HEIDELBERG

People Make Machines Smart

Annual Report 2022 / 2023

People Make Machines Smart

HEIDELBERG is much more than cutting-edge technology. Its people make the difference. We are putting the spotlight on them in financial year 2022/2023. Because even autonomous production processes or self-learning software solutions always have bright minds behind them.

People who are passionate about turning customer wishes into technologies and processes. It is also these people who develop innovations, bring new strategies to life – and who work for a more sustainable future. In short, that's the HEIDELBERG team.

Company profile

Heidelberger Druckmaschinen Aktiengesellschaft is an innovative technology company with a leading position in the global printing industry.

As a reliable and highly innovative partner, we have been synonymous with quality and future viability for more than 170 years. Thanks to state-of-the-art technologies and innovative business ideas, we shape the future trends in the printing industry. We also use our technology expertise to successfully position ourselves in new business areas such as e-mobility.

Two-year overview – HEIDELBERG Group

Figures in € millions	2021/2022	**2022/2023**	Change in %
Incoming orders	2,454	2,433	–1
Order backlog	901	848	–6
Net sales	2,183	2,435	+12
EBITDA [1]	160	209	+31
in percent of sales	7.3	8.6	+18
Result of operating activities	81	131	+62
Net result after taxes	33	91	+176
in percent of sales	1.5	3.7	+147
Research and development costs	98	96	–2
Investments	71	101	+42
Equity	242	514	+112
Net financial position [2]	11	51	+364
Free cash flow	88	72	–18
Earnings per share in €	0.11	0.30	+173
Number of employees at financial year-end [3]	9,811	9,554	–3

1) Result of operating activities before interest and taxes and before depreciation and amortization
2) Net total of cash and cash equivalents and current securities and financial liabilities
3) Number of employees excluding trainees

In individual cases, rounding may result in discrepancies concerning the totals and percentages contained in this Annual Report.

For ease of reading, gender-specific language has not been applied in this report. Where personal terms are only used in the masculine form, they are representative of all genders.

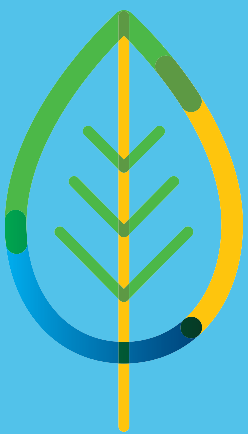
Highlights 2022/2023

8.6 % EBITDA margin

7.2 % adjusted EBITDA margin

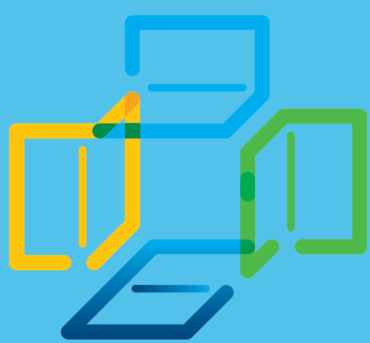
€ 51 million net financial position

€ 209 million EBITDA



Scope 1 and 2 emissions reduced by almost 30 %

+25 % sales with packaging



HEIDELBERG
Stories

Keep on moving

p. 4 In an interview, CEO Dr. Ludwin Monz and CFO Tania von der Goltz talk about the financial year just ended and the goals derived from it.

Unfolding their potential

p. 8 The folding carton specialists of the WEIG Group rely on HEIDELBERG. A visit on-site shows why.

The faces of sustainability

p. 14 Four people report on what they contribute so that HEIDELBERG and its customers can be even more sustainable.

"Change is becoming a constant element of doing business."

Dr. Ludwin Monz, CEO

At the forefront of digitization

p. 20 With the new Gallus One, HEIDELBERG aims to exploit growth opportunities in digital packaging and label printing. Dario Urbinati explains exactly how.

01
To our investors

02
Combined Management Report

03
Financial section

04
Supervisory Board and Corporate Governance

Keep on moving

The new Management Board team CEO Dr. Ludwin Monz and CFO Tania von der Goltz talk about the past financial year and the goals derived from it.

Mr. Monz, how would you briefly summarize the past year?

Dr. Ludwin Monz: Every year has its own challenges, but last year was something special. We had to navigate a variety of different obstacles that you will have read about in the media: We have experienced a financial year that was dominated by the economic repercussions of the war in Ukraine. The inflation this prompted led to a rapid turnaround in monetary policy, interest levels rose at an unprecedented rate and slowed economic development. At the same time, we were troubled by weak demand from China that arose due to local lockdowns. In turn, this caused painful disruptions in global supply chains. The fact that we were nonetheless able to bring the year to a successful close is thanks to the enormous commitment on the part of our staff. In particular, our packaging solutions business performed well in spite of all the turbulence. Meanwhile, we are finding that change is becoming a constant element of doing business. The cycles of change are growing shorter all the time. Change is not a passing fad, rather it is becoming a part of our necessary day-to-day work. So we have to ensure a solid financial footing and act both strategically and proactively.

On the subject of a solid financial footing: Ms. von der Goltz, you joined HEIDELBERG as its Chief Financial Officer in January. What have your impressions of the Company been since then?

Tania von der Goltz: HEIDELBERG has a rich and long tradition. This tradition has to be built on and it has to evolve. This is the only way to achieve success. Our shared future is to find a smart combination of tradition and something new. The passion that I have felt from many of our staff in the past few months gives us an excellent foundation for doing that. The Company has overcome change several times before in its more than 170 years, and it has always been able to count on its employees.

Looking ahead to the coming financial year, what are the key points that the two of you want to take on? Specifically, what do having a solid financial footing and acting strategically mean?

Dr. Ludwin Monz: Quite simply, we have to consistently make more money than we spend. At the same time, after years of contraction, we have to build the foundation for HEIDELBERG's future. We have defined the right business strategy to do so, and it goes well beyond our current core business in sheetfed offset. After all, the printing market comprises much more than sheetfed offset, and our strategy has to reflect that. Meanwhile, we also want to create a future beyond the printing market. That's why we will be moving HEIDELBERG forward along two lines. Firstly, this means consolidating core printing business – our growth will be focused on the packaging market in the short term. Secondly, broadening the business portfolio by cultivating new business areas.

Tania von der Goltz: And growth needs investment. We brought the financial year to a successful close in a challenging environment, with increases in sales and operating earnings. Nonetheless, HEIDELBERG is operating at a low profitability level. We therefore have to reexamine our cost structures

Tania von der Goltz

Tania von der Goltz has been CFO at HEIDELBERG since the beginning of 2023 and has also been a member of the Management Board since that date. Most recently, Tania von der Goltz was Senior Vice President Global Financial Strategy at DAX-listed Fresenius Medical Care, where she was responsible for the company's global financial strategy.

and thus create the space for investment. Growth is a central prerequisite for enhancing our enterprise value. In particular, we are paying attention to cash flow. At first glance, this looks like it has developed well over the last few years, but it has been buoyed by non-recurring effects such as the partial sale of the premises in Wiesloch. We won't see that again in the future. That's why we have launched a program with the aim of steering operating cash flow well into the black in order to allow forward-facing investment.

And how would you like to invest your capital?

Dr. Ludwin Monz: It's important to act based on our existing strength in sheetfed offset printing while also venturing into something visibly new. More than 33 percent of the global print volume today is accounted for by the packaging market – and this figure is rising. A growing world population needs more and more packaged goods, and at the same time there is a trend away from plastic and toward sustainable packaging. We have to leverage these developments. Just recently at the Interpack trade fair, we presented our new Boardmaster press, which enables a significant step in productivity for folding carton producers. With this solution, up to 600 meters of folding cartons can be printed and processed every minute. The first customers are already installing this press now.

At the same time, digital printing is becoming more significant in some market segments. There have been ambitious attempts in the past that have failed on the market. Where do you think that HEIDELBERG stands in this regard?

Dr. Ludwin Monz: After a year, I can say that we have potential in this field. We already have individual products on the market with the Gallus Labelfire and the Gallus One – now we have to strategically expand this expertise. And this would be a lucrative move for us as well, as we earn on both the press and the consumables in particular. I anticipate particular potential for the Gallus One, which we introduced in the middle of 2022. This is the Company's first fully digital label printing press – it is highly automated with UV inkjet printing technology and is integrated into HEIDELBERG's software solutions as well. Thanks to this combination we can offer customers a product that leaves them financially better off: The system reduces the costs of operations over the lifetime of the press and makes digital label printing attractive across the board.

"Our aim is to build on tradition and to create something new."

Tania von der Goltz, CFO

“Sustainability is changing our business and opening up new prospects.”

Dr. Ludwin Monz, CEO

Dr. Ludwin Monz

Dr. Ludwin Monz has been Chief Executive Officer of Heidelberger Druckmaschinen AG since April 2022.

He is a recognized leader in German industry with capital market experience. Most recently, he headed Carl Zeiss Meditec AG for more than ten years.

HEIDELBERG had already announced its intention to be climate-neutral by 2030. How’s that going?

Dr. Ludwin Monz: We have to aspire to achieve climate neutrality. The path that leads there is still one of many small steps that we are taking all the time. At the same time, we have to keep on improving the efficiency of our products. Furthermore, sustainability is also changing our business and opening up new prospects – as we already said when we were talking about strategy, we want to tap new business areas as well. Let’s not forget, we are still talking about a global megatrend in this decade and the next. One example of this is e-mobility, which is benefiting our charging technology business.

Tania von der Goltz: Sustainability has made it to the heart of our business and will be a key factor for us. Take the example of rising energy costs: Sustainability is a key part of the solution. For example, we operate our foundry in Amstetten. The iron is smelted exclusively using electrical power, which is why we are investing in a photovoltaic system with a peak output of 3.6 MW. This is equivalent to the annual energy consumption of around 1,200 households and saves 1,000 t of CO_2 per year. To me, that’s a very real example of how we are integrating our sustainability goal into our operations and creating value added at multiple levels.

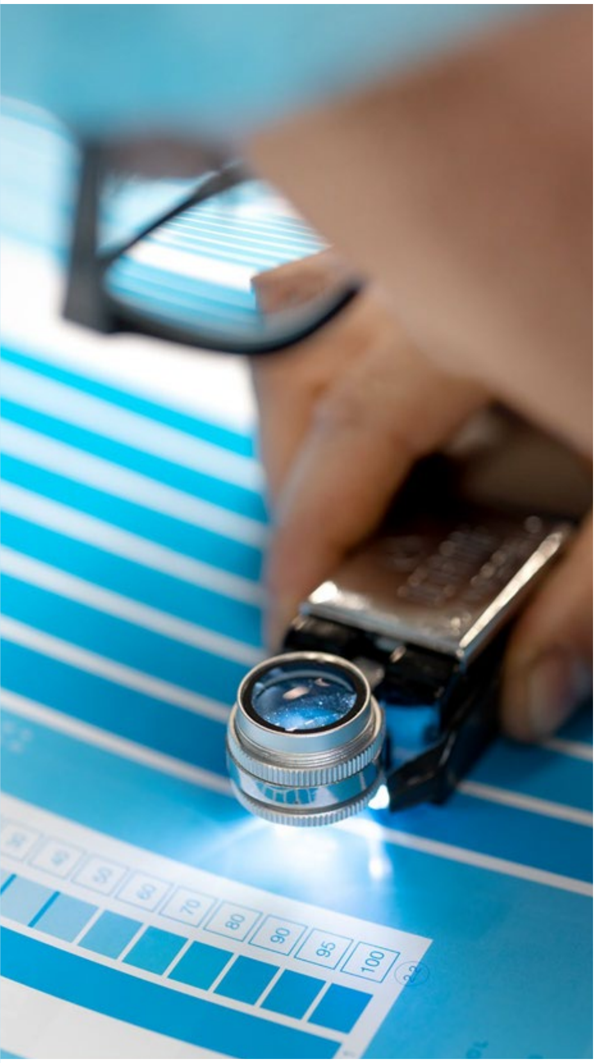
One final question for both of you in light of the skills shortage: Would you start at HEIDELBERG as a young person? And why?

Tania von der Goltz: Yes, because we’re a company in flux. And that’s always a good time to get onboard. Anyone new coming to HEIDELBERG now has both an opportunity and a duty to shape the Company. The same goes for everyone who’s been with the Company for a long time as well. As I already said, our aim is to build on tradition and to create something new. At HEIDELBERG, newcomers will often be exposed to several decades of professional experience. Many of our long-serving employees set an example in terms of conviction and commitment.

