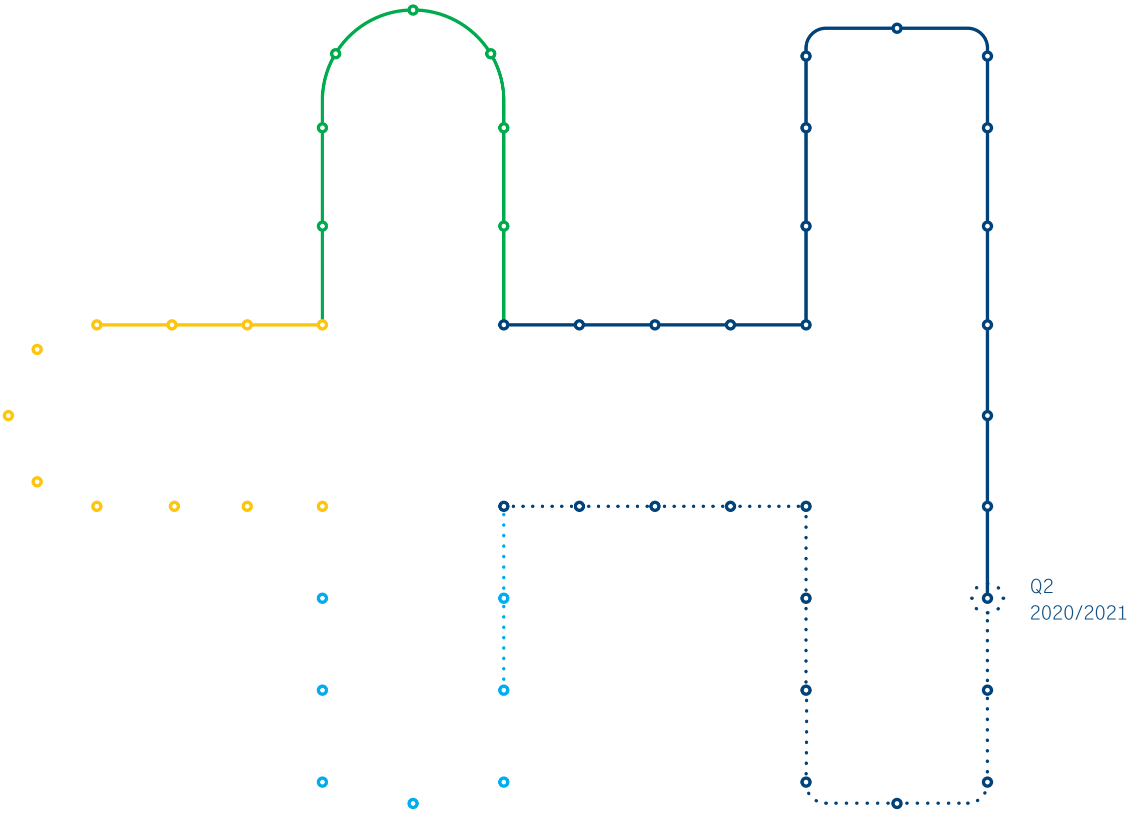
Interim Financial Report Q2 2020/2021



Point by Point.

HEIDELBERG

INTERIM FINANCIAL REPORT Q2 2020/2021

- Economic situation shows tangible signs of recovery in the second quarter: China in particular is approaching its usual level
- Transformation program making good progress: corporate bond repaid ahead of schedule, agreement reached on planned downsizing of workforce
- Significant improvement in incoming orders in second quarter, particularly in machinery business. Incoming orders for the first six months still down around 32 percent year-on-year
- Tangible upturn in sales in second quarter – sales for the first six months of 2020/2021 still down around 28 percent year-on-year due to weak order situation in the first quarter
- EBITDA margin excluding restructuring result of around 12 percent in the first half of the year, particularly due to income from the reorganization of the Company's pension plans
- Break-even before taxes and net result after taxes of € – 9 million after first six months
- Significant improvement in free cash flow compared with previous year; leverage of 1.2
- Forecast for the 2020/2021 financial year unchanged

Key performance data

Figures in € millions	Q1 to Q2		Q2	
	2019/2020	**2020/2021**	2019/2020	**2020/2021**
Incoming orders	1,263	864	648	518
Net sales	1,124	805	622	475
EBITDA excluding restructuring result [1]	69	97	55	37
in percent of net sales	6.2	12.0	8.9	7.8
Result of operating activities excluding restructuring result	22	57	32	18
Restructuring result	– 5	– 30	– 1	– 10
Financial result	– 23	– 27	– 10	– 14
Net result after taxes	– 16	– 9	14	– 13
Research and development costs	65	44	33	22
Investments	45	32	27	18
Equity	244	115	244	115
Net debt [2]	416	157	416	157
Leverage [3]	2.1	1.2	2.1	1.2
Free cash flow	– 100	– 52	– 16	11
Earnings per share in €	– 0.05	– 0.03	0.05	– 0.05
Number of employees at end of quarter (excluding trainees)	11,471	10,918	11,471	10,918

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

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

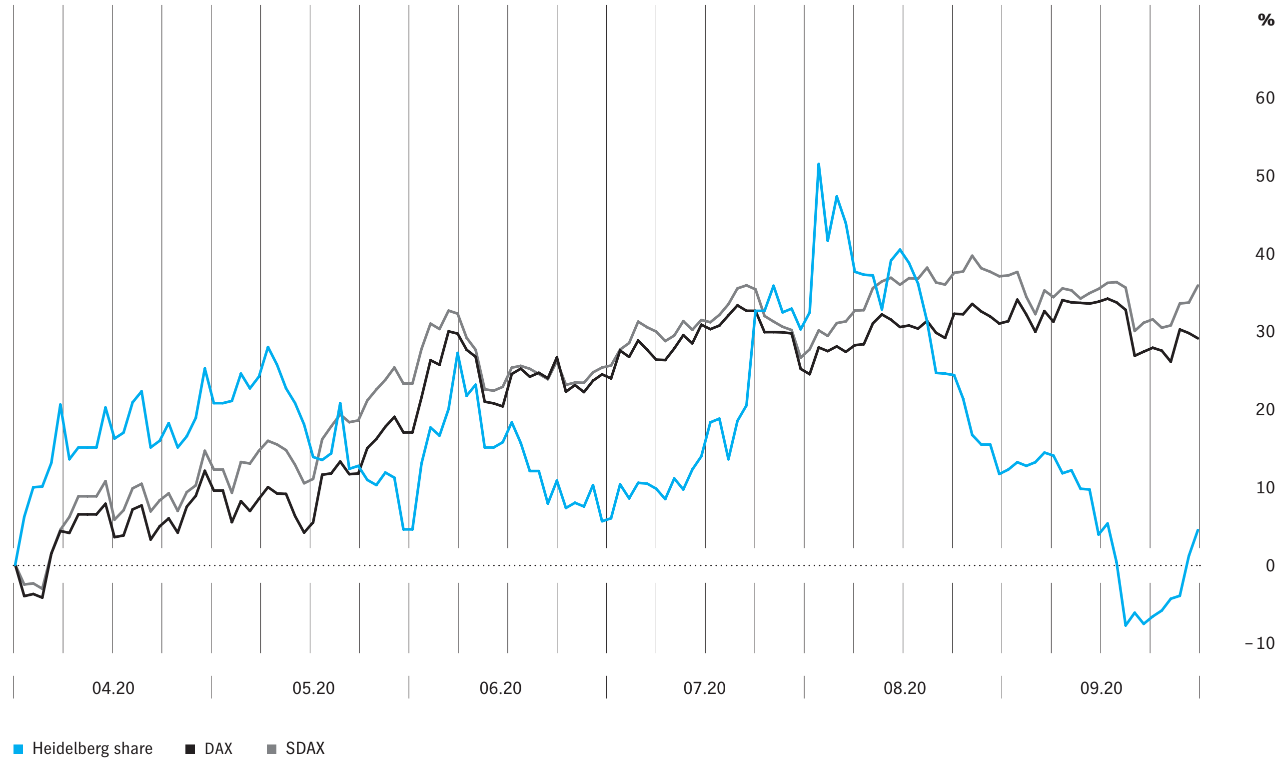
Interim consolidated financial report

Q2 2020/2021

Heidelberg on the capital markets

Performance of the Heidelberg share

Compared to the DAX and the SDAX (index: April 1, 2020 = 0 percent)



The Heidelberg share and the Heidelberg bonds

In the first half of the 2020/2021 financial year, the price performance of the Heidelberg share and the Heidelberg bonds reflected the economic uncertainty resulting from the pandemic in particular, with significant fluctuations in both directions. The Heidelberg share opened the financial year at € 0.57 on April 1, 2020. The share price was extremely volatile up until the publication of the figures for the 2019 / 2020 financial year on June 9, 2020, peaking at € 0.68. Thanks to the relaxation of the coronavirus restrictions, which had a positive impact on the economy and hence the stock markets, and a string of positive corporate news items in connection with the transformation program (reorganization of the Company's pension plans, sale of the Gallus Group, early repayment of the corporate bond), the Heidelberg share reached its high for the first half of the year of € 0.81 on August 3. It failed to maintain this positive trend until the end of the reporting period, closing at € 0.56 on September 30, 2020, and thus trading at broadly the same level as of the start of the financial year.

The German DAX benchmark index and the small cap selection index, the SDAX, experienced pronounced volatility throughout the first half of the year. As of September 30, 2020, the DAX and the SDAX were up around 28 percent and 35 percent respectively compared with the start of the financial year.

