Interim Financial Report
2014/2015

This is where we are.

Q1 | 2 | 3

HEIDELBERG

Q1 INTERIM FINANCIAL REPORT 2014/2015

- Sales of € 435 million in Q1
- Incoming orders of € 588 million
- EBITDA excluding special items up from € –2 million to € 6 million
- EBIT excluding special items improves significantly from € –20 million to € –11 million

Key performance data

Figures in € millions	Q1 2013/2014	Q1 2014/2015
Incoming orders	643	588
Net sales	504	435
EBITDA [1]	– 2	6
in percent of sales	– 0.4%	1.4%
Result of operating activities [2]	– 20	– 11
Net result after taxes	– 38	– 34
in percent of sales	– 7.6%	– 7.8%
Research and development costs	30	31
Investments	12	11
Equity	364	295
Net debt [3]	258	297
Free cash flow	0	– 66
Earnings per share in €	– 0.16	– 0.15
Number of employees at end of quarter (excluding trainees)	13,162	12,454

[1] Result of operating activities excluding special items and before depreciation and amortization
[2] Excluding special items
[3] Financial liabilities less cash and cash equivalents and current securities

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

Interim consolidated financial report

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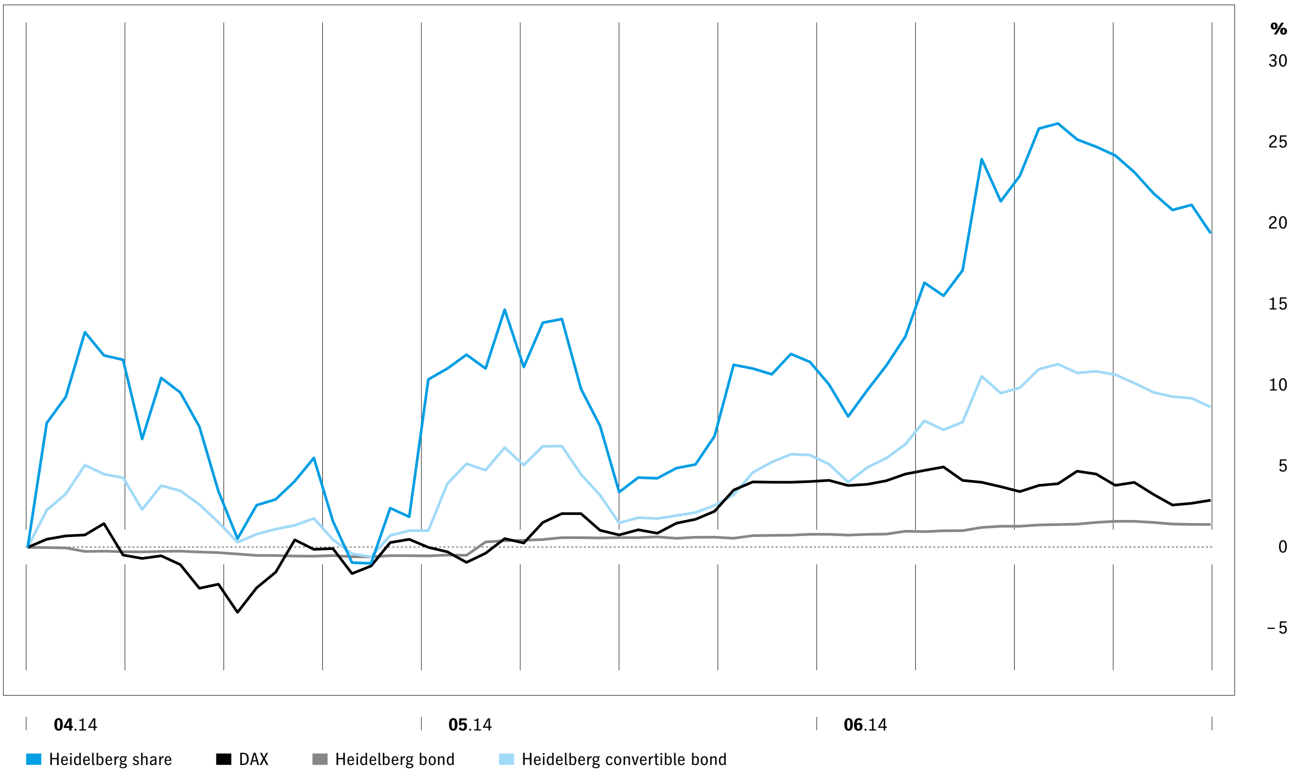
Q1 2014 / 2015

Heidelberg on the capital markets

Performance of the Heidelberg share and the Heidelberg bonds

Compared to the DAX (Index: April 1, 2014 = 0 percent)



The Heidelberg share and the Heidelberg bonds

In the first quarter of the 2014/2015 financial year, the **HEIDELBERG SHARE** continued the positive overall development it enjoyed in the previous financial year. Significant share price gains were recorded following the publication of the preliminary figures for the 2013/2014 financial year in early May and the annual press conference in mid-June in particular. The share reached a high of € 2.82 on June 18. After a subsequent adjustment the share closed the quarter at € 2.67 on June 30, 2014, up around 17 percent on its opening price at the start of the quarter.

The **HEIDELBERG BOND** and the **HEIDELBERG CONVERTIBLE BOND** also saw positive development in the first quarter of the 2014/2015 financial year. Following substantial gains in early May and further moderate but continuous price growth, the Heidelberg bond closed the quarter at 107.6 percent on June 30; the convertible bond was traded at 126.6 percent at this date.

German benchmark index breaks through 10,000 points barrier for first time

Having fallen to 9,017.79 points in mid-March in response to the tightening of US monetary policy and the crisis in Crimea – its lowest level in the first half of 2014 – the DAX quickly picked up pace again on the back of the announcement that the EU would press ahead with its ultra-loose monetary policy. Driven by the reduction in the base rate to a new historical low, the DAX exceeded the 10,000 points barrier for the first time in its 26-year history on June 5. A new all-time high was recorded a few days later at 10,028.80 points (June 10). All in all, the index closed the first half of the year up 2.94 percent at 9,833.07 points.

Key performance data of the Heidelberg share

Figures in € ISIN: DE 0007314007	Q1 2013/2014	Q1 2014/2015
High	2.16	2.82
Low	1.49	2.12
Price at beginning of quarter[1]	1.77	2.41
Price at end of quarter[1]	1.94	2.67
Market capitalization at end of quarter in € millions	454	626
Outstanding shares in thousands (reporting date)	234,247	234,438

Key performance data of the Heidelberg bond

Figures in percent RegS ISIN: DE 000A1KQ1E2	Q1 2013/2014	Q1 2014/2015
Nominal volume in € millions	304.0	355.0
High	104.2	107.8
Low	98.1	105.5
Price at beginning of quarter[2]	98.9	106.1
Price at end of quarter[2]	100.4	107.6

Key performance data of the Heidelberg convertible bond[3]

Figures in percent ISIN: DE 000A1X25N0	Q1 2013/2014	Q1 2014/2015
Nominal volume in € millions	–	60.0
High	–	129.7
Low	–	115.9
Price at beginning of quarter[2]	–	119.2
Price at end of quarter[2]	–	126.6

[1] Xetra closing price, source: Bloomberg
[2] Closing price, source: Bloomberg
[3] Initial listing on July 9, 2013

ECONOMIC REPORT

Macroeconomic and industry-specific conditions

Global GDP growth in the first half of 2014 amounted to just 2.6 percent. This was due to the disappointing performance of the industrialized nations as well as the prevailing economic weakness in the emerging economies.

In China, where GDP increased by just under 7.1 percent in each of the first two quarters, the economic weakness is broad-based: retail sales, industrial production and investment have all seen a slowdown in momentum, prompting government representatives to again bring up the need for "stimulus measures" in the following quarters. This slowdown was also reflected in the Heidelberg Group's sales and incoming orders.

GDP in the US contracted in the first quarter, although this was due in particular to the unusually cold winter. The overall trend in the US economy is still clearly positive, however, with overall economic output rising by 1.7 percent in the first half of the year. This was manifested in the Heidelberg Group's incoming orders in the USA, which increased slightly in the first quarter of the 2014/2015 financial year.

