating assigned to the Notes such that the Notes no longer have an Investment Grade Rating from both Rating Agencies, then the Issuer and each of its Restricted Subsidiaries will thereafter again be subject to the Suspended Covenants. Compliance with the Suspended Covenants with respect to Restricted Payments made after the time of such withdrawal or downgrade (i) will be calculated in accordance with the terms of the reinstated § 9(2) as if the provisions had been in effect since the Issue Date (accordingly, Restricted Payments made during such period when the Suspended Covenants are suspended will reduce the amount available to be made as Restricted Payments under § 9(2)(a)) and (ii) will be calculated in accordance with the terms of the reinstated § 9(1) as if any Indebtedness incurred on or after the occurrence of the Suspension Condition will be deemed to have been incurred pursuant to § 9(1)(a); *provided further*, that no Default, Event of Default or breach of any kind will be deemed to exist under these Conditions of Issue with respect to the Suspended Covenants based on, any actions taken or events occurring after such Notes attain the required ratings and before any reinstatement of the Suspended Covenants as provided above, or any actions, taken at any time pursuant to any contractual obligations arising prior to the reinstatement of the Suspended Covenants, regardless of whether those actions or events would have been permitted if the applicable sections had remained in effect during such period.

§ 10
Events of Default, Enforcement

(1) Each of the following constitutes an "**Event of Default**" under these Conditions of Issue:

(a) default in any payment of interest or any Additional Amounts on any Note when due and payable, continued for 30 days;

(b) default in the payment of principal of or premium, if any, on any Note when due and payable at its Stated Maturity, upon redemption, upon repurchase, acceleration or otherwise;

(c) (i) failure by the Issuer or any of the Subsidiary Guarantors to comply with any of its obligations under § 9(8) or (ii) failure by the Issuer or the Issuer to comply for 30 days after notice with any of its obligations under § 6 or § 9(5) (in each case, other than a failure to purchase Notes which shall constitute an Event of Default under the foregoing sub-clause (b));

(d) failure by the Issuer or any of the Subsidiary Guarantors to comply for 60 days after notice from the Holders' Representative (upon instruction by the Holders) with its other agreements contained in these Conditions of Issue or the Agency Agreement;

(e) default under any instrument evidencing or securing any Indebtedness of the Issuer or any of its Restricted Subsidiaries (or the payment of which is guaranteed by the Issuer or any Restricted Subsidiary), other than Indebtedness owed to the Issuer or a Restricted Subsidiary, whether such Indebtedness or guarantee now exists, or is created after the date of these Conditions of Issue, which default:

(i) is caused by a failure to pay principal of, or premium, of any, on such Indebtedness when due prior to the expiration of any applicable grace period provided for under the terms of such Indebtedness ("**payment default**"); or

(ii) results in the acceleration of such Indebtedness prior to its maturity (the "**cross-acceleration provision**");

and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a payment default or the maturity of which has been so accelerated exceeds €20 million;

(f) events of bankruptcy, insolvency or reorganization under bankruptcy laws of (i) the Issuer, (ii) a Subsidiary Guarantor or (iii) a group of Restricted Subsidiaries that taken together (as of the latest audited consolidated financial statements for the Issuer and its Restricted Subsidiaries) would constitute a Significant Subsidiary;

(g) failure by the Issuer or any Restricted Subsidiary to pay final and enforceable judgments aggregating in excess of €20 million (net of any amounts that are covered by insurance policies issued by reputable and creditworthy insurance companies), which judgments are not paid, bonded or insured by a third Person, discharged or stayed for a period of 90 days after the judgment exceeding such threshold becomes final; or

(h) any Subsidiary Guarantee of a Subsidiary Guarantor ceases to be in full force and effect (except as contemplated by the terms of such Subsidiary Guarantee or these Conditions of Issue or as provided under applicable law) or is declared null and void in a judicial proceeding or the Issuer or any Subsidiary Guarantor denies or disaffirms in writing or in any pleading in any court its obligations under these Conditions of Issue or its Subsidiary Guarantee and any such Default continues for 15 days.

(2) If an Event of Default (other than an Event of Default with respect to the Issuer pursuant to the foregoing § 10(1)(f)) occurs and is continuing, the Holders' Representative upon instruction of Holders of at least 25% in principal amount of the outstanding Notes shall by notice to the Issuer terminate the Notes and declare all payments under the Notes to be due and payable immediately, and upon any such declaration all such amounts payable in respect of the Notes will become immediately due and payable. If an Event of Default with respect to the Issuer pursuant to the foregoing § 10(1)(f) occurs and is continuing, the Notes will automatically be terminated and all payments under the Notes will become due and payable immediately without any declaration or other act on the part of the Holders' Representative or any Holder.

(3) In the event of a declaration of acceleration of the Notes because an Event of Default pursuant to foregoing § 10(1)(e) has occurred and is continuing, the declaration of acceleration of the Notes shall be automatically annulled if the relevant default triggering such Event of Default pursuant to the foregoing § 10(1)(e) shall be remedied or cured by the Issuer or a Restricted Subsidiary or waived by the holders of the relevant Indebtedness, or the relevant Indebtedness that gave rise to such Event of Default shall have been discharged in full, within 20 days after the declaration of acceleration with respect thereto and if (i) the annulment of the acceleration of the Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (ii) all existing Events of Default, except non-payment of principal, premium, or interest on the Notes that became due solely because of the acceleration of the Notes, have been cured or waived. The Holders of a majority in principal amount of the outstanding Notes may waive all past or existing Defaults or Events of Default (except with respect to the non- payment of principal, premium or interest or in respect of a covenant or provision of these Conditions of Issue which under these Conditions of Issue cannot be modified or amended without the consent of a majority of 90% of Holders' votes cast) and rescind any acceleration with respect to the Notes and its consequences within three months of the acceleration if rescission would not conflict with any judgment or

decree of a court of competent jurisdiction; *provided*, *however*, that aggregate of such cast votes exceed the number of votes having required the acceleration.

(4) Except to enforce the right to receive payment of principal, premium, if any, or interest when due, no Holder may pursue any remedy with respect to these Conditions of Issue or the Notes unless:

(a) such Holder has previously given the Holders' Representative notice that an Event of Default is continuing;

(b) Holders of at least 25% in principal amount of the outstanding Notes have requested the Holders' Representative to pursue the remedy;

(c) the Holders' Representative has not complied with such request within 60 days following the receipt of the request; and

(d) the Holders of a majority in principal amount of the outstanding Notes have not within such 60 day period given the Holders' Representative a direction that, in the opinion of the Holders' Representative, is inconsistent with such request.

(5) Subject to these Conditions of Issue and applicable law, the Holders of a majority in aggregate principal amount of the outstanding Notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Holders' Representative or of exercising any trust or power conferred on the Holders' Representative.

(6) The Issuer shall deliver to the Holders' Representative, within 120 days after the end of each fiscal year, an Officers' Request Certificate stating whether the signers thereof know of any Default that occurred during the previous year. The Issuer also is required to deliver to the Holders' Representative, after becoming aware of the occurrence thereof, written notice of any events of which it is aware which would constitute Defaults, their status and what action the Issuer is taking or proposes to take in respect thereof.

(7) If an Event of Default occurs and is continuing, the Holders' Representative may

(a) in its sole discretion, but shall not be required to, proceed to protect and enforce the rights of the Holders by such appropriate judicial proceedings as the Holders' Representative shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in the Conditions of Issue or any Guarantee or in aid of the exercise of any power granted herein, or to enforce any other proper remedy, including making demand under one or more of the Guarantees on behalf of the Holders; and

(b) prosecute and enforce all rights of action and claims under the Conditions of Issue or any Guarantee without the possession of any of the Notes or the Global Notes or the production thereof in any proceeding relating thereto, and to bring any such proceeding on behalf of the Holders.

§ 11
Paying Agent and Transfer Agent

(1) ***Paying Agent and Transfer Agent.*** The Issuer has appointed Deutsche Bank Aktiengesellschaft, Große Gallusstraße 10- 14, 60262 Frankfurt am Main, Federal Republic of Germany, as the paying agent (the "**Paying Agent**") and Deutsche Bank Aktiengesellschaft, Trust and Securities Operations GTOSCO, Floor LSS5-12th Floor, Alfred- Herrhausen- Allee 16-24, 65760 Eschborn, Federal Republic of Germany, as the transfer agent ("**Transfer Agent**").

(2) ***Change of office of Paying Agent.*** The Paying Agent and the Transfer Agent reserve the right at any time to change their specified offices. Any such change shall be published without undue delay in accordance with procedures set forth in § 13 (Notices).

(3) ***Status of the Paying Agent and Transfer Agent.*** The Paying Agent and Transfer Agent are acting exclusively as agent of the Issuer and do not have any relationship of agency or trust with the Holders.

(4) ***Determinations binding.*** All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of these Conditions of Issue by the Paying Agent and the Transfer Agent shall (in the absence of manifest error) be binding on the Issuer and the Holders.

(5) ***Variation or termination of appointment.*** The Issuer may appoint additional paying agents and transfer agents and revoke the appointment of any paying agent or transfer agent, *provided, however*, that, (i) for as long as the Notes are listed on a stock exchange, the Issuer shall at all times ensure that a paying agent is appointed in the jurisdiction in which such stock exchange is located, if so required by the rules of such stock exchange and (ii) in no event may the Issuer act as Paying Agent or appoint a Paying Agent in any Member State of the European Union where the Paying Agent would be obliged to withhold or deduct tax in connection with any payment made by it in relation to the Notes unless the Paying Agent would be so obliged if it were located in all other Member States. Any such appointment or revocation shall be published without undue delay in accordance with § 13 (Notices).

§ 12
Holders' Representative

(1) ***Holders' Representative.*** The common representative (the "**Holders' Representative**") to exercise the Holders' rights on behalf of each Holder shall be Deutsche Bank Aktiengesellschaft, Große Gallusstraße 10-14, 60262 Frankfurt am Main, Federal Republic of Germany. The Holders' Representative shall have the duties and powers provided for by these Conditions of Issue, by law or granted by resolution of the Holders. The Holders' Representative shall comply with the instructions of the Holders. To the extent that the Holders' Representative has been authorized to assert certain rights of the Holders, the Holders shall not be entitled to assert such rights themselves, unless explicitly provided for in the relevant resolution or these Conditions of Issue. The provisions of the German Act on Debt Securities of 2009 (*Gesetz über Schuldverschreibungen aus Gesamtemissionen* (*Schuldverschreibungsgesetz-SchVG*)) apply with regard to the removal of the Holders' Representative and its rights and obligations. Deutsche Bank Aktiengesellschaft accepts such appointment.

(2) ***Disclosure.*** Pursuant to § 8(1) in conjunction with § 7(1) of the SchVG, it is hereby disclosed that the liabilities of the Issuer and affiliates of the Issuer vis-à-vis Deutsche Bank Aktiengesellschaft exceed 20% of the aggregate principal amount of the Notes as of the Issue Date.

(3) ***Liability standard and liability cap.*** The Holders' Representative shall be liable for the proper performance of its duties towards the Holders who shall be joint and several creditors (*Gesamtgläubiger*); in the performance of its duties it shall act with the diligence and care of a prudent business manager. The liability of the Holders' Representative shall be limited to in the aggregate ten times the amount of its annual remuneration, unless the Holders' Representative has acted willfully or with gross negligence. The liability of the Holders' Representative may be further limited by a resolution passed by the Holders. The Holders shall decide upon the assertion of claims for compensation of the Holders against the Holders' Representative.

(4) ***Right to information.*** The Holders' Representative may demand from the Issuer to furnish all information required for the performance of the duties entrusted to it.

