Heidelberger Druckmaschinen

Sustainability Report 2006/2007

HEIDELBERG

Heidelberg at a Glance

Heidelberger Druckmaschinen AG (Heidelberg) is the world's leading provider of sheetfed offset presses and associated solutions for the print media industry. Based in the city of Heidelberg, Germany, the company concentrates on the entire process and value chain of sheetfed offset printing, covering all format classes from 20-inch (35 x 50 cm) to 40-inch (70 x 100 cm), which correspond to the paper formats from A3 to A1. This includes not only printing presses but also equipment for imaging plates and postpress finishing as well as software components for integrating all of a printing company's processes. This is rounded out by the training offerings of the Print Media Academy, plus service, supply of service parts, consumables, and sales of reconditioned used equipment. The company also supports its customers' investment plans with tailored financing schemes. At drupa 2008, Heidelberg will present a new family of "very large format" (VLF) presses.

With development and production sites in six countries and around 250 sales and service units, Heidelberg looks after over 200,000 customers worldwide. Heidelberg makes 85 percent of its sales through its own companies and branches, with non-German markets accounting for well over 80 percent of the total.

In the 2006/2007 financial year the company had an overall sales volume of € 3.803 billion.

As of March 31, 2007 the Heidelberg Group employed 19,171 people, including 651 trainees and apprentices.

INDICATORS

Ten-year charts showing the company's business, social, and environmental indicators can be found on the Internet at
www.heidelberg.com > About Us > Environment > **Sustainability Report**

SITES

Environmental data, names of contacts, and general information on Heidelberg's production and development sites can be found on the Internet at
www.heidelberg.com > About Us > Environment > **Site Data**

HEIDELBERG

> BUSINESS INDICATORS

	2002/2003	2003/2004	2004/2005	2005/2006	**2006/2007**
Incoming orders in € millions	4,170	3,852	3,700	3,605	**3,853**
Net sales in € millions	4,231	3,746	3,360	3,586	**3,803**
Foreign sales in percent	87.6	88.8	85.3	86.9	**85.1**
Result of operating activities in € millions [1]	163	79	171	277	**362**
Profit before taxes in € millions	– 164	– 506	106	229	**300**
Net loss/profit in € millions	– 138	– 695	59	135	**263**
– in percent of sales	– 3.3	– 18.6	1.8	3.8	**6.9**
R&D expenditures in € millions	391	317	211	214	**237**
– in percent of sales	9.2	8.5	6.3	6.0	**6.2**
Patent applications	382	260	156	153	**153**
Investments in € millions	243	164	162	169	**178**
Total assets in € millions	5,131	4,232	3,660	3,281	**3,339**
Shareholders' equity in € millions	1,950	1,230	1,166	1,138	**1,202**
Cash flow in percent of sales	1.2	– 3.2	6.9	9.6	**10.5**
Earnings per share in €	– 1.67	– 8.16	0.69	1.58	**3.23**
Dividends in € [2]	–	–	0.30	0.65	**0.95**

1) Prior to restructuring

2) For financial year 2006/2007 proposal of the Management Board and the Supervisory Board

> SOCIAL INDICATORS

	2002/2003	2003/2004	2004/2005	2005/2006	**2006/2007**
Employees at end of financial year [1]	24,023	22,513	18,416	18,436	**19,171**
– in training	781	764	678	662	**651**
Personnel expenditures in € millions	1,456	1,293	1,134	1,097	**1,163**
Female employees in percent	15.0	14.5	14.2	14.2	**14.2**
Severely disadvantaged employees at Heidelberger Druckmaschinen AG in percent	5.2	6.4	6.8	7.0	**7.0**
Part-time workers in percent	2.2	2.3	2.6	2.3	**2.6**
Accidents per thousand full-time employees [2]					
– German sites [3]	22.4	17.5	19.2	22.3	**25.8**
– Other European sites [3]	34.2	43.4	22.3	14.5	**7.15**
Suggestions for improvements	4,788	2,980	3,692	4,456	**4,538**
Savings resulting from suggestions for improvements in € millions	3.74	3.67	2.97	2.70	**2.86**

1) Previous years' figures were adjusted for employees in the exemption phase of their partial retirement

2) Causing more than three days of work to be missed

3) Production and development sites

> ENVIRONMENTAL INDICATORS

	2002/2003	2003/2004	2004/2005	2005/2006	**2006/2007** [1]
Number of production and development sites [2]	19	21	14	15	**15**
– **Included in report with input/output data**	19	21	14	13	**14**
– **With a certified environmental and quality management system acc. to ISO 14001 and 9001 (partly or fully integrated)**	14	14	8	8	**8**
– **Also with a certified integrated environmental, quality, and workplace safety management system (acc. to OHSAS 18001)**	0	0	0	1	**1**
Space utilization of all production and development sites in km²	4.10	4.18	2.52	2.34	**2.33**
Built-on and paved-over areas in percent	39.1	39.5	45.7	45.7	**47.0**
Energy input in GWh/a	483.9	495.0	432.7	423.4	**427.1**
– **Electric power in GWh/a**	277.0	269.2	235.7	245.8	**257.3**
– **Gas in GWh/a**	180.6	189.6	157.1	150.0	**143.3**
– **District heat in GWh/a**	23.1	34.2	37.4	24.6	**24.7**
– **Heating oil in GWh/a**	3.2	2.0	2.5	3.1	**1.8**
Energy consumption per metric ton of output in MWh/a [3]	6.9	7.8	7.5	6.2	**4.7**
Water input in m³	428,406	454,771	422,365	392,733	**377,196**
– **Sanitary water consumed in percent**	60.7	56.0	54.8	53.5	**58.8**
Product outputs: Sheetfed in mt	51,333	44,504	51,759	60,429	**79,247**
– **Number of printing units**	11,777	9,601	10,854	11,694	**12,877**
Product outputs: Prepress in mt	–	–	–	–	**602**
Product outputs: Postpress in mt [4]	5,513	5,787	6,115	8,232	**8,771**
Product outputs of the Gallus sites (printing and finishing units) [5]	–	–	–	1,175	**1,338**
Emissions in thou. mt [6] **CO_2**	224.3	216.8	196.2	199.0	**203.0**
– **SO_2**	0.14	0.14	0.11	0.11	**0.12**
– **NO_X**	0.31	0.27	0.18	0.21	**0.19**
Emissions in mt VOCs	195.9	182.4	146.1	149.0	**161.0**
Emissions in mt [7] **Dust**	11.0	11.0	10.3	10.3	**10.3**
Waste in mt	45,048	43,338	42,996	52,248	**57,429**
– **Recycled in mt**	41,243	39,543	39,697	48,003	**53,873**
– **Disposed of in mt**	3,805	3,766	3,299	4,245	**3,556**
Waste recycling rate in percent	91.6	91.3	92.3	90.1	**93.8**
Waste per metric ton of output in mt	0.64	0.70	0.74	0.75	**0.64**
Wastewater in m³	321,442	326,116	288,987	271,072	**268,856**

1) The environmental data provided here is for the 2006 calendar year

2) The site in Weiden (belonging to the Gallus Group) will be included for the first time in the 2007/2008 sustainability report

3) 2006 figures without the St. Gallen, Langgöns, and Eksjö sites

4) Not including output of the Eksjö site

5) Output data (printing and finishing units) of the Gallus sites captured for the first time in financial year 2005/2006

6) These quantities were calculated from energy consumption: direct emissions (gas, heating oil) and indirect emissions (power, district heat)

7) Dust emissions of the foundry in Amstetten (particularly relevant here)

Contents

BUSINESS
By moving into “very large format” (VLF), Heidelberg will greatly strengthen its position in the packaging and label printing sector. This steadily growing business is relatively immune to economic cycles.

50 YEARS IN WIESLOCH-WALLDORF
This site holds the world’s largest, most advanced printing press factory – and has been one of the main motors driving Heidelberg’s success story.

THE ENVIRONMENT
Resources can be saved in many ways. Heidelberg’s Star family of peripherals is a good example.

SOCIAL RESPONSIBILITY
The retirement age is being raised in Germany, and staff have to cope with greater physical and mental demands. Heidelberg is showing them how to do this with a specially developed “FIT Program”.

BERNHARD SCHREIER
Management Board Chairman

Dear Ladies and Gentlemen,

As a company that builds precision machines and exports long-lived capital goods to the whole world, we have a natural affinity with the concept of sustainability. We are committed to continually increasing our worth by means of profitable growth and regular innovations.

It was over 10 years ago that we began submitting the Heidelberg Group's sustainability report at each annual shareholders meeting. And this year's report – on the 2006/2007 financial year – presents concrete examples to show how we successfully combine doing business with environmental and social responsibility. As it reveals, we have once again made improvements in all relevant areas of our company.

We also want to continue sustainably enhancing our performance in terms of innovativeness, efficiency, processes and investments.

This year – which marks the 50th anniversary of our Wiesloch-Walldorf site, the world's largest printing press factory – we are launching a new press series to begin yet another forward-looking chapter in our company's history. The over 400,000 top-quality, highly reliable printing units built in this plant have greatly helped Heidelberg attain and consolidate its leading position in the world's markets.

The recent agreement on an overall solution to secure our future up until the year 2012 will allow us to continue adding to the cost savings implemented so far. By this means, we will strengthen our competitiveness and flexibility, which will in turn provide greater job security for our workers.

In order to increase the benefits our customers reap, for decades we have been investing in staff training – especially taking advantage of economic slowdowns to prepare for the future. Now, bolstered by a solid order backlog and brisk order intake, we have been able to increase the size of our workforce for the first time in years.

The overall prerequisites for our continuing to do good business are now met. This will ensure not only our business success, but also our ability to meet our responsibilities to the environment and society. Our stakeholders – investors, employees, customers and interested members of the public – will definitely find confirmation in this new sustainability report that we have made progress on all fronts.

