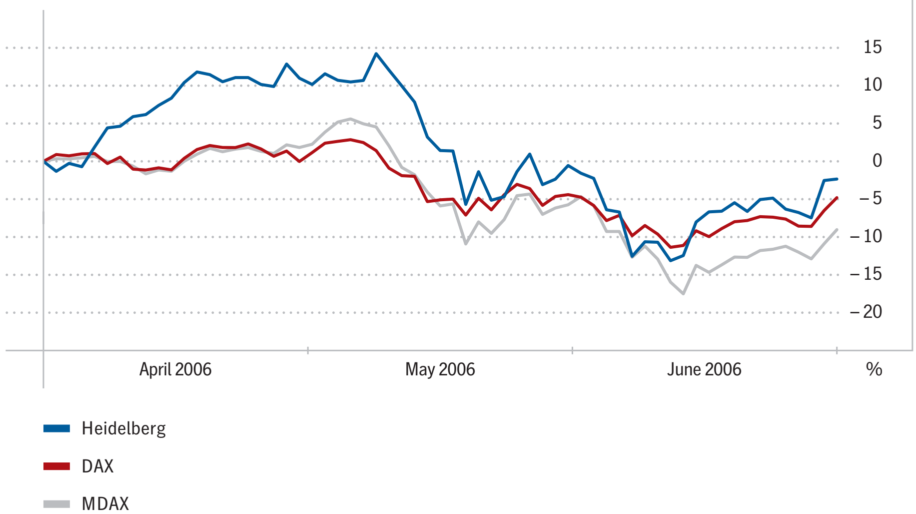
INTERIM
FINANCIAL REPORT Q1

1st QUARTER 2006/2007

HEIDELBERG

PERFORMANCE OF THE HEIDELBERG SHARE

compared with the DAX/MDAX (Index: April 1, 2006 = 0 percent)



KEY PERFORMANCE DATA

Figures in € millions

	Q1 prior year	Q1 2006/2007
Incoming orders	886	**1,076**
Net sales	660	**719**
Result of operating activities	7	**16**
Net loss/profit [1]	– 1	**5**
– in percent of sales	– 0.2	**0.7**
Cash flow [1]	30	**30**
– in percent of sales	4.5	**4.2**
Free cash flow	– 106	**– 94**
Research and development costs	49	**58**
Investments	29	**29**
Earnings per share in €	– 0.01	**0.06**

[1] Previous year's figures were adjusted

Contents

The Heidelberg Share

At the beginning of the quarter under review, the DAX and the MDAX were still experiencing moderate price increases. However, due to the global downswing these two major German share indexes have in the meantime declined, respectively, by up to 11 percent and 18 percent from the beginning of the quarter. Although the DAX recovered slightly at the end of the quarter, at 5,683 points this index nevertheless ultimately fell by nearly 5 percent from the beginning of the reporting period. The MDAX weakened even more, closing at 7,887 points at the end of the quarter – down by nearly 9 percent in the three-month period.

A convincing presence at the IPEX in Birmingham – one of our industry's major trade shows – and the ensuing high volume of incoming orders resulted in an increase in the price of Heidelberg's share to a record level of € 41.58 on May 11, 2006. The development of the share price was additionally boosted by the publication of the preliminary annual financial statements. Nevertheless, the Heidelberg share also followed the general negative market trend, closing at € 35.55 at the end of the quarter – down by nearly 2 percent against the beginning of the quarter.

As planned, the share buyback program that has been in effect since November 2005 was also extended during the first quarter of the financial year. From April to June, a total of 1,200,000 of the Company's own shares were repurchased in the stock market at a purchase price of approximately € 46 million.

KEY PERFORMANCE DATA OF THE HEIDELBERG SHARE

Figures in €

	Q1 prior year	**Q1 2006/2007**
Earnings per share	– 0.01	0.06
Cash flow per share	0.35	0.37
Share price – high	25.88	41.58
Share price – low	21.35	31.62
Share price – beginning of the quarter [1)]	25.00	36.40
Share price – end of the quarter [1)]	24.20	35.55
Market capitalization at the end of the quarter in € millions	2,079	2,952
Number of shares in thousands [2)]	85,908	82,287

1) Xetra closing price; source of prices: Bloomberg
2) Weighted number of outstanding shares

Overall Picture

Boosted by the upward trend in the print media industry and the favorable course of the IPEX trade show, the first quarter was highly successful for the Heidelberg Group. The figures for incoming orders, sales, and the result of operating activities were considerably improved compared with the previous year's figures! Our forecast for developments during the financial year as a whole has so far been confirmed and will therefore remain unchanged.

Underlying Conditions

The global economy generated a rapid growth of 4.8 percent in 2005, with a strong increase also posted in the first half of 2006. The high price of oil had only a small dampening effect on these developments despite new historic records. We are forecasting a 4.9 percent increase in GDP (gross domestic product), with the principal motor for growth continuing to be the US and China. In the US, the growth in overall production continued despite interest rate increases. The year began favorably in China as well.

The moderate economic upswing continued to strengthen in the euro zone. In addition to the expansion of exports, private consumer spending is also gradually increasing. Following a temporary period of stagnation in the autumn of 2005, the German economy began the new year with favorable developments. Now that the domestic economy has finally regained its momentum, slightly greater economic growth of 1.9 percent is anticipated for the current year. The pace of growth in Russia has weakened compared with past years due to a degree of uncertainty concerning the economic environment in that country. Economic vigor picked up in Eastern Asia's emerging markets as well as in Latin America, with the countries in this region primarily benefiting from the substantial increase in raw material prices.

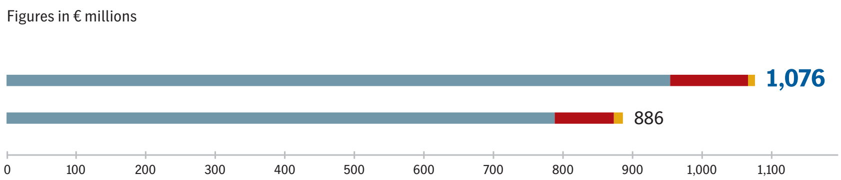
The favorable development of the global economy also had an impact on the print media industry. Capacity utilization in both the US and the German printing industry posted further improvement and is at over 80 percent.