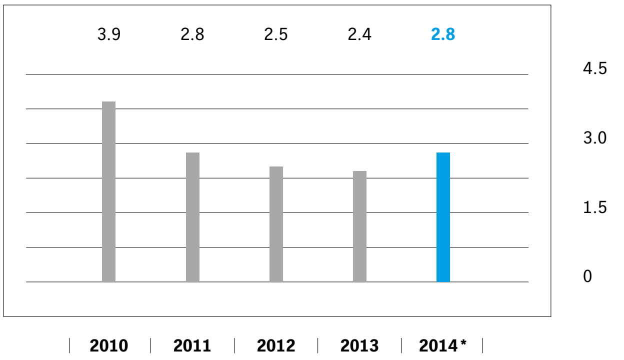
The euro zone also saw a muted economic upturn in early 2014, with overall economic expansion rising only moderately in the first six months of the year (1.2 percent). This was due in particular to the positive development in Germany, where the economy expanded to a considerably larger extent than in most other euro zone countries.

In the second quarter of the calendar year, the euro remained essentially unchanged as against the US dollar and the yen compared with the first quarter.

Despite the upturn in global GDP, statistics published by the German Engineering Federation (VDMA) indicate that sales of printing machines from German manufacturers in the period from January to May 2014 were down 17 percent on the previous year. Incoming orders rose by 3 percent in the same period.

Change in global GDP [1)]

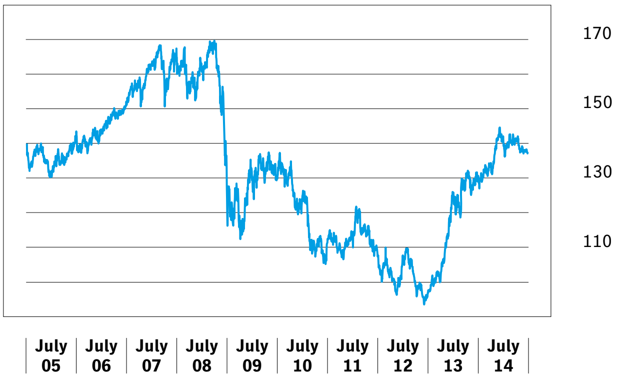
Figures in percent



* Forecast
[1)] Source: Global Insight (WMM); calendar year; as of June 2014
Using the chain-weighted method would deliver the following results:
2010: 4.3%; 2011: 3.1%; 2012: 2.6%; 2013: 2.5%; 2014: 2.9%

Development of EUR/JPY

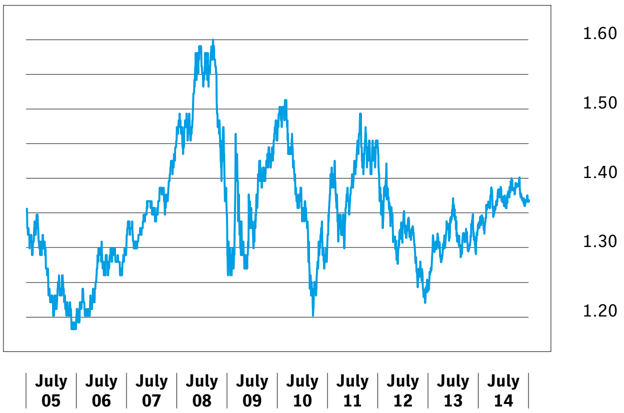
July 2005 until July 2014



Source: Global Insight

Development of EUR/USD

July 2005 until July 2014



Source: Global Insight

Business development

As expected, there was a muted start to the 2014/2015 financial year, with incoming orders and sales in the first quarter characterized by a reluctance to invest on the part of customers. This was due to the ongoing unfavorable exchange rate situation between the euro and key foreign currencies, as well as a tangible slowdown in business in the Asia/Pacific region.

At € 588 million, **INCOMING ORDERS** were down significantly on the same period of the previous year (€ 643 million); however, the prior-year figure was boosted by the China Print trade show that was held in May 2013. High **SALES** at the end of the previous quarter and a correspondingly low order backlog meant that, as anticipated, sales failed to repeat the level recorded in the previous quarter (€ 504 million), amounting to € 435 million. In the quarter under review, the change in inventories and other own work capitalized was € 26 million higher than in the same quarter of the previous year.

TOTAL OPERATING PERFORMANCE amounted to € 530 million in the first quarter (previous year: € 573 million). As in the previous years, we therefore expect sales development in the 2014/2015 financial year to see a substantial increase between the first and second halves of the year.

The Heidelberg Group's **ORDER BACKLOG** increased by € 121 million compared with the previous quarter to € 542 million as of June 30, 2014 (previous year: € 602 million).

Business performance

Figures in € millions	Q1 2013/2014	Q1 2014/2015
Incoming orders	643	588
Sales	504	435

Results of operations, net assets and financial position

In the first quarter of the 2014/2015 financial year, both EBITDA and EBIT saw further growth compared with the same period of the previous year. Despite moderate sales, the result of operating activities excluding special items and before interest, taxes, depreciation and amortization **(EBITDA)** was positive at € 6 million (previous year: € –2 million), reflecting the sustainable savings generated through the Focus efficiency program and measures aimed at improving profit contributions. **EBIT** excluding special items improved from € –20 million in the first quarter of the 2013/2014 financial year to € –11 million in the period under review.

As expected, the **FINANCIAL RESULT** was impacted by factors including the lower level of financial income from investments and increased financing costs due to the convertible bond issue and the bond increase, amounting to € –17 million (previous year: € –12 million).

INCOME BEFORE TAXES improved by € 5 million to € –28 million, while the **NET RESULT AFTER TAXES** amounted to € –34 million (previous year: € –38 million).

Earnings per share improved slightly to € –0.15.

Income statement

Figures in € millions	Q1 2013/2014	Q1 2014/2015
Net sales	**504**	**435**
Change in inventories/ Other own work capitalized	69	95
Total operating performance	**573**	**530**
EBITDA excluding special items	– 2	6
Result of operating activities excluding special items	**– 20**	**– 11**
Special items	– 1	0
Financial result	– 12	– 17
Income before taxes	**– 33**	**– 28**
Taxes on income	5	6
Net result after taxes	**– 38**	**– 34**

TOTAL ASSETS declined by € 29 million compared with March 31, 2014, amounting to € 2,215 million as of June 30, 2014.

At € 11 million, **INVESTMENTS** in property, plant and equipment and intangible assets were largely unchanged compared with the same period of the previous year (€ 12 million).

Assets

Figures in € millions	31-Mar-2014	30-Jun-2014
Fixed assets	751	742
Inventories	623	727
Trade receivables	328	246
Receivables from sales financing	91	88
Other assets	209	218
Current securities	10	10
Cash and cash equivalents	233	184
	2,244	**2,215**

Equity and liabilities

Figures in € millions	31-Mar-2014	30-Jun-2014
Equity	359	295
Provisions	879	872
Financial liabilities	481	490
Trade payables	148	164
Other liabilities	377	394
	2,244	**2,215**

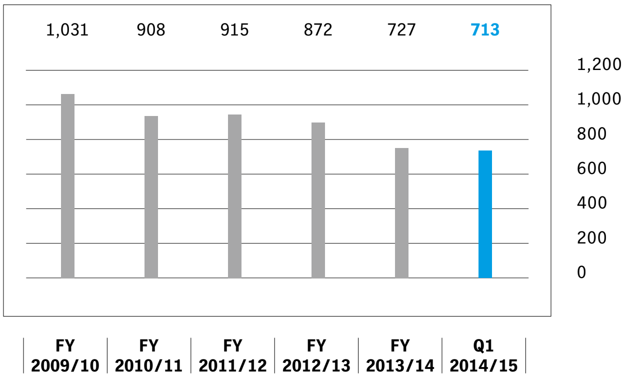
On the **ASSETS SIDE**, the Company's **INVENTORIES** increased by € 104 million to € 727 million compared with March 31, 2014; this was in line with expectations and serves to cover the higher order and sales volumes that are anticipated in the coming quarters. Following the high level of sales recorded in the fourth quarter of 2013/2014, **TRADE RECEIVABLES** fell by € 82 million to € 246 million as of June 30, 2014.