Dr. Ludwin Monz: We also benefit from a synthesis of experience and fresh stimulus in production. I believe that apprenticeships in printing technology offer enormous potential for the future, because our young apprentices often learn a combination of mechanics, electronics and software programming. You can see the synthesis of tradition and something new here as well.


HEIDELBERG
Speedmaster

UNFOLDING THEIR POTENTIAL



Look at any shelf in any store and you will see folding cartons. According to market forecasts, this popular form of packaging is set to enjoy further growth – especially when produced sustainably. The WEIG Group is one of Europe's leading manufacturers of cardboard and folding cartons. In Emskirchen in the German region of Franconia where the folding cartons are printed, die-cut and finished, Heidelberger Druckmaschinen AG is represented with three Speedmaster machines. We paid a visit.

The print shop of the folding carton specialist WEIG Packaging GmbH & Co. KG in Emskirchen is a lively place. The printing presses are humming, and the air is warm and smells of ink. At the heart of proceedings: a HEIDELBERG Speedmaster XL 106 21K, currently the world's most productive sheetfed offset printing press in terms of output. The machine is busy printing packaging sheets for coffee capsules, which it spits out one after another – at impressive speed. "We use it to print 21,000 sheets an hour," says print shop manager Maik Schäfer with considerable pride. Together with his team, he ensures that each print job runs smoothly and the quality of the packaging meets

“We have been able to significantly increase the number of sheets printed. We now use our three HEIDELBERG Speedmaster machines to print more than 15 million sheets a month.”

Stefan Leonhardt, Managing Director of WEIG Packaging

Stefan Leonhardt has been managing the WEIG Packaging division since 2020.

the highest standards. With around 10 percent more output, the Speedmaster XL 106 21K lowers unit costs and makes businesses more competitive. The higher print speed also reduces the amount of energy used per printed sheet.

WEIG, an international group headquartered in Mayen in Rhineland-Palatinate, serves the food and non-food sectors of the European folding carton market with its branch WEIG Packaging, which is based in Emskirchen, Bavaria. It also has divisions for recycling and cardboard production that serve the regional corrugated board market in South America and the global gypsum plasterboard industry. WEIG Packaging specializes in packaging and cardboard products like folding cartons and tubes, most of which are made from recycled paper. From packaging for colored pencils, coffee filter papers, champagne bottles and candy to screws, nuts and bolts, WEIG Packaging's products are a ubiquitous part of everyday life. The tobacco cabinet is the only place you will not find them. "We don't serve that segment," says Stefan Leonhardt, Managing Director of WEIG Packaging.

At a speed of 21,000 sheets per hour, the new Speedmaster XL 106 21K in Emskirchen prints folding cartons.

An all-around package

At the Emskirchen site, three HEIDELBERG printing presses churn out folding cartons five days a week in three shifts around the clock. A HEIDELBERG Speedmaster XL 106 21K was installed here recently. Stefan Leonhardt uses the printing presses under an equipment-as-a-service (EaaS) model – once upon a time, it would have been called "leasing". In 2018, WEIG Packaging became the first company in the industry to opt for the "HEIDELBERG Subscription" business model. To date, Leonhardt is extremely satisfied with the all-around package. "In addition to supplying the hardware in conjunction with Munich Re, our partner, Heidelberger Druckmaschinen AG, provides us with consumables such as inks, printing plates and offset blankets – and, above all, its expertise." This means WEIG Packaging saves resources in the print shop and in procurement – and HEIDELBERG also takes care of printing press servicing and maintenance. "When something breaks, it is important to know that things will be up and running again as soon as possible," says Stefan Leonhardt. "HEIDELBERG's rapid response times ensure that this is the case." In many cases, predictive maintenance and the continuous evaluation of various machine parameters allow faults to be identified and rectified before they even become apparent at the printing press itself. This helps to prevent unplanned and expensive downtime.

WEIG and HEIDELBERG have also worked together to optimize operational procedures, print job planning, and printing press usage and settings. "This has reduced set-up times by around 25 percent in recent years," enthuses Stefan Leonhardt. "The result is more efficient production – we have been able to significantly increase the number of sheets printed. We now use our three HEIDELBERG Speedmaster machines to print more than 15 million sheets a month."

Stefan Leonhardt emphasizes the importance of analyzing the data generated in production, such as production KPIs and machine availability. "We are connected to HEIDELBERG, and data flows in both directions." The partners hold monthly meetings at which they evaluate the printing activity, examine the KPIs, and work together to find reasons and solutions if productivity was lower than it should have been. Stefan Leonhardt and his team are always looking to the future: "Continuous improvement is our guiding principle."

According to Stefan Leonhardt, no other company in the industry can boast such high average print speeds as WEIG Packaging. “We always print at maximum speed, which allows us to serve our customers quickly and flexibly.” Among other things, this is thanks to a high degree of automation, which the company intends to increase further over the coming years. The WEIG Group is already taking its first steps into the future: Unmanned conveyor vehicles zip around the shop floor in Emskirchen, deftly maneuvering around barriers and coming to a halt when someone accidentally gets in their way. They are responsible for collecting the printed sheets from the printing press and transporting them to the next stage of production. WEIG Packaging has also upgraded the banding machines it uses to secure its packaging – what used to be a manual task is now semi-manual. “There is no alternative,” says Managing Director Stefan Leonhardt. After all, the packaging industry has been hard hit by the pervasive skills shortage: “We are looking for seven trainees this year alone.” For the future, this means it is essential to automate as many tasks as possible, and not just with regard to the printing presses.

A focus on the environment

Environmental awareness enjoys top priority at the WEIG Group. “Customers are demanding sustainability, and this is accompanied by regulatory pressure at a legislative level,” explains Stefan Leonhardt. The WEIG Group enjoys a near-unique position in this respect, because it has two dedicated divisions that recycle and produce the cardboard it needs for its folding cartons. “Over 90 percent of the carton we print here in Emskrichen is recycled – and produced in-house,” says Leonhardt. The company handles an impressive 900,000 metric tons of recycled paper every year: “We use 700,000 metric tons in our own production and we sell the remaining 200,000 metric tons.” But recycled cardboard cannot be used in all applications – packaging for medical products and food that comes into direct contact with the box must be made from virgin fiber-based board, for instance. This market accounts for 10 percent of WEIG Packaging’s business volume. As Stefan Leonhardt points out, however, the company’s wider aim is to comprehensively replace plastic and virgin fiber-based board with recycled products in the future. Among other things, this means keeping a close eye on potential opportunities. One example: At hardware stores, WEIG’s product developers kept encountering screws and light bulbs in virgin fiber-based packaging. “Totally unnecessary,” as Stefan Leonhardt puts it. “You could just as easily sell them in recycled packaging. We often approach the respective companies with specific product suggestions.”

900,000

metric tons of recycled paper per year are processed by the WEIG Group.

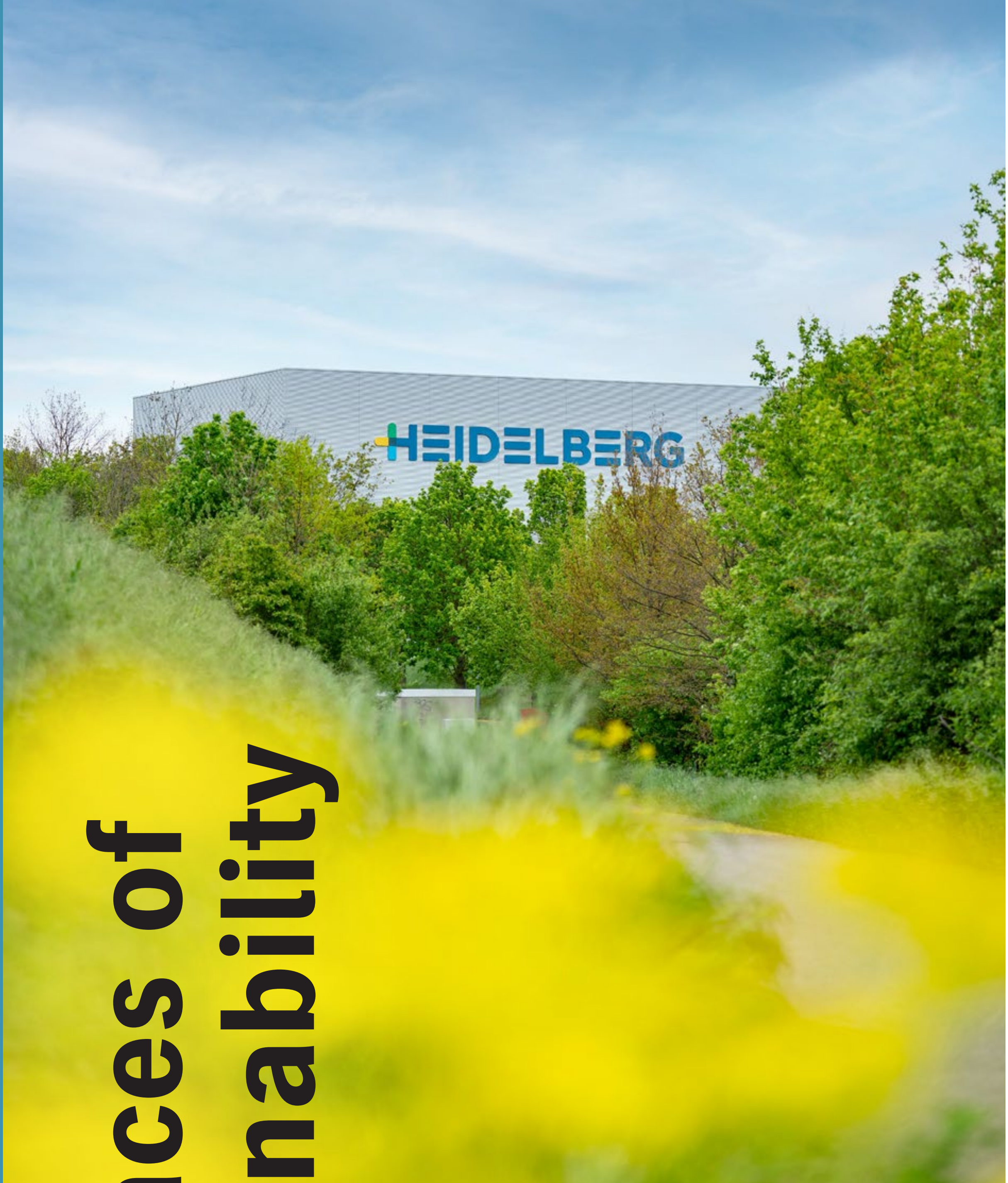
The WEIG Group is also committed to reducing its carbon footprint. Developing lighter packaging is one way of achieving this. “A grammage of 400 gsm is typical,” says Stefan Leonhardt. “Using a 350 gsm board for the same purpose already represents a decent saving. The end product is cheaper, the production process uses less energy, and the lighter weight means we use less diesel for transportation.” The WEIG Group also takes care to ensure that its trucks never do empty runs. The shuttles between the plant and the warehouse at the Mayen site are already electric. For Stefan Leonhard, this is just the beginning: “We are currently testing the feasibility of going electric across our entire vehicle fleet.” And the waste heat generated by the WEIG Group’s production is fed into the district heating network for the town of Mayen.

Growth is the goal

The WEIG Group was unable to escape the impact of the geopolitical situation and the resulting high energy prices in 2022. “In particular, our cardboard production uses a lot of energy,” explains Stefan Leonhardt. “And that meant huge costs.” But the situation has settled down again, and the Group is now looking ahead with confidence to its future growth path.

“Over 90 percent of the carton we print is recycled – and produced in-house.”

Stefan Leonhardt, Managing Director of WEIG Packaging



The faces of sustainability

Sustainability is perhaps the most important issue facing companies – and one with many different aspects. Four members of the HEIDELBERG family talk about what they are doing to make the Company more sustainable.

Dr. Eva Boll, Head of Corporate Sustainability

For Eva Boll, a typical working day involves all kinds of meetings and topics. “We might kick off the morning by discussing the new photovoltaic system that is being installed on the roof of the production building, for example. An hour later, we will be sitting with our diversity manager and analyzing the level of female representation. And then I might meet with the purchasing team to work on a training concept on the new Supply Chain Due Diligence Act for our suppliers.” The climate crisis and the war in Ukraine have turned CO_2 and energy consumption into omnipresent topics for HEIDELBERG and its customers.

