

Q3

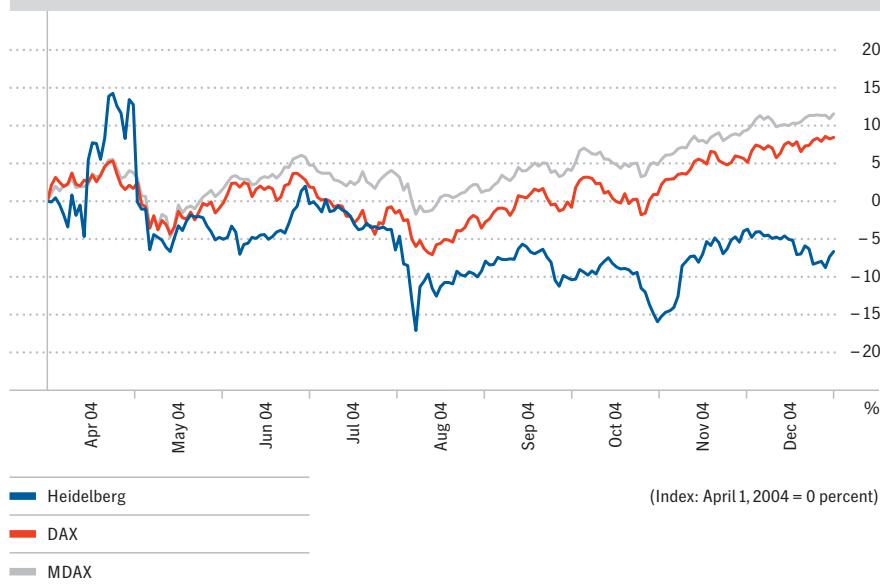
Interim  
Financial Report

3rd Quarter 2004/2005

**HEIDELBERG**

## Performance of the Heidelberg Share

compared with the DAX/MDAX



## Key Performance Data

Figures in € millions

	Q1 to Q3 prior year	Q1 to Q3 2004/2005	Q3 prior year	Q3 2004/2005
<b>Incoming orders</b>	2,830	<b>2,920</b>	1,003	<b>823</b>
<b>Net sales</b>	2,520	<b>2,384</b>	966	<b>860</b>
<b>Result of operating activities<sup>1)</sup></b>	-45	<b>35</b>	17	<b>69</b>
<b>Result of operating activities in percent of sales<sup>1)</sup></b>	-1.8	<b>1.5</b>	1.8	<b>8.0</b>
<b>Restructuring expenses</b>	117	<b>11</b>	114	<b>2</b>
<b>Special expenditures from discontinuing operations</b>	191	-	191	-
<b>Net loss/profit</b>	-725	<b>-18</b>	-596	<b>41</b>
<b>Return on sales in percent</b>	-28.8	<b>-0.8</b>	-61.7	<b>4.8</b>
<b>Cash flow in percent of sales</b>	-9.0	<b>3.6</b>	-22.5	<b>11.1</b>
<b>Investments</b>	110	<b>104</b>	35	<b>37</b>
<b>Earnings per share in €</b>	-8.48	<b>-0.25</b>	-6.94	<b>0.45</b>

<sup>1)</sup> Before restructuring expenses and special expenditures arising from discontinuing operations

**2 The Heidelberg Share****3 Management Report**

Industry Development  
Segmentation  
Business Development  
Net Assets, Financial Position,  
and Results of Operations  
Regional Report  
Research and Development  
Investments  
Employees  
Corporate Risks  
Outlook

**Interim Financial Statements of the Heidelberg Group  
for the Period April 1, 2004 to December 31, 2004**

<b>13</b>	Interim Income Statement – April 1, 2004 to December 31, 2004
<b>14</b>	Interim Income Statement – October 1, 2004 to December 31, 2004
<b>15</b>	Interim Income Statement – Quarterly Overview
<b>16</b>	Interim Balance Sheet
<b>18</b>	Cash Flow Statement – April 1, 2004 to December 31, 2004
<b>19</b>	Cash Flow Statement – Quarterly Overview
<b>20</b>	Development of Shareholders' Equity and Minority Interests
<b>22</b>	Segment Information
<b>24</b>	Notes
<b>38</b>	Supervisory and Management Board

## The Heidelberg Share

The stock market continued to be influenced by economic uncertainties at the beginning of the quarter. However, since November the burden from the continuous decline in the dollar was compensated for by a slight weakening of the oil price.

The DAX reached just under 3,840 points at the end of October – the lowest level during the quarter under review. Beginning at this low point, however, this index subsequently embarked on a year-end rally, which boosted it by nearly 11 percent to around 4,250 points at calendar year-end. The MDAX, which also increased during the reporting quarter, was up by 10 percent.

The Heidelberg share succeeded initially in following the gratifying trend of these two indices. This was supported by the favorable reception of our second quarter reporting. However, the upward trend of our share price stagnated in mid-December at approximately € 25. This was attributable not least to a low share trading volume, a result of an insufficient number of buyers due to the early decision by many market participants to ride out the end of the year.

### Key Performance Data of the Heidelberg Share

Figures in €	Q3 prior year	Q3 2004/2005
Earnings per share	-6.94	<b>0.45</b>
Cash flow per share	-2.53	<b>1.11</b>
Price-cash flow-ratio <sup>1)</sup>	-12.18	<b>22.45</b>
High	34.15	<b>25.97</b>
Low	24.75	<b>22.45</b>
Price at the beginning of the quarter	25.29	<b>24.02</b>
Price at the end of the quarter	30.75	<b>25.00</b>
Market capitalization at the end of the quarter in millions	2,642	<b>2,148</b>
Number of shares in thousands	85,908	<b>85,908</b>

<sup>1)</sup> Based on Xetra end-of-quarter final quotation; source: Bloomberg

## Industry Development

Driven by the upswing in the emerging markets – primarily in China – as well as by expansionary monetary and fiscal policies in the US, in 2004 the global economy posted its highest rate of growth for quite some time; the increase will probably be 4.9 percent. Developments were somewhat less vigorous by the end of the year; not least the substantial increase in crude oil prices as well as the still weak dollar put a brake on developments.

Germany posted an upswing as well – although given the high degree of interdependence of the German with the global economy, growth was a rather disappointing 1.7 percent; only exports developed favorably in 2004. Foreign demand ensured at least moderate growth in the Euro Zone as a whole. The expansion of the EU provided Eastern Europe with an additional impetus. In Latin America as well, after several tumultuous years an economic upswing now seems to be occurring, especially in Brazil.

The print media industry experienced an upturn that corresponded to developments in the global economy. In the US and Germany, capacity utilization and the business climate are recovering from the low points of recent years. Early indicators are positive in the US in particular.

## Segmentation

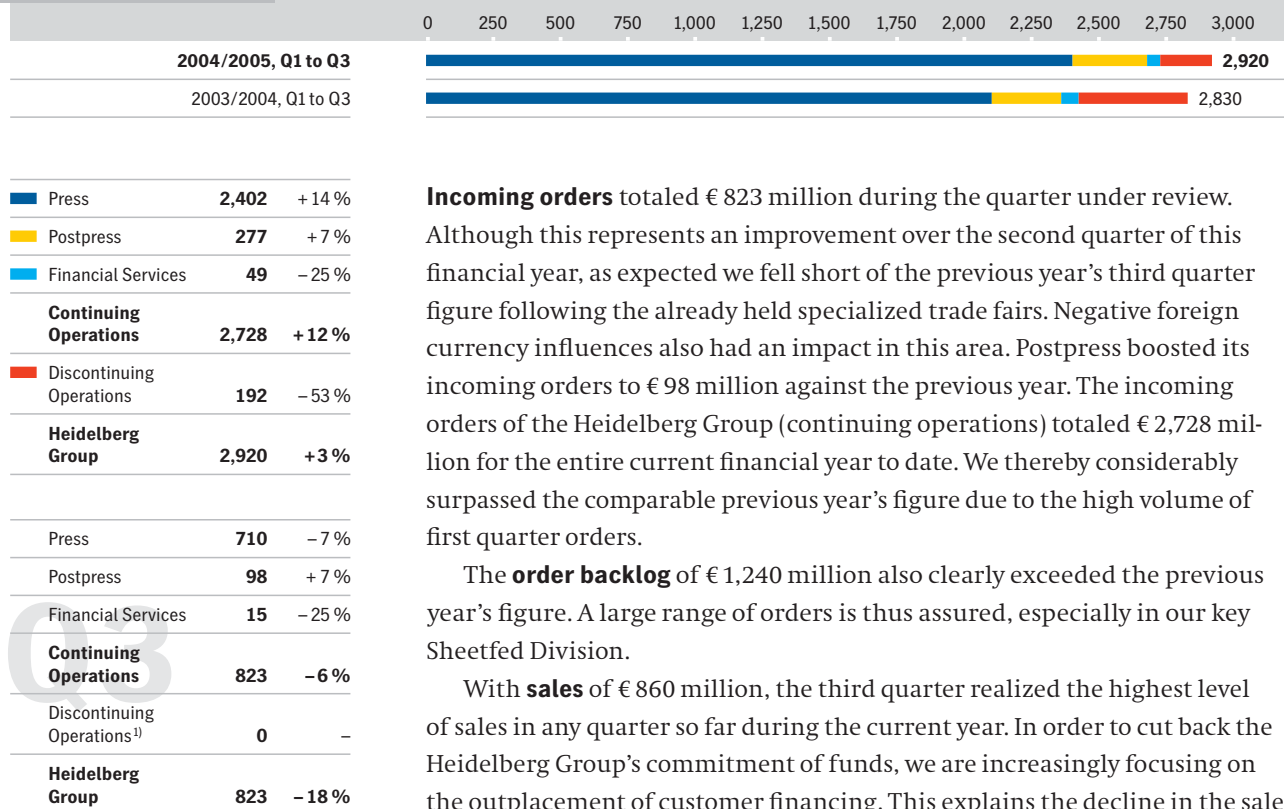
In line with our reorientation, we have restructured the organization of our segments since the beginning of the current financial year. Our reporting covers the **Press**, the **Postpress**, and the **Financial Services** divisions. Press comprises Sheetfed, Prepress, Gallus and the remaining Web Systems sales channels. Our Finishing Solutions business is organized under Postpress. The new Financial Services Division comprises the whole range of our customer financing services.

