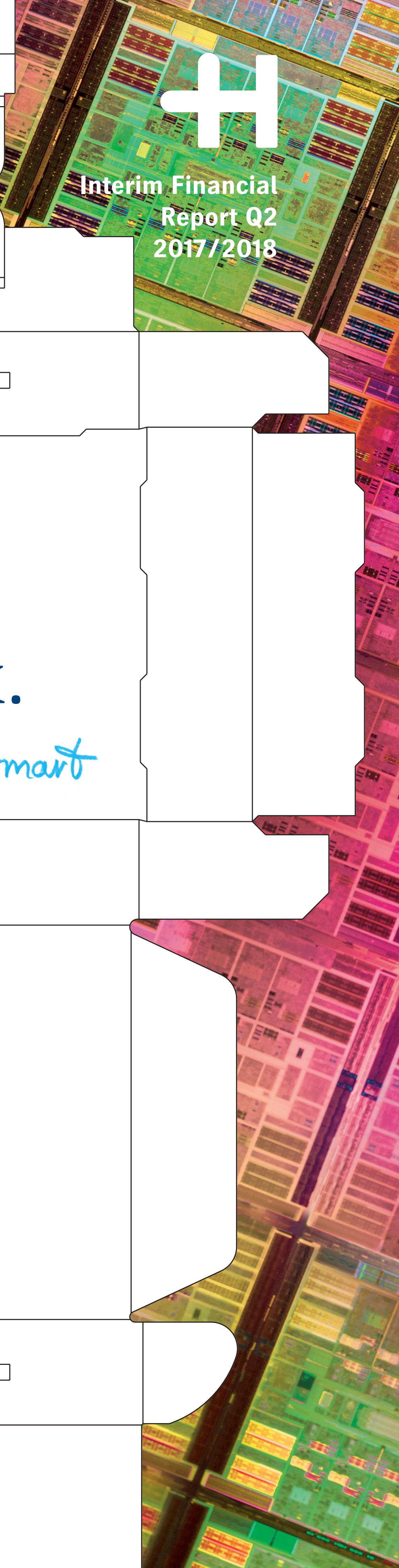
Interim Financial Report Q2 2017/2018



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HEIDELBERG

INTERIM FINANCIAL REPORT Q2 2017/2018

- Sales of € 1,054 million in first half of 2017/2018 at previous year's level if adjusted for exchange rate effects
- Incoming orders of € 1,234 million; order backlog around € 627 million
- EBITDA excluding restructuring result rises to around € 60 million in first half of year
- Result of operating activities excluding restructuring result (EBIT) climbs to € 27 million
- Break-even result after taxes in first half of year

Key performance data

Figures in € millions		Q1 to Q2		Q2
	2016/2017	**2017/2018**	2016/2017	**2017/2018**
Incoming orders	1,408	1,234	604	605
Net sales	1,072	1,054	586	559
EBITDA excluding restructuring result [1]	45	60	44	46
in percent of net sales	4.2	5.7	7.5	8.2
Result of operating activities excluding restructuring result [2]	11	27	27	30
Restructuring result	– 6	– 1	– 3	– 1
Financial result	– 29	– 24	– 13	– 11
Net result after taxes	– 28	0	9	16
Research and development costs	58	62	29	31
Investments	51	75	26	24
Equity	126	381	126	381
Net debt [3]	276	259	276	259
Leverage [4]	1.8	1.3	1.8	1.3
Free cash flow	0	– 32	– 7	– 19
Earnings per share in €	– 0.11	0.0	0.03	0.06
Number of employees at end of quarter (excluding trainees)	11,519	11,490	11,519	11,490

[1] Result of operating activities before interest, taxes, depreciation and amortization, excluding restructuring result (previously: special items)
[2] Previously: Result of operating activities 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 restructuring result for the last four quarters

Notes
From the 2017/2018 financial year, what was previously reported as "special items" will be reported as the "restructuring result" and within the corresponding items of the income statement.

The segments were reorganized as of April 1, 2017 as part of the adjustment of corporate strategy. The figures for the 2016/2017 financial year were restated accordingly.

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

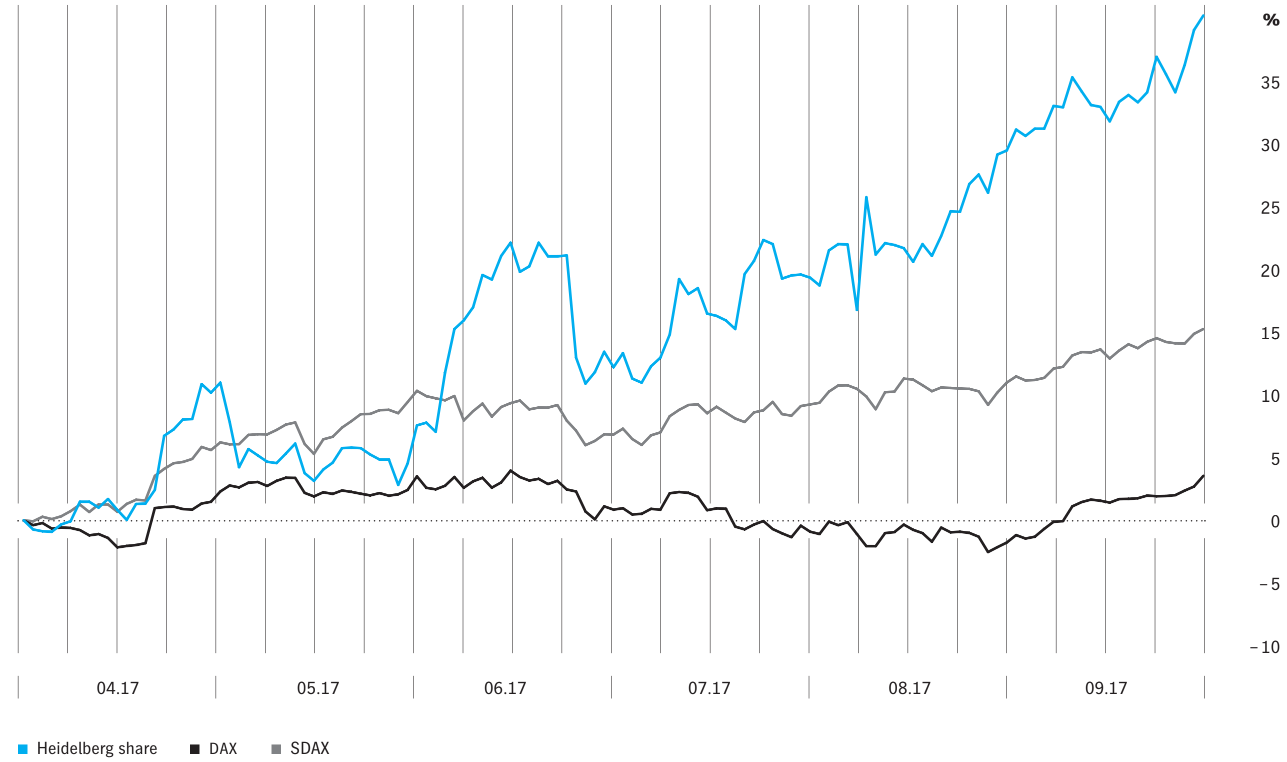
Interim consolidated financial report

Q2 2017/2018

Heidelberg on the capital markets

Performance of the Heidelberg share

Compared to the DAX and the SDAX (index: April 1, 2017 = 0 percent)



The Heidelberg share and the Heidelberg bonds

The **HEIDELBERG SHARE** enjoyed a continuous upward journey in the first half of the financial year. The share began rising slightly in the first two months, before accelerating significantly at the beginning of June following the publication of the figures for 2016/2017. The new corporate strategy was revealed at the same time, and was received positively by the capital market. The share continued to rise after the publication of the figures for the first quarter on August 10, closing on the last trading day in September at a new high for the first six months of € 3.45, marking a gain of around 48 percent since the beginning of the financial year. Heidelberg's bonds also performed successfully. Around 95 percent of bondholders in the **2013 HEIDELBERG CONVERTIBLE BOND** converted their bonds into Heidelberg shares as of June 30, 2017. The **2015 HEIDELBERG CONVERTIBLE BOND** experienced a similar price performance to the share, also ending the first half of the year significantly higher than at the beginning of the period. The **HEIDELBERG CORPORATE BOND** traded at considerably more than 100 percent throughout the first half of the financial year.