NET WORKING CAPITAL was reduced by a further € 14 million to € 713 million between the financial year-end at March 31, 2014 and June 30, 2014 thanks to systematic asset and net working capital management.

In the quarter under review, our customers' financing requirements were covered largely externally with active mediation by the Heidelberg Financial Services segment; as a result, we were required to provide customer financing directly to a limited extent only. **RECEIVABLES FROM SALES FINANCING** declined to € 88 million due to the repayments received.

Development of net working capital

Figures in € millions



On the **EQUITY AND LIABILITIES SIDE**, the **EQUITY** of the Heidelberg Group declined to € 295 million as of June 30, 2014 on the back of the net loss for the quarter and the reduction in the domestic pension discount rate. The equity ratio amounted to 13.3 percent at the reporting date. The capital increase against contribution in kind from the transaction with Gallus Holding Aktiengesellschaft, St. Gallen, Switzerland (see the Supplementary report on page 11 of this report) will have a positive impact on the equity ratio after the transaction is entered in the Commercial Register in the second quarter.

PROVISIONS declined slightly on the whole to € 872 million as of June 30, 2014, with the increase in provisions for pensions due to the change in the discount rate being more than offset by the lower level of staff provisions and provisions for the Focus efficiency program. As a result of the higher level of inventories **TRADE PAYABLES** increased compared with the end of the financial year, amounting to € 164 million as of June 30, 2014.

As expected, **NET DEBT** increased to € 297 million as a result of the negative free cash flow (previous year: € 258 million), but remains at a low level. Thus, the leverage (the ratio of net debt to EBITDA excluding special items for the last four quarters) was maintained at the target level of 2.

The arrangement of an amortizing loan in the amount of € 20 million in the first quarter of the 2014/2015 financial year resulted in the further diversification of sources of credit, as well as a reduction in the revolving credit facility. **FINANCIAL LIABILITIES** increased from € 481 million to € 490 million in the period under review.

Overview of net assets

Figures in € millions	31-Mar-2014	30-Jun-2014
Total assets	2,244	2,215
Net working capital	727	713
in percent of sales [1]	29.9%	30.2%
Equity	359	295
in percent of total liabilities	16.0%	13.3%
Net debt [2]	238	297

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

As of June 30, 2014, our **FINANCING STRUCTURE** primarily consisted of a bond, a convertible bond and a revolving credit facility.

Maturities and financing sources were diversified further in the course of the 2013/2014 financial year. The syndicated credit facility was extended ahead of schedule until mid-2017, while the Group's financing sources were diversified further with the placement of the convertible bond (which has a term until July 2017) and the bond increase (which has a total term until April 2018), as well as the arrangement of the amortizing loan in the first quarter of 2014/2015.

With the range of instruments it has agreed, Heidelberg currently has total credit facilities of around € 790 million until 2017/2018 with a balanced maturity structure and diversification. 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 also has a stable liquidity framework. In future, we will continue to work on ensuring the diversification of sources and maturities in order to substantially reduce our dependency on individual instruments or due dates.

FREE CASH FLOW amounted to € –66 million at the end of the first quarter of the 2014/2015 financial year (previous year: € 0 million); this was primarily due to the net loss for the period and payments of € 12 million in connection with the Focus efficiency program.

The slight improvement in the net loss for the quarter led to an improvement in **CASH FLOW** to € –11 million after € –14 million in the same period of the previous year.

A net cash outflow of € 48 million was reported in **OTHER OPERATING CHANGES** in the first quarter of the 2014/2015 financial year. Unlike in the previous year, the payments in connection with the Focus efficiency program and staff provisions were not fully offset by the freeing up of net working capital. Taken together with the negative operating cash flow, this resulted in a negative free cash flow.

At € – 7 million, **CASH USED IN INVESTING ACTIVITIES** was unchanged compared with the same quarter of the previous year.

Statement of cash flows of the Heidelberg Group

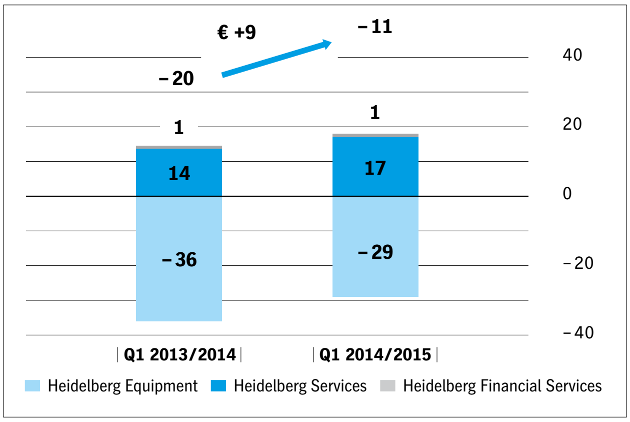
Figures in € millions	Q1 2013/2014	Q1 2014/2015
Net profit/loss after taxes	– 38	– 34
Cash flow	**– 14**	**– 11**
Other operating changes	**20**	**– 48**
of which: net working capital	77	19
of which: receivables from sales financing	9	4
of which: other	– 66	– 70
Cash used in investing activities	**– 7**	**– 7**
Free cash flow	**0**	**– 66**
in percent of sales	0.0%	– 2.8%

Segment report

In the first quarter of the 2014/2015 financial year, the Heidelberg Equipment and Heidelberg Services segments were affected by the lower level of incoming orders to the same extent. The downturn in sales was significantly more pronounced in the Heidelberg Equipment segment than in the Heidelberg Services segment.

Result of operating activities by segment

Figures in € millions



Sales in the **HEIDELBERG EQUIPMENT** segment declined from € 269 million in the first quarter of the previous year to € 224 million in the first quarter of the 2014/2015 financial year. The segment accounted for 52 percent of consolidated sales. The order backlog fell to € 504 million as of June 30, 2014.

By contrast, the result of operating activities excluding special items improved by almost 20 percent to € –29 million (previous year: € –36 million), reflecting the sustainable savings generated through the Focus efficiency program and measures aimed at improving margins.

The Heidelberg Equipment segment had a total of 8,316 employees as of June 30, 2014, a decrease of 44 compared with the start of the financial year. On a year-on-year basis, the number of employees fell by 457.

Heidelberg Equipment

Figures in € millions	Q1 2013/2014	Q1 2014/2015
Incoming orders	400	367
Sales	269	224
Order backlog	557	504
Result of operating activities [1]	– 36	– 29
Employees [2]	8,773	8,316

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

Despite a lower sales volume (€ 209 million; previous year: € 233 million), the **HEIDELBERG SERVICES** segment increased its result of operating activities excluding special items (EBIT) from € 14 million in the first quarter of the previous year to € 17 million in the period under review thanks to the systematic savings generated from the Focus efficiency program and improved margins. The share of sales attributable to the segment rose to 48 percent.

The Heidelberg Services segment had a total of 4,095 employees as of June 30, 2014, a decrease of 37 compared with the start of the financial year. On a year-on-year basis, the number of employees fell by 250.

Heidelberg Services

Figures in € millions	Q1 2013/2014	Q1 2014/2015
Incoming orders	240	220
Sales	233	209
Result of operating activities [1]	14	17
Employees [2]	4,345	4,095

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

Our strategy of primarily mediating customer financing to our external partners is accompanied by a reduction in the volume directly financed by us. Receivables from sales financing declined by € 17 million compared with the previous year to € 88 million as of June 30, 2014. Despite this, the result of operating activities excluding special items in the **HEIDELBERG FINANCIAL SERVICES** segment was unchanged year-on-year at € 1 million.

As of June 30, 2014, the number of employees in the segment was four lower than at the start of the financial year and one lower than one year previously.