We carry the divested Digital and Web Systems operations as **discontinuing operations**.

## Business Development

### Incoming Orders

Figures in € millions



Press	2,402	+ 14 %
Postpress	277	+ 7 %
Financial Services	49	- 25 %
<b>Continuing Operations</b>	<b>2,728</b>	<b>+ 12 %</b>
Discontinuing Operations	192	- 53 %
<b>Heidelberg Group</b>	<b>2,920</b>	<b>+ 3 %</b>
Press	710	- 7 %
Postpress	98	+ 7 %
Financial Services	15	- 25 %
<b>Continuing Operations</b>	<b>823</b>	<b>- 6 %</b>
Discontinuing Operations <sup>1)</sup>	0	-
<b>Heidelberg Group</b>	<b>823</b>	<b>- 18 %</b>

**Incoming orders** totaled € 823 million during the quarter under review. Although this represents an improvement over the second quarter of this financial year, as expected we fell short of the previous year's third quarter figure following the already held specialized trade fairs. Negative foreign currency influences also had an impact in this area. Postpress boosted its incoming orders to € 98 million against the previous year. The incoming orders of the Heidelberg Group (continuing operations) totaled € 2,728 million for the entire current financial year to date. We thereby considerably surpassed the comparable previous year's figure due to the high volume of first quarter orders.

The **order backlog** of € 1,240 million also clearly exceeded the previous year's figure. A large range of orders is thus assured, especially in our key Sheetfed Division.

With **sales** of € 860 million, the third quarter realized the highest level of sales in any quarter so far during the current year. In order to cut back the Heidelberg Group's commitment of funds, we are increasingly focusing on the outplacement of customer financing. This explains the decline in the sales of the Financial Services Division. Through the increased delivery of drupa orders, the Heidelberg Group (continuing operations) generated a sales volume of € 2,231 million on a cumulative basis – an increase of 8 percent over the previous year's figure!

<sup>1)</sup> Following the deconsolidation of the Digital and Web Systems operations, no additional incoming orders (previous year: € 125 million) or sales (previous year: € 160 million) were realized during the third quarter

## Net Sales by Division

	Q1 to Q3		Q3	
	2004/2005	Change in percent	2004/2005	Change in percent
Press	1,938	+ 10	751	+ 9
Postpress	244	+ 1	94	- 4
Financial Services	49	- 25	15	- 25
<b>Continuing Operations</b>	<b>2,231</b>	<b>+ 8</b>	<b>860</b>	<b>+ 7</b>
Discontinuing Operations	153	- 66	0	-
<b>Heidelberg Group</b>	<b>2,384</b>	<b>- 5</b>	<b>860</b>	<b>- 11</b>

## Net Assets, Financial Position, and Results of Operations

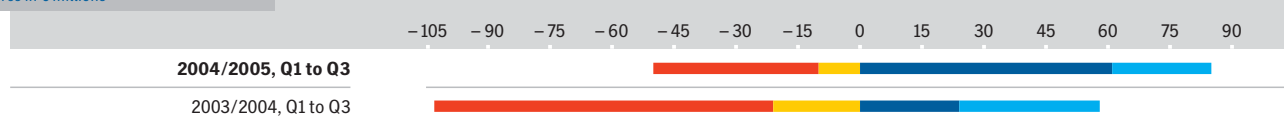
During the third quarter of the financial year, we succeeded in generating a result of operating activities in the Heidelberg Group (continuing operations) before restructuring expenses and special expenditures from discontinuing operations of € 69 million – nearly double the previous year’s comparable figure. The result of the Press Division – € 61 million – was especially pleasing, with a return on sales of 8 percent earned in this division during the third quarter. The Postpress Division was also in the black during this quarter for the first time this year. No further losses accrued from discontinuing operations during the quarter under review.

Overall we generated a consolidated result of operating activities before special expenditures of € 35 million for the first nine months of the current financial year; the figure for continuing operations alone was € 75 million on an accumulated basis. This achievement is attributable to our consistent reduction of structural costs. Despite our achievements, we will continue our efforts in this area. The increase in the sales volume over the previous year also had a favorable impact.

Our **pre-tax income** of € -12 million benefited in particular from the elimination of loss-generating operations as well as an improved financial result.

## Result of Operating Activities before Special Expenditures

Figures in € millions



Press	61	24
Postpress	-10	-21
Financial Services	24	34
<b>Continuing Operations</b>	<b>75</b>	<b>37</b>
Discontinuing Operations	-40	-82
<b>Heidelberg Group</b>	<b>35</b>	<b>-45</b>
Press	61	24
Postpress	2	1
Financial Services	6	13
<b>Continuing Operations</b>	<b>69</b>	<b>38</b>
Discontinuing Operations	0	-21
<b>Heidelberg Group</b>	<b>69</b>	<b>17</b>

The **net loss** amounted to € -17 million for the nine months ending December 31, 2004. However, we generated a net profit of € 45 million from continuing operations alone. Primarily due to the high level of restructuring expenses, the comparable previous year's figure (continuing operations) was € -141 million.

The Heidelberg Group's **total assets** amounted to € 3,673 million as of the quarterly reporting date. Primarily due to the deconsolidation of the Digital and Web Systems subsidiaries, this figure fell by some 13 percent since the end of the previous financial year. Exchange rate effects totaling € 53 million also had a reducing effect.

During the third quarter we were able to reduce current assets, primarily through the additional outplacement of receivables from customer financing. We sold a volume of receivables totaling approximately € 80 million. Additionally, we reduced inventories during the quarter under review. On the liabilities and net worth side of the balance sheet, shareholders' equity increased due to the favorable third quarter result; our equity ratio thereby again reached 32 percent. Liabilities, and here especially financial liabilities, declined in line with the optimization of current assets.

**Cash flow** was favorable during the third quarter primarily due to the improved earnings position. The previous year's figure had still been encumbered by the reorientation of the Heidelberg Group and the now divested divisions. We generated **net cash from operating activities** of € 160 million during the third quarter; this was largely made possible by the optimization of current assets. Because of the reduced volume of investments, **net cash used in investment activity** declined further during the quarter under review.



## Balance Sheet Structure

Figures in € millions	31-Mar-2004	In percent of total assets	31-Dec-2004	In percent of total assets
<b>Fixed assets</b>	897	21	<b>807</b>	22
<b>Current assets</b>	3,335	79	<b>2,866</b>	78
<b>Total assets</b>	<u>4,232</u>	<u>100</u>	<u><b>3,673</b></u>	<u>100</u>
<b>Shareholders' equity</b>	1,230	29	<b>1,157</b>	32
<b>Provisions</b>	1,527	36	<b>1,246</b>	34
<b>Liabilities</b>	1,475	35	<b>1,270</b>	34
<b>Total assets</b>	<u>4,232</u>	<u>100</u>	<u><b>3,673</b></u>	<u>100</u>

Overall, this resulted in **free cash flow** of € 138 million during the quarter – a considerable improvement over the previous year's figure. The cumulative figure of € –74 million was also up significantly over the previous year. We generated a positive free cash flow from continuing operations alone of € 28 million.

## Cash Flow Statement

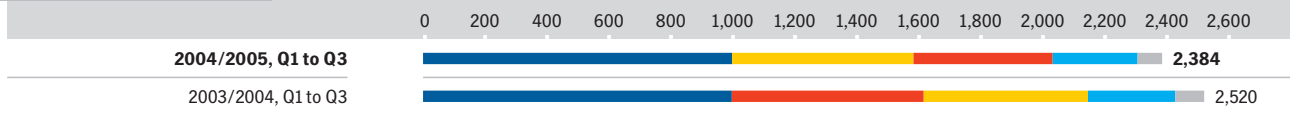
Figures in € millions	Q1 to Q3 prior year	Q1 to Q3 2004/2005
Net loss	– 725	<b>– 18</b>
Depreciation	287	<b>86</b>
Other	211	<b>18</b>
<b>Cash flow</b>	– 227	<b>86</b>
of which: discontinuing operations	(– 224)	<b>(– 41)</b>
<b>Net cash used in operating activities</b>	– 84	<b>– 12</b>
<b>Net cash used in investment activity</b>	– 124	<b>– 62</b>
<b>Free cash flow</b>	– 208	<b>– 74</b>
of which: discontinuing operations	(– 167)	<b>(– 102)</b>

## Regional Report

Following the gratifying volume of incoming orders at the drupa specialized trade fair at the beginning of the financial year, orders in the **Europe, Middle East and Africa** region failed to reach the previous year's level during the current quarter. The figure of € 1,250 million overall for nine months was nevertheless 13 percent higher than the previous year's figure (continuing operations: +21 percent). The quarter under review, which generated a volume of incoming orders of € 382 million, was the quarter with the highest level of sales so far in the current financial year. In Germany in particular, we were successful in boosting sales and incoming orders over the previous year.