Rising trend on DAX German benchmark index

After an initially strong start to the second quarter of the 2017 calendar year, the DAX came under pressure as a result of geopolitical uncertainty, such as the North Korea conflict and the unpredictability of US President Trump's new course. It was also held back by the growing strength of the euro. The DAX briefly fell below 12,000 and hit its low for the first half of the year at 12,014 points at the end of August. Since then, however, the DAX has recovered significantly and closed at an all-time high of 12,828 points on September 29, thereby expanding by more than 4 percent compared to the beginning of the financial year.

Key performance data of the Heidelberg share

Figures in € ISIN: DE 0007314007	Q2 2016/2017	**Q2 2017/2018**
High	2.63	3.45
Low	2.08	2.64
Price at beginning of quarter [1]	2.46	2.71
Price at end of quarter [1]	2.15	3.45
Market capitalization at end of quarter in € millions	554	962
Outstanding shares in thousands (reporting date)	257,438	278,735

Key performance data of the Heidelberg 2015 corporate bond

Figures in percent RegS ISIN: DE 000A14J7A9	Q2 2016/2017	**Q2 2017/2018**
Nominal volume in € millions	205.4	205.4
High	107.2	109.3
Low	103.5	109.0
Price at beginning of quarter [2]	103.5	109.1
Price at end of quarter [2]	106.3	109.0

Key performance data of the Heidelberg 2015 convertible bond

Figures in percent ISIN: DE 000A14KEZ4	Q2 2016/2017	**Q2 2017/2018**
Nominal volume in € millions	58.6	58.6
High	108.4	129.3
Low	99.2	114.2
Price at beginning of quarter [2]	105.5	114.2
Price at end of quarter [2]	100.5	129.3

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

ECONOMIC REPORT

Macroeconomic and industry-specific conditions

Global economic growth was stronger than expected in the first half of 2017 at 3.0 percent. Expansion was strong not just in the advanced economies at 2.2 percent, as the economy in the emerging markets also grew by 4.5 percent. However, political uncertainty – for instance the tensions surrounding the nuclear armament of North Korea and the troubled relationship between the United States and Russia – had a tangible impact on economic development.

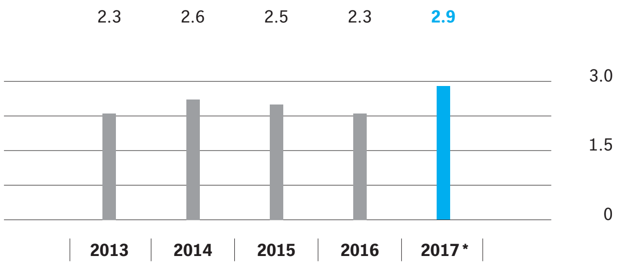
The US economy is slowly gathering momentum after a restrained start to the year. Nonetheless, the US economy grew only moderately in the first half of 2017 by 2.1 percent. The euro area had a successful first half of the year with a growth rate of 2.3 percent. This year it is heading for its strongest economic growth since 2007. However, economic growth within the euro area remains highly mixed. The main source of concern is Italy, where the economy – unlike that of Spain – has still not recovered from the financial market and sovereign debt crisis. The economy in Japan became significantly stronger in the first half of the year with growth of 1.6 percent, driven by a robust increase in domestic consumption and investment.

There are growing signs of an economic upturn in the emerging economies. Thanks to its expansive economic policy, the rate of growth of the Chinese economy consolidated at 6.9 percent in the first half of the year, a slightly higher level compared to 2016. Production in other East Asian emerging markets continued to grow significantly in the first half of 2017, with the recovery in world trade believed to be the key stimulus.

The weakness of the dollar in the first half of 2017 reflects not just the dwindling confidence in the ability of the American government to implement its economic policy programs under Donald Trump, but also the very good economic performance in the euro area. The value of the US dollar has therefore fallen by 12 percent since the start of the year. The general strength of the euro was also evident against the Japanese yen in the reporting period. The yen lost around 6 percent against the euro in the first half of 2017.

Change in global GDP [1]

Figures in percent



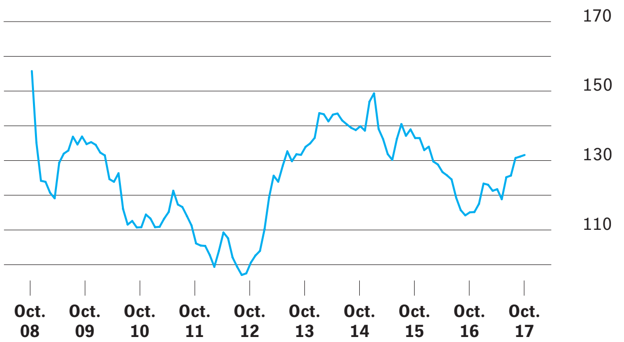
* Forecast
[1] Data determined in accordance with the straight aggregate method

The chain-weighted method would deliver the following results:
2013: 2.6 %; 2014: 2.9 %; 2015: 2.9 %; 2016: 2.5 %; 2017: 3.1 %

Source: Global Insight (WMM); calendar year; as of September 2017

Development of EUR / JPY

October 2008 until October 2017



Source: Global Insight

Development of EUR / USD

October 2008 until October 2017

Source: Global Insight

Despite considerable political uncertainty, statistics published by the German Engineering Federation (VDMA) indicate that sales of printing presses by German manufacturers increased by 12 percent in real terms in the period from January to August 2017. Incoming orders remained flat in the same period.

Business development

At the end of the 2016/2017 financial year, Heidelberg presented its strategy "Heidelberg goes digital!", which aims to generate growth and increase profitability with a focus on the topics of digital transformation, technology leadership, and operational excellence.

The new strategic approaches and goals have a direct impact on business structures and organization. As from the beginning of financial year 2017/2018 the businesses bundled in the former segments Heidelberg Equipment (HDE) and Heidelberg Services (HDS) were restructured into the Heidelberg Digital Technology (HDT) and Heidelberg Digital Business and Services (HDB) segments. The Heidelberg Financial Services segment will continue to exist unchanged. Heidelberg is also adapting its leadership structures to the challenges of digitization by the end of the financial year. The aim is to achieve a leaner, more efficient, and more agile organization with fewer hierarchies and less complexity. A corresponding transformation project was launched by the management board in October 2017.

With the acquisition of Fujifilm's coatings and pressroom chemicals business for the EMEA region and of the software provider DOCUFY, Heidelberg has also strengthened its position in key growth areas. Together with the optimization of the tariff model for the logistics area, the deletion of the leasehold on the previously rented property in which our logistics center is located and the resulting long-term planning reliability should lead to significantly higher logistics efficiency.

The acquisition of DOCUFY is part of the plan to boost the Digital Platforms business area, which comprises IT solutions for the design, production and servicing of innovative high-tech products for industrial customers and offers end-to-end process support in digital product life cycle management.

Heidelberg is extremely well placed in the sector of digitally printed packaging and labels thanks to digital label presses from Gallus. This was underlined by the numerous orders for the new Gallus Labelfire at the Labelexpo trade show in Brussels at the end of September.

Beyond the print media industry, Heidelberg has also positioned itself with its own range of offerings in the field of power electronics and electric mobility: the high-performance charging device for electric vehicles "Heidelberg Wallbox" was successfully debuted at industrial trade shows. It appeals to automotive manufacturers, retail chains and consumers alike. The range in this area is to be gradually expanded.

INCOMING ORDERS amounted to € 1,234 million as of September 30, 2017; the figure for the previous year (€ 1,408 million) had benefited from the particularly high orders generated at the drupa 2016 trade show. In addition, negative currency effects were increasingly noticeable in the 2017/2018 financial year, amounting to around € 24 million in the first half of the year. These were around € 19 million in the second quarter of 2017/2018 alone, but the previous year's figure (€ 604 million) was nonetheless matched at € 605 million.

The **ORDER BACKLOG** for the financial year rose to € 627 million in the second quarter, but was still less than the previous year's figure of € 765 million, which had been inflated by drupa.

SALES were up compared to the first quarter at € 559 million in the second quarter despite negative currency effects of around € 15 million; for the first half of the year they were down slightly year-on-year at € 1,054 million (€ 1,072 million). Adjusted for negative currency effects of around € 18 million after the first half of the year, the figure matched the previous year's level (€ 1,072 million).