“Although the implementation of our climate strategy is a key objective, my role is much more complex than that,” says Eva Boll. She is responsible for the Company’s strategic ESG orientation – and, more importantly, for its integration at departmental level. To achieve this, she engages in a continuous dialog with networks and managers in the Group, with employees who contribute ideas, and with external bodies like the Fraunhofer institutes or the German Mechanical Engineering Industry Association. “My goal is to raise awareness of sustainability throughout the Company and kick-start the various implementation processes.” She is very clear about the question of whether the term is losing its meaning due to overuse: “If anything, we need to talk about sustainability even more if we want the necessary action to be taken. I am keen to prevent greenwashing.”

A doctor of industrial engineering, Boll joined HEIDELBERG ten years ago. One thing that impressed her at the time: “HEIDELBERG was already calculating the carbon footprint of its products before I joined the Company. This meant it was ahead of its time within the mechanical engineering industry.” In her two years as Head of Corporate Sustainability, she has worked tirelessly to ensure that HEIDELBERG continues to play a leading role. Her commitment to the cause is what keeps her motivated. “Sustainability is not just a job requirement, but something I truly believe in.” She cycles the 12 kilometers to work whenever she can, and her home is largely self-sufficient thanks to solar heating, battery storage, and its own photovoltaic system. In addition to a desire to do something for future generations, Eva Boll understands the strategic benefits of sustainability: “To date, the financial payoff for many industries has been limited, but this is in the process of changing.” In the meantime, she is keen to ensure that more and more HEIDELBERG employees become aware of the social, ecological and economic aspects of the Company’s day-to-day business. This is why Eva Boll is happy to dedicate 100 percent of her day to the topic of sustainability.

HEIDELBERG intends to achieve full climate neutrality without offsetting by certificates by

2040

Hans-Jürgen Fink,
Senior Consultant

Hans-Jürgen Fink describes himself as a “truffle hunter” – but he is not in the business of rooting out culinary fungus. A qualified technical business administrator, Hans-Jürgen Fink is a management consultant. His particular truffles are potential improvements, which he seeks to leverage for the financial benefit of his clients. He and his four colleagues are tasked with examining every single print shop process. “Our clients want to synchronize people, machines, systems and processes, and we help them to achieve this,” Fink explains.

Since 2022, one of his focal points has been energy efficiency. “When the war in Ukraine led to a particularly sharp rise in energy costs for our clients in 2022, we decided to take action by developing a consulting concept aimed specifically at resource consumption and energy-efficient production,” says Hans-Jürgen Fink. For print shops, this also represents an opportunity to become more sustainable. Fink starts by analyzing data on waste, set-up times and downtimes, printing speeds and energy consumption, as well as job data. He then examines the local processes and monitors several production runs until he has an overall picture.

His experience shows that energy requirements can be reduced in a number of areas. For example, clients can reduce their downtimes and set-up times, or lower their energy costs per sheet by achieving a higher printing speed. Smart shift handovers and eliminating leaks can also help to save energy.

Customers can save

2–5 %

of their total production costs by optimizing their processes.

The first successful projects identified potential of between 5 and 17 percent in terms of electricity costs and between 2 and 5 percent in terms of total production costs. “Because people have a big impact, it is all the more important to involve employees and managers in the ideas and solutions at an early stage so that they are encouraged to change their behavior.” This is Fink’s particular strength: With 20 years of consulting experience under his belt, he is an expert when it comes to change management. “My aim is to future-proof our clients’ business and make it more profitable through cooperative consulting.” Hans-Jürgen Fink and his colleagues will have plenty of opportunities to achieve this – because HEIDELBERG is expanding its successful consulting program internationally.

"Continuous communication is the key."

Dr. Eva Boll, Head of Corporate Sustainability

"The aim is to synchronize people, machines, systems and processes."

Hans-Jürgen Fink, Senior Consultant

"Smart software is the only way to set ourselves apart from the competition in the long term and optimize our customers' energy usage."

Ulrich Grimm, CEO of Amperfied

"At the end of the day, our aim is to create flexible yet robust supply chains."

Franziska Liebel, Global Head of Purchasing

Ulrich Grimm, CEO of Amperfied

Almost no one at HEIDELBERG combines technological expertise and forward thinking as rigorously as Ulrich Grimm. The CEO of the HEIDELBERG subsidiary Amperfied is currently driving the development of Wallboxes for e-mobility. The qualified automation engineer can draw upon 35 years of experience, including as head of electronics production at HEIDELBERG. “When it comes to printing presses, I have seen everything that has anything to do with electricity,” says Ulrich Grimm.

Around 12 years ago, it was this insight that helped him to identify the potential for new business areas. After all, the power electronics and control technology in HEIDELBERG’s printing presses are a perfect fit for use cases in e-mobility. It began with the production of charging cables for the first generation of hybrid vehicles. Surfing the wave of e-mobility, Wallboxes from Wiesloch-Walldorf were successfully launched in 2018. Since then, well over a hundred thousand units have been sold.

For Grimm, the next step is to develop Amperfied into a system provider. “In addition to pure charging technology for residential buildings and companies, this means gradually expanding our energy management portfolio,” he explains. For example, this will allow photovoltaic systems or storage batteries to be connected to the Wallbox and, in the next stage, controlled by smartphone. “Smart software is the only way to set ourselves apart from the competition in the long term and optimize our customers’ energy usage.” Ease of handling is already one of the product’s strengths. It can be installed more or less as a plug-and-play solution, which Grimm believes will be important for the future.

When it comes to the equipment in his own home, however, he is happy for things to be less straightforward. He himself installed the wood pellet heating system that has been in operation for a number of years. And his latest project also demands specialist expertise. Ulrich Grimm is combining a photovoltaic system and two water tanks in order to heat the water using solar power. “I’m doing it a bit differently than normal. I’m too much of a tinkerer not to,” Grimm explains. Technology aside, the Amperfied CEO and self-proclaimed tinkerer believes there is another important reason for HEIDELBERG’s long-term success: “A healthy culture of human interaction. Over the past 35 years, this is what has consistently helped me to think outside the box.”

HEIDELBERG has already sold

~200,000

Wallboxes to retail and business customers.

Franziska Liebel, Global Head of Purchasing

Franziska Liebel and the purchasing team are extremely busy right now. The reason is a new law that is as challenging as its name suggests: the Supply Chain Due Diligence Act, which came into force at the start of 2023. It defines requirements for environmental protection and human rights throughout the supply chains of companies domiciled in Germany.

“We have 19,500 suppliers worldwide, and we are responsible for handling any anomalies that occur,” says Franziska Liebel in a simplified explanation of the mammoth task facing her and her team. She has been the Global Head of Purchasing since October 2022. Her department’s responsibilities include risk analysis and the corresponding tasks. To ensure that employee awareness is as widespread as possible, the purchasing team has arranged information events for more than 500 people around the world. The objective is clear, as Franziska Liebel explains: “At the end of the day, our aim is to create flexible yet robust supply chains so that we can ensure delivery capacity for our customers.”

19,500

suppliers make up HEIDELBERG’s global supplier network.

Liebel herself previously worked in process design for HEIDELBERG’s printing press production. For years, she explored the questions: “How do materials flow within the Group? Are our processes and IT systems designed appropriately?” This experience means she understands the importance of digitization when it comes to making supply chains fit for the future: “Digitized processes are the only way to achieve transparency throughout all phases. At the same time, we need data that we can use to perform risk assessments, for example.” One reason why the mother of two is so passionate about sustainability in supply chains is her general awareness for the topic. She makes a point of buying sustainable products whenever she can. “Through our adult sons, my husband and I are in close contact with ‘Generation Z’, where this attitude is far more established than it is among my generation,” Liebel explains.

To this end, she believes it is important for the Company to increase the visibility of its sustainability activities as a sign of its commitment to younger generations. At present, sustainability is mainly a question of cost, as the efforts cannot be monetized directly. As Franziska Liebel puts it: “For a mechanical engineering company with such high quality standards as HEIDELBERG, cost and quality are decisive factors. But sustainability will increasingly pay off in the future.”

At the forefront of DIGITIZATION

Dario Urbinati,
CEO of the HEIDELBERG
subsidiary Gallus

Packaging and label printing has been driving growth at the forefront of digitization for a number of years now. HEIDELBERG aims to take advantage of the resulting opportunities with its holistic range of solutions. This is underlined by the newly developed digital label printing press, Gallus One, which combines a high degree of automation with comprehensive connectivity and the lowest total cost of ownership. An interview with Dario Urbinati, CEO of the HEIDELBERG subsidiary Gallus.

Mr. Urbinati, what are the key trends in the label printing market segment?

With annual growth of around 6 percent, digital label printing is the fastest-growing segment in our industry. We aim to expand our strong position in this high-growth market with the Gallus One, the first fully digital label printing system. We are addressing the main challenges facing our customers, of which the skills shortage is the greatest by far. This trend can be observed not only in countries with “boomer” demographics, but also in places with different age structures, like the US and some Asian nations.

What other challenges are cited by your customers?

High energy and substrate prices are another aspect, not to mention the limited availability of production materials due to supply bottlenecks, which means cost pressure is also rising. Following the pandemic, the focus has also shifted to sustainability, and this trend is intensifying. All in all, the market is facing significant changes.

Returning to the skills shortage: What are you doing to address this situation?

The global printing industry is suffering from a shortage of skilled workers. Our response is to supply systems and processes that allow our customers to perform the necessary tasks and operate their value chain with less human intervention. One of the keys is ensuring the connectivity of machinery with the surrounding technical ecosystems and with the cloud. But how exactly can we achieve this? To find out, we installed an “outside-in” development loop prior to beginning the current innovation cycle.

In other words, you called on external expertise.

Correct – by involving our customers directly in the development process. This enabled us to adjust our product concept iteratively and check that it was both feasible and compatible with the requirements of the market. And we continued until we were sure that we would be meeting our customers’ needs, both today and tomorrow.

“Technologically speaking, the new Gallus One represents a quantum leap from a dedicated printing press to a complete ecosystem.”

Dario Urbinati, CEO of the HEIDELBERG subsidiary Gallus

Along with process optimization, standardization and automation, what else was important?

Optimization, and especially the standardization and automation of production processes, is a prerequisite. The aim is to minimize the total cost of ownership for the customer, i.e. the cost of operating a piece of equipment including the consumables used. We went to painstaking lengths to identify cost drivers, eliminate or reduce them, and spread them across the output volume. This means we have highly competitive TCO rates compared with the industry as a whole.

You recently presented the new label printing press, Gallus One. Is this one of the first results of this holistic approach?

Exactly. Technologically speaking, the new Gallus One represents a quantum leap from a dedicated printing press to a complete ecosystem. We are benefiting from the fact that label printing has always been a pioneer of digitalization thanks to its individual requirements in terms of differentiation, which give it a lead of around a decade on other sectors of the printing industry. Label printing is a textbook example of the need for differentiation. After all, the aim is to stand out from the competition at the point of sale.

How did you approach the development of the Gallus One?

In addition to the Gallus Labelfire in the high-performance segment, HEIDELBERG and Gallus needed a label printing solution for the mass market. We specifically bundled our expertise to achieve this, with experts from three locations working on the Gallus One. Our new printing press combines the digital printing and software know-how of the market leader for sheetfed offset printing with Gallus’s many years of extensive experience in the field of label printing. The Gallus One is the first solution to be created using our new construction kit. The result is not only outstanding print quality and efficiency, including in terms of energy consumption, but also a high degree of automation and connectivity. We are currently using this kit as the basis for developing additional innovations.

You used the phrase “complete ecosystem”. What do you mean by that?

In addition to the technical ecosystem of the Gallus One, i.e. the combination of print head, ink and web path, this includes the surrounding software environment, programming interfaces, and data and cloud connections. This is where the synergies with HEIDELBERG are evident, because the Gallus One is connected to HEIDELBERG’s Prinect workflow. We can also connect Prinect to our customers’ existing software solutions.

The new Gallus One at the development center in Wiesloch-Walldorf.

What are the benefits for the customer?

As well as increasing efficiency and lowering costs, connectivity decentralizes the value chain, thereby facilitating new features such as remote control. But that is by no means all. Once machinery is connected, this also enables predictive maintenance.

Can you briefly explain what is meant by predictive maintenance?

We provide our customers with algorithms that evaluate data from certain sensors in their machinery, for example the pressure in an ink pump. This enables precise maintenance that prevents unplanned and expensive production downtime. As well as minimizing disruptive influences in the production process and stabilizing our customers' production output, this allows us to optimize the scheduling and deployment of our service team.

Let us conclude by looking ahead: How do you expect label printing to develop in the future?

According to forecasts, the global label printing volume is set to expand by an average of 3.5 percent annually, from € 28 billion in 2021 to € 34 billion in 2027. There is a clear trend toward digital printing.