Business Development

INCOMING ORDERS BY DIVISION

2006/2007, Q1

2005/2006, Q1



Press	**954**	+ 21 %
Postpress	**112**	+ 32 %
Financial Services	**10**	– 23 %
Heidelberg Group	**1,076**	**+ 21 %**

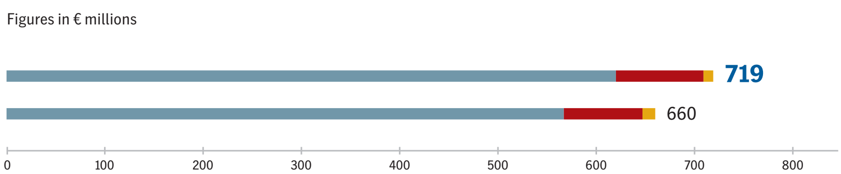
The generally favorable trend in the print media industry was also reflected in the **incoming orders** for the first quarter, with the volume at € 1,076 million – up by 21 percent over the previous year's figure. The order volume could even be boosted by 32 percent in the Postpress Division. Incoming orders were favored by the highly successful course of the IPEX trade show, which was held in Birmingham, UK, in April. Incoming orders generated at the trade show had an especially favorable impact on the Europe, Middle East and Africa region. The previous year's figures were surpassed primarily in Germany and the UK.

The **order backlog,** which rose again due to the high order volume in the first quarter, amounted to € 1,346 million as of June 30, 2006.

SALES BY DIVISION

2006/2007, Q1

2005/2006, Q1



Press	**620**	+ 9 %
Postpress	**89**	+ 11 %
Financial Services	**10**	– 23 %
Heidelberg Group	**719**	**+ 9 %**

The **sales** of the Heidelberg Group for the first three months of the financial year amounted to € 719 million. This reporting quarter thereby posted the highest volume of sales for any first quarter in four years. The previous year's figure was also surpassed by 9 percent. Although the sales increase was especially noticeable in Germany, the US experienced a favorable development as well. By contrast, the Asia/Pacific region fell short of the previous year's figure.

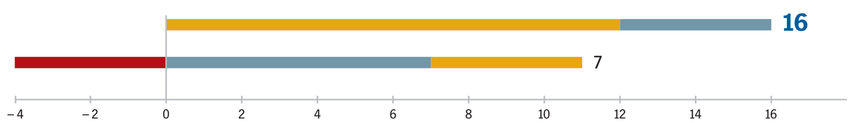
Results of Operations, Net Assets, and Financial Position

RESULT OF OPERATING ACTIVITIES

2006/2007, Q1

2005/2006, Q1

Figures in € millions



	2006/2007, Q1	2005/2006, Q1
Press	**4**	7
Postpress	**0**	– 4
Financial Services	**12**	4
Heidelberg Group	**16**	**7**

The increase in the earnings capacity of the Heidelberg Group also continued into the first quarter of the current financial year. The **result of operating activities** of € 16 million was considerably improved over the previous year's figure. The sales increase during the current financial year as well as an excellent result of the Financial Services Division had a favorable impact here. Moreover, the Postpress Division achieved a break-even result, compared with a loss of € – 4 million in the previous year. Earnings in the first quarter were hampered by advance services in the R&D area, a seasonal inventory buildup, and the costs of the IPEX trade show.

Income before taxes of € 6 million and the **net profit** of € 5 million were also improved over the previous year's figures.

Investments in tangible and intangible assets during the first quarter amounted to € 29 million, thereby reaching the previous year's level. The investment ratio currently amounts to 4 percent of sales. During the reporting quarter – on May 15, 2006 – we began construction of the new assembly

BALANCE SHEET STRUCTURE

Figures in € millions

	31-Mar-2006	in percent of total assets	**30-Jun-2006**	in percent of total assets
Non-current assets	1,389	42	1,357	41
Current assets	1,892	58	1,920	59
Total assets	3,281	100	3,277	100
Shareholders' equity	1,138	35	1,082	33
Non-current liabilities	1,134	35	1,112	34
Current liabilities	1,009	30	1,083	33
Total equity and liabilities	3,281	100	3,277	100

hall no. 11 at the Wiesloch plant, where the new large-format printing press generation will be manufactured. The total investment volume amounts to € 45 million.

The **total assets** of the Heidelberg Group declined slightly since the end of the previous financial year, amounting to € 3,277 million as of June 30, 2006.

Among assets, trade receivables fell considerably during the first quarter. On the other hand, however, a delivery-related increase in inventories had the opposite effect. Current assets included assets held for sale totaling € 23 million, which are largely attributable to equity investments in smaller companies and in real estate.

Our share buyback program also continued in effect during the first quarter. As a result, our shareholders' equity declined compared with the financial year-end – despite the favorable quarterly result. Current liabilities also rose due to the financing requirement for the share buyback program.

CASH FLOW STATEMENT[1)]

Figures in € millions

	Q1 prior year	Q1 2006/2007
Cash flow	30	30
Inventories	– 135	– 129
Receivables from customer financing	10	24
Trade receivables	80	136
Trade payables	– 51	– 17
Other	– 16	– 114
Other operating changes	– 112	– 100
Outflow of funds from investment activity	– 24	– 24
Free cash flow	– 106	– 94

1) Previous year's figures were adjusted

The **cash flow** reached € 30 million during the reporting period, unchanged compared with the previous year. **Other operating changes** reflected an outflow of funds of € –100 million. As in the previous year, this was largely attributable to the commitment of funds for inventory buildup. This contrasted with high cash flows resulting from the decline in trade receivables. The outflow of funds from investment activity amounted to € –24 million during the first quarter.

Overall, **free cash flow** was € – 94 million during the first three months of the financial year – a negative figure but more favorable than in the previous year.

Divisions

With incoming orders amounting to € 954 million in the **Press** Division, we were successful in considerably boosting the volume over the same quarter of the previous year by 21 percent. This was primarily caused by generally favorable economic developments and the successful course of the IPEX trade show. We are currently highly pleased with the development of incoming orders for our Speedmaster XL 105. Demand for this printing press was especially high from customers in Germany, the UK, and France during the first quarter. We were successful in boosting this division's sales volume by a considerable 9 percent over the previous year to € 620 million. The Press Division's result of operating activities of € 4 million fell slightly short of the previous year's level – hampered primarily by a higher level of advance services in the R&D area, especially for our new, very large format, as well as expenses for the IPEX trade show. At the end of the reporting quarter, this division had a total of 16,851 employees – up by 167 employees since the beginning of the financial year, primarily in the production area.