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**
	2016/2017	**2017/2018**	2016/2017	**2017/2018**
Incoming orders	1,408	1,234	604	605
Sales	1,072	1,054	586	559

Results of operations, net assets and financial position

Profitability continued to improve in the second quarter of the 2017/2018 financial year. EBITDA excluding restructuring result and EBIT excluding restructuring result alike were significantly higher year-on-year both in the second quarter of 2016/2017 and after the first half of the year. The result of operating activities excluding the restructuring result and before interest, taxes, depreciation and amortization (EBITDA EXCLUDING RESTRUCTURING RESULT) amounted to € 60 million in the first half of the year (first half of 2016/2017 financial year: € 45 million) and € 46 million in the quarter under review (same quarter of previous year: € 44 million). The result of operating activities excluding the restructuring result (EBIT EXCLUDING RESTRUCTURING RESULT) rose to € 27 million after six months (previous year: € 11 million), and from € 27 million in the same quarter of the previous year to € 30 million in the second quarter.

The restructuring result amounted to € -1 million in the first half of the year (previous year: € -6 million).

As a result of the lower financing costs, the FINANCIAL RESULT improved to € -24 million in the first half of the year (first half of 2016/2017: € -29 million) and to € -12 million in the second quarter of 2017/2018 (same quarter of previous year: € -13 million).

The improvement in profitability and the financial result allowed the NET RESULT BEFORE TAXES to rise considerably from € -24 million in the previous year and into positive territory at € 2 million. This figure climbed from € 11 million in the same quarter of the previous year to € 17 million in the second quarter of 2017/2018. The NET RESULT AFTER TAXES was therefore at break-even level, a substantial improvement on the previous year's € -28 million. The result for the second quarter was clearly positive at € 16 million (previous year: € 9 million).

Income statement

Figures in € millions	Q1 to Q2		Q2	
	2016/2017	**2017/2018**	2016/2017	**2017/2018**
Net sales	**1,072**	**1,054**	**586**	**559**
Change in inventories/other own work capitalized	115	118	11	34
Total operating performance	**1,187**	**1,172**	**597**	**593**
EBITDA excluding restructuring result[1]	**45**	**60**	**44**	**46**
Depreciation and amortization excluding restructuring-related depreciation and amortization	34	33	17	16
Result of operating activities (EBIT) excluding restructuring result[1]	**11**	**27**	**27**	**30**
Restructuring result[2]	-6	-1	-3	-1
Result of operating activities	**5**	**26**	**24**	**29**
Financial result	**-29**	**-24**	**-13**	**-11**
Net result before taxes	**-24**	**2**	**11**	**17**
Taxes on income	4	2	2	2
Net result after taxes	**-28**	**0**	**9**	**16**

[1] Previously: EBITDA/result of operating activities excluding special items
[2] Previously: Special items

TOTAL ASSETS declined slightly as against March 31, 2017 to € 2,182 million as of September 30, 2017.

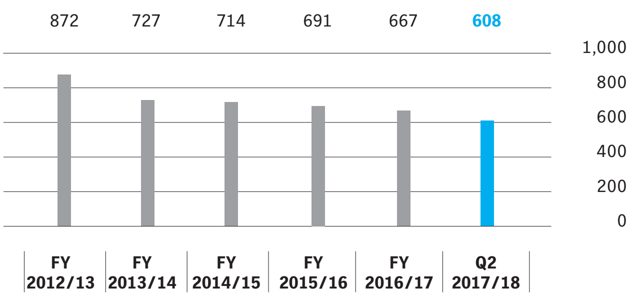
On the ASSETS SIDE, INVENTORIES increased to € 675 million compared to March 31, 2017 (€ 581 million); this was in line with expectations and serves to cover the higher sales volumes that are anticipated in the coming quarters. NET WORKING CAPITAL was nonetheless reduced by a further € 59 million to € 608 million between the end of the financial year on March 31, 2017 and September 30, 2017, thanks to systematic asset and net working capital management. Our customers' financing requirements were covered largely externally in the reporting period, among others with the active mediation of the Heidelberg Financial Services segment; we therefore only provided customer financing directly to a limited extent. RECEIVABLES FROM SALES FINANCING declined to € 55 million due to the repayments received and refinancing on the part of customers.

Assets

Figures in € millions	31-Mar-2017	30-Sep-2017
Non-current assets	741	788
Inventories	581	675
Trade receivables	375	276
Receivables from sales financing	58	55
Cash and cash equivalents	218	176
Other assets	246	212
	2,219	**2,182**

Development of net working capital [1]

Figures in € millions



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

Under **EQUITY AND LIABILITIES**, the **EQUITY** of the Heidelberg Group increased to € 381 million as of September 30, 2017 compared to the end of the financial year on March 31, 2017, essentially on account of the almost complete conversion of the 2013 convertible bond into Heidelberg shares. The equity ratio was thus around 18 percent as of the end of the reporting period. Pension provisions declined slightly from € 488 million at the start of the financial year to € 476 million as of September 30, 2017. **PROVISIONS** declined overall to € 833 million, essentially on account of scheduled staff payments and payments for portfolio optimization. Despite the significant increase in inventories as a result of higher advance payments received, **TRADE PAYABLES** rose only slightly as against the end of the financial year (€ 190 million) to € 207 million as of September 30, 2017. At € 259 million (March 31, 2017: € 252 million), **NET DEBT** was still at a low level after the first half of the year. **LEVERAGE** (the ratio of net debt to EBITDA excluding the restructuring result for the last four quarters) therefore remained below the target level of 2. **FINANCIAL LIABILITIES** amounted to € 435 million in the quarter under review, down on the figure as of March 31, 2017 (€ 470 million) as a result of the almost complete conversion of a convertible bond.

Equity and liabilities

Figures in € millions	31-Mar-2017	30-Sep-2017
Equity	340	381
Provisions	898	833
of which: pension provisions	488	476
Financial liabilities	470	435
Trade payables	190	207
Other equity and liabilities	321	323
	2,219	**2,182**

Overview of net assets

Figures in € millions	31-Mar-2017	30-Sep-2017
Total assets	2,219	2,182
Net working capital	667	608
in percent of sales [1]	26.4	24.3
Equity	340	381
in percent of total equity and liabilities	15.3	17.5
Net debt [2]	252	259

[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 – capital market instruments (corporate bond and convertible bond), the syndicated credit line as well as other instruments and promotional loans – are well-balanced. Heidelberg currently has total credit facilities of around € 690 million with balanced diversification and a balanced maturity structure until 2022 and beyond. Net debt currently amounting to € 259 million is financed by basic funding until 2022.

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 € 35 million after the first six months of the current financial year (previous year: € 14 million). A net cash outflow of € -30 million was reported in OTHER OPERATING CHANGES in the first half of the year after an inflow of € 37 million in the same period of the previous year. CASH USED IN INVESTING ACTIVITIES declined to € -37 million (previous year: € -52 million). The FREE CASH FLOW was negative overall after six months at € -32 million (previous year: € 0 million), owing in part to corporate acquisitions and payments in connection with the investment in the new development center.

Statement of cash flows of the Heidelberg Group

Figures in € millions		Q1 to Q2		Q2
	2016/2017	**2017/2018**	2016/2017	**2017/2018**
Net result after taxes	-28	0	9	16
Cash flow	14	35	31	34
Other operating changes	37	-30	8	-37
of which: net working capital	70	33	13	-12
of which: receivables from sales financing	9	-1	5	-4
of which: other	-42	-62	-10	-22
Cash used in investing activities	-52	-37	-46	-16
Free cash flow	0	-32	-7	-19
in percent of sales	0.0	-3.0	-1.2	-3.4

Segment report

The segments were reorganized as of April 1, 2017 as part of the adjustment of corporate strategy. The figures for the 2016/2017 financial year were restated accordingly.

Sales in the HEIDELBERG DIGITAL TECHNOLOGY segment were up year-on-year at € 533 million after the first half of the year (€ 523 million), essentially as a result of the China Print orders in the first quarter of 2017/2018 financial year. The figure for the second quarter of the 2017/2018 financial year fell short of the figure for the same quarter of the previous year at € 298 million (€ 310 million).

The result of operating activities before interest, taxes, depreciation and amortization excluding the restructuring result (EBITDA EXCLUDING RESTRUCTURING RESULT) was € 21 million in the second quarter of the 2017/2018 financial year after € 17 million in the same quarter of the previous year. EBITDA excluding restructuring result amounted to € 20 million in the first half of the year after € -2 million in the first half of the 2016/2017 financial year.

The Heidelberg Digital Technology segment had a total of 7,339 employees as of September 30, 2017. The number of employees fell by 24 year-on-year.