In the first half of the 2020/2021 financial year, the price of the Heidelberg convertible bond developed almost entirely independently of the volatile Heidelberg share price, trading consistently at or just below the 80 percent mark. The price of the convertible bond increased sharply in late September to almost 99 percent on September 30, 2020, corresponding to an increase of around 20 percent during the first half of the year. As announced, Heidelberg repaid the outstanding amount of € 150 million under the existing Heidelberg corporate bond with a term to 2022 and a coupon of 8 percent p.a. ahead of schedule on September 9, 2020, including all accrued interest. The cash repayment will improve the financial result in future by around € 12 million annually. The buyback represents another milestone in the ongoing financial stabilization and reorientation of the Company. Up until the announced repayment, the price of the corporate bond largely reflected the performance of the DAX and SDAX, trading at 99 percent on September 9, 2020 after 83 percent at the start of the financial year. This represents an increase of around 20 percent in the first half of the year.

Key performance data of the Heidelberg share

Figures in € ISIN: DE 0007314007	Q2 2019/2020	**Q2 2020/2021**
High	1.43	0.81
Low	0.86	0.50
Price at beginning of quarter [1]	1.43	0.57
Price at end of quarter [1]	1.13	0.56
Market capitalization at end of quarter in € millions	344	171
Outstanding shares in thousands (reporting date)	304,479	304,479

Key performance data of the Heidelberg 2015 corporate bond [3]

Figures in percent RegS ISIN: DE 000A14J7A9	Q2 2019/2020	**Q2 2020/2021**
Nominal volume in € millions	150.0	150.0
High	104.0	100.2
Low	89.6	88.5
Price at beginning of quarter [2]	103.1	88.5
Price at end of quarter [3]	99.8	99.0

Key performance data of the Heidelberg 2015 convertible bond

Figures in percent ISIN: DE 000A14KEZ4	Q2 2019/2020	**Q2 2020/2021**
Nominal volume in € millions	58.6	17.1
High	98.9	90.5
Low	93.9	79.3
Price at beginning of quarter [2]	98.7	79.3
Price at end of quarter [2]	98.3	88.5

[1] Xetra closing price, source: Bloomberg
[2] Closing price, source: Bloomberg
[3] The 2015 corporate bond was repaid ahead of schedule on September 9, 2020 as announced, including all accrued interest

ECONOMIC REPORT

Macroeconomic and industry-specific conditions

Global economic activity declined by 5.6 percent in the first half of 2020 as a result of the COVID-19 pandemic. Unprecedented economic programs aimed at curbing the impact of the pandemic around the world led to a recovery in gross domestic product in the third quarter of 2020.

COVID-19 impacted not only the economic performance of the advanced economies in the first half of 2020, but also the development of the emerging economies, albeit with considerable differences between the individual countries.

In Europe, the United Kingdom, Spain, Italy and France were particularly hard hit, with gross domestic product falling by as much as 22 percent in the second quarter of 2020. By contrast, the downturn was relatively moderate in some of the advanced economies in the Asian region, such as South Korea and Taiwan.

In the US, overall economic output declined by 9 percent in the second quarter of 2020, the biggest slump in production since records began in 1947. However, a recovery took hold in May and more than half of the pandemic-related losses had been recovered by July.

In Japan, the spring saw the third successive quarter of declining economic output. Gross domestic product fell by 10 percent in the second quarter of 2020 as a result of the coronavirus crisis. The recovery following the COVID-19 shock was relatively hesitant.

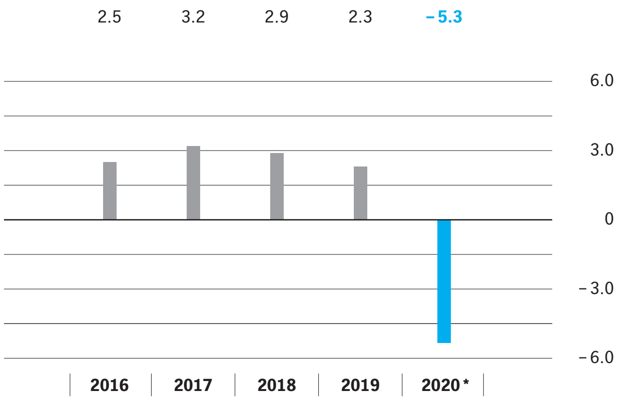
In the same way as for the industrialized nations, development in the emerging economies has already begun to pick up again. Even countries that still have extremely high infection rates (particularly in Latin America and India) are seeing an economic recovery following the severe downturn. However, the sustained slump in tourism is curbing the upturn in many countries.

In China, the recovery from the economic shock began in March 2020 and has continued ever since. With growth of 3.1 percent in Q2 2020 and 6 percent in Q3 2020, China is rapidly approaching normal levels of capacity utilization.

Economic development in Latin America returned to an upward trend in the summer following the coronavirus shock and the accompanying downturn in gross domestic product of 15.3 percent in the second quarter of 2020, but it is likely to be a few years before pre-crisis levels are attained again.

Change in global GDP [1]

Figures in percent



* Forecast

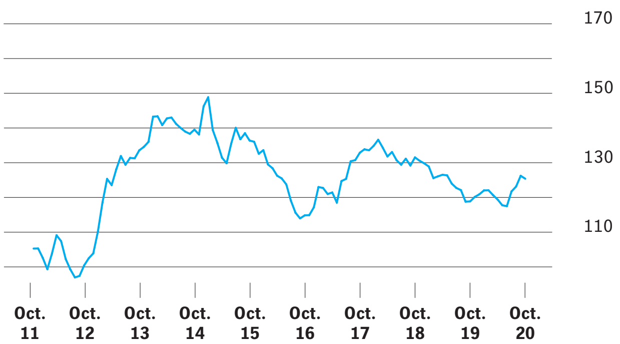
[1] Data determined in accordance with the straight aggregate method

The chain-weighted method would deliver the following results: 2016: 2,8 %; 2017: 3,5 %; 2018: 3,2 %; 2019: 2,65 %; 2020 *: – 4,8 %

Source: IHS Markit Global Insight; calendar year; as of September 2020

Development of EUR / JPY

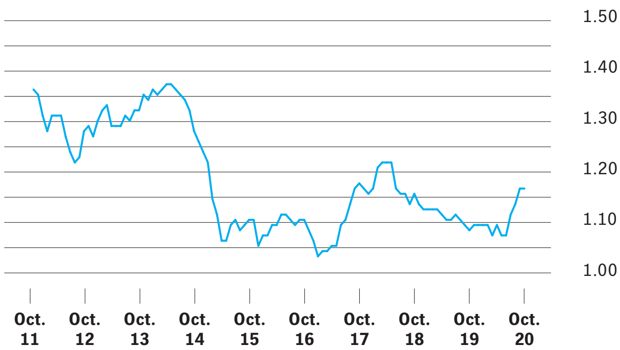
October 2011 until October 2020



Source: IHS Markit Global Insight

Development of EUR / USD

October 2011 until October 2020



Source: IHS Markit Global Insight

The pronounced downturn in investments in equipment this year is also reflected in the statistics published by the German Mechanical Engineering Industry Association (VDMA). Sales of printing presses by German manufacturers declined by 22 percent in real terms between January and August 2020, with incoming orders falling by 32 percent in the same period.

Business development

The business performance of Heidelberger Druckmaschinen AG (Heidelberg) in the first half of the 2020/2021 financial year (April 1 to September 30, 2020) was dominated by the impact of the COVID-19 pandemic, which resulted in massive investment restraint in the first quarter in particular. There were tangible signs of recovery in the second quarter, particularly in new machinery business. A significant upturn was recorded in China, while performance on the US market remained muted.

Heidelberg quickly adapted to the difficult circumstances dictated by the global coronavirus pandemic and used creative and flexible solutions to assist its customers at all levels. In order to assess the situation in the industry, for example, Heidelberg has published weekly updates on the development of printing volumes in the packaging, label and commercial market segments in its Print Media Industry Climate Report at www.heidelberg.com since late April 2020. The report will be published on a monthly basis from November onward and will also include trends and development forecasts. The report, as well as Heidelberg's ability to continue developing innovative projects even in the times of the ongoing COVID-19 pandemic, was a crucial factor in the Heidelberg Digital Unit (HDU) winning the Capital Award for the second time in a row as one of Germany's best digital laboratories in the "Core Business Innovation" category. During the crisis, Heidelberg is benefiting from its digital interfaces to print shops – whether online training, Remote Service or Heidelberg Assistant – and its globally positioned and proven service and sales network.

As part of the package of measures announced in March 2020, the Management Board and employee representatives agreed a severance plan for the German production sites for the planned downsizing of more than 1,200 jobs. The agreed severance plan is currently being implemented as planned. In Germany, one transfer company was formed as of October 1, 2020, and another will be established on January 1, 2021. A total of up to 1,600 jobs are to be downsized worldwide.

As of the end of the first quarter of 2020/2021, the Company has reorganized the pension plans for Company employees in Germany. This entails merging the previous pension plans of Heidelberger Druckmaschinen AG, Heidelberger Druckmaschinen Vertrieb Deutschland GmbH, Heidelberg Manufacturing Deutschland GmbH and Heidelberg Postpress Deutschland GmbH, and the uniform indexation of Company pensions on the basis of the expected lower rate of inflation. The new system reduces expected future pension increases and boosts the Company's equity with income of around € 73 million in EBITDA.