Heidelberg, July 2007

B. Schreier

Bernhard Schreier
Management Board Chairman

The 2006/2007 Financial Year
Review of Important Events

Q1

> POSITIVE TREND

At the year's most important trade show for the print media sector, IPEX in Birmingham, England, the industry gives clear signs that it is continuing its positive development. At Heidelberg's exhibit, visitors show particularly keen interest in the long Speedmaster perfector presses, the new Anicolor inking units technology, and the world premiere of Prinect Inpress Control, a system that enables a consistently automated color workflow.

> PLANT EXPANSION

The groundbreaking ceremony for the expansion of the Heidelberg Postpress plant in Nové Mesto, Slovakia, takes place in mid-May. A hall annex measuring 100 x 20 meters and a new administrative building are being added.

Q2

> INNOVATION AWARD

Readers of the trade journals for the printing industry published by the Ebner Group pick two new Heidelberg products as the industry's most innovative. They award first place to the Prinect Inpress Control inline color measurement system, and second place to the Anicolor short inking unit technology.

> INAUGURATION IN CHINA

In late September, Heidelberg inaugurates its new assembly plant in Qingpu on the outskirts of Shanghai. It will build folding machines and a family of small printing presses. The event also coincides with the starting gun for the plant's expansion. When this is completed, Heidelberg will have 16,000 square meters of assembly space there. The facility employs about 120.

Q3

> COMPLETE TAKEOVER

Heidelberg's Swiss partner for label and folding carton presses, the Gallus Group based in St. Gallen, acquires the German company BHS Druck- und Veredelungstechnik GmbH based in Weiden in northeastern Bavaria. This step will let Gallus, of which Heidelberg holds a 30 percent share, enlarge its portfolio of wide-web presses. Gallus had already acquired 30 percent of the shares of BHS in October 2005.

> CORPORATE TAX

Changes in Germany's corporate tax legislation will save Heidelberg an additional 70 million euros. This sum will be refunded in ten equal payments between 2008 and 2017.

Q4

> GOALS ATTAINED

Heidelberg's business activities continue to develop well through the end of the 2006/2007 financial year (on March 31). The order intake has risen by seven percent over the preceding year to 3.85 billion euros and sales by six percent to 3.80 billion euros. The annual profit has nearly doubled to 263 million euros.

> ONE MILLION CYLINDERS

In late March, Heidelberg's foundry in Amstetten supplies the one-millionth cylinder. It is installed in a Speedmaster SM 52 press. The foundry near Ulm, Germany, has been operating since 1985. Since that time, its production volume has almost doubled to around 70,000 cylinders a year.

Environmental Goals and Activities

By systematically implementing a wide range of measures, Heidelberg began achieving the environmental goals set the year before.

GOALS FOR 2006/2007

ENSURE THE **ROHS COMFORMITY** OF HEIDELBERG'S PRODUCTS Heidelberg has voluntarily pledged to develop all new products for the market from 2011 on in compliance with the EU RoHS directive (Restriction of the Use of Hazardous Substances).

LOWER **EMISSIONS** We will reduce the emissions of all newly developed products relative to their productivity. We will cost-effectively modernize old systems in our production and assembly halls to comply with the stipulations of the German Technical Guidelines for Air Pollution Control (TA Luft).

IMPROVE **ENERGY EFFICIENCY** We will develop a comprehensive concept for a forward-looking, secure energy supply for our sites. At the same time, we will further increase the energy efficiency of newly developed products.

SIMPLIFY Currently a large number of different ancillary materials are used in our production and assembly operations. By reducing this number, we will decrease the associated risks and costs.

EXTEND **STANDARDS** TO SUPPLIERS Sustainability must not stop at the factory gates. We will urge our external suppliers to comply not only with laws, ordinances, and regulations, but also with Heidelberg's standards.

CONSIDER **RISKS** In this connection, we will also consider and evaluate the environmental risks that suppliers pose for Heidelberg.

GOAL ACHIEVEMENT

All of Heidelberg's suppliers are involved in ensuring RoHS conformity. So far, 76 percent of our roughly 600 series suppliers have confirmed their **compliance with RoHS**.

To help develop products that **reduce emissions** further, Heidelberg has – for example – launched a comprehensive project on "printing without alcohol" that pools and coordinates all ongoing activities.

Modeled after the EU noise directive, various measures have been initiated to reduce further the **noise** caused by printing presses.

Within the context of the Prinect workflow, the Anicolor short inking unit cuts **startup waste** by up to 90 percent.

With our large family of "Star" products, we have succeeded in reducing the **power consumption** of press peripherals, in some cases significantly.

On the production side, the use of new burners for boilers has reduced **emission levels** further. There are also plans to optimize the suction ventilation systems for melting operations.

In the medium term, we are working with our suppliers to identify **ancillary materials** that can and should be replaced by other, already established alternative products, owing to their potential hazards, environmental burdens, future unavailability or relatively high costs. At the Amstetten plant, for example, around 20 percent of the cleaning products used in machining were eliminated during the last finacial year.

Vigorously Saving Resources

Sustainably saving resources and energy is an ongoing process. Heidelberg strives to drive this process at all of its sites.

Water consumption reduced by

17

million liters

Environmental awareness saves

60,000

euros

Energy use lowered by

18

percent

Lighting reduced by

1/3

LESS WATER

Until 2006, immersion recooling units with a capacity of 8,500 kilowatts were installed at the Amstetten foundry for removing excess heat from the cooling circuits of the melting and holding furnaces. These were then replaced by dry coolers. The excess energy is now released directly into the atmosphere; the two remaining recooling units are only used to cope with peak loads. This reduced the water consumption per metric ton of molten iron from 395 to only 81 liters. During the first year of operation, it enabled the site to save around 17 million liters of water.

LOWER COSTS

In 2006 Baumfolder Corporation, a Heidelberg subsidiary in Sidney, Ohio, that makes folding and binding machines, won two awards for its success in improving safety. The company received one of the awards because it had had no accidents that caused employees to miss work. The other was for submitting the best safety report of a manufacturing company of its size. Like eight other Heidelberg sites, Baumfolder has been certified as compliant with the ISO 14001 environmental protection standard. It also continued to pursue another important environmental goal in 2006: more efficient use of paints and coatings in conjunction with reducing the amount of residues disposed of as waste in the paint shop. Environmental awareness on the part of employees saved the company around 60,000 euros in 2006.

LESS ENERGY

By installing a new heating plant for its assembly halls and administration building, the Ludwigsburg site killed two proverbial birds with one stone. The new boiler, along with new controllers, new distribution pipes and new valves, operates much more energy-efficiently than the old system: It slashes energy consumption by about 18 percent. And the environment benefits in two ways: CO_2 emissions fall parallel to energy consumption. What's more, the boiler now runs on environmentally friendlier natural gas instead of oil.

LESS ELECTRICITY

Outmoded lighting systems consume far more energy than necessary. Gallus, which is part-owned by Heidelberg, completely replaced the lighting systems in two large factory halls with total floor space of about 1,200 square meters. The use of high-intensity reflectors let the number of lamps be reduced by a third, and electric ballasts will double to quadruple their service life. In all, a total of around 4,300 euros a year are now being saved as a result. In addition, Gallus is now meeting all of its main building's heating requirements from controlled use of waste heat from air compressors. This has made it possible to take a 20-kilowatt electric water heater out of service.

The Growing Package Printing Market

The business of printing packages and labels is relatively impervious to economic ups and downs. And: it keeps on growing. Because of their size, many packages are printed on large-format presses – a category that Heidelberg is now systematically entering.

For Heidelberg, folding cartons and labels are the most interesting market segment. Both product types are produced and printed in large volumes.

> For many people, it is nothing more than a means to an end: packaging. Marketing experts see packages as "clandestine seducers" whose shapes, colors, and textures trigger purchase decisions. Consumers mainly value them as handy aids for transporting products and – especially in the case of food – keeping them from spoiling too fast. What most of them are unaware of is the enormity of the packaging industry: Last year it had global sales of over 400 billion euros. Two-thirds of this is accounted for by packages made of paper, board, and plastic.

Billions of Packages Very few packages find their way to retailers or consumers without being printed first. So the package printing business has immense sales volumes. Many billions of euros are spent each year to print cartons, bags, cans, plastic bottles, tubes, and labels, among other types of packaging. From Heidelberg's perspective, two product groups are especially relevant: folding cartons – used, for example, for food, medications, and cosmetics – and labels for bottles and other containers. Folding cartons are often printed on large-format presses, in other words those able to handle sheets up to 162 centimeters wide. And Heidelberg is now gearing up to enter this market with a vengeance.

Why is most packaging produced on the largest, fastest presses? For the major producers of brand-name articles, it's all about volume. Take Persil, for example, one of the best-known laundry detergent brands in Germany and other European countries: Year after year, tens of millions of packages containing it are sold. In the case of aspirin, the figures reach hundreds of millions. The world's largest tobacco corporations contract for billions of packets to be printed every year. Some of the figures are also very high outside of the industrialized nations. For instance, one of the biggest sellers of laundry detergent in the Arab countries prints between two and three million sheets a month.