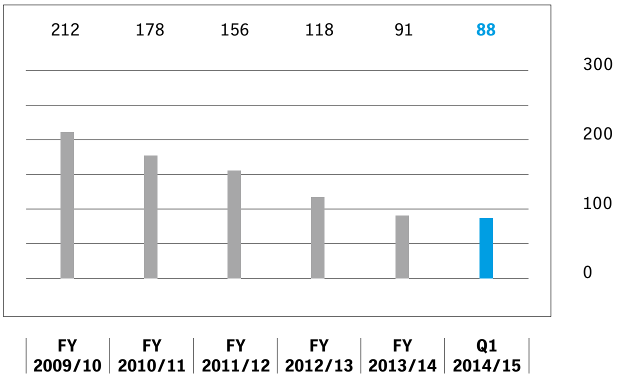
Heidelberg Financial Services

Figures in € millions	Q1 2013/2014	Q1 2014/2015
Sales	2	2
Result of operating activities [1]	1	1
Employees [2]	44	43

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

Receivables from sales financing

Figures in € millions



Report on the regions

Incoming orders in the **EMEA** (Europe, Middle East and Africa) region increased to € 230 million in the first quarter of the 2014/2015 financial year (previous year: € 222 million), whereas sales declined slightly to € 173 million (previous year: € 182 million), primarily due to developments in Western Europe. The German market was stable, while the United Kingdom recorded a lower sales volume compared with the unusually high sales in the same period of the previous year.

The **ASIA/PACIFIC** region saw the most pronounced downturn in incoming orders and sales in the first quarter of the current financial year. Incoming orders fell by one-third to € 169 million, while sales were down around 30 percent year-on-year at € 128 million. Incoming orders in the previous year were boosted by the China Print trade show and the unusually high level of orders from Japan due to catch-up effects following the economic crisis. The reduction in sales can be attributed to the ongoing weakness of the Japanese yen and the Chinese renminbi as well as the economic slowdown in our largest individual market, China, and the resulting restrictions on lending.

EASTERN EUROPE recorded a 10 percent increase in incoming orders to € 74 million compared with the previous year, while sales remained stable at € 52 million. Uncertainty due to political and economic developments had a negative impact on incoming orders and sales on the Russian market, but this was offset by the other markets in the region.

The **NORTH AMERICA** region also increased its incoming orders by around 20 percent year-on-year to € 92 million. This development was driven in particular by orders for larger equipment formats. The upturn was not yet reflected in sales, which amounted to € 62 million after adjusting for exchange rate effects and hence remained in roughly the same magnitude as in the previous year (€ 69 million).

Incoming orders and sales in the **SOUTH AMERICA** region remained at the same low level as in the corresponding quarter of the previous year. The recovery of the Brazilian economy has yet to materialize, while the weakness of the Brazilian real is continuing to have a negative impact.

Incoming orders by region

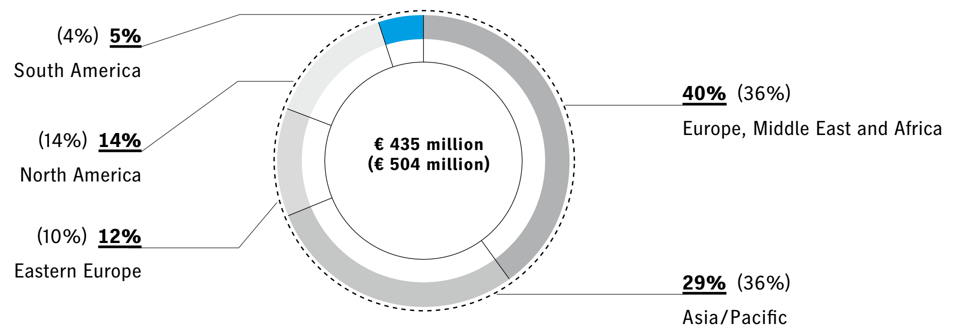
Figures in € millions	Q1 2013/2014	Q1 2014/2015
EMEA	222	230
Asia/Pacific	253	169
Eastern Europe	67	74
North America	77	92
South America	24	23
Heidelberg Group	**643**	**588**

Sales by region

Figures in € millions	Q1 2013/2014	Q1 2014/2015
EMEA	182	173
Asia/Pacific	182	128
Eastern Europe	52	52
North America	69	62
South America	20	20
Heidelberg Group	**504**	**435**

Sales by region

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



Employees

As planned, the number of employees in the Heidelberg Group declined further in the first quarter of the 2014/2015 financial year.

As of June 30, 2014, the Heidelberg Group had a total of 12,454 employees (excluding 493 trainees), 85 fewer than on March 31, 2014. The number of employees decreased by 708 compared with one year previously (June 30, 2013: 13,162 employees).

Employees by segment

Number of employees excluding trainees	31-Mar-2014	30-Jun-2014
Heidelberg Equipment	8,360	8,316
Heidelberg Services	4,132	4,095
Heidelberg Financial Services	47	43
Heidelberg Group	**12,539**	**12,454**

Risk and opportunity report

In the first quarter of the 2014/2015 financial year, there were no material changes in the assessment of the risks and opportunities of the Heidelberg Group compared with the presentation in the 2013/2014 Annual Report.

The economic uncertainty resulting from the euro zone and sovereign debt crisis remains in place, as does the uncertainty due to political and economic developments in Russia and Ukraine. Our assessment of the risks and opportunities in China remains unchanged.

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

Country-specific and macroeconomic developments affect the propensity to invest of the majority of our customers. The impact on the Heidelberg Equipment segment is generally considerably more pronounced and more direct than on the Heidelberg Services segment, which is less cyclical in nature. Despite changes in media consumption and structural changes within the printing industry in the industrialized nations, the global print volume remains stable and is expected to enjoy a healthy performance in future thanks to the robust growth of the emerging nations. Nevertheless, we are currently not anticipating an increase in the market volume for new sheetfed offset presses over the coming years in light of the economic risks and the ongoing consolidation of print shops in the industrialized nations.

Outlook: Aiming to achieve an EBITDA margin of no less than 8 percent in financial year 2015/2016

The actual development of sales and earnings during the current financial year 2014/2015 will largely depend on the implementation of the portfolio optimization measures initiated. To date we expect sales in the 2014/2015 financial year to repeat the level seen in the year under review. As in the previous year, the share of sales is again expected to be higher in the second half of the financial year than in the first half. As in the year under review, we will continue to actively reduce low-margin business and focus on improving profitability. After successfully returning to profitability in the 2013/2014 financial year as forecast, our stated goal for the 2014/2015 financial year is to further improve our operating profitability in order to get closer to our medium-term objective of an operating margin of at least 8 percent in terms of EBITDA and achieve an increased net result after taxes in spite of the higher level of interest expense for financial liabilities. The extent of the improvement in the 2014/2015 financial year will depend to a large extent on the realizability and timing of the portfolio optimization measures that are at the heart of the Company's strategic focus from this year on.

In addition to initiatives aimed at raising margins and optimizing the portfolio, we will continue to steadily reduce our cost base and make it more flexible in order to achieve our medium-term margin target of 8 percent EBITDA on sales as rapidly as possible.

The planned earnings improvements together with the measures aimed at the reduction and efficient utilization of our capital commitment are intended to strengthen our capital structure and keep our net debt at a low level that sustainably does not exceed twice the result of operating activities before interest, taxes, depreciation and amortization excluding special items (EBITDA) (leverage). This will allow us to continue to increase the return on capital employed (ROCE) in order to generate positive economic value added after deduction of capital costs.

Supplementary report

On June 10, 2014, the Management Board of Heidelberger Druckmaschinen Aktiengesellschaft resolved, with the approval of the Supervisory Board, to implement a **CAPITAL INCREASE AGAINST CONTRIBUTION IN KIND** from authorized capital with shareholders' preemptive subscription rights disapplied. To this end, Ferd. Rüesch Aktiengesellschaft, St. Gallen, Switzerland, contributed its 70 percent stake in Gallus Holding Aktiengesellschaft, St. Gallen, Switzerland, as a non-cash contribution to Heidelberger Druckmaschinen Aktien-gesellschaft in exchange for the issue of new shares. In consideration for the contribution of the stake in Gallus Holding Aktiengesellschaft, Heidelberger Druckmaschinen Aktiengesellschaft granted Ferd. Rüesch Aktien-gesellschaft a total of 23,000,000 new no-par value shares and an additional seven-figure euro cash payment. The new no-par value shares were issued at a price of € 2.70 per share. The capital increase is expected to be entered in the Commercial Register at the Local Court of Mannheim, Germany, in August 2014. The share capital shall subsequently be increased by € 58,880,000.00 to € 659,040,714.24 (March 31, 2014: € 600,160,714.24) and be divided into 257,437,779 (March 31, 2014: 234,437,779) shares.