Heidelberg Digital Technology [1)]

Figures in € millions		Q1 to Q2		Q2
	2016/2017	**2017/2018**	2016/2017	**2017/2018**
Incoming orders	819	708	326	346
Net sales	523	533	310	298
Order backlog	690	574	690	574
EBITDA excluding restructuring result [2)]	-2	20	17	21
Result of operating activities excluding restructuring result [3)]	-26	-2	4	11
Employees [4)]	7,363	7,339	7,363	7,339

1) Until March 31, 2017: Heidelberg Equipment
2) Result of operating activities before interest, taxes, depreciation and amortization, excluding restructuring result (previously: special items)
3) Previously: Result of operating activities excluding special items
4) At end of quarter (excluding trainees)

Sales in the HEIDELBERG DIGITAL BUSINESS AND SERVICES segment were down as against the previous year, both for the first half of the year at € 519 million (previous year: € 546 million) and for the second quarter at € 260 million after € 275 million in the previous year. The planned reduction in remarketed equipment business, weaker sales in consumables and negative currency effects contributed to this in particular. The result of operating activities before interest, taxes, depreciation and amortization excluding the restructuring result (EBITDA EXCLUDING RESTRUCTURING RESULT) fell accordingly from € 28 million in the same quarter of the previous year to € 25 million in the quarter under review. EBITDA excluding restructuring result for the first six months amounted to € 39 million after € 47 million in the same period of the previous year. The Heidelberg Digital Business and Services segment had a total of 4,111 employees as of September 30, 2017.

Heidelberg Digital Business and Services [1]

Figures in € millions		Q1 to Q2		Q2
	2016/2017	**2017/2018**	2016/2017	**2017/2018**
Incoming orders	587	524	276	258
Net sales	546	519	275	260
Order backlog	75	53	75	53
EBITDA excluding restructuring result [2]	47	39	28	25
Result of operating activities excluding restructuring result [3]	37	28	23	19
Employees [4]	4,115	4,111	4,115	4,111

[1] Until March 31, 2017: Heidelberg Services
[2] Result of operating activities before interest, taxes, depreciation and amortization, excluding restructuring result (previously: special items)
[3] Previously: Result of operating activities excluding special items
[4] 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 we finance directly. Receivables from sales financing declined by € 3 million year-on-year to € 55 million as of September 30, 2017. The decrease in the customer financing portfolio is reflected in a break-even result (€ 0 million) of operating activities before interest, taxes, depreciation and amortization excluding the restructuring result (EBITDA EXCLUDING RESTRUCTURING RESULT) for the HEIDELBERG FINANCIAL SERVICES segment in the second quarter. The figure was € 1 million after the first six months.

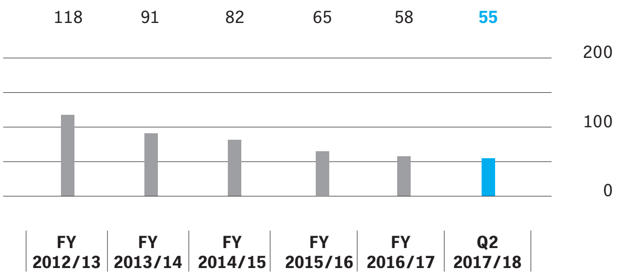
Heidelberg Financial Services

Figures in € millions		Q1 to Q2		Q2
	2016/2017	**2017/2018**	2016/2017	**2017/2018**
Net sales	2	2	1	1
EBITDA excluding restructuring result [1]	0	1	0	0
Result of operating activities excluding restructuring result [2]	0	1	0	0
Employees [3]	41	40	41	40

[1] Result of operating activities before interest, taxes, depreciation and amortization, excluding restructuring result (previously: special items)
[2] Previously: Result of operating activities excluding special items
[3] At end of quarter (excluding trainees)

Receivables from sales financing

Figures in € millions



Report on the regions

In the second quarter of the 2017/2018 financial year, incoming orders in the EMEA (Europe, Middle East and Africa) region were down year-on-year at € 245 million (previous year: € 262 million); the figure for the first half of the year was also down at € 522 million. The figure for the previous year (€ 657 million) was positively influenced by the drupa trade show for the German key market in particular. At € 244 million, sales for the quarter declined on the previous year's level (€ 260 million), while sales for the first half of the year were slightly higher at € 476 million (previous year: € 468 million). Uncertainty over the forthcoming Brexit was noticeable in incoming orders and sales on the UK market.

In the ASIA / PACIFIC region, incoming orders increased year-on-year to € 180 million in the second quarter of the current financial year (previous year: € 171 million), in particular as a result of good orders in the Japanese market. The figure for the first half of the year also virtually matched the previous year's level at € 340 million (€ 346 million). Sales increased slightly in both the second quarter and the first half of the year as a result of the China Print trade show, which had taken place in the first quarter of the 2017/2018 financial year, and in spite of highly negative exchange rate effects. Sales amounted to € 155 million in the quarter under review (same quarter of previous year: € 154 million) and € 288 million after the first six months (first half of 2016/2017: € 275 million).

EASTERN EUROPE saw positive developments in incoming orders and sales in the second quarter of 2017/2018. Despite the consistently difficult economic and political environment in the markets of Russia and Turkey, higher orders were generated here. Incoming orders for the region amounted to € 72 million in the second quarter after € 53 million in the same quarter of the previous year, but were down slightly year-on-year after six months at € 130 million (€ 137 million). Sales climbed from € 50 million in the second quarter of the 2016/2017 financial year to € 56 million in the quarter under review; the figure for the first half of the year remained constant at € 102 million (previous year: € 102 million).

Investment behavior in the NORTH AMERICA region was characterized by uncertainty regarding pending economic and tax measures in the US. Incoming orders were therefore down significantly both compared to the same quarter of the previous year (Q2 2016/2017: € 99 million; Q2 2017/2018: € 91 million) and the first half of the previous year (first half of 2016/2017: € 230 million; first half of 2017/2018: € 208 million). Sales were also noticeably lower both in the second quarter of 2017/2018 (€ 87 million; previous year: € 107 million) and in the first half of the year (€ 163 million; previous year: € 190 million).

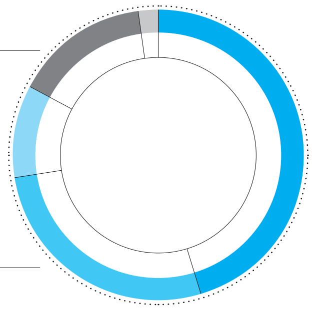
The situation remained difficult in the SOUTH AMERICA region. Incoming orders fell from € 19 million in the second quarter of the 2016/2017 financial year to € 17 million in the quarter under review and, after six months, from € 38 million in the same period of the previous year to € 34 million in the current 2017/2018 financial year. Sales increased slightly to € 17 million in the second quarter of 2017/2018 after € 15 million in the same quarter of the previous year, but were down significantly year-on-year at € 25 million for the first half of the year (previous year: € 37 million).

Incoming orders by region

Figures in € millions		Q1 to Q2		Q2
	2016/2017	**2017/2018**	2016/2017	**2017/2018**
EMEA	657	522	262	245
Asia/Pacific	346	340	171	180
Eastern Europe	137	130	53	72
North America	230	208	99	91
South America	38	34	19	17
Heidelberg Group	**1,408**	**1,234**	**604**	**605**

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
	2016/2017	**2017/2018**	2016/2017	**2017/2018**
EMEA	468	476	260	244
Asia/Pacific	275	288	154	155
Eastern Europe	102	102	50	56
North America	190	163	107	87
South America	37	25	15	17
Heidelberg Group	**1,072**	**1,054**	**586**	**559**

Employees

The number of employees in the Heidelberg Group including new staff from initial consolidations decreased slightly in the second quarter of the 2017/2018 financial year. The Heidelberg Group had 11,490 employees (plus 374 trainees) in total as of September 30, 2017, 21 fewer than as of March 31, 2017. The number of employees decreased by 29 compared to the same quarter of the previous year (September 30, 2016: 11,519).