The **Postpress** Division also enjoyed a solid start in the current financial year. Incoming orders totaled € 112 million, which represented a 32 percent increase over the previous year. We were especially successful with folders and saddlestitchers, which were a cause of the success at IPEX. All the Postpress products presented at that trade show were less than two years old. We are also pleased with the development of sales during the first quarter, which were up by 11 percent to € 89 million. Although we intensified our product and marketing operations in the packaging printing area, the Postpress Division achieved a break-even result for the first quarter. This compares with a negative figure of € –4 million in the same quarter of the previous year. The number of employees in this division declined slightly to 1,939.

The consistent attention focused on our external financing partners also resulted in success in the **Financial Services** Division during the first quarter of the financial year. Since the end of the previous financial year, receivables from customer financing decreased by a further € 30 million to the current figure of € 466 million. Despite a moderate decline in interest income from the previous year of € 10 million, we generated a result of operating activities of € 12 million in this division. Due to the further qualitative improvement in our portfolio and its declining total volume, we were able to generate a positive result in the provision for risks. As of June 30, 2006, this division had an unchanged total of 86 employees.

Regions

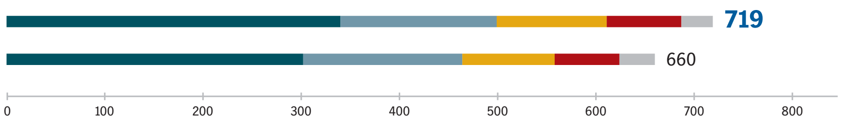
Thanks to the impetus provided by the successful course of the IPEX trade show, we were successful in boosting incoming orders in the **Europe, Middle East and Africa** region to € 541 million in the reporting quarter – up by 47 percent over the previous year's figure! Although developments in the UK, Germany, and France were especially auspicious, the broadly favorable trend of the print media industry was felt in the other markets as well. The previous year's sales figure was also surpassed; with a total of € 340 million we were able to boost sales by 13 percent against the previous year's level.

NET SALES BY REGION

Figures in € millions

2006/2007, Q1

2005/2006, Q1



Europe, Middle East and Africa[1]	340	+ 13 %
Eastern Europe[1]	76	+ 15 %
North America	112	+ 19 %
Latin America	32	– 11 %
Asia/Pacific	159	– 2 %
Heidelberg Group	**719**	**+ 9 %**

[1] Previous year's figures were adjusted

We were successful in recording especially strong growth of incoming orders in **Eastern Europe,** which at € 125 million were 49 percent above the previous year's figure. Incoming orders were considerably improved in Poland. But in Russia, as well, the admittedly very weak previous year's figure was doubled, with sales of € 76 million up by 15 percent over the figure for the same quarter of the previous year.

In **North America,** the sustained economic upswing combined with greater capacity utilization by the local print media industry is resulting in a gradual decline in the existing investment backlog. This was reflected in higher incoming orders at Heidelberg as well, which at € 121 million were up by 25 percent – substantially higher than the weak previous year's figure. Sales were also boosted to € 112 million.

We were not able to completely continue the previous year's upswing in the **Latin America** region. Incoming orders amounted to € 43 million, representing a 10 percent decline from the previous year. Developments in the previous year, however, had been favorably affected by a trade show in Mexico. Sales during the first quarter also developed sluggishly, with the volume of € 32 million 11 percent below the previous year's figure.

As expected, the volume of incoming orders of € 246 million in the **Asia/Pacific** region fell short of the previous year's figure. This was primarily attributable to developments in China, where the same quarter of the previous year had been influenced by the successful course of the China Print trade show. The other markets in this region achieved approximately the order volumes of the previous year. The sales in the region of € 159 million were slightly below the previous year's figure.

INCOMING ORDERS BY REGION

Figures in € millions

	Q1 prior year	**Q1 2006/2007**	Change in percent
Europe, Middle East and Africa [1]	368	541	+ 47
Eastern Europe [1]	84	125	+ 49
North America	97	121	+ 25
Latin America	48	43	– 10
Asia/Pacific	289	246	– 15
Heidelberg Group	886	1,076	+ 21

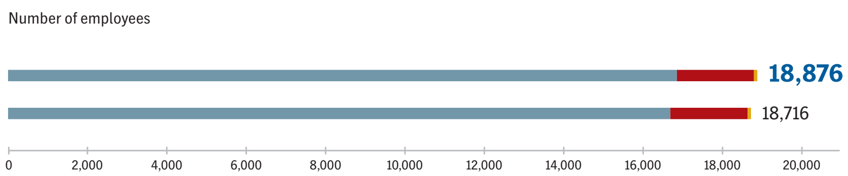
[1] Previous year's figures were adjusted

Research and Development

During the first quarter, the research and development costs of the Heidelberg Group amounted to € 58 million – up by 18 percent over the previous year. The R&D rate will presumably amount to between 6 and 7 percent of sales for the financial year as a whole. On the one hand, the principal focus will be on developing a new generation of printing presses in the format categories 6 and 7b, which we intend to introduce at drupa 2008. On the other hand, our R&D work will continue to focus on pressing forward with the integration of all processes, ranging from Prepress and Printing all the way to Finishing. Our Prinect workflow system is already making it possible today to offer a stand-alone feature. We intend to further refine this system and thereby expand our leading position.

Employees

EMPLOYEES	June 30, 2006	March 31, 2006
Press	**16,851**	16,684
Postpress	**1,939**	1,946
Financial Services	**86**	86
Heidelberg Group	**18,876**	**18,716**



The Heidelberg Group had a total of 18,876 employees as of June 30, 2006 – up by 160 since the previous financial year-end. This development is primarily attributable to new hirings for manufacturing at the Wiesloch plant. Due to the solid order situation, we realized very high capacity utilization in production, primarily in large-format printing presses. The work week amounts to over 40 hours at present. Through the pact to secure the future, we expanded opportunities to enhance flexibility.

Risk Report

Our business development is strongly influenced by developments in the global economy, whose outlook is favorable for the coming years. Nevertheless, the medium-term impact of the current conflict in Lebanon on the price of oil, and thus on the global economy, remains to be seen. Our considerable regional diversification reduces our overall risk, as we are affected less by economic developments in individual markets. We significantly reduced the Group's break-even point. Thanks to the extensive implementation of our package of measures to reduce structural costs on a sustained basis, we are less dependent on fluctuations in customer orders and our manufacturing processes are more flexible.

