



# Interim Financial Report

2nd Quarter 2003/2004

**HEIDELBERG**

## Performance of the Heidelberg Share

compared with the DAX/MDAX



## Key Performance Data

Figures in € millions

	Q1 to Q2 prior year	Q1 to Q2 2003/2004	Q2 prior year	Q2 2003/2004
<b>Incoming orders</b>	2,025	<b>1,783</b>	911	<b>1,023</b>
<b>Net sales</b>	1,903	<b>1,509</b>	972	<b>791</b>
<b>EBITDA<sup>1)</sup></b>	131	<b>-5</b>	65	<b>10</b>
<b>EBITDA in percent of sales<sup>1)</sup></b>	6.9	<b>-0.3</b>	6.7	<b>1.3</b>
<b>Restructuring costs</b>	-	<b>4</b>	-	<b>3</b>
<b>Net profit or loss</b>	13	<b>-129</b>	1	<b>-52</b>
<b>Return on sales in percent</b>	0.7	<b>-8.6</b>	0.1	<b>-6.6</b>
<b>Cash flow in percent of sales</b>	4.7	<b>1.7</b>	5.3	<b>3.8</b>
<b>Investments</b>	97	<b>75</b>	54	<b>38</b>
<b>Earnings per share in €</b>	0.13	<b>-1.54</b>	-	<b>-0.63</b>

<sup>1)</sup> Excluding restructuring costs

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## The Heidelberg Share

The price of Heidelberg's share continued to rise during the second quarter of 2003/2004.

At its annual results press conference held on July 3, Heidelberg presented the annual financial statements for financial year 2002/2003. A decline in the share price was subsequently recorded due to the disappointing situation. Nevertheless, the share price then quickly stabilized at over € 22.00 and by September 30, 2003 it had risen by 15 percent to € 25.01. This slow but continual upward trend remained unaffected even by the publication of the sobering first quarter figures as well as the decision at the Annual General Meeting on September 12, 2003 not to pay a dividend. The meanwhile highest share price during the current financial year of € 28.21 was posted on September 1.

The Heidelberg share has increased by 54 percent since the beginning of the financial year compared to a 34 percent rise in the DAX and 43 percent growth in the MDAX during the same period.

## Industry Development

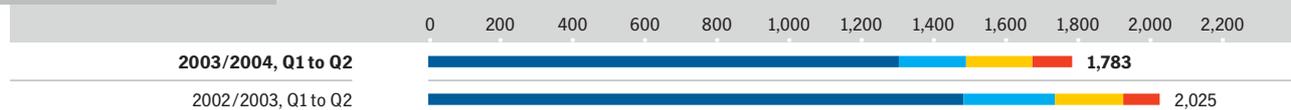
Business developments at the beginning of calendar year 2003 were shaped by such uncertainties as the war in Iraq and the SARS epidemic. The expectation of an approaching economic upswing only strengthened towards the end of the second quarter. The dampening factors still existing in the first quarter disappeared and prospects were judged more favorably. The current forecast for growth of global gross domestic product this year is about at the previous year's level of 2.7 percent.

The economic situation in our key markets only improved slowly during the current financial year. Beginning from a very low base, the capacity utilization of printing establishments gradually improved in the second quarter. A growth in the gross domestic product of 2.3 percent is anticipated in the US, our largest single market. In the euro zone, no turnaround is in sight following the weak previous year. Mere stagnation is projected for calendar year 2003 especially in Germany. Developments in Asia continued to be hampered by the SARS epidemic during the first half of the year, although the situation has meanwhile improved slightly. A modest recovery is anticipated this year in Latin America following the Brazilian economic crisis.

## Business Development

### Incoming Orders

Figures in € millions

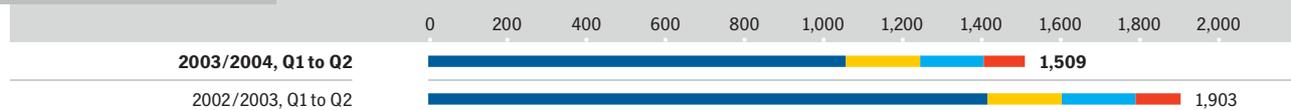


Digital	111	+10%
Sheetfed	1,303	-12%
Web Systems	186	-26%
Postpress	183	-3%
<b>Heidelberg Group</b>	<b>1,783</b>	<b>-12%</b>
Digital	58	-3%
Sheetfed	752	+17%
Web Systems	119	-4%
Postpress	94	+15%
<b>Heidelberg Group</b>	<b>1,023</b>	<b>+12%</b>

The **incoming orders** of the Heidelberg Group in the second quarter, which totalled € 1,023 million, exceeded the figures for the previous quarter and for the previous year. This was largely the result of the now stronger incoming orders in the UK, Eastern Europe and Latin America and was also boosted due to the success of the IGAS specialized trade fair in Japan, at which we obtained orders totalling € 143 million. Most of these orders are already covered by this interim financial report. Most of the some € 111 million in orders generated at the Graph Expo specialized trade show in the US are not yet included in the second quarter figures. Both the IGAS and Graph Expo reflect initial indicators of a turnaround. The coming months will show the extent to which this initial growth can be sustained. Due to the low volume of incoming orders in the first quarter of the year, the Heidelberg Group's incoming orders for the first half of the financial year totalling € 1,783 million

### Net Sales

Figures in € millions



Digital	104	-9%
Sheetfed	1,056	-25%
Web Systems	161	-14%
Postpress	188	0%
<b>Heidelberg Group</b>	<b>1,509</b>	<b>-21%</b>
Digital	54	-14%
Sheetfed	564	-22%
Web Systems	75	-25%
Postpress	98	+11%
<b>Heidelberg Group</b>	<b>791</b>	<b>-19%</b>

were still substantially below the previous year's figure. All divisions were affected by the decline, with only the Digital Division exceeding the previous year's figure.

