Q1

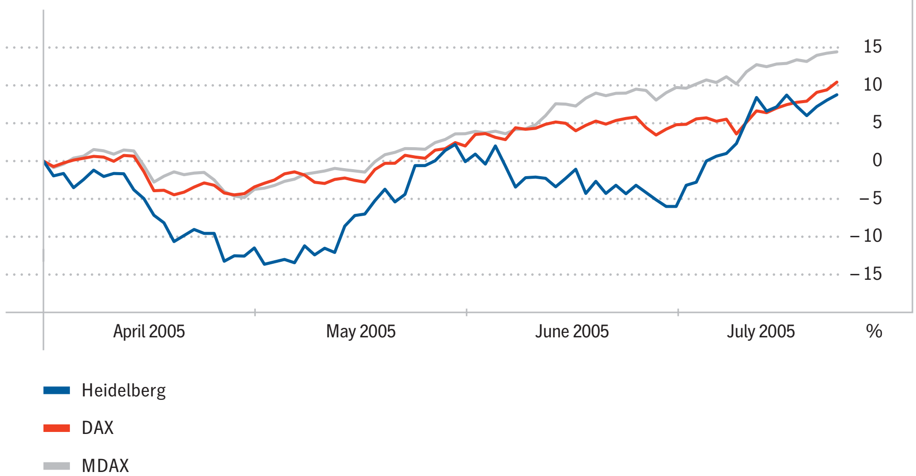
INTERIM FINANCIAL REPORT

1st QUARTER 2005/2006

HEIDELBERG

PERFORMANCE OF THE HEIDELBERG SHARE

compared with the DAX/MDAX (Index: April 1, 2005 = 0 percent)



KEY PERFORMANCE DATA

Figures in € millions

	Q1 prior year[2)]	Q1 2005/2006
Incoming orders	1,286	**886**
Net sales	710	**660**
Result of operating activities[1)]	– 54	**7**
Restructuring expenses	5	**–**
Net loss/profit	– 63	**0**
– in percent of sales	– 8.8	**0.0**
Cash flow	– 38	**32**
– in percent of sales	– 5.4	**4.8**
Free cash flow	– 121	**– 106**
Investments	30	**29**
Earnings per share in €	– 0.74	**– 0.01**

1) Before restructuring expenses

2) Including discontinuing operations: incoming orders € 145 million; net sales € 108 million; result of operating activities € – 33 million

Contents

The Heidelberg Share

The Heidelberg share was similarly volatile as the overall DAX, albeit with greater fluctuations. Although the DAX initially fell by over 4 percent in April, it subsequently made up for lost ground through the end of May. This index has since moved continuously upward, surpassing the 4,600 level in mid-June.

The Heidelberg share as well declined in value in April, reaching its lowest level of € 21.59 on May 3, 2005. Publication of the preliminary annual financial figures on April 25, 2005 was unable to counter this trend, with the figures corresponding to analysts' forecasts. Nevertheless, the successful conclusion of negotiations to secure the future of the Heidelberg Group was favorably received. Thanks to the agreement reached with staff representatives as well as general market developments, by the end of May the Heidelberg share made up for the declines suffered since the beginning of the financial year. In May alone, our share price rose by 13 percent! In June, the price fluctuated between € 23.50 and € 25.50, thereby failing to break through the important € 26.00 threshold. Heidelberg's share price has moved above this barrier since July 8, 2005.

Analysts' valuation of our share has improved since the beginning of the financial year. Of a total of 28 analysts, only one is currently recommending selling Heidelberg's share.

KEY PERFORMANCE DATA OF THE HEIDELBERG SHARE

Figures in €

	Q1 prior year	**Q1 2005/2006**
Earnings per share	– 0.74	– 0.01
Cash flow per share	– 0.44	0.37
Price-cash flow ratio 1)	– 61.68	65.41
Share price – high	31.39	25.88
Share price – low	24.49	21.35
Share price – beginning of the quarter 2)	26.78	25.00
Share price – end of the quarter 2)	27.14	24.20
Market capitalization at the end of the quarter in € millions	2,332	2,079
Number of shares in thousands	85,908	85,908

1) Based on Xetra end-of-quarter closing price; source: Bloomberg

2) Xetra closing price

Underlying Conditions

Primarily powered by upswings in the emerging markets and the US, the global economy grew by 4.8 percent this past year – the fastest pace in quite some time. At the end of the year, however, largely due to the high price of crude oil and the weak US dollar, the growth rate declined. These factors also put a brake on economic growth during the first half of 2005. Global GDP is expected to increase by 4.1 percent for the year as a whole.

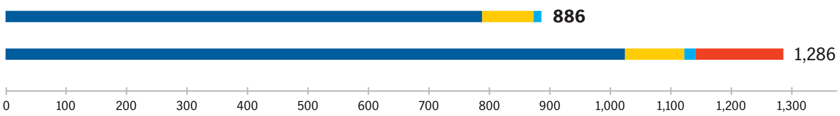
Following the euro zone's advantage during the previous year as a result of the impetus arising from the EU's eastward expansion, growth has remained restrained this year largely due to continuing weak domestic demand. The economy is expected to grow by 1.6 percent in 2005. Growth of less than one percent is also expected for Germany, although early elections are raising hopes for a more business-oriented policy. In particular the emerging markets of Latin America and Asia continue to show stable growth this year as well, albeit at a slightly reduced pace.

In line with global economic developments, the business of the print media industry also picked up further, with US and German printing establishments continuing to experience a gradual expansion in capacity utilization.