§ 13
Notices

(1) ***Notification to Clearing System.*** The Issuer (or the Holders' Representative, as the case may be) shall deliver any notice relating to the Notes to the Clearing System for communication by the Clearing System to the Holders. Any such notice shall be deemed to have been validly given on the seventh day following the day on which the said notice was given to the Clearing System.

(2) ***Notification in case of listing.*** If and for so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange for trading on the Euro MTF market and the rules of the Luxembourg Stock Exchange so require, the Issuer (or the Holders' Representative, as the case may be) shall publish notices in a newspaper having a general circulation in Luxembourg or, to the extent and in the manner permitted by such rules, post them on the website of the Luxembourg Stock Exchange (www.bourse.lu).

§ 14
Further Issues, Purchases of Notes

(1) ***Further issues.*** Subject to these Conditions of Issue, the Issuer may from time to time, without the consent of the Holders, issue further Notes having the same terms and conditions as the Notes in all respects (or in all respects except for the issue date and/or issue price) so that such further Notes shall be consolidated with, form a single series with and increase the aggregate principal amount of the Notes.

(2) ***Purchases.*** The Issuer may at any time purchase Notes in the open market or otherwise and at any price. Notes purchased by the Issuer may, at the option of the Issuer, be held, resold or surrendered to the Paying Agent for cancellation.

§ 15
Amendment of the Conditions of Issue

(1) ***Amendment of the Conditions of Issue.*** In accordance with the German Act on Debt Securities of 2009 (*Gesetz über Schuldverschreibungen aus Gesamtemissionen* (*Schuldverschreibungsgesetz- SchVG*)) the Holders may agree with the Issuer on amendments of these Conditions of Issue with regard to matters permitted by the SchVG by resolution with the majority specified in sub- clause (2). Majority resolutions shall be binding on all Holders. Resolutions which do not provide for identical conditions for all Holders are void, unless Holders who are disadvantaged have expressly consented to their being treated disadvantageously.

(2) ***Majority.*** Resolutions shall be passed by a majority of not less than 50.1% of the votes cast; *provided, however*, that resolutions regarding (i) any reduction of the relevant premium to be paid pursuant to § 5(2) and § 6(1), as the case may be, and (ii) measures pursuant to § 5(3) Nos. 1 through 9 SchVG require a majority of not less than 90% of the votes cast and; *provided further* that any amendments to § 1(2) through (5), § 7 or § 19(4) of these Conditions of Issue require approval of 100% of the Holders.

(3) ***Vote without a meeting.*** All votes shall be taken, subject to the next sentence, exclusively by vote taken without a meeting.

(4) ***Chair of the vote.*** The vote shall be chaired by a notary appointed by the Issuer or, if the Holders' Representative has convened the vote, by the Holders' Representative.

(5) ***Voting rights.*** Each Holder participating in any vote shall cast votes in accordance with the nominal amount or the notional share of its entitlement to the outstanding Notes.

(6) ***Evidence of entitlement to vote.*** The notice of noteholder vote (the "**Notice of Noteholder Vote**") shall provide what proof is required to be entitled to vote in the noteholder vote. Unless otherwise provided for in the Notice of Noteholder Vote, a voting certificate provided by an agent appointed by the Issuer shall entitle its bearer to vote in the noteholder vote. The voting certificate shall be dated and shall specify the noteholder vote concerned and the principal amount of Notes held by such Holder. The Notice of Noteholder Vote may also require a proof of identity of a person exercising a voting right.

§ 16
Legal Defeasance and Covenant Defeasance

(1) The Issuer may, as evidenced by a resolution set forth in an Officers' Request Certificate, elect to have the obligations of the Issuer and the Guarantors discharged with respect to the outstanding Notes and Guarantees ("**Legal Defeasance**"). Legal Defeasance means that the Issuer will be deemed to have paid and discharged the entire Indebtedness represented by the outstanding Notes and Guarantees except as to:

(a) the rights of holders of outstanding Notes to receive payments in respect of the principal of, premium, if any, and interest on such Notes when such payments are due from the trust referred to below;

(b) the rights and obligations of the Holders' Representative and the obligations of the Issuer and the Guarantors in connection therewith; and

(c) the Legal Defeasance and Covenant Defeasance provisions of the Conditions of Issue.

(2) In addition, the Issuer may, at its option and at any time, elect to have the obligations of the Issuer and the Guarantors released with respect to certain covenants set forth in the Conditions of Issue ("**Covenant Defeasance**"), and thereafter any omission to comply with such covenants will not constitute a Default or an Event of Default with respect to the Notes. In the event Covenant Defeasance occurs, certain events set forth under § 10 will no longer constitute an Event of Default with respect to the Notes. These events do not include events relating to non-payment or, solely with respect to the Issuer, bankruptcy, insolvency, receivership and reorganization. The Issuer may exercise its Legal Defeasance option regardless of whether they previously exercised Covenant Defeasance.

(3) In order to exercise either Legal Defeasance or Covenant Defeasance:

(i) the Issuer must irrevocably deposit or cause to be deposited in a trust account for the benefit of the holders of the Notes, cash in euro, non-callable European Government Obligations or a combination thereof, in each case in such amounts as will be sufficient, in the opinion of internationally recognized investment bank, appraisal firm or firm of independent public accountants, to pay and discharge the principal of, premium, if any, and interest, on the outstanding Notes on the Stated Maturity or on the applicable redemption date, as the case may be, and the Issuer must (A) prior to depositing the monies to the trust account, procure an opinion of counsel stating, subject to customary assumptions and qualifications, that the trust account will be bankruptcy remote; (B) specify whether the Notes are being defeased to such Stated Maturity or to a particular redemption date; (C) from the date of deposit give timely instructions to the holder of the trust account to pay the appropriate interest amount on the respective Interest Payment Dates and the principal amount on the Maturity Date out of the trust account to the Paying Agent and (D) if applicable, have delivered to the Holders' Representative an irrevocable notice of redemption of all the outstanding Notes of such principal, premium, if any, or interest and have instructed the holder of the trust account to make the relevant payments out of the trust account;

(ii) in the case of Legal Defeasance, the Issuer must have delivered to the Holders' Representative an opinion of counsel stating, subject to customary assumptions and qualifications, that (i) the Issuer has received from, or there has been published by, the U.S. Internal Revenue Service a ruling, or (ii) since the original issue date of the Notes, there has been a change in applicable U.S. federal income tax law, in either case to the effect that, and based thereon such opinion shall confirm that, the beneficial owners of the outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Legal Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(iii) in the case of Covenant Defeasance, the Issuer must have delivered to the Holders' Representative an opinion of counsel, subject to customary assumptions and qualifications, to the effect that the beneficial owners of the outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(iv) the Issuer must have delivered to the Holders' Representative an Officers' Request Certificate stating that the deposit in the trust account was not made by the Issuer with the intent of preferring the holders of the Notes over the other creditors of the Issuer with the intent of defeating, hindering, delaying or defrauding creditors of the Issuer or others; and

(v) the Issuer must have delivered to the Holders' Representative an Officers' Request Certificate and an opinion of counsel each stating, subject to customary assumptions and qualifications, that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance, as the case may be, have been complied with.

§ 17
Presentation Period, Prescription

(1) ***Presentation period.*** The presentation period provided for in § 801(1) first sentence of the German civil code (*Bürgerliches Gesetzbuch*) is reduced to ten years for the Notes.

(2) ***Prescription.*** The period of limitation for claims under the Notes presented during the period for presentation shall be ten years calculated from the expiration of the relevant presentation period.

§ 18
Other Provisions

(1) ***Applicable law.*** The Notes, both as to form and content, as well as the rights and duties of the Holders, the Issuer, the Holders' Representative and the Paying Agent shall in all respects be determined in accordance with German law.

(2) ***Place of performance.*** Place of performance shall be Frankfurt am Main.

(3) ***Place of jurisdiction.*** Place of jurisdiction for all proceedings arising from matters provided for in these Conditions of Issue shall be, as far as permitted by law, Frankfurt am Main. The Holders are entitled to assert

their claims also before any other competent court. The Issuer hereby submits to the jurisdiction of the courts which are competent pursuant to this sub-clause.

(4) ***Enforcement.*** Subject to the provisions set forth in § 10, any Holder may in any proceedings against the Issuer, or to which such Holder and the Issuer are parties, protect and enforce in his own name his rights arising under such Notes on the basis of

(a) a statement issued by the Custodian with whom such Holder maintains a securities account in respect of the Notes

(i) stating the full name and address of the Holder;

(ii) specifying the aggregate principal amount of Notes credited to such securities account on the date of such statement; and

(iii) confirming that the Custodian has given written notice to the Clearing System and Book-Entry Register containing the information pursuant to the foregoing sub-clauses (i) and (ii) of this § 19(4)(a) and bearing acknowledgements of the Clearing System and any other Custodian in the chain of ownership for such Holder as to the Notes held in their respective accounts; and

(b) a copy of the Note in global form certified as being a true copy by a duly authorized officer of the Clearing System or a depository of the Clearing System, without the need for production in such proceedings of the actual records or the global note representing the Notes.

For purposes of the foregoing, "**Custodian**" means any bank or other financial institution of recognized standing authorized to engage in securities custody business with which the Holder maintains a securities account in respect of the Notes and includes the Clearing System, Clearstream Banking, société anonyme and Euroclear Bank SA/NV.

(5) ***Language.*** These Conditions of Issue are in the English language only. The English language version of these Conditions of Issue shall prevail over any translation of these Conditions of Issue. However, where a German translation of a word or phrase appears in the text of these Conditions of Issue, the German translation of such word or phrase shall prevail wherever such original English word or phrase translated by such German word or phrase appears in the text of these Conditions of Issue. Wherever a German legal term or concept is used in these Conditions of Issue, such German legal term or concept (and not the English or other legal term or concept to which it relates) shall be authoritative for the construction. Where an English legal term or concept is used in these Conditions of Issue, the related German legal term or concept shall be authoritative for the purpose of construction, unless specifically so provided.

(6) ***Judgment Currency.*** The euro is the sole currency of account and payment for all sums payable by the Issuer or any Subsidiary Guarantor under or in connection with the Notes or a Subsidiary Guarantee. Any amount received or recovered in a currency other than euro (the "**Required Currency**"), which is made to or for the account of any Holder in lawful currency of any other jurisdiction (the "**Judgment Currency**"), whether as a result of any judgment or order or the enforcement thereof or the liquidation of the Issuer or a Subsidiary Guarantor, shall constitute a discharge of the Issuer or such Subsidiary Guarantor's relevant obligation under these Conditions of Issue and the Notes or Subsidiary Guarantee, as the case may be, only to the extent of the amount of the Required Currency which such Holder could purchase in the London foreign exchange markets with the amount of the Judgment Currency in accordance with normal banking procedures at the rate of exchange prevailing on the first Business Day following receipt of the payment in the Judgment Currency. If the amount of the Required Currency that could be so purchased is less than the amount of the Required Currency originally due to such Holder, the Issuer or the relevant Subsidiary Guarantor will indemnify and hold harmless the Holder from and against all loss or damage arising out of, or as a result of, such deficiency. This indemnity shall constitute an obligation separate and independent from the other obligations contained in these Conditions of Issue and shall give rise to a separate and independent cause of action, shall apply irrespective of any waiver granted by any Holder from time to time and shall continue in full force and effect notwithstanding any judgment or order for a liquidated sum in respect of an amount due hereunder or under any judgment or order.

(7) ***No personal liability of directors, officers, employees, incorporators and stockholders.*** No director, officer, employee, incorporator or stockholder of the Issuer, any of its Subsidiaries, as such, shall have any liability for any obligations of the Issuer or any Subsidiary under the Notes, these Conditions of Issue or the Subsidiary Guarantees or for any claim based on, in respect of, or by reason of such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes.