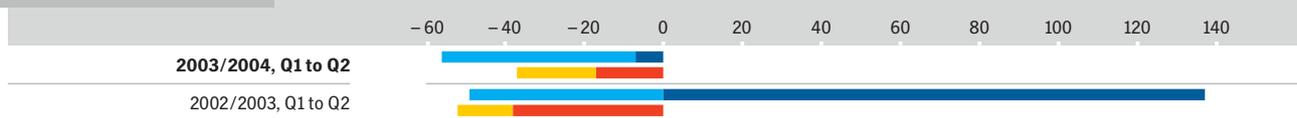
Heidelberg realized **sales** totalling € 1,509 million during the first half of the financial year – considerably below the previous year's figure. Compared with the prior year, the ongoing strained business conditions continued to have a negative impact not only in the US and the euro zone, but in Germany in particular. Although the weak underlying conditions hampered nearly all the divisions, the impact was mainly felt by the Sheetfed Division. Due to several large orders, only newspaper printing outperformed the previous year.

## Asset, Financial and Income Positions

The Heidelberg Group's **operating loss before restructuring** fell from € –59 million in the first quarter to € –34 million during the second quarter. The first half of the financial year, which generated a loss of € –93 million, was disappointing. Nevertheless, in the end the impact of the sales decline was limited by the cost reduction measures, which have meanwhile taken hold. The favorable effects of the restructuring measures were already perceptible and have resulted in a marked reduction of structural costs from the previous year.

### Result of Operating Activities<sup>1)</sup>

Figures in € millions



Digital	-17	-38
Sheetfed	-7	137
Web Systems	-49	-49
Postpress	-20	-14
<b>Heidelberg Group</b>	<b>-93</b>	<b>36</b>
Digital	-6	-17
Sheetfed	11	63
Web Systems	-27	-19
Postpress	-12	-12
<b>Heidelberg Group</b>	<b>-34</b>	<b>15</b>

As was described in detail in our Annual Report, we expanded our **program for medium-term cost reduction and efficiency enhancement** in the fourth quarter of the previous financial year. A total of up to € 280 million in savings are generated annually as a result, of which € 200 million will be realized during the current financial year. We also reduced our operating assets and thereby enhanced the financial flexibility of the Heidelberg Group. Additionally, we further promoted the implementation of these measures during the past second quarter. Realization of the individual measures is proceeding according to plan.

**Net profit** during the first half of the financial year of € –129 million was considerably below the previous year's figure. The larger loss at the joint venture NexPress had an effect on the financial result here as well. Net interest income continued to be favorable.

The **total assets** of the Heidelberg Group declined by 5 percent to € 4,895 million since the beginning of the financial year. In addition to the low level of business operations, which is typical for the second quarter, exchange rate effects totalling approximately € 80 million were also a key factor.

Fixed assets were reduced since the beginning of the financial year due to the relatively minor investments as well as exchange rate effects. Up to now, additions to tangible and intangible assets have been considerably below depreciation and asset disposals. Inventories increased by approximately 7 percent to € 1,145 million since the beginning of the financial year. This is mainly attributable to the effects of initial consolidations as well as a seasonal increase in finished goods inventories at our sales and service companies.

<sup>1)</sup> Excluding restructuring costs

## Balance Sheet Structure

Figures in percent

	31-Mar-2003	30-Sep-2003
<b>Fixed assets</b>	23	<b>22</b>
<b>Current assets</b>	77	<b>78</b>
<b>Total assets</b>	100	<b>100</b>
<b>Shareholders' equity</b>	38	<b>36</b>
<b>Provisions</b>	28	<b>28</b>
<b>Liabilities</b>	34	<b>36</b>
<b>Total assets</b>	100	<b>100</b>

Among liabilities, shareholders' equity decreased due to foreign currency-related developments and through the loss accumulated during the reporting quarter. The equity ratio remained relatively unchanged compared with the first quarter. Provisions declined since the beginning of the financial year due to utilizations as well as in connection with disbursements from the provisions for restructuring costs.

The **net financial debt** of the Heidelberg Group amounted to € 340 million as of September 30, 2003 – up over the figure for the first quarter.

The Heidelberg Group's **free cash flow** during the first half of the financial year reflects the accumulated losses as well as disbursements within the framework of our restructuring measures.

The **cash flow** fell to € 25 million during the first half of the financial year from € 89 million the previous year. This is largely attributable to the loss during the current year. Although cash flow of € 30 million was higher in the second quarter than in the first quarter, it nevertheless fell short of the previous year's figure of € 52 million.

The **outflow of funds from current business activity** amounted to € 95 million during the first half-year reporting period. The cash flow contained in it arising from customer financing results from our efforts to externalize our customer financing as well as from the meanwhile lower sales volume. In particular disbursements for deferred restructuring expenses totalling € 27 million had an impact on the change in other provisions. The other changes include trade payables and other payables, both of which were down substantially from the previous year.

The **outflow of funds from investment activity** fell significantly. We considerably reduced the acquisition of tangible and intangible assets within the framework of the reduction in structural costs.

This resulted in an overall worsening of positive **free cash flow** from € -79 million the previous year to € -177 million. Despite the worsened result, in the second quarter positive free cash flow totalled € -68 million – an improvement over the previous year's figure of € -92 million. This is primarily attributable to the lower outflow of funds for investments during the current year.

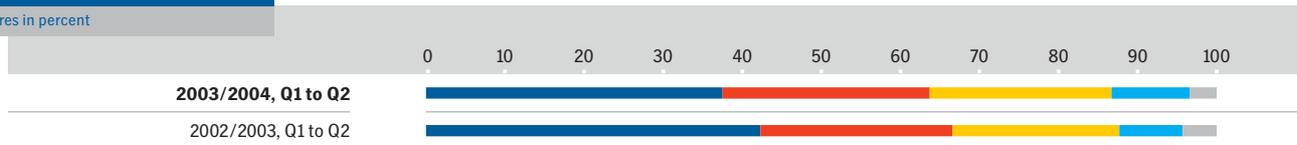
## Regional Report

The incoming orders of the **Europe, Middle East and Africa** region in the second quarter exceeded the figures for both the previous quarter and for the previous year – a reflection of an early sign of an upward trend. Sales generated in this region totalling € 567 million fell short of the figure for the first half of the previous financial year; this is primarily attributable to the weak order situation in the first quarter.