The following changes in the composition of the **SUPERVISORY BOARD** came into force with effect from the end of the Annual General Meeting of Heidelberger Druckmaschinen Aktiengesellschaft on July 24, 2014: Mr. Jörg Hofmann stepped down from the Supervisory Board with effect from the end of the Annual General Meeting; Mr. Peter Sudadse stepped down from the Supervisory Board at the same time. At the Company's request and based on the nominations by IG Metall and the General Works Council, Mr. Roman Zitzelsberger, regional head of IG Metall, Baden-Württemberg region, Stuttgart, and Mr. Ralph Arns, independent Works Council representative, Heidelberg-Wiesloch, were legally appointed as members of the Supervisory Board by resolution of the Mannheim Local Court on July 14, 2014. A proposed resolution for the election of Mr. Ralph Arns to replace Mr. Peter Sudadse on the Management Committee and the Mediation Committee in accordance with section 27 (3) of the German Codetermination Act will be submitted to the Supervisory Board.

In future, products and solutions in the area of **POSTPRESS PACKAGING** will be developed and manufactured by the new Chinese OEM partner Masterwork Machinery Co., Ltd., with Heidelberg Group companies retaining responsibility for sales and service activities. In the **POSTPRESS COMMERCIAL** business area, only the established folding machines and cutters will continue to be marketed by Heidelberg Group companies. The Swiss company Müller Martini will take over service activities for the installed base of discontinued products. These measures will not affect business with Polar cutters and Heidelberg folding machines. The streamlining of in-house capacities will result in the closure of the Leipzig site and a corresponding reduction in the workforce at the Ludwigsburg and Wiesloch-Walldorf sites. A total of around 650 employees worldwide will be affected.

Important note

This interim 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 report. Heidelberg neither intends nor assumes any obligation to update the assumptions and estimates made in this interim report to reflect events or developments occurring after the publication of this interim report.

Interim consolidated financial statements

2 /

for the period April 1, 2014 to June 30, 2014

Interim consolidated income statement – April 1, 2014 to June 30, 2014

Figures in € thousands	Note	1-Apr-2013 to 30-Jun-2013	1-Apr-2014 to 30-Jun-2014
Net sales		504,173	435,399
Change in inventories		66,632	91,356
Other own work capitalized		2,622	3,298
Total operating performance		**573,427**	**530,053**
Other operating income	3	28,584	23,868
Cost of materials	4	269,416	244,645
Staff costs		229,011	212,686
Depreciation and amortization		18,456	17,264
Other operating expenses	5	105,390	90,475
Special items	6	1,043	48
Result of operating activities		**– 21,305**	**- 11,197**
Financial income	7	4,813	1,525
Financial expenses	8	16,840	18,735
Financial result		**– 12,027**	**– 17,210**
Income before taxes		**– 33,332**	**– 28,407**
Taxes on income		5,145	5,628
Net result after taxes		**– 38,477**	**– 34,035**
Basic earnings per share according to IAS 33 (in € per share)	9	**– 0.16**	**– 0.15**
Diluted earnings per share according to IAS 33 (in € per share)	9	**– 0.16**	**– 0.15**

Interim consolidated statement of comprehensive income – April 1, 2014 to June 30, 2014

Figures in € thousands	1-Apr-2013 to 30-Jun-2013	**1-Apr-2014 to 30-Jun-2014**
Net result after taxes	– 38,477	– 34,035
Other comprehensive income not reclassified to the income statement		
Remeasurement of defined benefit pension plans and similar obligations	13,846	– 34,880
Deferred income taxes	454	956
	14,300	– 33,924
Other comprehensive income which may subsequently be reclassified to the income statement		
Currency translation	– 15,091	6,546
Available-for-sale financial assets	56	103
Cash flow hedges	1,104	– 2,977
Deferred income taxes	15	100
	– 13,916	**3,772**
Total other comprehensive income	384	– 30,152
Total comprehensive income	**– 38,093**	**– 64,187**

Interim consolidated statement of financial position as of June 30, 2014

Assets

Figures in € thousands	Note	31-Mar-2014	30-Jun-2014
Non-current assets			
Intangible assets	10	220,939	218,918
Property, plant and equipment	10	506,993	500,607
Investment property		5,222	5,230
Financial assets		17,523	17,705
Receivables from sales financing		45,351	47,771
Other receivables and other assets	12	22,541	18,236
Income tax assets		263	262
Deferred tax assets		51,404	52,208
		870,236	860,937
Current assets			
Inventories	11	622,735	726,608
Receivables from sales financing		45,587	40,580
Trade receivables		327,949	245,877
Other receivables and other assets	12	109,280	121,678
Income tax assets		22,922	23,428
Securities	13	10,169	10,084
Cash and cash equivalents	14	232,657	183,613
		1,371,299	1,351,868
Assets held for sale		2,419	2,449
Total assets		**2,243,954**	**2,215,254**

Interim consolidated statement of financial position as of June 30, 2014

Equity and liabilities

Figures in € thousands	Note	31-Mar-2014	30-Jun-2014
Equity	15		
Issued capital		599,796	599,796
Capital reserves, retained earnings and other retained earnings		– 244,611	– 270,602
Net result after taxes		3,619	– 34,035
		358,804	295,159
Non-current liabilities			
Provisions for pensions and similar obligations	16	450,206	490,328
Other provisions	17	167,559	169,026
Financial liabilities	18	432,308	445,131
Other liabilities	19	115,871	38,477
Deferred tax liabilities		7,562	7,699
		1,173,506	1,150,661
Current liabilities			
Other provisions	17	261,127	212,516
Financial liabilities	18	48,897	45,248
Trade payables		148,012	163,945
Income tax liabilities		3,611	3,338
Other liabilities	19	249,997	344,387
		711,644	769,434
Total equity and liabilities		**2,243,954**	**2,215,254**

Statement of changes in consolidated equity as of June 30, 2014 [1)]

Figures in € thousands	Issued capital	Capital reserves	Retained earnings
April 1, 2013	599,308	27,098	39,439
Profit (+)/loss (–) carryforward	0	0	– 117,067
Total comprehensive income	0	0	14,300
Consolidation adjustments/other changes	0	0	650
June 30, 2013	**599,308**	**27,098**	**– 62,678**
April 1, 2014	599,796	28,399	– 91,636
Profit (+)/loss (-) carryforward	0	0	3,619
Total comprehensive income	0	0	– 33,924
Consolidation adjustments/other changes	0	0	542
June 30, 2014	**599,796**	**28,399**	**– 121,399**

[1)] For further details please refer to note 15

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				
– 150,044	– 946	3,733	– 147,257	– 80,720	– 117,067	401,521
0	0	0	0	– 117,067	117,067	0
– 15,091	56	1,119	– 13,916	384	– 38,477	– 38,093
0	0	0	0	650	0	650
– 165,135	**– 890**	**4,852**	**– 161,173**	**– 196,753**	**– 38,477**	**364,078**
– 182,691	– 847	2,164	– 181,374	– 244,611	3,619	358,804
0	0	0	0	3,619	0	3,619
6,546	103	– 2,877	3,772	–30,152	– 37,654	– 67,806
0	0	0	0	542	0	542
– 176,145	**– 744**	**– 713**	**– 177,602**	**– 270,602**	**– 34,035**	**295,159**