### Net Sales by Region<sup>1)</sup>

Figures in € millions



Europe, Middle East and Africa	997	0 %
Eastern Europe	274	-3 %
North America	449	-27 %
Latin America	79	-15 %
Asia/Pacific	585	+10 %
<b>Heidelberg Group</b>	<b>2,384</b>	<b>-5 %</b>

Europe, Middle East and Africa	382	-10 %
Eastern Europe	96	-25 %
North America	155	-23 %
Latin America	26	-32 %
Asia/Pacific	201	+14 %
<b>Heidelberg Group</b>	<b>860</b>	<b>-11 %</b>

The **Eastern Europe** region posted a relatively weak quarter for incoming orders; nevertheless, our forecast of 6 percent cumulative growth over the previous year to € 319 million was fulfilled. In terms of sales, the region lags behind the previous year's figures both in the individual quarter and for the overall financial year to date.

Comparing continuing operations of the **North America** region alone, we matched the previous year's level in sales this quarter and surpassed incoming orders even by 10 percent. The decline in incoming orders as a whole – so far € 553 million – results exclusively from the elimination of the two divisions Digital and Web Systems. Current forecasts for the US print media industry call for an improved business climate.

Despite the stable development of business in the **Latin America** region, we were unable to match the previous year's figures in either sales or incoming orders. The scarcity of credit and the strong euro are the principal factors burdening our customers' financing opportunities.

<sup>1)</sup> Including discontinuing operations

The **Asia/Pacific** region continues to grow with undiminished vigor. Third quarter sales reached € 201 million in this region – for the quarter as well as for the entire financial year to date substantially in excess of the previous year's figures. We have generated cumulative incoming orders in this region totaling € 697 million so far this financial year – also higher than in the previous year. Particularly worthy of mention are the very favorable developments in China, which has meanwhile become our most important market in the large format segment.

## Research and Development

We continue to maintain our R&D rate at a constant high level. It was still nearly 7 percent for the Heidelberg Group (continuing operations) at the end of the third quarter. This entailed expenses for research and development amounting to € 146 million. One focus of our activity so far during the financial year has been the solid launch or series manufacture of new products and product add-ons, which we introduced at the drupa specialized trade fair.

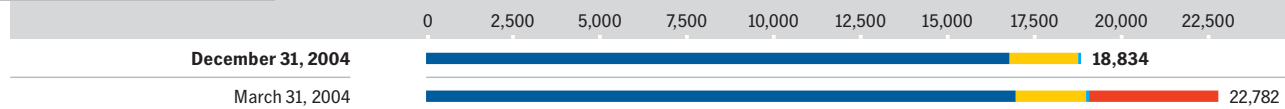
## Investments

Investments in the Heidelberg Group (continuing operations) totaled € 100 million through December 31, 2004, thereby matching the previous year's level. In order to restrict our capital commitment and net cash used, we increasingly rely on financing via leasing – primarily for the car fleet and in the IT area.

## Employees

### Employees by Division

Number of employees



Press	16,781	-1 %
Postpress	1,970	-3 %
Financial Services	83	-2 %
<b>Continuing Operations</b>	<b>18,834</b>	<b>-1 %</b>
Discontinuing Operations	0	-
<b>Heidelberg Group</b>	<b>18,834</b>	<b>-17 %</b>

We had a total of 18,834 employees as of December 31, 2004 – 248 fewer than at the end of the second quarter. The number of employees is to decline somewhat more through financial year-end.

Primarily due to the sale of the two divisions Digital and Web Systems, the number of employees in the entire Heidelberg Group fell by 3,948 during the current financial year.

## Corporate Risks

Divesting the two former Digital and Web Systems divisions has served to considerably reduce our overall risk. As in the past, a possible deterioration of the general economic conditions continues to represent our principal risk. Our broad regional diversification and the continual lowering of our structural costs serve to reduce this risk to the greatest possible extent.

There are no recognizable risks that could threaten the existence of the Heidelberg Group. You will find a detailed presentation of corporate risks in the Annual Report 2003/2004, beginning on page 55.

## Outlook

Our forecasts for the current financial year have been confirmed by ongoing developments during this period as well as our success at the drupa specialized trade fair.

We will continue to benefit from our cost reduction measures, enhanced efficiency, and reorientation – among other things because these developments make it possible to deal with fluctuations in customer orders with enhanced flexibility.

Taking into consideration these economic and internal prerequisites, this year we are striving for an increase in sales – on a comparable basis – of at least 5 percent over the previous year.

We are projecting an improvement in earnings over the previous year. This will result largely from the consistent divestiture of the loss-generating areas Digital and Web Systems, as well as from a reduction in the Heidelberg Group's structural costs. Our target is to achieve an operating return on sales, including all special effects, of approximately 5 percent. Overall, we are projecting net profit in at least the mid-double-digit million euro range.

# Interim Financial Statements

of the Heidelberg Group

for the Period **April 1, 2004** to **December 31, 2004**

Interim Income Statement – April 1, 2004 to December 31, 2004	<b>13</b>
Interim Income Statement – October 1, 2004 to December 31, 2004	<b>14</b>
Interim Income Statement – Quarterly Overview	<b>15</b>
Interim Balance Sheet	<b>16</b>
Cash Flow Statement – April 1, 2004 to December 31, 2004	<b>18</b>
Cash Flow Statement – Quarterly Overview	<b>19</b>
Development of Shareholders' Equity and Minority Interests	<b>20</b>
Segment information	<b>22</b>
Notes	<b>24</b>
Supervisory and Management Board	<b>38</b>

**Interim income statement  
of the Heidelberg Group  
April 1, 2004 to  
December 31, 2004**

**Interim income statement<sup>1)</sup>**

Figures in € thousands

	Note	1-Apr-2003 to 31-Dec-2003	1-Apr-2004 to 31-Dec-2004
Net sales		2,519,773	2,384,206
– of which: discontinuing operations		(450,211)	(153,175)
Change in inventories		38,511	79,078
Other own work capitalized		53,711	48,062
<b>Total operating performance</b>		<b>2,611,995</b>	<b>2,511,346</b>
Other operating income	5	217,803	168,983
Cost of materials	6	1,125,705	1,111,039
Personnel expenses		973,297	857,071
Depreciation and amortization		129,946	86,494
Other operating expenses	7	645,617	590,700
Result of operating activities before restructuring expenses and special expenditures arising from discontinuing operations		– 44,767	35,025
Restructuring expenses	8	117,211	10,764
Special expenditures arising from discontinuing operations	9	191,376	–
Result of operating activities after restructuring expenses and special expenditures arising from discontinuing operations		– 353,354	24,261
– of which: discontinuing operations		(– 277,928)	(– 42,009)
Result from financial assets and marketable securities		– 180,884	– 372
– of which: result from the equity valuation		(– 171,149)	(– 9,466)
– of which: discontinuing operations		(– 171,149)	(– 8,236)
Net interest income		– 35,189	– 35,944
Financial result	10	– 216,073	– 36,316
<b>Pre-tax income</b>		<b>– 569,427</b>	<b>– 12,055</b>
– of which: discontinuing operations		(– 454,306)	(– 54,650)
Taxes on income		155,507	5,633
– of which: discontinuing operations		(129,809)	(7,626)
<b>Net loss</b>		<b>– 724,934</b>	<b>– 17,688</b>
– of which: discontinuing operations		(– 584,115)	(– 62,276)
Minority interests		3,286	3,579
Net loss – Heidelberg portion		– 728,220	– 21,267
<b>Undiluted / diluted earnings per share according to IAS 33 (in € per share)<sup>2)</sup></b>			
	11	– 8.48	– 0.25
– of which: discontinuing operations		(– 6.80)	(– 0.73)

<sup>1)</sup> Previous year's values were adjusted to the new structure; see Note 2

<sup>2)</sup> The earnings per share before restructuring expenses and special expenditures arising from discontinuing operations amount to € – 0.12 (previous year: € – 2.16)