With incoming orders of € 130 million, in the second quarter the **Eastern Europe** region surpassed the previous year's figure. Sales for this region totalling € 150 million in the first half of the financial year were at about the previous year's level.

### Net Sales Portion of the Regions

Figures in percent



Europe, Middle East and Africa	37.5	42.3
Eastern Europe	9.9	8.0
North America	26.2	24.3
Latin America	3.4	4.3
Asia/Pacific	23.0	21.1
<b>Heidelberg Group</b>	<b>100.0</b>	<b>100.0</b>

In the second quarter, the incoming orders of the **North America** region surpassed the figure for the first quarter, adjusted for foreign currency changes reaching the previous year's level. The sales of the region in the first half of the financial year totalled € 395 million, thereby falling further below the previous year's low figure. The decline resulted primarily from the low volume of incoming orders during the first quarter. Nevertheless in the meantime numerous printing establishments are reporting an improvement in their business prospects. This was reflected at the Graph Expo trade show, where we generated an order volume of approximately € 111 million.

With incoming orders totalling € 39 million in the second quarter, the **Latin America** region surpassed both the previous quarter as well as the same quarter the previous year. The sales of the region during the first half of the financial year of € 51 million fell short of the already low previous year's level.

During the second quarter, the incoming orders of the **Asia/Pacific** region totalling approximately € 275 million considerably surpassed the figure both for the previous year as well as for the first quarter. This development was favored by the Tokyo-based IGAS specialized trade fair in September. Sales in the region reached € 347 million during the first half of the financial year – thereby, as expected, falling short of the high previous year's figure.

## Net Sales by Region

Figures in € millions in comparison to prior year

	Q1 to Q2 2003/2004	Change in percent	Q2 2003/2004	Change in percent
Europe, Middle East and Africa	566	- 30	288	- 30
Eastern Europe	150	- 1	79	+ 1
North America	395	- 15	197	- 14
Latin America	51	- 38	27	0
Asia/Pacific	347	- 13	200	- 12
<b>Heidelberg Group</b>	<b>1,509</b>	<b>- 21</b>	<b>791</b>	<b>- 19</b>

## Research and Development

The unchanged R&D rate of 10 percent of consolidated sales makes clear our continuing commitment to promote the development of future-oriented technologies and innovative products despite our emphasis on a reduction of structural costs – particularly in view of drupa 2004, which will be held next spring, where we will present a number of new product developments.

## Investments

Investments in tangible and intangible assets during the first half of the financial year declined by 23 percent from the previous year to € 75 million, thereby falling below depreciation for the period.

As part of our restructuring measures we reduced expenditures in machinery as well as in factory and office equipment.

## Employees

The Heidelberg Group had a total of 23,706 employees as of September 30, 2003. Adjusted for changes in the scope of the consolidation, this was 975 fewer employees, or 4 percent below the figure at the beginning of the financial year. This decrease was the result of our structural cost reduction measures implemented in all divisions.

### Employees by Division



## Corporate Risks

As in the past, the greatest risk confronting the Group is a delay in the economic turnaround. This is because capacity utilization in the printing industry, and with it our customers' propensity to invest, are both closely related to the strength of the economy. With its sales and service organization, the Heidelberg Group is assured of a favorable regional diversification of risk. Nevertheless, we are also affected by the global slack economy.

There are currently no recognizable risks that could threaten the existence of the Heidelberg Group.

## Outlook

Despite some favorable signals, due to the continuing restrained investment activity on the part of commercial printing establishments, especially in key industrialized countries such as the US and Germany, no significant upswing in demand is anticipated for the current financial year.

In the current financial year, based on our improved cost structure our goal is to generate a break-even operating result – even should sales decline further by up to 10 percent. Notwithstanding possibly weaker overall demand, we aim at shifting our loss-generating areas visibly closer towards a break-even level.

With the measures being undertaken to improve the cost structure, we have laid the groundwork for a return to our customary strong result even in an uncertain market environment.

**Interim income statement  
of the Heidelberg Group  
April 1, 2003 to  
September 30, 2003**

**Interim income statement**

Figures in € thousands

	Note	1-Apr-2002 to 30-Sep-2002	1-Apr-2003 to 30-Sep-2003
Net sales		1,903,216	1,509,452
Change in inventories		74,930	56,410
Other own work capitalized		34,437	37,145
<b>Total operating performance</b>		<b>2,012,583</b>	<b>1,603,007</b>
Other operating income	4	125,288	143,486
Cost of materials		793,774	690,719
Personnel expenses		736,895	644,232
Depreciation and amortization		94,118	87,901
Other operating expenses	5	476,617	416,876
<b>Result of operating activities excluding restructuring costs</b>		<b>36,467</b>	<b>- 93,235</b>
Restructuring costs	6	-	3,682
Result of operating activities including restructuring costs		36,467	- 96,917
Result from financial assets and marketable securities <sup>1)</sup>		- 26,658	- 24,776
Net interest income		12,565	7,606
<b>Financial result</b>	7	<b>- 14,093</b>	<b>- 17,170</b>
<b>Income before taxes</b>		<b>22,374</b>	<b>- 114,087</b>
Taxes on income		9,027	15,299
<b>Net profit or loss</b>		<b>13,347</b>	<b>- 129,386</b>
Minority interests		1,917	3,250
Net profit or loss – Heidelberg portion		11,430	- 132,636
<b>Earnings per share according to IAS 33 (in € per share)</b>	8	<b>0.13</b>	<b>- 1.54</b>

