# Interim Financial Report
# **Q2 2016/2017**

HEIDELBERG

# INTERIM FINANCIAL REPORT Q2 2016/2017

- Sales of € 1,072 million in first half of 2016/2017
- Incoming orders rise to € 1,408 million; order backlog up around 19 percent at € 765 million
- EBITDA excluding special items amounts to € 45 million in first half of year
- Result of operating activities excluding special items (EBIT) of € 11 million generated
- Positive net result after taxes of € 9 million in the second quarter

## Key performance data

| Figures in € millions | | Q1 to Q2 | | Q2 |
|---|---|---|---|---|
| | 2015/2016 | **2016/2017** | 2015/2016 | **2016/2017** |
| Incoming orders | 1,323 | 1,408 | 620 | 604 |
| Net sales | 1,162 | 1,072 | 599 | 586 |
| EBITDA [1] | 79 | 45 | 33 | 44 |
| in percent of sales | 6.8 | 4.2 | 5.6 | 7.5 |
| Result of operating activities [2] | 43 | 11 | 15 | 27 |
| Net result after taxes | – 14 | – 28 | – 9 | 9 |
| Research and development costs | 60 | 58 | 30 | 29 |
| Investments | 24 | 51 | 11 | 26 |
| Equity | 294 | 126 | 294 | 126 |
| Net debt [3] | 284 | 276 | 284 | 276 |
| Leverage [4] | 1.3 | 1.8 | 1.3 | 1.8 |
| Free cash flow | – 30 | 0 | 5 | – 7 |
| Earnings per share in € | – 0.05 | – 0.11 | – 0.03 | 0.03 |
| Number of employees at end of quarter (excluding trainees) | 11,753 | 11,519 | 11,753 | 11,519 |

[1] Result of operating activities before interest, taxes, depreciation and amortization, excluding special items
[2] Excluding special items
[3] Net total of financial liabilities less cash and cash equivalents and current securities
[4] Ratio of net debt to EBITDA excluding special items for the last four quarters

In individual cases, rounding could result in discrepancies concerning the totals and percentages contained in this interim financial report.

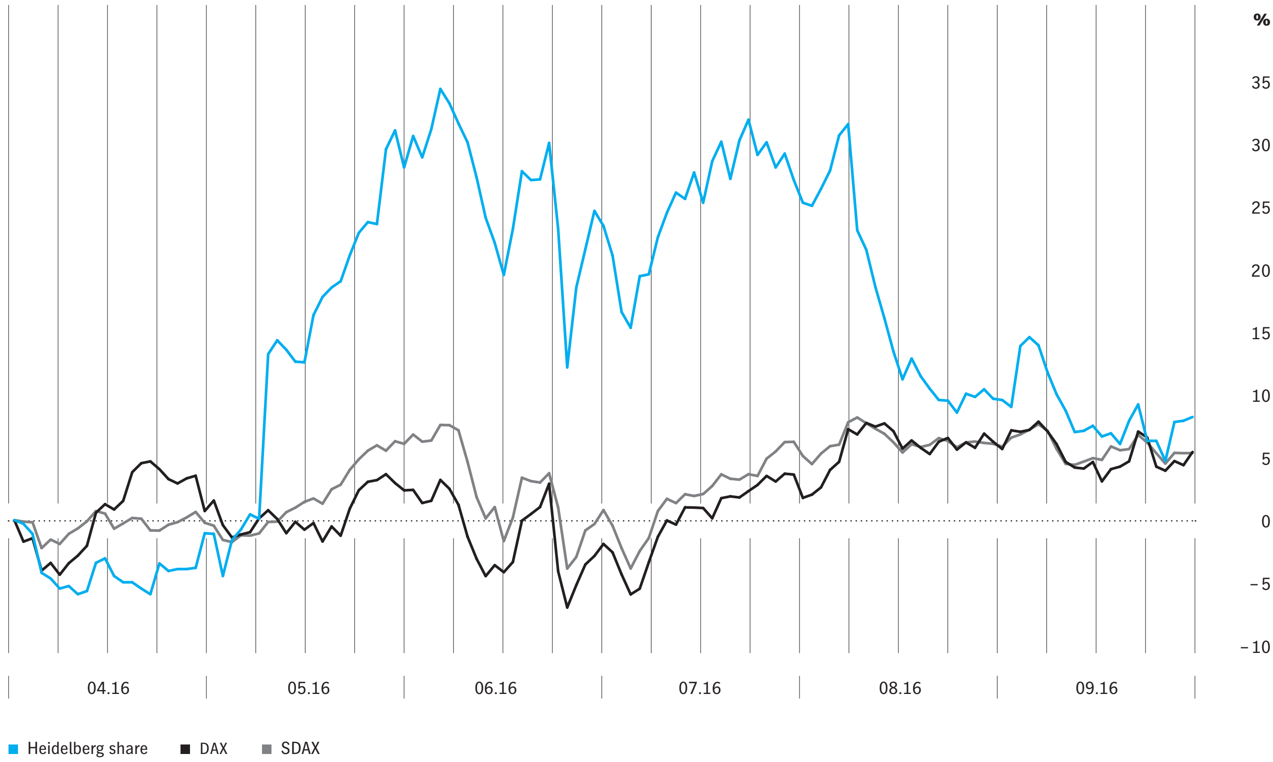
# Interim consolidated financial report

Q2 2016/2017

# Heidelberg on the capital markets

**Performance of the Heidelberg share**

Compared to the DAX and the SDAX (index: April 1, 2016 = 0 percent)




## The Heidelberg share and the Heidelberg bonds

Following the publication of preliminary figures for the past financial year, the price of the HEIDELBERG SHARE rose significantly at the start of May and on June 7 it reached its highest level for the first half of the 2016/2017 financial year of € 2.68, equivalent to an increase of around 35 percent.

The share subsequently displayed a mixed performance, with stock market developments being significantly impacted in particular by geopolitical events such as Brexit. The share price reached its highest level in the second quarter at € 2.63 at the end of July. After the figures for the first quarter of the current financial year were published in early August, there was a price adjustment to € 2.08. A recovery then took place at the end of the second quarter and the Heidelberg share closed the first half of the year with a gain of around 8 percent. The HEIDELBERG CONVERTIBLE BONDS recorded a similar price performance to that of the share and likewise closed above their price at the beginning of the half-year period. In the first half of the year, the HEIDELBERG 2015 CORPORATE BOND continuously traded at over 100 percent. The HEIDELBERG 2011 CORPORATE BOND was repaid in full in the first quarter of the financial year.

## German benchmark index DAX impacted by geopolitical events

In the first half of the year under review, international stock market developments were impacted by geopolitical events such as the Ukraine crisis and political uncertainties in the Middle East. In addition, the US election campaign also resulted in turbulence on the financial markets. On June 27, the British vote for Brexit triggered a slump in the DAX, which then hit its low for the first half of the year of 9,268 points. The German benchmark index then recovered to a level of 10,753 points by early September, its highest level since the start of the calendar year. The DAX closed at a level of 10,511 points on September 30, down around 5 percent on its level at the beginning of the financial year.

**Key performance data of the Heidelberg share**

| Figures in €<br>ISIN: DE 0007314007 | Q2<br>2015/2016 | **Q2<br>2016/2017** |
|---|---|---|
| High | 2.41 | 2.63 |
| Low | 1.94 | 2.08 |
| Price at beginning of quarter [1] | 2.07 | 2.46 |
| Price at end of quarter [1] | 2.29 | 2.15 |
| Market capitalization at end of quarter in € millions | 590 | 554 |
| Outstanding shares in thousands (reporting date) | 257,438 | 257,438 |

**Key performance data of the Heidelberg 2015 corporate bond**

| Figures in percent<br>RegS ISIN: DE 000A14J7A9 | Q2<br>2015/2016 | **Q2<br>2016/2017** |
|---|---|---|
| Nominal volume in € millions | 205.4 | 205.4 |
| High | 103.3 | 107.2 |
| Low | 100.0 | 103.5 |
| Price at beginning of quarter [2] | 103.2 | 103.5 |
| Price at end of quarter [2] | 100.0 | 106.3 |

**Key performance data of the Heidelberg 2013 convertible bond**

| Figures in percent<br>ISIN: DE 000A1X25N0 | Q2<br>2015/2016 | **Q2<br>2016/2017** |
|---|---|---|
| Nominal volume in € millions | 60.0 | 60.0 |
| High | 111.9 | 111.6 |
| Low | 104.2 | 102.6 |
| Price at beginning of quarter [2] | 105.9 | 109.0 |
| Price at end of quarter [2] | 108.2 | 104.2 |

**Key performance data of the Heidelberg 2015 convertible bond**

| Figures in percent<br>ISIN: DE 000A14KEZ4 | Q2<br>2015/2016 | **Q2<br>2016/2017** |
|---|---|---|
| Nominal volume in € millions | 58.6 | 58.6 |
| High | 102.7 | 108.4 |
| Low | 94.5 | 99.2 |
| Price at beginning of quarter [2] | 96.5 | 105.5 |
| Price at end of quarter [2] | 100.3 | 100.5 |

[1] Xetra closing price, source: Bloomberg
[2] Closing price, source: Bloomberg

# ECONOMIC REPORT

## Macroeconomic and industry-specific conditions

The global economic growth of 2.2 percent in the first half of 2016 has remained modest up to now. While the situation in the emerging economies stabilized, economic momentum in the advanced economies generally slowed over the first half of the year. Uncertainties, for example with regard to the potential negative effects of Brexit and new concerns about the stability of banks in the euro zone, are continuing to impact the economic development.