**Interim income statement  
of the Heidelberg Group  
October 1, 2004 to  
December 31, 2004**

**Interim income statement<sup>1)</sup>**

Figures in € thousands

	1-Oct-2003 to 31-Dec-2003	1-Oct-2004 to 31-Dec-2004
Net sales	965,564	859,992
– of which: discontinuing operations	(159,807)	(–)
Change in inventories	– 17,899	– 376
Other own work capitalized	16,566	17,111
<b>Total operating performance</b>	<b>964,231</b>	<b>876,727</b>
Other operating income	74,317	41,364
Cost of materials	421,598	364,743
Personnel expenses	329,065	271,280
Depreciation and amortization	42,045	28,011
Other operating expenses	228,741	185,376
Result of operating activities before restructuring expenses and special expenditures arising from discontinuing operations	17,099	68,681
Restructuring expenses	113,529	1,908
Special expenditures arising from discontinuing operations	191,376	–
Result of operating activities after restructuring expenses and special expenditures arising from discontinuing operations	– 287,806	66,773
– of which: discontinuing operations	(– 213,667)	(–)
Result from financial assets and marketable securities	– 156,108	1,074
– of which: result from the equity valuation	(– 135,090)	(– 1,134)
– of which: discontinuing operations	(– 135,090)	(–)
Net interest income	– 11,426	– 13,660
Financial result	– 167,534	– 12,586
<b>Pre-tax income</b>	<b>– 455,340</b>	<b>54,187</b>
– of which: discontinuing operations	(– 350,887)	(–)
Taxes on income	140,208	13,357
– of which: discontinuing operations	(126,068)	(–)
<b>Net loss/profit</b>	<b>– 595,548</b>	<b>40,830</b>
– of which: discontinuing operations	(– 476,955)	(–)
Minority interests	36	1,734
Net loss/profit – Heidelberg portion	– 595,584	39,096
<b>Undiluted / diluted earnings per share according to IAS 33 (in € per share)<sup>2)</sup></b>	<b>– 6.94</b>	<b>0.45</b>
– of which: discontinuing operations	(– 5.55)	(–)

<sup>1)</sup> Previous year's values were adjusted to the new structure; see Note 2

<sup>2)</sup> The earnings per share before restructuring expenses and special expenditures arising from discontinuing operations amount to € 0.48 (previous year: € – 0.66)



## Interim income statement – Quarterly overview

Figures in € thousands	1-Apr-2004 to 30-Jun-2004	1-Jul-2004 to 30-Sep-2004	1-Oct-2004 to 31-Dec-2004	1-Apr-2004 to 31-Dec-2004
Net sales	710,276	813,938	859,992	2,384,206
– of which: discontinuing operations	(108,463)	(44,712)	(–)	(153,175)
Change in inventories	56,057	23,397	– 376	79,078
Other own work capitalized	16,621	14,330	17,111	48,062
<b>Total operating performance</b>	<b>782,954</b>	<b>851,665</b>	<b>876,727</b>	<b>2,511,346</b>
Other operating income	81,811	45,808	41,364	168,983
Cost of materials	366,066	380,230	364,743	1,111,039
Personnel expenses	310,910	274,881	271,280	857,071
Depreciation and amortization	31,626	26,857	28,011	86,494
Other operating expenses	210,016	195,308	185,376	590,700
Result of operating activities before restructuring expenses and special expenditures arising from discontinuing operations	– 53,853	20,197	68,681	35,025
Restructuring expenses	5,413	3,443	1,908	10,764
Special expenditures arising from discontinuing operations	–	–	–	–
Result of operating activities after restructuring expenses and special expenditures arising from discontinuing operations	– 59,266	16,754	66,773	24,261
– of which: discontinuing operations	(– 34,479)	(– 7,530)	(–)	(– 42,009)
Result from financial assets and marketable securities	– 5,209	3,763	1,074	– 372
– of which: result from the equity valuation	(– 8,236)	(– 96)	(– 1,134)	(– 9,466)
– of which: discontinuing operations	(– 8,236)	(–)	(–)	(– 8,236)
Net interest income	– 9,751	– 12,533	– 13,660	– 35,944
Financial result	– 14,960	– 8,770	– 12,586	– 36,316
<b>Pre-tax income</b>	<b>– 74,226</b>	<b>7,984</b>	<b>54,187</b>	<b>– 12,055</b>
– of which: discontinuing operations	(– 46,222)	(– 8,428)	(–)	(– 54,650)
Taxes on income	– 11,465	3,741	13,357	5,633
– of which: discontinuing operations	(– 2,908)	(10,534)	(–)	(7,626)
<b>Net loss/profit</b>	<b>– 62,761</b>	<b>4,243</b>	<b>40,830</b>	<b>– 17,688</b>
– of which: discontinuing operations	(– 43,314)	(– 18,962)	(–)	(– 62,276)
Minority interests	716	1,129	1,734	3,579
Net loss/profit – Heidelberg portion	– 63,477	3,114	39,096	– 21,267
<b>Undiluted/diluted earnings per share according to IAS 33 (in € per share)</b>	<b>– 0.74</b>	<b>0.04</b>	<b>0.45</b>	<b>– 0.25</b>
– of which: discontinuing operations	(– 0.50)	(– 0.23)	(–)	(– 0.73)

**Interim balance sheet  
of the Heidelberg Group  
as of December 31, 2004**

**Assets**

Figures in € thousands	Note	31-Mar-2004	<b>31-Dec-2004</b>
<b>Fixed assets</b>	12		
Intangible assets		219,535	230,884
Tangible assets		629,858	521,760
Financial assets <sup>1)</sup>		47,517	54,327
		<u>896,910</u>	<u>806,971</u>
<b>Current assets</b>			
Inventories	13	930,783	861,206
Accounts receivable from customer financing	14	769,182	584,289
Other receivables and other assets	14	954,990	813,129
Marketable securities		347,619	339,429
Cash and cash equivalents		91,824	81,716
		<u>3,094,398</u>	<u>2,679,769</u>
<b>Deferred taxes</b>		214,389	163,436
<b>Prepaid expenses</b>		26,755	22,741
		<u>4,232,452</u>	<u>3,672,917</u>
<b>– of which: discontinuing operations</b>			
Digital		(107,022)	(–)
Web <sup>2)</sup>		(348,080)	(–)

<sup>1)</sup> Of which: financial assets carried according to the equity method € 0 thousand (previous year: € 7,090 thousand)

<sup>2)</sup> Web Systems including Web Finishing

## Equity and liabilities

Figures in € thousands		Note	31-Mar-2004	31-Dec-2004
<b>Shareholders' equity and minority interests</b>		15		
Subscribed capital			219,926	219,926
Capital reserve			1,541	1,541
Revenue reserves			1,677,817	924,346
Net loss – Heidelberg portion			- 700,933	- 21,267
			1,198,351	1,124,546
Minority interests			31,299	32,786
			1,229,650	1,157,332
<b>Provisions</b>		16		
Provisions for pensions and similar obligations			582,774	588,728
Tax provisions			170,474	169,706
Other provisions			773,518	486,970
			1,526,766	1,245,404
<b>Liabilities<sup>1)</sup></b>		17	1,347,769	1,154,083
<b>Deferred taxes</b>			80,265	71,690
<b>Deferred income</b>			48,002	44,408
			4,232,452	3,672,917
<b>– of which: discontinuing operations<sup>2)</sup></b>				
Digital			(121,274)	(–)
Web <sup>3)</sup>			(310,842)	(–)

<sup>1)</sup> Of which: long-term interest-bearing financial obligations € 111,363 thousand (previous year: € 61,271 thousand)

<sup>2)</sup> Excluding shareholders' equity/minority interests/internal refinancing

<sup>3)</sup> Web Systems including Web Finishing

### Consolidated cash flow statement of the Heidelberg Group<sup>1)2)</sup>

Figures in € thousands	1-Apr-2003 to 31-Dec-2003	1-Apr-2004 to 31-Dec-2004
Net loss	- 724,934	- 17,688
Depreciation and amortization/write-ups to fixed assets/ reversal of negative goodwill	286,998	86,306
Change in pension provisions	22,148	18,706
Change in deferred taxes	139,144	- 3,409
Result from the equity valuation	53,081	9,466
Result from the disposal of fixed assets	- 3,434	- 7,798
<b>Cash flow</b>	- 226,997	85,583
– of which: discontinuing operations	(– 224,059)	(– 40,866)
Change in other provisions	74,401	- 72,775
Change in customer financing	69,108	160,141
Change in other net current assets	44,721	- 99,627
Change in other balance sheet items	- 45,501	- 84,947
<b>Net cash used in operating activities</b>	- 84,268	- 11,625
– of which: discontinuing operations	(– 121,935)	(– 88,958)
Intangible assets/tangible assets		
Investments	- 110,454	- 103,852
Income from disposals	27,601	45,169
Acquisitions, shares in subsidiaries, loans		
Investments/outflow of funds from changes in the scope of the consolidation	- 41,141	- 9,663
Expenditures/income from disposals	144	6,154
<b>Net cash used in investment activity</b>	- 123,850	- 62,192
– of which: discontinuing operations	(– 44,599)	(– 12,579)
<b>Free cash flow</b>	- 208,118	- 73,817
– of which: discontinuing operations	(– 166,534)	(– 101,537)
Dividend payment	- 1,545	- 1,817
Change in financial liabilities	212,533	43,526
<b>Cash inflow from financing activity</b>	210,988	41,709
– of which: discontinuing operations	(167,696)	(104,116)
<b>Net change in cash and cash equivalents</b>	2,870	- 32,108
<b>Cash and cash equivalents at the beginning of the financial year</b>	82,771	120,092
Changes in the scope of the consolidation	- 1,781	- 2,877
Currency adjustments	- 2,766	- 3,202
Net change in cash and cash equivalents	2,870	- 32,108
<b>Cash and cash equivalents at the end of the quarter</b>	81,094	81,905