There are currently no recognizable risks that could threaten the existence of the Heidelberg Group. The detailed presentation of corporate risks and the description of our system of risk management can be found in our Annual Report 2005/2006. The statements included therein largely continue to apply.

Future Prospects

We expect further high growth rates for the global economy in calendar year 2006. The IMF expects 4.9 percent growth. Nevertheless, the high and unstable price of oil constitutes a risk to global economic growth. In our view, the print media industry will further recover and the printing volume will grow at least over the next three years. We believe that the greater demand for printed products and improved capacity utilization will be reflected in the print media industry by a higher propensity to invest in producer goods in 2006. However, as in recent years, the greatest contribution to growth in our industry will come from the emerging markets. Exchange rate relationships, especially due to the rather weak Japanese yen, will continue to have an impact on competition among European equipment suppliers to the print media industry.

Against this backdrop, we are budgeting an overall growth in sales for the current financial year of approximately 5 percent against the previous year. We intend to further boost the result of operating activities. We generated an operating return on sales of 7.7 percent during the previous year; this figure should amount to approximately 10 percent in the current financial year. The sales increase, our ongoing and unswerving cost reduction measures, the savings due to the agreement to secure the future, and more favorable conditions for currency hedging, will all have a positive impact. Earnings are being hampered by advance services in the R&D area. We have ambitious goals, especially vis-à-vis an increase in corporate value, for which we intend to again achieve a return on capital employed (ROCE) of over 16 percent. With a weighted average cost of capital of approximately 10 percent we will generate an economic value added of over 6 percent – probably during the current financial year, but otherwise beginning in financial year 2007/2008.

Disclaimer

This Quarterly Report contains forward-looking statements based on assumptions and estimations by the Management Board of Heidelberger Druckmaschinen Aktiengesellschaft. Even though the Management Board is of the opinion that these assumptions and estimations are realistic, the actual future development and results may deviate substantially from these forward-looking statements due to various factors, such as changes in the macro-economic situation, in the exchange rates, in the interest rates, and in the print media industry. Heidelberger Druckmaschinen Aktiengesellschaft gives no warranty and does not assume liability for any damages in case the future development and the projected results do not correspond with the forward-looking statements contained in this Quarterly Report.

> THE 1ST QUARTER IN REVIEW

FINANCIAL YEAR 2006/2007

> THE 1ST QUARTER 2006/2007 IN REVIEW

May 5 – 15, 2006
A3 Inforum in Heidelberg and Wiesloch

May 16 – 18, 2006
Chinese site starts production

April 4 – 11, 2006
IPEX trade show in Birmingham

May 15, 2006
Breaking the ground for new assembly hall at Wiesloch site

April

May

4/2006

5/2006

IPEX Trade Show in Birmingham

April 4 – 11, 2006 +++ Positive trend in the print media industry continues +++

All in all, an improved investment climate among print shops was seen at the IPEX trade show held in Birmingham, UK, from April 4 to 11 – many Heidelberg customers, too, invested strongly. From a regional point of view, most orders were received from the UK and Asia/Pacific. Sales of long perfectors Speedmaster SM 102, Speedmaster CD 102, and Speedmaster XL 105 were particularly high – and there was a growing trend to combine these with the new CutStar sheeter.

A3 Inforum in Heidelberg and Wiesloch

May 5 – 15, 2006 +++ A3 Inforum 2006 with more than 700 customers +++

'Small Format Drives the World. Succeeding with A3.' was the motto of this year's A3 Inforum held on four dates between May 5 and 15. More than 700 customers were shown opportunities how smaller commercial printers can manage to stand out from the crowd and position themselves in a changing market environment. In addition to the extensive Heidelberg product portfolio for these print shops innovative applications and finishing alternatives were presented, specially tailored to meet this market's requirements.

Chinese Site Starts Production

May 16 – 18, 2006 +++ Relocation to new assembly hall at Qingpu site +++

From May 16 to 18 the production of the KHC 78 folding machine was relocated from the provisional building, where it had been manufactured since September 2005, to the new 5,000-square-meter assembly hall in Qingpu. Production volumes will be stepped up gradually in this new hall. An extensive program is in the offing for the current financial year: Production of the new KHC 66, the introduction of the Printmaster PM 52, the implementation of SAP software, and the start of the second construction phase for a new hall.

2006/07

June 7, 2006
Change in Management Board at Heidelberg

June

6/2006

Breaking the Ground for New Assembly Hall at Wiesloch Site

May 15, 2006 +++ New assembly capacities for new format class +++

Joined by Baden-Wuerttemberg's Minister President, Guenther H. Oettinger, and other well-known guests, Heidelberg celebrated the groundbreaking ceremony for the new assembly hall 11 at the Wiesloch production site. In this hall with a planned size of 35,000 square meters, Heidelberg will manufacture a new generation of large-format presses. For this purpose, € 45 million will be invested – the largest investment at the Wiesloch site in ten years. The building activities of the new hall 11 are to be completed by June 2007. Assembly of machines is scheduled to start in September 2007 – in time for the Wiesloch site's 50th anniversary.

Change in Management Board at Heidelberg

June 7, 2006 +++ Dirk Kaliebe to follow Dr. Herbert Meyer +++

Along with the publication of the figures for the past financial year, Heidelberg announced Dirk Kaliebe's appointment as CFO by the Supervisory Board during its latest meeting. The appointment will take effect as of October 1, 2006. Mr. Kaliebe will succeed Dr. Meyer, who will be leaving the Company as planned having reached the age of 60 and the end of his Management Board contract after 12 years as CFO at Heidelberg. Dirk Kaliebe has been working for the Company since October 1998 and has been responsible for Accounting & Taxes at Heidelberg since September 1999; additionally, he took over Investor Relations in July 2000.

> CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the period April 1, 2006 to June 30, 2006

Interim income statement of the Heidelberg Group April 1, 2006 to June 30, 2006

> INTERIM INCOME STATEMENT[1)]

Figures in € thousands

	Note	1-Apr-2005 to 30-Jun-2005	**1-Apr-2006 to 30-Jun-2006**
Net sales		659,858	718,955
Change in inventories		105,371	89,329
Other own work capitalized		10,962	14,095
Total operating performance		776,191	822,379
Other operating income	3	65,349	46,974
Cost of materials	4	359,731	365,434
Personnel expenses		265,968	284,076
Depreciation and amortization		30,914	31,119
Other operating expenses	5	177,835	173,094
Result of operating activities		7,092	15,630
Result from the equity valuation		–	– 200
Financial income	6	10,576	7,470
Financial expenses	7	17,760	16,851
Financial result		– 7,184	– 9,581
Income before taxes		– 92	6,049
Taxes on income		488	1,459
Net loss/profit		– 580	4,590
– of which: Heidelberg portion		(– 515)	(4,684)
– of which: minority interests		(– 65)	(– 94)
Undiluted/diluted earnings per share according to IAS 33 (in € per share)	8	– 0.01	0.06

[1)] Previous year's figures were adjusted (see Note 1)

Interim balance sheet of the Heidelberg Group as of June 30, 2006

> ASSETS

Figures in € thousands

	Note	31-Mar-2006	**30-Jun-2006**
Non-current assets			
Intangible assets	9	258,531	257,231
Tangible assets	9	523,207	513,174
Investment property	9	26,506	19,443
Financial assets [1]	10	55,515	47,267
Receivables from customer financing	11	360,860	354,193
Other receivables and other assets	11	51,886	48,281
Deferred taxes		112,540	117,527
		1,389,045	1,357,116
Current assets			
Inventories	12	844,738	965,707
Receivables from customer financing	11	135,071	111,541
Trade receivables	11	678,320	543,042
Other receivables and other assets	11	137,896	191,690
Income tax assets		12,262	4,412
Marketable securities		187	144
Cash and cash equivalents		79,492	80,356
		1,887,966	1,896,892
Assets held for sale	13	3,879	23,048
		3,280,890	3,277,056

[1] Of which: financial assets carried according to the equity method € 1,656 thousand (March 31, 2006: € 3,332 thousand)

> EQUITY AND LIABILITIES

Figures in € thousands

	Note	31-Mar-2006	**30-Jun-2006**
Shareholders' equity	14		
Subscribed capital		212,610	209,538
Capital and revenue reserves		787,975	865,742
Net profit – Heidelberg portion		134,752	4,684
		1,135,337	1,079,964
Minority interests		2,375	2,058
		1,137,712	1,082,022
Non-current liabilities			
Provisions for pensions and similar obligations	15	211,606	203,312
Other provisions	16	325,071	311,324
Financial liabilities	17	430,006	428,459
Other liabilities	18	96,316	91,138
Deferred income taxes		70,671	77,739
		1,133,670	1,111,972
Current liabilities			
Other provisions	16	353,971	327,911
Financial liabilities	17	140,159	287,450
Trade payables		228,242	209,549
Income tax liabilities		4,868	3,264
Other liabilities	18	276,437	249,249
		1,003,677	1,077,423
Liabilities held for sale	13	5,831	5,639
		3,280,890	3,277,056

> CONSOLIDATED CASH FLOW STATEMENT[1]

Figures in € thousands

	1-Apr-2005 to 30-Jun-2005	**1-Apr-2006 to 30-Jun-2006**
Net loss/profit	– 580	4,590
Depreciation and amortization[2]	30,914	31,119
Change in pension provisions	6,193	– 1,440
Change in deferred taxes/tax provisions	– 5,678	– 4,169
Result from the equity valuation	–	200
Result from disposals	– 369	– 200
Cash flow	30,480	30,100
Change in inventories	– 134,992	– 129,411
Change in customer financing	9,650	24,418
Change in trade receivables/trade payables	29,214	119,346
Change in other provisions	– 57,482	– 41,383
Change in other balance sheet items	41,418	– 73,474
Other operating changes	– 112,192	– 100,504
Outflow of funds from operating activities	– 81,712	– 70,404
Intangible assets/tangible assets/investment property		
Investments	– 28,704	– 29,124
Proceeds from disposals	5,020	9,778
Financial assets		
Investments	– 254	– 4,165
Proceeds from disposals	54	–
Pension funding	–	–
Outflow of funds from investment activity	– 23,884	– 23,511
Free cash flow	– 105,596	– 93,915
Treasury stock	–	– 45,712
Dividend payment	– 82	– 163
Change in financial liabilities	83,406	141,747
Inflow of funds from financing activity	83,324	95,872
Net change in cash and cash equivalents	– 22,272	1,957
Cash and cash equivalents at the beginning of the quarter	131,537	79,679
Changes in the scope of the consolidation	–	–
Currency adjustments	3,365	– 1,136
Net change in cash and cash equivalents	– 22,272	1,957
Cash and cash equivalents at the end of the quarter	112,630	80,500

[1] Previous year's figures were adjusted (see Note 1)

[2] Relates to intangible assets, tangible assets, investment property, and financial assets

> STATEMENT OF RECOGNIZED INCOME AND EXPENSE

Figures in € thousands

	1-Apr-2005 to 30-Jun-2005	**1-Apr-2006 to 30-Jun-2006**
Net loss/profit	– 580	4,590
Actuarial losses from pension obligations	– 44,669	1,070
Foreign currency translation	15,478	– 20,530
Financial assets	2,069	– 257
Cash flow hedges	– 17,646	3,920
Total recognized income and expense without effect on the income statement	– 44,768	– 15,797
Total income and expense	– 45,348	– 11,207
– of which: Heidelberg portion	(– 45,327)	(– 11,054)
– of which: minority interests	(– 21)	(– 153)

> DEVELOPMENT OF SHAREHOLDERS' EQUITY[1)]

Figures in € thousands

	2005	**2006**
Shareholders' equity as of April 1	1,166,453	1,137,712
Total recognized income and expense without effect on the income statement	– 44,768	– 15,797
Net loss/profit	– 580	4,590
Dividend payment	– 82	– 163
Purchase of treasury stock	–	– 45,712
Consolidations/other changes	1,214	1,392
Shareholders' equity as of June 30	1,122,237	1,082,022

1) Previous year's figures were adjusted (see Note 1)

Segment information of the Heidelberg Group April 1, 2006 to June 30, 2006

> SEGMENT INFORMATION BY DIVISION[1)]