Employees by region

Number of employees [1]	31-Mar-2017	**30-Sep-2017**
EMEA	8,440	8,498
Asia/Pacific	1,754	1,678
Eastern Europe	487	496
North America	733	724
South America	97	94
Heidelberg Group	**11,511**	**11,490**

[1] Excluding trainees

Risk and opportunity report

As of September 30, 2017, there were no fundamental changes in the assessment of the risks and opportunities of the Heidelberg Group compared to the presentation in the 2016/2017 Annual Report. The economic risks resulting from the dependency on the central bank policy in the face of the euro area and debt crisis are still a factor. Risks from negative exchange rate effects, in Asia in particular, have increased. There is also still uncertainty due to the political and economic developments in Eastern Europe and the Middle East as well as the Brexit. Our assessment of the risks and opportunities in China remains unchanged. In the US, expectations of economic and taxation measures have led to an increasing reluctance to invest. 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

Our planning is based on the economic and political conditions for our markets as presented in the 2016/2017 Annual Report and the expected development of our industry. However, the systematic reduction of trading activities with remarketed equipment, the negative exchange rate effects that have become apparent since mid-2017 in Asia in particular, as well as a noticeable reluctance to invest in the North American market could have a dampening effect on order and sales volumes later in financial year 2017/2018. In the reporting year, we are focusing our corporate strategy on expanding the portfolio in growth markets, such as packaging and label printing, digital printing, selected consumables and software, in addition to targeted acquisitions. With the intelligent networking of our range of solutions, we are advancing the digitization of all printing operations for our customers and aligning ourselves to customers' life cycles with new, digital business models. The effects of this will not be noticeable in the 2017/2018 financial year, but are expected to lead to continuous growth in sales from the 2018/2019 financial year.

After weighing up the opportunities and risks, Heidelberg still has its sights set on the targets for financial year 2017/2018 as a whole. With our investments and innovations in the area of digitization, autonomous printing, packaging, label and digital printing and data-driven services, we maintained the Group's leading market position in the 2016/2017 financial year and, bucking industry trends, generated an increase in orders that should allow sales to remain stable year-on-year in the 2017/2018 financial year. Thanks to product developments in planning and partly on the verge of being launched, there will be future sales opportunities and new customer groups will be cultivated. The solutions marketed are increasingly serving as data providers for the establishment of new business opportunities. Given the investments and initiatives planned and underway, and the focus on growth areas, we are confirming our medium- to long-term goal of consolidated sales of up to € 3 billion.

With measures to enhance efficiency, we are aiming for an EBITDA margin in a range of 7 to 7.5 percent in the 2017/2018 financial year. The Heidelberg Digital Technology segment is set to contribute between 5 and 7 percent to this result, and the Heidelberg Digital Business and Services segment between 8 and 10 percent. The Heidelberg Financial Services segment should continue to make a positive contribution to EBITDA.

The newly developed digital print portfolio and the transformation of our business model towards new offerings for our customers are expected to have a noticeably positive impact from the 2018/2019 financial year. With rising sales in growing markets and product areas, and with new, digital business models, we intend to increase our profitability on an ongoing basis. In the medium term, we are striving to increase the EBITDA margin in the Heidelberg Digital Technology segment to between 6 and 9 percent, and to between 8 and 11 percent in the Heidelberg Digital Business and Services segment. This should lead to an improvement in the EBITDA margin to up to 10 percent at Group level. As a result of the forthcoming transformation activities and the optimization of processes and structures, Heidelberg is assuming a restructuring result in the year under review at the same level as in the previous financial year.

Thanks to the continuous optimization of our financing framework, the financing costs are to be reduced further in the 2017/2018 financial year, thus further improving the financial result. Against this backdrop and subject in particular to the tax risks described in the general conditions, Heidelberg is again targeting a moderate increase in its net result after taxes, which should continue to increase in the years ahead.

On the basis of the stable and long-term financial framework, the further increase in profitability and the positive free cash flow in the reporting year, we have already reduced our leverage to significantly less than the target still in place of 2. We will therefore still have the financial flexibility moving ahead to finance acquisitions and continue Heidelberg's strategic development.

Supplementary report

There were no significant events after the end of the reporting period.

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, 2017 to September 30, 2017

Interim consolidated income statement – April 1, 2017 to September 30, 2017

Figures in € thousands	Note	1-Apr-2016 to 30-Sep-2016	**1-Apr-2017 to 30-Sep-2017**
Net sales		1,072,019	1,054,143
Change in inventories		82,710	96,659
Other own work capitalized		32,529	21,219
Total operating performance		**1,187,258**	**1,172,021**
Other operating income	3	42,924	43,422
Cost of materials	4	547,318	525,802
Staff costs		425,608	426,635
Depreciation and amortization		34,644	33,374
Other operating expenses	5	217,672	203,343
Result of operating activities[1)]		**4,940**	**26,289**
Financial income	6	3,390	1,930
Financial expenses	7	32,483	26,171
Financial result		**– 29,093**	**– 24,241**
Net result before taxes		**– 24,153**	**2,048**
Taxes on income		3,569	1,777
Net result after taxes		**– 27,722**	**271**
Basic earnings per share according to IAS 33 (in € per share)	8	**– 0.11**	**0.00**
Diluted earnings per share according to IAS 33 (in € per share)	8	**– 0.11**	**0.00**

[1)] Result of operating activities excluding restructuring result: € 26,942 thousand (April 1, 2016 to September 30, 2016: € 11,016 thousand)

Restructuring result (€ – 653 thousand; April 1, 2016 to September 30, 2016: € – 6,076 thousand) = restructuring income (€ 1,282 thousand; April 1, 2016 to September 30, 2016: € 245 thousand) less restructuring expenses (€ 1,935 thousand; April 1, 2016 to September 30, 2016: € 6,321 thousand)

From the 2017/2018 financial year, the restructuring result (previously: special items) is reported within the corresponding items of the income statement; the figures for the previous year were restated accordingly

Interim consolidated statement of comprehensive income – April 1, 2017 to September 30, 2017

Figures in € thousands	1-Apr-2016 to 30-Sep-2016	**1-Apr-2017 to 30-Sep-2017**
Net result after taxes	**–27,722**	**271**
Other comprehensive income not reclassified to the income statement		
Remeasurement of defined benefit pension plans and similar obligations	–136,648	14,236
Deferred income taxes	4,544	–699
	–132,104	**13,537**
Other comprehensive income which may subsequently be reclassified to the income statement		
Currency translation	639	–30,854
Available-for-sale financial assets	14	372
Cash flow hedges	–1,862	294
Deferred income taxes	390	198
	–819	**–29,990**
Total other comprehensive income	–132,923	–16,453
Total comprehensive income	**–160,645**	**–16,182**

Interim consolidated income statement – July 1, 2017 to September 30, 2017

Figures in € thousands	1-Jul-2016 to 30-Sep-2016	**1-Jul-2017 to 30-Sep-2017**
Net sales	586,169	559,267
Change in inventories	– 5,928	22,609
Other own work capitalized	16,985	11,222
Total operating performance	**597,226**	**593,098**
Other operating income	24,347	18,202
Cost of materials	258,932	259,744
Staff costs	204,993	203,964
Depreciation and amortization	17,448	16,823
Other operating expenses	116,301	101,879
Result of operating activities [1]	**23,899**	**28,890**
Financial income	571	1,141
Financial expenses	13,349	12,672
Financial result	**– 12,778**	**– 11,531**
Net result before taxes	**11,121**	**17,359**
Taxes on income	1,946	1,355
Net result after taxes	**9,175**	**16,004**
Basic earnings per share according to IAS 33 (in € per share)	**0.03**	**0.06**
Diluted earnings per share according to IAS 33 (in € per share)	**0.03**	**0.06**

[1] Result of operating activities excluding restructuring result: € 29,550 thousand (July 1, 2016 to September 30, 2016: € 27,090 thousand)

Restructuring result (€ – 660 thousand; July 1, 2016 to September 30, 2016: € – 3,191 thousand) = restructuring income (€ 129 thousand; July 1, 2016 to September 30, 2016: € 176 thousand) less restructuring expenses (€ 789 thousand; July 1, 2016 to September 30, 2016: € 3,367 thousand)

From the 2017/2018 financial year, the restructuring result (previously: special items) is reported within the corresponding items of the income statement; the figures for the previous year were restated accordingly

Interim consolidated statement of comprehensive income – July 1, 2017 to September 30, 2017

Figures in € thousands	1-Jul-2016 to 30-Sep-2016	**1-Jul-2017 to 30-Sep-2017**
Net result after taxes	**9,175**	**16,004**
Other comprehensive income not reclassified to the income statement		
Remeasurement of defined benefit pension plans and similar obligations	– 49,605	– 4,837
Deferred income taxes	– 64	286
	– 49,669	**– 4,551**
Other comprehensive income which may subsequently be reclassified to the income statement		
Currency translation	– 1,982	– 11,351
Available-for-sale financial assets	– 130	154
Cash flow hedges	1,684	– 697
Deferred income taxes	– 129	– 99
	– 557	**– 11,993**
Total other comprehensive income	– 50,226	– 16,544
Total comprehensive income	**– 41,051**	**– 540**