<sup>1)</sup> Of which result from equity valuation: € - 36,059 thousand (previous year: € - 32,299 thousand)

**Interim income statement  
of the Heidelberg Group  
July 1, 2003 to  
September 30, 2003**

**Interim income statement**

Figures in € thousands

	1-Jul-2002 to 30-Sep-2002	1-Jul-2003 to 30-Sep-2003
Net sales	972,696	791,292
Change in inventories	-8,671	37,146
Other own work capitalized	18,376	17,324
<b>Total operating performance</b>	<b>982,401</b>	<b>845,762</b>
Other operating income	37,476	52,602
Cost of materials	381,451	362,528
Personnel expenses	371,384	310,549
Depreciation and amortization	48,514	43,531
Other operating expenses	202,883	215,866
<b>Result of operating activities excluding restructuring costs</b>	<b>15,645</b>	<b>-34,110</b>
Restructuring costs	-	3,315
Result of operating activities including restructuring costs	15,645	-37,425
Result from financial assets and marketable securities <sup>1)</sup>	-17,362	-10,957
Net interest income	4,300	4,316
<b>Financial result</b>	<b>-13,062</b>	<b>-6,641</b>
<b>Income before taxes</b>	<b>2,583</b>	<b>-44,066</b>
Taxes on income	866	8,505
<b>Net profit or loss</b>	<b>1,717</b>	<b>-52,571</b>
Minority interests	1,623	1,862
Net profit or loss – Heidelberg portion	94	-54,433
<b>Earnings per share according to IAS 33 (in € per share)</b>	<b>-</b>	<b>-0.63</b>

<sup>1)</sup> Of which result from equity valuation: € -18,590 thousand (previous year: € -22,783 thousand)

**Interim balance sheet  
of the Heidelberg Group  
as of September 30, 2003**

**Assets**

Figures in € thousands	Note	31-Mar-2003	30-Sep-2003
<b>Fixed assets</b>	9		
Intangible assets		265,842	262,927
Tangible assets		687,042	656,659
Financial assets <sup>1)</sup>		204,521	172,493
		<u>1,157,405</u>	<u>1,092,079</u>
<b>Current assets</b>			
Inventories	10	1,073,411	1,145,002
Accounts receivable from customer financing	11	860,389	787,340
Other receivables and other assets	11	1,068,601	906,283
Marketable securities		316,270	338,475
Cash and cash equivalents		82,596	68,943
		<u>3,401,267</u>	<u>3,246,043</u>
<b>Deferred taxes</b>		542,763	509,692
<b>Prepaid expenses</b>		30,030	47,104
		<u>5,131,465</u>	<u>4,894,918</u>

**Equity and liabilities**

Figures in € thousands	Note	31-Mar-2003	30-Sep-2003
<b>Shareholders' equity / minority interests</b>	12		
Subscribed capital		219,926	219,926
Capital reserve		947,804	947,804
Revenue reserves		897,900	719,631
Net loss – Heidelberg portion		– 143,771	– 132,636
		<u>1,921,859</u>	<u>1,754,725</u>
Minority interests		28,374	29,137
		<u>1,950,233</u>	<u>1,783,862</u>
<b>Provisions</b>	13		
Provisions for pensions and similar obligations		559,471	575,083
Tax provisions		199,471	190,179
Other provisions		695,776	596,329
		<u>1,454,718</u>	<u>1,361,591</u>
<b>Liabilities<sup>2)</sup></b>	14	1,474,062	1,497,507
<b>Deferred taxes</b>		207,334	208,119
<b>Deferred income</b>		45,118	43,839
		<u>5,131,465</u>	<u>4,894,918</u>

<sup>1)</sup> Of which financial assets carried in accordance with the equity method of € 134,635 thousand (31-Mar-2003: € 159,054 thousand)

<sup>2)</sup> Of which liabilities to banks of € 957,239 thousand (31-Mar-2003: € 796,477 thousand)

## 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			Net profit or loss Heidelberg portion	Shares of the Heidelberg Group
			Other revenue reserves	Foreign currency translation	Market valuation per IAS 39		
<b>April 1, 2002</b>	219,926	947,804	897,151	225,264	- 20,147	199,474	2,469,472
Dividend payment	-	-	-	-	-	- 120,272	- 120,272
Net profit	-	-	79,202	-	-	- 67,772	11,430
Foreign currency changes	-	-	-	- 105,269	-	-	- 105,269
Market valuation per IAS 39	-	-	-	-	- 39,610	-	- 39,610
Consolidations/other changes	-	-	- 20,593	-	-	-	- 20,593
<b>September 30, 2002</b>	<u>219,926</u>	<u>947,804</u>	<u>955,760</u>	<u>119,995</u>	<u>- 59,757</u>	<u>11,430</u>	<u>2,195,158</u>
<b>April 1, 2003</b>	219,926	947,804	923,700	44,881	- 70,681	- 143,771	1,921,859
Dividend payment <sup>3)</sup>	-	-	-	-	-	-	-
Net profit or loss	-	-	- 143,771	-	-	11,135	- 132,636
Foreign currency changes	-	-	-	- 51,846	-	-	- 51,846
Market valuation per IAS 39	-	-	-	-	23,086	-	23,086
Consolidations/other changes	-	-	- 5,738	-	-	-	- 5,738
<b>September 30, 2003</b>	<u>219,926</u>	<u>947,804</u>	<u>774,191</u>	<u>- 6,965</u>	<u>- 47,595</u>	<u>- 132,636</u>	<u>1,754,725</u>