In late July 2020, Heidelberg sold the Gallus Group to the Swiss packaging group benpac holding ag, Stans. In the course of the transaction, Gallus Holding AG, St. Gallen, Switzerland, Gallus Ferd. Rüesch AG, St. Gallen, Switzerland, Gallus Druckmaschinen GmbH, Langgöns-Oberkleen, Heidelberg Web Carton Converting GmbH (WCC), Weiden, and Menschick Trockensysteme GmbH, Renningen, with a total of five production sites in Germany and Switzerland and around 430 employees, were transferred to benpac. Heidelberg expects the transaction, which has an agreed purchase price of around € 120 million, to generate income in a mid double-digit million euro range. The final parameters will be determined when the transaction is closed. The sale, which is still subject to conditions precedent, is expected to take effect before the end of 2020.

In late July 2020, Heidelberg also sold its Belgian subsidiary CERM N.V., Oostkamp, Belgium, as part of a management buyout. The transaction resulted in a gain on disposal of around € 8 million for Heidelberg. CERM specializes in developing management information software for the narrow-web label market.

As announced, Heidelberg repaid the outstanding amount of € 150 million under the existing corporate bond with a term to 2022 and a coupon of 8 percent p. a. ahead of schedule on September 9, 2020, including all accrued interest. The cash repayment will improve the financial result in future by around € 12 million annually. The buyback represents another milestone in the ongoing financial stabilization and reorientation of the Company.

Heidelberg will be pitching to customers individually and digitally moving forward, matching the trend towards shorter, faster innovation cycles and the rising momentum brought about by digitization. To keep customers up to date on the latest developments quickly and flexibly on an ongoing basis, Heidelberg will be using new and, increasingly, digital formats to present its products and innovations. This began with an “Innovation Week” from October 19 to 23, 2020. Entitled “Unfold your potential”, Heidelberg introduced a wide range of product innovations with a focus on packaging and commercial applications, including autonomous printing, end-to-end solutions, Smart Print Shop and Push-to-Stop.

INCOMING ORDERS amounted to around € 864 million as of September 30, 2020. This was down around 32 percent on the prior-year figure of € 1,263 million due to the impact of the COVID-19 pandemic. At € 518 million, incoming orders in the second quarter of 2020/2021 were also significantly lower than the prior-year figure of € 648 million but showed considerable signs of recovery compared with the first quarter of the financial year. Having been down 44 percent on the previous year in the first quarter, the downturn in incoming orders improved to around –20 percent in the second quarter, while the figure for new machinery business improved from –52 to –15 percent.

The **ORDER BACKLOG** in the second quarter of the financial year increased to € 627 million compared with March 31, 2020 (€ 612 million).

At € 805 million, **NET SALES** after the first six months were down on the previous year (€ 1,124 million) due to the impact of COVID-19. In the second quarter, net sales amounted to € 475 million after € 622 million in the same period of the previous year. Here, too, the gradual improvement in the order situation meant that the downturn in the second quarter of 2020/2021 was less pronounced than in the first quarter.

As expected, total operating performance for the first six months was down on the previous year at € 823 million (€ 1,216 million).

Business performance by quarter

Figures in € millions		Q1 to Q2		Q2
	2019/2020	**2020/2021**	2019/2020	**2020/2021**
Incoming orders	1,263	864	648	518
Sales	1,124	805	622	475

Results of operations, net assets and financial position

The result of operating activities before interest, taxes, depreciation and amortization excluding the restructuring result (**EBITDA EXCLUDING RESTRUCTURING RESULT**) improved to € 97 million in the first half of 2020/2021 (first half of 2019/2020: € 69 million). This included income from the reorganization of the pension plans for the Company’s employees in Germany in the first quarter of 2020/2021 (around € 73 million) and from the sale of the Belgian subsidiary CERM N.V. in the second quarter (around € 8 million). In addition, Heidelberg continued to make use of short-time work and flexible working hours. At € 37 million, EBITDA in the second quarter was down on the same period of the previous year (€ 55 million) due to the lower level of sales. The result of operating activities excluding restructuring result (**EBIT EXCLUDING RESTRUCTURING RESULT**) was up year-on-year at € 57 million after the first six months (previous year: € 22 million), but the figure for the second quarter was lower than in the previous year at € 18 million (€ 32 million). Due among other things to expenses in connection with the adjustment of personnel capacity at international sites as part of the package of measures announced in March 2020, the restructuring result for the first half of the year was in line with forecasts at € –30 million (first half of previous year: € –5 million).

The FINANCIAL RESULT amounted to € –27 million after the first six months (previous year: € –23 million). The increase was primarily attributable to the higher level of interest expense for pensions and expenses due to the remeasurement of current securities.

Benefiting from the use of short-time work and flexible working hours and the aforementioned income, the Company achieved a break-even in terms of the NET RESULT BEFORE TAXES in the first half of the year (previous year: € –6 million). In the second quarter of 2020/2021, the net result before taxes amounted to € –6 million compared with € 20 million in the same period of the previous year. The NET RESULT AFTER TAXES amounted to € –9 million in the first half of the year (previous year: € –16 million) and € –13 million in the second quarter (previous year: € 14 million).

Income statement

Figures in € millions	Q1 to Q2		Q2	
	2019/2020	**2020/2021**	2019/2020	**2020/2021**
Net sales	**1,124**	**805**	**622**	**475**
Change in inventories/other own work capitalized	92	18	7	–25
Total operating performance	**1,216**	**823**	**629**	**450**
EBITDA excluding restructuring result	**69**	**97**	**55**	**37**
Depreciation and amortization excluding restructuring-related depreciation and amortization	48	39	23	20
Result of operating activities (EBIT) excluding restructuring result	**22**	**57**	**32**	**18**
Restructuring result	–5	–30	–1	–10
Result of operating activities	**18**	**27**	**31**	**7**
Financial result	**–23**	**–27**	**–10**	**–14**
Net result before taxes	**–6**	**0**	**20**	**–6**
Taxes on income	11	9	6	7
Net result after taxes	**–16**	**–9**	**14**	**–13**

Compared with March 31, 2020, TOTAL ASSETS decreased to € 2,184 million as of September 30, 2020, largely due to the early cash repayment of the corporate bond and the lower level of trade receivables.

On the ASSETS SIDE, INVENTORIES decreased to € 598 million as a result of the lower order volume in the first half of the year (March 31, 2020: € 660 million).

As anticipated, the elevated level of trade receivables at the start of the financial year as a result of the high sales volume in the final quarter of 2019/2020 decreased after the first six months of the 2020/2021 financial year.

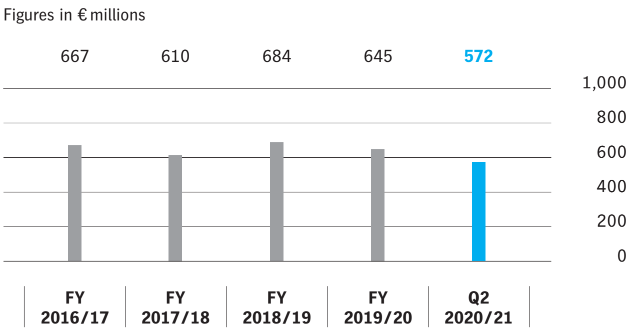
All in all, NET WORKING CAPITAL declined to € 572 million as of September 30, 2020 (March 31, 2020: € 645 million).

Our customers' financing requirements were covered largely externally in the reporting period, in some cases with the active mediation of the Heidelberg Financial Services segment; we therefore provided customer financing directly to a limited extent only. RECEIVABLES FROM SALES FINANCING declined to € 42 million as of September 30, 2020 on account of the repayments received and refinancing on the part of customers.

Assets

Figures in € millions	31-Mar-2020	**30-Sep-2020**
Non-current assets	952	914
Inventories	660	596
Trade receivables	299	209
Receivables from sales financing	43	42
Cash and cash equivalents	428	102
Other assets	220	321
	2,602	**2,184**

Development of net working capital [1]



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

Equity and liabilities

Figures in € millions	31-Mar-2020	**30-Sep-2020**
Equity	202	115
Provisions	1,338	1,294
of which: pension provisions	986	978
Financial liabilities	471	259
Trade payables	212	136
Other equity and liabilities	379	380
	2,602	**2,184**

Overview of net assets

Figures in € millions	31-Mar-2020	**30-Sep-2020**
Total assets	2,602	2,184
Net working capital	645	572
in percent of sales [1]	27.5	28.3
Equity	202	115
in percent of total equity and liabilities	7.8	5.3
Net debt [2]	43	157

[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

Under **EQUITY AND LIABILITIES**, the Heidelberg Group's **EQUITY** fell to € 115 million as of September 30, 2020 compared with the end of the financial year on March 31, 2020, essentially as a result of the significant reduction in the interest rate for German pensions (from 1.8 percent as of March 31, 2020 to (modified) 1.4 percent as of September 30, 2020). The equity ratio was thus around 5 percent.

Despite the reduction in the interest rate for German pensions, pension provisions declined slightly to € 978 million as of September 30, 2020 due to the reorganization of the Company's pension plans in Germany (March 31, 2020: € 986 million). **PROVISIONS** fell to € 1,294 million in total.

NET DEBT amounted to € 157 million as of the end of the first half of the year (March 31, 2020: € 43 million). Leverage (the ratio of net debt to EBITDA excluding restructuring result for the last four quarters) amounted to 1.2 (same quarter of previous year: 2.1). The early repayment of the corporate bond meant that financial liabilities decreased significantly to € 259 million as of September 30, 2020 (March 31, 2020: € 471 million).

On September 9, 2020, Heidelberg repaid the outstanding amount of € 150 million under the existing corporate bond with a term to 2022 and a coupon of 8 percent p. a. at par and ahead of schedule, including all accrued interest. The cash repayment will improve the financial result in future by around € 12 million annually.