The Gallus One is the first visible product of our current innovation cycle. It brings digital label printing to the mass market.

However, another thing that is particularly close to my heart is the Gallus Experience Center in St. Gallen, which was completed recently. A touchpoint for the global narrow web industry, the center is where our technological concepts and products come to life. Gallus can look back on a century of tradition, and it is working with HEIDELBERG to address the challenges of the next 100 years.

Mr. Urbinati, thank you for talking to us.

01

To our investors

Letter from the Management Board

Ladies and gentlemen,

HEIDELBERG has brought the 2022/2023 financial year to a successful close in a challenging environment. With sales in excess of € 2.4 billion and an EBITDA margin (including special items) of 8.6 percent, we have slightly outperformed our targets. Business development was defined by the uncertainty stemming from Russia's war in Ukraine and the resulting significant price increases for raw materials, intermediate products and energy. But the restrictions in China due to COVID-19, their economic repercussions, a two-month closure of our plant and supply chain disruptions in particular also kept us busy. Against this backdrop, we are satisfied with the course of the past year. In particular, our packaging solutions business performed well in spite of all the turbulence. However, we cannot afford to be complacent, because the Group's profitability is still at a low level and was supported by non-recurring effects again last year. In order to enhance our enterprise value in the long term, we have to keep on working on the Group's operational groundwork.

Dr. Ludwin Monz
CEO Heidelberger
Druckmaschinen AG

Tania von der Goltz
CFO Heidelberger
Druckmaschinen AG

After years of contraction, we now have to build the foundation from which HEIDELBERG will navigate the coming decades. In line with our strategy, our position on structurally growing markets continued to evolve in the past financial year. One example of this is HEIDELBERG Boardmaster, a technology based on flexo printing for the growing packaging market. In web-fed printing, it can print and process up to 600 meters of folding cartons every minute. A highlight of this system is the significant improvement in productivity compared to similar presses. More so in this market segment than in any other, high volumes have to be produced at the lowest possible cost per unit. This line is also followed by the new Speedmaster XL 106 21K, which increases productivity for packaging customers by more than 10 percent thanks to a higher printing speed.

We have achieved a significant milestone in digital printing as well. We have introduced the Gallus One, a new product for digital label printing. This shows that digital printing is and will remain a key technology for HEIDELBERG. In particular, it allows us to grow the share of recurring sales by selling ink.

In all our product developments, in all our business processes and in our strategy, one issue naturally always receives very special attention: sustainability. Our goal is to be a climate-neutral Company by 2030. For us, sustainability begins with the development of printing presses and thus also includes production by customers. This entails greater energy efficiency, less waste and eco-friendly means of printing. Sustainability is also a key driver of our business with charging technology for electric vehicles.

As you can see, we have already achieved a great deal on our journey in the past financial year. Behind these achievements and efforts are people, namely HEIDELBERG's employees. We would like to take this opportunity to thank for them: for their dedication, for their team spirit and for their vision.

Dear shareholders, we intend to take the next steps necessary for the Company following the change at the top. HEIDELBERG needs to evolve strategically and it needs a sustainable financial foundation. This is what we will be focusing on in the coming 2023/2024 financial year. We hope that you will continue to accompany us as shareholders and put your trust in us.

Sincerely,

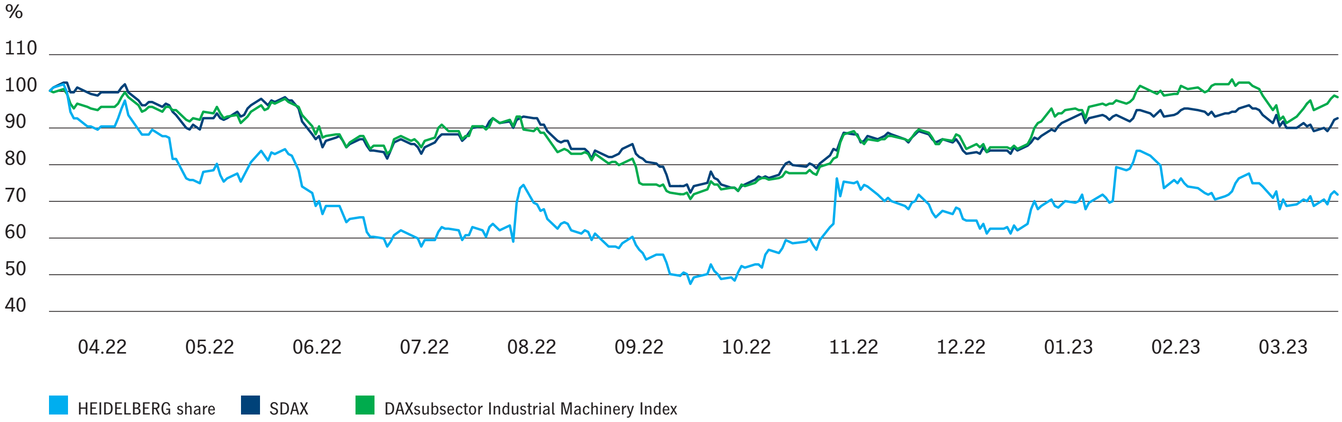
Dr. Ludwin Monz

Tania von der Goltz

HEIDELBERG on the Capital Markets

Performance of the HEIDELBERG share

Compared to the SDAX and DAXsubsector Industrial Machinery Index (Index: April 1, 2022 = 100 percent)



The HEIDELBERG share

- HEIDELBERG share price impacted by macroeconomic development
- Robust business performance with stabilizing effect
- Slight recovery in second half of financial year

HEIDELBERG's share price performance in the past financial year was significantly influenced by the changing macroeconomic conditions. In particular, the Russian invasion of Ukraine and the resulting economic turbulence have adversely affected the stock markets since February 2022. While the German DAX benchmark index fell by around 3 percent compared with the start of 2022, the SDAX small cap selection index slipped by as much as 20 percent. The Industrial Machinery Index saw an even more substantial downturn of almost 33 percent. Price performance was driven by the significant deterioration in economic growth forecasts and the increased probability of a recession in some parts of the world. Inflation was exacerbated by high energy prices, leading to a rapid turnaround in monetary policy. Rising interest rates had a negative impact on the valuation of many companies, while also making other asset classes more attractive.

HEIDELBERG's share price also came under pressure. Having begun the financial year 2022/2023 at € 2.42 on April 1, 2022, the negative trend continued throughout the first two quarters, with the share falling to its low for the year of € 1.11 on September 29. The share price broadly followed the performance of the benchmark indices, albeit – in the same way as for the Industrial Machinery selection index – with more pronounced volatility and price changes. Falling valuations in the e-mobility sector also had a negative impact on the Company's share price. From October onward, the stock markets recovered as firstly oil prices, and then gas prices in Europe gradually declined. The publication of the half-yearly figures on November 9, 2022 led to a further improvement in investor confidence thanks to the increase in the operating result. As a result, the share price rose to € 2.00 in early February before concerns about the stability of the banking sector led to a renewed downturn. The HEIDELBERG share closed the financial year 2022/2023 at € 1.71 on March 31, 2023, down almost 30 percent across the year as a whole. Accordingly, the Company's market capitalization decreased from € 728 million on March 31, 2022, to € 512 million on March 31, 2023. This placed it 147th (previous year: 140th) among all of the companies listed in Deutsche Börse's Prime Standard in terms of market capitalization. The average daily trading volume in the past year was 893,161 shares (previous year: 1,625,399). In terms of trading volume, presented as a ranking of all stocks listed in the Prime Standard, the share ranked 129th in March 2023 (previous year: 114th).

Capital market communications: In constant dialog with investors, analysts and private shareholders

The aim of our investor and creditor relations activities is to present the Company's financial performance and prospects transparently on the capital markets in order to achieve an appropriate valuation for the HEIDELBERG share. To this end, we engage in a continuous dialog with investors, analysts and other capital market participants at a number of international capital market conferences and (virtual) roadshows. The Heidelberg Druckmaschinen AG share is covered by several financial analysts. The Company is currently in contact with five analysts. The average target price as of March 31, 2023 was € 2.23.

With the exception of the presentation of the figures for the fourth quarter, the analysts' conferences on the annual and quarterly figures were held entirely online. The Investor Relations team also participated in numerous conferences and roadshows in the past year, some of which still involved virtual formats. In addition to institutional investors, the Company offered events with the management to private investors, including via investors' associations. Investors can also contact the Investor Relations team by telephone at any time on +49-6222-82 67121 if they have any questions about the Company or the share; they are also welcome to use the online IR contact form. Our IR Web pages also contain extensive information on the HEIDELBERG share and bonds, audio recordings of conference calls, the latest IR presentations, corporate news and dates of publications.

Annual General Meeting 2022 approves all resolution proposals

The Annual General Meeting for the financial year 2021/2022 was again held in virtual form in 2022. It was streamed live from the Company's headquarters in Wiesloch-Walldorf on July 21, 2022. At the Annual General Meeting, the Management Board explained the Company's strategy and the accounts for the past financial year (April 1, 2021 to March 31, 2022). Around 30 percent of HEIDELBERG's share capital was represented at the votes on the agenda items. The Company's shareholders were asked to vote on six of the seven agenda items and on the reelection of Dr. Oliver Jung to the Supervisory Board as a shareholder representative. A clear majority of those entitled to vote on resolutions on the election to the Supervisory Board approved the candidate proposed by the Company's management. Dr. Jung has been a member of the HEIDELBERG Supervisory Board since 2017.

Shareholder structure: Free float at around 84 percent

Following the voting rights notifications received, the proportion of Heidelberger Druckmaschinen shares in free float on March 31, 2023 – in accordance with the Deutsche Börse definition – was around 84 percent of the share capital of 304,479,253 shares. The voting right notifications received are published in the Investor Relations section of our website.

Key performance data of the HEIDELBERG share

Figures in € ISIN: DE 0007314007	2021/2022	**2022/2023**
Basic earnings per share [1]	0.11	0.30
High	3.14	2.44
Low	1.18	1.11
Price at beginning of financial year [2]	1.28	2.42
Price at end of financial year [2]	2.39	1.71
Market capitalization – financial year-end in € millions	728	512
Outstanding shares in thousands (reporting date)	304,479	304,479

1) Determined based on the weighted number of outstanding shares
2) Xetra closing price, source: Bloomberg

02

Combined Management Report

Combined Management Report

Basic Information on the Group

Business model of the Group

Company profile

Heidelberger Druckmaschinen Aktiengesellschaft (HEIDELBERG) is an innovative technology company with a leading position in the global printing industry. As a reliable and highly innovative partner, we have been synonymous with quality and future viability for more than 170 years. Thanks to state-of-the-art technologies and innovative business ideas, we shape the future trends in the printing industry. We also use our technology expertise to successfully position ourselves in new business areas such as e-mobility. At the same time, we examine where we can tap new markets on the basis of technological synergies and production-specific features. Responsible action is a key principle of our strategy, as also reflected in our goal of becoming climate-neutral by 2030.

Our core business is oriented toward the needs of our customers in our target markets of packaging and label printing as well as special and advertising printing (commercial printing). The focus is on increasing the productivity of the entire value chain by digitizing and automating the necessary process steps, particularly with solutions in the areas of robotics, artificial intelligence, and software-based workflow management. With a market share of over 40 percent, HEIDELBERG is the leading provider of sheetfed offset machines, a technology used in the production of high-quality, high-volume printed products. In addition, the Company has also expanded its position in flexographic printing for the packaging market and in digital label printing in recent years. A total of around 9,500 employees together with our sales partners at 250 sites in 170 countries around the globe ensure the implementation of our customers' requirements and our continuous development on the market.

Sites and production

— Global sales and service network ensures direct customer contact
— International production network ensures delivery capacity
— Expansion of industrial customer business

With foreign sales of around 87 percent, a global sales and service organization is crucial for HEIDELBERG. The Company is present on the main markets and offers its customers high machine availability by means of broad service coverage. The Company's production sites are located in Germany and China.

Global sales and service network ensures direct customer contact

Service at HEIDELBERG is characterized by its global availability and its digital solutions. Customers can rely on HEIDELBERG's support around the clock, whether for necessary repairs or the availability of spare parts. Of the 270,000 different spare parts and modules that are available for selection, around 130,000 service parts are permanently in stock. This allows us to fulfill around 95 percent of incoming orders on a daily basis as they are received, and dispatch the respective parts to any destination worldwide within 24 hours. Digitization of service is also crucial. The basis for these digital services is the HEIDELBERG Cloud, which we use to give our customers access to an extensive data pool. The cloud-based applications enable the effective planning and controlling of maintenance tasks. In this way, we are helping our customers to improve their efficiency, reduce the frequency and duration of service calls, and optimize their processes.