<sup>1)</sup> Please refer to Note 12 for additional explanations

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

<sup>3)</sup> Dividend payment of Gallus Holding AG, St. Gallen

## Consolidated cash flow statement of the Heidelberg Group

Figures in € thousands

Minority interests	Total		1-Apr-2002 to 30-Sep-2002	1-Apr-2003 to 30-Sep-2003
		Net profit or loss	13,347	- 129,386
		Depreciation and amortization / write-ups to fixed assets / reversal of negative goodwill	91,458	87,408
513	2,469,985	Change in pension provisions	17,018	14,995
- 1,912	- 122,184	Change in deferred taxes	- 49,948	20,734
1,917	13,347	Result from the equity valuation	32,299	36,059
- 309	- 105,578	Result from the disposal of fixed assets	- 15,359	- 4,368
-	- 39,610	<b>Cash flow</b>	<b>88,815</b>	<b>25,442</b>
25,816	5,223	Change in other provisions	- 43,202	- 91,517
<u>26,025</u>	<u>2,221,183</u>	Change in customer financing	- 30,787	63,444
		Change in other net current assets	74,915	8,648
28,374	1,950,233	Change in other balance sheet items	- 20,548	- 101,474
- 1,551	- 1,551	<b>Net cash generated from / used in operating activities</b>	<b>69,193</b>	<b>- 95,457</b>
3,250	- 129,386	Intangible assets / tangible assets		
- 936	- 52,782	Investments	- 96,958	- 75,042
-	23,086	Proceeds from disposals	9,922	19,729
-	- 5,738	Acquisitions, shares in subsidiaries, loans		
29,137	1,783,862	Investments/outflow of funds from changes in the scope of the consolidation	- 63,520	- 25,872
		Proceeds/expenditures from disposals	2,757	- 713
		<b>Outflow of funds from investment activity</b>	<b>- 147,799</b>	<b>- 81,898</b>
		<b>Free cash flow</b>	<b>- 78,606</b>	<b>- 177,355</b>
		Dividend payment	- 122,184	- 1,551
		Change in financial liabilities	203,162	164,880
		<b>Cash inflow from financing activity</b>	<b>80,978</b>	<b>163,329</b>
		<b>Net change in cash and cash equivalents</b>	<b>2,372</b>	<b>- 14,026</b>
		<b>Cash and cash equivalents as of April 1</b>	<b>89,832</b>	<b>82,771</b>
		Translation adjustments / changes in the scope of the consolidation	3,625	418
		Net change in cash and cash equivalents	2,372	- 14,026
		<b>Cash and cash equivalents as of September 30</b>	<b>95,829</b>	<b>69,163</b>

## Segment information of the Heidelberg Group April 1, 2003 to September 30, 2003

### Segment information by division

Figures in € thousands		Digital <sup>6)</sup>		Sheetfed	
		1-Apr-2002 to 30-Sep-2002	<b>1-Apr-2003</b> <b>to 30-Sep-2003</b>	1-Apr-2002 to 30-Sep-2002	<b>1-Apr-2003</b> <b>to 30-Sep-2003</b>
External sales	113,674	104,087	1,414,508	1,056,150	
Depreciation <sup>1)</sup> /value adjustments	13,379	10,242	98,803	94,171	
R&D costs <sup>2)</sup>	51,974	29,194	107,596	93,819	
Result of operating activities excluding restructuring costs	- 38,255	- 17,287	137,279	- 6,347	
Restructuring costs	-	2,301	-	567	
Result from the equity valuation	- 32,299	- 36,059	-	-	
Investments in intangible and tangible assets	30,507	4,887	57,958	60,158	
Book value of assets <sup>3) 5)</sup>	194,448	163,538	1,412,185	1,472,985	
Liabilities <sup>4) 5)</sup>	140,907	143,931	1,138,516	1,157,659	
Number of employees <sup>5)</sup>	2,279	1,855	17,615	17,161	

### Segment information by region

Figures in € thousands		Europe, Middle East and Africa		Eastern Europe		North America	
		1-Apr-2002 to 30-Sep-2002	<b>1-Apr-2003</b> <b>to 30-Sep-2003</b>	1-Apr-2002 to 30-Sep-2002	<b>1-Apr-2003</b> <b>to 30-Sep-2003</b>	1-Apr-2002 to 30-Sep-2002	<b>1-Apr-2003</b> <b>to 30-Sep-2003</b>
External net sales							
by customer location	806,208	566,616	151,591	150,059	462,394	394,730	
Investments in intangible and tangible assets	60,491	64,635	851	1,804	31,829	5,264	
Book value of assets <sup>3) 5)</sup>	1,373,722	1,411,137	59,866	81,335	427,031	388,310	

Web Systems		Postpress <sup>6)</sup>		Heidelberg Group	
1-Apr-2002 to 30-Sep-2002	<b>1-Apr-2003 to 30-Sep-2003</b>	1-Apr-2002 to 30-Sep-2002	<b>1-Apr-2003 to 30-Sep-2003</b>	1-Apr-2002 to 30-Sep-2002	<b>1-Apr-2003 to 30-Sep-2003</b>
187,022	160,723	188,012	188,492	1,903,216	1,509,452
27,773	16,263	6,185	6,590	146,140	127,266
18,073	13,043	10,783	16,228	188,426	152,284
- 48,809	- 49,167	- 13,748	- 20,434	36,467	- 93,235
-	604	-	210	-	3,682
-	-	-	-	- 32,299	- 36,059
5,309	2,788	3,184	7,209	96,958	75,042
250,937	254,712	168,725	173,353	2,026,295	2,064,588
121,872	120,850	72,767	75,067	1,474,062	1,497,507
2,329	2,228	1,958	2,462	24,181	23,706

Latin America		Asia/Pacific		Heidelberg Group	
1-Apr-2002 to 30-Sep-2002	<b>1-Apr-2003 to 30-Sep-2003</b>	1-Apr-2002 to 30-Sep-2002	<b>1-Apr-2003 to 30-Sep-2003</b>	1-Apr-2002 to 30-Sep-2002	<b>1-Apr-2003 to 30-Sep-2003</b>
81,705	50,664	401,318	347,383	1,903,216	1,509,452
437	2,214	3,350	1,125	96,958	75,042
35,049	31,828	130,627	151,978	2,026,295	2,064,588

Segment information is generated on the basis of the management approach. Intersegmental sales are of minor financial importance and can therefore be ignored.