Heidelberg's financing portfolio consists of a syndicated credit facility, capital market instruments (convertible bond) and other instruments and development loans. Heidelberg's total credit facilities, which currently amount to around € 435 million, have a maturity structure until 2023 and provide solid foundations for the Company's continued strategic reorientation.

We supplement our financing with operating leases where economically appropriate. There are no other financing instruments not reported on the face of the statement of financial position with a significant influence on the economic position of the Group.

Cash used in operating activities amounted to € – 91 million in the first half of 2020/2021 (previous year: € – 61 million). The change is due mainly to other operating changes and related to payments for restructuring measures, among other things.

In the first half of 2020/2021, **NET CASH GENERATED BY INVESTING ACTIVITIES** was recorded in the amount of € 36 million (previous year: net cash used in investing activities of € 39 million); this was due primarily to cash investments (around € 55 million from securities returned in the course of the retransfer of trust assets of Heidelberg Pension-Trust e. V. in March 2020) and the sale of CERM (€ 9 million). All in all, **FREE CASH FLOW** was still negative after the first six months at € – 52 million but improved significantly compared with the same period of the previous year (€ – 100 million).

Statement of cash flows of the Heidelberg Group

Figures in € millions		Q1 to Q2		Q2
	2019/2020	**2020/2021**	2019/2020	**2020/2021**
Net result after taxes	– 16	– 9	14	– 13
Cash used in/generated by operating activities	– 61	– 91	5	– 25
of which: net working capital	– 56	12	– 26	– 13
of which: receivables from sales financing	3	2	2	3
of which: other operating changes	– 8	– 105	29	– 15
Cash used in/generated by investing activities	– 39	39	– 21	36
Free cash flow	– 100	– 52	– 16	11
in percent of sales	– 8.9	– 6.5	– 2.6	– 2.3

Segment report

As expected in the wake of the investment restraint resulting from the COVID-19 pandemic, sales in the **HEIDELBERG DIGITAL TECHNOLOGY** segment were down year-on-year at € 446 million in the first half of the year (previous year: € 660 million). However, the figure for the second quarter of the 2020/2021 financial year (€ 281 million; previous year: € 382 million) was up significantly on the first quarter of 2020/2021 (€ 165 million), thanks in particular to sheetfed business.

After amounting to € 13 million in the first half of the 2019/2020 financial year, the result of operating activities before interest, taxes, depreciation and amortization excluding restructuring result (EBITDA excluding restructuring result) was € 18 million in the first half of 2020/2021, largely as a result of the income from the reorganization of the pension plans for the Company's employees in Germany in the first quarter of 2020/2021 (€ 44 million). It amounted to € – 3 million in the second quarter of the current financial year (previous year: € 20 million).

The Heidelberg Digital Technology segment had a total of 7,082 employees as of September 30, 2020.

Heidelberg Digital Technology

Figures in € millions		Q1 to Q2		Q2
	2019/2020	**2020/2021**	2019/2020	**2020/2021**
Incoming orders	752	501	379	322
Net sales	660	446	383	281
Order backlog	568	436	568	436
EBITDA excluding restructuring result [1]	13	18	20	– 2
Result of operating activities excluding restructuring result	– 22	– 7	3	– 15
Employees [2]	7,307	7,082	7,307	7,082

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

With segment sales of € 357 million in the first half of the year (previous year: € 461 million), the **HEIDELBERG LIFECYCLE SOLUTIONS** segment was impacted in particular by the downturn in consumables sales and service operations as a result of the lower volume of commercial printing. Here, too, the second quarter (€ 193 million; previous year: € 238 million) saw an improvement compared with the first quarter of the current financial year (€ 164 million). Including income from the reorganization of the pension plans for the Company's employees in Germany (€ 29 million) and income from the sale of CERM (€ 8 million), the result of operating activities before interest, taxes, depreciation and amortization excluding restructuring result (EBITDA excluding restructuring result) amounted to € 79 million (previous year: € 55 million). It was € 39 million in the reporting quarter after € 35 million in the same quarter of the previous year.

The Heidelberg Lifecycle Solutions segment had a total of 3,803 employees as of September 30, 2020.

Heidelberg Lifecycle Solutions

Figures in € millions		Q1 to Q2		Q2
	2019/2020	**2020/2021**	2019/2020	**2020/2021**
Incoming orders	509	361	267	195
Net sales	461	357	238	193
Order backlog	190	191	190	191
EBITDA excluding restructuring result [1]	55	79	35	39
Result of operating activities excluding restructuring result	43	64	29	32
Employees [2]	4,126	3,803	4,126	3,803

[1] Result of operating activities before interest and taxes and before depreciation and amortization, excluding restructuring result
[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 we finance directly. Receivables from sales financing declined by € 1 million as against the start of the financial year to € 42 million as of September 30, 2020. The increase in provisions for COVID-19-related deferrals, among others, meant that EBITDA excluding restructuring result in the **HEIDELBERG FINANCIAL SERVICES** segment amounted to € 0 million in the first half and the second quarter of 2020/2021.

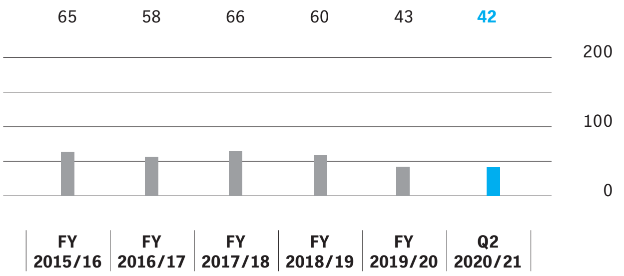
Heidelberg Financial Services

Figures in € millions		Q1 to Q2		Q2
	2019/2020	**2020/2021**	2019/2020	**2020/2021**
Net sales	2	2	1	1
EBITDA excluding restructuring result [1]	2	0	1	0
Result of operating activities excluding restructuring result	1	0	1	0
Employees [2]	38	33	38	33

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

Receivables from sales financing

Figures in € millions



Report on the regions

At the end of the first half of the year, incoming orders in the EMEA region (Europe, Middle East and Africa) were down around 34 percent year-on-year at € 316 million (€ 475 million) due to the investment restraint resulting from COVID-19. Incoming orders amounted to € 199 million in the second quarter of the 2020/2021 financial year, around 21 percent lower than in the same period of the previous year (€ 252 million). This trend was also reflected in sales, which were lower year-on-year for both the first half of the year at € 315 million (previous year: € 412 million) and the second quarter at € 186 million (previous year: € 218 million), but which increased tangibly in the second quarter of 2020/2021. Signs of recovery were observed in the second quarter, particularly in markets such as France, Italy, Spain and the United Kingdom, where the impact of the lockdown had had a significant negative impact on sales in the first quarter.

In the ASIA/PACIFIC region, incoming orders declined to € 267 million as of September 30, 2020 (previous year: € 382 million). However, incoming orders in the second quarter were down just 15 percent on the same period of the previous year at € 153 million (€ 179 million). This was due in particular to incoming orders from the Chinese market, which were almost at the same level as in the previous year. The downturn in sales was also less pronounced in the second quarter thanks to strong sales in China. As a whole, the region recorded sales of € 149 million in the second quarter (previous year: € 194 million) and € 254 million in the first half of the year (previous year: € 354 million).

At € 116 million (previous year: € 144 million), the year-on-year decline in incoming orders in the EASTERN EUROPE region in the first half of the year was less pronounced than in other regions. The same was true for the second quarter of 2020/2021, with incoming orders amounting to € 68 million after € 73 million in the same period of the previous year. Sales fell substantially year-on-year, amounting to € 95 million in the first half of the year (previous year: € 134 million) and € 61 million in the second quarter of the financial year (previous year: € 75 million).

Incoming orders in the NORTH AMERICA region declined significantly to € 151 million in the first half of the year compared with € 234 million in the same period of the previous year, while the figure for the second quarter of 2020/2021 amounted to € 88 million after € 132 million in the previous year. However, the downturn in orders in the USA was less pronounced than in the other markets in the region. Sales declined from € 200 million in the previous year to € 125 million in the first half of 2020/2021, while sales in the second quarter of 2020/2021 were also down significantly year-on-year at € 68 million (previous year: € 123 million). This reflected delayed impact of the pandemic compared with China and Europe, as well as unfavorable exchange rate developments.

The largest market in the SOUTH AMERICA region, Brazil, was particularly hard hit by the impact of the COVID-19 pandemic. This resulted in a downturn in incoming orders and sales. Smaller markets saw a recovery at a low level in the second quarter. Incoming orders in the region declined from € 28 million in the previous year to € 15 million in the first half of 2020/2021, and from € 11 million in the second quarter of the previous year to € 10 million in the reporting quarter. The region's sales were also down year-on-year, at € 17 million for the first half of the year under review (previous year: € 24 million) and € 11 million for the second quarter of 2020/2021 (previous year: € 12 million).