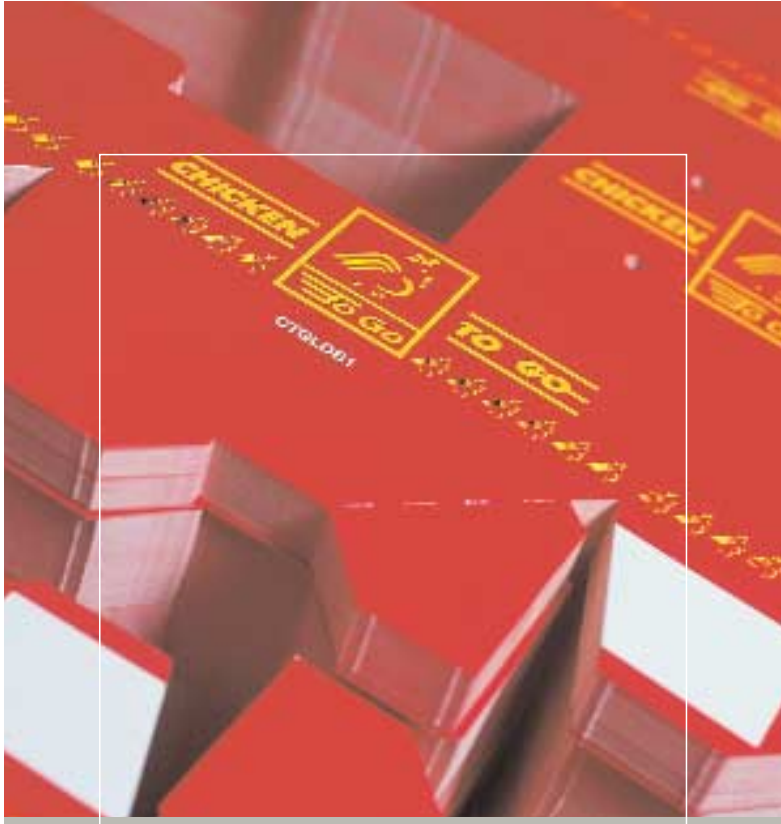
Different Drivers Despite these already-enormous numbers, the packaging market continues to swell – but for very different reasons. In the large industrialized countries, there is a long-term trend toward smaller and single-person households. This is prompting the food industry to market smaller packaging units with a larger packaging-to-contents ratio. The trend is receiving an additional boost from the growing demand for convenience and fast-food products, which are also characterized by a disproportionately large amount of packaging. The same statement also applies to the growing numbers of discount stores and the mounting flood of consumer electronics articles. Everywhere one turns, huge quantities of packaging materials are in evidence.

In stark contrast to the advertising industry, which is also very important to printers, the packaging market has been robust and relative immune to economic downturns for years. For a company like Heidelberg, presses for printing folding cartons and labels therefore present an excellent opportunity to offset fluctuations in order

volumes and keep factories working at full capacity. What's more, there is no risk of new electronic media – which can take the place of printed brochures or catalogs – muscling into the packaging market.

Food Products Driving Growth Another major growth driver in this sector is the development of developing and newly industrializing countries, especially those in East and Southeast Asia. In China, for example, which is by far the most populated country on earth, currently only about one-fifth of all food is packaged. By way of comparison, the figure in Western Europe is over 80 percent. Ten years ago, you would have had to look hard to find a Western-style supermarket; today, this retail sector is growing by seven percent yearly. The quantity of packaged foods – and with it, the number of printed packages – is expanding at almost the same rate. India is experiencing a similar trend; currently that country only has about 500 supermarkets. In developing and emerging economies in particular, packages serve much more than marketing purposes: they are primarily intended to protect products. Experts estimate that around a third of all food in India spoils on the way from the producer to the consumer, in many cases because it is inadequately packaged or not packaged at all.

Heidelberg is systematically fortifying its position in package printing by moving into very large format. It is inevitably going to benefit from the trends in both established and new markets. Heidelberg equipment is now used to print only about 20 percent of folding cartons and labels; its long-term target is for the figure to be over 40 percent, as in commercial printing. By the time drupa 2008 rolls around next spring, Heidelberg will be able to offer a complete portfolio of solutions for package printing, including prepress and finishing. <



"Very large format is ideal for printing packages. Heidelberg intends to significantly increase its market share in this segment."

Top Packaging

In the bustling "Big Apple" and in a quiet island nation near the Antarctic Circle: Heidelberg-quality package printing is also in demand nearly everywhere. For example, at the Pakworld printing company in Christchurch, New Zealand.

> New Zealand only has four million inhabitants on a land area not much smaller than Germany's – but 40 million sheep to make up for it. If you travel through the country, you need to be prepared for one thing: You will seldom cross paths with other people, but are all the more likely to counter bleating quadrupeds. The animals' meat is New Zealand's number one export; 360,000 metric tons of it were sent all over the world last year. So it's no wonder that the country's most-produced folding carton is used to pack mutton and lamb meat.

Class over Mass But the Pakworld printing company, based in Christchurch on the country's South Island, decided to get out of this business. "The boxes used to bring in about 25 euro cents each," reports Jon Flett. "Now you're lucky to get seven." Together with his brother Chris, the 36-year-old runs the business that their father, Bill, took over a quarter of a century ago. Jon and Chris have distanced themselves greatly from the mass business; today, the packaging specialists prefer class to mass. The family business with 26 employees count some 200 names on its customer list. It prints packaging for an impressive roster of international brands, including Johnson & Johnson, the US-based multinational that specializes in pharmaceutical and hygiene products. Owner Bill Flett also demonstrates brand loyalty: Ever since kicking off his professional career in 1949 with a Heidelberg Cylinder, he has been a fan of products from the German company on the opposite side of the globe. When Jon and Chris took over his business five years ago, they were quickly drawn to a Speedmaster CD 74. "None of the other machines we tested, including comparable models from all the big manufacturers in Europe and Asia, could compete with the quality of the Speedmaster CD 74," Jon Flett explains. For the brothers, the fact that Heidelberg runs a good service network in New Zealand was also important: It usually takes replacement parts a bit longer to get to New Zealand, situated just a few hours by plane from Antarctica, than to other parts of the world. The new Speedmaster CD 74 has enabled Pakworld to develop into one of the country's leading packaging printers. It does a lot of work for special service providers that package products for international corporations. One of these relies exclusively on Pakworld for printing that meets its customers' standards. "We now have almost 100 different packages printed there," says product manager Andrea Parsonage, "and will soon be adding almost 90 more to that total." They will also be printed on Pakworld's Heidelberg Speedmaster CD 74. <

Faster Makeready, Less Waste

Printers are expected to supply top quality fast and inexpensively – and these demands will grow louder in the future. Heidelberg is going a long way toward helping to meet these requirements with its Anicolor short inking unit.

> Arguably, there are uglier areas than those southeast of Zurich, Switzerland. There, one lake trails another through gently rolling hills and low mountains, surrounded by luscious green pastures and cows with clanging bells around their necks – a picture postcard vision of Switzerland. Nor does the commercial district of Egg, population 8,000, disturb this idyllic scenery; it nestles scarcely visible on the edge of the small town. Right across from the fire station and a building materials market, a utilitarian structure typical of 1970s architecture stretches down the street: It is the headquarters of Fotorotar AG. There's nothing on the outside of the building to give away the fact that the company has been helping to write a new chapter in the history of printing over the last few months.

World Premiere in Zurich Canton Trade experts agree that the zoneless Anicolor short inking unit developed by Heidelberg ranks among the most important technologies for the future of the graphic arts industry. This view is also shared by Jürg Konrad and Otto Brunner, who jointly own and manage Fotorotar AG. The technology premiered early this year on a five-color Speedmaster SM 52 press at the company, which employs 140. In just four months, the small-format press has churned out over a million printed sheets – to the great satisfaction of Konrad and Brunner.

Until recently, it was widely believed in the industry that zoneless inking units would never deliver the same level of quality as conventional inking units in offset printing. With Anicolor, Heidelberg has refuted this prejudice. "Last summer we traveled to Heidelberg with a printing plate in our baggage," reports Brunner. "We tested it on the Speedmaster SM 52 with Anicolor and thought, hey, this just can't be true. It was amazing how well it printed!" The key feature of this completely redesigned inking unit is that it only has a single form roller, which applies exactly the right amount of ink to the plate for each element to be printed.

Anicolor

LESS WASTE – GREATLY REDUCED ENVIRONMENTAL BURDENS

Reduced startup waste and paper consumption are the biggest benefit of the Anicolor inking unit – in both economic and environmental terms. Heidelberg carried out a comparative study to demonstrate the environmental impact of these savings. The data used complied with the EU "Energy-using Products" (EuP) directive, among others.

The study revealed that using an Anicolor inking unit contributes only a quarter as much to global warming (in terms of its CO_2 equivalent) as a conventional inking unit. The acidification potential (SO_2 equivalent), an inevitable result of producing and bleaching paper, also falls to 25 percent. Almost exactly the same values are obtained for eutrophication, or undesirable accumulation of nutrients in bodies of water: The phosphate (PO_4) influx also drops by three-fourths.

At first glance it seems to be nothing more than a typical example of Heidelberg's well-known quality, but look again and you'll see what makes it so special. "Now we only need half as much time for makeready, from clamping the plate to printing the first sheet," says Stefan Mikes, who heads the offset printing department at Fotorotar. In some cases, the time saving even amounts to 70 or 80 percent. The benefits are obvious: Especially when printing short runs, significantly more jobs can be handling during the course of a shift. This is a weighty argument in its favor, especially considering that the trend in the industry is clearly toward smaller editions.

Only a Tenth as Much Waste Because ink application is so even, far less paper is needed to obtain the OK sheet when starting up the press. "Today we only produce about a tenth as much startup waste," says Mikes. Together with Heidelberg's color management system, the number of waste sheets falls dramatically from around 250 to about 20. In these times of rising paper prices, this lets print shops realize major savings. Fotorotar consumes about 3,500 metric tons of paper, worth 3.6 million euros, each year. Without Anicolor, roughly 500 tons of the total – corresponding to half a million euros – wind up in the paper recycling dumpster. If the company switched its entire press fleet over to Anicolor, it would produce much less waste.

"By increasing our productivity and saving paper, Anicolor has given us more leeway for setting prices," stresses Konrad. "And with the pressures we're facing to keep costs down, we really need it." These days Fotorotar faces tough competition not only in Zurich or St. Gallen, but also in the new EU states and China, for example.

Fotorotar moved from Zurich to Egg, 17 kilometers away, 30 years ago.

"For us, innovation means always being a step ahead of the competition."

Jürg Konrad (left) and Otto Brunner, the managing directors of Fotorotar AG

And the new process, which lowers costs while still delivering premium quality, opens up fresh opportunities for it to win back jobs that had been lost to rivals operating in low-wage countries. A positive side effect: The environment also benefits from this Heidelberg technology. And not only because it cuts down on waste and consumes fewer (paper) resources. Since Anicolor has only a single form roller, it also reduces consumption of dampening solution, isopropyl alcohol, and roller cleaning products.