<sup>1)</sup> The cash flow statement is explained in Note 19

<sup>2)</sup> Previous year's values were adjusted to the new structure; see Note 2

## Consolidated cash flow statement of the Heidelberg Group – Quarterly overview

Figures in € thousands

	1-Apr-2004 to 30-Jun-2004	1-Jul-2004 to 30-Sep-2004	1-Oct-2004 to 31-Dec-2004	1-Apr-2004 to 31-Dec-2004
Net loss/profit	- 62,761	4,243	40,830	- 17,688
Depreciation and amortization / write-ups to fixed assets / reversal of negative goodwill	31,626	26,857	27,823	86,306
Change in pension provisions	6,699	5,427	6,580	18,706
Change in deferred taxes	- 15,699	- 8,955	21,245	- 3,409
Result from the equity valuation	8,236	96	1,134	9,466
Result from the disposal of fixed assets	- 5,055	- 780	- 1,963	- 7,798
<b>Cash flow</b>	- 36,954	26,888	95,649	85,583
- of which: discontinuing operations	(- 34,996)	(- 5,870)	(-)	(- 40,866)
Change in other provisions	- 58,500	- 11,977	- 2,298	- 72,775
Change in customer financing	40,184	22,289	97,668	160,141
Change in other net current assets	- 1,434	- 74,221	- 23,972	- 99,627
Change in other balance sheet items	- 46,279	- 31,437	- 7,231	- 84,947
<b>Net cash used in/generated from operating activities</b>	- 102,983	- 68,458	159,816	- 11,625
- of which: discontinuing operations	(- 43,617)	(- 45,341)	(-)	(- 88,958)
Intangible assets / tangible assets				
Investments	- 30,424	- 37,057	- 36,371	- 103,852
Income from disposals	19,977	10,709	14,483	45,169
Acquisitions, shares in subsidiaries, loans				
Investments / outflow of funds from changes in the scope of the consolidation	- 7,904	- 1,192	- 567	- 9,663
Income from disposals	361	5,587	206	6,154
<b>Net cash used in investment activity</b>	- 17,990	- 21,953	- 22,249	- 62,192
- of which: discontinuing operations	(- 8,822)	(- 3,757)	(-)	(- 12,579)
<b>Free cash flow</b>	- 120,973	- 90,411	137,567	- 73,817
- of which: discontinuing operations	(- 52,439)	(- 49,098)	(-)	(- 101,537)
Dividend payment	-	- 1,817	-	- 1,817
Change in financial liabilities	87,126	81,758	- 125,358	43,526
<b>Cash inflow/outflow from financing activity</b>	87,126	79,941	- 125,358	41,709
- of which: discontinuing operations	(52,512)	(51,604)	(-)	(104,116)
<b>Net change in cash and cash equivalents</b>	- 33,847	- 10,470	12,209	- 32,108
<b>Cash and cash equivalents at the beginning of the quarter</b>	120,092	84,937	71,370	120,092
Changes in the scope of the consolidation	- 9	- 2,868	-	- 2,877
Currency adjustments	- 1,299	- 229	- 1,674	- 3,202
Net change in cash and cash equivalents	- 33,847	- 10,470	12,209	- 32,108
<b>Cash and cash equivalents at the end of the quarter</b>	84,937	71,370	81,905	81,905

## Development of shareholders' equity and minority interests<sup>1)</sup>

Figures in € thousands

	Subscribed capital <sup>2)</sup>	Capital reserve <sup>2)</sup>	Revenue reserves				Total retained earnings
			Other revenue reserves	Foreign currency translation	Market evaluation of hedging transactions	Market evaluation of other financial assets	
<b>April 1, 2003</b>	219,926	947,804	923,700	44,881	-9,232	-61,449	897,900
Dividend payment	-	-	-	-	-	-	-
Net loss/profit	-	-	-143,771	-	-	-	-143,771
Foreign currency changes	-	-	-	-101,790	-	-	-101,790
Market evaluation of financial assets/cash flow hedges	-	-	-	-	43,005	27,326	70,331
Reversals booked to the income statement	-	-	-	-	-27,889	19,600	-8,289
Consolidations/other changes	-	-	-772	-	-	-	-772
<b>December 31, 2003</b>	<b>219,926</b>	<b>947,804</b>	<b>779,157</b>	<b>-56,909</b>	<b>5,884</b>	<b>-14,523</b>	<b>713,609</b>
<b>April 1, 2004</b>	219,926	1,541	1,777,327	-84,155	-13,894	-1,461	1,677,817
Dividend payment	-	-	-	-	-	-	-
Net loss/profit	-	-	-700,933	-	-	-	-700,933
Foreign currency changes	-	-	-	-22,139	-	-	-22,139
Market evaluation of financial assets/cash flow hedges	-	-	-	-	6,517	90	6,607
Reversals booked to the income statement	-	-	-	-	17,265	-1,155	16,110
Consolidations/other changes	-	-	-5,597	-47,519	-	-	-53,116
<b>December 31, 2004</b>	<b>219,926</b>	<b>1,541</b>	<b>1,070,797</b>	<b>-153,813</b>	<b>9,888</b>	<b>-2,526</b>	<b>924,346</b>

Net loss – Heidelberg portion	Shares of the Heidelberg Group	Minority interests	Total
- 143,771	1,921,859	28,374	1,950,233
-	-	- 1,545	- 1,545
- 584,449	- 728,220	3,286	- 724,934
-	- 101,790	- 1,710	- 103,500
-	70,331	-	70,331
-	- 8,289	-	- 8,289
-	- 772	-	- 772
<u>- 728,220</u>	<u>1,153,119</u>	<u>28,405</u>	<u>1,181,524</u>
- 700,933	1,198,351	31,299	1,229,650
-	-	- 1,817	- 1,817
679,666	- 21,267	3,579	- 17,688
-	- 22,139	- 285	- 22,424
-	6,607	-	6,607
-	16,110	-	16,110
-	- 53,116	10	- 53,106
<u>- 21,267</u>	<u>1,124,546</u>	<u>32,786</u>	<u>1,157,332</u>

<sup>1)</sup> Please refer to Note 15 for additional explanations

<sup>2)</sup> Of Heidelberger Druckmaschinen Aktiengesellschaft

## Segment information of the Heidelberg Group April 1, 2004 to December 31, 2004

### Segment information by division

Figures in € thousands	Press		Postpress	
	1-Apr-2003 to 31-Dec-2003	<b>1-Apr-2004 to 31-Dec-2004</b>	1-Apr-2003 to 31-Dec-2003	<b>1-Apr-2004 to 31-Dec-2004</b>
External sales	1,763,867	1,937,812	241,088	243,683
Scheduled depreciation	97,183	77,095	6,430	3,073
Non-cash expenses	235,223	184,512	26,524	21,138
Research and development costs	141,688	128,304	23,723	17,368
Result of operating activities before restructuring expenses and special expenditures arising from discontinuing operations	24,196	61,416	- 21,803	- 9,829
Restructuring expenses	56,594	8,649	30,720	214
– of which: impairment loss	(-)	(-)	(12,513)	(-)
Special expenditures from discontinuing operations	-	-	-	-
– of which: impairment loss	(-)	(-)	(-)	(-)
Result of operating activities after restructuring expenses and special expenditures arising from discontinuing operations	- 32,398	52,767	- 52,523	- 10,043
Result from the equity valuation	-	- 1,230	-	-
– of which: impairment loss in connection with discontinuing operations	(-)	(-)	(-)	(-)
Carrying amount of the shares in equity companies	7,090	-	-	-
Investments	90,365	91,844	9,380	7,527
Segment assets	2,107,463	2,175,055	225,834	256,850
Segment debt	1,348,123	1,306,049	151,374	112,767
Number of employees	16,957	16,781	2,022	1,970

### Segment information by region

Figures in € thousands	Europe, Middle East and Africa		Eastern Europe	
	1-Apr-2003 to 31-Dec-2003	<b>1-Apr-2004 to 31-Dec-2004</b>	1-Apr-2003 to 31-Dec-2003	<b>1-Apr-2004 to 31-Dec-2004</b>
External net sales by customer location	996,139	996,953	281,299	273,762
Investments	96,505	89,675	3,370	2,364
Segment assets	1,895,145	1,815,842	226,351	222,622