Interim consolidated statement of cash flows – April 1, 2014 to June 30, 2014

Figures in € thousands	1-Apr-2013 to 30-Jun-2013	1-Apr-2014 to 30-Jun-2014
Net result after taxes	– 38,477	– 34,035
Depreciation, amortization and write-downs[1)]	18,456	17,264
Change in pension provisions	6,201	5,719
Change in deferred tax assets / deferred tax liabilities / tax provisions	666	43
Result from disposals	– 402	– 160
Cash flow	**– 13,556**	**– 11,169**
Change in inventories	– 60,491	– 101,191
Change in sales financing	9,121	3,907
Change in trade receivables / payables	109,080	101,546
Change in other provisions	– 72,742	– 48,513
Change in other items of the statement of financial position	35,390	– 3,709
Other operating changes	**20,358**	**– 47,960**
Cash generated by / used in operating activities	**6,802**	**– 59,129**
Intangible assets / property, plant and equipment / investment property		
Investments	– 11,657	– 11,208
Income from disposals	4,767	4,079
Financial assets	0	– 3
Cash used in investing activities	**– 6,890**	**– 7,132**
Change in financial liabilities	– 9,766	15,577
Cash used in / generated by financing activities	**– 9,766**	**15,577**
Net change in cash and cash equivalents	**– 9,854**	**– 50,684**
Cash and cash equivalents at the beginning of the reporting period	**157,492**	**232,657**
Currency adjustments	– 3,689	1,640
Net change in cash and cash equivalents	– 9,854	– 50,684
Cash and cash equivalents at the end of the reporting period	**143,949**	**183,613**
Cash generated by / used in operating activities	6,802	– 59,129
Cash used in investing activities	– 6,890	– 7,132
Free cash flow	**– 88**	**– 66,261**

[1)] Relates to intangible assets as well as property, plant and equipment

NOTES

01 Accounting policies

The interim consolidated financial statements as of June 30, 2014 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, 2014, 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 2013/2014 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, 2014. All amounts are generally stated in € thousands.

The International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRS IC) have approved and amended the following new standards, which are to be applied for the first time in financial year 2014/2015. The amendment to IAS 36: Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets has been applied on a voluntary basis already since the previous year.

Standards	Publication by the IASB/IFRS IC	Effective date [1]	Published in the Official Journal of the EU	Effects
Amendments to standards				
IAS 27: Separate Financial Statements (as revised in 2011)	12-May-2011	1-Jan-2014	29-Dec-2012	None
IAS 28: Investments in Associates and Joint Ventures (as revised in 2011)	12-May-2011	1-Jan-2014	29-Dec-2012	No material effects
Amendment to IAS 32: Financial Instruments: Presentation: Offsetting Financial Assets and Financial Liabilities	16-Dec-2011	1-Jan-2014	29-Dec-2012	No material effects
Amendments to IAS 36: Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets	29-May-2013	1-Jan-2014	20-Dec-2013	Clarification of the disclosures to be made in the notes to the consolidated financial statements
Amendments to IAS 39: Financial Instruments: Recognition and Measurement: Novation of Derivatives and Continuation of Hedge Accounting	27-Jun-2013	1-Jan-2014	20-Dec-2013	None
Amendments to IFRS 10: Consolidated Financial Statements, IFRS 11: Joint Arrangements and IFRS 12: Disclosure of Interests in Other Entities: Transition Guidance	28-Jun-2012	1-Jan-2014	5-Apr-2013	No material effects
Amendments to IFRS 10, IFRS 12 and IAS 27: Investment Entities	31-Oct-2012	1-Jan-2014	21-Nov-2013	None
New standards				
IFRS 10: Consolidated Financial Statements	12-May-2011	1-Jan-2014	29-Dec-2012	None
IFRS 11: Joint Arrangements	12-May-2011	1-Jan-2014	29-Dec-2012	No material effects
IFRS 12: Disclosure of Interests in Other Entities	12-May-2011	1-Jan-2014	29-Dec-2012	The additional disclosures will be shown in the notes to the consolidated financial statements

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

The IASB and the IFRS IC have approved and amended the following standards and interpretations, whose application during financial year 2014/2015 is not yet compulsory or which have not yet been endorsed by the European Union (EU).

- Amendments to IAS 16: Property, Plant and Equipment and IAS 38: Intangible Assets: Clarification of acceptable Methods of Depreciation and Amortization
- Amendments to IAS 16 and IAS 41: Agriculture: Bearer Plants
- Amendments to IAS 19: Defined Benefit Plans: Employee Contributions
- IFRS 9: Financial Instruments
- Amendments to IFRS 9 and IFRS 7: Mandatory Effective Date and Transition Disclosures
- Amendments to IFRS 11: Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations
- IFRS 14: Regulatory Deferral Accounts
- IFRS 15: Revenue from Contracts with Customers
- Improvements to International Financial Reporting Standards for 2010–2012 Cycle
- Improvements to International Financial Reporting Standards for 2011–2013 Cycle
- IFRIC Interpretation 21: Levies

The effects of first-time adoption of the IFRS relevant to Heidelberg on the financial statements of the Heidelberg Group are currently being examined. At present, Heidelberg is not planning to apply these standards at an early date.

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

02 Scope of consolidation

The interim consolidated financial statements of Heidelberger Druckmaschinen Aktiengesellschaft include a total of 66 (March 31, 2014: 67) domestic and foreign companies in which Heidelberger Druckmaschinen Aktiengesellschaft has a controlling influence as defined by IFRS 10. Of these, 56 (March 31, 2014: 56) are located outside Germany. Subsidiaries that are of minor importance are not included.

03 Other operating income

	1-Apr-2013 to 30-Jun-2013	1-Apr-2014 to 30-Jun-2014
Recoveries on loans and other assets previously written down	6,244	6,730
Reversal of other provisions / deferred liabilities	11,710	5,628
Income from operating facilities	1,948	2,153
Hedging/exchange rate gains	3,216	2,040
Income from disposals of intangible assets, property, plant and equipment and investment property	583	316
Other income	4,883	7,001
	28,584	**23,868**

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

04 Cost of materials

The cost of materials includes the pro rata interest expense in connection with the Heidelberg Financial Services segment of € 560 thousand (April 1, 2013 to June 30, 2013: € 471 thousand); interest income from sales financing of € 1,710 thousand (April 1, 2013 to June 30, 2012: € 2,361 thousand) is reported in sales.

05 Other operating expenses

	1-Apr-2013 to 30-Jun-2013	**1-Apr-2014 to 30-Jun-2014**
Other deliveries and services not included in the cost of materials	25,815	23,661
Rent and leases	13,634	13,531
Special direct sales expenses including freight charges	20,673	12,347
Travel expenses	10,292	9,191
Bad debt allowances and impairment on other assets	5,065	4,025
Additions to provisions and accruals relating to several types of expense	1,976	3,777
Insurance expense	3,001	2,729
Costs of car fleet (excluding leases)	1,913	1,594
Hedging/exchange rate losses	1,088	1,071
Other overheads	21,933	18,549
	105,390	**90,475**

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

06 Special items

Special items include expenses and income in connection with our Focus efficiency program.

07 Financial income

	1-Apr-2013 to 30-Jun-2013	**1-Apr-2014 to 30-Jun-2014**
Interest and similar income	2,488	1,351
Income from financial assets/loans/securities	2,325	174
	4,813	**1,525**

08 Financial expenses

	1-Apr-2013 to 30-Jun-2013	**1-Apr-2014 to 30-Jun-2014**
Interest and similar expenses	15,835	17,805
Expenses for financial assets/loans/securities	1,005	930
	16,840	**18,735**

09 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 234,294,860 (April 1, 2013 to June 30, 2013: 234,104,021). The weighted number of shares outstanding was influenced by the holdings of treasury shares. As of June 30, 2014, the Company held 142,919 (March 31, 2014: 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 bond issued on July 10, 2013 did not have a dilutive effect on earnings per share during the period from April 1, 2014 to June 30, 2014. In the future, the convertible bond may have a fully dilutive effect.