On runs of fewer than 1,000 copies, Anicolor slashes our printing costs by about 30 percent," says Brunner, who is responsible for managing the technical side of Fotorotar's operation. Since the beginning of the year, this has prompted him to switch many print jobs from a conventional press to the Speedmaster SM 52 with zoneless short inking unit. The faster makeready and reduced waste now even permit profitable offset production of very small jobs that for cost reasons previously had to be printed on a digital press. "Now, with Anicolor, the threshold is at around 50 or 60 copies," say both Konrad and Brunner – and offset is still superior to digital printing in terms of quality.

Much Faster Processes Where quality is concerned, the first impressions they received during the demonstration in Heidelberg have been confirmed: "The print quality is consistently excellent," says Mikes with satisfaction, stressing that the difference really makes itself felt when printing securities. Fotorotar is one of the three largest Swiss companies working in this field. Learning to operate the new press has been easy for him and his staff. "Only the routines outside the press are different," he explains: Now the overall process, including job planning and prepress, goes much faster than before.

The direction the printing industry is heading in is clear: toward smaller, more customized jobs, using standardized processes to keep costs down. Anicolor fits the bill perfectly. "This is our opportunity, and it is also the future of printing," says Brunner with conviction. Exactly the same view is voiced by Bernd Blumberg, who heads product management for the 35 x 50 cm (20-inch) and 50 x 70 cm (28-inch) formats at Heidelberg. He is positive that the share of small-format Speedmaster SM 52 presses with Anicolor will increase rapidly in the years ahead. There are already plans to build several hundred printing units with the new technology this year. Konrad and Brunner hope fervently that someday they will be able to take advantage of Anicolor in all format classes, all the way up to ten-color presses.

That day hasn't arrived yet, but a start has been made: Heidelberg is working on it. <

News

NEW LOGISTICS CENTER IN TOKYO

After Europe and North America, Asia/Pacific is Heidelberg's third-largest market. The company's sales company in Japan was established 80 years ago. In order to supply customers there with service parts faster, the Japan Logistics Center began operating in Tokyo in mid-2006. It is the third such facility worldwide, after the World Logistics Center in Wiesloch near Heidelberg and the Americas Logistics Center in Indianapolis. Soon a fourth supply hub, in Hong Kong, will round out Heidelberg's globe-spanning logistics network. It will mainly supply customers in China, India, Indonesia, Australia, and New Zealand more quickly and reliably with original Heidelberg parts. The Japan Logistics Center is located just a few kilometers from Tokyo's Haneda Airport, which serves destinations throughout the country. As a result, most of the ordered service parts reach customers in Japan very quickly. For rush orders within chronically congested Greater Tokyo, Heidelberg also uses messengers on motorcycles. Heidelberg's goal in establishing these "replacement part hubs" has been to increase further the availability of service parts in the world's most important markets. The network of logistics centers stock over 100,000 different replacement parts. This level of availability and the speed with which parts are delivered are unsurpassed in the industry.

SHARE BUYBACK

In October 2006, Heidelberg's Management Board decided to repurchase up to five percent of its shareholders' equity on stock exchanges. This was the second such initiative in 12 months; the first removed nearly 4.3 million shares worth 150 million euros from the market between November 2005 and July 2006. The second, still-ongoing share buyback effort will recover another roughly 4.15 million shares by January 2008. Some of the repurchased shares are being absorbed and some allocated to employee share programs. In late March 2007 the decision was also made to reabsorb 3.3 million company-held bearer shares as a simple way to reduce equity.

1,000TH SUPRASETTER BUILT

In February 2007 the 1,000th computer-to-plate (CtP) imaging system of the Suprasetter family was built in Heidelberg's Wiesloch-Walldorf plant. It was ordered by a customer in Brazil that mainly specializes in package printing. Heidelberg has sold more than 5,000 CtP machines worldwide to date. The company began developing technologies for directly imaging printing plates back in the early 1990s.

PMA EDUC@TE CENTER NOW UNDER ONE ROOF

Since the beginning of 2007, all product training activities of the Print Media Academy have been concentrated under one roof. Prior to that, they were distributed among several locations in Heidelberg and at the Wiesloch-Walldorf plant. Now the product courses all take place at a single, central facility: a building in Eppelheim near Heidelberg that used to hold a large printing company. The training center is attended by some 9,000 people a year.

LINOTYPE SOLD

At the beginning of August 2006, Heidelberg shed its subsidiary Linotype GmbH in Bad Homburg near Frankfurt. Linotype develops state-of-the-art font technologies, offering more than 6,000 original typefaces that cover the entire typographical spectrum. The buyer is US-based Monotype Imaging Inc., which owns an extensive library of fonts including the popular Arial and Times New Roman families. The resulting merger of the Linotype and Monotype libraries makes an even wider range of typographical solutions available to clients in the professional graphic arts industry.

3.2
KILOMETERS OF RAIL SIDINGS

9
HOURS AND 48 MINUTES WORKED A DAY

1.35
MILLION EUROS

860,000
SQUARE METERS

CONSTRUCTION OF THE PLANT

Back in the 1950s, the decision to establish the Wiesloch-Walldorf plant was primarily motivated by the site's good accessibility, and especially its connection to the railway network. The plant is located right on the railway line between the cities Heidelberg and Karlsruhe, to which it was linked by tracks with a total length of 3.2 kilometers. It took 14 months to build the facility, which initially consisted of an administrative tract and two halls with 35,000 square meters of space.

THE 1950s

Long working hours were the rule during the plant's first years. Nine hours and 48 minutes were worked each day from Monday to Friday, plus Saturday morning until 12:15 p.m. The hourly wage in the factory during the 1950s amounted to 1.44 euro (converted). Despite this, or perhaps because of it, the difficult post-war years forged a tight bond among Heidelberg's workers. They saw themselves as members of a big family that they were proud to work for.

THE INVESTMENTS

Heidelberger Druckmaschinen AG invested a tidy sum equivalent to millions of euros in its new plant. But this investment was only the beginning: Counting Hall 11 for the new very large format (VLF) presses, Heidelberg has so far spent around 1.35 billion euros to expand the plant, adding new halls and installing modern production systems. In the mid-1980s, all of the halls together had 250,000 square meters of floor space, and once Hall 11 is completed the figure will rise to around 510,000 square meters.

THE GROUNDS

Today the plant is the world's largest and most advanced printing press factory. It occupies 860,000 square meters of land, enough to accommodate nearly 120 soccer fields. Since its establishment, the plant has expanded greatly toward the west, as a result of which at least one-third of the built-on area is now located within the Walldorf city limits. Because of this, on March 1, 2007 it was officially renamed the "Wiesloch-Walldorf Plant". Since production began there in the 1950s, over 400,000 printing units have been built.

> 1957

The factory in Heidelberg has become too small, and no alternatives are available within the university town. Heidelberg therefore decides to move it to Wiesloch-Walldorf 12 kilometers to the south.

Wiesloch-Walldorf: A History of Growth

In the beginning there were only two halls and 900 workers; today there are over two dozen production buildings and some 6,400 employees. The Wiesloch-Walldorf plant has written a huge chapter in the history of printing since its establishment 50 years ago.

A milestone: In early July 1957, the company's then-CEO, Hubert H. A. Sternberg, officially inaugurated the new plant.

Germany in 1957. Over a decade after the end of World War II, Germany's factories are once again chugging along, and everywhere there is talk of the "Economic Miracle". Heidelberg is part of this postwar economic fairy tale: "Schnellpressenfabrik", as the company is still called, is practically inundated with orders. Although the factory buildings in the Heidelberg borough of Bergheim were once again enlarged at the beginning of the decade, the available space is about to be used up.

The situation is aggravated by the fact that the plant has just been cut off from one of its most important arteries: Heidelberg's main train station has been moved and the tracks through the city dug up, severing the link to the country's railway network. Freight cars have to be laboriously moved from the train station to the factory and back on special street rollers – untenable circumstances in the long term. Talks with the city of Heidelberg about a solution to the capacity problem drag on and on but ultimately fail to come up with anything workable.

Fast Growth at a New Site Casting about for an alternative, the company takes only a few weeks to find a promising site in Wiesloch, 12 kilometers further south. It acquires a large tract of swampy pastureland covering 38 hectares right on the Heidelberg–Karlsruhe railway line. Although extensive drainage and foundation work is required, within a year the first two factory buildings, an office complex, and a recreation building with canteen are standing. Freight trains can roll straight from the railway line into the plant, and staff can walk to their new workplaces in minutes. On July 5, 1957 the new plant is inaugurated in a large official ceremony.

> 1987

The hall for assembling the large 70 x 100 cm (28-inch) presses is inaugurated in Wiesloch-Walldorf. Thirty years after its establishment, the plant now has over 5,000 workers.

> 2007

The construction of Hall 11 in Wiesloch-Walldorf ushers in a new age. The outside of the building, which boasts 35,000 square meters of floor space, visibly echoes the contours of a printing press.

The 250,000th Heidelberg press was assembled in Wiesloch-Walldorf in 1973.

As orders pour in, the new plant grows very fast, and over a dozen new production halls are built over the next decade. During this time, Heidelberg also decides to concentrate on offset printing equipment as its core business instead of presses for classical letterpress printing. It completely restructures the factory, organizing it by parts families instead of machine types. More and more parts are produced on NC (numerical control) machine tools, most of which the company develops itself in collaboration with the Aachen Polytechnic College. During part of the mid-1980s, one-third of Europe's NC machine tools are installed in Wiesloch.

Industry experts refer admiringly to the factory as the "Mecca of manufacturing technology". Nor is this any coincidence; Heidelberg attaches top priority to investing in its production facilities. Its motto has always been to deploy the newest machine technology, work continuously to boost efficiency – and stay in the lead as a maker of printing presses. CNC machining centers, computer-controlled conveyor systems, and IT-assisted production planning continue to set new standards. The industry has never before witnessed such a high level of automation.