International production network

The HEIDELBERG production network is organized by families of components and by products. Our sheetfed offset machines are built at two production sites: In Wiesloch-Walldorf, Germany, we assemble highly automated and more specially configured high-tech printing presses in almost all our format classes based on customer requirements. In Shanghai, China, we produce high-quality, mostly preconfigured models, with a focus on the Asian market. We also have joint parts manufacturing with our partner at the Masterwork site in Tianjin as part of a production joint venture, which significantly increases the share of locally sourced components.

In Weiden (Oberpfalz), we develop and assemble innovative inline flexographic printing presses and die-cutters. Using this equipment, our customers around the world produce cardboard packaging products of all kinds, from cosmetics to food, beverage and pharmaceuticals packaging. Langgöns is the primary production site for label printing systems. The Ludwigsburg production site manufactures individual parts, modules and postpress machinery.

The foundry at the Amstetten site, one of the most powerful throughout Europe, is the most important supplier of cast parts and large parts for our production sites. It also supplies many industrial customers. The mechanical component production specialists in Wiesloch-Walldorf and Brandenburg round off the production network. In addition, charging solutions for our e-mobility subsidiary Amperfied are also assembled at the Wiesloch-Walldorf production site.

In production, we focus on parts for which quality is a key factor and products that provide competitive benefits for us and our customers thanks to our specializations. We continually analyze costs and processes with a view to optimizing vertical integration. HEIDELBERG is continuously pressing ahead with the development of its production system so that it can continue to realize efficiency enhancements in the future.

Expansion of industrial customer business
HEIDELBERG Industry offers production solutions from engineering and model and prototype construction through to series production. The service range encompasses foundry products, mechanical parts machining, the production of industrial electronics and the assembly of component groups and systems, with particular strengths in the mechanical and vehicle engineering and robotics sectors. For example, HEIDELBERG has succeeded in positioning itself as a partner in the assembly of 3D printers for the flexible production of such new systems. In the area of electronics, we develop and produce control and power electronics as well as switchboards.

Markets and customers

- Printed products market has grown slightly again
- Share of packaging and label printing on overall market increases to more than one-third
- Data-driven business and contract models bring more efficiency and grow in importance

Global print volume increases for packaging in particular
In the era of growing digitization, the printed products market remains an attractive business area. The worldwide print production volume has been worth around € 380 billion annually on average over the past four years and posted slight growth again last year. This is all the more pleasing given that the printing industry, like other economic sectors, faced high energy prices and significant increases in producer prices for paper, consumables, and machinery in 2022.

Packaging and label printing proved to be a robust growth area again in 2022. The production volume here increased year-on-year and thus once again exceeded the level from 2019 before the coronavirus pandemic began. Further growth is anticipated here in the coming years, too. By contrast, commercial printing did not recover further in 2022 from its coronavirus setback, which had led to a 15 percent decline in production in 2020. Last year, the production volume in commercial printing declined slightly by 0.6 percent.

There is still a clear trend in terms of the printing technologies used: Almost 71 percent of the print volume is created using sheetfed offset, flexographic, and digital printing processes, and this figure is forecast to keep rising. Sheetfed offset printing accounts for around 35 percent of the print volume and is still the most frequently used printing technology. Digital printing has increased its share to around 20 percent and the trend towards customization and the growing demand for quick turnaround times mean that it will continue to gain in importance. Flexographic printing is an important technology on the packaging market and continues to benefit from the stable and significant growth in packaging and labels. Flexographic printing is a direct letterpress process that uses web-fed rotary printing with flexible photopolymer printing plates. Its share of the global print volume comes to around 16 percent. Especially label printing remains a growth market across all conventional printing technologies, from offset and digital to flexographic.

Packaging market
More than 33 percent of the global print volume is attributable to the packaging market. Alongside labels, this segment is also by far the fastest-growing area on the printing market with annual growth of around 2.3 percent. The reasons for this include the basic needs of a growing global population, rising income combined with the desire for packaged goods, and the trend toward paper-based packaging instead of plastic packaging for environmental reasons. In the past ten years, we have successfully installed more than 2,900 sheetfed offset printing presses at our packaging customers around the world. We realize more than 50 percent of our sheetfed offset press sales in this area.

International brand-name manufacturers of consumer goods attach great importance to product design and therefore invest in high-quality packaging. They have the highest quality standards, which the packaging production must meet in every respect. With Zero Defect Packaging, HEIDELBERG offers the solution that enables print shops to meet the requirement of zero defects. A combination of camera technology and data workflow continuously ensures quality during production.

Label market
While the label market is relatively small, making up around 8 percent of the total print volume, it has some of the highest growth rates in the printing industry on account of the high demand for exceptionally finished labels and just-in-time delivery. In addition to production with the sheetfed offset method, which is mainly used to produce wet-glue labels, for example for beverage bottles, flexographic printing also plays an important role here. Digital printing currently accounts for around 33 percent of label printing, and this share is seeing above-average annual growth of around 6 percent in inkjet technology. Digital printing is therefore driving growth in this promising market segment. HEIDELBERG's answers for demand-driven digital printing are Labelfire and Gallus One. At Labelfire, digital technology is supplemented with conventional printing and finishing processes, allowing finished labels to be produced from a single file using just one printing press. In mid-2022, the subsidiary Gallus also presented Gallus One. The Company's first fully digital label printing press works with UV inkjet printing technology, is very highly automated, and is connected to the cloud. It can reach printing speeds of up to 70 meters per minute along with extremely attractive cost-effectiveness.

Commercial printing market
The market for printed products such as flyers, brochures, business cards, postcards, advertising banners, annual reports and calendars is referred to as commercial or advertising printing. It has historically also been known as "job printing" or "occasional printing" on account of the fact that such printed products originally constituted an additional, irregular source of income for publishing and newspaper print shops. However, there is nothing irregular about the commercial market any more, which is the largest market segment in terms of the worldwide print production volume at around 37 percent. More than 30 percent of this is attributable to digital printing. In addition to offset printing presses, HEIDELBERG also offers Versafire digital printing systems for print shops on this market. With our Prinect production software, we control both sheetfed offset and digital printing using the same software. Print shops in commercial printing need these kinds of automated and flexible production systems in order to keep operating competitively in the future in a changing market. Our powerful, digitally connected printing presses work in line with the "Push to Stop" philosophy, meaning that the printing process is controlled automatically and is only stopped by the operator pressing a button. For the postpress processing of the printed sheets, we already offer automation solutions and a robot for packing ("end-to-end"). We intend to keep expanding this area, thereby offering our customers a solution to the growing shortage of skilled workers.

Another topic for advertising print shops is the rising demand for products that offer clear points of differentiation – whether in terms of environmental issues, for example by using grass paper or effect coatings with optical and haptic properties, or with advertising inserts included in packages in the still booming online retail business. The trend toward smaller but more targeted runs, right through to individual printed products, is opening up new business areas for many small and medium-sized print shops. Although advertising is becoming increasingly digital, the printed medium is continuing to defend its position thanks to the advantages it possesses in terms of haptic properties and high credibility.

E-mobility
E-mobility is a growth market from which we benefit through the development and production of charging solutions. In the EU, new vehicles registered in or after 2035 must not emit any CO_2. As of the beginning of 2023, however, only around 1 million of the 48.8 million passenger cars registered in Germany were all-electric cars. The full transition will therefore take several more years. At the

same time, the necessary infrastructure must be established. Since 2022, HEIDELBERG has been catering to this market with its newly established brand Amperfied. We offer charging solutions not only for homes, but also for companies, vehicle fleets, apartment buildings and public charging at places such as supermarkets, rest stops and restaurants.

Management and control

Heidelberger Druckmaschinen Aktiengesellschaft is a stock corporation under German law with a dual management structure consisting of the Management Board and the Supervisory Board. In the financial year 2022/2023, the Management Board consisted of two members: until December 31, 2022, Dr. Ludwin Monz (Chief Executive Officer) and Marcus A. Wassenberg (Chief Financial Officer and labor director), and since January 1, 2023, Dr. Ludwin Monz (Chief Executive Officer and labor director) and Tania von der Goltz (Chief Financial Officer).

On November 2, 2022, the Supervisory Board of Heidelberger Druckmaschinen AG appointed Tania von der Goltz to succeed Marcus A. Wassenberg as CFO effective January 1, 2023. Marcus A. Wassenberg had announced in October 2022 that he would leave the Company to move to the Executive Board of KION Group AG.

The business allocation plan chart below shows the allocation of functional responsibilities within the Management Board as of March 31, 2023. Dr. Ludwin Monz is the Chief Executive Officer and is responsible for the Occupational Health and Safety and Company Security, Manufacturing and Assembly, Information Security, Internal Audit, Communications, Marketing, Human Resources (labor director), Product Development and Product Safety, Product Management, Quality Management, Service, Corporate Strategy, and Environmental and Energy Management functions, as well as other subsidiaries (Gallus Group, Amperfied GmbH, HEIDELBERG Printed Electronics GmbH and Zaikio GmbH). In addition, Dr. Ludwin Monz has overall responsibility for Sales, meaning that he is in charge of the regional sales organization.

Business allocation plan as of March 31, 2023

Dr. Ludwin Monz Chief Executive Officer	**Tania von der Goltz** Chief Financial Officer
Markets	
Regional Sales Organization	
Functional Responsibilities	
Occupational Health and Safety & Company Security	Controlling & Financing
Manufacturing and Assembly	Procurement
Information Security	Information Technology
Internal Audit	Investor Relations
Communications	Mergers & Acquisitions
Marketing	Accounting
Human Resources	Legal, Patents, Corporate Governance, Compliance and Data Protection
Product Development and Product Safety	Risk Management
Product Management	Site Management
Quality Management	Taxes
Service	
Corporate Strategy	
Environmental and Energy Management	
Sales Operations and Marketing	
Other subsidiaries	
Segments	
Print Solutions (Digital, Commercial, Industrial, Print Other)	
Packaging Solutions (Folding Carton, Label, Packaging Other)	
Technology Solutions (Amperfied, Zaikio, Printed Electronics, Technology Other)	

In her role as Chief Financial Officer, Tania von der Goltz is responsible for the functions Accounting, Controlling & Financing, Taxes, Investor Relations, Mergers and Acquisitions, Procurement, Legal, Patents, Corporate Governance, Compliance and Data Protection, Risk Management, Site Management and Information Technology.

The Supervisory Board consists of 12 members. In accordance with the German Stock Corporation Act (AktG), its most important duties include appointing and dismissing members of the Management Board, monitoring and advising the Management Board, adopting the annual financial statements, approving the consolidated financial statements, and approving or advising on key business planning and decisions. Details of the cooperation between the Management Board and the Supervisory Board and of corporate governance at HEIDELBERG can be found in the Annual Report in the Report of the Supervisory Board and the "Corporate Governance Declaration" section.

Segment structure

In line with its operating activities, the internal reporting structure of the HEIDELBERG Group was divided into the following segments in the financial year 2022/2023: Print Solutions, Packaging Solutions and Technology Solutions. Print Solutions comprises the client categories Digital, Commercial, Industrial and Print Other. The client categories Folding Carton, Label, and Packaging Other together form the Packaging Solutions segment. The Technology Solutions segment combines the businesses of Amperfied, Zaikio, Printed Electronics and Technology Other. These are also the reportable segments in accordance with IFRS.

The segmentation at HEIDELBERG is based on a consistent market and customer focus. Business management is aligned to our target markets and their respective customer requirements. This allows HEIDELBERG to visualize its growth potential and the success of individual segments more effectively, both internally and externally.

Group corporate structure and organization

Heidelberger Druckmaschinen Aktiengesellschaft is the parent company of the HEIDELBERG Group. It carries out central management responsibilities for the entire Group, but is also operationally active in its own right. The overview below shows which of the companies were material subsidiaries as of March 31, 2023 that are included in the consolidated financial statements. The list of all shareholdings of Heidelberger Druckmaschinen Aktiengesellschaft can be found in the appendix to the notes to the consolidated financial statements on pages 160 to 162.