(8) **Copies of Conditions of Issue and Notes.** Copies of these Conditions of Issue and the Notes may be obtained free of charge at the principal office of the Issuer, care of Investor Relations at Heidelberger Druckmaschinen Aktiengesellschaft, Kurfürsten-Anlage 52-60, 69115 Heidelberg, Germany.

§ 19
Certain Definitions

"**2013 Notes Issue Date**" means December 17, 2013.

"**Acquired Indebtedness**" means Indebtedness of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary or is merged into or consolidated with any other Person or that is assumed in connection with such merger or consolidation or that is assumed in connection with the acquisition of assets from such Person and, in each case, not Incurred by such Person in connection with, or in anticipation or contemplation of, such Person becoming a Restricted Subsidiary or such merger, consolidation or acquisition.

"**Additional Assets**" means:

(1) any property or assets (other than Indebtedness and Capital Stock) in a Related Business (excluding, for the avoidance of doubt, working capital);

(2) the Capital Stock of a Person that becomes a Restricted Subsidiary as a result of the acquisition of such Capital Stock by the Issuer or a Restricted Subsidiary; or

(3) Capital Stock constituting a minority interest in any Person that at such time is a Restricted Subsidiary;

provided, *however*, that, in the case of clauses (2) and (3), such Restricted Subsidiary is primarily engaged in a Related Business.

"**Adjusted EBITDA**" for any period means, without duplication, the Consolidated Net Income from continued operations for the relevant period, plus or less, as the case may be, the following to the extent deducted in calculating such Consolidated Net Income:

(1) the net interest result as shown in the consolidated financial statements of the Issuer for that Relevant Period (for the avoidance of doubt, the financial result as so reported shall be deemed the net interest result for purposes of this definition); plus

(2) any amount of tax on profits, gains or income by any member of the Group; plus

(3) any depreciation, amortization or impairment losses on assets (including, without limitation, on goodwill); and

(4) plus or less, as the case may be, any special items, including, without limitation, restructuring costs, included in the Issuer's financial statements (whether or not shown as a separate line item).

Notwithstanding the preceding sentence, clauses (2) through (4) relating to amounts of a Restricted Subsidiary of the Issuer will be added to Consolidated Net Income to compute Adjusted EBITDA of the Issuer only to the extent (and in the same proportion) that the net income (loss) of such Restricted Subsidiary was included in calculating the Consolidated Net Income of the Issuer and, to the extent the amounts set forth in clauses (2) through (4) are in excess of those necessary to offset a net loss of such Restricted Subsidiary or if such Restricted Subsidiary has net income for such period included in Consolidated Net Income, only if a corresponding amount would be permitted at the date of determination to be dividended to the Issuer by such Restricted Subsidiary without prior approval (that has not been obtained), pursuant to the terms of its charter and all agreements, instruments, judgments, decrees, orders, statutes, rules and governmental regulations applicable to that Restricted Subsidiary or its stockholders.

"**Affiliate**" of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; *provided* that beneficial ownership of 10% or more of the Voting Stock of a Person will be deemed to be control and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"**Agency Agreement**" means the agency agreement dated April 5, 2011 and supplemented on or prior the 2013 Notes Issue Date made between, among others, the Paying Agent, the Issuer and any other parties named therein, as amended, restated or otherwise modified or varied from time to time.

"**Applicable Premium**" means on any redemption date, the excess of (i) the present value on such redemption date of (A) the redemption price of such Note at April 15, 2014, plus (B) all required remaining scheduled interest payments due on the Notes through April 15, 2014, computed using a discount rate equal to the Bund Rate plus 50 basis points, over (ii) the principal amount of such Note on such redemption date. The calculation of the Applicable Premium shall be made by the Issuer or on behalf of the Issuer by such Person as the Issuer shall designate and shall be conclusive in the absence of manifest error.

"**Asset Disposition**" means any direct or indirect sale, conveyance, transfer, assignment or any other disposition, or series of related sales, conveyances, transfers, assignments, leases or other dispositions that form part of a common plan by the Issuer or any of its Restricted Subsidiaries to any Person other than the Issuer or any of its Restricted Subsidiaries, including any disposition by means of a merger, consolidation or similar transaction (each referred to for the purposes of this definition as a "disposition"), of any shares of Capital Stock of any of the Issuer's Subsidiaries (other than directors' qualifying shares or shares required by applicable law to be held by a Person other than the Issuer or any of its Subsidiaries) or any other assets of the Issuer or any of its Restricted Subsidiaries, other than

(1) a disposition of assets or issuance of Capital Stock by a Restricted Subsidiary to the Issuer or another Restricted Subsidiary or by the Issuer to a Subsidiary Guarantor or a Person that becomes a Subsidiary Guarantor at the time of such disposition or issuance;

(2) for purposes of § 9(5) only, a disposition that constitutes a Restricted Payment permitted by § 9(2) or a Permitted Investment;

(3) transactions permitted by the covenant set forth under § 9(8) and § 5;

(4) foreclosures on assets and any release of claims which have been written down or written off;

(5) dispositions of obsolete or worn out equipment or equipment that is no longer useful in the conduct of the business of the Issuer and its Restricted Subsidiaries;

(6) sales of accounts receivable, or participations therein, in connection with any Receivables Facility;

(7) dispositions of inventory and goods of sale in the ordinary course of business or a disposal of cash or Cash Equivalents;

(8) the licensing, sublicensing or sale of intellectual property or other intangibles and licenses in the ordinary course of business which do not materially interfere with the ordinary conduct of the business of the Issuer or any of its Restricted Subsidiaries;

(9) dispositions for cash (i) of Capital Stock in the Issuer held by the Issuer at Issue Date on the stock exchange and/or (ii) of any tax refund claim (*Körperschaftsteuerguthaben*);

(10) dispositions arising as a result of any Permitted Lien;

(11) surrender or waiver of contract rights or settlement, release of contract, tort or other claims in the ordinary course of business or that is a foreclosure, condemnation or any similar action with respect to any property or other assets;

(12) dispositions required by law or any governmental authority or agency;

(13) the Fair Market Value of which in the aggregate does not exceed €5 million in any transaction or series of related transactions; or

(14) that is a disposition of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements.

"**Attributable Indebtedness**" in respect of a Sale/Leaseback Transaction means, as at the time of determination, the present value (discounted at the interest rate borne by the Notes, compounded semi- annually) of the total obligations of the lessee for rental payments during the remaining term of the lease included in such Sale/Leaseback Transaction (including any period for which such lease has been extended).

"**Average Life**" means, as of the date of determination, with respect to any Indebtedness, the quotient obtained by dividing (i) the sum of the products of the numbers of years from the date of determination to the dates of each

successive scheduled principal payment of such Indebtedness multiplied by the amount of such payment by (ii) the sum of all such payments.

"**Board of Directors**" means, with respect to the Issuer or a Subsidiary, as the case may be, the management board (or other body performing functions similar to any of those performed by a management board or any committee thereof duly authorized to act on behalf of such board (or other body)).

"**Bund Rate**" means the yield to maturity at the time of computation of direct obligations of the Federal Republic of Germany (Bund or Bundesanleihen) with a constant maturity (as officially compiled and published in the most recent financial statistics that have become publicly available at least two Business Days (but not more than five Business Days) prior to April 15, 2014 (or, if such financial statistics are not so published or available, any publicly available source of similar market data selected by the Issuer in good faith)) most nearly equal to the period from a redemption date to April 15, 2014; *provided*, *however*, that if the period from such redemption date to April 15, 2014 is not equal to the constant maturity of the direct obligations of the Federal Republic of Germany for which a weekly average yield is given, the Bund Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of direct obligations of the Federal Republic of Germany for which such yields are given, except that if the period from such redemption date to April 15, 2014 is less than one year, the weekly average yield on actually traded direct obligations of the Federal Republic of Germany adjusted to a constant maturity of one year shall be used.

"**Business Day**" means any day which is a day (other than a Saturday or a Sunday) on which the Clearing System as well as all relevant parts of the Trans-European Automated Real-time Gross Settlement Express Transfer System 2 (TARGET2) are operational to forward payments in euro.

"**Capital Stock**" of any Person means any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) equity of such Person.

"**Capitalized Lease Obligation**" means an obligation that is required to be classified and accounted for as a capitalized lease for financial reporting purposes in accordance with IFRS, and the amount of Indebtedness represented by such obligation shall be the capitalized amount of such obligation at the time any determination thereof is to be made as determined in accordance with IFRS, under such lease prior to the first date such lease may be terminated without penalty.

"**Cash Equivalents**" means:

(1) securities issued or directly and fully guaranteed or insured by the United States Government or any agency or instrumentality of the United States, Switzerland, Norway or a Member State of the European Union or any agency or instrumentality thereof (*provided*, *however*, that the full faith and credit of the United States, Switzerland, Norway or such Member State of the European Union is pledged in support thereof); having maturities of not more than one year from the date of acquisition;

(2) certificates of deposit, time deposits, Eurodollar time deposits, overnight bank deposits or bankers' acceptances having maturities of not more than one year from the date of acquisition thereof issued by any commercial bank the long term debt of which is rated at the time of acquisition, or "A" or the equivalent thereof by Moody's Investors Service, Inc. and having combined capital and surplus in excess of €500 million;

(3) repurchase obligations with a term of not more than seven days for underlying securities of the types set forth in clauses (1) and (2) entered into with any bank meeting the qualifications specified in clause (2) of this definition;

(4) commercial paper rated at the time of acquisition thereof at least "A-2" or the equivalent thereof by Standard & Poor's Ratings Services or "P-2" or the equivalent thereof by Moody's Investors Service, Inc., or carrying an equivalent rating by an internationally recognized rating agency, if both of the two named rating agencies cease publishing ratings of investments, and in any case maturing within one year after the date of acquisition thereof; and

(5) interests in any investment company or money market fund which invests 95% or more of its assets in instruments of the type specified in clauses (1) through (4) of this definition.

"**Cash Management Arrangements**" means the cash management arrangements of the Issuer and its Restricted Subsidiaries (including any Indebtedness arising thereunder) which arrangements are in the ordinary course of business consistent with past practice.

"**Change of Control**" means the occurrence of any of the following:

(1) the Issuer becoming aware of any "person" or "group" of persons acting in concert in the meaning given to such term in § 2(5) of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*) acquiring and holding, directly or indirectly, the control over more than 50% (1) of the issued share capital of the Issuer, or (2) of the voting rights in the shares of the Issuer, by ownership of the share capital, contract or otherwise;

(2) the sale, lease, transfer, conveyance or other disposition (other than by way of merger, or consolidation or other business combination transaction), in one or a series of related transactions, of all or substantially all of the assets of the Issuer and its Restricted Subsidiaries taken as a whole to a Person other than a Restricted Subsidiary;

(3) during any period of two consecutive years, a majority of the shareholders' representatives on the Board of Directors of the Issuer are not Continuing Directors; or

(4) the adoption of a plan relating to the liquidation, winding up or other disposition of assets of the Issuer.

"**Commodity Hedging Agreement**" means, in respect of a Person, any commodity purchase contract, commodity futures or forward contract, commodities option contract or other similar contract or arrangement with respect to fluctuations in commodity prices (including derivative agreement or arrangements) to which such Person is a party or beneficiary.