For additional explanations see Note 20



Financial Services		Continuing Operations		Discontinuing Operations		Heidelberg Group	
		Total		Total			
1-Apr-2003 to 31-Dec-2003	<b>1-Apr-2004 to 31-Dec-2004</b>	1-Apr-2003 to 31-Dec-2003	<b>1-Apr-2004 to 31-Dec-2004</b>	1-Apr-2003 to 31-Dec-2003	<b>1-Apr-2004 to 31-Dec-2004</b>	1-Apr-2003 to 31-Dec-2003	<b>1-Apr-2004 to 31-Dec-2004</b>
64,607	49,536	2,069,562	2,231,031	450,211	153,175	2,519,773	2,384,206
441	660	104,054	80,828	25,892	5,666	129,946	86,494
37,627	26,277	299,374	231,927	71,062	54,139	370,436	286,066
-	-	165,411	145,672	68,880	14,491	234,291	160,163
34,309	23,546	36,702	75,133	-81,469	-40,108	-44,767	35,025
24,814	-	112,128	8,863	5,083	1,901	117,211	10,764
(-)	(-)	(12,513)	(-)	(203)	(-)	(12,716)	(-)
-	-	-	-	191,376	-	191,376	-
(-)	(-)	(-)	(-)	(32,977)	(-)	(32,977)	(-)
9,495	23,546	-75,426	66,270	-277,928	-42,009	-353,354	24,261
-	-	-	-1,230	-171,149	-8,236	-171,149	-9,466
(-)	(-)	(-)	(-)	(-118,068)	(-)	(-118,068)	(-)
-	-	7,090	-	-	-	7,090	-
1,582	564	101,327	99,935	9,127	3,917	110,454	103,852
797,398	612,153	3,130,695	3,044,058	387,798	-	3,518,493	3,044,058
211,838	201,451	1,711,335	1,620,267	416,824	-	2,128,159	1,620,267
85	83	19,064	18,834	3,718	-	22,782	18,834

North America		Latin America		Asia/Pacific		Heidelberg Group	
1-Apr-2003 to 31-Dec-2003	<b>1-Apr-2004 to 31-Dec-2004</b>	1-Apr-2003 to 31-Dec-2003	<b>1-Apr-2004 to 31-Dec-2004</b>	1-Apr-2003 to 31-Dec-2003	<b>1-Apr-2004 to 31-Dec-2004</b>	1-Apr-2003 to 31-Dec-2003	<b>1-Apr-2004 to 31-Dec-2004</b>
619,331	449,242	92,703	78,968	530,301	585,281	2,519,773	2,384,206
6,613	8,560	2,347	1,258	1,619	1,995	110,454	103,852
687,716	392,962	227,363	201,008	481,918	411,624	3,518,493	3,044,058

## Notes

### 1 Accounting and valuation policies

We have prepared the consolidated interim financial report as of December 31, 2004 of Heidelberger Druckmaschinen Aktiengesellschaft in accordance with the International Financial Reporting Standards (IFRS), which became 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). With the exception of the new rules for the valuation of goodwill, the same accounting and valuation principles as in the consolidated annual financial statements as of March 31, 2004 are applied.

In accordance with IAS 36 (revised in 2004), beginning on April 1, 2004 capitalized goodwill is no longer subject to scheduled depreciation. Rather, the goodwill valuations are subject to an impairment test either on an annual basis or if there are corresponding indications of an impairment. An impairment loss is to be taken if the recoverable amount is less than the carrying amount of a cash-generating unit to which goodwill was assigned.

Income generated during the financial year due to seasonal or cyclical factors or only earned occasionally is neither brought forward nor deferred in the consolidated interim financial statements. Expenses that arise from time to time during the financial year are deferred if such deferment would also have occurred at the end of the financial year.

Taxes on income are calculated according to the weighted average tax rate of the respective country for the overall financial year.

To increase the transparency of the Financial Report, we have combined certain items in the balance sheet and the income statement.

### 2 Realignment of the Heidelberg Group

#### **Discontinuing operations:**

As of March 7, 2004 a contract was signed with Eastman Kodak Co. covering the sale of the Digital Division. Following fulfillment of the contractual conditions, the contract went into effect on May 1, 2004. The agreement covers the production, service and sales of our digital black-and-white and color printing presses.

On June 16, 2004 a contract was signed with Goss International Corporation, Delaware, USA, covering the sale of the Web Systems Division. Following fulfillment of the relevant terms and conditions, the contract became effective on August 6, 2004. The transaction covered Heidelberg's business segments Commercial Web, Newspaper Printing Presses, and – in the US – Processing Installations for Web Printing Presses. In Germany, Austria, Switzerland, Eastern Europe, Brazil, Mexico, South Africa, and South Korea we are continuing the sales and services operations for Goss International Corporation. As a new shareholder, Heidelberg holds a 15 percent share in Goss International Corporation, Delaware, USA.

#### Continuing operations:

Following the realignment of the Heidelberg Group we are concentrating on the Press Division (Sheetfed including Prepress and Gallus, as well as Web Systems Distribution) and the Postpress Division (Print Finishing). As an additional area of operations, the Financial Services Division is responsible for our entire range of services in the Customer Financing segment. Consequently, we already adapted the structure of segment reporting as of April 1, 2004. To increase transparency of reporting – after adjustment of the previous year's figures – we shifted interest income and interest expenses of the Financial Services Division to net sales and cost of materials, respectively.

### 3 Scope of the consolidation

Apart from Heidelberger Druckmaschinen Aktiengesellschaft, the consolidated interim financial statements include all domestic and foreign companies in which Heidelberger Druckmaschinen Aktiengesellschaft is in a position to exercise a controlling influence. Shares in subsidiaries that are of minor importance are not included. They account for less than 1 percent of consolidated net sales.

The scope of the consolidation is broken down as follows:

	Total 31-Mar-2004	Total 31-Dec-2004
Number of wholly consolidated companies	83	80
Number of non-consolidated companies due to their minor significance	37	35
Number of companies measured according to the equity method	2	–
	<u>122</u>	<u>115</u>

Compared with the previous year, the scope of the consolidation changed as follows:

- Initial consolidation:  
In the current financial year, our affiliated companies, HJP Service & Education Center Co. Ltd., Tokyo, Japan, and Heidelberg International Finance B.V., Boxmeer, Netherlands, were included in the scope of the consolidation for the first time.
- Deconsolidation:  
Due to the sale of the Digital Division and the Web Systems Division, the following companies were deconsolidated during the current financial year:
  - NexPress GmbH, Kiel;
  - Heidelberg Digital LLC, Rochester, USA;
  - NexPress Solutions LLC, Rochester, USA (equity method);
  - Heidelberg Web Systems S.A., Montataire, France;
  - Heidelberg Web Systems Inc., Dover, USA.
 Furthermore – due to its minor significance for the Heidelberg Group – Heidelberg Middle East FZ Co., Dubai, U.A.E., is no longer measured according to the equity method.
- Merger:  
As of April 1, 2004 Brehmer Buchbindereimaschinen GmbH, Leipzig, was merged with Heidelberg Postpress Deutschland GmbH, Heidelberg. The change of the scope of the consolidation had the following effects:

	2003/2004	2004/2005
Fixed assets	– 4,846	– 19,710
Current assets	6,300	– 316,769
<b>Total assets</b>	<b>1,454</b>	<b>– 336,479</b>
Shareholders' equity	–	– 7
Liabilities	1,454	– 336,472
<b>Equity and liabilities</b>	<b>1,454</b>	<b>– 336,479</b>
Sales	37,005	– 199,878
Net result	2,784	542,627

#### 4 Foreign currency changes

Due to exchange rate differences, the translation of the financial figures drawn up in foreign currencies had the following effects on the consolidated interim financial figures:

	2003/2004	2004/2005
Fixed assets	- 33,937	- 5,836
Current assets	- 94,730	- 47,488
<b>Total assets</b>	<b>- 128,667</b>	<b>- 53,324</b>
Shareholders' equity	- 79,725	- 22,424
Liabilities	- 48,942	- 30,900
<b>Equity and liabilities</b>	<b>- 128,667</b>	<b>- 53,324</b>
Sales	- 198,742	- 50,473

## 5 Other operating income

	1-Apr-2003 to 31-Dec-2003	1-Apr-2004 to 31-Dec-2004
Reversal of other provisions	40,750	52,198
Income from written-off receivables	25,110	17,501
Income from operating facilities	12,476	17,455
Foreign-exchange profits	29,274	14,316
Income from disposals of intangible assets and tangible assets	8,705	8,758
Income from job research projects	34,921	7,662
Other income	66,567	51,093
	<b>217,803</b>	<b>168,983</b>

The decline in income from job research projects is associated with NexPress GmbH, Kiel, which was deconsolidated already in the first quarter of the financial year.

Foreign exchange profits result from the settlement of our hedging transactions.

## 6 Cost of materials

	1-Apr-2003 to 31-Dec-2003	1-Apr-2004 to 31-Dec-2004
Expenses for raw materials, consumables and supplies, and for goods purchased	1,003,822	977,919
Costs of purchased services	102,293	119,584
Interest expenses Financial Services	19,590	13,536
	<b>1,125,705</b>	<b>1,111,039</b>

Due to the reorientation proportionate interest expenses accrued in connection with the Financial Services Division are shown in the cost of materials. Interest income from customer financing is shown as net sales. The previous year's figures were adjusted accordingly.