Overview of material subsidiaries included in the consolidated financial statements

Gallus Druckmaschinen GmbH (D)	Heidelberg Japan K.K. (J)
Gallus Ferd. Rüesch AG (CH)	Heidelberg Magyarország Kft. (HU)
Heidelberg Baltic Finland OÜ (EST)	Heidelberg Manufacturing Deutschland GmbH (D)
Heidelberg Benelux BV (NL)	Heidelberg Mexico, S. de R.L. de C.V. (MEX)
Heidelberg Benelux BVBA (BE)	Heidelberg Polska Sp z.o.o. (PL)
Heidelberg Canada Graphic Equipment Ltd. (CDN)	Heidelberg Postpress Deutschland GmbH (D)
Heidelberg China Ltd. (PRC)	PT Heidelberg Indonesia (IDN)
Heidelberg France S.A.S. (F)	Heidelberg Print Finance International GmbH (D)
Heidelberg Grafik Ticaret Servis Limited Sirketi (TUR)	Heidelberg Schweiz AG (CH)
Heidelberg Graphic Equipment (Shanghai) Co. Ltd. (PRC)	Heidelberg Spain S.L.U. (ES)
Heidelberg Graphic Equipment Ltd. – Heidelberg Australia – (AUS)	Heidelberg USA, Inc. (USA)
Heidelberg Graphic Equipment Ltd. – Heidelberg UK – (GB)	Heidelberg Korea Ltd. (KOR)
Heidelberg Graphics (Beijing) Co. Ltd. (PRC)	Heidelberger Druckmaschinen Austria Vertriebs-GmbH (A)
Heidelberg Italia S.r.L. (IT)	Heidelberger Druckmaschinen Vertrieb Deutschland GmbH (D)

Strategy

With its dual-track strategy, HEIDELBERG pursues two main strategic approaches:

1) We shape the printing market.
2) We tap new markets in addition to our core business.

At the same time, sustainability is an integral part of our strategic agenda and forms the basis for our day-to-day actions.

Core business of printing: We shape the printing market

We are strengthening our core business and extending our market position and innovation strength. In this way, we intend to benefit in particular from the growing packaging and label market and to gear our product range more strongly toward the automation and digitization of the entire production process, including beyond printing. In addition to the established sheetfed offset and flexographic technologies, we are also strengthening our product range in the field of digital printing. This is also intended not least to increase the share of recurring sales. Dialog with our customers also forms the basis for operating successfully in increasingly diversified markets. This is reflected in organizational and procedural terms in our Print Solutions and Packaging Solutions segments.

Packaging Solutions: Maximum efficiency and process integration for a growing market

Thanks to globally increasing demand for packaged goods, packaging and label printing is seeing structural growth. The reasons for this include the basic needs of a growing global population, rising income combined with the desire for packaged goods, and the trend toward sustainable paper-based packaging. At the same time, international brand-name companies invest a lot of money in product presentation and packaging design and have the highest quality standards here. HEIDELBERG already generates roughly half of its sales in the Packaging Solutions segment and has successively increased this share over the past years. We aim to keep growing in this segment in the future.

In folding box printing, HEIDELBERG is the leading provider of the main printing technology – sheetfed offset – with a market share of almost 50 percent. At the same time, the Company is also broadening its focus to include flexographic printing, which can offer a key productivity advantage particularly for packaging printers with high volumes. This technology can also be used as the basis for entering other market segments that are not yet addressed by HEIDELBERG at present. A crucial factor for success across all segments of the packaging market is maximum productivity along the entire value chain, which represents a necessary condition for low unit costs and economic success. At the same time, the topic of sustainability and resource efficiency is becoming an increasingly important priority throughout the printing industry. HEIDELBERG is addressing these developments with its innovative solutions.

One of the main keys to optimizing productivity is the automation and digitization of process steps along the value chain, including beyond the printing process. The prerequisites for an efficient process include a consistent data workflow, which HEIDELBERG maps in its Prinect software solution and intends to expand. In addition, software-based testing mechanisms ensure high process reliability, which is particularly important for packaging in the food and pharmaceutical sectors. With highly automated solutions that minimize manual work steps, the Company is also laying the foundations for more productive processes and directly counteracting the pervasive shortage of skilled workers. Higher productivity can also be achieved by way of higher printing speeds, which at the same time reduce the energy required per sheet printed. In the year under review, the Company presented the new Speedmaster XL 106, which prints at a speed of up to 21,000 sheets per hour. This highly automated solution can increase output by more than 10 percent compared to the previously available printing presses. Beyond the printing process, potential is also seen in postpress. The Company already offers innovative robotics solutions for postpress in the commercial printing sector.

LABELS: A GROWTH MARKET IN DIGITAL BUSINESS IN PARTICULAR

While the market for printed labels is relatively small, making up around 8 percent of the total print volume, it offers excellent growth opportunities in the printing industry on account of the high demand for exceptionally finished labels and just-in-time delivery, and is also interesting for the Company from a technological perspective. Around 30 percent of the print volume is already printed using the inkjet method. Digital printing is thus driving the growth in this market segment and is expected to increase by around 6 percent in each of the coming years. For HEIDELBERG, this market segment is therefore a strategic growth segment where the Company provides both automated end-to-end solutions in sheetfed offset printing and also digital and flexographic printing solutions at the Swiss subsidiary Gallus. With the recently presented Gallus One, the first fully digital label printing system, HEIDELBERG intends to expand its position on this fast-growing market. Gallus One also helps increase recurring sales with a proprietary ink, as consumables play a particularly important role in digital printing when it comes to the total revenue that can be generated.

Print Solutions: Shaping the market with profitable innovations

Commercial printing, which HEIDELBERG addresses in the Print Solutions segment, accounts for roughly 37 percent of the global print production volume. While the market is developing fairly stably overall, it is characterized by a technological change from conventional to digital printing processes. The share of digital printing, currently at around 30 percent, is benefiting from the trend toward smaller runs. For small and medium-sized businesses in particular, this development is opening up new business areas. The challenge on this market is to be able to produce as cost-effectively and flexibly as possible regardless of the size of the run. Highly automated, digitally connected and energy-efficient solutions are therefore needed in order to be competitive. HEIDELBERG takes a holistic view of the production process and meets the requirements with a product portfolio that is consistently integrated via the Prinect workflow and makes the smart print shop a reality with its Push to Stop concept: from the digital HEIDELBERG customer portal to the autonomous pressroom with Plate to Unit, and through to the finished product in postpress, where robotics is also used. A high degree of automation with short set-up times, combined with flexible integration of offset and digital, allows for cost-effective industrial production and ensures the competitiveness of commercial customers in a challenging market environment.

At the same time, HEIDELBERG offers a systematic approach for increasing productivity, particularly for small and medium-sized customers in this segment, with its subscription offers. As a result of its extensive industry expertise and the anonymized data of more than 13,000 printing presses installed in the field, the Company can provide significant added value. Customers operating with this business model increase their machinery capacity utilization by an average of 20 to 30 percent. In turn, HEIDELBERG benefits from recurring sales over the term of the contract. Business with consumables, which tends to be more stable than the cyclical new machinery business, also provides steady income. This advantage is particularly relevant in the case of proprietary consumables, as in digital printing. HEIDELBERG is therefore examining how its own expertise in digital printing can be applied in the commercial market. Here the Company has already gathered important and valuable experience in label printing.

New business areas: Use of technological synergies to tap new markets

With its charging solutions for electric cars, HEIDELBERG has already positioned itself successfully on the growth market of e-mobility in the private household sector with its subsidiary Amperfied GmbH.

The e-mobility market will see structural growth in the context of the measures to implement the energy transition in Germany and Europe, as well as worldwide.

HEIDELBERG wants to participate in this growth and will position itself as a provider of solution systems comprising networking features, invoicing software, smart operation and calibrated public charging solutions. The equity investment in January 2023 in Flotteladen GmbH, a provider of backend software for commercial fleets and apartment buildings, represents a step in this direction. As well as expanding its product portfolio, HEIDELBERG also aims to achieve growth in the e-mobility sector by way of geographical expansion to other European countries.

In addition, HEIDELBERG intends to use its expertise in technology and production to tap additional growth markets and continuously analyzes market opportunities and developments.

Sustainability firmly integrated in strategic agenda

For HEIDELBERG, sustainability means combining long-term business success with ecological and social responsibility. It forms part of HEIDELBERG's strategic orientation and is a firm fixture of the Group's organization.

One of our goals as a responsible company is to have the smallest environmental footprint along the value chain of any company in the industry. In addition to the decarbonization of our production sites and branches, we are therefore also focusing on the development of environmentally sound products. In response to the global challenges of climate change, HEIDELBERG has undertaken to make its production sites climate-neutral (Scope 1 and 2 without Scope 3) by 2030. Several measures have been defined to achieve this goal:

- Increased energy efficiency at all production and sales locations
- Production sites to be supplied with renewable energy from in-house plants
- Purchase of certified green electricity
- Offsetting unavoidable emissions through emissions certificates

In the year under review, HEIDELBERG presented the latest generation of the Speedmaster XL 106 – a line of printing presses that consume around 40 percent less energy than a printing press from 1990. Energy efficiency has now become a key factor for print shops. HEIDELBERG has therefore launched an extensive campaign that focuses not only on the energy efficiency of the individual products in the production process, but also in particular on their optimal interaction and operation. This energy efficiency campaign is to be rolled out and expanded further, together with extensive consulting services for print shops.

Further information of our sustainability initiatives is provided in the non-financial report 2022/2023, which is published in the Investor Relations section of our website under “Reports and presentations”.

Key performance indicators

In its management of the HEIDELBERG Group, the Management Board primarily uses key financial figures as the basis for its decisions. These control parameters are the main basis for the overall assessment of all issues and developments being assessed in the Group.

Most significant controlling performance indicators
Our planning and management are based primarily on the Group’s sales and earnings performance. In the area of operational financial performance measurement, **sales** and earnings before interest, taxes, depreciation and amortization (**EBITDA**) are the most significant performance indicators relevant to our management. In previous years, EBITDA had included a number of positive and negative special items. In the future, significant non-operating items are to be adjusted out of earnings. In particular, these include the sale of non-operating assets, write-downs, restructuring expenses, income and expenses from acquisitions and disposals, and exceptional events with a significant impact on the Company. In addition, starting in the coming fiscal year, earnings after taxes will no longer be included as a significant performance indicator relevant to management. The reason for this is the limited possibility to manage key factors influencing the financial and tax result. These include in particular the market-dependent discount rate for pensions, the volatility of which can have a significant impact on the financial result.

More detailed information on the development of these financial performance indicators can be found in the individual sections of the “Economic Report” and in the “Future Prospects” section.

Other financial and non-financial performance indicators
Other key performance indicators in the area of operational financial performance measurement are primarily earnings before interest and taxes (**EBIT**), **earnings after taxes**, **net working capital** in relation to sales, **free cash flow**, and the **leverage ratio**, i. e., net financial debt in relation to EBITDA. In addition to financial indicators, the Board of Management also tracks non-financial performance indicators. These include, in particular, key performance indicators relating to quality assurance. Since the reporting year, performance indicators from the environment-social-governance (ESG) area have also been used.

Reconciliation of EBITDA to net result after taxes

Figures in € millions	2021/2022	**2022/2023**
EBITDA	160	209
Depreciation and amortization	79	79
Result of operating activities	81	131
Financial result	–30	–19
Net result before taxes	51	112
Taxes on income	18	20
Net result after taxes	33	91

Partnerships

- Partnerships and cooperations speed up expansion of new business areas
- Financing partnership for the subscription model together with Munich Re
- Digital printing partner for the commercial market
- Cooperations in the field of postpress

HEIDELBERG sees cooperations as a useful way of combining its own innovative drive with that of its partners and thus increasing it. At the same time, the integration of expertise ensures optimized resource management on both sides. In addition to sales partnerships, the projects particularly focus on supplementing our product portfolio to cover the entire value chain of print shops and on tapping new markets.

Implementation of the subscription approach together with Munich Re

In order to further expand business with our usage-based subscription model, we offer subscription contracts in cooperation with Munich Re – one of the leading providers of reinsurance and insurance-related risk solutions – in selected markets. The two partners are aiming to advance the digitization of business models in the printing industry with attractive subscription offers. With the "Subscription Plus" model, the customer still receives all services – such as servicing, consulting services, software and consumables – from HEIDELBERG. The printing press is provided by the Munich Re subsidiary relayr in this partnership.

RICOH as a digital printing partner on the commercial market

Together with our partner Ricoh, we supplement our offset portfolio by offering a digital printing solution for the cost-effective production of small runs on the commercial market.

Since the beginning of the partnership between HEIDELBERG and Ricoh in 2011, we have steadily increased the installed base of Versafire digital printing systems, with around 2,750 printing presses now sold. The seamless integration of these printing presses in our Prinect software ecosystem is significant in this context. To ensure our customers' success, the Prinect Digital Frontend is continuously being further enhanced by HEIDELBERG and the Prinect functions are being expanded. This is intended to harness the performance of the systems for a growing range of print applications with the greatest possible flexibility, while also ensuring their efficient and comprehensive integration into the print shop workflow so that digital and offset printing systems can be controlled using a common workflow.