Business Development

INCOMING ORDERS BY DIVISION

Figures in € millions



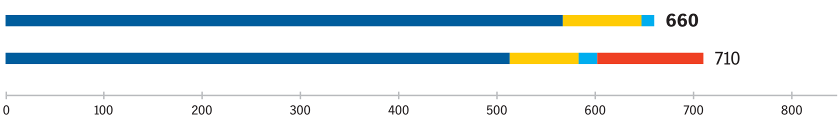
	2005/2006, Q1	2004/2005, Q1
Press	**788**	1,024
Postpress	**85**	98
Financial Services	**13**	19
Continuing Operations	**886**	**1,141**
Discontinuing Operations	**0**	145
Heidelberg Group	**886**	**1,286**

Incoming orders of the Heidelberg Group increased rapidly during the first quarter of the current financial year and reached € 886 million – up considerably over the previous quarter – largely a result of the high volume of orders generated at the China Print trade show held in Beijing in May. The volume of orders of approximately € 104 million underscores China's considerable importance; that country is now our third-largest single market. Overall, in the first quarter we fell 22 percent short of the comparable previous year's figures. Nevertheless, it should be noted that the previous year's figure included the high volume of orders generated at the drupa trade fair from continuing operations totaling € 900 million.

Due to the high level of incoming orders, our **order backlog** also rose further, totaling € 1,231 million at the end of the first quarter.

NET SALES BY DIVISION

Figures in € millions



	2005/2006, Q1	2004/2005, Q1
Press	**567**	513
Postpress	**80**	70
Financial Services	**13**	19
Continuing Operations	**660**	**602**
Discontinuing Operations	**0**	108
Heidelberg Group	**660**	**710**

Sales of the Heidelberg Group totaled € 660 million during the first quarter. Thus, our continuing operations generated their highest first quarter sales level for the past three years, surpassing the comparable previous year's figure by 10 percent. This was primarily caused by favorable developments in China, Mexico and some parts of the euro zone. With the additional reduction of our still very high order backlog, net sales will continue to exceed the previous year's figures in the coming quarters as well.

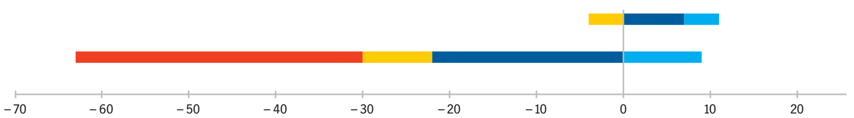
Net Assets, Financial Position, and Results of Operations

RESULT OF OPERATING ACTIVITIES[1)]

Figures in € millions

2005/2006, Q1

2004/2005, Q1



	2005/2006, Q1	2004/2005, Q1
Press	**7**	– 22
Postpress	**– 4**	– 8
Financial Services	**4**	9
Continuing Operations	**7**	**– 21**
Discontinuing Operations	**0**	– 33
Heidelberg Group	**7**	**– 54**

1) Before restructuring expenses

During the first quarter of the current financial year, the Heidelberg Group generated a result of operating activities before restructuring expenses totaling € 7 million. This represents considerable improvement over the previous year, when we posted a loss from continuing operations of € 21 million – a clear success attributable to our striving to additionally reduce structural costs. The increased volume of sales during the current financial year had a favorable impact on the result. Moreover, the previous year had been burdened by the expenses associated with the drupa trade show.

The **pre-tax income** of the Heidelberg Group was also moderately positive and thereby considerably higher than the previous year. **The net result** for the first quarter was break-even.

By the end of the first quarter, **total assets** of the Heidelberg Group had increased to € 3,686 million – € 58 million higher than the figure at the end of the past financial year.

BALANCE SHEET STRUCTURE

Figures in € millions

	31-Mar-2005	in percent of total assets	**30-Jun-2005**	in percent of total assets
Long-term assets	1,426	39	1,426	39
Short-term assets	2,202	61	2,260	61
Total assets	3,628	100	3,686	100
Shareholders' equity	1,232	34	1,233	33
Long-term liabilities	1,348	37	1,358	37
Short-term liabilities	1,048	29	1,095	30
Total assets	3,628	100	3,686	100

Among assets, inventories in particular rose considerably due to the development of deliveries. Trade receivables decreased in line with seasonal influences in the quarter. Among liabilities, especially short-term liabilities increased during the first quarter. A decline in other provisions as well as trade payables contrasted with an increase in financial liabilities.

CASH FLOW STATEMENT

Figures in € millions

	Q1 prior year	Q1 2005/2006
Cash flow	– 38	32
Other operating changes	– 65	– 113
– of which: inventories	(– 119)	(– 135)
– of which: receivables from customer financing	(40)	(10)
– of which: trade receivables	(124)	(80)
– of which: other provisions	(– 58)	(– 58)
Net cash used in investing activities	– 18	– 24
Free cash flow	– 121	– 106
– of which: discontinuing operations	(– 52)	(–)

Primarily due to the improved earnings position, **cash flow** reached € 32 million during the reporting period, representing approximately 5 percent of sales. The previous year's figure had still been burdened by the effects of the Group's realignment and by net cash used by discontinuing operations.

The net cash used in **other operating changes** was higher than the previous year – a result in particular of a greater commitment of funds due to the inventory structure. In the area of customer financing, due to outplacements we had generated a greater cash flow during the previous year. **Net cash used in investing activities** also increased to € −24 million during the first quarter.

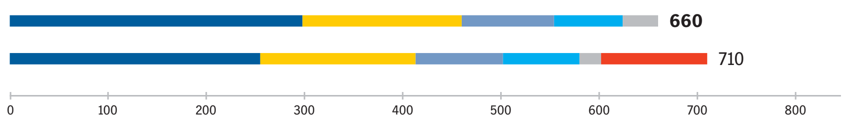
Overall, although this resulted in a negative **free cash flow** of € −106 million, this figure nevertheless shows improvement over the previous year.