Incoming orders by region

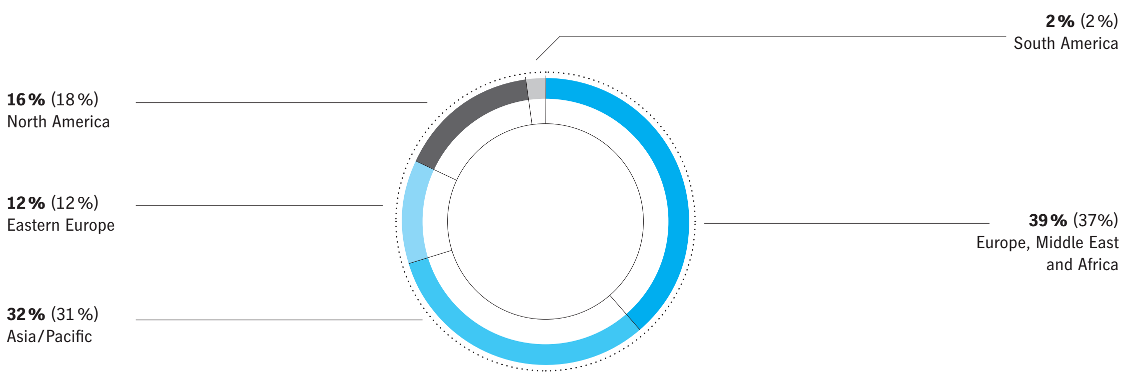
Figures in € millions	Q1 to Q2		Q2	
	2019/2020	**2020/2021**	2019/2020	**2020/2021**
EMEA	475	316	252	199
Asia/Pacific	382	267	179	153
Eastern Europe	144	116	73	68
North America	234	151	132	88
South America	28	15	11	10
Heidelberg Group	**1,263**	**864**	**648**	**518**

Sales by region

Figures in € millions	Q1 to Q2		Q2	
	2019/2020	**2020/2021**	2019/2020	**2020/2021**
EMEA	412	315	218	186
Asia/Pacific	354	254	194	149
Eastern Europe	134	95	75	61
North America	200	125	123	68
South America	24	17	12	11
Heidelberg Group	**1,124**	**805**	**622**	**475**

Sales by region (Q1 to Q2)

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



Employees

There were 10,918 employees in the Heidelberg Group in the second quarter of the 2020/2021 financial year (plus 383 trainees).

Employees by region

Number of employees [1]	31-Mar-2020	**30-Sep-2020**
EMEA	8,351	8,069
Asia/Pacific	1,661	1,625
Eastern Europe	520	506
North America	682	629
South America	102	89
Heidelberg Group	**11,316**	**10,918**

[1] Excluding trainees

Risk and opportunity report

As of September 30, 2020, there were no fundamental changes in the assessment of the risks and opportunities of the Heidelberg Group compared to the presentation in the 2019/2020 Annual Report. This applies in particular as regards the political risks, industry, market and refinancing risks due to the COVID-19 pandemic and their impact on profitability and liquidity. If the economic recovery anticipated by Heidelberg is delayed as a result of the COVID-19 pandemic, this would increase the risks to its results of operations, net assets and financial position. Heidelberg counters these risks with systematic asset management to bolster its liquidity and equity in the short term. Risks and opportunities still arise from changes in the discount rates for pension obligations with corresponding negative or positive effects on equity. As previously, there are currently no discernible individual risks to the Heidelberg Group as a going concern. This applies both to business activities already implemented and to operations that Heidelberg is planning or has already introduced.

Future prospects

The forecast for the 2020/2021 financial year is unchanged from that published in the 2019/2020 Annual Report on June 9, 2020.

Heidelberg is forecasting that sales in the 2020/2021 financial year will be significantly lower than in the previous year (€ 2,349 million). Owing to volume effects, the anticipated sales decline due to the COVID-19 pandemic will have a significant impact on the EBITDA margin. However, earnings improvements are expected from savings in conjunction with the package of measures, accounting effects and temporary relief from more flexible and shorter working hours. Overall, despite the decline in sales, the Company will achieve an EBITDA margin excluding restructuring result of at least the same level as the previous year. Based on its sales forecast, Heidelberg anticipates that the net result after taxes for the 2020/2021 financial year will improve significantly as against the previous year, but still remain deep in negative territory. In the medium to long term, Heidelberg assumes that the comprehensive package of measures as part of its reorganization will help to sustainably improve the Company's future profitability and its financial resources for further growth.

Precise forecasts for the ongoing development of the markets and the industry continue to be significantly hampered by the impact of the COVID-19 pandemic and by the renewed worsening of the situation in many markets at present. However, various positive trends are discernible. Thanks to the unique digital networking of its installed printing press base, Heidelberg has an excellent overview of the capacity utilization of print shops and therefore a reliable indicator of a country's economic activity. This data clearly shows that business in China, Heidelberg's largest single market, is picking up the pace again and has already surpassed the previous year's level. Other markets are also seeing the first signs of a recovery in printing volumes, which gives us grounds for cautious optimism for the second half of the financial year. Nonetheless, the economic environment is still marred by considerable uncertainty.

Important note
This interim financial report contains forward-looking statements based on assumptions and estimates by the management of Heidelberger Druckmaschinen Aktiengesellschaft. Even though the management is of the opinion that these assumptions and estimates are accurate, the actual future development and results may deviate substantially from these forward-looking statements due to various factors, such as changes in the overall economic situation, exchange and interest rates, and 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, 2020 to September 30, 2020

Interim consolidated income statement – April 1, 2020 to September 30, 2020

Figures in € thousands	Note	1-Apr-2019 to 30-Sep-2019	**1-Apr-2020 to 30-Sep-2020**
Net sales	3	1,123,730	804,908
Change in inventories		80,880	6,594
Other own work capitalized		10,905	11,768
Total operating performance		**1,215,515**	**823,270**
Other operating income	4	29,093	51,635
Cost of materials	5	552,371	370,462
Staff costs	6	441,191	279,454
Depreciation and amortization		47,642	39,417
Other operating expenses	7	185,796	158,337
Result of operating activities[1)]		**17,608**	**27,235**
Financial income	8	1,797	2,431
Financial expenses	9	25,003	29,614
Financial result		**– 23,206**	**– 27,183**
Net result before taxes		**– 5,598**	**52**
Taxes on income		10,824	8,570
Net result after taxes		**– 16,422**	**– 8,518**
Basic earnings per share according to IAS 33 (in € per share)	10	**– 0.05**	**– 0.03**
Diluted earnings per share according to IAS 33 (in € per share)	10	**– 0.05**	**– 0.03**

1) Result of operating activities excluding restructuring result: € 57,238 thousand (April 1, 2019 to September 30, 2019: € 22,256 thousand)

Restructuring result (€ – 30,003 thousand; April 1, 2019 to September 30, 2019: € – 4,648 thousand) = restructuring income (€ 4,171 thousand; April 1, 2019 to September 30, 2019: € 900 thousand) less restructuring expenses (€ 34,174 thousand; April 1, 2019 to September 30, 2019: € 5,548 thousand)

Interim consolidated statement of comprehensive income – April 1, 2020 to September 30, 2020

Figures in € thousands	1-Apr-2019 to 30-Sep-2019	**1-Apr-2020 to 30-Sep-2020**
Net result after taxes	**– 16,422**	**– 8,518**
Other comprehensive income not reclassified to the income statement		
Remeasurement of defined benefit pension plans and similar obligations	– 139,403	– 70,222
Deferred income taxes	306	– 1,103
	– 139,097	**– 71,325**
Other comprehensive income which may subsequently be reclassified to the income statement		
Currency translation	2,324	– 7,415
Available-for-sale financial assets	– 22	6
Cash flow hedges	– 647	– 1,388
Deferred income taxes	– 17	– 1
	1,638	**– 8,798**
Total other comprehensive income	– 137,459	– 80,123
Total comprehensive income	**– 153,881**	**– 88,641**

Interim consolidated income statement – July 1, 2020 to September 30, 2020

Figures in € thousands	1-Jul-2019 to 30-Sep-2019	**1-Jul-2020 to 30-Sep-2020**
Net sales	621,942	475,380
Change in inventories	– 1,275	– 33,643
Other own work capitalized	8,564	8,193
Total operating performance	**629,231**	**449,930**
Other operating income	15,906	24,557
Cost of materials	282,283	200,231
Staff costs	207,741	170,452
Depreciation and amortization	23,413	19,544
Other operating expenses	100,790	76,771
Result of operating activities [1]	**30,910**	**7,489**
Financial income	1,056	1,572
Financial expenses	11,534	15,292
Financial result	**– 10,478**	**– 13,720**
Net result before taxes	**20,432**	**– 6,231**
Taxes on income	6,081	6,981
Net result after taxes	**14,351**	**– 13,212**
Basic earnings per share according to IAS 33 (in € per share)	**0.05**	**– 0.05**
Diluted earnings per share according to IAS 33 (in € per share)	**0.05**	**– 0.05**

[1] Result of operating activities excluding restructuring result: € 17,625 thousand (July 1, 2019 to September 30, 2019: € 32,079 thousand)

Restructuring result (€ – 10,136 thousand; July 1, 2019 to September 30, 2019: € – 1,169 thousand) = restructuring income (€ 2,463 thousand; July 1, 2019 to September 30, 2019: € 240 thousand) less restructuring expenses (€ 12,599 thousand; July 1, 2019 to September 30, 2019: € 1,140 thousand)

Interim consolidated statement of comprehensive income – July 1, 2020 to September 30, 2020

Figures in € thousands	1-Jul-2019 to 30-Sep-2019	**1-Jul-2020 to 30-Sep-2020**
Net result after taxes	**14,351**	**–13,212**
Other comprehensive income not reclassified to the income statement		
Remeasurement of defined benefit pension plans and similar obligations	–72,212	–21,798
Deferred income taxes	1,700	–901
	–70,512	**–22,699**
Other comprehensive income which may subsequently be reclassified to the income statement		
Currency translation	8,220	–7,056
Available-for-sale financial assets	300	–176
Cash flow hedges	–1,991	–452
Deferred income taxes	–114	–222
	6,415	**–7,906**
Total other comprehensive income	–64,097	–30,605
Total comprehensive income	**–49,746**	**–43,817**