Interim consolidated statement of financial position as of September 30, 2017

Assets

Figures in € thousands	Note	31-Mar-2017	**30-Sep-2017**
Non-current assets			
Intangible assets	9	239,418	251,396
Property, plant and equipment	9	476,710	505,199
Investment property		11,234	11,093
Financial assets		13,439	20,602
Receivables from sales financing		33,647	32,694
Other receivables and other assets	11	34,209	22,048
Deferred tax assets		99,237	83,761
		907,894	926,793
Current assets			
Inventories	10	581,495	675,445
Receivables from sales financing		24,240	22,193
Trade receivables		374,732	276,160
Other receivables and other assets	11	105,530	99,110
Income tax assets		7,477	7,035
Cash and cash equivalents	12	217,660	175,514
		1,311,134	1,255,457
Total assets		**2,219,028**	**2,182,250**

Interim consolidated statement of financial position as of September 30, 2017

Equity and liabilities

Figures in € thousands	Note	31-Mar-2017	**30-Sep-2017**
Equity	13		
Issued capital		658,676	713,198
Capital reserves, retained earnings and other reserves		– 354,825	– 332,638
Net result after taxes		36,236	271
		340,087	380,831
Non-current liabilities			
Provisions for pensions and similar obligations	14	488,253	475,902
Other provisions	15	170,384	161,424
Financial liabilities	16	371,891	392,604
Other liabilities	17	38,966	38,563
Deferred tax liabilities		5,218	2,631
		1,074,712	1,071,124
Current liabilities			
Other provisions	15	239,609	195,400
Financial liabilities	16	98,208	41,905
Trade payables		190,392	206,726
Income tax liabilities		2,177	2,335
Other liabilities	17	273,843	283,929
		804,229	730,295
Total equity and liabilities		**2,219,028**	**2,182,250**

Statement of changes in consolidated equity as of September 30, 2017 [1)]

Figures in € thousands	Issued capital	Capital reserves	Retained earnings
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**
April 1, 2017	658,676	29,411	– 270,745
Capital increase (partial conversion of convertible bond)	54,522	1,257	–
Profit carryforward	–	–	36,236
Total comprehensive income	–	–	13,537
Consolidation adjustments/other changes	–	–	1,147
September 30, 2017	**713,198**	**30,668**	**– 219,825**

[1)] For further details please refer to note 13

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				
–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**
–112,289	1,101	–2,303	–113,491	–354,825	36,236	340,087
–	–	–	–	1,257	–	55,779
–	–	–	–	36,236	–36,236	0
–30,854	291	573	–29,990	–16,453	271	–16,182
–	–	–	–	1,147	–	1,147
–143,143	**1,392**	**–1,730**	**–143,481**	**–332,638**	**271**	**380,831**

Interim consolidated statement of cash flows – April 1, 2017 to September 30, 2017

Figures in € thousands	1-Apr-2016 to 30-Sep-2016	**1-Apr-2017 to 30-Sep-2017**
Net result after taxes	– 27,722	271
Depreciation, amortization, write-downs and write-ups [1]	36,883	33,333
Change in pension provisions	5,248	4,681
Change in deferred tax assets / deferred tax liabilities / tax provisions	– 1,525	– 3,051
Result from disposals	1,409	– 194
Cash flow	**14,293**	**35,040**
Change in inventories	– 90,160	– 104,624
Change in sales financing	8,895	– 1,336
Change in trade receivables / payables	105,045	95,740
Change in other provisions	– 44,313	– 32,331
Change in other items of the statement of financial position	57,402	12,433
Other operating changes	**36,869**	**– 30,118**
Cash generated by operating activities	**51,162**	**4,922**
Intangible assets / property, plant and equipment / investment property		
Investments	– 49,973	– 48,681
Income from disposals	10,502	2,577
Financial assets / company acquisitions		
Investments	– 110	– 14,015
Income from disposals	–	523
Cash investments	– 11,996	22,674
Cash used in investing activities	**– 51,577**	**– 36,922**
Change in financial liabilities	– 70,759	– 5,793
Cash used in financing activities	**– 70,759**	**– 5,793**
Net change in cash and cash equivalents	**– 71,174**	**– 37,793**
Cash and cash equivalents at the beginning of the reporting period	**215,472**	**217,660**
Changes in the scope of consolidation	–	1,399
Currency adjustments	674	– 5,752
Net change in cash and cash equivalents	– 71,174	– 37,793
Cash and cash equivalents at the end of the reporting period	**144,972**	**175,514**
Cash generated by operating activities	51,162	4,922
Cash used in investing activities	– 51,577	– 36,922
Free cash flow	**– 415**	**– 32,000**

[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, 2017 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, 2017, 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 2016/2017 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, 2017. All amounts are generally stated in € thousands.

The International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRS IC) have not approved any new standards or changes to existing standards, which are to be applied for the first time in financial year 2017/2018.

From financial year 2017/2018, “special items” will be reported as the “restructuring result” and in the corresponding items of the income statement; the figures for the previous year were restated accordingly.

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 71 (March 31, 2017: 70) domestic and foreign companies in which Heidelberger Druckmaschinen Aktiengesellschaft has a controlling influence as defined by IFRS 10. Of these, 61 (March 31, 2016: 61) are located outside Germany. Subsidiaries that are of minor importance are not included.

As of July 1, 2017, Heidelberger Druckmaschinen Aktiengesellschaft took over the coatings and pressroom chemicals business for the Europe, Middle East and Africa region with a total of about 70 staff from Fujifilm Europe B.V., Tilburg, the Netherlands. The acquisition includes the development, production and marketing operations at the production sites in Reutlingen, Germany, and Kruibeke, Belgium, as well as at the sales locations in Belgium, Germany, Spain, Sweden and Finland. The takeover was concluded in the form of an asset deal by acquiring the assets and liabilities associated with this business in the relevant countries. Heidelberger Druckmaschinen Aktiengesellschaft is thereby expanding in the attractive growth segment for consumables. This transaction is another step in pursuing the Company’s growth strategy of developing a comprehensive cross-sector portfolio geared toward specific customer requirements. The acquired operations account for a sales volume of approximately € 25 million. Heidelberg is thus roughly trebling its previous sales of pressroom chemicals and achieving a market share of around 10 percent in Europe.

The purchase price for this acquisition was € 6,007 thousand and was paid in cash. Total transaction costs in the low single-digit million euro range were incurred in connection with this acquisition. The transaction costs were reported in profit or loss in the result of operating activities under other operating expenses. The purchased assets and liabilities were carried at fair value in the context of purchase price allocation in accordance with IFRS 3. The fair values of the identified assets and liabilities at the date of acquisition were as follows:

	Fair value at date of acquisition
Non-current assets	
Intangible assets and property, plant and equipment	6,927
Current assets	
Inventories	3,010
Other assets	3
	3,013
Total assets	**9,940**
Non-current liabilities	
Provisions	687
Current liabilities	
Provisions	344
Other liabilities	306
	650
Total liabilities	**1,337**
Net assets at fair value	**8,603**

The biggest influencing factors in the acquisition to the consolidated statement of financial position and the consolidated income statement resulted from the initial consolidation of intangible assets and property, plant and equipment at fair value and the reversal of the remaining difference (€ 2,596 thousand) included in "Other operating income". Intangible assets primarily include formulations and trademarks. The negative difference recognized for the corporate acquisition was caused by the purchase price, which among others was influenced by Fujifilm Europe B.V.'s focus on its core business.

The pro rata net sales, which represent the additional sales for the Heidelberg Group and consequently do not include internal group sales generated by Heidelberg affiliates with business activities acquired from Fujifilm Europe B.V., for the period after the acquisition date amount to around € 5 million, assuming a pro rata net result after taxes. This pro rata net result after taxes also includes depreciation and amortization on intangible assets and property, plant and equipment recognized at fair value, but without consideration of the reversal in profit or loss of the negative difference from the first-time consolidation or the expenses attributable to the integration of the acquired business activities into the Heidelberg Group.

Had this acquisition already been included in the consolidated financial statements of the Heidelberg Group as of April 1, 2017, net sales would have been around € 6.5 million higher, with a negligible effect on the net result after taxes.

3 Other operating income

	1-Apr-2016 to 30-Sep-2016	**1-Apr-2017 to 30-Sep-2017**
Hedging/exchange rate gains	4,714	10,781
Reversal of other provisions/deferred liabilities	19,956	9,969
Income from operating facilities	5,146	4,815
Recoveries on loans and other assets previously written down	2,601	1,635
Income from disposals of intangible assets, property, plant and equipment and investment property	412	346
Other income	10,095	15,876
	42,924	**43,422**

The items "Reversal of other provisions/deferred liabilities" and "Other income" also include restructuring income totaling € 1,282 thousand (April 1, 2016 to September 30, 2016: € 152 thousand) and/or € 0 thousand (April 1, 2016 to September 30, 2016: € 93 thousand).