## 7 Other operating expenses

	1-Apr-2003 to 31-Dec-2003	1-Apr-2004 to 31-Dec-2004
Other deliveries and services, not included in the cost of materials	94,607	100,553
Special direct sales expenses including freight charges	63,502	68,225
Rent and leases (excluding car fleet)	69,423	54,749
Travel expenses	59,127	51,973
Provisions for doubtful accounts and other assets	70,236	39,947
Information technology	29,564	31,862
Additions to provisions (relates to several expense accounts)	34,054	28,807
Legal and consulting fees	20,228	19,291
Insurance expenses	20,837	16,010
Costs of mail and payment transactions	14,875	12,786
Public-sector fees and other taxes	12,690	10,959
Car fleet costs	9,819	9,479
Operating facilities	10,001	8,141
Other research and development costs	11,867	6,913
Exchange rate losses	4,092	5,353
Commissions	5,298	5,100
License fees	8,876	4,816
Office supplies, newspapers, technical literature	4,937	3,473
Losses from disposals of intangible assets and tangible assets	3,817	1,074
Other overhead costs	97,767	111,189
	<u>645,617</u>	<u>590,700</u>

## 8 Restructuring expenses

	1-Apr-2003 to 31-Dec-2003	1-Apr-2004 to 31-Dec-2004
Non-scheduled depreciation of intangible assets and tangible assets	12,716	–
Cost of materials	3,926	–
Personnel expenses	33,966	1,791
Other costs	66,603	8,973
	<u>117,211</u>	<u>10,764</u>

## 9 Special expenditures from discontinuing operations

The previous year's special expenditures from discontinuing operations refer to Heidelberg's divestiture of the Digital and Web Systems divisions.

## 10 Financial result

	1-Apr-2003 to 31-Dec-2003	1-Apr-2004 to 31-Dec-2004
Result from the equity valuation	– 171,149	– 9,466
– of which: impairment loss in connection with discontinuing operations	(– 118,068)	(–)
Income from the specialized investment funds	– 8,816	10,968
Other result	– 919	– 1,874
<b>Result from financial assets and marketable securities</b>	<u>– 180,884</u>	<u>– 372</u>
Other interest and similar income	4,175	4,221
Interest and similar expenses	39,364	40,165
<b>Net interest result</b>	<u>– 35,189</u>	<u>– 35,944</u>
	<u>– 216,073</u>	<u>– 36,316</u>

The previous year's income from the specialized investment funds includes permanent reductions in value booked directly to the income statement totaling € 20 million.

Due to the reorientation interest income and interest expenses accrued in connection with the Financial Services Division are shown in net sales and cost of materials, respectively. The previous year's figures were adjusted accordingly.

**11 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 average number of outstanding shares during the period (2004/2005: 85,908,480 shares). There is no difference between the diluted and undiluted earnings per share.

**12 Fixed assets**

	Intangible assets	Tangible assets	Financial assets	Total
Cost of acquisition or manufacturing costs March 31, 2004	531,971	2,447,421	374,139	3,353,531
<b>Cost of acquisition or manufacturing costs December 31, 2004</b>	<b>367,203</b>	<b>2,140,566</b>	<b>80,377</b>	<b>2,588,146</b>
Accumulated depreciation March 31, 2004	312,436	1,817,563	326,622	2,456,621
<b>Accumulated depreciation December 31, 2004</b>	<b>136,319</b>	<b>1,618,806</b>	<b>26,050</b>	<b>1,781,175</b>
Book values March 31, 2004	219,535	629,858	47,517	896,910
<b>Book values December 31, 2004</b>	<b>230,884</b>	<b>521,760</b>	<b>54,327</b>	<b>806,971</b>

**13 Inventories**

	31-Mar-2004	31-Dec-2004
Raw materials, consumables and supplies	172,428	123,894
Work and services in process	339,640	291,686
Manufactured products and merchandise	412,709	440,984
Prepayments	6,006	4,642
	<b>930,783</b>	<b>861,206</b>



## 14 Receivables and other assets

	31-Mar- 2004	of which term to maturity			31-Dec- 2004	of which term to maturity		
		1 year or less	from 1 to 5 years	over 5 years		1 year or less	from 1 to 5 years	over 5 years
Receivables from customer financing	769,182	164,598	356,951	247,633	584,289	175,845	293,204	115,240
Trade receivables	713,226	703,490	9,736	–	564,107	559,570	4,537	–
Receivables from affiliated enterprises	54,258	53,886	372	–	25,098	23,415	1,683	–
Receivables from associated companies / joint ventures	22,071	22,071	–	–	–	–	–	–
Other assets	165,435	138,486	20,565	6,384	223,924	180,352	35,649	7,923
– of which:								
tax reimbursement claims	(51,608)	(51,584)	(24)	(–)	(25,215)	(22,381)	(2,834)	(–)
– of which: loans granted	(775)	(485)	(259)	(31)	(810)	(682)	(128)	(–)
– of which:								
derivative financial instruments	(31,302)	(27,226)	(4,076)	(–)	(58,554)	(48,361)	(10,193)	(–)
– of which:								
deferred interest payments	(6,812)	(6,812)	(–)	(–)	(5,352)	(5,352)	(–)	(–)
	<u>954,990</u>	<u>917,933</u>	<u>30,673</u>	<u>6,384</u>	<u>813,129</u>	<u>763,337</u>	<u>41,869</u>	<u>7,923</u>

## 15 Shareholders' equity / minority interests

As of the reporting date, Heidelberger Druckmaschinen Aktiengesellschaft holds 2,906 of its own shares, which for the purposes of the Employee Share Participation Program are being held temporarily.

On May 7, 2004, RWE Gesellschaft für Finanzbeteiligungen mbH, Essen, whose sole shareholder is RWE Aktiengesellschaft, Essen, sold shares of Heidelberger Druckmaschinen Aktiengesellschaft, Heidelberg, directly in an accelerated tender offer and issued an exchangeable bond that can be exchanged for shares of Heidelberger Druckmaschinen Aktiengesellschaft, Heidelberg. The previous shareholding of 50.016 percent was placed with institutional investors. A portion of this amount has been allocated to service the exchangeable bond.

## 16 Provisions

	31-Mar-	Maturity			31-Dec-	Maturity		
	2004	1 year or less	from 1 to 5 years	over 5 years		2004	1 year or less	from 1 to 5 years
<b>Provisions for pensions and similar obligations</b>	582,774	23,395	84,086	475,293	588,728	20,525	83,050	485,153
<b>Tax provisions</b>	170,474	11,173	159,301	–	169,706	10,953	158,753	–
<b>Other provisions</b>								
Sales and service	176,715	147,965	19,145	9,605	119,756	103,948	10,649	5,159
Human resources	187,419	114,532	53,004	19,883	150,636	79,916	51,235	19,485
Research and development	9,330	9,330	–	–	3,351	3,351	–	–
Restructuring	111,719	82,110	29,609	–	68,862	68,862	–	–
Special expenditures discontinuing operations	181,110	181,110	–	–	–	–	–	–
Other	107,225	101,325	5,659	241	144,365	139,534	4,590	241
	<u>773,518</u>	<u>636,372</u>	<u>107,417</u>	<u>29,729</u>	<u>486,970</u>	<u>395,611</u>	<u>66,474</u>	<u>24,885</u>
	<u>1,526,766</u>	<u>670,940</u>	<u>350,804</u>	<u>505,022</u>	<u>1,245,404</u>	<u>427,089</u>	<u>308,277</u>	<u>510,038</u>

**17 Liabilities**

	31-Mar- 2004	of which term to maturity			31-Dec- 2004	of which term to maturity		
		1 year or less	from 1 to 5 years	over 5 years		1 year or less	from 1 to 5 years	over 5 years
Private placement	50,279	3,779	28,000	18,500	105,724	7,724	83,000	15,000
To banks	667,273	655,727	11,524	22	652,933	646,013	6,920	–
Advance payments received on orders	88,982	88,982	–	–	70,959	70,941	18	–
Trade payables	266,983	264,623	2,360	–	150,544	150,522	22	–
Arising from the acceptance of drawn bills and the issue of own bills	8,426	8,426	–	–	–	–	–	–
To affiliated enterprises	10,075	10,075	–	–	3,328	3,328	–	–
To associated companies/ joint ventures	1,835	1,835	–	–	–	–	–	–
Other liabilities	253,916	221,541	11,347	21,028	170,595	150,047	13,045	7,503
– of which: derivative financial instruments	(37,976)	(10,410)	(6,538)	(21,028)	(15,953)	(4,290)	(4,160)	(7,503)
– of which: taxes	(42,930)	(42,930)	(–)	(–)	(25,722)	(25,722)	(–)	(–)
– of which: relating to social security	(27,302)	(27,302)	(–)	(–)	(23,929)	(23,929)	(–)	(–)
	<u>1,347,769</u>	<u>1,254,988</u>	<u>53,231</u>	<u>39,550</u>	<u>1,154,083</u>	<u>1,028,575</u>	<u>103,005</u>	<u>22,503</u>

**18 Contingent liabilities  
and other financial  
liabilities**

	31-Mar-2004	31-Dec-2004
Liability arising from the endorsement of bills of exchange	243	–
Guarantees and warranties	321,132	338,580
	<u>321,375</u>	<u>338,580</u>

Contingent liabilities primarily include guarantees provided for the liabilities of third parties in connection with long-term customer financing.