Figures in € thousands

	Press		Postpress	
	1-Apr-2005 to 30-Jun-2005	**1-Apr-2006 to 30-Jun-2006**	1-Apr-2005 to 30-Jun-2005	**1-Apr-2006 to 30-Jun-2006**
External sales	567,070	619,917	80,111	89,434
Depreciation[2)]	29,552	29,716	1,204	1,401
Non-cash expenses	75,427	86,798	6,681	10,867
Research and development costs	44,832	51,903	4,584	5,981
Result of operating activities (segment result)	6,503	3,840	– 3,908	– 356
Result from the equity valuation	–	– 200	–	–
Investments	27,249	28,073	1,418	1,013
Segment assets[4)]	2,255,041	2,270,500	251,275	257,715
Segment debt[4)]	1,108,044	1,038,184	86,522	87,858
Number of employees[4)]	16,684	16,851	1,946	1,939

> SEGMENT INFORMATION BY REGION

Figures in € thousands

	Europe, Middle East and Africa[3)]		Eastern Europe[3)]	
	1-Apr-2005 to 30-Jun-2005	**1-Apr-2006 to 30-Jun-2006**	1-Apr-2005 to 30-Jun-2005	**1-Apr-2006 to 30-Jun-2006**
External sales by customer location	301,789	339,232	65,912	76,127
Investments	26,088	27,562	482	319
Segment assets[4)]	1,836,968	1,899,223	186,522	189,927

For additional explanations see Note 20

1) Previous year’s figures were adjusted (see Note 1)

2) No non-scheduled depreciation accrued during the reporting period

3) Previous year’s figures were adjusted due to the reassignment of affiliated companies within the regions

4) Previous year’s figures refer to March 31, 2006

Financial Services		Heidelberg Group	
1-Apr-2005 to 30-Jun-2005	**1-Apr-2006 to 30-Jun-2006**	1-Apr-2005 to 30-Jun-2005	**1-Apr-2006 to 30-Jun-2006**
12,677	9,604	659,858	718,955
158	2	30,914	31,119
9,086	4,333	91,194	101,998
–	–	49,416	57,884
4,497	12,146	7,092	15,630
–	–	–	– 200
37	38	28,704	29,124
509,185	471,014	3,015,501	2,999,229
137,742	136,105	1,332,308	1,262,147
86	86	18,716	18,876

North America		Latin America		Asia/Pacific		Heidelberg Group	
1-Apr-2005 to 30-Jun-2005	**1-Apr-2006 to 30-Jun-2006**	1-Apr-2005 to 30-Jun-2005	**1-Apr-2006 to 30-Jun-2006**	1-Apr-2005 to 30-Jun-2005	**1-Apr-2006 to 30-Jun-2006**	1-Apr-2005 to 30-Jun-2005	**1-Apr-2006 to 30-Jun-2006**
94,165	112,210	36,122	32,169	161,870	159,217	659,858	718,955
974	774	388	110	772	359	28,704	29,124
389,633	316,931	190,624	186,913	411,754	406,235	3,015,501	2,999,229

Notes

1 Accounting and valuation policies

The consolidated interim financial report as of June 30, 2006 was prepared in accordance with the International Financial Reporting Standards (IFRS) effective and binding at that time. The IFRS comprise the IFRS newly released by the International Accounting Standards Board (IASB), as well as the International Accounting Standards (IAS), and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and of the Standing Interpretations Committee (SIC).

Due to the initial application of the new IFRS provision on share-based payment (IFRS 2) as well as to the changed regulations regarding employee benefits (IAS 19 [2004]) and regarding the disclosure and presentation of financial instruments (IAS 32) in financial year 2005/2006, that each came into effect in retrospect, the previous year's figures were adjusted.

The standards and interpretations becoming initially effective and binding beginning in financial year 2006/2007 had no significant influence on the quarterly statement. The impact of standards already released but not yet applicable, particularly those of IFRS 7 'Financial instruments: Disclosures', are currently being analyzed. The initial application of IFRS 7 will likely only result in an extension of the Notes to the Financial Statements.

Revenues that are received seasonally, cyclically, or occasionally are not anticipated or deferred in the consolidated interim financial report. Costs incurred unevenly during the financial year were deferred if deferral would be appropriate at the end of the financial year.

2 Scope of the consolidation

Apart from Heidelberger Druckmaschinen Aktiengesellschaft, the consolidated interim financial statements include all domestic and foreign entities in which Heidelberger Druckmaschinen Aktiengesellschaft is in a position to exercise a controlling influence as described in IAS 27. Shares in subsidiaries that are of minor significance are not included.

Compared with the previous year, the scope of the consolidation remained unchanged and is broken down as follows:

	31-Mar-2006	**30-Jun-2006**
Wholly consolidated companies	72	72
Non-consolidated companies due to their minor importance	33	33
Associated companies measured according to the equity method	1	1
Associated companies not measured according to the equity method due to their minor importance	4	4
Other participations	4	4
	114	114

3 Other operating income

	1-Apr-2005 to 30-Jun-2005	**1-Apr-2006 to 30-Jun-2006**
Reversal of other provisions	36,393	13,348
Income from written-off receivables	6,504	6,840
Income from operating facilities	5,751	4,928
Hedging transactions / foreign-exchange profit	4,437	3,911
Income from disposals of intangible assets, tangible assets, and investment property	419	342
Other income	11,845	17,605
	65,349	46,974

Income from hedging transactions/foreign-exchange profits is offset by expenses from hedging transactions/foreign-exchange losses which are shown in other operating expenses (Note 5).

4 Cost of materials

	1-Apr-2005 to 30-Jun-2005	**1-Apr-2006 to 30-Jun-2006**
Expenses for raw materials, consumables and supplies, as well as for goods purchased	309,937	307,609
Costs of purchased services	47,071	56,398
Interest expenses of Financial Services	2,723	1,427
	359,731	365,434

Proportionate interest expenses accrued in connection with the Financial Services Division are shown in the cost of materials. Interest income from customer financing totaling € 9,604 thousand (previous year: € 12,677 thousand) is included in net sales.