The efforts to expand and modernize the plant continue right up to and beyond the 50th anniversary of its establishment. A new, larger administrative building and a new canteen are built in 1990, followed by a data center (in 1991), a training center and a building for environmental services, including a laboratory and a waste sorting facility (both in 1995). The year 1999 sees the opening of the World Logistics Center, which works 24/7 to supply customers around the globe with service and replacement parts.

50 YEARS in Wiesloch-Walldorf

The dimensions of the new Hall 11 are huge, just like those of the very large format (VLF) presses.

A bird's-eye view of the Wiesloch-Walldorf plant, which covers nearly a square kilometer.

Sheets up to 162 Centimeters Wide The most recent major investment in the site may be regarded as a kind of "anniversary gift": Heidelberg is spending around 45 million euros to build a 35,000-square-meter hall for assembling the new very large format (VLF) presses. The construction of Hall 11, the exterior of which is designed to reflect the contours of a printing press, will be completed in the summer of 2007. Series production of the Speedmaster XL 145 and XL 162 presses will begin there in mid-2008. The new presses will print sheets measuring up to 120 x 162 cm (47.25 x 63.78 in) – twice the size of those that the largest presses now built by Heidelberg can handle. Presses this large – able to print a sheet the size of 40 A4 pages – are mainly needed for large package and label printing jobs. Coinciding with its 50th anniversary, the Wiesloch-Walldorf plant is thus beginning a new, promising chapter in Heidelberg's long success story.

On the Way to Becoming a “Green Factory”

When the Wiesloch-Walldorf plant began operating 50 years ago, virtually nobody had terms like “environmental protection” or “ecological” in their vocabulary. This statement also applied to the printing press industry. But that has changed dramatically since then: Today the plant, with grounds covering nearly a square kilometer and about 6,400 employees, is a model of environmentally aware production.

> 1957

Like in practically all companies and branches of industry, 50 years ago the notion of environmental protection is also virtually unknown in the Wiesloch-Walldorf plant. But environmental awareness gradually awakens over the years.

From the outset, the Wiesloch-Walldorf plant worked flat out to produce the legendary Heidelberg Platen press.

Germany in the days of the Economic Miracle: The factories only served one purpose: Produce, produce, and produce some more – nobody cared how much they polluted the air or water. After its establishment in 1957, the Wiesloch-Walldorf plant of Heidelberger Druckmaschinen AG was no exception. There, like everywhere else, it was not until later – much later, in fact – that awareness grew of the need to practice water conservation, responsibly manage hazardous substances, properly dispose of waste, and minimize emissions and pollution.

The process began with a key experience in the early 1980s. At that time, tetrachloroethylene (also known as perchloroethylene or PCE) was widely used in industry for degreasing metal surfaces. This inexpensive, nonflammable compound was captured in large concrete basins – also standard practice. What no one realized at the time was that it was able to seep through concrete and factory floor slabs and contaminate the groundwater. When this was discovered, Heidelberg responded. Twenty wells were dug around the plant's grounds, then the groundwater was pumped out, cleaned and returned to the soil. These wells 25 years ago marked the starting gun for active environmental protection at the plant. Just a few years later, a central environmental protection department was formed to address these issues.

Making Real Money with Waste And the new department did its job well. At that time, waste disposal cost the site around one and a half million euros a year. Today – despite substantially greater production volumes – the figure is only a million euros. "And this is offset by revenues of 1.2 million euros from the sale of materials for recycling, such as paper, metal scrap, and electronic components," explains Jens Schäfer, in charge of workplace safety and envi-

> 1995

Now everyone is talking about environmental protection. Heidelberg invests 15 million euros in a new disposal center. The plant is well on its way to becoming a "clean site".

ronmental protection at the site. He adds that this shows beyond a doubt that real money can be made with segregated waste collection – a clear demonstration of how environmental and economic interests overlap. "If we expect paper prices to rise, we let the collected pile accumulate for a few more weeks and then earn a few thousand euros more," he says by way of illustration. Over the last 15 years, the recycling rates in Wiesloch-Walldorf have climbed steadily while the disposal costs have dropped at a similar pace.

Disposal Partners Tightly Integrated in the Process In 1995, Heidelberg invested 15 million euros in a new waste disposal center. Today, between 80 and 90 percent of the waste produced in Wiesloch-Walldorf is put to use, with most of it being recycled and only a small remainder being burned as fuel. Schäfer tries hard to make sure that the waste is recycled in the vicinity, avoiding "waste tourism". "We also keep a close eye on how our disposal partners deal with our waste," says Schäfer. Only qualified and certified companies enter into consideration; Heidelberg now works with about half a dozen handpicked outfits.

In the 1990s, the company also launched a program to reduce emissions at its largest plant, especially in the electroplating and paint shops. "A lot of what we did was required by law," says Schäfer, "but it was fully in line with the basic ecological stance we had meanwhile developed." A completely new awareness also emerged over the years with regard to managing hazardous substances. New production technologies, for example, have allowed Wiesloch-Walldorf to reduce the quantity of cooling lubricant used by about 30 percent. Problematic materials and substances are now also managed very differently. "Before, not

> 2007

The recycling rates keep rising up to the anniversary year. Today between 80 and 90 percent of the waste is utilized, with most of it being recycled and the rest being burned as fuel.

Clean, neat, and well-organized – the appearance of the factory halls reflects Heidelberg's environmental philosophy.

even the disposal companies were willing to accept oily magnesium chips," explains Schäfer. Today, special centrifuges recover about 500 liters of oil yearly, which is reused in production. The cleaned magnesium chips are then melted down and recycled. Oil-contaminated wash water passes through an ultrafiltration system that separates out 90 percent of the oil, which the cement industry can then use as fuel. A measurement device monitors whether the surface water from the entire 860,000 square meters of the plant premises – which is collected and channeled – is contaminated, for instance with oil lost by a truck. At pollution levels as low as 20 millionths of a gram per liter of water, the system triggers an alarm.

In view of this comprehensive environmental management system, it should be obvious that the world's largest printing press factory has been certified for years as complying with the environmental criteria of DIN EN ISO 14001.

News

SOLUTIONS THAT DON'T CONSUME RESOURCES

Heidelberg isn't just the leader in sheetfed offset technology; the company also operates the world's densest sales and service network. Whenever a press develops problems, service technicians are typically on-site within hours. For several years now, however, they have been able to dispense with some of the trips to customer facilities – while also actively helping the environment. In 2004 Heidelberg launched its Internet-based Remote Services, which lets many problems be remedied without requiring the on-site presence of a Heidelberg technician. In financial year 2006/2007, three-fourths of the presses equipped with the CP2000 control system were already linked to Heidelberg's Remote Services system. In some countries, including Germany and the United States, the share is as high as 90 percent. In connection with Prinect software products, all of which are connected to the Remote Services, 95 percent of all problems are already solved over the phone and Internet. Without sacrificing the accustomed level of quality, this results in fewer trips to customers, lower consumption of fossil fuels, and correspondingly reduced CO_2 emissions. And Heidelberg will continue to expand its Remote Services.

NEW ENVIRONMENTAL INFORMATION CENTER

In a very prominent place, namely right in the lobby of headquarters, Heidelberg opened its new Environmental Information Center in December 2006. A printing press that is cut open lengthwise helps point out where and how state-of-the-art peripherals can help enable more efficient production, save costs, and protect the environment. From the feeder across the printing and coating units to the delivery, it reveals the workings of technologies that are normally hidden away inside the press. Also on display are nine different peripheral models from the Star family. The new Environmental Information Center was also showcased at several trade shows.

GOVERNMENT ENVIRONMENTAL AWARD

Print Bound, a Heidelberg customer in Australia, received an environmental award from that country's government. The print shop succeeded in reducing its consumption of chemicals by up to 90 percent by installing new presses, foremost among them a Speedmaster 102 with six printing units. By the middle of this year, the company also plans to be printing without alcohol in the dampening solution. Print Bound attaches great importance to raising the environmental awareness of its staff.

"GREEN" PLATESETTER

Heidelberg's developers have breathed a kind of "green soul" into one of the company's new platesetters. The Suprasetter A52/A74 uses only about one-fifth as much electricity as other, comparable models in its class. What's more, because it releases almost no heat, it usually eliminates the need to install air-conditioning: yet another stride toward conserving resources and protecting the environment. The new Suprasetter is also largely unaffected by fluctuations in relative humidity, so air humidification can be dispensed with. Finally, plate development takes place without chemistry – so no chemicals need to be bought, specially stored, or expensively disposed of.

LESS ENERGY AND WASTE

Gallus in Switzerland, in which Heidelberg owns a stake, is systematically cutting down on the electric power requirements of its UV dryers. An infinite electronic power controller automatically and precisely adjusts the output of the UV system of the Gallus TCS 250 to the printing method and speed. This slashes power consumption by over 40 percent on average. Only 20 percent as much power is consumed in standby mode as for maximum output, and the new exhaust air fans also use up less energy. Finally, the new UV dryer from St. Gallen also causes significantly less startup waste with temperature-sensitive substrates.

Being Sustainably Creative

DR. JÜRGEN RAUTERT, HEIDELBERG BOARD MEMBER FOR PRODUCTS & TECHNOLOGY

The pace of innovation has accelerated faster than ever in recent years. Will this trend continue?

Yes, for various reasons. The industry in Europe will only have good prospects of competing internationally if we offer the most innovative products for the graphic arts sector. Competition in our industry has intensified, and the ongoing evolution from operations that do much of their work manually to industrially organized and equipped plants has already progressed quite far. Our customers are clamoring for products that produce less startup waste, take less time to get ready for each new job, and also consume less energy per unit produced while generally conserving resources.

What importance do you attach to research and development?

Very great importance. Each year we invest over six percent of our sales in research and development of new products and software, as well as in efforts to develop our existing product portfolio further. That amounts to over 200 million euros spent to secure our future. The number of inventions we come up with clearly reflects this: As of March 3, 2007 we had over 5,200 patents awarded and pending worldwide, more than any other company in our business. And another 100 to 150 new patents join these every year.

What recent Heidelberg innovations would you especially stress?

