

Report of the Month

ReportWatch e.com

January 2009

Heidelberg

Heidelberg, Germany



Report Facts

Company name: Heidelberg Druckmaschinen AG
Fiscal year end: March 31, 2008
Report title: *Dimensions*
Chairman Supervisory Board: Dr. Mark Wüssner
Chairman Management Board: Bernhard Schreier
Number of books: Two
Report length: 126 + 100 pages
Auditors: PricewaterhouseCoopers
Design: Hilger & Boie, H.J. Dietz
E-mail: investorrelations@heidelberg.com

Report Rating: ★★★★★

(Rating scale below)

Profile-Products (Excerpts, as from the report)

Heidelberg is the leading equipment supplier to the print media industry... part of our leading position is attributable to the fact that Heidelberg has been manufacturing printing presses for over 150 years... We maintain a global market share of over 40 percent in sheetfed offset printing. Heidelberg is a thoroughly international group, generating... 84 percent of sales abroad.

(Annual Report p 22, p 29) (Italics are own company's words)

Key Figures

Net sales: EUR 3,670 million

Operating result: EUR 268 million

Net profit: EUR 142 million

Earnings per share: EUR 1.81

Dividends per share: EUR 0.95

Return on sales: 3.9%

Return on equity: 11.9%

Equity to total balance sheet : 34.0%

Return on capital employed: 13.5%

Number of employees: 19,596

(Source: 2007 figures sourced from the annual report)

Peers

- **Baldwin Technology**
- **Presstek**
- **Canon**
- **Xerox**
- **RWE** (minority shareholder)

Report Rating: ★★★★★

Triple A

- > Thorough *Five-year Overview* that gives a medium-term perspective without delay (in the inside front cover): includes a number of major indicators and ratios, such as: sales percentages for profit, cash flow; debt; ROCE and ROE, working capital, receivables from sales financing (these are further commented in the notes)...
- > Intelligent and well-constructed operating and financial review (named *Business Development*): highlights *Value Contribution and Performance Indicators* (p 58); sets up the scene and market context; does not conceal unmet *Targets*; analyzes *Net Assets* (see Selected Page), *Working Capital*, *Free Cash Flow* and *Liabilities*.
- > *Our Customers' Situation: Crucial for the Product Portfolio* section gives insights into business development factors, including a diagram of *Cost structure* in the print industry.

Double A

- > Sheetfed-looking charts add informative value. So much that more charts over more years wouldn't have harmed (see Selected Page below).
- > Risk factors, financial components and their impact, and risk management fairly reported.

Simple A

- > Group and product profiling -and differentiation- and year overview not shown that quickly (p 22, p 29, p 121 - why displaying products there only?-, pp 122-123).
- > Though perfectible as a thread, the *Dimensions* theme enlightens about technological solutions and benefits.
- > Governance section not up to... one of its components, i.e. a transparently broken-down remuneration report.

B sides

- > In spite of a number of reading facilitators, the two-book-in-one format for a 220-page volume is not most handy to manage and flick through: paper is not thinnest; information allocation, structure and... sheet management are not fully optimized. Website display and organization helps yet doesn't make up completely.

Rating Scale

★★★★★: First-rate ★★★★★(*): Excellent ★★★★★: Very good ★★★★★(*): Sound ★★★★★: Average

★★(*) : Uneven ★★: Common ★(*) : Substandard ★: Poor (*) : Uncompetitive

The rating is based on ReportWatch internal desk research and does not take into account the independent Rating Panel's judgment. It may therefore differ from ratings (to be) published in the *Annual Report on Annual Reports*.

How does the company report in key areas? What are the main report pluses and minuses?

*The **Report Scan** gives an overview of strengths and weaknesses, and scores each item.*

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Net Assets – Decline in Commitment of Funds

- > Investments up Due to Construction of Hall 11
- > Completion of Second Share Buyback Program
- > Key Performance Figure 'Working Capital as a Percentage of Sales' Reduced

Our main corporate goal is to generate a favorable value contribution for the Heidelberg Group. Furthermore, the commitment of capital and thereby the cost of capital are also to be continually optimized. We attain this goal on the one hand by selling assets not required in business operations by means of active asset management, and on the other hand, by further reducing working capital.

Assets: Investments in Packaging Printing Division

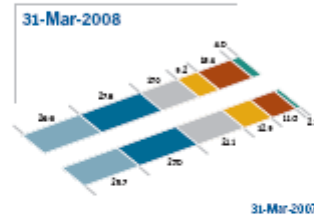
As of March 31, 2008 the total assets of the Heidelberg Group amounted to € 3,507 million, compared with € 3,339 million of the previous financial year-end. This represents growth of € 168 million over the past twelve months.

As can be seen in the table on the right, approximately half of this increase results from fixed assets in connection with a 22 percent increase in investments over the previous year to € 217 million. We used these means primarily to make full use of streamlining potential and to establish manufacturing facilities for new products. The construction of Assembly Hall 11 at our Wiesloch-Walldorf site, which we officially opened in September 2007, was a major project. This is a necessary precondition for generating sales and income with our large printing presses in the future. The new generation of printing presses in the larger format category, the Speedmaster XL 145 and the Speedmaster XL 162, will be assembled and presented to interested customers in Hall 11. The total investment volume of the project amounts to € 45 million, with most of this amount expended during the financial year. Investments focused additionally on replacements as well as new capacity and the Heidelberg Production System. When leasing contributes to limiting the capital commitment we make use of such transactions as a form of financing. This applies especially to real estate, the car fleet, and in the IT area.

The start-up of production of the new products resulted in an increase in inventories despite the falloff in sales. But trade receivables as of March 31, 2008 were considerably below the previous year's level. During the financial year, we were also able to reduce our

ASSETS

Share in total assets in percent



	31-Mar-2008	31-Mar-2007
Fixed assets	932	857
Inventories	974	901
Trade receivables	596	705
Receivables from sales financing	323	431
Other assets	540	369
Cash and cash equivalents	142	76
	3,507	3,339