Regions

As expected, incoming orders from the **Europe, Middle East and Africa** region of € 363 million fell considerably short of the very high previous year's figure, which was generated at drupa that year. Sales of € 298 million were generated in the region, representing growth of 17 percent over the previous year's figure – made possible primarily by the high order backlog. Sales developed especially favorably in France, Spain, and the UK.

NET SALES BY REGION

Figures in € millions



	2005/2006, Q1	2004/2005, Q1
Europe, Middle East and Africa	**298**	255
Eastern Europe	**70**	78
North America	**94**	89
Latin America	**36**	22
Asia/Pacific	**162**	158
Continuing Operations	**660**	**602**
Discontinuing Operations	**0**	108
Heidelberg Group	**660**	**710**

In the **Eastern Europe** region, the vigor of recent years weakened somewhat. Both incoming orders of € 89 million as well as sales of € 70 million fell considerably short of the previous year's figures.

Supported by the general economic upswing in the **North America** region, the print media industry continued to gradually strengthen there, with numerous printing establishments reporting a rise in their business volume and an improved outlook. This development, however, was not yet reflected in incoming orders for the first quarter of the financial year, which totaled € 97 million. This was a relatively disappointing figure, especially for our principal market, the US. Sales of € 94 million slightly exceeded the figure for the weak previous year.

The **Latin America** region remained stable following years of political and economic crisis. We were successful in boosting incoming orders by 50 percent over the previous year to € 48 million – thanks among others to a trade fair in Mexico. Sales of € 36 million were also considerably higher than the previous year's figure.

In line with the stable economic growth in the **Asia/Pacific** region and the successful course of the trade show China Print, incoming orders here reached a very favorable € 289 million during the first quarter. Although this figure fell slightly short of the previous year, this was only because the previous year's figures included the incoming orders that had been generated at drupa. We slightly boosted sales over the previous year to € 162 million. As in the past, most of our business growth is being generated in China – in particular in large-format model series.

INCOMING ORDERS BY REGION

Figures in € millions

	Q1 prior year	Q1 2005/2006	Change in percent
Europe, Middle East and Africa	525	363	– 31
Eastern Europe	125	89	– 29
North America	149	97	– 35
Latin America	32	48	50
Asia/Pacific	310	289	– 7
Continuing Operations	1,141	886	– 22
Discontinuing Operations	145	0	–
Heidelberg Group	1,286	886	– 31

Research and Development

A total of € 49 million was allocated to research and development during the first quarter of the financial year. As in the past, all R&D projects focus principally on benefiting the customer. For this reason, we involve customers in the development process to an increasing extent and at an even earlier stage. This serves to boost our pace of innovation.

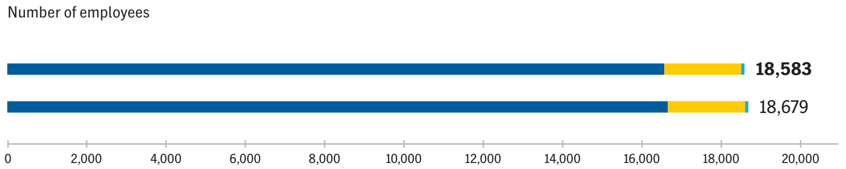
Investments

Investments in the Heidelberg Group through June 30, 2005 totaled € 29 million, thereby nearly reaching the previous year's level on a comparable basis. Investment activity during the current financial year will focus on the launch of new products, replacement capital investments, sales, and information technology.

Employees

EMPLOYEES

	June 30, 2005	March 31, 2005
Press	**16,564**	16,653
Postpress	**1,938**	1,946
Financial Services	**81**	80
Heidelberg Group	**18,583**	**18,679**



The Heidelberg Group had a total of 18,583 employees as of June 30, 2005 – 96 less than at the end of the previous financial year. The decline was principally attributable to the Press Division.

At the end of April, we came to agreement with the staff representatives on a package of measures that secure our competitiveness. The comprehensive solution, which is acceptable to both parties, will make it possible for us to lower our manufacturing expenses, primarily by reducing staff costs. The volume of annual savings, which will total approximately € 100 million, will have a full impact beginning in financial year 2007/2008. This step enables us to invest further in the German plants: Over the next three years, we will maintain a training quota of at least 6 percent in Germany and will intensify specialized further training.

Corporate Risks

As in the past, the principal risk the Heidelberg Group faces is a deterioration of general economic conditions, as this would weaken the gradual upswing of the print media industry. We minimize this risk to the greatest possible extent by means of our broad regional diversification and the continual reduction of our structural costs.

There are currently no recognizable risks that could threaten the existence of the Heidelberg Group. You will find a detailed presentation of corporate risks as well as a description of our risk management system in our current Annual Report, beginning on page 71. The statements presented there are still applicable.

Outlook

All signs point to continued growth, at an average pace, of the global economy this year as well as in 2006. The US and China will continue to serve as the principal engine for growth of the global economy. The gradual upswing in the print media industry in the industrialized countries will continue, which will permit us to benefit from our strategy of offering integrated solutions. Demand for printed products will continue to grow vigorously in the emerging markets, where we will benefit in particular from our superior service and sales network. Although conditions eased off somewhat in recent months, the exchange rate structures in the US market continue to be critical for German suppliers, since Japanese suppliers are able to offer their products at more favorable prices.