In the emerging economies, there are increasing signs of an economic upturn. For example, the Chinese economy picked up as a result of government stimulus measures, although the pace of growth was still moderate at 6.7 percent year-on-year. The same applies to the other emerging economies in Asia. In Russia and Brazil, which had fallen into a deep recession in the previous year, the latest indicators signal an economic turning point – although there is still the potential for setbacks.

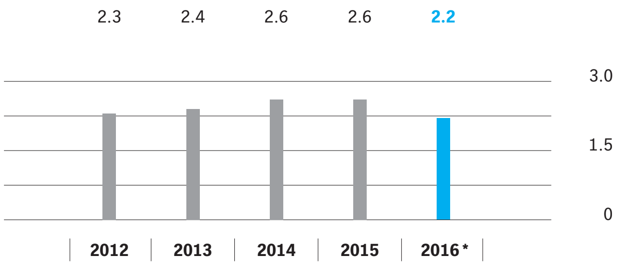
Economic expansion in the advanced economies slowed again somewhat in the second quarter of 2016. While in the United States the anticipated recovery after the weak first quarter did not materialize, production in the euro zone and Japan increased at considerably slower rates of 0.4 percent and 0.2 percent respectively in the second quarter. Within the euro zone, Spain and Germany presented bright spots, while the development in France and Italy was disappointing with stagnating economic growth.

The euro recovered from the Brexit shock over the course of the summer. After trading at less than USD 1.10 immediately after the Brexit vote, the euro is now back above USD 1.12. In relation to the Japanese yen, the euro increased somewhat to a level of EUR/JPY 115 in August. But with this increase the euro only recovered a small part of the value it had lost since the beginning of the year.

In spite of many political and economic risk factors, statistics published by the German Engineering Federation (VDMA) indicate that sales of printing presses by German manufacturers increased by 6 percent in the period from January to September 2016. However, a 7 percent decline in incoming orders was recorded for the same period.

**Change in global GDP [1]**

Figures in percent




* Forecast
[1] Data determined in accordance with the straight aggregate method

The chain-weighted method would deliver the following results:
2012: 2.6 %; 2013: 2.5 %; 2014: 2.7 %; 2015: 2.7 %; 2016: 2.4 %

Source: Global Insight (WMM); calendar year; as of September 2016

**Development of EUR / JPY**

October 2007 until October 2016


Source: Global Insight

**Development of EUR / USD**

October 2007 until October 2016


Source: Global Insight

## Business development

Heidelberger Druckmaschinen AG started the 2016/2017 financial year with a successful appearance at drupa in Düsseldorf. Thanks to the numerous orders concluded during and after the trade show, incoming orders were up by a good 6 percent year-on-year at the end of the first half of the year. As of September 30, 2016, the **ORDER BACKLOG** was up around 19 percent year-on-year at € 765 million (previous year: € 644 million), representing a good starting point for the anticipated increase in the sales volume in the second half of the year.

After the strong trade show quarter, **INCOMING ORDERS** in the second quarter amounted to € 604 million and thus did not quite match the previous year's level (€ 620 million). The figure for the first half of the year of € 1,408 million represented an increase on the corresponding prior-year figure (€ 1,323 million), which also included a strong trade show quarter with Print China. **SALES** increased by € 100 million compared to the first quarter but at € 586 million they were still slightly lower than in the same quarter of the previous year (€ 599 million). At the end of the first half of the year, they amounted to € 1,072 million (2015/2016 financial year: € 1,162 million). The high order backlog will lead to significant volume growth in the second half of the financial year. **TOTAL OPERATING PERFORMANCE** amounted to € 1,187 million in the first half of the year (previous year: € 1,216 million).

**Business performance by quarter**

| Figures in € millions | | Q1 to Q2 | | Q2 |
|---|---|---|---|---|
| | 2015/2016 | **2016/2017** | 2015/2016 | **2016/2017** |
| Incoming orders | 1,323 | 1,408 | 620 | 604 |
| Sales | 1,162 | 1,072 | 599 | 586 |

## Results of operations, net assets and financial position

Both EBITDA and EBIT were increased in the second quarter of 2016/2017 compared to the previous year's figures. Primarily due to the sales development and trade show costs, these key figures were still down in the first six months of the year compared to the previous year's figures, which also included a positive effect of around € 19 million generated in the first quarter of 2015/2016 from the reversal in profit or loss of the negative difference from the first-time consolidation of the acquired Printing Systems Group (PSG). The result of operating activities excluding special items and before interest, taxes, depreciation and amortization (**EBITDA**) thus amounted to € 45 million in the first half of the year (first half of 2015/2016 financial year: € 79 million) and € 44 million in the quarter under review (same quarter of previous year: € 33 million). The result of operating activities excluding special items (**EBIT**) amounted to € 11 million after the first six months (previous year: € 43 million). In the second quarter, it amounted to € 27 million (same quarter of previous year: € 15 million). Special items amounted to € –3 million in the quarter under review and were partly attributable to partial retirement agreements concluded in connection with the adjustment of personnel capacities at company sites in Germany. In the first half of the year, special items amounted to –6 million.

As a result of the repayment of a corporate bond, the **FINANCIAL RESULT** improved slightly to € –29 million in the first half of the year (first half of 2015/2016: € –30 million) and to € –13 million in the second quarter of 2016/2017 (same quarter of previous year: € –16 million). In the first half of the year, the **NET RESULT BEFORE TAXES** decreased from € –8 million to € –24 million, but in the second quarter it was already clearly positive at € 11 million (same quarter of previous year: € –7 million). The **NET RESULT AFTER TAXES** for the first half of the year amounted to € –28 million after € –14 million in the corresponding prior-year period, while in the quarter under review a positive net result of € 9 million was generated (same quarter of previous year: € –9 million).

**Income statement**

| Figures in € millions | Q1 to Q2 | | Q2 | |
|---|---|---|---|---|
| | 2015/2016 | **2016/2017** | 2015/2016 | **2016/2017** |
| Net sales | 1,162 | 1,072 | 599 | 586 |
| Change in inventories/other own work capitalized | 54 | 115 | 15 | 11 |
| Total operating performance | 1,216 | 1,187 | 614 | 597 |
| EBITDA excluding special items | 79 | 45 | 33 | 44 |
| Result of operating activities excluding special items | 43 | 11 | 15 | 27 |
| Special items | – 22 | – 6 | – 6 | – 3 |
| Financial result | – 30 | – 29 | – 16 | – 13 |
| Net result before taxes | – 8 | – 24 | – 7 | 11 |
| Taxes on income | 5 | 4 | 2 | 2 |
| Net result after taxes | – 14 | – 28 | – 9 | 9 |

**TOTAL ASSETS** amounted to € 2,135 million as of September 30, 2016, thereby declining compared with March 31, 2016 due to the repayment in full of the 2011 corporate bond in the first quarter of 2016/2017 and hence lower financial liabilities, as well as a further reduction in net working capital.

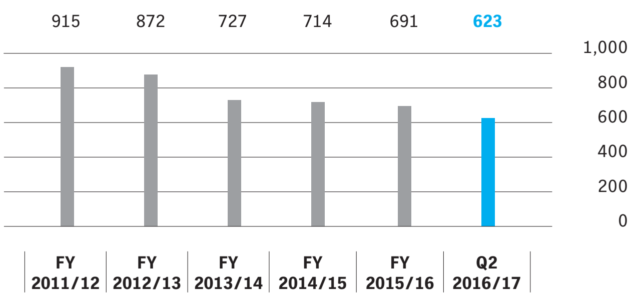
On the **ASSETS SIDE, INVENTORIES** increased to € 698 million compared with March 31, 2016 (€ 607 million); this was in line with expectations and serves to cover the higher sales volumes that are anticipated in the coming quarters. **NET WORKING CAPITAL** was nonetheless reduced by a further € 68 million to € 623 million between the financial year-end at March 31, 2016 and September 30, 2016, thanks to systematic asset and net working capital management. In the quarter under review, our customers' financing requirements were covered largely externally with active mediation of the Heidelberg Financial Services segment; as a result, we provided customer financing directly to a limited extent only. **RECEIVABLES FROM SALES FINANCING** declined to € 57 million due to the repayments received and refinancing on the part of customers.