"**Consolidated Coverage Ratio**" means as of any date of determination, with respect to the Issuer and its Restricted Subsidiaries, the ratio of (i) the aggregate amount of Adjusted EBITDA for the period of the most recent four consecutive fiscal quarters ending prior to the date of such determination for which consolidated financial statements of the Issuer are available to (ii) Interest Expenses for such four fiscal quarters; *provided, however,* that:

(1) if the Issuer or any Restricted Subsidiary:

   (a) has Incurred any Indebtedness since the beginning of such period that remains outstanding on such date of determination or if the transaction giving rise to the need to calculate the Consolidated Coverage Ratio is an Incurrence of Indebtedness, Adjusted EBITDA and Interest Expenses for such period shall be calculated after giving effect on a *pro forma* basis to such Indebtedness as if such Indebtedness had been Incurred on the first day of such period (except that in making such computation, the amount of Indebtedness under any revolving credit facility outstanding on the date of such calculation shall be deemed to be (i) the average daily balance of such Indebtedness during such four fiscal quarters or such shorter period for which such facility was outstanding or (ii) if such facility was created after the end of such four fiscal quarters, the average daily balance of such Indebtedness during the period from the date of creation of such facility to the date of such calculation); or

(b) has repaid, repurchased, defeased or otherwise discharged any Indebtedness since the beginning of the period that is no longer outstanding on such date of determination or if the transaction giving rise to the need to calculate the Consolidated Coverage Ratio involves a discharge of Indebtedness (in each case other than Indebtedness Incurred under any revolving credit facility unless such Indebtedness has been permanently repaid and the related commitment terminated), Adjusted EBITDA and Interest Expenses for such period shall be calculated after giving effect on a *pro forma* basis to such discharge of such Indebtedness, including with the proceeds of such new Indebtedness, as if such discharge had occurred on the first day of such period;

(2) if since the beginning of such period the Issuer or any Restricted Subsidiary will have made any Asset Disposition:

(a) the Adjusted EBITDA for such period shall be reduced by an amount equal to the Adjusted EBITDA (if positive) directly attributable to the assets which are the subject of such Asset Disposition for such period or increased by an amount equal to the Adjusted EBITDA (if negative) directly attributable thereto for such period; and

(b) Interest Expenses for such period shall be reduced by an amount equal to the Interest Expenses directly attributable to any Indebtedness of the Issuer or any Restricted Subsidiary repaid, repurchased, defeased or otherwise discharged with respect to the Issuer and its continuing Restricted Subsidiaries in connection with such Asset Disposition for such period (or, if the Capital Stock of any Restricted Subsidiary is sold, Interest Expenses for such period shall be reduced by the amount of Interest Expenses directly attributable to the Indebtedness of such Restricted Subsidiary to the extent the Issuer and its continuing Restricted Subsidiaries are no longer liable for such Indebtedness after such sale);

(3) if since the beginning of such period the Issuer or any Restricted Subsidiary (by merger or otherwise) will have made an Investment in any Restricted Subsidiary (or any Person which becomes a Restricted Subsidiary or is merged with or into the Issuer) or an acquisition of assets, including any acquisition of assets occurring in connection with a transaction requiring a calculation to be made hereunder, and which constitutes all or substantially all of a company, division, operating unit, segment, business, group of related assets or line of business, Adjusted EBITDA and Interest Expenses for such period shall be calculated after giving *pro forma* effect thereto (including the Incurrence of any Indebtedness) as if such Investment or acquisition occurred on the first day of such period; and

(4) if since the beginning of such period any Person (that subsequently became a Restricted Subsidiary or was merged with or into the Issuer or any Restricted Subsidiary since the beginning of such period) will have Incurred any Indebtedness or discharged any Indebtedness, made any Asset Disposition or any Investment or acquisition of assets that would have required an adjustment pursuant to clause (2) or (3) of this definition if made by the Issuer or a Restricted Subsidiary during such period, Adjusted EBITDA and Interest Expenses for such period shall be calculated after giving *pro forma* effect thereto as if such Incurrence or discharge of Indebtedness, Asset Disposition or Investment or acquisition of assets occurred on the first day of such period.

For purposes of this definition, whenever *pro forma* effect is to be given to any calculation under this definition, the *pro forma* calculations (including in respect of anticipated expense or cost savings and expense or cost synergies relating to any such transaction) shall be determined in good faith by a responsible financial or accounting officer of the Issuer. If any Indebtedness bears a floating rate of interest and is being given *pro forma* effect, the interest expense on such Indebtedness shall be calculated as if the rate in effect on the date of determination had been the applicable rate for the entire period (taking into account any Interest Rate Agreement applicable to such Indebtedness).

"**Consolidated Net Income**" means, for any period, the profit (loss) for the period (without discontinued operations) of the Issuer and its Restricted Subsidiaries determined on a consolidated basis in accordance with IFRS (as in effect on the Issue Date); *provided*, *however*, that there shall not be included in such Consolidated Net Income

(1) any profit (loss) for the period (without discontinued operations) of any Person (other than the Issuer) if such Person is not a Restricted Subsidiary, except that:

(a) subject to the limitations contained in clauses (2) through (6) of this definition, the Issuer's equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Issuer or a Wholly Owned Restricted Subsidiary as a dividend or other distribution or return on investment; and

(b) the Issuer's equity in a net loss of any such Person for such period shall be included in determining such Consolidated Net Income;

(2) any net after-tax gain (loss) realized upon the sale or other disposition of any assets of the Issuer or its Restricted Subsidiaries which are not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by an Officer or the Board of Directors of the Issuer);

(3) the amount of any profit of any member of the Group which is attributable to minority interests; *provided* that for as long as the Issuer holds, directly or indirectly, a minority interest in the fully consolidated Gallus Group, any profit attributable to the Gallus Group shall be included in the calculation of Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that could have been distributed by the Gallus Group during such period to the Issuer or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary (other than the Issuer or any Guarantor), to the limitation contained in this definition)

(4) the cumulative effect of a change in accounting principles after the Issue Date;

(5) any extraordinary, gain or loss or charge; and

(6) any net income or loss of any Restricted Subsidiary (other than any Subsidiary Guarantor) will be excluded to the extent such net income or loss is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such Restricted Subsidiary, directly or indirectly, to the Issuer (other than restrictions in effect on the Issue Date with respect to such Restricted Subsidiary and other restrictions with respect to such Restricted Subsidiary that, taken as a whole, are not materially less favorable to the Holders of the Notes than such restrictions in effect on the Issue Date), except that the Issuer's equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary during such period to the Issuer or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary (other than the Issuer or any Guarantor), to the limitation contained in this definition).

"**Consolidated Secured Leverage Ratio**" as of any date of determination, means the ratio of (1) the Consolidated Total Indebtedness that is Secured Indebtedness to (2) the Issuer's Adjusted EBITDA for the most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such event for which such calculation is being made shall occur, in each case with such *pro forma* adjustments to Consolidated Total Indebtedness and Adjusted EBITDA as are appropriate and consistent with the *pro forma* adjustment provisions set forth in the definition of "Consolidated Coverage Ratio"; provided that for purposes of calculating this Consolidated Secured Leverage Ratio, any amount of Indebtedness permitted to be Incurred as of such date of determination under sub-clause (i) of § 9(1)(b) shall be considered Secured Indebtedness.

"**Consolidated Total Indebtedness**" means, as at any date of determination, an amount equal to the sum of (1) the aggregate amount of all outstanding Indebtedness of the Issuer and its Restricted Subsidiaries on a consolidated basis consisting of Indebtedness for borrowed money, obligations in respect of Capitalized Lease Obligations and debt obligations evidenced by promissory notes and similar instruments (and excluding, for the avoidance of doubt, all obligations relating to Receivables Facilities), (2) any amount of Indebtedness permitted to be Incurred as of such date of determination under sub-clause (i) of § 9(1)(b) as if such Indebtedness has been Incurred and is outstanding and (3) the aggregate amount of all outstanding Disqualified Stock of the Issuer and all preferred stock of its Restricted Subsidiaries on a consolidated basis, with the amount of such Disqualified Stock and preferred stock equal to the greater of their respective voluntary or involuntary liquidation preferences and maximum fixed repurchase prices, in each case determined on a consolidated basis in accordance with IFRS (as in effect on the Issue Date). For purposes hereof, the "maximum fixed repurchase price" of any Disqualified Stock or preferred stock that does not have a fixed repurchase price shall be calculated in accordance with the terms of such Disqualified Stock or preferred stock as if such Disqualified Stock or preferred stock were purchased on any date on which Consolidated Total Indebtedness shall be required to be determined pursuant to these Conditions of Issue, and if such price is based upon, or measured by, the Fair Market Value of such Disqualified Stock or preferred stock, such Fair Market Value shall be determined reasonably and in good faith by the Issuer.

"**Continuing Director**" means, as of any date of determination, any shareholder representative on the supervisory board of the Issuer, who was (i) a member of the supervisory board on the Issue Date or (ii) nominated for election or, in case of a nomination of a shareholder, supported by the nomination committee (*provided* that the majority of the members of the nomination committee making such nomination or expressing such support are Continuing Directors).

"**Credit Facility**" means one or more debt facilities or arrangements (including the Revolving Credit Facility) or commercial paper facilities with banks or other institutions providing for revolving credit loans, term loans, notes, receivables financing (including through the sale of receivables to such lenders or to special purpose entities formed to borrow from such lenders against such receivables), or letters of credit, in each case, as amended, restated, modified, renewed, refunded, replaced or refinanced in whole or in part from time to time (and whether or not with the original administrative agent and lenders or another administrative agent or agents or other lenders and whether provided under the original Revolving Credit Facility or any other credit or other agreement or indenture).

"**Currency Agreement**" means, in respect of a Person, any foreign exchange contract, currency swap agreement, currency futures contract, currency option contract, currency derivative or other similar agreement as to which such Person is a party or a beneficiary.

"**Default**" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"**Disinterested Director**" means, with respect to any transaction or series of related transactions, a member of the Issuer's Board of Directors who does not have any personal stake in or with respect to such transaction or series of related transactions.

"**Disqualified Stock**" means, with respect to any Person, any Capital Stock of such Person which by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable) or upon the happening of any event:

(1) matures or is mandatory redeemable pursuant to a sinking fund obligation or otherwise;

(2) is convertible or exchangeable for Indebtedness or Disqualified Stock (excluding Capital Stock which is convertible or exchangeable solely at the option of the Issuer or a Restricted Subsidiary); or

(3) is redeemable at the option of the holder of the Capital Stock in whole or in part,

in each case on or prior to the date that is 91 days after the earlier of the date (a) of the stated maturity of the Notes or (b) on which there are no Notes outstanding, *provided*, *however*, that only the portion of Capital Stock which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date shall be deemed to be Disqualified Stock; *provided further*, *however*, that any Capital Stock that would constitute Disqualified Stock solely because the holders thereof have the right to require the Issuer to repurchase such Capital Stock upon the occurrence of a change of control or asset disposition (each defined in a substantially identical manner to the corresponding definitions in these Conditions of Issue) shall not constitute Disqualified Stock if the terms of such Capital Stock (and all such securities into which it is convertible or for which it is ratable or exchangeable) provide that the Issuer may not repurchase or redeem any such Capital Stock (and all such securities into which it is convertible or for which it is ratable or exchangeable) pursuant to such provision prior to compliance by the Issuer with the provisions as set forth under § 5 and such repurchase or redemption complies with § 9(2).

"**Euro Equivalent**" means, with respect to any monetary amount in a currency other than euro, at any time of determination thereof, the amount of euro obtained by converting such currency other than euro involved in such computation into euro at the spot rate for the purchase of euro with the applicable currency other than euro as published in the Financial Times in the "Currency and Financial Data" section (or if the Financial Times is no longer published, or if such information is no longer available in the Financial Times, such source as may be selected in good faith by the Issuer) on the date of such determination. Except as expressly provided otherwise, whenever it is necessary to determine whether the Issuer or any of its Restricted Subsidiaries has complied with any covenant or other provision in these Conditions of Issue or if there has occurred an Event of Default and an amount is expressed in a currency other than the euro, such amount will be treated as the Euro Equivalent determined as of the date such amount is initially determined in such non- euro currency.