I would call attention to three important new products launched over the last year, all of which help realize substantial savings in terms of time, startup waste and energy. One is the Anicolor short inking unit, which dramatically reduces the amount of startup waste on presses while ensuring extremely consistent results over the entire print run. The second is Inpress Control, the world's first and only inline spectrophotometer, which automatically controls inking inside the press to faithfully reproduce colors. This enables both faster makeready with less startup waste and totally constant colors throughout the run, which in turn lowers costs. Third, in connection with the strategy we have successfully pursued for years to integrate all press peripherals, we have developed new air and water supply units – belonging to our Star family – that cut the energy consumption of some devices by more than half.

To what extent are your innovations driven by the goal of energy efficiency and raw material prices?

They play a big role. Climbing energy and raw material prices concern everyone, both us and our customers. What they mean is that if we manage to develop products that cost less to operate and consume fewer materials – naturally without sacrificing anything in the way of quality – then we will have a competitive edge in the marketplace.

Will demographic changes affect the innovation processes at Heidelberg in any way?

Yes – and increasingly as the years go by. The number of university and college graduates with technical training – and with them the number of young, qualified job applicants – will fall. Competition for those that remain will get that much fiercer. At the same time, we are going to have more older employees in our ranks as the retirement age gets pushed back. To maintain and keep improving our high level of performance and efficiency at Heidelberg, we have to do what we can to promote the ability to perform of all staff as long as they are with the company.

How do you intend to accomplish that?

By broadening our responsibility for staff, in close cooperation with them, beyond their productive years to include their entire lifetimes. An important theme in this connection is that of lifelong learning. We don't just learn things because we're unable to do something. We also learn to prepare ourselves for internal and external changes. And that is something there will always be at Heidelberg.

Less Energy, Fewer Resources

No matter how sophisticated printing presses get, and how efficiently they run, they will always consume resources and energy. Heidelberg keeps on striving to reduce consumption of them – by implementing measures in a wide range of areas.

"Some of the DryStar systems let us recover a third of the waste heat produced during drying and channel it back into the process."
Alice Weimer, product manager for DryStar dryers

> Top-quality offset printing, which is standard at Heidelberg, depends on much more than the components that are directly involved in the printing process. The largest presses today consist of nearly 100,000 different parts, many of which are installed in "peripherals": devices for regulating the temperature, processing liquids, controlling the supply and removal of air, cleaning, and so on. In some presses, these peripherals account for some two-thirds of total energy consumption.

For over ten years, Heidelberg has been working systematically to minimize the resources and energy they consume. During this time, the company has developed an entire family – dubbed "Star" – of peripheral products for the Speedmaster press series. The two most important such products, the AirStar air supply cabinet and the DryStar dryer, have already been installed more than 10,000 and 5,000 times, respectively. The 13 products of the Star family cover the entire print process chain, from feeding sheets into the press all the way to drying them. Around 20 researchers and developers in Heidelberg work steadily to optimize the peripherals. The Star products let many print shops operate much more cost-effectively while significantly reducing the associated environmental burdens.

"Special filters continuously clean the dampening solution – so it can be used much longer."
Bernd Thuerauf, product manager for HydroStar, CombiStar, and AirStar

Air: the AirStar 3000 It takes air to guide sheets of paper contactlessly through the press – and in large presses running at up to 18,000 sheets an hour, a lot of it. And with it, energy – after all, the air has to be moved first. With the newly developed AirStar 3000, Heidelberg has charted new territory for energy-efficiently supplying large presses with air. Thanks to a new high-speed radial turbo blower, up to 50 percent less electricity is needed to provide the same amount of air.

The blowers are speed-controlled – in other words, only as much air is generated (and power consumed) as the press needs at any given time. In practice, this amounts to only 30 to 50 percent of maximum output. When air consumption is low, the blowers not needed are automatically switched off. The "new air" is also about 30 degrees Celsius cooler than before. That means that up to 45 percent less waste heat is released into the pressroom, which greatly reduces the need for air-conditioning during the warm months of the year. The new blower technology is also much quieter – another step, even if it is a small one, toward a safer working environment. Plus, this Star product is very compact, with a footprint only a fraction as large as before.

The AirStar 3000 noticeably reduces not only environmental burdens, but also the budget: Model calculations have revealed that it reduces the power costs for a press of the XL 105 series by between 5,000 and 15,000 euros a year – a clear illustration that ecology and economy don't have to be in conflict. Often enough, they harmonize well as a team.

Water: the CombiStar 3000 The new CombiStar 3000, a combination product for controlling the temperature of the inking units and supplying dampening solution, also delivers both environmental and economic benefits. A constant temperature in the inking unit through the printing process not only improves

"The InkLine 3000 automatic ink supply system reduces ink consumption by the press. It also considerably cuts down on makeready and downtimes."
Friedemann Leithäuser, product manager for InkLine, StaticStar, PowderStar, and CleanStar

"The latest generation of DryStar and DryStar UV lets us achieve faster production speeds while using the same, or even a smaller, amount of energy."
Martin Hirning, product manager for DryStar and CoatingStar

quality and color constancy, but also tangibly reduces startup waste and paper consumption.

A very special feature is "free cooling", which the new high-end model CombiStar 3000 Advanced uses to lower power consumption for inking unit temperature control by nearly half. In temperate climates like that of Central Europe, temperatures are below 16 degrees Celsius three-fourths of the year. This is low enough to cool the inking units directly from a recooler (heat exchanger) installed outside the print shop, without consuming any resources at all. A powered backup cooling unit only comes online when the outside temperature rises above 16 degrees.

Necessary for good print results, but not entirely unproblematic in environmental terms, is the practice of adding isopropyl alcohol to the dampening solution. The CombiStar integrates a special, highly accurate (within 0.5 percent by volume) alcohol measurement and metering device that lets the use of alcohol by reduced to the absolute minimum.

Drying: the DryStar 3000 Inline finishing techniques, and especially the use of special coatings, are increasingly in demand in the printing industry. But it takes quite a bit of energy to dry the coated paper. A high-volume stream of hot air can dry such a sheet in a fraction of a second. But all of the heat is then wasted. The DryStar 3000 LYYL, a special dryer installed in the "Y" unit, permits the recovery and reuse of about a third of this waste air. It is even technically feasible to recover a greater proportion, but that doesn't yield any further economic or environmental benefits: After the drying process, the waste air is saturated with water molecules, and more energy would be needed to rid it of its moisture content.

The second energy-saving new development in this category is a patented round-jet system that generates considerably more hot air throughout the dryer's surface than with conventional systems. This lets sheets with difficult-to-dry coatings be advanced 25 to 30 percent faster without expending more energy. Conversely, this means that at the same speed, energy consumption falls by between a fifth and a quarter.

Fewer resources are also required for the newly developed DryStar 3000 UV dryer: The reflectors have a new coating that keeps them so cool that virtually no ink gets baked onto them. This results in a much longer service life and a guarantee that production can take place under consistently identical conditions. <

Cleaning Up in Swabia

Environmental standards are less a question of laws than of corporate philosophy. And where audits are concerned, more important than the certificate is the experience gained along the way, as the example of Heidelberg's Ludwigsburg site shows.

Site manager Rolf Munz (front) and Franz Kaiser, in charge of Operations & Facility, have turned the Ludwigsburg plant into a model of environmental soundness.

A specially developed container has eliminated the need for an outer packaging for the delivered folding rollers.

> The Au industrial park of Ludwigsburg-Neckarweihingen. The premises on the southern fringe of this small town (population 6,000) are typical of the industrial operations set up in Germany in the 1950s: small, difficult to expand, and just a stone's throw from the nearest homes. Yet with usable space of 20,000 square meters, corresponding to three soccer fields, Heidelberg Postpress Deutschland GmbH is one of the largest companies based there. Its 450 employees assemble folding machines, which play an important role in finishing print products. The original company, Stahl, was established in the late 1940s. It occupied the plant in Neckarweihingen, which is incorporated in the city of Ludwigsburg, in the early 1960s. The company has belonged to the Heidelberg Group since 1999.

Consistent Environmental Renewal The plant has been enlarged several times over the last five decades. The original buildings – also in environmental terms – were in line with the standards of the 1960s and 1970s. "It was typical of medium-sized companies at the time," says the site's current managing director, Rolf Munz, with comprehension. Over the last eight years, this has changed dramatically. "A global player like Heidelberg naturally addresses environmental issues in a much more organized, consistent manner than a traditional midsized enterprise," stresses Franz Kaiser, whose title is "Head of Operations & Facility". He adds that it is not just about obeying the law, but much more about implementing a corporate philosophy.

One of the first environmental initiatives taken after the facility was acquired by the world market leader in sheetfed offset presses was to remove the on-site fueling station and dig up the gasoline-contaminated soil. A huge oil tank was also removed, and the freed-up space used in 2005 to enlarge the shipping department. But that was only the beginning; much more has also changed since then. Most recently, last year Heidelberg invested half a million euros to modernize the entire heating system for the assembly halls and the administrative building. New boilers, new controllers, new distribution pipes, and new valves now all help to keep heating costs down, and with them environmentally damaging CO_2 emissions. "It's still too early to accurately quantify the savings," says Munz realistically. "The winter of 2006/2007 was unusually mild."

While replacing the heating system, the site also largely switched from oil to using environmentally friendlier natural gas as fuel. The possibility of installing a small ecofriendly block-type cogeneration plant was also considered, but as it turned out it wouldn't have made economic sense for the site.

Instead of oil, the new heating system burns environmentally friendlier natural gas.

But the site has done more than cut back its CO_2 emissions. It has also reduced its consumption of environmentally harmful substances such as coolants and lubricants. However, this has been due less to the introduction of new technologies than to changes in the company's policy. For many years, Heidelberg workers – and before that, those of the Stahl company – machined nearly all of the parts for the folding machines built in Neckarweihingen themselves. Today most of them come from outside suppliers. This means that considerably less in the way of hazardous materials have to be used, processed, and disposed of at the site. Within five years, the new approach lowered the consumption of oils, emulsions, cleaning agents, and adhesives by about two-thirds. Despite this, Munz and Kaiser pay close attention to how their suppliers manage these hazardous substances.