**Assets**

| Figures in € millions | 31-Mar-2016 | **30-Sep-2016** |
|---|---|---|
| Non-current assets | 724 | 728 |
| Inventories | 607 | 698 |
| Trade receivables | 361 | 278 |
| Receivables from sales financing | 65 | 57 |
| Cash and cash equivalents | 215 | 145 |
| Other assets | 230 | 229 |
| | **2,202** | **2,135** |

**Development of net working capital** [1]

Figures in € millions




[1] The total of inventories and trade receivables less trade payables and advance payments

On the **EQUITY AND LIABILITIES SIDE**, the Heidelberg Group's **EQUITY** decreased to € 126 million as of September 30, 2016 in comparison to the end of the financial year on March 31, 2016. This was primarily attributable to the decrease in the domestic pension discount rate from 2.4 percent on March 31, 2016 to 1.7 percent on September 30, 2016. The equity ratio thus amounted to around 6 percent at the reporting date. Pension provisions recorded a corresponding increase from € 534 million at the start of the financial year to € 676 million as of September 30, 2016, meaning that total **PROVISIONS** rose to € 1,029 million. As a result of the higher level of inventories, **TRADE PAYABLES** increased compared with the end of the previous financial year (€ 179 million), amounting to € 199 million as of September 30, 2016.

At € 276 million (March 31, 2016: € 281 million), **NET DEBT** remained at a low level in the quarter under review. Consequently, **LEVERAGE** (the ratio of net debt to EBITDA excluding special items for the last four quarters) was maintained at below the target level of 2. **FINANCIAL LIABILITIES** amounted to € 421 million in the quarter under review, down significantly on the figure as of March 31, 2016 (€ 496 million) due to the repayment of a corporate bond.

**Equity and liabilities**

| Figures in € millions | 31-Mar-2016 | 30-Sep-2016 |
|---|---|---|
| Equity | 287 | 126 |
| Provisions | 930 | 1,029 |
| of which: pension provisions | 534 | 676 |
| Financial liabilities | 496 | 421 |
| Trade payables | 179 | 199 |
| Other equity and liabilities | 310 | 360 |
| | **2,202** | **2,135** |

**Overview of net assets**

| Figures in € millions | 31-Mar-2016 | 30-Sep-2016 |
|---|---|---|
| Total assets | 2,202 | 2,135 |
| Net working capital | 691 | 623 |
| in percent of sales [1] | 27.5 | 25.7 |
| Equity | 287 | 126 |
| in percent of total equity and liabilities | 13.0 | 5.9 |
| Net debt [2] | 281 | 276 |

[1] Net working capital in relation to sales for the last four quarters
[2] Net total of financial liabilities and cash and cash equivalents and current securities

The three pillars of our financing portfolio – corporate bonds, the syndicated credit line and other instruments such as convertible bonds – are well-balanced. Heidelberg currently has total credit facilities of around € 700 million with balanced diversification and a balanced maturity structure until 2022 and beyond. Net debt currently amounting to € 276 million is financed by basic funding until 2022 and beyond.

We supplement our financing with operating leases where economically appropriate. Other off-balance-sheet financing instruments do not have any significant influence on the economic position of the Group. Heidelberg continues to have stable liquidity. Our financial framework thus represents a solid foundation for the Company's continued strategic reorientation.

**CASH FLOW** amounted to € 14 million after the first six months of the current financial year (previous year: € 23 million). A net cash inflow of € 37 million was reported in **OTHER OPERATING CHANGES** in the first half of the year compared with a net cash outflow of € –27 million in the same period of the previous year. In addition to cash inflows from the reduction of net working capital, it also includes payments in connection with portfolio optimization measures of around € 12 million. **CASH USED IN INVESTING ACTIVITIES** increased to € –52 million (previous year: € –26 million), chiefly due to a fixed-income cash investment. Overall, **FREE CASH FLOW** after six months was at the break-even point (previous year: € –30 million).

**Statement of cash flows of the Heidelberg Group**

| Figures in € millions | | Q1 to Q2 | | Q2 |
|---|---|---|---|---|
| | 2015/2016 | **2016/2017** | 2015/2016 | **2016/2017** |
| Net result after taxes | – 14 | – 28 | – 9 | 9 |
| Cash flow | 23 | 14 | 9 | 31 |
| Other operating changes | – 27 | 37 | 5 | 8 |
| of which: net working capital | 88 | 70 | 26 | 13 |
| of which: receivables from sales financing | 7 | 9 | 3 | 5 |
| of which: other | – 122 | – 42 | – 23 | – 10 |
| Cash used in investing activities | – 26 | – 52 | – 9 | – 46 |
| Free cash flow | – 30 | 0 | 5 | – 7 |
| in percent of sales | – 2.6 | 0.0 | 0.8 | – 1.2 |

## Segment report

In the HEIDELBERG EQUIPMENT segment, sales in the second quarter of the 2016/2017 financial year were up slightly year-on-year at € 312 million (previous year: € 304 million), while the sales figure for the first half of the year of € 527 million was lower than the prior-year figure of € 581 million. After the first six months, the share of consolidated sales attributable to the segment was just under 50 percent. The order backlog rose to € 667 million as of September 30, 2016. The result of operating activities excluding special items and before interest, taxes, depreciation and amortization (EBITDA) amounted to € 17 million in the second quarter of the financial year after € 2 million in the same quarter of the previous year. On a six-monthly basis, EBITDA in the first half of the year amounted to € 3 million after € 10 million in the first half of the 2015/2016 financial year (including the positive effect from the first-time consolidation of PSG).

The Heidelberg Equipment segment had a total of 7,164 employees as of September 30, 2016. On a year-on-year basis, the number of employees fell by 118.

**Heidelberg Equipment**

| Figures in € millions | | Q1 to Q2 | | Q2 |
|---|---|---|---|---|
| | 2015/2016 | **2016/2017** | 2015/2016 | **2016/2017** |
| Incoming orders | 743 | 810 | 340 | 320 |
| Sales | 581 | 527 | 304 | 312 |
| Order backlog | 568 | 667 | 568 | 667 |
| EBITDA [1] | 10 | 3 | 2 | 17 |
| Result of operating activities [1] | – 16 | – 20 | – 12 | 5 |
| Employees [2] | 7,282 | 7,164 | 7,282 | 7,164 |

[1] Excluding special items
[2] At end of quarter (excluding trainees)

With segment sales of € 273 million in the second quarter (same quarter of previous year: € 294 million), the HEIDELBERG SERVICES segment recorded a year-on-year decline. This was also the case with regard to the result of operating activities excluding special items and before interest, taxes, depreciation and amortization (EBITDA) of € 27 million (same quarter of previous year: € 31 million). EBITDA for the first half of the year amounted to € 41 million (previous year: € 67 million, including the positive effect from the first-time consolidation of PSG). The share of sales attributable to the segment was approximately 50 percent. The Heidelberg Services segment had a total of 4,314 employees as of September 30, 2016.

**Heidelberg Services**

| Figures in € millions | Q1 to Q2 | | Q2 | |
|---|---|---|---|---|
| | 2015/2016 | **2016/2017** | 2015/2016 | **2016/2017** |
| Incoming orders | 577 | 596 | 279 | 283 |
| Sales | 578 | 543 | 294 | 273 |
| Order backlog | 76 | 98 | 76 | 98 |
| EBITDA [1] | 67 | 41 | 31 | 27 |
| Result of operating activities [1] | 57 | 32 | 27 | 22 |
| Employees [2] | 4,429 | 4,314 | 4,429 | 4,314 |

[1] Excluding special items
[2] At end of quarter (excluding trainees)

Our strategy of primarily mediating customer financing to our external partners is accompanied by a reduction in the volume directly financed by us. Receivables from sales financing declined by € 12 million compared with the previous year to € 57 million as of September 30, 2016. The decrease in the customer financing portfolio is reflected in a break-even result (€ 0 million) of operating activities excluding special items and before interest, taxes, depreciation and amortization (EBITDA) for the HEIDELBERG FINANCIAL SERVICES segment both in the second quarter and in the first half of the year.

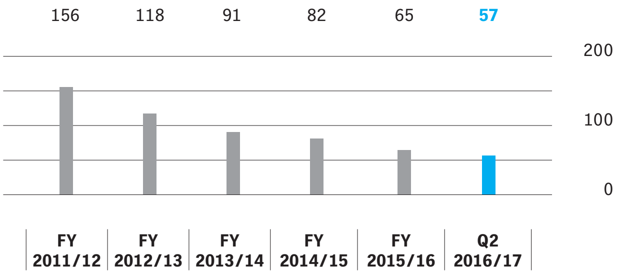
**Heidelberg Financial Services**

| Figures in € millions | Q1 to Q2 | | Q2 | |
|---|---|---|---|---|
| | 2015/2016 | **2016/2017** | 2015/2016 | **2016/2017** |
| Sales | 3 | 2 | 1 | 1 |
| EBITDA [1] | 2 | 0 | 0 | 0 |
| Result of operating activities [1] | 2 | 0 | 0 | 0 |
| Employees [2] | 42 | 41 | 42 | 41 |

[1] Excluding special items
[2] At end of quarter (excluding trainees)

**Receivables from sales financing**

Figures in € millions




## Report on the regions

In the second quarter of the 2016/2017 financial year, incoming orders in the EMEA (Europe, Middle East and Africa) region were down year-on-year at € 262 million (previous year: € 275 million), while the figure for the first half of the year of € 657 million significantly exceeded the previous year's figure (€ 548 million) due to trade show effects. This region in particular benefited from the success achieved at the drupa trade show in June 2016. The quarterly sales of € 260 million were up on the previous year's level (€ 235 million), while sales in the first half of the year were down slightly at € 468 million (first half of previous year: € 478 million).