In view of this situation, we are projecting a moderate growth in sales on a comparable basis for the current financial year. During the current financial year, we will surpass the previous year's result of operating activities of € 167 million as well as the after-tax result of € 61 million. We will benefit in full from our measures to enhance efficiency as well as our divestiture and deconsolidation of the loss-generating Digital and Web Systems operations. Furthermore, some of the agreed-upon staff cost reductions will already go into effect during the current financial year. However, the development of exchange rates and raw material prices could have a dampening effect. Our goal is to return our cost of capital during the current financial year, and in subsequent years generate a yield that is higher than the weighted cost of capital of 10 percent.

Interim income statement of the Heidelberg Group April 1, 2005 to June 30, 2005

> INTERIM INCOME STATEMENT[1)]

Figures in € thousands	Notes	1-Apr-2004 to 30-Jun-2004	**1-Apr-2005 to 30-Jun-2005**
Net sales		710,276	659,858
– of which: discontinuing operations		(108,463)	(–)
Change in inventories		56,057	105,371
Other own work capitalized		16,621	10,962
Total operating performance		782,954	776,191
Other operating income	4	81,811	65,303
Cost of materials	5	366,066	359,731
Personnel expenses		311,084	266,333
Depreciation and amortization		31,626	30,914
Other operating expenses	6	210,016	177,668
Result of operating activities before restructuring expenses		– 54,027	6,848
Restructuring expenses	7	5,413	–
Result of operating activities after restructuring expenses		– 59,440	6,848
– of which: discontinuing operations		(– 34,479)	(–)
Result from the equity valuation		– 8,236	–
– of which: discontinuing operations		(– 8,236)	(–)
Financial income	8	6,359	10,576
Financial expenses	9	13,083	16,705
Financial result		– 14,960	– 6,129
Pre-tax income		– 74,400	719
– of which: discontinuing operations		(– 46,222)	(–)
Taxes on income		– 11,393	441
– of which: discontinuing operations		(– 2,908)	(–)
Net loss/profit		– 63,007	278
– of which: discontinuing operations		(– 43,314)	(–)
Minority interests		716	1,003
Net loss – Heidelberg portion		– 63,723	– 725
Undiluted/diluted earnings per share according to IAS 33 (in € per share)[2)]	10	– 0.74	– 0.01
– of which: discontinuing operations		(– 0.50)	(0.00)

1) Previous year's figures were adjusted due to the initial application of IFRS 2 (see Note 1)

2) Earnings per share before restructuring expenses amount to € – 0.01 (previous year: € – 0.67)

Interim balance sheet of the Heidelberg Group as of June 30, 2005

> ASSETS[1)]

Figures in € thousands

	Notes	31-Mar-2005	30-Jun-2005
Long-term assets			
Intangible assets	11	239,943	236,726
Tangible assets	11	539,090	541,780
Financial assets	11	48,875	50,338
Receivables from customer financing	12	392,684	382,676
Other receivables and other assets	12	83,807	64,324
Deferred taxes		122,128	150,577
		1,426,527	1,426,421
Short-term assets			
Inventories	13	785,666	925,705
Receivables from customer financing	12	171,993	177,928
Trade receivables	12	575,766	500,563
Other receivables and other assets	12	183,138	192,140
Marketable securities		353,828	350,557
Cash and cash equivalents		131,376	112,465
		2,201,767	2,259,358
		3,628,294	3,685,779

1) Previous year's figures were adjusted due to the initial application of IFRS 2 (see Note 1)

> EQUITY AND LIABILITIES[1)]

Figures in € thousands

	Notes	31-Mar-2005	**30-Jun-2005**
Shareholders' equity	14		
Subscribed capital		219,926	219,926
Capital and revenue reserves		922,793	976,786
Net profit/loss – Heidelberg portion		54,075	– 725
		1,196,794	1,195,987
Minority interests		35,330	36,664
		1,232,124	1,232,651
Long-term liabilities			
Provisions for pensions and similar obligations	15	594,532	601,742
Other provisions	16	271,293	266,322
Financial liabilities	17	377,741	371,553
Other liabilities	18	37,378	44,792
Deferred income taxes		66,902	73,293
		1,347,846	1,357,702
Short-term liabilities			
Other provisions	16	378,573	338,322
Financial liabilities	17	237,689	331,439
Trade payables		211,430	164,004
Other liabilities	18	220,632	261,661
		1,048,324	1,095,426
		3,628,294	3,685,779

[1)] Previous year's figures were adjusted due to the initial application of IFRS 2 (see Note 1)

> CONSOLIDATED CASH FLOW STATEMENT OF THE HEIDELBERG GROUP[1)]

Figures in € thousands	1-Apr-2004 to 30-Jun-2004	**1-Apr-2005 to 30-Jun-2005**
Net loss/profit	– 63,007	278
Depreciation and amortization/write-ups to intangible assets, tangible assets, and financial assets	31,626	30,914
Change in pension provisions	6,699	6,584
Change in deferred taxes/tax provisions	– 16,261	– 5,725
Result from the equity valuation	8,236	–
Result from the disposal of fixed assets	– 5,055	– 369
Cash flow	– 37,762	31,682
– of which: discontinuing operations	(– 34,996)	(–)
Change in inventories	– 119,164	– 134,992
Change in customer financing	40,184	9,650
Change in receivables/trade payables	89,276	29,214
Change in other provisions	– 57,692	– 57,731
Change in other balance sheet items	– 17,825	40,465
Other operating changes	– 65,221	– 113,394
Net cash from operating activities	– 102,983	– 81,712
– of which: discontinuing operations	(– 43,617)	(–)
Intangible assets/tangible assets		
Investments	– 30,424	– 28,704
Proceeds from disposals	19,977	5,020
Financial assets		
Investments	– 7,904	– 254
Proceeds from disposals	361	54
Outflow of funds from investment activity	– 17,990	– 23,884
– of which: discontinuing operations	(– 8,822)	(–)
Free cash flow	– 120,973	– 105,596
– of which: discontinuing operations	(– 52,439)	(–)
Dividend payment	–	– 82
Change in financial liabilities	87,126	83,406
Cash inflow from financing activity	87,126	83,324
– of which: discontinuing operations	(52,512)	(–)
Net change in cash and cash equivalents	– 33,847	– 22,272
Cash and cash equivalents at the beginning of the quarter	120,092	131,537
Changes in the scope of the consolidation	– 9	–
Currency adjustments	– 1,299	3,365
Net change in cash and cash equivalents	– 33,847	– 22,272
Cash and cash equivalents at the end of the quarter	84,937	112,630