Interim consolidated statement of financial position as of September 30, 2020

Assets

Figures in € thousands	Note	31-Mar-2020	**30-Sep-2020**
Non-current assets			
Intangible assets	11	201,128	187,898
Property, plant and equipment	11	732,295	705,780
Investment property		7,493	7,441
Financial assets		11,727	12,678
Receivables from sales financing		24,417	17,802
Other receivables and other assets	13	25,040	26,087
Income tax assets		92	87
Deferred tax assets		68,643	61,402
		1,070,835	1,019,175
Current assets			
Inventories	12	660,147	596,303
Receivables from sales financing		18,999	23,785
Trade receivables		298,873	209,447
Other receivables and other assets	13	76,458	84,104
Income tax assets		15,744	15,488
Securities	14	55,760	1,069
Cash and cash equivalents	14	372,719	101,027
		1,498,700	1,031,223
Assets held for sale	15	33,126	133,854
Total assets		**2,602,661**	**2,184,252**

Interim consolidated statement of financial position as of September 30, 2020

Equity and liabilities

Figures in € thousands	Note	31-Mar-2020	**30-Sep-2020**
Equity	16		
Issued capital		779,102	779,102
Capital reserves, retained earnings and other reserves		– 233,677	– 655,402
Net result after taxes		– 343,002	– 8,518
		202,423	115,182
Non-current liabilities			
Provisions for pensions and similar obligations	17	985,620	977,638
Other provisions	18	26,515	83,079
Financial liabilities	19	357,396	168,025
Contractual liabilities	20	23,043	20,079
Income tax liabilities		56,244	55,130
Other liabilities	21	12,848	9,728
Deferred tax liabilities		4,478	3,128
		1,466,144	1,316,807
Current liabilities			
Other provisions	18	325,902	233,099
Financial liabilities	19	114,021	90,961
Contractual liabilities	20	149,476	139,436
Trade payables		212,195	136,076
Income tax liabilities		10,863	8,264
Other liabilities	21	121,637	100,488
		934,094	708,324
Liabilities held for sale	15	0	43,939
Total equity and liabilities		**2,602,661**	**2,184,252**

Statement of changes in consolidated equity as of September 30, 2020 [1)]

Figures in € thousands	Issued capital	Capital reserves	Retained earnings
April 1, 2019	779,102	33,225	– 301,706
Change in accounting and valuation methods [2)]	–	–	– 2,722
April 1, 2019 – adjusted [2)]	779,102	33,225	– 304,428
Profit carryforward (+)	–	–	20,875
Total comprehensive income	–	–	– 139,097
Consolidation adjustments/other changes	–	–	792
September 30, 2019	**779,102**	**33,225**	**– 421,858**
April 1, 2020	779,102	33,225	– 299,724
Loss carryforward (–)	–	–	– 343,002
Total comprehensive income	–	–	–71,325
Consolidation adjustments/other changes	–	–	1,400
September 30, 2020	**779,102**	**33,225**	**– 712,651**

[1)] For further details, please refer to note 16
[2)] First-time adoption of IFRS 16; the previous year's figures have not been restated

Other retained earnings				Total other retained earnings	Total capital reserves, retained earnings and other retained earnings	Net result after taxes	Total
Revaluation of land	Currency translation	Fair value of other financial assets	Fair value of cash flow hedges				
–	– 131,046	– 118	– 936	– 132,099	– 400,580	20,875	399,397
–	–	–	–	–	– 2,722	–	– 2,722
–	– 131,046	– 118	– 936	– 132,099	– 403,302	20,875	396,675
–	–	–	–	–	20,875	– 20,875	–
–	2,324	– 16	– 670	1,638	– 137,459	– 16,422	– 153,881
–	–	–	–	–	792	–	792
–	**– 128,722**	**– 134**	**– 1,606**	**– 130,461**	**– 519,094**	**– 16,422**	**243,586**
168,515	– 136,280	– 430	1,016	32,822	– 233,677	– 343,002	202,423
–	–	–	–	–	–343,002	343,002	–
–	–7,415	3	–1,386	– 8,798	– 80,123	– 8,518	– 88,641
–	–	–	–	–	1,400	–	1,400
168,515	**– 143,695**	**– 427**	**– 370**	**24,024**	**– 655,402**	**– 8,518**	**115,182**

Interim consolidated statement of cash flows – April 1, 2020 to September 30, 2020

Figures in € thousands	1-Apr-2019 to 30-Sep-2019	**1-Apr-2020 to 30-Sep-2020**
Net result after taxes	– 16,422	– 8,518
Depreciation, amortization, write-downs and write-ups [1]	47,642	40,373
Change in pension provisions	5,143	– 76,612
Change in deferred tax assets/deferred tax liabilities/tax provisions	1,964	4,528
Result from disposals	– 431	– 205
Change in inventories	– 100,328	686
Change in sales financing	3,148	1,816
Change in trade receivables/payables	34,596	6,121
Change in other provisions	– 23,905	– 18,583
Change in other items of the statement of financial position	– 12,331	– 40,931
Cash used in operating activities	**– 60,924**	**– 91,325**
Intangible assets/property, plant and equipment/investment property		
Investments	– 39,460	– 25,526
Income from disposals	4,552	3,169
Financial assets/company acquisitions		
Investments	– 3,748	– 2,009
Income from disposals	25	9,157
Cash used in investing activities before cash investment	**– 38,631**	**– 15,209**
Cash investments	0	54,690
Cash used in/generated by investing activities	**– 38,631**	**39,481**
Borrowing of financial liabilities	84,235	58,670
Repayment of financial liabilities	–29,173	– 268,216
Cash generated by/used in financing activities	**55,062**	**– 209,546**
Cash and cash equivalents at the beginning of the reporting period	**215,015**	**372,719**
Change from assets held for sale	0	– 8,044
Currency adjustments	– 234	– 2,258
Net change in cash and cash equivalents	– 44,493	– 261,390
Cash and cash equivalents at the end of the reporting period	**170,288**	**101,027**
Cash used in operating activities	– 60,924	– 91,325
Cash used in/generated by investing activities	– 38,631	39,481
Free cash flow	**– 99,555**	**– 51,844**

[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, 2020 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, 2020, 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 2019/2020 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, 2020. All amounts are generally stated in € thousands.

The International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRS IC) have approved the following new changes to existing standards, which are to be applied for the first time in financial year 2020/2021.

Standards	Publication by the IASB / IFRS IC	Date of adoption [1]	Published in Official Journal of the EU	Effects
Amendments to standards				
Amendments to IAS 1 and IAS 8: Definition of Material	31-Oct-2018	1-Jan-2020	10-Dec-2019	No material effects
Amendments to IFRS 3: Business Combinations: Definition of a Business	22-Oct-2018	1-Jan-2020	22-Apr-2020	No material effects
Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform	26-Sep-2019	1-Jan-2020	16-Jan-2020	No material effects
Amendments to IFRS 16: COVID-19-related Rent Concessions	28-May-2020	1-Jun-2020 [2]	12-Oct-2020	None
Amendments to References to the Conceptual Framework in IFRS Standards	29-Mar-2018	1-Jan-2020	6-Dec-2019	None

[1] For financial years beginning on or after this date
[2] From June 1, 2020 for financial years beginning on or after January 1, 2020

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 68 (March 31, 2020: 69) domestic and foreign companies in which Heidelberger Druckmaschinen Aktiengesellschaft has a controlling influence as defined by IFRS 10. Of these, 58 (March 31, 2020: 59) are located outside Germany. Subsidiaries that are of minor importance are not included.

With effect from July 31, 2020, CERM N.V., Oostkamp, Belgium, was removed from the scope of consolidation as part of a management buyout. The purchase price amounted to € 11.0 million.

3 Net sales

Net sales of € 804,908 thousand (April 1, 2019 to September 30, 2019: € 1,123,730 thousand) comprise net sales from contracts with customers of € 797,813 thousand (April 1, 2019 to September 30, 2019: € 1,114,264 thousand) and other net sales of € 7,095 thousand (April 1, 2019 to September 30, 2019: € 9,466 thousand).

The breakdown of sales by segment and by region is shown in note 24.

4 Other operating income

	1-Apr-2019 to 30-Sep-2019	**1-Apr-2020 to 30-Sep-2020**
Reversal of other provisions/deferred liabilities	9,138	14,627
Income from deconsolidation CERM N.V.	–	8,191
Recoveries on loans and other assets previously written down	3,178	5,291
Hedging/exchange rate gains	4,755	4,940
Income from operating facilities	1,967	2,708
Income from disposals of intangible assets, property, plant and equipment and investment property	643	297
Other income	9,412	15,581
	29,093	**51,635**

The items “Reversal of other provisions/deferred liabilities” and “Other income” also include restructuring income totaling € 2,921 thousand (April 1, 2019 to September 30, 2019: € 900 thousand) and/or € 1,250 thousand (April 1, 2019 to September 30, 2019: € 0 thousand).

Income from hedging/exchange rate gains is offset by expenses for hedging/exchange rate losses reported under other operating expenses (see note 7).

5 Cost of materials

The cost of materials includes the pro rata interest expense in connection with the Heidelberg Financial Services segment of € 449 thousand (April 1, 2019 to September 30, 2019: € 451 thousand); interest income from sales financing of € 2,173 thousand (April 1, 2019 to September 30, 2019: € 2,496 thousand) is reported in sales.