In the ASIA/PACIFIC region, incoming orders increased year-on-year to € 171 million in the second quarter of the current financial year (previous year: € 154 million). India, South Korea and smaller markets in the region made particularly strong contributions to this growth. At € 346 million, the figure for the first half of the year was down on the previous year's level of € 391 million. The first quarter of the previous year was positively influenced by a trade show in China. On both a quarterly and a half-year basis, sales did not match the previous year's level, mainly due to the subdued economic momentum on the Chinese market. Sales amounted to € 154 million in the quarter under review (same quarter of previous year: € 194 million) and € 275 million in the first six months (first half of 2015/2016: € 348 million).

EASTERN EUROPE posted declines in incoming orders and sales in the second quarter of 2016/2017, chiefly due to continuing uncertainties in Ukraine and Russia and the unstable political situation in Turkey. Incoming orders in the second quarter of 2016/2017 amounted to € 53 million as against € 67 million in the same quarter of the previous year. Thanks to a high level of orders in the first quarter of 2016/2017 – particularly in the Czech Republic and Poland – the half-year figure came to € 137 million (previous year: € 125 million). Sales fell from € 59 million in the second quarter of the 2015/2016 financial year to € 50 million in the quarter under review. The half-year figure was also down year-on-year at € 102 million (previous year: € 117 million).

Incoming orders in the NORTH AMERICA region were largely unchanged on a quarterly basis (Q2 2015/2016: € 105 million – Q2 2016/2017: € 99 million) but rose considerably on a six-monthly basis (first half of 2015/2016: € 207 million – first half of 2016/2017: € 230 million). Sales increased significantly both in the second quarter of 2016/2017 (€ 107 million; previous year: € 86 million) and in the first half of the year (€ 190 million; previous year: € 169 million).

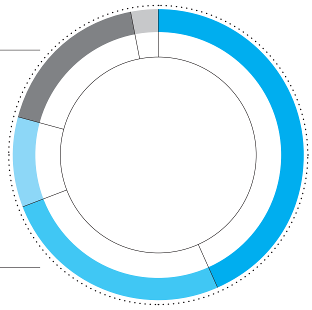
In the SOUTH AMERICA region, the economic situation remained difficult. While incoming orders in the key market of Brazil remained unchanged at a low level in the second quarter, the half-year figure was once again lower than in the previous year. The political and economic situation in Argentina also had a negative impact. Incoming orders in the region therefore fell short of the previous year's figures overall. There was a similar development in terms of sales, which amounted to € 15 million in the quarter under review and € 37 million in the first half of the year and thus fell short of the previous year's figures (Q2 2015/2016: € 25 million; first half of 2015/2016: € 48 million).

**Incoming orders by region**

| Figures in € millions | | Q1 to Q2 | | Q2 |
|---|---|---|---|---|
| | 2015/2016 | **2016/2017** | 2015/2016 | **2016/2017** |
| EMEA | 548 | 657 | 275 | 262 |
| Asia/Pacific | 391 | 346 | 154 | 171 |
| Eastern Europe | 125 | 137 | 67 | 53 |
| North America | 207 | 230 | 105 | 99 |
| South America | 51 | 38 | 20 | 19 |
| **Heidelberg Group** | **1,323** | **1,408** | **620** | **604** |

**Sales by region (Q1 to Q2)**

Share of Heidelberg Group sales (in parentheses: previous year)




**Sales by region**

| Figures in € millions | Q1 to Q2 | | Q2 | |
|---|---|---|---|---|
| | 2015/2016 | **2016/2017** | 2015/2016 | **2016/2017** |
| EMEA | 478 | 468 | 235 | 260 |
| Asia/Pacific | 348 | 275 | 194 | 154 |
| Eastern Europe | 117 | 102 | 59 | 50 |
| North America | 169 | 190 | 86 | 107 |
| South America | 48 | 37 | 25 | 15 |
| **Heidelberg Group** | **1,162** | **1,072** | **599** | **586** |

## Employees

In the second quarter of the 2016/2017 financial year, the number of employees in the Heidelberg Group decreased slightly. As of September 30, 2016, the Heidelberg Group had a total of 11,519 employees (excluding 393 trainees), 46 fewer than on March 31, 2016. The number of employees decreased by 234 compared with one year previously (September 30, 2015: 11,753 employees).

**Employees by region**

| Number of employees [1] | 31-Mar-2016 | **30-Sep-2016** |
|---|---|---|
| EMEA | 8,369 | 8,380 |
| Asia/Pacific | 1,821 | 1,777 |
| Eastern Europe | 494 | 493 |
| North America | 747 | 739 |
| South America | 134 | 130 |
| **Heidelberg Group** | **11,565** | **11,519** |

[1] Excluding trainees

## Risk and opportunity report

As of September 30, 2016, there were no material changes in the assessment of the risks and opportunities of the Heidelberg Group compared with the presentation in the 2015/2016 Annual Report. The economic uncertainty resulting from the euro zone and debt crisis is still a factor. We also continue to see a source of uncertainty in the political and economic developments in Eastern Europe and the Middle East. Our assessment of the risks as well as opportunities in China remains unchanged. Risks and opportunities still arise from changes in the discount rates for pension obligations with corresponding negative or positive effects on equity.

No risks that could jeopardize the Heidelberg Group's continued existence, either individually or together with other risk factors, are discernible at present or for the foreseeable future.

## Future prospects

The development of global printing volumes is assumed to be stable and is expected to increase moving ahead thanks to the growth in the emerging nations, although media consumption and structures within the printing industry will continue to change in the industrialized nations. However, the investment behavior of the majority of our customers is also influenced by country-specific and general economic developments. The effects on the Heidelberg Equipment segment are generally considerably more pronounced and more direct than on the Heidelberg Services segment, which is less cyclical in nature. Owing to the economic risks and the ongoing consolidation of print shops in some industrialized nations, we are not anticipating an increase in the market volume for new sheetfed offset presses in the coming years. Accordingly, we have adjusted the structures here, further reduced production costs and will optimize this area continuously. At the same time, we have geared our portfolio towards profitability and further expanded the growth areas Services and Digital in the past financial year.

Our portfolio expansions in rapidly developing markets, possible acquisitions and the drupa industry trade show will substantially affect sales performance in the financial year 2016/2017 and the years ahead. Our investment priorities in the areas of digitalization, digital printing and services are expected to contribute to average sales growth of up to 4 percent per year. We are assuming that this growth target will be achieved in the current financial year 2016/2017 with the positive effects of the drupa trade show.

The accelerated expansion of digital and service business will continue to be the focus of portfolio alignment and will further increase profitability in the medium term. Given the associated inputs, the EBITDA margin before special items is expected to initially remain at the level of the previous year in the current financial year 2016/2017. The Heidelberg Equipment segment is expected to contribute to this result within a range of 4 to 6 percent, and the Heidelberg Services segment between 9 and 11 percent. In the Heidelberg Financial Services segment, we will primarily continue to externalize retail financing and so keep the volume low. It should continue to provide a positive EBITDA contribution.

Based on the reorganization of Heidelberg and the further implementation of all strategic measures, we intend to establish a solid profitability level with an EBITDA margin for the Group as a whole of between 7 and 10 percent in the following years.

### Sustained positive result after taxes and leverage < 2

Thanks to the continuous optimization of our financing framework, the financing costs are to be reduced further in the financial year 2016/2017, thus improving the financial result. With this, Heidelberg is aiming for a moderate increase in its net result after taxes in the financial year 2016/2017. Due to the profitability level achieved and reduced financing costs, this should improve further in the years that follow.

On the basis of the stable and long-term financial framework and the further increase in profitability, we have already reduced leverage to significantly below the target still in place of 2. We therefore have the financial flexibility to finance acquisitions and continue the strategic development of Heidelberg.

## Supplementary report

On October 27, 2016, the Supervisory Board of Heidelberger Druckmaschinen Aktiengesellschaft appointed Rainer Hundsdörfer as the new CEO and Chief Human Resources Officer and Dr. Ulrich Hermann as a regular member of the company's Management Board with effect from November 14, 2016.

CEO Dr. Gerold Linzbach and Management Board member Harald Weimer, responsible for the Heidelberg Services segment, will be stepping down at their own request as of November 13, 2016.

**Important note**

This interim financial report contains forward-looking statements based on assumptions and estimates by the management of Heidelberger Druckmaschinen Aktiengesellschaft. Although the Management Board is of the opinion that these assumptions and estimations are realistic, actual future developments and results may deviate substantially from these forward-looking statements due to various factors. These factors could, for instance, include changes in the overall economic situation, exchange rates and interest rates, as well as changes within the print media industry. Heidelberger Druckmaschinen Aktiengesellschaft provides no guarantee and assumes no liability for future development and results deviating from the assumptions and estimates made in this interim financial report. Heidelberg neither intends nor assumes any obligation to update the assumptions and estimates made in this interim financial report to reflect events or developments occurring after the publication of this interim report.