[1)] Previous year's figures were adjusted due to the initial application of IFRS 2 (see Note 1)

> DEVELOPMENT OF SHAREHOLDERS' EQUITY [1)]

Figures in € thousands

			Revenue reserves				
	Subscribed capital [2)]	Capital reserve	Other revenue reserves	Foreign currency translation	Market evaluation of hedging trans-actions	Market evaluation of other financial assets	Total retained earnings
April 1, 2004	219,926	2,645	1,777,316	– 84,155	– 13,894	– 1,461	1,677,806
Dividend payment	–	–	–	–	–	–	–
Net loss/profit	–	–	– 700,933	–	–	–	– 700,933
Foreign currency changes	–	–	–	– 358	–	–	– 358
Market evaluation of financial assets/cash flow hedges	–	–	–	–	14,059	– 6,568	7,491
Reversals booked to the income statement	–	–	–	–	– 2,301	– 741	– 3,042
Consolidations/other changes	–	385	1,348	– 7,537	–	–	– 6,189
June 30, 2004	219,926	3,030	1,077,731	– 92,050	– 2,136	– 8,770	974,775
April 1, 2005	219,926	2,645	1,073,008	– 151,297	– 2,902	1,339	920,148
Dividend payment	–	–	–	–	–	–	–
Net loss/profit	–	–	54,075	–	–	–	54,075
Foreign currency changes	–	–	–	15,065	–	–	15,065
Market evaluation of financial assets/cash flow hedges	–	–	–	–	– 24,555	1,877	– 22,678
Reversals booked to the income statement	–	–	–	–	6,909	192	7,101
Consolidations/other changes	–	–	430	–	–	–	430
June 30, 2005	219,926	2,645	1,127,513	– 136,232	– 20,548	3,408	974,141

Total capital and revenue reserves	Net loss Heidelberg portion	Shares of the Heidelberg Group	Minority interests	Total
1,680,451	– 700,933	1,199,444	31,299	1,230,743
–	–	–	–	–
– 700,933	637,210	– 63,723	716	– 63,007
– 358	–	– 358	606	248
7,491	–	7,491	–	7,491
– 3,042	–	– 3,042	–	– 3,042
– 5,804	–	– 5,804	–	– 5,804
977,805	– 63,723	1,134,008	32,621	1,166,629
922,793	54,075	1,196,794	35,330	1,232,124
–	–	–	– 82	– 82
54,075	– 54,800	– 725	1,003	278
15,065	–	15,065	413	15,478
– 22,678	–	– 22,678	–	– 22,678
7,101	–	7,101	–	7,101
430	–	430	–	430
976,786	– 725	1,195,987	36,664	1,232,651

1) Previous year's figures were adjusted due to the initial application of IFRS 2 (see Note 1)

2) Of Heidelberger Druckmaschinen Aktiengesellschaft

Segment information of the Heidelberg Group April 1, 2005 to June 30, 2005

> SEGMENT INFORMATION BY DIVISION[1)2)]

Figures in € thousands

	Press		Postpress		Financial Services	
	1-Apr-2004 to 30-Jun-2004	**1-Apr-2005 to 30-Jun-2005**	1-Apr-2004 to 30-Jun-2004	**1-Apr-2005 to 30-Jun-2005**	1-Apr-2004 to 30-Jun-2004	**1-Apr-2005 to 30-Jun-2005**
External sales	513,091	567,070	69,912	80,111	18,810	12,677
Scheduled depreciation	25,855	29,552	1,036	1,204	168	158
Non-cash expenses	48,426	75,427	5,520	6,681	11,254	9,086
Research and development costs	43,261	44,832	6,288	4,584	–	–
Result of operating activities before restructuring expenses	– 21,995	6,360	– 8,481	– 4,005	9,027	4,493
Restructuring expenses	3,338	–	174	–	–	–
Result of operating activities after restructuring expenses	– 25,333	6,360	– 8,655	– 4,005	9,027	4,493
Result from the equity valuation	–	–	–	–	–	–
Investments	28,057	27,249	808	1,418	329	37
Segment assets	2,134,143	2,169,346	254,563	258,047	590,557	587,589
Segment debt	1,346,893	1,327,541	100,755	79,087	162,030	202,934
Number of employees	16,653	16,564	1,946	1,938	80	81

> SEGMENT INFORMATION BY REGION

Figures in € thousands

	Europe, Middle East and Africa		Eastern Europe		North America	
	1-Apr-2004 to 30-Jun-2004	**1-Apr-2005 to 30-Jun-2005**	1-Apr-2004 to 30-Jun-2004	**1-Apr-2005 to 30-Jun-2005**	1-Apr-2004 to 30-Jun-2004	**1-Apr-2005 to 30-Jun-2005**
External sales by customer location	255,458	298,070	77,819	69,631	88,983	94,165
Investments	27,557	26,077	911	493	287	974
Segment assets	1,800,480	1,776,903	201,590	200,667	359,982	389,361