6 Staff costs

	1-Apr-2019 to 30-Sep-2019	**1-Apr-2020 to 30-Sep-2020**
Wages and salaries	367,317	294,322
Expenses/income from pension plans	9,088	– 63,667
Other social security contributions and support expenses	64,786	48,799
	441,191	**279,454**

The item “Wages and salaries” also includes restructuring expenses of € 17,700 thousand (April 1 to September 30, 2019: €4,979 thousand). In the period under review, these mainly relate to expenses in connection with the adjustment of staff capacity at locations outside Germany as part of the package of measures announced in March 2020.

The item “Expenses/income from pension plans” also includes income of € 72,831 thousand from the reorganization of pension plans for Company employees in Germany which was implemented at the end of the first quarter of financial year 2020/2021.

7 Other operating expenses

	1-Apr-2019 to 30-Sep-2019	**1-Apr-2020 to 30-Sep-2020**
Other deliveries and services not included in the cost of materials	64,659	70,971
Special direct sales expenses including freight charges	38,573	27,861
Travel expenses	19,880	8,553
Rent and leases	7,696	6,773
Additions to provisions and accruals relating to several types of expense	4,636	6,901
Insurance expense	5,341	5,556
Hedging/exchange rate losses	3,286	4,141
Bad debt allowances and impairment on other assets under IFRS 9	4,489	3,693
Costs of car fleet (excluding leases)	2,383	1,515
Other overheads	34,853	22,373
	185,796	**158,337**

Due to a COVID-19-related increase in deferrals, there was a slight rise in additions to the counter-liability and buy-back obligations reported under the item “Additions to provisions and accruals relating to several types of expense”.

The expenses for hedging/exchange rate losses are offset by income from hedging/exchange rate gains reported under other operating income (see note 4).

8 Financial income

	1-Apr-2019 to 30-Sep-2019	**1-Apr-2020 to 30-Sep-2020**
Interest and similar income	1,507	2,382
Income from financial assets/loans/securities	290	49
Financial income	**1,797**	**2,431**

9 Financial expenses

	1-Apr-2019 to 30-Sep-2019	**1-Apr-2020 to 30-Sep-2020**
Interest and similar expenses	23,853	26,361
Expenses for financial assets/loans/securities	1,150	3,253
Financial expenses	**25,003**	**29,614**

10 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 304,336,334 (April 1, 2019 to September 30, 2019: 304,336,334). The weighted number of shares outstanding was influenced by the holdings of treasury shares. As of September 30, 2020, the Company held 142,919 (March 31, 2020: 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 for the period 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, 2020 to September 30, 2020. In the future, this instrument may have a fully dilutive effect.

11 Intangible assets, property, plant and equipment

In the period from April 1, 2020 to September 30, 2020, there were additions to intangible assets of € 4,378 thousand (April 1, 2019 to September 30, 2019: € 7,694 thousand) and to property, plant and equipment of € 27,673 thousand (April 1, 2019 to September 30, 2019: € 36,950 thousand). In the same period, the carrying amount of disposals from intangible assets was € 50 thousand (April 1, 2019 to September 30, 2019: € 45 thousand) and € 2,906 thousand (April 1, 2019 to September 30, 2019: € 3,577 thousand) for property, plant and equipment.

12 Inventories

Inventories include raw materials and supplies totaling € 88,512 thousand (March 31, 2020: € 110,410 thousand), work and services in progress amounting to € 255,772 thousand (March 31, 2020: € 265,439 thousand), finished goods and goods for resale of € 246,516 thousand (March 31, 2020: € 275,007 thousand), and advance payments of € 5,503 thousand (March 31, 2020: € 9,291 thousand).

13 Other receivables and other assets

The Other receivables and other assets item includes, among others, receivables from derivative financial instruments of € 1,308 thousand (March 31, 2020: € 4,399 thousand) and prepaid expenses of € 17,507 thousand (March 31, 2020: € 8,931 thousand).

14 Securities and cash and cash equivalents

Securities in the amount of € 1,069 thousand (March 31, 2020: € 55,760 thousand) relate entirely to fund units in connection with the retransfer of almost all the trust assets of Heidelberg Pension-Trust e.V. in the 2019/2020 financial year.

Restrictions on disposal of cash and cash equivalents due to foreign exchange restrictions amount to € 45,118 thousand (March 31, 2020: € 13,794 thousand).

15 Assets and liabilities held for sale

The assets classified as held for sale in accordance with IFRS 5 as of September 30, 2020 of € 133,854 thousand (March 31, 2020: € 33,126 thousand) and the liabilities held for sale of € 43,939 thousand (March 31, 2020: € 0 thousand) primarily relate to the assets and liabilities of Gallus Holding AG, St. Gallen, Switzerland, Gallus Ferd. Rüesch AG, St. Gallen, Switzerland, Gallus Druckmaschinen GmbH, Langgöns-Oberkleen, and Heidelberg Web Carton Converting GmbH, Weiden, Germany, which in the course of the initiated sale of the Gallus Group were transferred to the Swiss packaging group benpac holding ag, Stans.

16 Equity

The same as at March 31, 2020, the Company still held 142,919 treasury shares on September 30, 2020. 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 25 in the notes to the consolidated financial statements as of March 31, 2020 for information on the contingent capital and the authorized capital as of March 31, 2020. The Annual General Meeting on July 23, 2020, did not adopt any resolutions that resulted in a change in the contingent and authorized capital.

17 Provisions for pensions and similar obligations

The decrease in provisions for pensions and similar obligations as of September 30, 2020 was primarily based on income of € 72,831 thousand from the reorganization of pension plans for Company employees in Germany implemented at the end of the first quarter of financial year 2020/2021.

In order to calculate the remeasurement of net liabilities (assets) under defined benefit plans, a discount rate of 1.40 percent was applied for companies in Germany as of September 30, 2020 (March 31, 2020: 1.80 percent), which is based on a refinement of the selection of corporate bonds used to determine the discount rate for the euro zone (excluding refinement: 1.10 percent); without this modification, the losses from the revaluation of defined benefit plans would have increased by € 42 million as of September 30, 2020.

Assuming a domestic discount rate of 1.80 percent, the present value of the pension entitlements of employees would have decreased by € 56,352 thousand.

18 Other provisions

Other provisions include staff obligations of € 62,116 thousand (March 31, 2020: € 70,372 thousand), sales obligations of € 57,721 thousand (March 31, 2020: € 74,263 thousand) and miscellaneous other provisions of € 196,341 thousand (March 31, 2020: € 207,782 thousand). At € 161,408 thousand (March 31, 2020: € 174,739 thousand), the latter predominantly include provisions for our portfolio and cost-efficiency measures.

19 Financial liabilities

In September 2020, the remaining amount of € 150 million of the corporate bond with a term until 2022 and an annual coupon of 8 percent including accrued interest was repaid early from cash.

The amortizing loan of € 5 million funded by the KfW with a term until September 2020 (September 30, 2020: € 0 thousand; March 31, 2020: € 499 thousand), which was issued in December 2015, was repaid in full by September 2020.

	31-Mar-2020			**30-Sep-2020**		
	Current	Non-current	Total	Current	Non-current	**Total**
Amounts due to banks	82,358	159,330	241,688	64,752	124,041	188,793
Corporate bonds	4,533	146,976	151,509	–	–	–
Convertible bond	5	17,200	17,205	3	17,200	17,203
Lease liabilities	20,065	33,890	53,955	22,245	26,784	49,029
Other	7,060	–	7,060	3,961	–	3,961
	114,021	357,396	**471,417**	90,961	168,025	**258,986**

An amortizing loan supported by the Italian State Guarantee Fund for Small and Medium-sized Enterprises of € 5 million maturing in August 2026 was issued in August 2020.

Based on its financing structure effective September 30, 2020 with a maturity profile up to 2023, Heidelberg has a stable financing basis. The Heidelberg Group was able to meet its financial obligations at all times during the reporting period.

With regard to our financing, please also refer to note 28 in the notes to the consolidated financial statements as of March 31, 2020.

20 Contractual liabilities

Contractual liabilities essentially comprise advance payments on orders and prepayments for future maintenance and services and amounted to € 159,515 thousand (March 31, 2020: € 172,519 thousand).

21 Other liabilities

Other liabilities include deferred staff-related liabilities of € 41,474 thousand (March 31, 2020: € 57,550 thousand), liabilities from derivative financial instruments of € 3,310 thousand (March 31, 2020: € 6,284 thousand) and deferred income of € 13,991 thousand (March 31, 2020: € 12,601 thousand).

22 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 procedure 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 in the amount of € 2,205 thousand (March 31, 2020: € 2,279 thousand) are classified as financial assets measured at fair value through other comprehensive income and in the amount of € 1,069 thousand (March 31, 2020: € 55,760 thousand) as financial assets measured at fair value through profit or loss; securities are generally carried at fair value.

The classification of a portion of these securities as financial assets measured at fair value through other comprehensive income was based on the strategic nature of these financial investments. 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 fair values used to measure securities classified as “financial assets at fair value through profit or loss” correspond to LEVEL 2 of the fair value hierarchy set out in IFRS 13, as only input data observable on the market, such as retail fund prices, exchange rates and stock market prices, were used.

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

				31-Mar-2020				**30-Sep-2020**
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	**Total**
Securities	2,279	55,760	–	58,039	2,205	1,069	–	3,274
Derivative financial assets	–	4,399	–	4,399	–	1,308	–	1,308
Financial assets measured at fair value	**2,279**	**60,159**	**–**	**62,438**	**2,205**	**2,377**	–	**4,582**
Derivative financial liabilities	–	6,284	–	6,284	–	3,310	–	3,310
Financial liabilities measured at fair value	**–**	6,284	**–**	6,284	–	**3,310**	–	**3,310**

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 convertible bond determined on the basis of the stock exchange listing, which is reported under financial liabilities, amounts to € 15,217 thousand (March 31, 2020: € 14,405 thousand), compared to the carrying amount of € 17,203 thousand (March 31, 2020: € 17,205 thousand) and corresponds to LEVEL 1 of the fair value hierarchy set out in IFRS 13.