"**European Government Obligations**" means any security that is (1) a euro-denominated direct obligation of a Member State of the European Union as in effect on December 31, 2003 and has a sovereign local currency rating of Aaa (or equivalent) by Moody's and AAA (or equivalent) by S&P (in each case, with stable outlook), for the payment of which the full faith and credit of such country is pledged or (2) an obligation of a person controlled or supervised by and acting as an agency or instrumentality of any such country, the payment of which is unconditionally guaranteed as a full faith and credit obligation by such country, which, in either case under the preceding clause (1) or (2), is not callable or redeemable at the option of the issuer thereof.

"**Fair Market Value**" means the value that would be paid by a willing buyer to an unaffiliated willing seller in an arm's length transaction not involving distress or necessity of either party, determined in good faith by the Board of Directors of the Issuer (unless otherwise provided in these Conditions of Issue).

“**Gallus Group**” means Gallus Holding AG and its subsidiaries.

“**Guarantee**” means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person, including any such obligation, direct or indirect, contingent or otherwise, of such Person:

(1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise); or

(2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part),

provided, *however*, that the term “Guarantee” shall not include endorsements for collection or deposit in the ordinary course of business. The term “Guarantee” used as a verb has a corresponding meaning.

“**Hedging Obligations**” of any Person means the obligations of such Person pursuant to any Interest Rate Agreement or Currency Agreement.

“**Holder**” means any holder of a proportionate co-ownership or other beneficial interest or right in the Notes.

“**IFRS**” means the International Financial Reporting Standards as in effect in the European Union on the Issue Date and, solely with respect to the covenant set forth under § 9(7), as in effect from time to time. Except as otherwise expressly set forth in these Conditions of Issue, all ratios and calculations based on IFRS set forth in these Conditions of Issue shall be computed in conformity with IFRS as in effect on the Issue Date.

“**Incur**” means issue, create, assume, Guarantee, incur or otherwise become liable for; *provided*, *however*, that any Indebtedness or Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (whether by merger, consolidation, acquisition or otherwise) shall be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary; and the terms “Incurred” and “Incurrence” have meanings correlative to the foregoing.

“**Indebtedness**”

(1) means:

(a) indebtedness for borrowed money;

(b) obligations evidenced by bonds, debentures, notes or other similar instruments;

(c) all reimbursement obligations in respect of letters of credit, bankers’ acceptances or other similar instruments (except to the extent such reimbursement obligation relates to a trade payable and such obligation is satisfied within 30 days of Incurrence);

(d) obligations to pay the deferred and unpaid purchase price of property (except trade payables or similar obligations to trade creditors), which purchase price is due more than six months after the date of placing such property in service or taking delivery and title thereto;

(e) Capitalized Lease Obligations and Attributable Indebtedness related to Sale/Leaseback Transactions;

(f) the principal component or liquidation preference of all obligations of such Person with respect to the redemption, repayment or other repurchases of any Disqualified Stock or, with respect to any Subsidiary that is not a Guarantor, preferred stock;

(g) the principal component of Indebtedness of other Persons to the extent Guaranteed by such Person; and

(h) to the extent not otherwise included in this definition, net obligations of such Person under Hedging Obligations (the amount of any such obligations to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such Person at such time).

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as set forth in this definition and the maximum liability, upon the occurrence of the contingency giving rise to the obligation, of any contingent obligations at such date.

(2) Notwithstanding the other provisions of this definition, in no event shall the following constitute Indebtedness:

(a) in connection with the purchase or disposal by the Issuer or any Restricted Subsidiary of any business, any indemnification, earn-outs, purchase price adjustments, guarantee, post-closing payment adjustments or similar obligations to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; *provided*, *however*, that, (A) at the time of closing, the amount of any such payment is not determinable, (B) the amount of any such payment shall be determinable within twelve months from the closing date and (C), to the extent such payment thereafter becomes fixed and determined, the amount is paid within 90 days thereafter; or

(b) obligations under or in respect of Receivables Facilities; or

(c) any obligations in respect of workers' compensation claims, early retirement obligations, pension fund obligations or social security or wage taxes or any obligation to environmental or regulatory agencies in relation to the Issuer or any Restricted Subsidiary's duties under environmental or regulatory laws or regulations; or

(d) down payments or pre-payments received in the ordinary course of business; or

(e) any lease of property (or Guarantee thereof) which would be considered an operating lease under IFRS.

(3) In addition, "Indebtedness" of any Person shall include Indebtedness set forth in clause (1) of this definition that would not appear as a liability on the balance sheet of such person if:

(a) such Indebtedness is the obligation of a partnership or joint venture that is not a Restricted Subsidiary (a "**Joint Venture**");

(b) such Person or a Restricted Subsidiary of such Person is a general partner of the Joint Venture (a "**General Partner**"); and

(c) there is recourse, by contract or operation of law, with respect to the payment of such Indebtedness to property or assets of such Person or a Restricted Subsidiary of such Person; and then such Indebtedness shall be included in an amount not to exceed:

(i) the lesser of (A) the net assets of the General Partner and (B) the amount of such obligations to the extent that there is recourse, by contract or operation of law, to the property or assets of such Person or a Restricted Subsidiary of such Person; or

(ii) if less than the amount determined pursuant to the preceding clause (3)(c)(i) of this definition, the actual amount of such Indebtedness that is recourse to such Person or a Restricted Subsidiary of such Person, if the Indebtedness is evidenced in writing and is for a determinable amount and the related interest expense shall be included in Interest Expense to the extent actually paid by the Issuer or its Restricted Subsidiaries.

"**Initial Subsidiary Guarantees**" means a guarantee pursuant to the terms set forth in these Conditions of Issue by an Initial Subsidiary Guarantor.

"**Interest Expense**" means, with respect to the Issuer and its Restricted Subsidiaries for any period, the sum, without duplication, of:

(1) the consolidated cash interest expense of the Issuer and its Restricted Subsidiaries for such period, excluding financing costs such as legal fees, advisory costs, security valuation expenses or similar (but not interest and amounts in the nature of interest including without limitation commissions, fees, discounts, prepayment fees, premium or charges and other finance payments in respect of financial indebtedness whether paid or payable (other than amounts paid prior to the Issue Date)), plus

(2) any cash interest on Indebtedness of another Person that is guaranteed by the Issuer or one of its Restricted Subsidiaries or secured by a Lien on assets of the Issuer or one of its Subsidiaries whether or not such Guarantee or Lien is called upon; plus

(3) any non-cash interest and non-cash amounts in the nature of interest (including without limitation pay-in-kind interest, amortization of original issue discount, commissions, fees, discounts, prepayment fees, premium or charges and other finance payments) in respect of financial indebtedness of or guaranteed by the Issuer or any of its Restricted Subsidiaries charged or accrued on or after the Issue Date; plus

(4) the product of (a) all dividends paid in cash on any series of Disqualified Stock of the Issuer or a Subsidiary Guarantor, or preferred stock of a Restricted Subsidiary that is not a Subsidiary Guarantor, other than dividends to the Issuer or a Restricted Subsidiary of the Issuer, times (b) a fraction, the numerator of which is one and the denominator of which is one minus the then current combined federal, state and local statutory tax rate of such Person, expressed as a decimal, in each case, determined on a consolidated basis in accordance with IFRS.

"**Interest Rate Agreement**" means with respect to any Person any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement as to which such Person is party or a beneficiary.

"**Investment**" in any Person means any direct or indirect advance, loan (other than advances to customers in the ordinary course of business that are recorded as trade receivables on the balance sheet of such Person) or other extensions of credit (including by way of Guarantee or similar arrangement) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by such Person and all other items that are or would be classified as investments on a balance sheet prepared in accordance with IFRS; *provided*, *however*, that advances, loans or other extensions of credit arising under the Cash Management Arrangements shall not be deemed Investments.

For purposes of the definition of "Unrestricted Subsidiary" and § 9(2), "Investment" shall include the portion (proportionate to the Issuer's equity interest in a Restricted Subsidiary to be designated as an Unrestricted Subsidiary) of the Fair Market Value of the net assets of such Restricted Subsidiary at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary; *provided*, *however*, that upon a redesignation of such Subsidiary as a Restricted Subsidiary, the Issuer shall be deemed to continue to have a permanent "Investment" in an Unrestricted Subsidiary in an amount (if positive) equal to the excess of the Issuer's "Investment" in such Subsidiary at the time of such redesignation less the portion (proportionate to the Issuer's equity interest in such Subsidiary) of the Fair Market Value of the net assets of such Subsidiary at the time that such Subsidiary is so re-designated a Restricted Subsidiary; and any property transferred to or from an Unrestricted Subsidiary shall be valued at its Fair Market Value at the time of such transfer, except as would otherwise be required in relation to the valuation of a Restricted Payment pursuant to the covenant set forth in § 9(2).

The amount of any Investment outstanding at any time shall be the original cost of such Investment, reduced by any dividend, distribution, interest payment, return of capital, repayment or other amount or value received in respect of such Investment.

"**Investment Grade Rating**" means with respect to Moody's Investors Service Inc.: Baa3 (or its equivalent at the time) or better and with respect to Standard & Poor's Ratings Group, Inc.: BBB- (or its equivalent at the time) or better (or, if either entity ceases to rate the Notes for reasons outside the control of the Issuer, an equivalent rating from another Rating Agency).

"**Issue Date**" means April 7, 2011.

"**Lien**" means any mortgage, pledge, encumbrance, easement, deposit arrangement, security interest, lien or charge of any other kind of security right *in rem* (including with respect to any Capitalized Lease Obligation, conditional sales, or other title retention agreement having substantially the same economic effect as any of the foregoing).

"**Material Transaction**" means any acquisition or disposition by the Issuer of a significant amount of assets (including businesses) representing greater than 20% of the consolidated revenues, Adjusted EBITDA or consolidated assets of the Issuer on a *pro forma* basis.

"**Net Available Cash**" from an Asset Disposition means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise and net proceeds from the sale or other disposition of any securities received as consideration, but only as and when received, but

excluding any other consideration received in the form of assumption by the acquiring Person of Indebtedness or other obligations relating to the properties or assets that are the subject of such Asset Disposition or received in any other non-cash form) therefrom, in each case net of:

(1) all direct transaction cost relating to such Asset Disposition, including, but not limited to legal, accounting, investment banking, and other fees and expenses Incurred, and all taxes required to be paid or accrued as a liability under IFRS as a consequence of such Asset Disposition;

(2) all payments made on any Indebtedness which is secured by any assets subject to such Asset Disposition, in accordance with the terms of any Lien upon such assets, or which must by its terms, or in order to obtain a necessary consent to such Asset Disposition, or by applicable law be repaid out of the proceeds from such Asset Disposition;

(3) all distributions and other payments required to be made to minority interest holders in any of the Issuer's Subsidiaries or joint ventures as a result of such Asset Disposition;

(4) the deduction of appropriate amounts to be provided for by the seller as a reserve, in accordance with IFRS, against any liabilities associated with the assets disposed of in such Asset Disposition and retained by the Issuer or any Restricted Subsidiary after such Asset Disposition; and

(5) any portion of the purchase price from an Asset Disposition required by the terms of the sale agreements to be placed in escrow (A) to provide assurance to the purchaser that the seller will be able to satisfy its indemnification and other obligations with respect to such sale and (B) which escrow is not under the sole control of the Issuer or any of its Subsidiaries; *provided*, *however*, that upon the termination of that escrow, Net Available Cash shall be increased by any portion of funds in the escrow that are released to the Issuer or any Restricted Subsidiary.