5 Other operating expenses

	1-Apr-2005 to 30-Jun-2005	**1-Apr-2006 to 30-Jun-2006**
Special direct sales expenses including freight charges	27,261	28,429
Other deliveries and services not included in the cost of materials	23,951	26,399
Travel expenses	13,507	14,417
Costs of information technology	11,037	13,977
Rent and leases (excluding car fleet)	16,349	13,937
Provisions for doubtful accounts and other assets	12,251	10,383
Hedging transactions / exchange rate losses	15,508	6,052
Insurance expense	4,868	5,652
Costs of car fleet	3,596	4,798
Legal, consulting, and audit fees	3,407	4,425
Additions to provisions (relates to several expense accounts)	5,549	4,235
Other research and development costs	2,647	3,233
Costs of mail and payment transactions	3,563	3,127
Operating facilities	2,360	2,909
Public-sector fees and other taxes	3,010	2,118
Commissions	932	1,759
License fees	1,130	1,044
Office supplies, newspapers, technical literature	973	1,011
Losses from disposals of intangible assets and tangible assets	79	142
Other overhead costs	25,857	25,047
	177,835	173,094

Expenses from hedging transactions/foreign-exchange losses are offset by income from hedging transactions/foreign-exchange profits which are shown in other operating income (Note 3).

6 Financial income

	1-Apr-2005 to 30-Jun-2005	**1-Apr-2006 to 30-Jun-2006**
Interest and similar income	4,284	4,591
Income from financial assets/loans/marketable securities	6,292	2,879
	10,576	7,470

The decline in financial income is economically associated with the transfer of securities held in the specialized investment funds to the Heidelberg Pension-Trust e.V., Heidelberg, within the scope of a Contractual Trust Arrangement (CTA) at the end of financial year 2005/2006.

7 Financial expenses

	1-Apr-2005 to 30-Jun-2005	**1-Apr-2006 to 30-Jun-2006**
Interest and similar expenses	14,323	12,109
Expenses from financial assets/loans/marketable securities	3,437	4,742
	17,760	16,851

8 Earnings per share

The earnings per share are calculated by dividing the net profit to which the shareholders of Heidelberg are entitled by the weighted number of outstanding shares during the period (first quarter 2006/2007: 82,286,703 shares). The weighted number of outstanding shares was influenced by the purchase of treasury stock in the first quarter. As at June 30, 2006 the treasury stock comprised 1,200,000 shares. There is no difference between the diluted and undiluted earnings per share.

9 Intangible assets, tangible assets, and investment property

	Intangible assets	Tangible assets	Investment property
Acquisition or manufacturing costs 31-Mar-2006	409,050	2,095,087	71,557
Acquisition or manufacturing costs 30-Jun-2006	**416,449**	**2,087,136**	**50,047**
Accumulated depreciation 31-Mar-2006	150,519	1,571,880	45,051
Accumulated depreciation 30-Jun-2006	**159,218**	**1,573,962**	**30,604**
Book values 31-Mar-2006	258,531	523,207	26,506
Book values 30-Jun-2006	**257,231**	**513,174**	**19,443**

10 Financial assets

Financial assets primarily include shares in non-consolidated subsidiaries totaling € 22,740 thousand (March 31, 2006: € 16,967 thousand) as well as other participations totaling € 15,332 thousand (March 31, 2006: € 28,820 thousand) and marketable securities totaling € 9,195 thousand (March 31, 2006: € 9,728 thousand).

11 Receivables and other assets

			31-Mar-2006			**30-Jun-2006**
	Current	Non-current	Total	Current	Non-current	Total
Receivables from customer financing	135,071	360,860	495,931	111,541	354,193	465,734
Trade receivables	678,320	–	678,320	543,042	–	543,042
Other receivables and other assets						
Other tax refund claims	38,895	–	38,895	32,978	–	32,978
Loans	465	3,858	4,323	732	6,151	6,883
Derivative financial instruments	15,872	3,359	19,231	20,422	8,885	29,307
Deferred interest payments	3,740	–	3,740	3,624	–	3,624
Prepaid expenses	21,495	1,228	22,723	45,315	–	45,315
Other assets	57,429	43,441	100,870	88,619	33,245	121,864
	137,896	51,886	189,782	191,690	48,281	239,971

12 Inventories

	31-Mar-2006	30-Jun-2006
Raw materials, consumables and supplies	109,315	112,740
Work and services in process	316,426	355,738
Manufactured products and merchandise	397,733	464,107
Prepayments	21,264	33,122
	844,738	965,707

13 Assets and liabilities held for sale

Assets and liabilities held for sale mainly include participations and real estate for which a sale within the next year has been planned and implemented.

14 Shareholders' equity

On November 8, 2005 the Management Board of Heidelberger Druckmaschinen Aktiengesellschaft decided to initiate a share buyback program. Between November 9, 2005 and January 19, 2007 at the latest, the Company intends to acquire shares amounting to up to five percent of its capital stock (up to 4,295,424 shares). The Management Board is putting into effect the Annual General Meeting's decision of July 20, 2005 to authorize the buyback of shares amounting to up to ten percent of its capital stock (up to 8,590,848 shares) by January 19, 2007. The repurchased shares are earmarked solely for capital retirement and employee share participation programs, as well as other forms of an allotment of shares to staff members of the Company or an affiliate following the Annual General Meeting's authorization of July 20, 2005.

Overall, 2,911,000 shares were repurchased until March 31, 2006 of which 53,223 shares were used in the employee share participation program. The remaining 2,857,777 shares were utilized within the framework of the capital reduction, which was approved by the Management Board on March 31, 2006. Share capital was thereby reduced by € 7,315,909.12 (= 2,857,777 shares) to € 212,609,799.68 (= 83,050,703 shares) through the repurchase of 85,908,480 shares valued at € 219,925,708.80. During the period April 1, 2006 to June 30, 2006 an additional 1,200,000 shares were bought back and were still held on stock on June 30, 2006.

15 Provisions for pensions and similar obligations

For the majority of employees we maintain benefit programs for the period following their retirement – either through the direct program or one financed by payments of premiums to private institutions. The level of benefit payments depends on the conditions in particular countries. The amounts are generally based on the term of employment and the salary of the employee. The liabilities include both those arising from current pensions as well as vested pension rights for pensions payable in the future. The pension payments expected following the beginning of benefit payments are apportioned over the employee's overall period of employment. After deduction of deferred taxes, actuarial gains and losses are offset against shareholders' equity without effect on the income statement.