- 1) Excluding financial assets
- 2) Including capitalized development costs but excluding depreciation during the financial year
- 3) Including: intangible assets, tangible assets and inventories
- 4) Value of liabilities in accordance with the consolidated balance sheet
- 5) As of accounting date 30-Sep-2003 compared with 31-Mar-2003
- 6) The positioning of the Mühlhausen plant within the segment presentation has changed from the previous year. Due to the transfer of the installation operations for inline finishing to Rochester within the framework of the restructuring measures, the business remaining at Mühlhausen has now been included in the Postpress Division (previous year: Digital Division)

## Notes

### 1 Accounting and valuation policies

We present the Interim Financial Report of the Heidelberg Group according to IAS 34, which governs the rules for interim financial reporting. The financial data presented as of March 31, 2003 were not subject to any change in accounting and valuation policies. Income generated during the financial year due to seasonal, economic or other effects is not periodically deferred in the consolidated Interim Financial Statements of the Group. Expenses generated on an irregular basis during the financial year are deferred if they will also be deferred at the financial year-end.

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 Scope of the consolidation

The consolidated financial figures of Heidelberger Druckmaschinen Aktiengesellschaft include all domestic and foreign companies in which Heidelberger Druckmaschinen Aktiengesellschaft directly or indirectly holds a majority of the voting rights or over which Heidelberger Druckmaschinen Aktiengesellschaft is in a position to exercise a controlling influence.

The scope of the consolidation is broken down as follows:

	Total 31-Mar-2003	Total 30-Sep-2003
Number of wholly consolidated companies	91	90
Number of non-consolidated companies due to their minor significance	34	35
Number of companies measured according to the equity method	2	2
	<u>127</u>	<u>127</u>

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

- Initial consolidation:  
Heidelberg Postpress Packaging GmbH, Neuss, Germany;  
Heidelberg CIS OOO, Moscow, Russia.
- Deconsolidation/merger:  
Heidelberg Nigeria Ltd., Lagos, Nigeria;  
Heidelberg Lebanon S.A.R.L., Beirut, Lebanon;  
Heidelberg Used Equipment Ltd., Slough, UK.

The change of the scope of the consolidation had the following effects:

	2002/2003	2003/2004
Fixed assets	31,808	- 7,129
Current assets	44,283	7,414
<b>Total assets</b>	<b>76,091</b>	<b>285</b>
Shareholders' equity	25,846	-
Liabilities	50,245	285
<b>Equity and liabilities</b>	<b>76,091</b>	<b>285</b>
Sales	20,328	23,791
Net profit	11,151	- 3,025

Within the scope of the debt consolidation of Heidelberg CIS OOO, Moscow, the difference resulting from the set-off of the respective receivables and liabilities amounting to approximately € 9 million (before taxes) of former financial years was recorded with effect to the income statement.

### 3 Foreign currency changes

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

	2002/2003	2003/2004
Fixed assets	- 97,998	- 21,453
Current assets	- 235,221	- 59,094
<b>Assets</b>	<b>- 333,219</b>	<b>- 80,547</b>
Shareholders' equity	- 181,439	- 52,782
Liabilities	- 151,780	- 27,765
<b>Equity and liabilities</b>	<b>- 333,219</b>	<b>- 80,547</b>
Sales	- 82,449	- 130,190

### 4 Other operating income

	1-Apr-2002 to 30-Sep-2002	1-Apr-2003 to 30-Sep-2003
Income from job research projects	27,512	22,752
Reversal of other provisions	20,224	25,787
Foreign exchange profits	14,280	26,164
Income from operating facilities	5,245	6,428
Income from disposals of intangible assets and tangible assets	1,345	7,465
Reversal of negative goodwill	1,463	493
Income from written-off receivables	7,063	13,442
Income resulting from deconsolidations of companies	13,705	-
Sundry income	34,451	40,955
	<b>125,288</b>	<b>143,486</b>

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

## 5 Other operating expenses

	1-Apr-2002 to 30-Sep-2002	1-Apr-2003 to 30-Sep-2003
Other deliveries and services, not included in the cost of materials	89,446	64,142
Rent and leases (excluding car fleet)	41,741	46,601
Special direct selling costs including freight charges	45,254	38,713
Travel expenses	48,586	37,646
Provisions for doubtful accounts and other assets	52,022	39,365
Additions to provisions (relates to several expense accounts)	26,897	20,903
Insurance expenses	10,355	16,471
IT expenses	21,196	17,165
Legal and consulting fees	13,551	12,820
Costs of mail and payment transactions	12,325	9,861
Public-sector fees and other taxes	7,852	9,169
Other research and development costs	8,714	7,238
License fees	8,315	5,563
Car fleet costs	5,942	6,709
Expenses from operating facilities	5,947	6,159
Exchange rate losses	6,494	3,719
Office supplies, newspapers, technical literature	3,805	3,128
Commissions	5,928	2,353
Losses from disposals of intangible assets and tangible assets	1,244	1,618
Other overhead costs	61,003	67,533
	<u>476,617</u>	<u>416,876</u>

## 6 Restructuring costs

The expenses for restructuring amount to € 3,682 thousand. These are largely expenditures that could not be added to provisions during financial year 2002/2003. An explanation of the restructuring is included in the presentation of the asset, financial and income position in the Management Report.

## 7 Financial result

	1-Apr-2002 to 30-Sep-2002	1-Apr-2003 to 30-Sep-2003
Result from the equity valuation	- 32,299	- 36,059
Income from the specialized investment funds	4,626	8,359
Other result	1,015	2,924
<b>Result from financial assets and marketable securities</b>	<b>- 26,658</b>	<b>- 24,776</b>
Other interest and similar income	59,399	47,542
Interest and similar expenses	46,834	39,936
<b>Net interest income</b>	<b>12,565</b>	<b>7,606</b>
	<b>- 14,093</b>	<b>- 17,170</b>

## 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 average number of outstanding shares during the period (2003/2004: 85,908,480 shares). There is no difference between the diluted and undiluted earnings per share.