"**Net Cash Proceeds**" means, with respect to any issuance or sale of Capital Stock or Indebtedness, the cash proceeds of such issuance or sale net of all direct cost relating to such issuance or sale, including, but not limited to attorneys' fees, accountants' fees, underwriters' or placement agents' fees, listing fees, discounts or commissions and brokerage, consultant and other fees and charges actually Incurred in connection with such issuance or sale and net of taxes paid or payable as a result of such issuance or sale (after taking into account any available tax credit or deductions and any tax sharing arrangements).

"**Officer**" means, with respect to any Person, (1) the members of the Board of Directors, the Chief Executive Officer, the President, the Chief Financial Officer, any Vice President, the Treasurer or the Secretary (a) of such Person or (b) if such Person is owned or managed by a single entity, of such entity, or (2) any other individual designated as an "Officer" for the purposes of these Conditions of Issue by the Board of Directors of such Person.

"**Officers' Request Certificate**" means, with respect to any Person, a certificate signed by two Officers of such Person.

"**Opinion of Counsel**" means a written opinion from legal counsel reasonably satisfactory to the Holders' Representative. The counsel may be an employee of or counsel to the Issuer.

"***Pari Passu* Indebtedness**" means, in the case of the Notes, any Indebtedness of the Issuer that ranks equally in right of payment with the Notes and, in the case of the Subsidiary Guarantees, any Indebtedness of the applicable Subsidiary Guarantor that ranks equally in right of payment to the Subsidiary Guarantee of such Subsidiary Guarantor.

"**Permitted Investment**" means an Investment by the Issuer or any Restricted Subsidiary:

(1) in the Issuer, a Restricted Subsidiary or a Person that will, upon the making of such Investment, become a Restricted Subsidiary;

(2) in a Person, if as a result of such Investment, such other Person is merged or consolidated with or into, or transfers or conveys all or substantially all its assets to, the Issuer or a Restricted Subsidiary;

(3) in Permitted Joint Ventures; *provided* that the aggregate principal amount of all such Investments will not exceed €30 million;

(4) in Capital Stock, obligations or securities received (i) in settlement of debts created in the ordinary course of business and owing to the Issuer or any Restricted Subsidiary, (ii) as a result of foreclosure, perfection or enforcement of any Lien, (iii) in satisfaction of judgments, (iv) pursuant to any plan of reorganization or similar

arrangement upon the bankruptcy or insolvency of a debtor or (v) in settlement of litigation, arbitration or other disputes;

(5) in existence on the Issue Date or made pursuant to legally binding commitments in existence on the Issue Date and any extension, modification or renewal of any such Investments, but only to the extent not involving additional Investments;

(6) Investments relating to a Receivables Subsidiary that, in the good faith determination of the Issuer are necessary or advisable to effect transactions contemplated under the Receivables Facility;

(7) in any of the Notes;

(8) in cash and Cash Equivalents;

(9) acquired by the Issuer or any Restricted Subsidiary in connection with an Asset Sale permitted pursuant to § 9(5) to the extent such Investments are non-cash proceeds or deemed cash proceeds as permitted under such covenant;

(10) loans or advances to employees or directors made in the ordinary course of business consistent with past practices of the Issuer or such Restricted Subsidiary not to exceed €3 million in the aggregate at any one time outstanding;

(11) Hedging Obligations, which transactions or obligations are incurred in compliance with § 9(1);

(12) Guarantees of Indebtedness permitted to be incurred under § 9(1) and (other than with respect to Indebtedness) guarantees, keepwells and similar arrangements in the ordinary course of business;

(13) loans made to customers to finance the acquisition of inventory in the ordinary course of business;

(14) acquired after the Issue Date as a result of the acquisition by the Issuer or any Restricted Subsidiary of another Person (including by way of a merger, amalgamation or consolidation with or into the Issuer or any of its Restricted Subsidiaries in a transaction that is not prohibited by § 9(8) after the Issue Date; *provided* that (i) such Investments were not made in contemplation of such acquisition, merger, amalgamation or consolidation and were in existence on the date of such acquisition, merger, amalgamation or consolidation and (ii) at the time such other Person becomes a Restricted Subsidiary, such Investments would not constitute a Significant Subsidiary of such acquired Person; and

(15) Investments, taken together with all other Investments made pursuant to this clause (15) and at any time outstanding, in an aggregate amount at the time of such Investment not to exceed €50 million.

"**Permitted Joint Venture**" means any Person that is not a Restricted Subsidiary and that is engaged in a Related Business and of which at least 20% of the total Capital Stock and total Voting Stock is at the time of determination owned or controlled, directly or indirectly, by the Company or one or more Restricted Subsidiaries or a combination thereof.

"**Permitted Liens**" means:

(1) pledges, deposits or Liens under workmen's compensation laws, unemployment insurance laws, social security laws, pension regulations or similar legislation, or insurance-related obligations, or in connection with bids, tenders, completion guarantees, contracts (other than for the payment of Indebtedness), warranty obligations or leases to which the Issuer or a Restricted Subsidiary is a party, or to secure public or statutory obligations of the Issuer or a Restricted Subsidiary or deposits of cash or Cash Equivalents to secure surety, judgment, performance or appeal bonds (or other similar bonds, instruments or obligations) to which the Issuer or a Restricted Subsidiary is a party, or deposits as security for contested taxes or import or customs duties or for the payment of rent, or other obligations of like nature, in each case Incurred in the ordinary course of business;

(2) Liens imposed by law;

(3) Liens for taxes, assessments or other governmental charges;

(4) Liens in favor of issuers of surety or performance bonds or letters of credit or bankers' acceptances issued pursuant to the request of and for the account of the Issuer or a Restricted Subsidiary in the ordinary course of its business; *provided*, *however*, that such letters of credit do not constitute Indebtedness;

(5) judgment Liens not giving rise to an Event of Default so long as any appropriate legal proceedings which may have been duly initiated for the review of such judgment have not been finally terminated or the period within which such proceedings may be initiated has not expired;

(6) Liens arising solely by virtue of banks' standard business terms and conditions;

(7) Liens existing on the Issue Date (other than on the Notes and the Subsidiary Guarantees);

(8) Liens by means of transfers by way of security (*Sicherungsübereignung*) to a trustee on stock (*Vorratsvermögen*) for the benefit of suppliers (including inter- company suppliers) and their credit insurers (*Kreditversicherer*) in the ordinary course of business consistent with past practice;

(9) Liens on property or shares of stock of a Person at the time such Person becomes a Restricted Subsidiary; *provided*, *however*, that such Liens are not created, Incurred or assumed in connection with, or in contemplation of, such other Person becoming a Restricted Subsidiary; *provided further*, *however*, that any such Lien may not extend to any other property owned by the Issuer or any Restricted Subsidiary;

(10) Liens on property at the time the Issuer or a Restricted Subsidiary acquired the property, including any acquisition by means of a merger or consolidation with or into the Issuer or any Restricted Subsidiary; *provided*, *however*, that such Liens are not created, Incurred or assumed in connection with, or in contemplation of, such acquisition; *provided further*, *however*, that such Liens may not extend to any other property owned by the Issuer or any Restricted Subsidiary;

(11) Liens securing Indebtedness or other obligations of the Issuer under a cash pool or similar arrangement owed to a Restricted Subsidiary;

(12) Liens arising in connection with conditional sale or retention of title arrangements (*Eigentumsvorbehalt*), inventory financing arrangements or similar arrangements entered into in the ordinary course of business;

(13) Liens securing Refinancing Indebtedness Incurred to refinance Indebtedness that was previously so secured, *provided*, *however*, that any such Lien is limited to all or part of the same security package that secured the Indebtedness being refinanced and shall rank the same priority as the Indebtedness being refinanced;

(14) Liens to secure Indebtedness permitted by § 9(1)(b)(xii); *provided* that any such Lien shall be limited to the asset financed with such Indebtedness;

(15) Liens securing any Indebtedness of a Restricted Subsidiary owed to the Issuer or another Restricted Subsidiary; *provided* that such Liens are subordinated to the Liens securing the Notes;

(16) Liens on accounts receivable and related assets incurred in connection with a Receivables Facility;

(17) Liens to secure Indebtedness permitted by § 9(1)(a) and sub-clauses (i), (vii), (x) and (xiii) as well as, to the extent not Incurred pursuant to a Commodity Hedging Agreement, sub-clause (viii) of § 9(1)(b);

(18) Liens in favor of the Issuer or, as long as such Lien does not secure any obligation of the Issuer or a Guarantor, any Restricted Subsidiary;

(19) leases (including operating leases), licenses, subleases and sublicenses of assets (including real property and intellectual property rights), in each case entered into in the ordinary course of business;

(20) Liens securing or arising by reason of any netting or set-off arrangement entered into in the ordinary course of banking or other trading activities;

(21) Liens on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets; and

(22) Liens on assets of the Company or any Restricted Subsidiary with respect to Indebtedness that do not exceed €15 million.

"**Person**" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company, government or any agency or political subdivision thereof or any other entity.

“**Public Indebtedness**” means any Indebtedness consisting of bonds, debentures, notes or other similar debt securities (or any guarantees or intercompany loans in respect thereof) or Disqualified Stock issued in (a) a public offering registered under the U.S. Securities Act, (b) listed on a recognized stock exchange or (c) a private placement to institutional investors that is underwritten for resale in accordance with Rule 144A or Regulation S under the U.S. Securities Act, whether or not it includes registration rights entitling the holders of such debt securities or Disqualified Stock to registration thereof with the SEC for public resale.

“**Purchase Money Obligation**” means any Indebtedness incurred to finance or refinance the acquisition, construction or improvement of property (real or personal) or assets (including Capital Stock), and whether acquired through the direct acquisition of such property or assets or the acquisition of the Capital Stock of any Person owning such property or assets, or otherwise; *provided* that such Indebtedness is Incurred within 180 days after such acquisition, construction or improvement.

“**Rating Agencies**” means Moody’s Investors Service Inc. and Standard & Poor’s Ratings Group, Inc. (or, if either such entity ceases to rate the Notes for reasons outside the control of the Issuer, any other “nationally recognized statistical rating organization” identified by the U.S. Securities and Exchange Commission or to its affiliated rating agencies outside the United States).

“**Receivables Facility**” means one or more receivables financing facilities as amended, supplemented, modified, extended, renewed, restated or refunded from time to time, the obligations of which are non-recourse (except for customary representations, warranties, covenants and indemnities made in connection with such facilities) to the Issuer or any of its Restricted Subsidiaries (other than a Receivables Subsidiary) pursuant to which the Issuer or any of its Restricted Subsidiaries sells its accounts receivable to either (a) a Person that is not a Restricted Subsidiary or (b) a Receivables Subsidiary that in turn sells its accounts receivable to a Person that is not a Restricted Subsidiary.

“**Receivables Subsidiary**” means any Subsidiary formed for the purpose of, and that solely engages only in one or more Receivables Facilities and other activities reasonably related thereto.