10 Intangible assets and property, plant and equipment

In the period from April 1, 2014 to June 30, 2014, there were additions to intangible assets of € 2,342 thousand (April 1, 2013 to June 30, 2013: € 1,447 thousand) and to property, plant and equipment of € 8,894 thousand (April 1, 2013 to June 30, 2013: € 10,521 thousand). In the same period, the carrying amount of disposals from intangible assets was

€ 30 thousand (April 1, 2013 to June 30, 2013: € 33 thousand) and € 3,899 thousand (April 1, 2013 to June 30, 2013: € 4,352 thousand) for property, plant and equipment.

The useful lives of some intangible assets as well as property, plant and equipment were adjusted in the previous year. If the useful lives had not been altered, the scheduled depreciation in the reporting period would have been € 437 thousand higher for intangible assets and € 2,197 thousand higher for property, plant and equipment.

11 Inventories

Inventories include raw materials and supplies totaling € 103,642 thousand (March 31, 2014: € 99,288 thousand), work and services in progress amounting to € 333,499 thousand (March 31, 2014: € 287,983 thousand), finished goods and goods for resale of € 287,601 thousand (March 31, 2014: € 234,212 thousand), and advance payments of € 1,866 thousand (March 31, 2014: € 1,252 thousand).

12 Other receivables and other assets

The Other receivables and other assets item includes receivables from derivative financial instruments of € 2,812 thousand (March 31, 2014: € 5,274 thousand) and prepaid expenses of € 27,593 thousand (March 31, 2014: € 13,137 thousand).

13 Securities

Securities amounting to € 10,084 thousand (March 31, 2014: € 10,169 thousand) are classified as financial assets available for sale in line with IAS 39. The entire amount relates to fixed-income securities. Information on the fair value of the securities is included in note 20.

14 Cash and cash equivalents

Restrictions on disposal of cash and cash equivalents due to foreign exchange restrictions amount to € 28,951 thousand (March 31, 2014: € 31,006 thousand).

15 Equity

The same as at March 31, 2014, the Company still held 142,919 treasury shares on June 30, 2014. 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, 2014 for information on the contingent and authorized capitals as of March 31, 2014.

Significant changes as against March 31, 2014 resulted from the resolutions of the Annual General Meeting of July 24, 2014. On this date, the Annual General Meeting authorized the Management Board to issue warrants and/or convertible bonds, profit-sharing rights or participating bonds, or a combination of these instruments, and to disapply preemptive subscription rights on these warrants and/or convertible bonds, profit-sharing rights or participating bonds, or a combination of these instruments by July 23, 2019 including the creation of contingent capital. According to this resolution of the Annual General Meeting, the share capital of Heidelberger Druckmaschinen Aktiengesellschaft was contingently increased by up to € 58,625,953.28 through the issue of up to 22,900,763 new bearer shares (Contingent Capital 2014). The resolution will become effective only upon entry of the amendment to the Articles of Association in the Commercial Register; it has not been registered yet.

For further details regarding the capital increase against contribution in kind from authorized capital, please refer to note 25.

16 Provisions for pensions and similar obligations

A discount rate of 3.25 percent (March 31, 2014: 3.50 percent) was used to calculate the actuarial gains and losses of German companies as of June 30, 2014. Assuming an interest rate of 3.50 percent, the present value of employee benefits would have been € 40,675 thousand lower.

17 Other provisions

Other provisions relate to tax provisions of € 87,173 thousand (March 31, 2014: € 88,278 thousand) and other provisions of € 294,369 thousand (March 31, 2014: € 340,408 thousand). Other provisions include staff obligations of € 68,331 thousand (March 31, 2014: € 93,256 thousand), sales obligations of € 88,047 thousand (March 31, 2014: € 96,155 thousand) and miscellaneous other provisions of € 137,991 thousand (March 31, 2014: € 150,997 thousand). The latter include, among others, provisions in connection with our Focus efficiency program.

18 Financial liabilities

			31-Mar-2014			**30-Jun-2014**
	Current	Non-current	Total	Current	Non-current	**Total**
High-yield bond	15,142	345,545	360,687	6,932	345,981	352,913
Convertible bond	1,138	56,935	58,073	1,309	56,935	58,244
Amounts due to banks	16,321	25,496	41,817	22,158	38,250	60,408
From finance leases	1,867	4,332	6,199	1,793	3,965	5,758
Other	14,429	0	14,429	13,056	0	13,056
	48,897	432,308	**481,205**	45,248	445,131	**490,379**

An amortizing loan to the amount of € 20 million maturing in December 2018 was issued in April 2014 reducing the revolving credit facility to € 319 million.

With regard to our financing, please refer to note 29 in the notes to the consolidated financial statements as of March 31, 2014.

19 Other liabilities

Other liabilities include advance payments on orders of € 95,172 thousand (March 31, 2014: € 76,039 thousand), liabilities from derivative financial instruments of € 2,116 thousand (March 31, 2014: € 1,755 thousand), and deferred income of € 59,287 thousand (March 31, 2014: € 62,714 thousand).

20 Additional information on financial instruments

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

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

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

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

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

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

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

	31-Mar-2014				30-Jun-2014			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	**Total**
Securities	12,835	0	0	12,835	12,894	0	0	12,894
Derivative financial assets	0	5,274	0	5,274	0	2,812	0	2,812
Financial assets measured at fair value	**12,835**	**5,274**	**0**	**18,109**	**12,894**	**2,812**	**0**	**15,706**
Derivative financial assets	0	1,755	0	1,755	0	2,116	0	2,116
Financial liabilities measured at fair value	**0**	**1,755**	**0**	**1,755**	**0**	**2,116**	**0**	**2,116**

Shares in subsidiaries in the amount of € 10,020 thousand (March 31, 2014: € 9,992 thousand) and other investments in the amount of € 3,456 thousand (March 31, 2014: € 4,456 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 values of the high-yield bond (including its tap in the previous year) and the convertible bond – which are reported under financial liabilities – as calculated on the basis of the quoted price are € 381,895 thousand (March 31, 2014: € 376,588 thousand) and € 75,331 thousand (March 31, 2014: € 69,345 thousand) respectively, compared to the carrying amounts of € 352,913 thousand (March 31, 2014: € 360,687 thousand) and € 58,244 thousand (March 31, 2014: € 58,073 thousand). Both correspond to the first level in the fair value hierarchy according to IFRS 13.

In connection with the arranging of a long-term loan of € 31,372 thousand (March 31, 2014: € 33,288 thousand), which is also reported in financial liabilities, the lender was granted usufructuary rights to three developed properties. The basis of this is a sale (usufructuary rights) and leaseback transaction in accordance with SIC 27, which provides for a fixed basic term for the lease agreement of ten years and two renewal options of four years each. The usufructuary rights each have a term of 18 years. The usufructuary rights can be commuted after ten years. The fair value of this loan amounts to € 32,243 thousand (March 31, 2014: € 34,097 thousand).

The fair value of the amortizing loan issued in April 2014, which is reported under financial liabilities, is € 18,643 thousand compared to the carrying amount of € 18,950 thousand.

The fair value of a non-current financial liability reported in other liabilities is € 65,158 thousand (March 31, 2014: € 63,539 thousand), while the carrying amount is € 80,152 thousand (March 31, 2014: € 79,455 thousand).

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

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

21 Contingent liabilities and other financial liabilities

As of June 30, 2014, the contingent liabilities for warranties and guarantees amounted to € 2,393 thousand (March 31, 2014: € 3,257 thousand).

The other financial liabilities amounted to € 227,173 thousand as of June 30, 2014 (March 31, 2014: € 229,187 thousand). Of this amount, € 193,727 thousand (March 31, 2014: € 194,804 thousand) related to lease and rental obligations and € 33,446 thousand (March 31, 2014: € 34,383 thousand) related to investments and other purchase commitments.

22 Group segment reporting

Segment reporting is based on the management approach.

The Heidelberg Group consists of the business segments Heidelberg Equipment, Heidelberg Services and Heidelberg Financial Services. Heidelberg Equipment essentially comprises new machinery business. Services, consumables, service parts and remarketed equipment business are bundled in the Heidelberg Services segment. The Heidelberg Financial Services segment comprises sales financing business. Further information on the business activities, products and services of the individual segments can be found in the sections “Management and Control” and “Segments and Business Areas” in the Group management report as of March 31, 2014.