## 9 Fixed assets

	Intangible assets	Tangible assets	Financial assets	Total
Cost of acquisition or manufacturing costs March 31, 2003	506,761	2,524,191	342,235	3,373,187
<b>Cost of acquisition or manufacturing costs September 30, 2003</b>	<b>512,342</b>	<b>2,498,315</b>	<b>345,036</b>	<b>3,355,693</b>
Accumulated depreciation March 31, 2003	240,919	1,837,149	137,714	2,215,782
<b>Accumulated depreciation September 30, 2003</b>	<b>249,415</b>	<b>1,841,656</b>	<b>172,543</b>	<b>2,263,614</b>
Book values March 31, 2003	265,842	687,042	204,521	1,157,405
<b>Book values September 30, 2003</b>	<b>262,927</b>	<b>656,659</b>	<b>172,493</b>	<b>1,092,079</b>

**10 Inventories**

	31-Mar-2003	30-Sep-2003
Raw materials, consumables and supplies	222,523	196,770
Work and services in process	303,054	372,879
Manufactured products and merchandise	540,975	567,494
Payments on account	6,859	7,859
	<u>1,073,411</u>	<u>1,145,002</u>

**11 Receivables  
and other assets**

	31-Mar- 2003	of which term to maturity			30-Sep- 2003	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	<u>860,389</u>	<u>184,957</u>	<u>410,160</u>	<u>265,272</u>	<u>787,340</u>	<u>181,458</u>	<u>386,807</u>	<u>219,075</u>
Trade receivables	813,358	810,581	2,777	–	622,729	621,692	1,037	–
Receivables from affiliated enterprises	35,496	34,810	686	–	26,674	22,577	4,097	–
Receivables from associated companies/joint ventures	24,689	24,689	–	–	25,601	25,601	–	–
Other assets	195,058	150,767	27,010	17,281	231,279	190,513	33,021	7,745
– of which								
tax reimbursement claims	(56,871)	(56,865)	(6)	(–)	(91,715)	(91,711)	(4)	(–)
– of which loans granted	(588)	(283)	(279)	(26)	(761)	(396)	(331)	(34)
– of which								
derivative financial instruments	(44,574)	(34,237)	(10,337)	(–)	(37,942)	(15,435)	(22,507)	(–)
– of which								
deferred interest payments	(9,148)	(6,066)	(3,082)	(–)	(9,762)	(9,691)	(71)	(–)
	<u>1,068,601</u>	<u>1,020,847</u>	<u>30,473</u>	<u>17,281</u>	<u>906,283</u>	<u>860,383</u>	<u>38,155</u>	<u>7,745</u>

## 12 Shareholders' equity / minority interests

As of the reporting date, Heidelberger Druckmaschinen Aktiengesellschaft does not hold any treasury stock.

RWE Aktiengesellschaft, Essen, holds an indirect participation in Heidelberger Druckmaschinen Aktiengesellschaft amounting to 50.016 percent of the voting shares as of the reporting date.

The dividend payment comprises the distribution to the minority shareholders of Gallus Holding AG, St. Gallen, Switzerland.

## 13 Provisions

	31-Mar-	Maturity			30-Sep-	Maturity		
	2003	1 year or less	from 1 to 5 years	over 5 years		2003	1 year or less	from 1 to 5 years
<b>Provisions for pensions and similar obligations</b>	559,471	33,002	75,953	450,516	575,083	37,534	76,567	460,982
<b>Tax provisions</b>	199,471	25,199	174,272	–	190,179	13,071	177,108	–
<b>Other provisions</b>								
arising from sales and service activities	197,570	171,311	15,379	10,880	179,110	171,558	7,188	364
arising from human resources	346,681	276,777	50,099	19,805	294,783	226,387	48,857	19,539
arising from research and development	15,141	15,141	–	–	8,719	8,719	–	–
Other	136,384	128,257	7,160	967	113,717	104,924	7,473	1,320
	695,776	591,486	72,638	31,652	596,329	511,588	63,518	21,223
	1,454,718	649,687	322,863	482,168	1,361,591	562,193	317,193	482,205

## 14 Liabilities

	31-Mar- 2003	of which term to maturity			30-Sep- 2003	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
To banks	796,477	786,494	9,919	64	957,239	942,243	14,932	64
Advance payments received on orders	97,408	97,408	–	–	100,618	100,580	38	–
Trade payables	274,952	270,633	4,311	8	186,299	182,779	3,520	–
Arising from the acceptance of drawn bills and the issue of own bills	5,546	5,546	–	–	4,342	4,342	–	–
To affiliated enterprises	8,382	6,699	1,683	–	11,215	9,556	1,659	–
To associated companies/ joint ventures	945	945	–	–	655	655	–	–
Other liabilities	290,352	224,527	38,221	27,604	237,139	196,330	15,309	25,500
– of which derivative financial instruments	(49,864)	(7,100)	(15,160)	(27,604)	(41,372)	(5,502)	(10,370)	(25,500)
– of which taxes	(54,999)	(54,999)	(–)	(–)	(39,231)	(39,231)	(–)	(–)
– of which relating to social security	(33,264)	(33,264)	(–)	(–)	(28,412)	(28,412)	(–)	(–)
	<u>1,474,062</u>	<u>1,392,252</u>	<u>54,134</u>	<u>27,676</u>	<u>1,497,507</u>	<u>1,436,485</u>	<u>35,458</u>	<u>25,564</u>

An underwriting syndicate under the management of Commerzbank AG and Deutsche Bank AG has granted Heidelberg a five-year revolving credit facility in the amount of € 750 million. Short-term liabilities to financial institutions (with a term to maturity of up to one year) amounting to € 942,243 thousand (31-Mar-03: € 786,494 thousand) include credit totaling € 314,206 thousand (31-Mar-03: € 428,575 thousand) under this long-term committed credit line.