Other financial liabilities are broken down as follows:

	31-Mar- 2004	Maturity			31-Dec- 2004	Maturity		
		1 year or less	from 1 to 5 years	over 5 years		1 year or less	from 1 to 5 years	over 5 years
<b>Operating lease relationships</b>								
Minimum lease payments	417,935	48,295	117,054	252,586	356,785	38,630	107,487	210,668
<b>Other</b>								
Orders for investments	23,656	23,656	–	–	33,988	33,988	–	–
Future lease obligations	65,483	18,083	42,918	4,482	67,995	15,712	42,036	10,247
Additional obligations	6,711	6,682	29	–	–	–	–	–
	95,850	48,421	42,947	4,482	101,983	49,700	42,036	10,247
	513,785	96,716	160,001	257,068	458,768	88,330	149,523	220,915

## 19 Information on the cash flow statement

The **discontinuing operations** have the following effect on the cash flow statement:

	Digital		Web <sup>1)</sup>		Total	
	1-Apr-2003 to 31-Dec-2003	1-Apr-2004 to 31-Dec-2004	1-Apr-2003 to 31-Dec-2003	1-Apr-2004 to 31-Dec-2004	1-Apr-2003 to 31-Dec-2003	1-Apr-2004 to 31-Dec-2004
Net cash from operating activities	– 40,768	3,968	– 81,167	– 92,926	– 121,935	– 88,958
Net cash from investment activities	– 40,963	– 8,125	– 3,636	– 4,454	– 44,599	– 12,579
Net cash from financing activities	82,046	4,307	85,650	99,809	167,696	104,116
<b>Net change in cash and cash equivalents</b>	<b>315</b>	<b>150</b>	<b>847</b>	<b>2,429</b>	<b>1,162</b>	<b>2,579</b>

<sup>1)</sup> Web Systems including Web Finishing

## 20 Information concerning segment reporting

The segment information is based on the 'risk and reward approach'. Inter-segmental sales are of minor financial significance and can therefore be ignored.

The **discontinuing operations** comprise the following:

	Digital		Web <sup>1)</sup>		Total	
	1-Apr-2003 to 31-Dec-2003	1-Apr-2004 to 31-Dec-2004	1-Apr-2003 to 31-Dec-2003	1-Apr-2004 to 31-Dec-2004	1-Apr-2003 to 31-Dec-2003	1-Apr-2004 to 31-Dec-2004
External sales	167,367	21,667	282,844	131,508	450,211	153,175
Scheduled depreciation	12,218	1,069	13,674	4,597	25,892	5,666
Non-cash expenses	19,668	6,755	51,394	47,384	71,062	54,139
Research and development costs	44,607	3,798	24,273	10,693	68,880	14,491
Result of operating activities before restructuring expenses and extraordinary expenditures arising from discontinuing operations	-16,806	-7,311	-64,663	-32,797	-81,469	-40,108
Restructuring expenses	4,204	1,072	879	829	5,083	1,901
– of which: impairment loss	(203)	(-)	(-)	(-)	(203)	(-)
Extraordinary expenditures from discontinuing operations	133,773	-	57,603	-	191,376	-
– of which: impairment loss	(19,823)	(-)	(13,154)	(-)	(32,977)	(-)
Result of operating activities after restructuring expenses and extraordinary expenditures arising from discontinuing operations	-154,783	-8,383	-123,145	-33,626	-277,928	-42,009
Result from the equity valuation	-171,149	-8,236	-	-	-171,149	-8,236
– of which: impairment loss in connection with discontinuing operations	(-118,068)	(-)	(-)	(-)	(-118,068)	(-)
Carrying amount of the shares in equity companies	-	-	-	-	-	-
Investments	5,438	535	3,689	3,382	9,127	3,917
Segment assets	93,344	-	294,454	-	387,798	-
Segment debt	117,399	-	299,425	-	416,824	-
Number of employees	1,475	-	2,243	-	3,718	-

<sup>1)</sup> Web Systems including Web Finishing

**Additional comments:**

**Non-cash expenses** comprise the following:

	1-Apr-2003 to 31-Dec-2003	<b>1-Apr-2004 to 31-Dec-2004</b>
Provisions for doubtful accounts and other assets	70,236	39,947
Allocations to provisions	300,200	246,119
	<u>370,436</u>	<u>286,066</u>

Allocations to provisions exclude liabilities arising from restructuring, as these are shown separately under segment information.

**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-2004	<b>31-Dec-2004</b>
Gross assets per balance sheet	4,232,452	3,672,917
– financial assets	– 47,517	– 54,327
– marketable securities	– 347,619	– 339,429
– finance receivables	– 52,826	– 46,452
– deferred tax assets	– 214,389	– 163,436
– tax claims	– 51,608	– 25,215
Segment assets <sup>1)</sup>	<u>3,518,493</u>	<u>3,044,058</u>

	31-Mar-2004	<b>31-Dec-2004</b>
Gross debt per balance sheet <sup>2)</sup>	3,002,802	2,515,585
– tax provisions	– 170,474	– 169,706
– tax obligations	– 42,930	– 25,722
– financial obligations	– 580,974	– 628,200
– deferred tax liabilities	– 80,265	– 71,690
Segment debt <sup>1)</sup>	<u>2,128,159</u>	<u>1,620,267</u>

<sup>1)</sup> As a result of the restructuring of segment reporting the segment assets and segment debt were adjusted as per March 31, 2004

<sup>2)</sup> Consolidated balance sheet total less shareholders' equity/minority shareholders

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

Financial obligations comprise liabilities arising from the private placement and liabilities to financial institutions with the exception of financial obligations associated with customer financing, liabilities under financial leases, and other financial liabilities.

The **carrying amount of shares in companies measured according to the equity method** and the **number of employees** were recorded as of December 31, 2004 compared with March 31, 2004.

## **21 Supervisory Board/ Management Board**

The members of the Supervisory Board and the Management Board are listed on page 38.

Dr. Klaus Spiegel resigned from the Management Board as of June 30, 2004. With effect from July 1, 2004, the Supervisory Board appointed Dr. Jürgen Rautert as a full Member of the Management Board.

With effect from the end of the Annual General Meeting on July 21, 2004, Dr. Jan Zilius resigned from the Supervisory Board of Heidelberger Druckmaschinen Aktiengesellschaft.

Effective from July 30, 2004, Dr. Mark Wössner was appointed by the court as a Member of the Supervisory Board of Heidelberger Druckmaschinen Aktiengesellschaft and, with effect from September 6, 2004, succeeds Dr. Klaus Sturany as Chairman of the Supervisory Board.

## **22 Important events after the reporting date**

There were no important events after the reporting date.

Heidelberg, January 2005

**The Management Board**

## The Supervisory Board

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### Dr. Mark Wössner

in the Supervisory Board  
since July 30, 2004;  
Chairman of the Supervisory  
Board since September 6, 2004

### Dr. Klaus Sturany

Chairman of the Supervisory  
Board through August 4, 2004

### Josef Pitz\*

Deputy Chairman of the  
Supervisory Board

### Martin Blessing

### Prof. Dr. Clemens Börsig

### Wolfgang Flörchinger\*

### Martin Gauß\*

### Gunther Heller\*

### Dr. Jürgen Heraeus

### Berthold Huber\*

### Johanna Klein\*

### Pat Klinis\*

### Robert J. Koehler

### Uwe Lüders

### Dr. Gerhard Rupprecht

### Rainer Wagner\*

### Jan Zilius

– through July 21, 2004 –

### Committees of the Supervisory Board

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#### Management Committee

Dr. Mark Wössner  
– since September 6, 2004 –  
Dr. Klaus Sturany  
– through August 4, 2004 –  
Josef Pitz  
Martin Blessing  
Martin Gauß  
Berthold Huber  
Dr. Gerhard Rupprecht

#### Mediation Committee under Article 27 Subsection 3 of the Codetermination Act

Dr. Mark Wössner  
– since September 6, 2004 –  
Dr. Klaus Sturany  
– through August 4, 2004 –  
Josef Pitz  
Martin Blessing  
Wolfgang Flörchinger

### Committee on Arranging Personnel Matters of the Management Board

Dr. Mark Wössner  
– since September 6, 2004 –  
Dr. Klaus Sturany  
– through August 4, 2004 –  
Josef Pitz  
Dr. Gerhard Rupprecht

### Audit Committee

Dr. Klaus Sturany  
– since September 6, 2004 –  
Dr. Jürgen Heraeus  
– through August 3, 2004 –  
Prof. Dr. Clemens Börsig  
Pat Klinis  
Rainer Wagner

### The Management Board

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### Bernhard Schreier

Chairman of the  
Management Board

### Dr. Herbert Meyer

### Dr. Jürgen Rautert

– since July 1, 2004 –

### Dr. Klaus Spiegel

– through June 30, 2004 –

\* Employee Representative



## Financial Calendar

<b>May 3, 2005</b>	Publication of Preliminary Figures for the Financial Year 2004/2005
<b>June 7, 2005</b>	Press Conference, Annual Analysts' and Investors' Conference
<b>July 20, 2005</b>	Annual General Meeting
<b>August 2, 2005</b>	Publication of 1st Quarter Figures 2005/2006
<b>November 8, 2005</b>	Publication of Half-Year Figures 2005/2006

Subject to change

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**HEIDELBERG**