# Interim consolidated financial statements

for the period April 1, 2016 to September 30, 2016

# Interim consolidated income statement – April 1, 2016 to September 30, 2016

| Figures in € thousands | Note | 1-Apr-2015 to 30-Sep-2015 | **1-Apr-2016 to 30-Sep-2016** |
|---|---|---|---|
| Net sales | | 1,161,636 | 1,072,019 |
| Change in inventories | | 46,501 | 82,710 |
| Other own work capitalized | | 7,416 | 32,529 |
| **Total operating performance** | | **1,215,553** | **1,187,258** |
| | | | |
| Other operating income | 3 | 55,732 | 42,679 |
| Cost of materials | 4 | 585,743 | 547,318 |
| Staff costs | | 394,223 | 421,426 |
| Depreciation and amortization | | 36,273 | 34,074 |
| Other operating expenses | 5 | 211,859 | 216,103 |
| Special items | 6 | 21,584 | 6,076 |
| **Result of operating activities** | | **21,603** | **4,940** |
| | | | |
| Financial income | 7 | 4,684 | 3,390 |
| Financial expenses | 8 | 34,578 | 32,483 |
| **Financial result** | | **– 29,894** | **– 29,093** |
| | | | |
| **Net result before taxes** | | **– 8,291** | **– 24,153** |
| Taxes on income | | 5,272 | 3,569 |
| **Net result after taxes** | | **– 13,563** | **– 27,722** |
| | | | |
| **Basic earnings per share according to IAS 33 (in € per share)** | 9 | **– 0.05** | **– 0.11** |
| **Diluted earnings per share according to IAS 33 (in € per share)** | 9 | **– 0.05** | **– 0.11** |

# Interim consolidated statement of comprehensive income – April 1, 2016 to September 30, 2016

| Figures in € thousands | 1-Apr-2015 to 30-Sep-2015 | **1-Apr-2016 to 30-Sep-2016** |
|---|---|---|
| **Net result after taxes** | **– 13,563** | **– 27,722** |
| **Other comprehensive income not reclassified to the income statement** | | |
| Remeasurement of defined benefit pension plans and similar obligations | 138,656 | – 136,648 |
| Deferred income taxes | 1,380 | 4,544 |
| | **140,036** | **– 132,104** |
| **Other comprehensive income which may subsequently be reclassified to the income statement** | | |
| Currency translation | – 28,444 | 639 |
| Available-for-sale financial assets | – 83 | 14 |
| Cash flow hedges | 12,967 | – 1,862 |
| Deferred income taxes | – 219 | 390 |
| | **– 15,779** | **– 819** |
| **Total other comprehensive income** | 124,257 | – 132,923 |
| **Total comprehensive income** | **110,694** | **– 160,645** |

# Interim consolidated income statement – July 1, 2016 to September 30, 2016

| Figures in € thousands | 1-Jul-2015 to 30-Sep-2015 | **1-Jul-2016 to 30-Sep-2016** |
|---|---|---|
| Net sales | 598,533 | 586,169 |
| Change in inventories | 11,142 | – 5,928 |
| Other own work capitalized | 3,484 | 16,985 |
| **Total operating performance** | **613,159** | **597,226** |
| | | |
| Other operating income | 19,634 | 24,171 |
| Cost of materials | 298,633 | 258,932 |
| Staff costs | 197,768 | 202,883 |
| Depreciation and amortization | 18,375 | 17,163 |
| Other operating expenses | 103,005 | 115,329 |
| Special items | 6,243 | 3,191 |
| **Result of operating activities** | **8,769** | **23,899** |
| | | |
| Financial income | 1,736 | 571 |
| Financial expenses | 17,391 | 13,349 |
| **Financial result** | **– 15,655** | **– 12,778** |
| | | |
| **Net result before taxes** | **– 6,886** | **11,121** |
| Taxes on income | 2,555 | 1,946 |
| **Net result after taxes** | **– 9,441** | **9,175** |
| | | |
| **Basic earnings per share according to IAS 33 (in € per share)** | **– 0.03** | **0.03** |
| **Diluted earnings per share according to IAS 33 (in € per share)** | **– 0.03** | **0.03** |

# Interim consolidated statement of comprehensive income – July 1, 2016 to September 30, 2016

| Figures in € thousands | 1-Jul-2015 to 30-Sep-2015 | **1-Jul-2016 to 30-Sep-2016** |
|---|---|---|
| **Net result after taxes** | **– 9,441** | **9,175** |
| **Other comprehensive income not reclassified to the income statement** | | |
| Remeasurement of defined benefit pension plans and similar obligations | – 22,962 | – 49,605 |
| Deferred income taxes | 2,796 | – 64 |
| | **– 20,166** | **– 49,669** |
| **Other comprehensive income which may subsequently be reclassified to the income statement** | | |
| Currency translation | – 15,381 | – 1,982 |
| Available-for-sale financial assets | – 191 | – 130 |
| Cash flow hedges | 2,708 | 1,684 |
| Deferred income taxes | 31 | – 129 |
| | **– 12,833** | **– 557** |
| **Total other comprehensive income** | – 32,999 | – 50,226 |
| **Total comprehensive income** | **– 42,440** | **– 41,051** |

# Interim consolidated statement of financial position as of September 30, 2016
## Assets

| Figures in € thousands | Note | 31-Mar-2016 | **30-Sep-2016** |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | 10 | 221,637 | 231,036 |
| Property, plant and equipment | 10 | 478,119 | 472,190 |
| Investment property | | 11,202 | 11,029 |
| Financial assets | | 12,584 | 13,472 |
| Receivables from sales financing | | 34,489 | 30,658 |
| Other receivables and other assets | 12 | 17,824 | 34,814 |
| Deferred tax assets | | 85,409 | 90,127 |
| | | 861,264 | 883,326 |
| **Current assets** | | | |
| Inventories | 11 | 606,872 | 698,190 |
| Receivables from sales financing | | 30,110 | 25,879 |
| Trade receivables | | 360,959 | 278,452 |
| Other receivables and other assets | 12 | 113,950 | 96,130 |
| Income tax assets | | 7,662 | 7,184 |
| Cash and cash equivalents | 13 | 215,472 | 144,972 |
| | | 1,335,025 | 1,250,807 |
| | | | |
| **Assets held for sale** | | 5,705 | 682 |
| **Total assets** | | **2,201,994** | **2,134,815** |

# Interim consolidated statement of financial position as of September 30, 2016

## Equity and liabilities

| Figures in € thousands | Note | 31-Mar-2016 | **30-Sep-2016** |
|---|---|---|---|
| **Equity** | 14 | | |
| Issued capital | | 658,676 | 658,676 |
| Capital reserves, retained earnings and other reserves | | – 400,270 | – 505,236 |
| Net result after taxes | | 28,134 | – 27,722 |
| | | 286,540 | 125,718 |
| **Non-current liabilities** | | | |
| Provisions for pensions and similar obligations | 15 | 534,353 | 676,393 |
| Other provisions | 16 | 162,016 | 157,726 |
| Financial liabilities | 17 | 453,011 | 321,982 |
| Other liabilities | 18 | 34,228 | 41,194 |
| Deferred tax liabilities | | 2,535 | 2,242 |
| | | 1,186,143 | 1,199,537 |
| **Current liabilities** | | | |
| Other provisions | 16 | 234,111 | 194,658 |
| Financial liabilities | 17 | 43,275 | 98,905 |
| Trade payables | | 179,397 | 198,983 |
| Income tax liabilities | | 2,031 | 4,730 |
| Other liabilities | 18 | 270,497 | 312,284 |
| | | 729,311 | 809,560 |
| **Total equity and liabilities** | | **2,201,994** | **2,134,815** |

## Statement of changes in consolidated equity as of September 30, 2016 [1)]

| Figures in € thousands | Issued capital | Capital reserves | Retained earnings |
|---|---|---|---|
| **April 1, 2015** | 658,676 | 29,411 | – 331,660 |
| Loss carryforward | – | – | – 72,403 |
| Total comprehensive income | – | – | 140,036 |
| Consolidation adjustments/other changes | – | – | 59 |
| **September 30, 2015** | **658,676** | **29,411** | **– 263,968** |
| **April 1, 2016** | 658,676 | 29,411 | – 310,048 |
| Profit carryforward | – | – | 28,134 |
| Total comprehensive income | – | – | – 132,104 |
| Consolidation adjustments/other changes | – | – | – 177 |
| **September 30, 2016** | **658,676** | **29,411** | **– 414,195** |

[1)] For further details please refer to note 14

| Other retained earnings | | | Total other retained earnings | Total capital reserves, retained earnings and other retained earnings | Net result after taxes | Total |
|---|---|---|---|---|---|---|
| Currency translation | Fair value of other financial assets | Fair value of cash flow hedges | | | | |
| −87,537 | −360 | −12,653 | −100,550 | −402,799 | −72,403 | 183,474 |
| – | – | – | – | −72,403 | 72,403 | 0 |
| −28,444 | −83 | 12,748 | −15,779 | 124,257 | −13,563 | 110,694 |
| – | – | – | – | 59 | – | 59 |
| **−115,981** | **−443** | **95** | **−116,329** | **−350,886** | **−13,563** | **294,227** |
| | | | | | | |
| −121,358 | −803 | 2,528 | −119,633 | −400,270 | 28,134 | 286,540 |
| – | – | – | – | 28,134 | −28,134 | 0 |
| 639 | 960 | −2,418 | −819 | −132,923 | −27,722 | −160,645 |
| – | – | – | – | −177 | – | −177 |
| **−120,719** | **157** | **110** | **−120,452** | **−505,236** | **−27,722** | **125,718** |