Suppliers Tightly Involved Great attention is also paid to the suppliers and disposal services when the site's integrated management system is audited by DQS, a company that specializes in certifying management systems. Increasing attention is paid to environmental aspects for certification. In early 2006, DQS certified the Ludwigsburg site as being compliant with the DIN EN ISO 9001 and DIN EN ISO 14001 standards. A year later, the plant also passed the reaudit without any nonconformances.

"The certificate itself wasn't our real goal," adds Franz Kaiser. "It was actually the experience gained along the way." For instance, that of completely surveying, classifying, and evaluating all of the hazardous materials at the plant, obtaining documented proof from producers of the potential hazards of the products they supply, and getting the disposal services to document the quality standards they apply. "We also attach great importance to these standards," stresses site manager Munz.

One especially vivid example of how suppliers are integrated in the system pays off at incoming goods, and again in assembly. One of the suppliers sends about 20,000 folding rollers a year to Neckarweihingen. The rollers no longer need to be protected by disposable outer packaging: Heidelberg worked with the supplier to develop special reusable containers that are returned to the supplier for refilling. "Similar systems are now being used with other suppliers as well, and will be extended further," states operations manager Kaiser, to stress the direction things are moving in, even though they make considerable logistical demands on the suppliers. In an overall comparison with other German manufacturing companies, the auditors place Heidelberg's plant in Neckarweihingen in the top quarter. "And we have every right to be proud of this," says Munz. Nearly all of the large German sites of Heidelberger Druckmaschinen AG have been certified under DIN EN ISO 9001 and DIN EN ISO 14001, most of them several times.

"MORE IMPORTANT THAN THE CERTIFICATE WAS THE EXPERIENCE GAINED ALONG THE WAY."

The Ludwigsburg-Neckarweihingen site, like the other Postpress facilities, has joined Heidelberg's voluntary commitment to achieve RoHS conformity for all new products entering the market from 2011 on. RoHS conformity means that certain hazardous substances defined in an EU directive may only be present in very small quantities. And the suppliers are playing a crucial role in attaining this goal as well. It will make sure that the production processes and environmental orientation of Ludwigsburg-Neckarweihingen are well-prepared for the future. <

News

NEW MASTERS COURSE

The pace in the world of print media is quickening. To prepare young managers in this industry even better to meet its challenges, the School of Printing and Publishing of the London College of Communication is collaborating with Heidelberg's Print Media Academy. Since the beginning of 2006, it has been offering – with support from Heidelberg – an advanced course of studies culminating in a masters degree in print media management. The full-time course lasts one year. During the course of this year, students do two one-week stints at the Print Media Academy in Heidelberg. This lets them acquire a comprehensive understanding of new technologies, industry trends and new management methods. The goal of the course is to provide its graduates with the management skills and strategic capabilities they need to advance more rapidly to top positions in the print media sector. The curriculum has been put together in cooperation with industry and covers all areas of importance for printing companies today. It also illuminates the impacts that new technologies will have on the markets for print media.

LEARNING ON A PLATEN

A classic Heidelberg press built in 1962 is now helping street children in Colombia learn to read and write. In 2001 the company teamed up with the Heidelberg Teachers College and a school in Colombia to launch the educational offensive "Patio 13 – School for Street Children". The children are using the Heidelberg Platen to print texts that they write beforehand together with student teachers. The press, donated by a Frankfurt-based printing company, was overhauled and restored to working order by apprentices at Heidelberg. Three students of the collaborating Colombian school then attended Heidelberg's training center to learn how to operate it.

MORE IDEAS, GREATER BENEFITS

The positive trend in ideas management continued in the last financial year: Employees submitted 4,538 suggestions for improvement, two percent more than in the preceding year. The monetary benefits that Heidelberg derived from implementing the ideas also increased: from nearly 1.2 to over 1.4 million euros. The contributors also profited to a greater extent: After receiving 516,000 euros the year before, they pocketed bonuses amounting to 536,000 euros.

TRAINING FOR YOUNG PEOPLE IN SOUTH AFRICA

In South Africa, Heidelberg is supporting implementation of the country's "Black Economic Empowerment" policy. Its goal is to foster black and other disadvantaged population groups in various branches of industry. A three-year training program has been set up to turn six young people into qualified press mechanics and electricians. It comprises a total of 60 training units, for which the state organization MAPPP-SETA (Media, Advertising, Publishing, Printing, Packaging – Sector Education Training Authority) is providing support.

READING FOR SMALL CHILDREN

The ability to read means access to education – and education paves the way to a better future. To help families with children make reading a part of their everyday lives from a very young age, in the summer of 2008 Germany will launch a nationwide program titled "Learning to Read – a Reading Initiative for Germany". Heidelberg was one of the initiators of this campaign. When they go for the sixth routine pediatric examination, small children and their parents will receive a free, multipart reading set. Although one-year-olds naturally can't read yet, they can definitely see, feel, smell, taste, and play with books to literally "grasp" them. During two successive years, a total of half a million children and their parents will receive the reading set free of charge.

Non scholae, sed vitae discimus

Learning for life (at work) at Heidelberg

Training only really makes sense when it is goal-oriented and staff consistently apply their newly acquired skills. To ensure this, Heidelberg relies on team learning in a spirit of partnership.

In favor of team learning: Klaus Hohr, PhD

You've probably asked yourself the same question at some point: Why on earth did you have to learn this, that or the other thing in school, when afterward all you did was forget it again and you never needed it later in "real" life? And in fact, learning used to be a very one-sided affair: Knowledge was conveyed according to plan, from the top down, typically ignoring students' individual abilities and needs. How could it possibly yield lasting benefits?

What abilities does an employee need? Heidelberger Druckmaschinen AG wants to take the opposite approach. The head of personnel and organizational development, Klaus Hohr, PhD, has set himself the goal of "sustained acquisition of skills". Heidelberg's philosophy of learning revolves around questions like: Where do employees stand and what capabilities do they already have? Where do they want to get to, and how does Heidelberg see their path? And what do they need to successfully follow this path? At least once a year, and usually considerably more often, questions like this are asked and answered. "Learning, for us, is never an end in itself," says Hohr. "Rather, it is a means to an end."

Whether we're talking about apprentices, university graduates just starting their careers, or managers: Basic and especially continuing training at Heidelberg is always focused and appropriate to each case. Which courses and seminars staff attend depend entirely on their particular personalities, potentials, aptitudes, tasks, and goals within the company. Employees vary greatly, and so do the qualification and training programs designed for them. Their modules are critically examined at intervals to assess their suitability and efficacy. Six to nine months after each training measure, a check takes place: Has it been worthwhile? If not, why not? What could have been done differently or better? And where do we take it from here?

Not many training events take place in isolation. Usually they are part of a whole string of activities during which a relationship of trust is established between the learning partners. "Trust is crucial for learning processes," stresses Hohr. This applies in especially large measure to employee-supervisor relationships. What is needed is sustained learning, especially in times of change – and Heidelberg has seen plenty of them over the years: changes in technologies, changes in the market situation, changes in the company's organizational structure. As individuals, employees are often overwhelmed by them. "With few exceptions, changes can only be mastered by working as a team," says Hohr. "Which is why team-based learning is becoming so important at Heidelberg."

FIT for Growing Older

Heidelberg's workforce is getting older. To prepare staff for the steadily increasing challenges of work while preparing them for a longer working life, the company has launched its "FIT" program.

1 INFORMATION

2 LEADERSHIP

> The demographic cocktail is sizzling: In a little over a decade, it is predicted, the 50–54 age group will be the one most heavily represented in Germany's workforce. The retirement age is also being gradually pushed back to 67, which will increase the average age of workers even more. At the other end of the age pyramid, which is increasingly being stood on its head, the steady decline in birth rates since the 1990s threatens to throttle the supply of young new workers. German industry, the mechanical and systems engineering sector as one of its main drivers, and thus also Heidelberger Druckmaschinen AG, all face unprecedented challenges.

The changes in the German population's age breakdown are already impossible to overlook. Despite various early retirement programs, the average age of employees in the mechanical engineering industry is already two years more than in 1990. At Heidelberg the trend is even more pronounced: Between 1994 and 2007 the average age of its workers rose from 37 to 40. And it will continue into the future, although somewhat more slowly.

The performance and creativity of staff are among the most valuable resources of companies, industries, and entire national economies. "But the ability to innovate isn't a question of one's age," stresses Edelgard Bulmahn, former German education minister and present chair of the economy and technology committee of the German Bundestag. "Of much greater importance for developing this ability is one's working situation."

Not Only Targeting Older Staff Heidelberger Druckmaschinen AG has responded to the challenges of demographic change with its "FIT" program. Three years ago, the company launched a pilot project in the small-format assembly department of its Wiesloch-Walldorf facility. "The average age of the 350 staff of this department was already quite high, at 45," explains Dr. Maren Schubert, who is in charge

3 HEALTH MANAGEMENT

of the project. In March 2006, work began to extend the program to logistics (with 180 staff) and electronics production (employing 450).

"If we at least want to keep our competitiveness at a constant level despite the rising average age of our workers, we have to improve their performance," says Schubert about the program's objectives. "FIT is by no means restricted to older employees, or even those approaching retirement. It targets everyone. Their lengthening working lives are like a marathon, for which they have to prepare themselves well, and while running they have to pace themselves intelligently." She points out that many staff, including managers, have not yet fully realized that they now have to last quite a bit longer.

"As an employer, Heidelberg shares responsibility for keeping its employees fit and healthy," states Schubert, who has a doctorate in sociology. The stress, of course, is on "shared" – the main responsibility for maintaining their ability to work and perform rests with workers themselves. Heidelberg can therefore only make suggestions and create an environment that is conducive to a healthier life. "However, getting people to take responsibility for themselves is one of the biggest challenges," as Schubert knows from many years of experience. After all, it very often requires them to change their behavior – and that is something that our species, including "Homo Heidelbergensis", is notoriously bad at. The pilot project, initiated in 2003, started by analyzing the implications of an aging society. Five closely intermeshing action areas were defined and concrete measures derived for them.