The fair value of the development loan agreed with the European Investment Bank in March 2016 is € 66,237 thousand (March 31, 2020: € 65,375 thousand) compared to the carrying amount of € 69,230 thousand (March 31, 2020: € 69,408 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 € 19,060 thousand (March 31, 2020: € 22,171 thousand), compared to the carrying amount of € 19,579 thousand (March 31, 2020: € 22,947 thousand).

The fair value of the loan taken up in May 2017 is € 16,459 thousand (March 31, 2020: € 17,493 thousand), compared to the carrying amount of € 17,349 thousand (March 31, 2020: € 18,634 thousand).

The fair value of the loan taken over in connection with the purchase/sale of the research and development center in Heidelberg in the first quarter of financial year 2018/2019 is € 27,348 thousand (March 31, 2020: € 27,395 thousand), compared to the carrying amount of € 29,197 thousand (March 31, 2020: € 29,893 thousand).

The fair value of the loans granted in July 2019 to finance investments in our IT landscape amounts to € 4,360 thousand (March 31, 2020: € 4,902 thousand) compared with its carrying amount of € 4,500 thousand (March 31, 2020: € 5,101 thousand).

The fair value of the loans taken out in July and August 2019 to finance investments in two buildings at our Wiesloch-Walldorf site amounts to € 3,052 thousand (March 31, 2020: € 3,431 thousand) and € 2,756 thousand (March 31, 2020: € 3,570 thousand) compared with their carrying amounts of € 3,150 thousand (March 31, 2020: € 3,570 thousand) and € 2,850 thousand (March 31, 2020: € 3,230 thousand).

The fair value of the amortizing loan supported by the Italian State Guarantee Fund for Small and Medium-sized Enterprises issued in August 2020 is € 4,178 thousand compared to the carrying amount of € 5,000 thousand.

The fair value of each of these eight financial liabilities reported under financial liabilities was calculated on the basis of the discounted cash flow method using market interest rates and corresponds to LEVEL 2 of the fair value hierarchy set out in 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.

23 Contingent liabilities and other financial liabilities

As of September 30, 2020, the contingent liabilities for warranties and guarantees amounted to € 5,921 thousand (March 31, 2020: € 5,736 thousand).

Other financial liabilities totaling € 18,720 thousand (March 31, 2020: € 22,287 thousand) relate to investments and other purchase commitments.

24 Group segment reporting

Segment reporting is based on the management approach.

In line with the internal organizational and reporting structure, the Heidelberg Group is broken down into the business segments Heidelberg Digital Technology, Heidelberg Lifecycle Solutions and Heidelberg Financial Services. Heidelberg Digital Technology comprises the sheetfed offset, the label printing, the postpress and the digital printing business. The Lifecycle business (services, consumables) and Software Solutions are bundled in the Heidelberg Lifecycle Solutions segment. The Heidelberg Financial Services segment comprises the sales financing business. Further information on the business activities, products and services of the individual segments can be found in note 8 of the consolidated financial statements as of March 31, 2020 and in the chapters “Management and control” and “Segments and business units” of the Group management report as of March 31, 2020.

Segment information April 1, 2020 to September 30, 2020:

	Heidelberg Digital Technology		Heidelberg Lifecycle Solutions		Heidelberg Financial Services		**Heidelberg Group**	
	1-Apr-2019 to 30-Sep-2019	**1-Apr-2020 to 30-Sep-2020**	1-Apr-2019 to 30-Sep-2019	**1-Apr-2020 to 30-Sep-2020**	1-Apr-2019 to 30-Sep-2019	**1-Apr-2020 to 30-Sep-2020**	1-Apr-2019 to 30-Sep-2019	**1-Apr-2020 to 30-Sep-2020**
External sales	660,449	445,803	460,785	356,932	2,496	2,173	1,123,730	804,908
EBITDA excluding restructuring result[1] (segment result)	12,690	17,527	55,113	78,911	1,529	217	69,332	96,655
EBIT excluding restructuring result	–22,052	–7,352	43,112	64,492	1,196	98	22,256	57,238

[1] Result of operating activities before interest, taxes, depreciation and amortization, excluding restructuring result

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

	1-Apr-2019 to 30-Sep-2019	**1-Apr-2020 to 30-Sep-2020**
EBITDA excluding restructuring result (segment result)	69,332	96,655
Depreciation and amortization excluding restructuring-related depreciation and amortization	47,076	39,417
EBIT excluding restructuring result	22,256	57,238
Restructuring result	**–4,648**	**–30,003**
Result of operating activities	**17,608**	**27,235**
Financial income	1,797	2,431
Financial expenses	25,003	29,614
Financial result	**–23,206**	**–27,183**
Net result before taxes	**–5,598**	**52**

External sales relate to the segments and regions as follows:

	Heidelberg Digital Technology		Heidelberg Lifecycle Solutions		Heidelberg Financial Services		**Heidelberg Group**	
	1-Apr-2019 to 30-Sep-2019	**1-Apr-2020 to 30-Sep-2020**	1-Apr-2019 to 30-Sep-2019	**1-Apr-2020 to 30-Sep-2020**	1-Apr-2019 to 30-Sep-2019	**1-Apr-2020 to 30-Sep-2020**	1-Apr-2019 to 30-Sep-2019	**1-Apr-2020 to 30-Sep-2020**
Europe, Middle East and Africa								
Germany	82,482	52,900	61,117	48,248	1,079	892	144,678	102,040
Other Europe, Middle East and Africa region	131,319	114,769	136,121	97,894	116	69	267,556	212,732
	213,801	167,669	197,238	146,142	1,195	961	412,234	314,772
Asia/Pacific								
China	164,315	119,341	23,859	23,291	12	80	188,186	142,712
Other Asia/Pacific region	87,558	50,855	77,570	59,452	690	531	165,818	110,838
	251,873	170,196	101,429	82,743	702	611	354,004	253,550
Eastern Europe	82,367	48,822	50,909	45,505	227	320	133,503	94,647
North America								
USA	87,516	40,529	73,175	58,180	273	190	160,964	98,899
Other North America region	13,812	8,232	24,739	17,418	89	86	38,640	25,736
	101,328	48,761	97,914	75,598	362	276	199,604	124,635
South America	11,080	10,355	13,295	6,944	10	5	24,385	17,304
	660,449	**445,803**	**460,785**	**356,932**	**2,496**	**2,173**	**1,123,730**	**804,908**

25 Supervisory Board/Management Board

The composition of the Supervisory Board and the Management Board as at March 31, 2020 is presented on pages 172 to 174 of the consolidated financial statements as per March 31, 2020.

The following changes in the Supervisory Board and in the Management Board took place in the first six months of financial year 2020/2021:

The term of office of the Supervisory Board member elected by the Annual General Meeting, Ms. Kirsten Lange, and of the Supervisory Board member and Chairman of the Supervisory Board, Dr. Martin Sonnenschein, who had been appointed a member of the Supervisory Board by court order effective December 1, 2019, ended at the end of the Annual General Meeting on July 23, 2020.

On July 23, 2020, the Annual General Meeting reelected Dr. Martin Sonnenschein to the Supervisory Board as a shareholder representative with effect from the end of the Annual General Meeting on July 23, 2020. The Annual General Meeting elected Ms. Ina Schlie, Heidelberg, as a new shareholder representative on the Supervisory Board. The term of office of the two aforementioned Supervisory Board members ends at the end of the Annual General Meeting that resolves on the formal approval of their actions for financial year 2024/2025.

26 Related party transactions

As described in note 42 of the notes to the consolidated financial statements as of March 31, 2020, business relationships exist between numerous companies and Heidelberger Druckmaschinen Aktiengesellschaft and its subsidiaries in the course of ordinary business. This also includes joint ventures, 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 € 3,218 thousand (March 31, 2020: € 6,040 thousand), receivables of € 6,467 thousand (March 31, 2020: € 3,172 thousand), expenses of € 1,929 thousand (April 1, 2019 to September 30, 2019: € 2,821 thousand) and income of € 6,704 thousand (April 1, 2019 to September 30, 2019: € 2,473 thousand), which among others comprises sales. All transactions were again conducted as at arm's length and did not differ from relationships with other companies.

During the reporting period, trade relationships existed with companies that are controlled by a member of the Supervisory Board, which resulted in liabilities of € 2,460 thousand (March 31, 2020: € 3,750 thousand), receivables of € 441 thousand (March 31, 2020: €127 thousand), expenses of € 12,581 thousand (April 1, 2019 to September 30, 2019: € 14,695 thousand) and sales of € 4,642 thousand (April 1, 2019 to September 30, 2019: € 4,944 thousand).

During the period under review, members of the Supervisory Board who are also employed by a company of the Heidelberg Group received activity-based customary market remuneration.

27 Significant events after the end of the reporting period

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

Heidelberg, November 10, 2020

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 10, 2020

HEIDELBERGER DRUCKMASCHINEN
AKTIENGESELLSCHAFT
The Management Board

Rainer Hundsdörfer   Marcus A. Wassenberg

Financial calendar

February 10, 2021	Publication of Third Quarter Figures 2020/2021
June 9, 2021	Press Conference, Annual Analysts' and Investors' Conference
July 23, 2021	Annual General Meeting

Subject to change

Publishing information

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