# Interim consolidated statement of cash flows – April 1, 2016 to September 30, 2016

| Figures in € thousands | 1-Apr-2015 to 30-Sep-2015 | **1-Apr-2016 to 30-Sep-2016** |
|---|---|---|
| **Net result after taxes** | – 13,563 | – 27,722 |
| Depreciation, amortization, write-downs and write-ups [1)] | 37,312 | 36,883 |
| Change in pension provisions | 1,504 | 5,248 |
| Change in deferred tax assets / deferred tax liabilities / tax provisions | – 2,119 | – 1,525 |
| Result from disposals | – 464 | 1,409 |
| **Cash flow** | **22,670** | **14,293** |
| Change in inventories | – 20,977 | – 90,160 |
| Change in sales financing | 6,900 | 8,895 |
| Change in trade receivables / payables | 69,286 | 105,045 |
| Change in other provisions | – 45,030 | – 44,313 |
| Change in other items of the statement of financial position | – 36,982 | 57,402 |
| **Other operating changes** | **– 26,803** | **36,869** |
| **Cash used in/ generated by operating activities** | **– 4,133** | **51,162** |
| Intangible assets / property, plant and equipment / investment property | | |
| Investments | – 22,130 | – 49,973 |
| Income from disposals | 3,959 | 10,502 |
| Financial assets / company acquisitions | | |
| Investments | – 7,576 | – 110 |
| Income from disposals | 50 | – |
| Cash investments | – | – 11,996 |
| **Cash used in investing activities** | **– 25,697** | **– 51,577** |
| Change in financial liabilities | – 39,728 | – 70,759 |
| **Cash used in financing activities** | **– 39,728** | **– 70,759** |
| **Net change in cash and cash equivalents** | **– 69,558** | **– 71,174** |
| | | |
| **Cash and cash equivalents at the beginning of the reporting period** | **285,961** | **215,472** |
| Changes in the scope of consolidation | 1,001 | – |
| Currency adjustments | – 8,578 | 674 |
| Net change in cash and cash equivalents | – 69,558 | – 71,174 |
| **Cash and cash equivalents at the end of the reporting period** | **208,826** | **144,972** |
| | | |
| Cash used in/ generated by operating activities | – 4,133 | 51,162 |
| Cash used in investing activities | – 25,697 | – 51,577 |
| **Free cash flow** | **– 29,830** | **– 415** |

[1)] Relates to intangible assets, property, plant and equipment, investment property and financial assets

# Notes

## 1 Accounting policies

The interim consolidated financial statements as of September 30, 2016 are consistent with and were prepared in line with the regulations of IAS 34 (Interim Financial Reporting). They should be read in conjunction with the consolidated financial statements as of March 31, 2016, which were prepared in line with the International Financial Reporting Standards (IFRS) as endorsed in the EU.

The interim consolidated financial statements were generally prepared using the same accounting policies as the consolidated financial statements for the 2015/2016 financial year. In accordance with the regulations of IAS 34, a condensed scope of reporting was chosen as against the consolidated financial statements as of March 31, 2016. All amounts are generally stated in € thousands.

The International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRS IC) have approved the following changes to existing standards, which are to be applied for the first time in financial year 2016/2017.

| Standards | Publication by the IASB / IFRS IC | Effective date [1] | Published in the Official Journal of the EU | Effects |
|---|---|---|---|---|
| **Amendments to standards** | | | | |
| Amendments to IAS 1: Disclosure Initiative | 18-Dec-2014 | 1-Jan-2016 | 19-Dec-2015 | No material effects |
| Amendments to IAS 16: Property, Plant and Equipment and IAS 38: Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortization | 12-May-2014 | 1-Jan-2016 | 3-Dec-2015 | None |
| Amendments to IAS 16 and IAS 41: Agriculture: Bearer Plants | 30-Jun-2014 | 1-Jan-2016 | 24-Nov-2015 | None |
| Amendments to IAS 27: Equity Method in Separate Financial Statements | 12-Aug-2014 | 1-Jan-2016 | 23-Dec-2015 | None |
| Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exemption | 18-Dec-2014 | 1-Jan-2016 | 23-Sep-2016 | None |
| Amendments to IFRS 11: Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations | 6-May-2014 | 1-Jan-2016 | 25-Nov-2015 | None |
| Annual Improvements to IFRSs 2012 – 2014 Cycle | 25-Sep-2014 | 1-Jan-2016 | 16-Dec-2015 | No material effects |

[1] For financial years beginning on or after this date

Traditionally, Heidelberg generates more sales in the second half of the financial year than in the first. Income that is generated due to seasonal reasons, economic reasons, or only occasionally within the financial year is not brought forward or deferred in the interim consolidated financial statements. Expenses that are incurred irregularly during the financial year are deferred in cases in which they would also be deferred at the end of the financial year.

This interim financial report has neither been audited in accordance with Section 317 of the German Commercial Code (HGB) nor reviewed by the auditors.

## 2 Scope of consolidation

The interim consolidated financial statements of Heidelberger Druckmaschinen Aktiengesellschaft include a total of 70 (March 31, 2016: 73) domestic and foreign companies in which Heidelberger Druckmaschinen Aktiengesellschaft has a controlling influence as defined by IFRS 10. Of these, 61 (March 31, 2016: 62) are located outside Germany. Subsidiaries that are of minor importance are not included.

## 3 Other operating income

| | 1-Apr-2015 to 30-Sep-2015 | **1-Apr-2016 to 30-Sep-2016** |
|---|---|---|
| Reversal of other provisions/deferred liabilities | 14,261 | 19,804 |
| Income from operating facilities | 5,598 | 5,146 |
| Hedging/exchange rate gains | 3,395 | 4,714 |
| Recoveries on loans and other assets previously written down | 3,782 | 2,601 |
| Income from disposals of intangible assets, property, plant and equipment and investment property | 1,118 | 412 |
| Reversal of negative difference from intial consolidation | 18,761 | – |
| Other income | 8,817 | 10,002 |
| | **55,732** | **42,679** |

Income from hedging/exchange rate gains is offset by expenses for hedging/exchange rate losses reported under other operating expenses (see note 5).

## 4 Cost of materials

The cost of materials includes the pro rata interest expense in connection with the Heidelberg Financial Services segment of € 588 thousand (April 1, 2015 to September 30, 2015: € 903 thousand); interest income from sales financing of € 2,319 thousand (April 1, 2015 to September 30, 2015: € 3,016 thousand) is reported in sales.

## 5 Other operating expenses

| | 1-Apr-2015 to 30-Sep-2015 | **1-Apr-2016 to 30-Sep-2016** |
|---|---|---|
| Other deliveries and services not included in the cost of materials | 58,755 | 72,662 |
| Special direct sales expenses including freight charges | 42,511 | 39,774 |
| Rent and leases | 26,086 | 24,006 |
| Travel expenses | 19,970 | 19,621 |
| Additions to provisions and accruals relating to several types of expense | 2,193 | 6,820 |
| Insurance expense | 5,916 | 6,368 |
| Hedging/exchange rate losses | 6,691 | 3,852 |
| Bad debt allowances and impairment on other assets | 5,518 | 3,473 |
| Costs of car fleet (excluding leases) | 3,207 | 2,846 |
| Other overheads | 41,012 | 36,681 |
| | **211,859** | **216,103** |

The expenses for hedging/exchange rate losses are offset by income from hedging/exchange rate gains reported under other operating income (see note 3).

## 6 Special items

The special items of € 6,076 thousand recorded in the reporting period (April 1, 2015 to September 30, 2015: € 21,584 thousand) are attributable, among other things, to partial retirement agreements concluded in line with the adjustment of personnel capacities at the Company sites in Germany; the resulting expense is to be distributed accordingly.

## 7 Financial income

| | 1-Apr-2015 to 30-Sep-2015 | **1-Apr-2016 to 30-Sep-2016** |
|---|---|---|
| Interest and similar income | 2,157 | 1,070 |
| Income from financial assets/loans/securities | 2,527 | 2,320 |
| **Financial income** | **4,684** | **3,390** |

## 8 Financial expenses

| | 1-Apr-2015 to 30-Sep-2015 | **1-Apr-2016 to 30-Sep-2016** |
|---|---|---|
| Interest and similar expenses | 31,749 | 28,969 |
| Expenses for financial assets/loans/securities | 2,829 | 3,514 |
| **Financial expenses** | **34,578** | **32,483** |

## 9 Earnings per share

Earnings per share are calculated by dividing the net result after taxes attributable to shareholders by the weighted number of shares outstanding in the period. The weighted number of shares outstanding in the period under review was 257,294,860 (April 1, 2015 to September 30, 2015: 257,294,860). The weighted number of shares outstanding was influenced by the holdings of treasury shares. As of September 30, 2016, the Company held 142,919 (March 31, 2016: 142,919) treasury shares.