1) Previous year's figures were adjusted due to the initial application of IFRS 2 (see Note 1)

2) For additional explanations see Note 20

Continuing Operations		Discontinuing Operations		Heidelberg Group	
1-Apr-2004 to 30-Jun-2004	**1-Apr-2005 to 30-Jun-2005**	1-Apr-2004 to 30-Jun-2004	**1-Apr-2005 to 30-Jun-2005**	1-Apr-2004 to 30-Jun-2004	**1-Apr-2005 to 30-Jun-2005**
601,813	659,858	108,463	–	710,276	659,858
27,059	30,914	4,567	–	31,626	30,914
65,200	91,194	34,798	–	99,998	91,194
49,549	49,416	11,780	–	61,329	49,416
– 21,449	6,848	– 32,578	–	– 54,027	6,848
3,512	–	1,901	–	5,413	–
– 24,961	6,848	– 34,479	–	– 59,440	6,848
–	–	– 8,236	–	– 8,236	–
29,194	28,704	1,230	–	30,424	28,704
2,979,263	3,014,982	–	–	2,979,263	3,014,982
1,609,678	1,609,562	–	–	1,609,678	1,609,562
18,679	18,583	–	–	18,679	18,583

Latin America		Asia/Pacific		Continuing Operations		Discontinuing Operations		Heidelberg Group	
1-Apr-2004 to 30-Jun-2004	**1-Apr-2005 to 30-Jun-2005**	1-Apr-2004 to 30-Jun-2004	**1-Apr-2005 to 30-Jun-2005**	1-Apr-2004 to 30-Jun-2004	**1-Apr-2005 to 30-Jun-2005**	1-Apr-2004 to 30-Jun-2004	**1-Apr-2005 to 30-Jun-2005**	1-Apr-2004 to 30-Jun-2004	**1-Apr-2005 to 30-Jun-2005**
22,073	36,122	157,480	161,870	601,813	659,858	108,463	–	710,276	659,858
65	388	374	772	29,194	28,704	1,230	–	30,424	28,704
204,525	211,356	412,686	436,695	2,979,263	3,014,982	–	–	2,979,263	3,014,982

Notes

1 Accounting and valuation policies

We have prepared the consolidated interim financial report as of June 30, 2005 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).

The initial application of changed or new IFRS provisions largely had the following impact on the interim financial statements of the Heidelberg Group as of June 30, 2005:

IAS 1 (2003): 'Presentation of Financial Statements'

IAS 1 (2003) calls for the balance sheet to be broken down by the maturity of the individual items. Assets and liabilities are therefore presented as either short-term or long-term in the consolidated balance sheet. Assets and liabilities are classified as short-term if their term to maturity is less than one year or if they are received or paid out within the framework of a normal production cycle.

Due to the minor significance of investment property, rather than being shown separately, this item is included among tangible assets. Financial assets comprise shares in affiliated enterprises, long-term securities, and other participations. Loans are included in other receivables and other assets.

Trade receivables and liabilities are classified as short-term.

Shareholders' equity now includes minority interests.

Due to the nature of provisions for pensions and similar obligations, these items are shown under long-term debt.

In accordance with IASB provisions, deferred tax assets and liabilities are included, respectively, under long-term assets and long-term debt.

Prepaid expense and deferred income items are no longer shown separately. Rather, they are included either in other receivables and other assets or in other liabilities.

The result of the equity valuation is shown separately in the income statement. Interest and similar income, income from the specialized investment funds, income from financial assets, and income from profit transfer agreements are included under financial income. Interest and similar expenses, expenses arising from financial assets, the expenses of the specialized investment funds, and expenses arising from the assumption of losses are recorded under financial expenses.

IFRS 2: 'Share-based payment'

Due to the initial application of IFRS 2, we have accordingly adjusted the balances carried forward as per April 1, 2004 (deferred tax assets, capital reserve, other revenue reserves, and other provisions), the income statement of financial year 2004/2005 (personnel expenses and taxes on income), as well as the balances carried forward as per April 1, 2005.

In the consolidated interim financial statements, income that only occurs occasionally or is subject to seasonal or cyclical factors during the financial year is neither brought forward nor deferred. Expenses that arise sporadically during the financial year are deferred if they would also have been deferred at financial year-end.

Income taxes for the overall financial year are recorded based on the applicable weighted average income tax rate for the corresponding country.

2 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 significance are not included.

The scope of the consolidation is broken down as follows:

	31-Mar-2005	**30-Jun-2005**
Wholly consolidated companies [1)]	80	77
Non-consolidated companies due to their minor significance	34	33
Associated companies measured according to the equity method	–	–
Associated companies not measured according to the equity method due to their minor significance	3	3
Other participations	5	5
	122	118

1) Including five specialized investment funds

Compared with the previous year, due to merger/liquidation the scope of the consolidation changed as follows:

As of April 1, 2005 HJP Services & Education Center Co. Ltd., Tokyo, Japan, was merged with Heidelberg Japan K.K., Tokyo, Japan, and Heidelberg Digital Finishing GmbH, Mühlhausen, was merged with Heidelberger Druckmaschinen Aktiengesellschaft, Heidelberg.

Furthermore, Heidelberg Asia Pacific Pte Ltd., Singapore, was liquidated.