“**Refinancing Indebtedness**” means Indebtedness that refinances any Indebtedness Incurred or existing as permitted under and in compliance with these Conditions of Issue; *provided*, *however*, that:

(1) the Refinancing Indebtedness has a Stated Maturity no earlier than the Stated Maturity of the Indebtedness being refinanced;

(2) the Refinancing Indebtedness has an Average Life at the time such Refinancing Indebtedness is Incurred that is equal to or greater than the Average Life of the Indebtedness being refinanced;

(3) such Refinancing Indebtedness has an aggregate principal amount (or, if issued with original issue discount, an aggregate issue price) that is equal to or less than the aggregate principal amount (or, if issued with original issue discount, the aggregate accreted value) then outstanding of the Indebtedness being refinanced (plus all accrued interest and the amount of all fees and expenses, including any premiums and defeasance costs);

(4) if the Indebtedness being refinanced is subordinated in right of payment to the Notes or any Subsidiary Guarantee, such Refinancing Indebtedness is subordinated in right of payment to the Notes or such Subsidiary Guarantee, as the case may be, on terms at least as favorable to the Holders as those contained in the documentation governing the Indebtedness being refinanced;

(5) if the Indebtedness being refinanced is Indebtedness of the Issuer or a Subsidiary Guarantor, the Refinancing Indebtedness may not be Indebtedness of or Guaranteed by a Restricted Subsidiary that is not a Subsidiary Guarantor; and

(6) such Refinancing Indebtedness is incurred either by the Issuer or a Subsidiary Guarantor (if the Issuer or a Subsidiary Guarantor was the obligor of the Indebtedness being refinanced, replaced or discharged) or by the Restricted Subsidiary that was the obligor of the Indebtedness being refinanced, replaced or discharged and is Guaranteed only by Persons who were obligors or Guarantors of the Indebtedness being refinanced, replaced or discharged.

“**Related Business**” means any of the businesses engaged in by the Issuer and its Subsidiaries on the Issue Date, and any services, activities or businesses incidental or reasonably related or similar thereto, or any line of business or business activity that is a reasonable extension, development, application or expansion thereof or ancillary thereto (including by way of geography or product or service line).

"**Relevant Distribution Compliance Date**" means (i) with respect to the €304,000,000 in aggregate principal amount of Notes originally issued on the Issue Date, and (ii) with respect to any additional Notes issued after the Issue Date pursuant to § 14(1), the date which is the 40th day after the later of (x) the date when such additional Notes were first offered to persons other than distributors in reliance upon Regulation S under theU.S. Securities Act and (y) the relevant issue date for such additional Notes.

"**Restricted Investment**" means any Investment other than a Permitted Investment.

"**Restricted Payment**" means:

(1) the declaration or payment of any dividend or any distribution (whether made in cash, securities or other property) by the Issuer or any Restricted Subsidiary on or in respect of its Capital Stock (including any payment in connection with any merger or consolidation involving the Issuer or any of its Restricted Subsidiaries) except:

(a) dividends or distributions payable in Capital Stock of the Issuer (other than Disqualified Stock), or in options, warrants or other rights to purchase such Capital Stock of the Issuer; and

(b) dividends or distributions payable to the Issuer or a Restricted Subsidiary and, if such Restricted Subsidiary making the payment is not a Wholly Owned Subsidiary, to its other holders of Capital Stock on a pro rata basis or on a basis that results in the receipt by the Issuer or a Restricted Subsidiary of dividends or distributions of greater value than the Issuer of such Restricted Subsidiary would receive on a pro rata basis;

(2) the purchase, redemption or other acquisition for value of any Capital Stock of the Issuer or any direct or indirect parent of the Issuer held by Persons other than the Issuer or a Restricted Subsidiary (other than in exchange for Capital Stock of the Issuer (other than Disqualified Stock));

(3) the purchase, repurchase, redemption, defeasance or other acquisition for value, prior to scheduled maturity or scheduled repayment of any Indebtedness of the Issuer or Subsidiary Guarantor that is contractually subordinated to the Notes or to any Subsidiary Guarantee (excluding any intercompany Indebtedness between or among the Issuer and any of its Restricted Subsidiary), other than the purchase, repurchase, redemption, defeasance or other acquisition of any Indebtedness of the Issuer or any Subsidiary Guarantor that is contractually subordinated to the Notes or to any Subsidiary Guarantee purchased in anticipation of satisfying a sinking fund obligation, principal instalment or final maturity, in each case due within 1 year of the date of such purchase, repurchase, redemption, defeasance or other acquisition; or

(4) the making of any Restricted Investment in any Person.

The amount of all Restricted Payments (other than cash) shall be the Fair Market Value on the date of such Restricted Payment of the asset(s) or securities proposed to be paid, transferred or issued by the Issuer or such Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment. The Fair Market Value of any cash Restricted Payment shall be its face amount and the Fair Market Value of any non-cash Restricted Payment shall be determined conclusively by the Board of Directors of the Issuer acting in good faith whose resolution with respect thereto shall be promptly delivered to the Holders' Representative, such determination to be based upon an opinion or appraisal issued by an accounting, appraisal or investment bank of national standing if such Fair Market Value is estimated in good faith by the Board of Directors of the Issuer to exceed €15 million. No later than the date of making any Restricted Payment, the Issuer shall deliver to the Holders' Representative an Officers' Request Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by § 9(2) were computed, together with a copy of any fairness opinion or appraisal required and any other information reasonably requested by the Holders' Representative.

"**Restricted Subsidiary**" means any Subsidiary of the Issuer other than an Unrestricted Subsidiary.

"**Revolving Credit Facility**" means the €500 million revolving and facilities agreement dated March 25, 2011 between, *inter alia,* Heidelberger Druckmaschinen Aktiengesellschaft and the Revolving Credit Facility Lenders, including any related ancillary facility agreements, notes, guarantees, collateral documents, instruments and agreements executed in connection therewith, in each case as the same may be amended, extended, restated, waived or otherwise modified from time to time.

"**Revolving Credit Facility Lenders**" means the "Lenders" as defined under the Revolving Credit Facility.

"**Sale/Leaseback Transaction**" means an arrangement relating to property owned on the Issue Date or thereafter acquired as permitted under and in compliance with these Conditions of Issue whereby the Issuer, or a

Restricted Subsidiary transfers such property to a Person and the Issuer, or Restricted Subsidiary leases it from such Person.

"**Secured Indebtedness**" means, as of any date of determination, any Indebtedness that is secured by a Lien on assets of the Issuer or a Restricted Subsidiary.

"**Senior Indebtedness**" means, whether outstanding on the Issue Date or thereafter issued, created, Incurred or assumed, the Revolving Credit Facility and all amounts payable by the Issuer under or in respect of all other Indebtedness of the Issuer, including premiums and accrued and unpaid interest (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization relating to the Issuer at the rate specified in the documentation with respect thereto whether or not a claim for post filing interest is allowed in such proceeding) and fees relating thereto; *provided*, *however*, that Senior Indebtedness will not include:

(1) any Indebtedness Incurred in violation of these Conditions of Issue;

(2) any obligation of the Issuer to any Subsidiary;

(3) any accounts payable or other liability to trade creditors arising in the ordinary course of business (including Guarantees thereof or instruments evidencing such liabilities);

(4) any Indebtedness, Guarantee or obligation of the Issuer that is expressly subordinate or junior in right of payment to any other Indebtedness, Guarantee or obligation of the Issuer, including, without limitation, any Subordinated Obligations; or

(5) any Capital Stock.

"**Significant Subsidiary**" means any Restricted Subsidiary which contributed the equivalent of at least 10% of the Issuer and its Subsidiaries' consolidated revenue or EBITDA for the year.

"**Stated Maturity**" means, with respect to any security, the date specified in such security as the fixed date on which the payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision, but shall not include any contingent obligations to repay, redeem or repurchase any such principal prior to the date originally scheduled for the payment thereof.

"**Subordinated Obligation**" means any Indebtedness of the Issuer (whether outstanding on the Issue Date or thereafter Incurred) which is subordinated in right of payment to the Notes pursuant to a written agreement; *provided*, *however*, that such Subordinated Obligation:

(1) does not (including upon the happening of any event) mature or require any amortization or other payment of principal prior to the first anniversary of the maturity of the Notes (other than through conversion or exchange of any such security or instrument for Capital Stock of the Issuer or for any other security or instrument meeting the requirements of the definition);

(2) does not (including upon the happening of any event) require the payment of cash interest prior to the first anniversary of the maturity of the Notes;

(3) does not (including upon the happening of any event) provide for the acceleration of its maturity nor confers any right (including upon the happening of any event) to declare a default or event of default or take any enforcement action, in each case, prior to the first anniversary of the maturity of the Notes;

(4) is not secured by a Lien on any assets of the Issuer or a Restricted Subsidiary and is not Guaranteed by any Subsidiary of the Issuer;

(5) is subordinated in right of payment to the prior payment in full in cash of the Notes in the event of any default, bankruptcy, reorganization, liquidation, winding up or other disposition of assets of the Issuer;

(6) does not (including upon the happening of any event) restrict the payment of amounts due in respect of the Notes or compliance by the Issuer with its obligations under the Notes and the Agency Agreement;

(7) does not (including upon the happening of an event) constitute Voting Stock; and

(8) is not (including upon the happening of any event) mandatorily convertible or exchangeable, or convertible or exchangeable at the option of the holder, in whole or in part, prior to the date on which the Notes mature other than into or for Capital Stock of the Issuer;

provided, *however*, that any event or circumstance that results in such Indebtedness ceasing to qualify as a Subordinated Obligation, such Indebtedness shall constitute an incurrence of such Indebtedness by the Issuer which incurrence will only be permitted to the extent permitted under the provision set forth under § 9(1), and any and all Restricted Payments made through the use of the net proceeds from the Incurrence of such Indebtedness since the date of the original issuance of such Subordinated Obligation shall constitute new Restricted Payments that are deemed to have been made after the date of the original issuance of such Subordinated Obligation.

"**Subsidiary**" means (i) any Person directly or indirectly majority owned by the Issuer and (ii) for so long as it is controlled by the Issuer or a Restricted Subsidiary and consolidated by the Issuer, the Gallus Group.

"**Subsidiary Guarantee**" means a Guarantee on the terms set forth in these Conditions of Issue by a Subsidiary Guarantor of the Issuer's obligations under the Notes and these Conditions of Issue.

"**Subsidiary Guarantor**" means each Subsidiary of the Issuer that is Guaranteeing the obligations of the Issuer under the Notes and these Conditions of Issue and each Additional Subsidiary Guarantor.

"**Total Assets**" means the total consolidated assets, less cash and Cash Equivalents, of the Issuer and its Restricted Subsidiaries, as shown on the most recent balance sheet of the Issuer.

"**Unrestricted Subsidiary**" means:

(1) any Subsidiary of the Issuer that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors of the Issuer in the manner provided for in § 9(12); and

(2) any Subsidiary of an Unrestricted Subsidiary.

"**U.S. Exchange Act**" means the U.S. Securities Exchange Act of 1934, as amended.

"**U.S. Securities Act**" means the U.S. Securities Act of 1933, as amended.

"**Voting Stock**" of a corporation or company means all classes of Capital Stock of such corporation or company then outstanding and normally entitled to vote in the election of directors.

"**Wholly Owned Subsidiary**" means a Restricted Subsidiary, all of the Capital Stock of which (other than directors' qualifying shares or shares required by any applicable law or regulation to be held by a Person other than the Issuer or another Wholly Owned Subsidiary) is owned by the Issuer or another Wholly Owned Subsidiary.