16 Other provisions

			31-Mar-2006			**30-Jun-2006**
	Current	Non-current	Total	Current	Non-current	Total
Tax provisions	9,246	195,745	204,991	11,816	197,600	209,416
Other provisions						
Liabilities arising from human resources	121,871	72,135	194,006	106,392	61,822	168,214
Liabilities arising from sales and service activities	129,874	26,735	156,609	122,594	17,339	139,933
Other	92,980	30,456	123,436	87,109	34,563	121,672
	344,725	129,326	474,051	316,095	113,724	429,819
	353,971	325,071	679,042	327,911	311,324	639,235

17 Financial liabilities

			31-Mar-2006			**30-Jun-2006**
	Current	Non-current	Total	Current	Non-current	Total
Convertible bond	–	278,296	278,296	–	280,355	280,355
Private placement	7,256	137,500	144,756	7,638	137,500	145,138
To banks	109,004	8,034	117,038	249,974	5,342	255,316
From financial lease contracts	7,609	6,176	13,785	9,099	5,262	14,361
Other	16,290	–	16,290	20,739	–	20,739
	140,159	430,006	570,165	287,450	428,459	715,909

18 Other liabilities

	31-Mar-2006			**30-Jun-2006**		
	Current	Non-current	Total	Current	Non-current	Total
Advance payments received on orders	95,539	–	95,539	107,830	–	107,830
From derivative financial instruments	11,159	3,120	14,279	7,730	3,391	11,121
From other taxes	57,529	–	57,529	35,390	–	35,390
Relating to social security	17,171	–	17,171	13,380	–	13,380
Deferred income	27,618	24,552	52,170	31,388	21,397	52,785
Other	67,421	68,644	136,065	53,531	66,350	119,881
	276,437	96,316	372,753	249,249	91,138	340,387

19 Contingent liabilities and other financial liabilities

As of June 30, 2006 contingent liabilities for guarantees and warranties total € 269,668 thousand (March 31, 2006: € 291,018 thousand); these primarily include guarantees provided for the liabilities of third parties within the scope of long-term customer financing. Liability arising from the endorsement of bills of exchange as of June 30, 2006 totaled € 2,697 thousand (March 31, 2006: € 3,339 thousand).

Other financial liabilities are broken down as follows:

	31-Mar-2006			**30-Jun-2006**		
	Current	Non-current	Total	Current	Non-current	Total
Lease obligations	53,511	365,788	419,299	53,718	356,977	410,695
Orders for investments	25,423	–	25,423	29,427	–	29,427
	78,934	365,788	444,722	83,145	356,977	440,122

20 Information concerning segment reporting

The segment information is based on the **'risk and reward approach'**. Intersegmental sales are of minor financial significance and may therefore be ignored.

Non-cash expenses comprise the following:

	1-Apr-2005 to 30-Jun-2005	**1-Apr-2006 to 30-Jun-2006**
Provisions for doubtful accounts and other assets	12,251	10,383
Allocations to provisions	78,943	91,615
	91,194	101,998

Research and development costs result from capitalized research and development costs, however excluding depreciation on the development costs for the reporting period.

Investments comprise investments in intangible assets and tangible assets.

Segment assets and **segment debt** result from gross assets or gross debt as follows:

	31-Mar-2006	**30-Jun-2006**
Gross assets per balance sheet	3,280,890	3,277,056
– financial assets [1]	– 55,515	– 58,597
– marketable securities	– 187	– 144
– finance receivables	– 45,676	– 63,883
– deferred tax assets [1]	– 112,854	– 117,813
– tax claims	– 51,157	– 37,390
Segment assets	3,015,501	2,999,229

[1] Deviations from the balance sheet result from assets held for sale

	31-Mar-2006	**30-Jun-2006**
Borrowed funds per balance sheet [1]	2,143,178	2,195,034
– tax provisions	– 204,991	– 209,416
– tax obligations [2]	– 62,453	– 38,757
– financial obligations	– 472,755	– 606,975
– deferred tax liabilities	– 70,671	– 77,739
Segment debt	1,332,308	1,262,147

[1] Non-current and current borrowed funds including liabilities held for sale

[2] Deviations from the balance sheet result from liabilities held for sale

Finance receivables comprise finance receivables against affiliated companies and other financial assets.

Financial liabilities comprise the items specified in Note 17, with the exception of financial liabilities associated with customer financing.

The **number of employees** was recorded as of June 30, 2006 compared with March 31, 2006.

21 Supervisory Board / Management Board

The members of the Supervisory Board and the Management Board are listed on page 34.

22 Information on events after the reporting date

No significant events occurred after the reporting date.

Heidelberg, August 2006

The Management Board

The Supervisory Board

Dr. Mark Wössner
Chairman of the Supervisory Board

Rainer Wagner *
Deputy Chairman of the Supervisory Board

Martin Blessing

Prof. Dr. Clemens Börsig

Wolfgang Flörchinger *

Martin Gauß *

Mirko Geiger *

Gunther Heller *

Dr. Jürgen Heraeus

Jörg Hofmann *

Robert J. Koehler

Uwe Lüders

Dr. Gerhard Rupprecht

Beate Schmitt *

Dr. Klaus Sturany

Peter Sudadse *

* Employee Representative

Committees of the Supervisory Board

Management Committee
Dr. Mark Wössner
Rainer Wagner
Martin Blessing
Martin Gauß
Mirko Geiger
Dr. Gerhard Rupprecht

Mediation Committee under Article 27 Subsection 3 of the Codetermination Act
Dr. Mark Wössner
Rainer Wagner
Martin Blessing
Wolfgang Flörchinger

Committee on Arranging Personnel Matters of the Management Board
Dr. Mark Wössner
Rainer Wagner
Dr. Gerhard Rupprecht

Audit Committee
Dr. Klaus Sturany
Prof. Dr. Clemens Börsig
Mirko Geiger
Rainer Wagner

The Management Board

Bernhard Schreier
Chairman of the Management Board

Dr. Herbert Meyer

Dr. Jürgen Rautert

Financial Calendar 2006/2007

November 7, 2006	Publication of Half-Year Figures 2006/2007
January 31, 2007	Publication of 3rd Quarter Figures 2006/2007
May 9, 2007	Publication of Preliminary Figures 2006/2007
June 13, 2007	Press Conference, Annual Analysts' and Investors' Conference
July 26, 2007	Annual General Meeting
August 2, 2007	Publication of 1st Quarter Figures 2007/2008
November 6, 2007	Publication of Half-Year Figures 2007/2008

Subject to change

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Heidelberger Druckmaschinen
Aktiengesellschaft
Kurfuersten-Anlage 52 – 60
69115 Heidelberg
Germany
www.heidelberg.com
investorrelations@heidelberg.com

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Heidelberger Druckmaschinen AG
Kurfuersten-Anlage 52 – 60
69115 Heidelberg
Germany
www.heidelberg.com