The calculation of diluted earnings per share assumes conversion of outstanding debt securities (convertible bond) to shares. Due to the fact that the net result after taxes is concurrently adjusted for the interest expense recognized for the convertible bond in the financial result, taking into account the respective number of shares from the convertible bonds issued on July 10, 2013 and on March 30, 2015 did not have a dilutive effect on earnings per share during the period from April 1, 2016 to September 30, 2016. In the future, these instruments may have a fully dilutive effect.

## 10 Intangible assets, property, plant and equipment

In the period from April 1, 2016 to September 30, 2016, there were additions to intangible assets of € 20,040 thousand (April 1, 2015 to September 30, 2015: € 7,888 thousand) and to property, plant and equipment of € 31,356 thousand (April 1, 2015 to September 30, 2015: € 15,686 thousand). In the same period, the carrying amount of disposals from intangible assets was € 108 thousand (April 1, 2015 to September 30, 2015: € 177 thousand) and € 11,803 thousand (April 1, 2015 to September 30, 2015: € 3,319 thousand) for property, plant and equipment.

## 11 Inventories

Inventories include raw materials and supplies totaling € 129,100 thousand (March 31, 2016: € 126,028 thousand), work and services in progress amounting to € 271,401 thousand (March 31, 2016: € 227,475 thousand), finished goods and goods for resale of € 295,027 thousand (March 31, 2016: € 251,976 thousand), and advance payments of € 2,662 thousand (March 31, 2016: € 1,393 thousand).

## 12 Other receivables and other assets

In August 2016, Heidelberger Druckmaschinen Aktiengesellschaft made a fixed-income cash investment with a term until no later than 2022. This is classified as a financial asset (loans) in the measurement category of available-for-sale financial assets in accordance with IAS 39.

The Other receivables and other assets item also includes, among others, receivables from derivative financial instruments of € 4,276 thousand (March 31, 2016: € 5,177 thousand) and prepaid expenses of € 23,131 thousand (March 31, 2016: € 15,809 thousand).

## 13 Cash and cash equivalents

Restrictions on disposal of cash and cash equivalents due to foreign exchange restrictions amount to € 33,533 thousand (March 31, 2016: € 30,529 thousand).

## 14 Equity

The same as at March 31, 2016, the Company still held 142,919 treasury shares on September 30, 2016. The repurchased shares can only be utilized to reduce the capital of Heidelberger Druckmaschinen Aktiengesellschaft or for employee share participation programs and other forms of share distribution to the employees of the Company or a subsidiary or to individuals who are or were employed by Heidelberger Druckmaschinen Aktiengesellschaft or one of its associates.

Please see note 26 in the notes to the consolidated financial statements as of March 31, 2016 for information on the contingent capital and the authorized capital as of March 31, 2016. No significant resolutions resulting in changes of the Contingent and the Authorized Capital were passed at the Annual General Meeting of July 28, 2016.

## 15 Provisions for pensions and similar obligations

A discount rate of 1.70 percent (March 31, 2016: 2.40 percent) was applied as of September 30, 2016 as an assumption for the calculation of the actuarial gains and losses of German companies. With a domestic discount rate of 2.40 percent the present value of employee benefits would have been € 116,268 thousand lower.

## 16 Other provisions

Other provisions relate to tax provisions of € 69,271 thousand (March 31, 2016: € 71,225 thousand) and other provisions of € 283,113 thousand (March 31, 2016: € 324,902 thousand). Other provisions include staff obligations of € 52,465 thousand (March 31, 2016: € 66,938 thousand), sales obligations of € 80,586 thousand (March 31, 2016: € 88,449 thousand) and miscellaneous other provisions of € 150,062 thousand (March 31, 2016: € 169,515 thousand). The latter also include, among others, provisions in connection with our portfolio and restructuring measures.

## 17 Financial liabilities

| | | | 31-Mar-2016 | | | **30-Sep-2016** |
|---|---|---|---|---|---|---|
| | Current | Non-current | Total | Current | Non-current | **Total** |
| Corporate bonds | 12,584 | 309,260 | 321,844 | 6,208 | 196,091 | 202,299 |
| Convertible bonds | 1,156 | 110,514 | 111,670 | 59,974 | 52,811 | 112,785 |
| Amounts due to banks | 25,689 | 29,315 | 55,004 | 27,394 | 68,943 | 96,337 |
| From finance leases | 1,644 | 3,922 | 5,566 | 1,915 | 4,137 | 6,052 |
| Other | 2,202 | – | 2,202 | 3,414 | – | 3,414 |
| | 43,275 | 453,011 | **496,286** | 98,905 | 321,982 | **420,887** |

The 2011 corporate bond that had been repaid early to a level of approximately € 115 million already in the 2015/2016 financial year was fully repaid ahead of schedule in the first quarter of 2016/2017. Repayment was made in cash.

In April 2016, Heidelberger Druckmaschinen Aktiengesellschaft called an initial tranche of € 50 million from the development loan agreed with the European Investment Bank. This will amortize by April 2023.

With regard to our financing, please refer to note 29 in the notes to the consolidated financial statements as of March 31, 2016.

## 18 Other liabilities

Other liabilities include advance payments on orders of € 154,215 thousand (March 31, 2016: € 97,682 thousand), liabilities from derivative financial instruments of € 4,238 thousand (March 31, 2016: € 2,672 thousand), and deferred income of € 63,608 thousand (March 31, 2016: € 66,373 thousand).

## 19 Additional information on financial instruments

Financial assets and financial liabilities are allocated to the three levels of the fair value hierarchy as set out in IFRS 13 depending on the availability of observable market data.

The individual levels are defined as follows:

LEVEL 1: Financial instruments traded on active markets whose quoted prices can be used to measure fair value without adjustment.

LEVEL 2: Measurement on the basis of measurement procedures whose inputs are derived from observable market data, either directly or indirectly.

LEVEL 3: Measurement on the basis of measurement procedures whose inputs are not derived from observable market data.

The Heidelberg Group is exposed to market price risks in the form of interest rate and exchange rate fluctuations. In general, derivative financial instruments are used to limit these risks. Their fair values correspond to changes in value arising from a notional revaluation taking into account the market parameters applicable at the end of the reporting period. The fair values are calculated using standardized measurement procedures (discounted cash flow and option pricing models). This corresponds to level 2 of the fair value hierarchy set out in IFRS 13, as only input data observable on the market, such as exchange rates, exchange rate volatilities and interest rates, is used.

Securities are classified as financial assets available for sale. In line with IAS 39, these financial instruments are also carried at fair value. The underlying quoted prices for the measurement of the vast majority of securities correspond to level 1 of the fair value hierarchy set out in IFRS 13, as only quoted prices observed on active markets are used in measurement. If the fair value of securities cannot be reliably determined, they are carried at cost.

The loans allocated to level 3 of the measurement hierarchy relate to a fixed-income cash investment classified as an available-for-sale financial asset that was made by Heidelberger Druckmaschinen Aktiengesellschaft in August 2016. The fair value is calculated using a standardized valuation method (discounted cash flow method). One of the key input parameters for calculating the fair value is the discount rate, which amounted to 12.9 percent as of September 30, 2016. If this had been 0.5 percentage points higher (lower), the fair value would have been € 231 thousand lower (€ 235 thousand higher) provided all other assumptions were unchanged.

The following table provides an overview of financial assets and financial liabilities measured at fair value in accordance with the IFRS 13 fair value hierarchy:

| | | | | 31-Mar-2016 | | | | **30-Sep-2016** |
|---|---|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | **Total** |
| Securities | 3,024 | – | – | 3,024 | 3,336 | – | – | 3,336 |
| Loans | – | – | – | – | – | – | 27,265 | 27,265 |
| Derivative financial assets | – | 5,177 | – | 5,177 | – | 4,276 | – | 4,276 |
| **Financial assets measured at fair value** | **3,024** | **5,177** | **–** | **8,201** | **3,336** | **4,276** | **27,265** | **34,877** |
| | | | | | | | | |
| Derivative financial liabilities | – | 2,672 | – | 2,672 | – | 4,238 | – | 4,238 |
| **Financial liabilities measured at fair value** | **–** | **2,672** | **–** | **2,672** | **–** | **4,238** | **–** | **4,238** |

Shares in subsidiaries in the amount of € 6,130 thousand (March 31, 2016: € 5,661 thousand) and other investments in the amount of € 3,483 thousand (March 31, 2016: € 3,458 thousand) are classified as financial assets available for sale and carried at cost, as their fair values cannot be reliably determined due to the lack of a market for these items.

The fair value of receivables from sales financing essentially corresponds to the reported carrying amount. This fair value is based upon expected cash flows and interest rates with matching maturities taking into account the customer-specific credit rating.

The carrying amount of trade receivables, other financial receivables reported in other receivables and other assets, and cash and cash equivalents is generally assumed as an appropriate estimate of the fair value.