List of Shareholdings

List of shareholdings as per Section 285 no. 11 and Section 313 para. 2 (in relation to Section 315a para. 1) of the German Commercial Code (figures in € thousands in line with IFRS)

Name	Country/Domicile		Shareholding in %	Equity	Net result after taxes
Affiliated companies included in the consolidated financial statements					
DOMESTIC					
Gallus Druckmaschinen GmbH[(1)]	Germany	Langgöns-Oberkleen	30.00%	2,068	2,347
Gallus Stanz- und Druckmaschinen GmbH[(1)]	Germany	Weiden	30.00%	4,529	2,075
Heidelberg Boxmeer Beteiligungs-GmbH[(1)]	Germany	Heidelberg	100.00%	153,720	313
Heidelberg China-Holding GmbH[(1)]	Germany	Heidelberg	100.00%	58,430	−10
Heidelberg Consumables Holding GmbH[(1)]	Germany	Heidelberg	100.00%	20,025	−1,564
Heidelberg Postpress Deutschland GmbH[(1)]	Germany	Heidelberg	100.00%	25,887	−13,501
Heidelberger Druckmaschinen Real Estate GmbH & Co. KG[(1)]	Germany	Walldorf	100.00%	116,310	6,415
Heidelberger Druckmaschinen Vermögensverwaltungsgesellschaft mbH[(1)]	Germany	Walldorf	100.00%	22,110	−2,027
Heidelberger Druckmaschinen Vertrieb Deutschland GmbH[(1)]	Germany	Heidelberg	100.00%	54,901	8,705
Heidelberg Print Finance International GmbH[(1)]	Germany	Heidelberg	100.00%	34,849	8,457
Saphira Handelsgesellschaft mbH[(1)]	Germany	Waiblingen	100.00%	373	−1,651
ABROAD					
Baumfolder Corporation	USA	Sidney, Ohio	100.00%	−8,862	−2,241
Europe Graphic Machinery Far East Ltd.	PR China	Hongkong	100.00%	580	−111
Gallus Ferd. Rüesch AG	Switzerland	St. Gallen	30.00%	49,171	502
Gallus Holding AG	Switzerland	St. Gallen	30.00%	72,754	9,184
Gallus Inc.	USA	Philadelphia, Pennsylvania	30.00%	983	121
Heidelberg Americas, Inc.	USA	Kennesaw	100.00%	116,578	−6,362
Heidelberg Asia Pte. Ltd.	Singapore	Singapore	100.00%	13,052	1,103
Heidelberg Baltic Finland OÜ	Estonia	Tallinn	100.00%	8,599	−43
Heidelberg Boxmeer B.V.	Netherlands	Boxmeer	100.00%	62,620	207
Heidelberg Canada Graphic Equipment Ltd.	Canada	Mississauga	100.00%	7,627	−599
Heidelberg China Ltd.	PR China	Hongkong	100.00%	15,920	6,385
Heidelberg do Brasil Sistemas Graficos e Servicos Ltda.	Brazil	São Paulo	100.00%	15,318	−198
Heidelberg France S.A.S.	France	Tremblay-en-France	100.00%	5,315	−8,114
Heidelberg Grafik Ticaret Servis Limited Sirketi	Turkey	Istanbul	100.00%	5,894	1,311
Heidelberg Graphic Equipment (Shanghai) Co. Ltd.	PR China	Shanghai	100.00%	56,505	7,785
Heidelberg Graphic Equipment Ltd. – Heidelberg Australia –	Australia	Notting Hill, Melbourne	100.00%	−152	−17,184
Heidelberg Graphic Equipment Ltd. – Heidelberg New Zealand –	New Zealand	Auckland	100.00%	4,388	302
Heidelberg Graphic Equipment Ltd. – Heidelberg UK –	United Kingdom	Brentford	100.00%	6,262	−708
Heidelberg Graphic Systems Southern Africa (Pty) Ltd.	South Africa	Johannesburg	100.00%	2,391	−308
Heidelberg Graphics (Beijing) Co. Ltd.	PR China	Beijing	100.00%	1,864	1,224
Heidelberg Graphics (Thailand) Ltd.	Thailand	Bangkok	100.00%	6,478	1,153
Heidelberg Graphics (Tianjin) Co. Ltd.	PR China	Tianjin	100.00%	28,433	7,838
Heidelberg Graphics Taiwan Ltd.	Taiwan	Wu Ku Hsiang	100.00%	4,378	1,024
Heidelberg Group Trustees Ltd.	United Kingdom	Brentford	100.00%	0	0
Heidelberg Hong Kong Ltd.	PR China	Hong Kong	100.00%	13,145	2,017
Heidelberg India Private Ltd.	India	Chennai	100.00%	6,833	920
Heidelberg International Finance B.V.	Netherlands	Boxmeer	100.00%	2,889	47
Heidelberg International Ltd. A/S	Denmark	Ballerup	100.00%	35,454	4,455
Heidelberg International Trading (Shanghai) Co. Ltd.	PR China	Shanghai	100.00%	852	506
Heidelberg Japan K.K.	Japan	Tokyo	100.00%	14,690	−5,218
Heidelberg Korea Ltd.	South Korea	Seoul	100.00%	5,403	729
Heidelberg Magyarország Kft.	Hungary	Kalasch	100.00%	7,663	981
Heidelberg Malaysia Sdn Bhd	Malaysia	Petaling Jaya	100.00%	610	−333
Heidelberg Mexico Services, S. de R.L. de C.V.	Mexico	Mexico City	100.00%	941	235

Heidelberg Mexico, S. de R.L. de C.V.	Mexico	Mexico City	100.00%	7,411	2,437
Heidelberg Philippines, Inc.	Philippines	Makati City	100.00%	5,904	488
Heidelberg Polska Sp z.o.o.	Poland	Warsaw	100.00%	9,509	407
Heidelberg Praha spol s.r.o.	Czech Republic	Prague	100.00%	1,122	486
Heidelberg Print Finance Americas, Inc.	USA	Portsmouth	100.00%	11,656	410
Heidelberg Print Finance Australia Pty Ltd.	Australia	Notting Hill, Melbourne	100.00%	45,369	1,469
Heidelberg Print Finance Korea Ltd.	South Korea	Seoul	100.00%	15,053	601
Heidelberg Print Finance Osteuropa Finanzierungsvermittlung GmbH	Austria	Vienna	100.00%	31,961	1,972
Heidelberg Schweiz AG	Switzerland	Bern	100.00%	5,861	6,257
Heidelberg Shenzhen Ltd.	PR China	Shenzhen	100.00%	5,718	947
Heidelberg Slovensko s.r.o.	Slovakia	Bratislava	100.00%	2,388	81
Heidelberg Sverige AB	Sweden	Solna	100.00%	5,113	867
Heidelberg USA, Inc.	USA	Kennesaw, GA	100.00%	96,383	5,792
Heidelberger CIS OOO	Russia	Moscow	100.00%	−2,368	12,498
Heidelberger Druckmaschinen Austria Vertriebs-GmbH	Austria	Vienna	100.00%	74,471	659
Heidelberger Druckmaschinen Osteuropa Vertriebs-GmbH	Austria	Vienna	100.00%	74,268	3,396
Heidelberger Druckmaschinen WEB-Solution CEE Ges.m.b.H.	Austria	Vienna	100.00%	2,082	−3,963
Hi-Tech Coatings International B.V.	Netherlands	Zwaag	100.00%	10,350	319
Hi-Tech Coatings International Limited	United Kingdom	Aylesbury Bucks	100.00%	7,552	429
Hi-Tech Coatings Limited	United Kingdom	Aylesbury Bucks	100.00%	122	0
Linotype-Hell Finance Ltd.	United Kingdom	Brentford	100.00%	0	0
Linotype-Hell Ltd.	United Kingdom	Brentford	100.00%	3,896	0
Modern Printing Equipment Ltd.	PR China	Hongkong	100.00%	3,984	−692
MTC Co., Ltd.	Japan	Tokyo	99.99%	9,497	−5
P.T. Heidelberg Indonesia	Indonesia	Jakarta	100.00%	3,551	140
Affiliated companies not included in the consolidated financial statements					
DOMESTIC					
D. Stempel AG i.A.[(1)(2)]	Germany	Heidelberg	99.23%	185	−60
Gallus-Group Vertriebs GmbH[(1)]	Germany	Langgöns-Niederkleen	30.00%	1,071	552
Heidelberg Catering Services GmbH[(1)]	Germany	Wiesloch	100.00%	386	−1,559
Heidelberg CSAT GmbH[(1)]	Germany	Eggenstein-Leopoldshafen	100.00%	26	1,497
Heidelberg Direkt Vertriebs GmbH[(1)]	Germany	Heidelberg	100.00%	379	67
Menschick Trockensysteme GmbH[(1)]	Germany	Renningen	30.00%	355	75
Print-Assekuranz Versicherungsvermittlungsgesellschaft mbH[(1)]	Germany	Heidelberg	100.00%	26	62
Sporthotel Heidelberger Druckmaschinen GmbH[(1)]	Germany	Heidelberg	100.00%	26	−171
ABROAD					
Cerm Benelux NV	Belgium	Oostkamp	100.00%	620	276
CSAT Germany Inc.	USA	Longmont	100.00%	0	0
CSAT America LLC	USA	Louisville	100.00%	6	465
Gallus Printing Machinery Corp.	USA	Philadelphia, PA	30.00%	−481	−138
Gallus Australia Pty Ltd.	Australia	Bayswater	30.00%	106	20
Gallus India Private Limited[(4)]	India	Mumbai	30.00%	0	0
Gallus Scandinavia A/S	Denmark	Glostrup	30.00%	−429	−167
Gallus South East Asia Pte. Ltd.[(4)]	Singapore	Singapore	30.00%	0	0
Gallus-Group UK Ltd.	United Kingdom	Royston	30.00%	213	107
Heidelberg Asia Procurement Centre Sdn Bhd.	Malaysia	Petaling Jaya	100.00%	−460	−46
Heidelberg Bulgaria EOOD	Bulgaria	Sofia	100.00%	873	−164
Heidelberg d.o.o.	Slovenia	Ljubljana	100.00%	657	58
Heidelberg East Africa Ltd.[(2)]	Kenya	Nairobi	99.99%	−3,713	−1,967
Heidelberg Hvratska d.o.o.	Croatia	Zagreb	100.00%	764	49
Heidelberg Jugoslavija d.o.o.	Serbia	Belgrade	100.00%	155	−66
Heidelberg Lebanon	Lebanon	Beirut	99.96%	940	50
Heidelberg Mittelasien OOO	Uzbekistan	Taschkent	100.00%	−14	−123
Heidelberg Nordasien TOO	Kazakhstan	Almati	100.00%	−949	−305
Heidelberg Postpress Slovensko spol. s r.o.	Slovakia	Nové Mesto nad Váhom	100.00%	3,636	765
Heidelberg Print Finance Canada Ltd.	Canada	Mississauga	100.00%	3,899	60
Heidelberg Used Equipment Ltd.[(3)]	United Kingdom	Brentford	100.00%	555	25
Heidelberger Druckmaschinen Romania S.R.L.	Romania	Bucuresti	100.00%	1,091	−89
Heidelberger Druckmaschinen Ukraina Ltd.	Ukraine	Kiev	100.00%	−1,530	260
Inline Cutting L.L.C.	USA	Baltimore	30.00%	−1,278	−14
Sted Precision Machinery (Shanghai) Co., Ltd	PR China	Shanghai	100.00%	377	5

Associated companies not accounted for using the equity method					
ABROAD					
Heidelberg Middle East FZ Co.	United Arab Emirates	Dubai	50.00%	1,276	0
Print Media Academy Ceska Republika a.s.	Czech Republic	Pardubice	24.00%	26	10
Other shareholdings (>5%)					
DOMESTIC					
InnovationLab GmbH[1]	Germany	Heidelberg	8.33%	508	141
SABAL GmbH & Co. Objekt FEZ Heidelberg KG[1]	Germany	Munich	99.90%	−3,338	−585
Minor shareholdings					
DOMESTIC					
KITZ Kieler Innovations- u. Technologiezentrum GmbH[1][2]	Germany	Kiel	3.08%	389	38
Printpromotion Gesellschaft[1]	Germany	Frankfurt a.M.	2.00%	364	72

(1) Disclosure in accordance with HGB

(2) Prior-year Figures; Financial Statements not yet available

(3) Forecast Figures; Financial Statements not yet available

(4) Recently incorporated; annual Financial Statements not yet available