Segment information April 1, 2014 to June 30, 2014:

	Heidelberg Equipment		Heidelberg Services		Heidelberg Financial Services		**Heidelberg Group**	
	1-Apr-2013 to 30-Jun-2013	**1-Apr-2014 to 30-Jun-2014**	1-Apr-2013 to 30-Jun-2013	**1-Apr-2014 to 30-Jun-2014**	1-Apr-2013 to 30-Jun-2013	**1-Apr-2014 to 30-Jun-2014**	1-Apr-2013 to 30-Jun-2013	**1-Apr-2014 to 30-Jun-2014**
External sales	268,717	224,292	233,095	209,397	2,361	1,710	504,173	435,399
Result of operating activities (segment result)	– 36,499	– 28,724	13,697	16,656	1,497	871	– 21,305	– 11,197
Investments	9,297	8,744	2,670	2,492	1	0	11,968	11,236

The segment result is reconciled to income before taxes as follows:

	1-Apr-2013 to 30-Jun-2013	**1-Apr-2014 to 30-Jun-2014**
Result of operating activities (segment result)	– 21,305	– 11,197
Financial result	– 12,027	– 17,210
Income before taxes	**– 33,332**	**– 28,407**

External sales relate to the different regions as follows:

	1-Apr-2013 to 30-Jun-2013	**1-Apr-2014 to 30-Jun-2014**
Europe, Middle East and Africa		
Germany	74,732	77,277
Other Europe, Middle East and Africa regions	106,859	96,007
	181,591	173,284
Asia / Pacific		
China	97,019	70,533
Other Asia / Pacific regions	84,516	57,035
	181,535	127,568
Eastern Europe	52,446	52,296
North America		
USA	51,317	46,206
Other North America regions	17,478	15,570
	68,795	61,776
South America	19,806	20,475
	504,173	**435,399**

23 Supervisory Board/Management Board

The members of the Supervisory Board and the Management Board are presented on pages 30 and 31.

24 Related party transactions

As described in note 41 of the notes to the consolidated financial statements as of March 31, 2014, business relationships exist between numerous companies and Heidelberger Druckmaschinen Aktiengesellschaft and its subsidiaries in the course of ordinary business. This also includes associated companies, which are regarded as related companies of the Heidelberg Group.

In the reporting period, transactions were performed with related parties that resulted in liabilities of € 4,668 thousand (March 31, 2014: € 4,589 thousand), receivables of € 10,789 thousand (March 31, 2014: € 11,552 thousand), expenses of € 4,167 thousand (April 1, 2013 to June 30, 2013: € 3,121 thousand) and income of € 941 thousand (April 1, 2013 to June 30, 2013: € 1,921 thousand), which essentially comprises sales. All transactions were again conducted as at arm's length and did not differ from relationships with other companies.

Members of the Supervisory Board have received a remuneration of € 137 thousand (April 1, 2013 to June 30, 2013: € 181 thousand) from Heidelberger Druckmaschinen Aktiengesellschaft in line with services rendered under consulting, service and employment contracts in the reporting period.

25 Significant events after the end of the reporting period

On July 10, 2014, the Management Board of Heidelberger Druckmaschinen Aktiengesellschaft resolved, with the approval of the Supervisory Board, to carry out a **CAPITAL INCREASE AGAINST CONTRIBUTION IN KIND** from authorized capital with the exclusion of the subscription rights. For this purpose, Ferd. Rüesch Aktiengesellschft, St. Gallen, Switzerland, contributed its 70 percent stake in Gallus Holding Aktiengesellschaft, St. Gallen, Switzerland, as contribution in kind into Heidelberger Druckmaschinen Aktiengesellschaft against the issue of new shares. In consideration for contributing the stake in Gallus Holding Aktiengesellschaft, Heidelberger Druckmaschinen Aktiengesellschaft agreed to grant Ferd. Rüesch Aktiengesellschaft 23,000,000 new shares and a cash payment in the single-digit million euro range. The issue price of the new shares is € 2.70 per new share. The capital increase is expected to be entered in the Commercial Register at the Local Court of Mannheim, Germany, in August 2014. The share capital shall subsequently be increased by € 58,880,000.00 to € 659,040,714.24 (March 31, 2014: € 600,160,714.24) and be divided into 257,437,779 (March 31, 2014: 234,437,779) shares.

Changes in the composition of the **SUPERVISORY BOARD** were made after the end of the Annual General Meeting of Heidelberger Druckmaschinen Aktiengesellschaft on July 24, 2014. For further details, please refer to the Supplementary report on page 11 of the management report.

In future, products and solutions in the area of **POSTPRESS PACKAGING** will be developed and manufactured by the new Chinese OEM partner Masterwork Machinery Co., Ltd., with Heidelberg Group companies retaining responsibility for sales and service activities. In the **POSTPRESS COMMERCIAL** business area, only the established folding machines and cutters will continue to be marketed by Heidelberg Group companies. The Swiss company Müller Martini will take over service activities for the installed base of discontinued products. These measures will not affect business with Polar cutters and Heidelberg folding machines. The streamlining of in-house capacities will result in the closure of the Leipzig site and a corresponding reduction in the workforce at the Ludwigsburg and Wiesloch-Walldorf sites. A total of around 650 employees worldwide will be affected.

Heidelberg, August 13, 2014

HEIDELBERGER DRUCKMASCHINEN AKTIENGESELLSCHAFT
The Management Board

The Supervisory Board

- **Robert J. Koehler**
  Chairman of the Supervisory Board
- **Rainer Wagner***
  Deputy Chairman of the Supervisory Board
- **Ralph Arns***
  since July 24, 2014
- **Edwin Eichler**
- **Mirko Geiger***
- **Jörg Hofmann***
  until July 24, 2014
- **Dr. Siegfried Jaschinski**
- **Dr. Herbert Meyer**
- **Beate Schmitt***
- **Lone Fønss Schrøder**
- **Prof. Dr.-Ing. Günther Schuh**
- **Peter Sudadse***
  until July 24, 2014
- **Christoph Woesler***
- **Roman Zitzelsberger***
  since July 24, 2014

* Employee representative

Committees of the Supervisory Board

MANAGEMENT COMMITTEE

Robert J. Koehler (Chairman)
Rainer Wagner
Mirko Geiger
Lone Fønss Schrøder
Prof. Dr.-Ing. Günther Schuh
Peter Sudadse (until July 24, 2014)

MEDIATION COMMITTEE UNDER ARTICLE 27 PARAGRAPH 3 OF THE CODETERMINATION ACT

Robert J. Koehler
Rainer Wagner
Dr. Herbert Meyer
Peter Sudadse (until July 24, 2014)

COMMITTEE ON ARRANGING PERSONNEL MATTERS OF THE MANAGEMENT BOARD

Robert J. Koehler (Chairman)
Rainer Wagner
Beate Schmitt
Prof. Dr.-Ing. Günther Schuh

AUDIT COMMITTEE

Dr. Herbert Meyer (Chairman)
Dr. Siegfried Jaschinski
Mirko Geiger
Rainer Wagner

NOMINATION COMMITTEE

Robert J. Koehler (Chairman)
Edwin Eichler
Lone Fønss Schrøder

STRATEGY COMMITTEE

Robert J. Koehler (Chairman)
Rainer Wagner
Edwin Eichler
Mirko Geiger
Dr. Siegfried Jaschinski
Dr. Herbert Meyer
Lone Fønss Schrøder
Prof. Dr.-Ing. Günther Schuh

The Management Board

- **Dr. Gerold Linzbach**
  Chief Executive Officer and
  Chief Human Resources Officer
- **Dirk Kaliebe**
- **Stephan Plenz**
- **Harald Weimer**

Financial calendar 2014/2015

November 12, 2014	➡	Publication of Half-Year Figures 2014/2015
February 4, 2015	➡	Publication of Third Quarter Figures 2014/2015
June 10, 2015	➡	Press Conference, Annual Analysts' and Investors' Conference
July 24, 2015	➡	Annual General Meeting

Subject to change

Publishing information

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