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

	2004/2005	**2005/2006**
Long-term assets	– 51,157	–
Short-term assets	– 285,322	–
Total assets	– 336,479	–
Shareholders' equity	– 7	–
Liabilities	– 336,472	–
Equity and liabilities	– 336,479	–
Sales	– 16,348	– 78,035
Net result	12,595	33,764

3 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:

	2004/2005	**2005/2006**
Long-term assets	– 16,271	12,239
Short-term assets	– 14,110	27,206
Total assets	– 30,381	39,445
Shareholders' equity	– 19,851	15,478
Liabilities	– 10,530	23,967
Equity and liabilities	– 30,381	39,445
Sales	– 11,811	– 451

4 Other operating income

	1-Apr-2004 to 30-Jun-2004	**1-Apr-2005 to 30-Jun-2005**
Reversal of other provisions	31,558	36,347
Income from written-off receivables	4,960	6,504
Income from operating facilities	4,762	5,751
Foreign-exchange profits	7,451	4,437
Income from disposals of intangible assets and tangible assets	5,329	419
Income from job research projects	4,522	273
Other income	23,229	11,572
	81,811	65,303

5 Cost of materials

	1-Apr-2004 to 30-Jun-2004	**1-Apr-2005 to 30-Jun-2005**
Expenses for raw materials, consumables and supplies, and for goods purchased	321,170	309,937
Costs of purchased services	39,342	47,071
Interest expenses Financial Services	5,554	2,723
	366,066	359,731

Proportionate interest expenses accrued in connection with the Financial Services Division are shown in the cost of materials. Interest income from customer financing is included in net sales.

6 Other operating expenses

	1-Apr-2004 to 30-Jun-2004	**1-Apr-2005 to 30-Jun-2005**
Special direct sales expenses including freight charges	23,434	27,261
Other deliveries and services, not included in the cost of materials	41,866	23,951
Rent and leases (excluding car fleet)	22,640	16,349
Exchange rate losses	1,019	15,341
Travel expenses	21,076	13,507
Provisions for doubtful accounts and other assets	16,742	12,251
Information technology	7,740	11,037
Additions to provisions (relates to several expense accounts)	7,310	5,549
Insurance expenses	5,933	4,868
Car fleet costs	3,362	3,596
Costs of mail and payment transactions	4,879	3,563
Legal and consulting fees	7,062	3,407
Public-sector fees and other taxes	3,891	3,010
Other research and development costs	2,272	2,647
Operating facilities	3,001	2,360
License fees	2,338	1,130
Office supplies, newspapers, technical literature	1,272	973
Commissions	1,360	932
Losses from disposals of intangible assets and tangible assets	319	79
Other overhead costs	32,500	25,857
	210,016	177,668

Foreign exchange losses result from the settlement of our hedging transactions. Foreign exchange losses are offset by foreign exchange profits which are shown in other operating income.

7 Restructuring expenses

	1-Apr-2004 to 30-Jun-2004	**1-Apr-2005 to 30-Jun-2005**
Personnel expenses	447	–
Other costs	4,966	–
	5,413	–

8 Financial income

	1-Apr-2004 to 30-Jun-2004	**1-Apr-2005 to 30-Jun-2005**
Interest and similar income	2,694	4,284
Income from financial assets / marketable securities	3,665	6,292
	6,359	10,576

Interest and similar income also include interest income from the specialized investment funds. The previous year's figures were adjusted accordingly.

9 Financial expenses

	1-Apr-2004 to 30-Jun-2004	**1-Apr-2005 to 30-Jun-2005**
Interest and similar expenses	10,260	13,268
Expenses from financial assets / marketable securities	2,823	3,437
	13,083	16,705

10 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 (first quarter 2005/2006: 85,908,480 shares). There is no difference between the diluted and undiluted earnings per share.

11 Intangible assets, tangible assets, and financial assets

	Intangible assets	Tangible assets	Financial assets
Cost of acquisition or manufacturing costs 31-Mar-2005	379,075	2,157,592	66,439
Cost of acquisition or manufacturing costs 30-Jun-2005	**385,185**	**2,177,469**	**65,084**
Accumulated depreciation 31-Mar-2005	139,132	1,618,502	17,564
Accumulated depreciation 30-Jun-2005	**148,459**	**1,635,689**	**14,746**
Book values 31-Mar-2005	239,943	539,090	48,875
Book values 30-Jun-2005	**236,726**	**541,780**	**50,338**

12 Receivables and other assets

			31-Mar-2005			**30-Jun-2005**
	Short-term	Long-term	Total	Short-term	Long-term	Total
Receivables from customer financing	171,993	392,684	564,677	177,928	382,676	560,604
Trade receivables	575,766	–	575,766	500,563	–	500,563
Other receivables and other assets						
Receivables from affiliated enterprises	27,020	–	27,020	25,722	–	25,722
Tax reimbursement claims	29,201	1,017	30,218	16,624	1,228	17,852
Loans	639	4,294	4,933	468	4,238	4,706
Derivative financial instruments	24,982	11,646	36,628	6,890	3,677	10,567
Deferred interest payments	5,497	–	5,497	5,831	–	5,831
Prepaid expenses	22,167	358	22,525	41,765	2,798	44,563
Other assets	73,632	66,492	140,124	94,840	52,383	147,223
	183,138	83,807	266,945	192,140	64,324	256,464

13 Inventories

	31-Mar-2005	30-Jun-2005
Raw materials, consumables and supplies	119,474	118,166
Work and services in process	275,136	316,480
Manufactured products and merchandise	387,225	484,528
Prepayments	3,831	6,531
	785,666	925,705

14 Shareholders' equity

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

15 Provisions for pensions and similar obligations

We maintain benefit programs for the majority of employees for the period following their retirement – either through the direct program or one financed by payments of premiums to private institutions. The level of benefit payments depends on the conditions in particular countries. The amounts are generally based on the term of employment and the salary of the employee. The liabilities include both those arising from current pensions as well as vested pension rights for pensions payable in the future. The pension payments expected following the beginning of benefit payments are apportioned over the employee's overall period of employment.