Cooperation with Masterwork on the postpress packaging market

In order to further expand our market position in the growth area of packaging printing, we have a sales partnership with China's largest manufacturer of die-cutters, hot-foil embossing machines and inspection machines, Masterwork Group Co., Ltd. (Tianjin). The Diana folder gluers are also purchased from Masterwork's European production site at Nove Mesto in Slovakia. Additionally, the Masterwork Group is HEIDELBERG's largest single shareholder.

Long-standing cooperation on cutting systems with Polar Mohr

In the area of cutting and die-cutting systems, HEIDELBERG and Polar Mohr can look back on a long-standing partnership in place since the 1950s. While Polar Mohr develops and manufactures the systems, HEIDELBERG is responsible for sales and service. We offer the partner's postpress machinery as an integral part of our solution. The focus here is on automation, digitization and workflow integration so as to be able to increase the productivity of value chains in our customers' commercial printing and label production. After the restructuring of Polar Mohr in 2022/2023 – temporarily under insolvency protection proceedings – which had become necessary as a result of supply bottlenecks, agreement was reached on the continuation of this cooperation in the context of the takeover of the Polar cutting machine and label business by SOL-Drei EuVECA GmbH & Co KG as of February 1, 2023.

Cooperation with universities, associations and research partners

Our internal research projects are supplemented by partnerships with institutes and universities including Darmstadt University of Technology, Karlsruhe Institute of Technology (KIT), Mannheim University of Applied Sciences, the University of Wuppertal, Hochschule der Medien (University of Media) and the research organization Fraunhofer-Gesellschaft. These activities are rounded off by our cooperation with and collaboration within associations such as the VDMA, the FVA and Fogra in addition to DIN/ISO committees.

When it comes to developing new business areas, we also work in cooperation with InnovationLab GmbH (iL), in which HEIDELBERG holds 20 percent of the shares. With iL as a platform for knowledge transfer, research and development at the interface between science and industry, we can make use of different areas of expertise from different sectors.

Research and development

- More productivity and differentiation for packaging printing
- Automation in advertising printing: Plate to Unit starts series production
- Great potential for productivity increases in postpress
- New inkjet system Gallus One presented
- Innovation in flexographic printing
- E-mobility: Development of smart charging technologies supports transition in mobility

In research and development, HEIDELBERG concentrated on its core business in the printing industry again in the year under review, with a particular focus on the growing packaging market. HEIDELBERG's technological edge and its differentiation from the competition as a basis for its success are attributable, among other things, to its continuous research and development work. In addition to its core business, technologies for new markets are also to be developed – as has already been done with charging electronics, for example. HEIDELBERG's core competencies here are mechanical engineering and the ability to take ideas from the concept to series production. Mechanical engineering itself is undergoing a fundamental change in which the importance of electronics and software will increase further and play a defining role. With the goal of shaping this change, around 730 employees work in research and development at the HEIDELBERG locations in Wiesloch-Walldorf, Ludwigsburg and Kiel, Weiden and St. Gallen.

More productivity and differentiation for packaging printing

On the packaging market, high productivity is an important prerequisite for low unit costs and thus economic success. This is where HEIDELBERG comes in and has underscored its technology leadership in this segment with a first: The increased printing speed of 21,000 sheets per hour for the Speedmaster XL 106 makes this high-performance system the fastest sheetfed offset printing press on the market, now capable of reaching an output of more than 100 million sheets per year in folding box production, too. The economic benefit is an 8 to 10 percent increase in net output with an amortization period for the investment of around two years.

Particularly in folding box and label printing, there is a trend toward long, customer-specific printing press configurations, which offer users a wide variety of possibilities to stand out. This is because brand-name companies want to keep creating new incentives to buy with outstanding packaging featuring particularly striking designs. With systems of this kind, a wide variety of packaging solutions can be produced with the highest finishing standards. HEIDELBERG specializes in special configurations of this kind that require close cooperation between development, product management and the customer. As of the end of the financial year, the longest sheetfed offset printing press ever produced – a Speedmaster XL 106 with a length of 42 meters, equipped with 20 printing and coating units – was delivered to a major international packaging manufacturer.

Automation in advertising printing: Plate to Unit starts series production

One key element of development work in the Print Solutions segment was reaching production maturity for the fully automated Plate to Unit printing plate logistics. With this system, the provision and disposal of printing plates in the printing press take place almost completely automatically. Intelligent assistance systems provide navigation for the operators so that they intervene in the process only where further action is actually necessary. HEIDELBERG is thereby closing a significant gap on the path to autonomous print production. For industrial printing companies such as online print shops with a particularly large number of small runs and frequent job changes, Plate to Unit is an important lever for increasing productivity and coping with the shortage of skilled workers.

Potential for productivity increases in postpress

HEIDELBERG takes a holistic view of the production process and has therefore also placed a focus on the development of digitization and automation solutions in postpress. In this area, there is particularly high potential due to a large number of manual processes and a clearly noticeable shortage of skilled workers. For the packaging sector, HEIDELBERG has further developed its portfolio in the areas of die-cutters, hotfoil embossing machines, inspection systems and folder gluers also together with its partner Masterwork (MK). The Diana Smartpacker presented in the year under review rounds off the Diana Packer family and offers a high degree of automation and increased efficiency with a smaller size.

New inkjet system Gallus One presented

Digital printing is and will remain a key technology for the Company. HEIDELBERG and its subsidiary Gallus thus jointly developed Gallus One, which represents an important expansion of the Company's portfolio of conventional and hybrid label printing presses. As a 340-mm-wide roll-to-roll UV inkjet digital printing press for inline labels, Gallus One offers a high degree of automation and therefore more efficiency, as well as cloud-based technologies. This results in impressive UV inkjet print quality and printing speeds of up to 70 meters per minute, with the effect that operating costs (TCO) no longer represent an obstacle to switching to digital roll-to-roll labels.

Innovation in flexographic printing

Globally increasing demand for folding boxes is also having a positive impact on flexographic printing, whose production volume is also growing. The new Boardmaster, developed by HEIDELBERG Web Carton Converting GmbH at the Weiden location, is suitable for the production of very large runs and increases maximum machine capacity through simultaneous job changes.

E-mobility: Development of smart charging technologies supports transition in mobility

In addition to its core business, HEIDELBERG also addressed the topics of e-mobility and the energy/mobility transition at several levels in the financial year 2022/2023. In a white paper on "E-mobility for a successful energy transition", published in December 2022, the Company identified action areas such as the challenge for the power grid and the need to speed up the expansion of the charging station network. HEIDELBERG accordingly also expanded the portfolio of its subsidiary Amperfied GmbH to include smart applications and public areas. In addition to a number of smart features, the new generation of wallboxes presented in fall 2022 enables entire vehicle fleets to be operated and invoiced, thereby providing solutions for commercial enterprises and apartment buildings. With the Amperfied Wallbox connect.business, HEIDELBERG has launched its first wall charging station aimed primarily at commercial customers. For public areas, the product range for commercial customers has been rounded out with the accessible, calibration-law-compliant charging station Chargespot connect.public.

European development network with unique industry expertise
The IVZ – our innovation and test center – is the heart of the European development network operated by HEIDELBERG with additional locations in Kiel, Ludwigsburg, Weiden and St. Gallen (Switzerland). Our developers work throughout the entire network in the areas of printing technology, including prepress and postpress, control systems, drive systems and software including user interfaces, and consumables. In addition to traditional mechanical engineering, they have key expertise in the areas of digitization and image processing, electronics and software development, as well as process engineering and chemicals. By expanding these areas of expertise, HEIDELBERG is also actively addressing growth areas outside the print industry, such as the aforementioned area of e-mobility.

R & D in figures
Around 7.7 percent of our workforce is currently employed in the area of research and development. We invested around 3.9 percent of our sales in research and development in the reporting year. HEIDELBERG submitted a total of 48 new patent applications in the financial year 2022/2023 (previous year: 40). This means that HEIDELBERG's innovations and unique selling propositions are protected by 2,496 active patents and patent applications worldwide.

Five-year overview: Research and development

	2018/2019	2019/2020	2020/2021	2021/2022	**2022/2023**
R & D costs in € millions	127	126	87	98	96
in percent of sales	5.1	5.4	4.5	4.5	3.9
R & D employees	988	1,003	870	726	731
Patent applications	89	81	47	40	48

Macroeconomic and industry-specific conditions

Having bounced back from the economic turbulence of the coronavirus pandemic with growth of 6.0 percent in 2021, the expansion of the world economy slowed in the 2022 calendar year, with growth coming in at 3.2 percent according to the International Monetary Fund. In addition to the ongoing impact of the COVID-19-related lockdowns in China, this was primarily attributable to the Russian war on Ukraine, which led to a further upturn in inflation accompanied by supply bottlenecks. Inflation was the main factor putting pressure on industry and consumers. As the Federal Statistical Office announced in its preliminary press release on March 20, producer prices increased by 21.6 percent between December 2021 and December 2022 after taking energy prices into account. The central banks responded to the severe inflationary pressures during 2022 by adopting a more restrictive monetary policy, which served to curb global economic growth. In the first quarter of the 2023 calendar year, the world economy enjoyed fundamentally stable economic development even as interest rate and monetary policy remained restrictive.

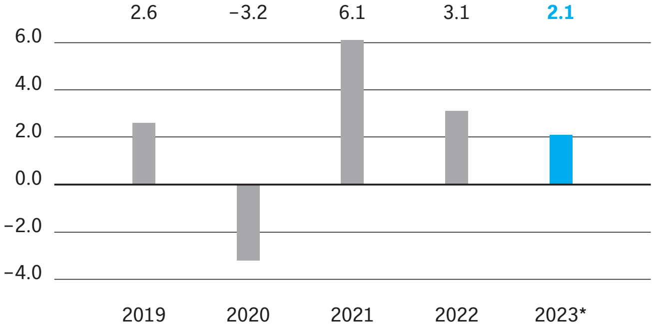
Economic development in the individual countries was mixed. In the industrialized nations, growth in economic output was 2.6 percent lower than the global average and slowed continuously over the course of the year. In the fourth quarter, the year-on-year growth rate was just 1.2 percent. In Europe, growth declined on the back of high energy prices and the contraction of real income in particular. The US economy recorded moderate growth in 2022 even in the face of high inflation and rising interest rates, although it failed to meet expectations. With growth of 1.1 percent in 2022, Japan remained the weakest economic performer among the G7 nations.

Despite economic weakness in China and the slump in production in Russia, macroeconomic development in the emerging economies was positive overall. In China, economic activity was hindered by the strict zero-COVID-19 policy and problems affecting the real estate sector. All in all, the economic output of the emerging economies increased by 3.6 percent, with China seeing weaker than expected year-on-year growth of around 3 percent. In addition to

Sources: IMF 2023; S&P IHS Markit 2023; VDMA 2023

Change in global GDP

Figures in percent

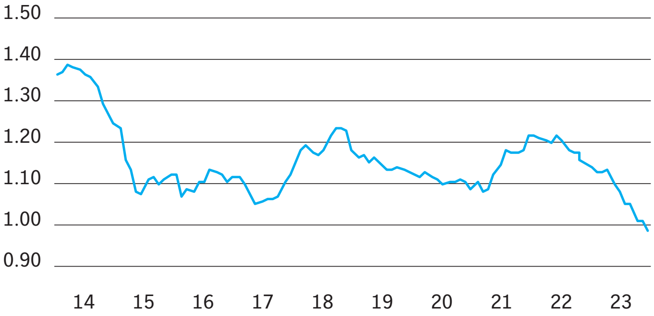


* Forecast

Source: IHS Markit Global Insight; calendar year; as of February 2023

Development of EUR/USD

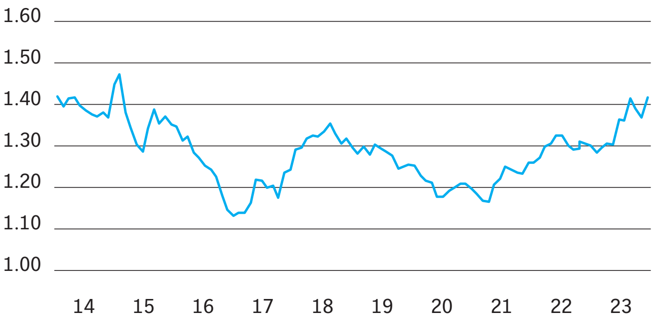
January 2014 to January 2023



Source: IHS Markit Global Insight (Feb. 2023)

Development of EUR/JPY

January 2014 to January 2023



Source: IHS Markit Global Insight (Feb. 2023) higher energy costs, the emerging economies were impacted by the strength of the US dollar and the upturn in refinancing costs as a result of more restrictive monetary policy.