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 € 467 thousand (April 1, 2016 to September 30, 2016: € 588 thousand); interest income from sales financing of € 2,064 thousand (April 1, 2016 to September 30, 2016: € 2,319 thousand) is reported in sales.

5 Other operating expenses

	1-Apr-2016 to 30-Sep-2016	**1-Apr-2017 to 30-Sep-2017**
Other deliveries and services not included in the cost of materials	72,662	65,146
Special direct sales expenses including freight charges	39,774	37,325
Rent and leases	24,006	20,974
Travel expenses	19,621	19,600
Hedging/exchange rate losses	3,852	9,722
Insurance expense	6,368	5,259
Bad debt allowances and impairment on other assets	3,473	4,724
Costs of car fleet (excluding leases)	2,846	2,913
Additions to provisions and accruals relating to several types of expense	8,389	1,212
Other overheads	36,681	36,468
	217,672	**203,343**

The item “Additions to provisions and accruals relating to several types of expense” also includes restructuring expenses totaling € 40 thousand (April 1, 2016 to September 30, 2016: € 1,569 thousand).

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 Financial income

	1-Apr-2016 to 30-Sep-2016	**1-Apr-2017 to 30-Sep-2017**
Interest and similar income	1,070	1,628
Income from financial assets/loans/securities	2,320	302
Financial income	**3,390**	**1,930**

7 Financial expenses

	1-Apr-2016 to 30-Sep-2016	**1-Apr-2017 to 30-Sep-2017**
Interest and similar expenses	28,969	25,080
Expenses for financial assets/loans/securities	3,514	1,091
Financial expenses	**32,483**	**26,171**

8 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 268,292,851 (April 1, 2016 to September 30, 2016: 257,294,860). The weighted number of shares outstanding was influenced by the holdings of treasury shares. As of September 30, 2017, the Company held 142,919 (March 31, 2017: 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 March 30, 2015 did not have a dilutive effect on earnings per share during the period from April 1, 2017 to September 30, 2017. In the future, this instrument may have a fully dilutive effect.

9 Intangible assets, property, plant and equipment

In the period from April 1, 2017 to September 30, 2017, there were additions to intangible assets of € 17,558 thousand (April 1, 2016 to September 30, 2016: € 20,040 thousand) and to property, plant and equipment of € 57,624 thousand (April 1, 2016 to September 30, 2016: € 31,356 thousand). In the same period, the carrying amount of disposals from intangible assets was € 45 thousand (April 1, 2016 to September 30, 2016: € 108 thousand) and € 2,491 thousand (April 1, 2016 to September 30, 2016: € 11,803 thousand) for property, plant and equipment.

10 Inventories

Inventories include raw materials and supplies totaling € 107,276 thousand (March 31, 2017: € 124,956 thousand), work and services in progress amounting to € 309,059 thousand (March 31, 2017: € 220,217 thousand), finished goods and goods for resale of € 256,517 thousand (March 31, 2017: € 232,747 thousand), and advance payments of € 2,593 thousand (March 31, 2017: € 3,575 thousand).

11 Other receivables and other assets

The Other receivables and other assets item includes, among others, receivables from derivative financial instruments of € 4,777 thousand (March 31, 2017: € 3,386 thousand) and prepaid expenses of € 22,104 thousand (March 31, 2017: € 14,215 thousand).

12 Cash and cash equivalents

Restrictions on disposal of cash and cash equivalents due to foreign exchange restrictions amount to € 39,297 thousand (March 31, 2017: € 35,564 thousand).

13 Equity

The same as at March 31, 2017, the Company still held 142,919 treasury shares on September 30, 2017. 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, 2017 for information on the contingent capital and the authorized capital as of March 31, 2017. No significant resolutions resulting in changes of the contingent and the authorized capital were passed at the Annual General Meeting of July 27, 2017.

In June 2017, 21,297,697 new shares were issued from Contingent Capital 2012 to meet demands under the convertible bond 2013. This increased the share capital of Heidelberger Druckmaschinen Aktiengesellschaft from € 659,040,714.24 to € 713,562,818.56, now divided into 278,735,476 shares. The remaining issue volume of the convertible bond 2013 of € 3.7 million was fully repaid at maturity on July 10, 2017.

14 Provisions for pensions and similar obligations

A discount rate of 2.40 percent (March 31, 2017: 2.40 percent) was applied as of September 30, 2017 as an assumption for the calculation of the actuarial gains and losses of German companies.

15 Other provisions

Other provisions relate to tax provisions of € 59,896 thousand (March 31, 2017: € 68,142 thousand) and other provisions of € 296,928 thousand (March 31, 2017: € 341,851 thousand). Other provisions include staff obligations of € 74,188 thousand (March 31, 2017: € 91,284 thousand), sales obligations of € 78,475 thousand (March 31, 2017: € 82,244 thousand) and miscellaneous other provisions of € 144,265 thousand (March 31, 2017: € 168,323 thousand). The latter also include, among others, provisions in connection with our portfolio and restructuring measures.

16 Financial liabilities

			31-Mar-2017			**30-Sep-2017**
	Current	Non-current	Total	Current	Non-current	**Total**
Corporate bonds	6,208	196,735	202,943	6,208	197,408	203,616
Amounts due to banks	27,152	117,723	144,875	29,836	137,676	167,512
Convertible bonds	60,410	53,545	113,955	778	54,312	55,090
From finance leases	2,178	3,888	6,066	2,182	3,208	5,390
Other	2,260	–	2,260	2,901	–	2,901
	98,208	371,891	**470,099**	41,905	392,604	**434,509**

A loan of € 25.7 million amortizing by the end of June 2027 was borrowed in May 2017. The loan agreement contains standard covenants regarding the financial situation of the Heidelberg Group. The loan is secured by the lender's equal participation in the existing collateral concept.

With regard to our financing, please refer to note 29 in the notes to the consolidated financial statements as of March 31, 2017.

17 Other liabilities

Other liabilities include advance payments on orders of € 136,936 thousand (March 31, 2017: € 98,962 thousand), liabilities from derivative financial instruments of € 5,638 thousand (March 31, 2017: € 3,170 thousand), and deferred income of € 60,649 thousand (March 31, 2017: € 70,081 thousand).

18 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, reported under Other receivables and other assets, 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, 2017. If this had been 0.5 percentage points higher (lower), the fair value would have been € 134 thousand lower (€ 135 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-2017				**30-Sep-2017**
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	**Total**
Securities	3,647	–	–	3,647	3,617	–	–	3,617
Loans	–	–	26,171	26,171	–	–	21,425	21,425
Derivative financial assets	–	3,386	–	3,386	–	4,777	–	4,777
Financial assets measured at fair value	**3,647**	**3,386**	**26,171**	**33,204**	**3,617**	**4,777**	**21,425**	**29,819**
Derivative financial liabilities	–	3,170	–	3,170	–	5,638	–	5,638
Financial liabilities measured at fair value	**–**	**3,170**	**–**	**3,170**	**–**	**5,638**	**–**	**5,638**

Shares in subsidiaries in the amount of € 13,162 thousand (March 31, 2017: € 5,920 thousand) and other investments in the amount of € 3,388 thousand (March 31, 2017: € 3,388 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 € 223,787 thousand (March 31, 2017: € 222,555 thousand), compared to the carrying amount of € 203,616 thousand (March 31, 2017: € 202,943 thousand). The fair value of the 2015 convertible bond determined on the basis of the stock exchange listing, which is also reported under financial liabilities, amounts to € 75,780 thousand (March 31, 2017: € 61,487 thousand), compared to the carrying amount of € 55,090 thousand (March 31, 2017: € 53,562 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 € 4,771 thousand (March 31, 2017: € 9,082 thousand), 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 € 4,849 thousand (March 31, 2017: € 9,265 thousand).

The fair value of the amortizing loan funded by the KfW issued in April 2014 is € 6,396 thousand (March 31, 2017: € 8,521 thousand) compared to the carrying amount of € 6,316 thousand (March 31, 2017: € 7,368 thousand).

The fair value of the development loan agreed with the European Investment Bank in March 2016 is € 89,551 compared to the carrying amount of € 100,739 thousand.

The fair value of the promotional loan for the financing of our investments to relocate our research and development activities to our Wiesloch production site, agreed upon with a syndicate of banks with refinancing by KfW (Energy Efficiency Program - “Energy-efficient Construction and Refurbishment”), is € 5,063 thousand compared to the carrying amount of € 5,138 thousand.