The success of such a program greatly depends on the right leadership and the availability of sufficient information. The first two action areas were therefore appropriately titled "Guidance" and "Information". Heidelberg's managers have to realize that the ongoing demographic changes require them to modify their leadership style. To drive this rethinking process, various events and training activities were specially designed for managers. These allowed them to thoroughly familiarize themselves with the repercussions of demographic change and its implications for managing staff. The basic ingredients for getting workers to take responsibility for themselves, as Heidelberg expects them to, are information and knowledge. To increase their awareness of this topic, several information events, presentations, and group discussions were organized.

Creating Greater Awareness The action area "Health" aims to provide focused encouragement for staff to develop greater physical, mental, and emotional awareness. At its core is a health program with quarterly changing foci. Topics were derived from talks with staff in various

4 LEARNING

"Learning doesn't mean saying 'I can't master something'," says Dr. Maren Schubert. "It means preparing myself for change."

health discussion groups and from the sickness statistics of the departments participating in the program. For example, to confront an epidemic of back problems, a ten-day back exercise program was offered.

Healthier Food, More Exercise On the topic of "nutrition and exercise", the canteen offered special diet food during two time periods. In addition, a state medical insurer was involved to hold a course lasting several days that provided advice on food and exercise. Parallel to this, staff could regularly jog together in preparation for a company race.

Health Management Officer Heidelberg also attaches high priority to its employees' mental health. All supervisors of the participating departments attended a two-day workshop on the topic of "staff in life crises", which primarily addressed the effects of continual stress at work. Because the company is genuinely interested in keeping its staff healthy, it has also introduced a full-time health management officer.

Lifelong Learning In order for Heidelberg's employees to stay mentally fit and able to compete with younger people right up to retirement, they have to practice lifelong learning. "Learning doesn't mean saying, 'I can't master something'," says Schubert. "It means preparing myself for something new, for changes." One strong focus of the FIT program is on helping older staff in particular overcome their shyness about learning, and convincing them of the need to keep on learning all their lives.

5 WORKING

Analyzing Workplaces The program's fifth action area is, finally, "Working". In this area, it was analyzed whether workplaces, especially in production, are also suitable for older employees, and to what extent they need to be redesigned. To prevent constant one-sided stresses, for instance on the back, a number of employees were reassigned to other jobs.

In the medium term, FIT will spread to include all of Heidelberg's employees. And the program will not be a one-of-a-kind initiative. The idea is for it to become permanently anchored within the company. <

German Standards for Mexico

Training of printers isn't as good everywhere as it is in the big industrialized nations. Not everywhere are the print shops as clean and neat, and not everywhere do staff do their work so responsibly. With its "estro" project, Heidelberg intends to change this state of affairs in Mexico and, soon, in other emerging economies as well.

"estro" sounds Spanish, but it is from ancient Greek and means, loosely translated, "inspiration and passion for the arts". In this case, for the art of printing. In emerging economies like Mexico's, this art isn't necessarily well-established: There are no certified training programs as in Germany and elsewhere, and many workers are extremely relaxed with regard to things like neatness and responsibility. At the end of the day, this inevitably detracts from quality and productivity. Heidelberg has resolved to change this situation. In cooperation with Grupo Gráfico Romo S.A. de C.V., one of the country's leading quality printing companies, four years ago Heidelberg launched the "estro" project in Mexico City.

Crash Course and Practical Exercises In a five-day "crash course", print shop employees first learn the basics of printing technology, which they then practice in hands-on exercises on Heidelberg presses. In the same way, the course participants learn how important it is to thoroughly clean and take care of the equipment and regularly carry out preventive maintenance.

For many of them, the idea is also new that a clean, tidy workplace can have a major impact on the quality of print products. Other topics covered are accident prevention, print shop processes, the importance of assuming responsibility, and good nutrition at work. After all, these "soft skills" are just as important for the performance of print shop workers as their technical qualifications.

Over the course of the following four months, the participants receive several surprise visits from staff of Heidelberg Mexico and Grupo Gráfico Romo S.A. de C.V., who check whether they are applying what they have learned. Healthy competition among them is encouraged: In the "estro" print shops, their scores are posted on a board for everyone to see. If they attain a certain minimum score in the audits, they are rewarded with a certificate.

In demand: Print shop workers with the "estro" certificate.

Since the project got under way four years ago, it has trained over 200 employees of Heidelberg customers in Mexico. During this time, "estro" has established itself as a seal of quality for the printing industry in this large, heavily populated country between the United States and Central America. For Heidelberg, this involvement pays off in economic terms as well: print shops with qualified, responsible employees who use their heads are more likely to invest in new, larger equipment than others. There are also medium-term plans to implement "estro" in other emerging economies, for instance Egypt.

Further Information





Print Media

SUSTAINABILITY REPORTS

> Sustainability Report 2005/2006
> Sustainability Report 2004/2005

"PRINTING AND THE ENVIRONMENT" BROCHURES

> No. 11 "Environmental Protection at Heidelberg"
> No. 10 "UV Technology"
> No. 9 "Printing with Less Alcohol"
> No. 8 "Effective Use of Cleaning Agents"

Please order these publications by sending an e-mail to environment@heidelberg.com or on the Internet at www.heidelberg.com > Download Center

Internet

ANNUAL REPORT 2006/2007

On the Internet at www.heidelberg.com > Investor Relations > Annual Report 2006/2007

COMPANY BROCHURE

On the Internet at www.heidelberg.com > About Us > Company > Company Profile

FACTBOOK 2007/2008

On the Internet at www.heidelberg.com > Investor Relations > Factbook 2007/2008

PRINT MEDIA ACADEMY

The Print Media Academy also offers events on environmental topics. Consult the current program on the Internet at www.print-media-academy.com

ENVIRONMENTAL INFORMATION CENTER

You can visit the Environmental Information Center in the Print Media Center at our headquarters in Heidelberg, and in the Print Media Academies in Kuala Lumpur, Malaysia, and Shenzhen, China. Please contact the Heidelberg branch nearest you to arrange an appointment.

INQUIRIES

If you have questions about specific sites or products, please contact the responsible local individuals. You will find the addresses at www.heidelberg.com > About Us > Environment > Site Data

Please direct questions about available subsidies for environmentally friendly investments to your Heidelberg branch or fax them to +49-62 21-92-50 69.

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Print Media Academy

Technical Service

Service Parts & Logistics
Maintenance
Output Optimization

Consumables

Printing Inks
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Blankets
Chemicals

Financial Services

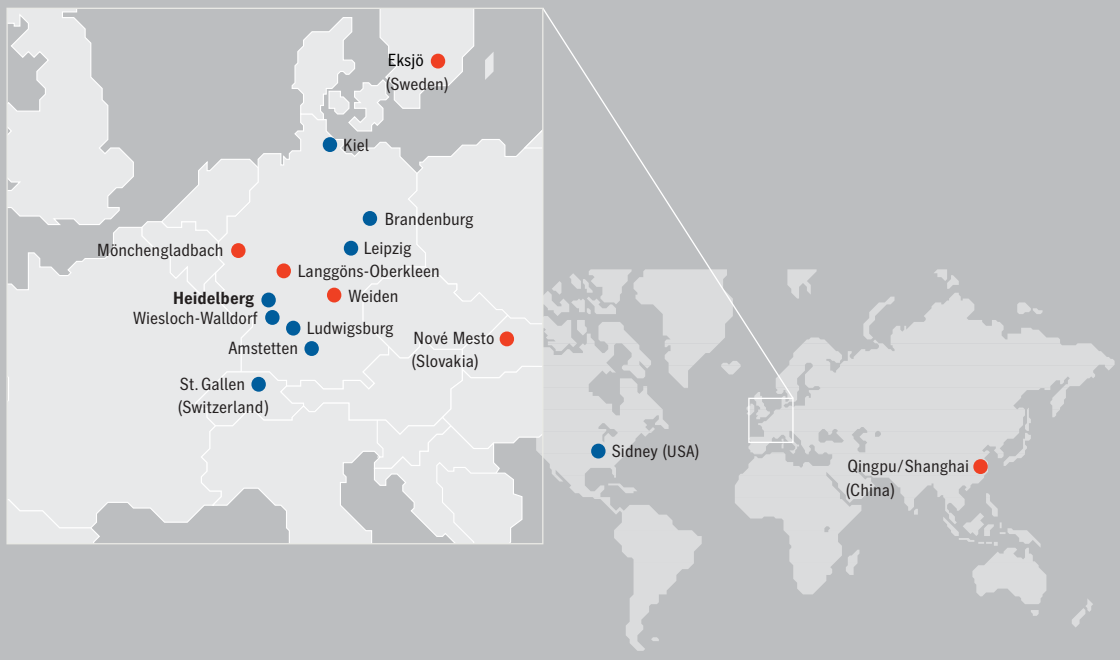
Customer Finance
Insurance

*The service components are assigned to the respective divisions, for which they are supplied. Customer Finance is shown in the Financial Services Division.

Remarketed Equipment

HEIDELBERG

Production and Development Sites



- Certified as ISO 14001-compliant
- Not yet certified

ENVIRONMENTAL POLICY

A functioning environmental management system is indispensable for enabling the Heidelberg Group to consistently implement its environmental policy and raise the achieved environmental standards further. Heidelberg has therefore been working steadfastly since 1996 to install environmental management systems that conform to the international ISO 14001 standard at all of the group's production and development sites. So far, nine of the 15 sites have been certified.

The writing of this report was finished on June 30, 2007, and the German version was published on July 26, 2007.

The last report was issued in July 2006; the next one will appear in July 2008.

Environmental data, names of contacts and general information on all 15 sites can be found on the Internet at www.heidelberg.com > About Us > Environment > Site Data

Heidelberger Druckmaschinen AG
Kurfuersten-Anlage 52 – 60
69115 Heidelberg
Germany
Phone +49-62 21-92 00
Fax +49-62 21-92 69 99
www.heidelberg.com

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