## 15 Contingent liabilities and other financial liabilities

	31-Mar-2003	30-Sep-2003
Liability arising from the endorsement of bills of exchange	179	282
Guarantees and warranties	296,535	300,587
	<u>296,714</u>	<u>300,869</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-2003	Maturity			30-Sep-2003	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	409,243	55,874	94,260	259,109	444,943	50,416	117,852	276,675
<b>Other</b>								
Orders for investments	26,930	26,930	–	–	35,057	35,057	–	–
Future lease obligations	77,360	17,824	50,119	9,417	71,685	17,163	49,261	5,261
Additional obligations	14,776	14,746	30	–	6,490	6,435	55	–
	<u>119,066</u>	<u>59,500</u>	<u>50,149</u>	<u>9,417</u>	<u>113,232</u>	<u>58,655</u>	<u>49,316</u>	<u>5,261</u>
	<u>528,309</u>	<u>115,374</u>	<u>144,409</u>	<u>268,526</u>	<u>558,175</u>	<u>109,071</u>	<u>167,168</u>	<u>281,936</u>

## 16 Supervisory Board/ Management Board

The members of the Supervisory Board and the Management Board are listed on page 28.

## 17 Important events occurring after the reporting date

There were no important events occurring after the reporting date.

Heidelberg, October 2003

**The Management Board**

**Interim income statement  
of the Heidelberg Group  
Quarterly overview**

**Interim income statement**

Figures in € thousands

	1-Apr-2003 to 30-Jun-2003	1-Jul-2003 to 30-Sep-2003	1-Apr-2003 to 30-Sep-2003
Net sales	718,160	791,292	1,509,452
Change in inventories	19,264	37,146	56,410
Other own work capitalized	19,821	17,324	37,145
<b>Total operating performance</b>	<b>757,245</b>	<b>845,762</b>	<b>1,603,007</b>
Other operating income	90,884	52,602	143,486
Cost of materials	328,191	362,528	690,719
Personnel expenses	333,683	310,549	644,232
Depreciation and amortization	44,370	43,531	87,901
Other operating expenses	201,010	215,866	416,876
<b>Result of operating activities excluding restructuring costs</b>	<b>- 59,125</b>	<b>- 34,110</b>	<b>- 93,235</b>
Restructuring costs	367	3,315	3,682
Result of operating activities including restructuring costs	- 59,492	- 37,425	- 96,917
Result from financial assets and marketable securities	- 13,819	- 10,957	- 24,776
Net interest income	3,290	4,316	7,606
<b>Financial result</b>	<b>- 10,529</b>	<b>- 6,641</b>	<b>- 17,170</b>
<b>Income before taxes</b>	<b>- 70,021</b>	<b>- 44,066</b>	<b>- 114,087</b>
Taxes on income	6,794	8,505	15,299
<b>Net loss</b>	<b>- 76,815</b>	<b>- 52,571</b>	<b>- 129,386</b>
Minority interests	1,388	1,862	3,250
Net loss – Heidelberg portion	- 78,203	- 54,433	- 132,636
<b>Earnings per share according to IAS 33 (in € per share)</b>	<b>- 0.91</b>	<b>- 0.63</b>	<b>- 1.54</b>

## The Supervisory Board

---

### Dr. Klaus Sturany

Chairman

### Dr. Dietmar Kuhnt

Chairman

– through September 12, 2003 –

### Josef Pitz\*

Deputy Chairman of the  
Supervisory Board

### Hans-Jürgen Bauer\*

– through September 12, 2003 –

### Martin Blessing

– since September 12, 2003 –

### Prof. Dr. Clemens Börsig

### Roland Eisenbarth\*

– through September 12, 2003 –

### Dr. Michael Endres

– through September 12, 2003 –

### Wolfgang Flörchinger\*

– since September 12, 2003 –

### Dietrich-Kurt Frowein

– through September 12, 2003 –

### Martin Gauß\*

### Uwe Heddendorp

– through September 12, 2003 –

### Dr. Jürgen Heraeus

### Gunther Heller\*

– since September 12, 2003 –

### Berthold Huber\*

### Johanna Klein\*

– since September 12, 2003 –

### Pat Klinis\*

### Robert J. Koehler

– since September 12, 2003 –

### Uwe Lüders

– since September 12, 2003 –

### Dr. Gerhard Rupprecht

### Rainer Wagner\*

### Helmut Weber\*

– through September 12, 2003 –

### Jan Zilius

– since September 12, 2003 –

### Committees of the Supervisory Board

---

#### Management Committee

Dr. Klaus Sturany

Josef Pitz

Martin Blessing

Martin Gauß

Berthold Huber

Dr. Gerhard Rupprecht

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

Dr. Klaus Sturany

Josef Pitz

Martin Blessing

Wolfgang Flörchinger

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

Dr. Klaus Sturany

Josef Pitz

Dr. Gerhard Rupprecht

#### Audit Committee

Dr. Jürgen Heraeus

Prof. Dr. Clemens Börsig

Pat Klinis

Rainer Wagner

#### The Management Board

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#### Bernhard Schreier

Chairman

#### Dr. Herbert Meyer

#### Wolfgang Pfizenmaier

#### Holger Reichardt

#### Dr. Klaus Spiegel

\* Employee Representative

## Financial Calendar

<b>January 27, 2004</b>	Publication of 3rd Quarter Figures
<b>April 27, 2004</b>	Publication of Preliminary Figures for the Financial Year 2003/2004
<b>June 8, 2004</b>	Annual Press Conference, Analysts' and Investors' Conference
<b>July 21, 2004</b>	Annual General Meeting

Subject to change

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**This Interim Financial Report is a translation of the official German Interim Financial Report of Heidelberger Druckmaschinen Aktiengesellschaft. The Company disclaims responsibility for any misunderstanding or misinterpretation due to this translation.**

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**HEIDELBERG**