The fair value of the loan taken up in May 2017 is € 23,451 thousand, compared to the carrying amount of € 25,939 thousand.

The fair value of each of these five financial liabilities reported under financial liabilites 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, 2017 (€ 21,425 thousand) is reconciled as follows: Carrying amount as of April 1, 2017 (€ 26,171 thousand), disposal (€ 2,674 thousand), other changes recognized in equity or in profit or loss (€ – 2,072 thousand).

19 Contingent liabilities and other financial liabilities

As of September 30, 2017, the contingent liabilities for warranties and guarantees amounted to € 3,539 thousand (March 31, 2017: € 3,750 thousand).

Other financial liabilities amounted to € 143,955 thousand as of September 30, 2017 (March 31, 2017: € 146,795 thousand). Of this amount, € 94,891 thousand (March 31, 2017: € 127,829 thousand) related to lease and rental obligations and € 49,064 thousand (March 31, 2017: € 18,966 thousand) related to investments and other purchase commitments.

20 Group segment reporting

Segment reporting is based on the management approach.

As part of the adjustment of the corporate strategy, the Company’s segments were reorganized as of April 1, 2017. The previous Heidelberg Equipment and Heidelberg Services segments were restructured, the Heidelberg Financial Services segment remained unchanged. Since then, the Heidelberg Group consists of the business segments Heidelberg Digital Technology, Heidelberg Digital Business and Services, and Heidelberg Financial Services. Heidelberg Digital Technology essentially comprises sheetfed offset, label printing and postpress business. Services, consumables and remarketed equipment business as well as digital printing technologies and solutions along the value chain are bundled in the Heidelberg Digital Business and Services segment. The Heidelberg Financial Services segment continues to comprise sales financing business. The figures of the previous year were adjusted accordingly. Further information on the business activities, products and services of the individual segments can be found in the “Strategy” section of the Group management report as of March 31, 2017.

Segment information April 1, 2017 to September 30, 2017:

	Heidelberg Digital Technology [1]		Heidelberg Digital Business and Services [2]		Heidelberg Financial Services		**Heidelberg Group**	
	1-Apr-2016 to 30-Sep-2016 [3]	**1-Apr-2017 to 30-Sep-2017**	1-Apr-2016 to 30-Sep-2016 [3]	**1-Apr-2017 to 30-Sep-2017**	1-Apr-2016 to 30-Sep-2016	**1-Apr-2017 to 30-Sep-2017**	1-Apr-2016 to 30-Sep-2016	**1-Apr-2017 to 30-Sep-2017**
External sales	523,424	533,285	546,271	518,606	2,324	2,252	1,072,019	1,054,143
EBITDA excluding restructuring result [4] (segment result)	–2,186	19,786	47,011	39,154	265	949	45,090	59,889
EBIT excluding restructuring result [5]	–26,288	–1,761	37,363	28,149	–59	554	11,016	26,942

[1] Until March 31, 2017: Heidelberg Equipment
[2] Until March 31, 2017: Heidelberg Services
[3] Figures for the previous year were adjusted
[4] Result of operating activities before interest, taxes, depreciation and amortization, excluding restructuring result (previously: special items)
[5] Previously: EBIT excluding special items

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

	1-Apr-2016 to 30-Sep-2016	**1-Apr-2017 to 30-Sep-2017**
EBITDA excluding restructuring result (segment result)	45,090	59,889
Depreciation and amortization excluding restructuring-related depreciation and amortization	34,074	32,947
EBIT excluding restructuring result	11,016	26,942
Restructuring result	–6,076	–653
Result of operating activities	**4,940**	**26,289**
Financial income	3,390	1,930
Financial expenses	32,483	26,171
Financial result	**–29,093**	**–24,241**
Net result before taxes	**–24,153**	**2,048**

External sales relate to the different regions as follows:

	1-Apr-2016 to 30-Sep-2016	**1-Apr-2017 to 30-Sep-2017**
Europe, Middle East and Africa		
Germany	164,363	176,597
Other Europe, Middle East and Africa region	303,850	299,049
	468,213	475,646
Asia/Pacific		
China	118,368	134,607
Other Asia/Pacific region	156,159	153,495
	274,527	288,102
Eastern Europe	102,263	101,821
North America		
USA	154,029	120,440
Other North America region	36,437	42,613
	190,466	163,053
South America	36,550	25,521
	1,072,019	**1,054,143**

21 Supervisory Board / Management Board

The composition of the Supervisory Board and the Management Board as at March 31, 2017 is presented on pages 140 to 142 of the consolidated financial statements as per March 31, 2017.

The following changes in the Supervisory Board and in the Management Board took place in the first six months of financial year 2017/2018:

On July 27, 2017, with effect from the end of the Annual General Meeting on July 27, 2017 until the end of the Annual General Meeting that resolves discharges for the 2021/2022 financial year, the Annual General Meeting elected Oliver Jung, member of the Management Board of Schaeffler Aktiengesellschaft, Herzogenaurach, who had been appointed a new member of the Supervisory Board by the court earlier, to the Supervisory Board as a shareholder representative.

22 Related party transactions

As described in note 41 of the notes to the consolidated financial statements as of March 31, 2017, business relationships exist between numerous companies and Heidelberger Druckmaschinen Aktiengesellschaft and its subsidiaries in the course of ordinary business. This also includes a joint venture, which is regarded as a related company of the Heidelberg Group.

In the reporting period, transactions were performed with related parties that resulted in liabilities of € 3,513 thousand (March 31, 2017: € 3,620 thousand), receivables of € 10,113 thousand (March 31, 2017: € 6,389 thousand), expenses of € 2,120 thousand (April 1, 2016 to September 30, 2016: € 2,506 thousand) and income of € 1,395 thousand (April 1, 2016 to September 30, 2016: € 1,810 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 € 252 thousand (April 1, 2016 to September 30, 2016: € 232 thousand) from Heidelberger Druckmaschinen Aktiengesellschaft in line with employment contracts in the reporting period.

23 Significant events after the end of the reporting period

There were no significant events after the end of the reporting period.

Heidelberg, November 9, 2017

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, 2017

HEIDELBERGER DRUCKMASCHINEN
AKTIENGESELLSCHAFT
The Management Board

Rainer Hundsdörfer	Dirk Kaliebe
Prof. Dr. Ulrich Hermann	Stephan Plenz

Financial calendar

February 8, 2018 — Publication of Third Quarter Figures 2017/2018
June 12, 2018 — Press Conference, Annual Analysts' and Investors' Conference
July 25, 2018 — Annual General Meeting

Subject to change

Publishing information

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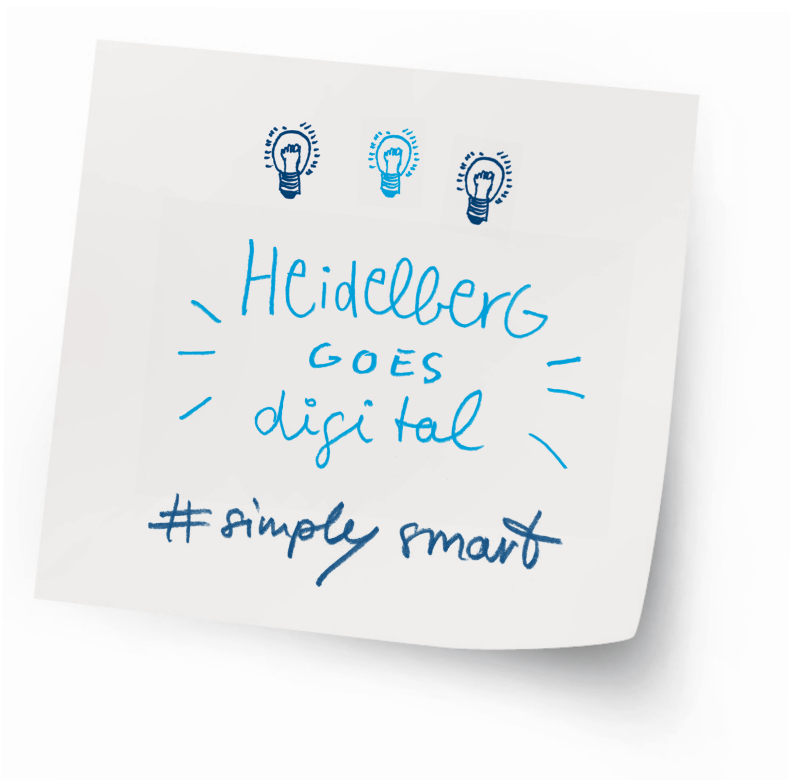

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