The fair value of the 2015 corporate bond – which is reported under financial liabilities – as calculated on the basis of the quoted price is € 218,373 thousand (March 31, 2016: € 203,693 thousand), compared to the carrying amount of € 202,299 thousand (March 31, 2016: € 201,682 thousand). The fair value of the 2013 convertible bond and of the 2015 convertible bond determined on the basis of the stock exchange listing, which are also reported under financial liabilities, amounts to € 61,391 thousand (March 31, 2016: € 61,694 thousand) and € 58,875 thousand (March 31, 2016: € 55,528 thousand) respectively, compared to the carrying amount of € 59,966 thousand (March 31, 2016: € 59,551 thousand) and € 52,819 thousand (March 31, 2016: € 52,119 thousand). The fair value of the corporate bonds and the convertible bonds corresponds to the first level in the fair value hierarchy according to IFRS 13.

In connection with the arranging of a long-term loan of € 13,622 thousand (March 31, 2016: € 17,462 thousand) – which is also reported in financial liabilities – the lender was granted usufructuary rights to three developed properties. The basis of this is a sale (usufructuary rights) and leaseback transaction in accordance with SIC 27, which provides for a fixed basic term for the lease agreement of ten years and two renewal options of four years each. The usufructuary rights each have a term of 18 years. The usufructuary rights can be commuted after ten years. The fair value of this loan amounts to € 14,308 thousand (March 31, 2016: € 17,917 thousand).

The fair value of the amortizing loan issued in April 2014, which is reported under financial liabilities, is € 14,925 thousand (March 31, 2016: € 17,527 thousand) compared to the carrying amount of € 13,476 thousand (March 31, 2016: € 16,081 thousand).

The fair value of the initial tranche from the development loan agreed with the European Investment Bank called in April 2016 is € 44,797 compared to the carrying amount of € 50,597 thousand.

The fair value of each of these three financial liabilities was calculated on the basis of the discounted cash flow method using market interest rates and corresponds to the second level in the fair value hierarchy according to IFRS 13.

The carrying amount of other financial liabilities, trade payables and other liabilities is generally assumed as an appropriate estimate of the fair value.

The carrying amount of the financial asset allocated to level 3 of the measurement hierarchy in accordance with IFRS 13 as of September 30, 2016 (€ 27,265 thousand) is reconciled as follows:

Carrying amount as of April 1, 2016 (€ 0 thousand), addition (€ 26,996 thousand), other changes recognized in equity or in profit or loss (€ 269 thousand).

## 20 Contingent liabilities and other financial liabilities

As of September 30, 2016, the contingent liabilities for warranties and guarantees amounted to € 4,417 thousand (March 31, 2016: € 4,236 thousand).

Other financial liabilities amounted to € 171,786 thousand as of September 30, 2016 (March 31, 2016: € 181,451 thousand). Of this amount, € 150,042 thousand (March 31, 2016: € 162,717 thousand) related to lease and rental obligations and € 21,744 thousand (March 31, 2016: € 18,734 thousand) related to investments and other purchase commitments.

## 21 Group segment reporting

Segment reporting is based on the management approach.

The Heidelberg Group consists of the business segments Heidelberg Equipment, Heidelberg Services and Heidelberg Financial Services. Heidelberg Equipment essentially comprises new machinery business. Services, consumables, service parts and remarketed equipment business are bundled in the Heidelberg Services segment. The Heidelberg Financial Services segment comprises sales financing business. Further information on the business activities, products and services of the individual segments can be found in the sections “Management and Control” and “Segments and Business Areas” in the Group management report as of March 31, 2016.

Segment information April 1, 2016 to September 30, 2016:

| | Heidelberg Equipment | | Heidelberg Services | | Heidelberg Financial Services | | **Heidelberg Group** | |
|---|---|---|---|---|---|---|---|---|
| | 1-Apr-2015 to 30-Sep-2015 | **1-Apr-2016 to 30-Sep-2016** | 1-Apr-2015 to 30-Sep-2015 | **1-Apr-2016 to 30-Sep-2016** | 1-Apr-2015 to 30-Sep-2015 | **1-Apr-2016 to 30-Sep-2016** | 1-Apr-2015 to 30-Sep-2015 | **1-Apr-2016 to 30-Sep-2016** |
| External sales | 580,774 | 527,021 | 577,846 | 542,674 | 3,016 | 2,324 | 1,161,636 | 1,072,019 |
| EBITDA excluding special items (segment result) | 10,587 | 3,331 | 67,202 | 41,494 | 1,671 | 265 | 79,460 | 45,090 |
| EBIT excluding special items | – 15,875 | – 20,497 | 57,394 | 31,572 | 1,668 | – 59 | 43,187 | 11,016 |

The segment result is reconciled to the net result before taxes as follows:

| | 1-Apr-2015 to 30-Sep-2015 | **1-Apr-2016 to 30-Sep-2016** |
|---|---|---|
| EBITDA excluding special items (segment result) | 79,460 | 45,090 |
| Depreciation and amortization | 36,273 | 34,074 |
| EBIT excluding special items | 43,187 | 11,016 |
| Special items | 21,584 | 6,076 |
| Financial result | – 29,894 | – 29,093 |
| **Net result before taxes** | **– 8,291** | **– 24,153** |

External sales relate to the different regions as follows:

| | 1-Apr-2015 to 30-Sep-2015 | **1-Apr-2016 to 30-Sep-2016** |
|---|---|---|
| **Europe, Middle East and Africa** | | |
| Germany | 151,799 | 164,363 |
| Other Europe, Middle East and Africa region | 326,606 | 303,850 |
| | 478,405 | 468,213 |
| **Asia / Pacific** | | |
| China | 175,591 | 118,368 |
| Other Asia / Pacific region | 172,689 | 156,159 |
| | 348,280 | 274,527 |
| **Eastern Europe** | 117,283 | 102,263 |
| **North America** | | |
| USA | 134,755 | 154,029 |
| Other North America region | 34,663 | 36,437 |
| | 169,418 | 190,466 |
| **South America** | 48,250 | 36,550 |
| | **1,161,636** | **1,072,019** |

## 22 Supervisory Board / Management Board

The composition of the Supervisory Board and the Management Board as at March 31, 2016 is presented on pages 146 to 148 of the consolidated financial statements as per March 31, 2016.

The following changes in the Supervisory Board and in the Management Board took place in the first six months of financial year 2016 / 2017:

On July 28, 2016, with effect from the end of the Annual General Meeting on July 28, 2016 until the end of the Annual General Meeting that resolves discharges for the 2020 / 2021 financial year, the Annual General Meeting elected Karen Heumann, founder and spokesperson of the Executive Board of thjnk AG, Hamburg, who had been appointed a new member of the Supervisory Board by the court earlier, to the Supervisory Board as a shareholder representative.

Edwin Eichler stepped down from the Supervisory Board effective July 31, 2016.

On July 22, 2016, Dr. Gerold Linzbach informed the Supervisory Board that he does not intend to extend his contract beyond its scheduled expiration at the end of August 2017. For further details, please refer to note 24.

## 23 Related party transactions

As described in note 41 of the notes to the consolidated financial statements as of March 31, 2016, business relationships exist between numerous companies and Heidelberger Druckmaschinen Aktiengesellschaft and its subsidiaries in the course of ordinary business. This also includes associated companies, which are regarded as related companies of the Heidelberg Group.

In the reporting period, transactions were performed with related parties that resulted in liabilities of € 4,929 thousand (March 31, 2016: € 4,143 thousand), receivables of € 8,130 thousand (March 31, 2016: € 11,722 thousand), expenses of € 2,506 thousand (April 1, 2015 to December 31, 2015: € 6,417 thousand) and income of € 1,810 thousand (April 1, 2015 to December 31, 2015: € 3,205 thousand), which essentially comprises sales. All transactions were again conducted as at arm's length and did not differ from relationships with other companies.

Members of the Supervisory Board have received a remuneration of € 232 thousand (April 1, 2015 to September 30, 2015: € 217 thousand) from Heidelberger Druckmaschinen Aktiengesellschaft in line with employment contracts in the reporting period.

## 24 Significant events after the end of the reporting period

On October 27, 2016, the Supervisory Board of Heidelberger Druckmaschinen Aktiengesellschaft appointed Rainer Hundsdörfer as the new CEO and Chief Human Resources Officer and Dr. Ulrich Hermann as a regular member of the company's Management Board with effect from November 14, 2016.

CEO Dr. Gerold Linzbach and Management Board member Harald Weimer, responsible for the Heidelberg Services segment, will be stepping down at their own request as of November 13, 2016.

Heidelberg, November 9, 2016

HEIDELBERGER DRUCKMASCHINEN
AKTIENGESELLSCHAFT
The Management Board

## Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim reporting, the consolidated interim financial statements give a true and fair view of the net assets, financial position and results of operations of the Group, and the interim Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group over the remaining months of the current financial year.

Heidelberg, November 9, 2016

HEIDELBERGER DRUCKMASCHINEN
AKTIENGESELLSCHAFT
The Management Board

Dr. Gerold Linzbach　　Dirk Kaliebe

Stephan Plenz　　Harald Weimer

# Financial calendar

**February 9, 2017** — Publication of Third Quarter Figures 2016/2017
**June 8, 2017** — Press Conference, Annual Analysts' and Investors' Conference
**July 27, 2017** — Annual General Meeting

Subject to change

# Publishing information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