16 Other provisions

	31-Mar-2005			30-Jun-2005		
	Short-term	Long-term	Total	Short-term	Long-term	Total
Tax provisions	7,015	165,791	172,806	8,803	167,464	176,267
Other provisions						
Liabilities from sales and services activities	117,337	17,148	134,485	108,104	22,665	130,769
Liabilities from the human resources area	108,776	75,554	184,330	96,349	62,968	159,317
Liabilities from restructuring measures	40,985	–	40,985	34,153	–	34,153
Other	104,460	12,800	117,260	90,913	13,225	104,138
	371,558	105,502	477,060	329,519	98,858	428,377
	378,573	271,293	649,866	338,322	266,322	604,644

17 Financial liabilities

	31-Mar-2005			30-Jun-2005		
	Short-term	Long-term	Total	Short-term	Long-term	Total
Convertible bond	–	269,960	269,960	–	270,060	270,060
Private placement	7,259	94,500	101,759	7,651	94,500	102,151
To banks	208,801	6,846	215,647	301,941	128	302,069
From financial lease contracts	6,982	6,435	13,417	7,190	6,865	14,055
To affiliated enterprises	1,537	–	1,537	1,397	–	1,397
Other	13,110	–	13,110	13,260	–	13,260
	237,689	377,741	615,430	331,439	371,553	702,992

18 Other liabilities

	31-Mar-2005			30-Jun-2005		
	Short-term	Long-term	Total	Short-term	Long-term	Total
Advance payments received on orders	58,973	–	58,973	83,585	–	83,585
To affiliated enterprises	1,525	–	1,525	1,364	–	1,364
From derivative financial instruments	11,993	8,715	20,708	19,709	14,163	33,872
From taxes	42,483	–	42,483	39,355	–	39,355
Within the scope of social security	24,046	–	24,046	33,462	–	33,462
Deferred income	24,993	23,245	48,238	19,387	27,360	46,747
Other	56,619	5,418	62,037	64,799	3,269	68,068
	220,632	37,378	258,010	261,661	44,792	306,453

19 Contingent liabilities and other financial liabilities

As of June 30, 2005 contingent liabilities arising from guarantees and warranties total € 359,565 thousand (March 31, 2005: € 362,591 thousand); they primarily include guarantees provided for the liabilities of third parties within the scope of long-term customer financing.

Other financial liabilities are broken down as follows:

			31-Mar-2005			**30-Jun-2005**
	Short-term	Long-term	Total	Short-term	Long-term	Total
Lease obligations (minimum lease payments)	55,278	377,797	433,075	51,480	380,274	431,754
Orders for investments	19,807	–	19,807	17,588	–	17,588
	75,085	377,797	452,882	69,068	380,274	449,342

20 Information concerning segment reporting

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

Non-cash expenses comprise the following:

	1-Apr-2004 to 30-Jun-2004	**1-Apr-2005 to 30-Jun-2005**
Provisions for doubtful accounts and other assets	16,742	12,251
Allocations to provisions	83,256	78,943
	99,998	91,194

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-2005	**30-Jun-2005**
Gross assets per balance sheet	3,628,294	3,685,779
– financial assets	– 48,875	– 50,338
– securities	– 353,828	– 350,557
– finance receivables	– 93,982	– 101,473
– deferred tax assets	– 122,128	– 150,577
– tax claims	– 30,218	– 17,852
Segment assets	2,979,263	3,014,982

	31-Mar-2005	**30-Jun-2005**
Gross debt per balance sheet [1]	2,396,170	2,453,128
– tax provisions	– 172,806	– 176,267
– tax obligations	– 42,483	– 39,355
– financial obligations	– 504,301	– 554,651
– deferred tax liabilities	– 66,902	– 73,293
Segment debt	1,609,678	1,609,562

[1] Consolidated balance sheet total less shareholders' equity

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

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

The **number of employees** was recorded as of June 30, 2005 compared with March 31, 2005.

21 Supervisory Board / Management Board

The members of the Supervisory Board and the Management Board are listed on page 33.

22 Important events after the reporting date

There were no important events after the reporting date.

Heidelberg, August 2005

The Management Board

The Supervisory Board

Dr. Mark Wössner
Chairman of the Supervisory Board

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

Dr. Klaus Sturany

Rainer Wagner *

* Employee Representative

Committees of the Supervisory Board

Management Committee
Dr. Mark Wössner
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
Josef Pitz
Martin Blessing
Wolfgang Flörchinger

Committee on Arranging Personnel Matters of the Management Board
Dr. Mark Wössner
Josef Pitz
Dr. Gerhard Rupprecht

Audit Committee
Dr. Klaus Sturany
Prof. Dr. Clemens Börsig
Pat Klinis
Rainer Wagner

The Management Board

Bernhard Schreier
Chairman of the Management Board

Dr. Herbert Meyer

Dr. Jürgen Rautert

Financial Calendar 2005/2006

November 8, 2005	Publication of Half-Year Figures 2005/2006
February 2, 2006	Publication of 3rd Quarter Figures 2005/2006
May 3, 2006	Publication of Preliminary Figures 2005/2006
June 7, 2006	Press Conference, Annual Analysts' and Investors' Conference
July 20, 2006	Annual General Meeting
August 1, 2006	Publication of 1st Quarter Figures 2006/2007

Subject to change

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