Despite the strained economic environment, global sales in mechanical and plant engineering rose by 2 percent in 2022 after adjustment for inflation. The growth rate in the EU-27 nations was even higher at 3.5 percent. By contrast, China saw weak performance in the past year with inflation-adjusted sales declining by 1 percent in real terms. The US market stagnated at the prior-year level. In the printing and paper technology sector (Germany), orders for printing presses increased by 1 percent adjusted for inflation, while sales rose by 11 percent.

Business development

- Incoming orders with € 2,433 million at previous year level in nominal terms
- Sales of € 2,435 million higher than the forecast of around € 2.3 million and up significantly on previous year
- Operating improvement in EBITDA margin to 8.6 percent (previous year: 7.3 percent)
- EBITDA margin adjusted for non-recurring effects from asset management rises to 7.2 percent (previous year: 5.1 percent)
- Net result after taxes € 91 million (previous year: € 33 million)

Overall assessment of business development

The financial year 2022/2023 was dominated by dramatic price rises for materials and energy, leading to higher production costs. Absorbing this inflation and passing it on to customers was a major challenge in the year under review. At the same time, continued restrictions affecting the availability of supplied parts and delays in logistics led to inefficiencies in production. In particular, this was due to the impact of lockdowns in China at the start of the financial year 2022/2023, which affected supply chains and our business activities in this market. The Russian war in Ukraine, the resulting inflation and the central banks' withdrawal from expansionary monetary policy led to general uncertainty with regard to economic development in Europe and North America. In this challenging environment, Heidelberger Druckmaschinen AG successfully concluded the financial year 2022/2023 (April 1, 2022 to March 31, 2023) by achieving or surpassing its targets in terms of sales, the EBITDA margin and the net result after taxes.

Incoming orders remain solid despite negative macroeconomic trends

Incoming orders amounted to € 2,433 million in the financial year 2022/2023 (after adjustment for currency effects: € 2,366 million). In nominal terms, this was unchanged as against the prior-year figure (€ 2,454 million), which was especially high due to catch-up effects following the COVID-19 pandemic.

Despite the deteriorating macroeconomic conditions, incoming orders in the past financial year were largely stable. At the same time, the significant price adjustments that were necessary in order to offset the rise in material, energy and staff costs had only a limited impact on customer investment behavior. Development across the individual segments varied considerably. The Packaging Solutions segment saw nominal year-on-year growth in incoming orders of around 7 percent. New machinery business enjoyed strong performance, especially in the area of sheetfed offset printing presses. Service and consumables business also recorded substantial growth. By contrast, incoming orders in the Print Solutions segment returned to normal compared with the particularly high prior year level, which had profited from catch-up effects following the COVID-19 pandemic. While service and consumables business expanded slightly, the downturn was attributable to new machinery business in particular.

The order backlog remained at a high level of around € 848 million as of March 31, 2023 (previous year: € 901 million).

Five-year overview: Business development

Figures in € millions	2018/2019	2019/2020	2020/2021	2021/2022	**2022/2023**
Incoming orders	2,559	2,362	2,000	2,454	**2,433**
Order backlog as of March 31	654	612	636	901	**848**
Sales	2,490	2,349	1,913	2,183	**2,435**

Sales up around 12 percent year-on-year
Despite the continued restrictions affecting the availability of supplied parts and delays in logistics, sales increased significantly to € 2,435 million (previous year: € 2,183 million). In addition to volume growth, the change compared with the previous year is mainly due to price adjustments to offset the rise in material and energy costs. Sales increased by around 8 percent to € 2,368 million on an organic basis, with currency transaction effects contributing around € 67 million to the year-on-year sales growth. At € 2,435 million, total sales exceeded the forecast of approximately € 2.3 billion by around 6 percent.

Sales per employee (excluding trainees) amounted to € 255 thousand in the year under review after € 223 thousand in the previous year.

EBITDA benefits from operational improvements
EBITDA reflected the positive sales performance in particular. In addition to volume growth, the price adjustments to offset the significant rise in material and energy costs had a particularly positive impact. At 8.6 percent, the EBITDA margin achieved the target of at least 8 percent. Adjusted for income from the disposal of non-current assets, the EBITDA margin amounted to 7.2 percent (previous year: 5.1 percent). With absolute EBITDA increasing in line with sales and the financial and tax result benefiting from non-recurring effects, the net result after taxes amounted to € 91 million, thereby comfortably exceeding the forecast of a slight improvement compared with the previous year (€ 33 million).

The Print Solutions segment recorded a slight improvement in EBITDA as planned. In the Packaging Solutions segment, EBITDA increased significantly compared with the previous year due to the 25 percent increase in sales in particular. In the Technology Solutions segment, purchasing restraint for Wallboxes due to the long delivery times for electric vehicles, the expiration of the support programs in Germany, and the current uncertainties regarding the development of energy prices had a clear impact. As a result, the margin was lower than in the previous year and the segment was unable to make a positive earnings contribution.

Results of operations

- EBITDA margin of 8.6 percent despite impact of material and energy price rises (previous year: 7.3 percent)
- EBITDA margin adjusted for non-recurring effects from asset management rises to 7.2 percent (previous year: 5.1 percent)
- Financial and tax result benefit from non-recurring effects, interest expense declines due to a reduction in financial liabilities

EBITDA increased by around 31 percent year-on-year to € 209 million (previous year: € 160 million). The corresponding EBITDA margin amounted to 8.6 percent (previous year: 7.3 percent). Adjusted for non-recurring effects from the disposal of non-current assets, EBITDA amounted to € 175 million (margin: 7.2 percent) after € 111 million in the previous year (margin: 5.1 percent). The underlying operational improvement is primarily attributable to the 12 percent increase in sales compared with the previous year. Price adjustments to offset the increase in material and energy costs over the past two years had a positive effect. At the same time, the moderate volume growth led to degression in the fixed costs that had already improved as a result of the efficiency measures in recent years. Currency translation effects also had a positive impact on earnings. In the second half of the financial year, EBITDA was adversely affected by the payment of an inflation compensation bonus of around € 17 million to employees in Germany. This payment formed part of the collective agreement between the social partners that will also lead to a further increase in staff costs in the coming year.

Furthermore, non-recurring income totaling around € 34 million was generated in the reporting year from the sale of a property in St. Gallen, Switzerland, a contribution of intangible assets to a company operated jointly with Masterwork, and the sale of land in Wiesloch-Walldorf. Earnings in the previous year included income from asset management from the disposal of Docufy GmbH in the second quarter (around € 22 million) and the property in the United Kingdom in the third quarter (around € 26 million).

Five-year overview: Results of operations

Figures in € millions	2018/2019	2019/2020	2020/2021	2021/2022	**2022/2023**
Sales	2,490	2,349	1,913	2,183	2,435
Per capita sales [1] (in € thousands)	216	208	187	223	255
EBITDA [2]	161	−103	95	160	209
in percent of sales	6.5	−4.4	5.0	7.3	8.6
Result of operating activities	81	−269	18	81	131
Financial result	−49	−52	−41	−30	−19
Net result after taxes	21	−343	−43	33	91
in percent of sales	0.8	−14.6	−2.2	1.5	3.7

1) Number of employees excluding trainees
2) Result of operating activities before interest, taxes, depreciation and amortization

Income statement: Net result after taxes rises to € 91 million
As a result of the higher sales volume, the Group's total operating performance – which includes net sales as well as changes in inventories and other own work capitalized – increased from € 2,233 million in the previous year to € 2,435 million in the year under review. The ratio of the cost of materials to total operating performance declined to around 45.7 percent (previous year: 46.8 percent). The regressive development in percentage terms is largely due to the increase in total operating performance and the price adjustments contained in this figure to offset the rise in material, energy and staff costs. The staff cost ratio also declined from 35.7 percent to 33.5 percent. Compared with the prior-year figure adjusted for the positive effects of short-time work, staff costs benefited from the reduction in the number of employees but were negatively affected by the payment of the inflation compensation bonus of around € 17 million. Staff costs are set to increase further in the coming year due to the collective wage increases agreed between the social partners.

Net other operating expenses increased year-on-year to around € 298 million (previous year: € 230 million). Among other things, this was due to increased costs in connection with the normalization of business activity following the pandemic. For further details, please refer to notes 9 and 13 on pages 103 and 105 of this report. Depreciation and amortization remained unchanged at € 79 million (previous year: € 79 million).

The financial result mainly improved due to non-recurring income from the discounting of provisions. The higher level of interest rates meant that the present value of non-current provisions declined at the reporting date (March 31, 2023) and a corresponding gain was recognized in the income statement. At the same time, the reduction in financial liabilities served to improve the financial result. All in all, the financial result declined to € −19 million (previous year: € −30 million).

The net result before taxes improved to € 112 million (previous year: € 51 million). Taxes on income were positively influenced by the reversal of a provision of around € 9 million, meaning that the net result after taxes increased to € 91 million (previous year: € 33 million).

Income statement

Figures in € millions	2021/2022	**2022/2023**
Net sales	2,183	2,435
Change in inventories/other own work capitalized	49	0
Total operating performance	2,233	2,435
EBITDA	160	209
Depreciation and amortization	79	79
Result of operating activities (EBIT)	81	131
Financial result	−30	−19
Net result before taxes	51	112
Taxes on income	18	20
Net result after taxes	33	91

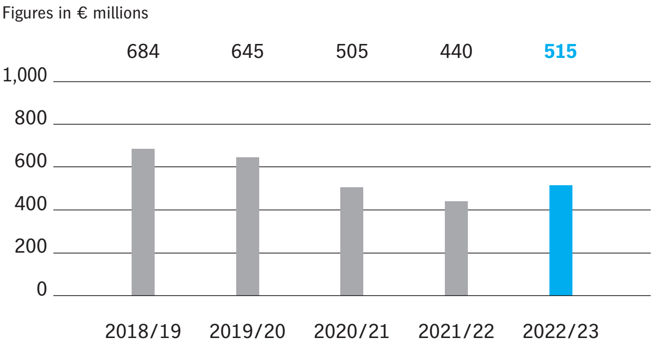
Net assets

- Net working capital largely increases in line with sales
- Net financial position expands thanks to positive free cash flow
- Equity benefits from positive net result after taxes and reduction in pension provisions

Net working capital

As of March 31, 2023, net working capital increased to € 515 million due to the increase in inventories on the back of the higher sales volume as well as supply chain delays, thereby corresponding to 21.2 percent of sales (March 31, 2022: € 440 million; 20.2 percent). In the previous year, higher prepayments by customers and a significant increase in trade payables led to a reduction in net working capital.

Development of net working capital



Assets

Figures in € millions	31-Mar-2022	31-Mar-2023
Non-current assets	843	917
Inventories	631	643
Trade receivables	246	290
Receivables from sales financing	43	40
Cash and cash equivalents	146	153
Other assets	274	177
	2,183	**2,221**

Non-current assets increase following remeasurement

Non-current assets increased compared with March 31, 2022, as a result of the regular revaluation of properties (in accordance with IAS 16) while inventories rose on the back of the higher production volume, meaning that total assets also increased.

Having risen significantly as of the prior-year reporting date (March 31, 2022) due to the recognition of the outstanding purchase receivable for the sale of the property in the UK and the reclassification of the additional space sold at the Wiesloch-Walldorf site (in late December 2021) from non-current assets to available-for-sale assets, other assets decreased in the year under review due to the corresponding recognition and disposal.

We continued to successfully pursue our proven, long-standing strategy of arranging customer financing agreements with financing partners in the Financial Services segment and further reduced our receivables from sales financing as of March 31, 2023.

Equity and liabilities

Figures in € millions	31-Mar-2022	**31-Mar-2023**
Equity	242	514
Provisions	1,113	934
of which: pension provisions	843	683
Financial liabilities	135	102
Trade payables	216	225
Other equity and liabilities	477	446
	2,183	**2,221**

Significant increase in equity

The HEIDELBERG Group's equity rose compared with the previous year (€ 242 million) to € 514 million due to the increase in the discount rate for German pensions (from 2.1 percent as of March 31, 2022 to 3.7 percent as of March 31, 2023), the positive net result after taxes, and the scheduled revaluation of land (in accordance with IAS 16). This remeasurement in accordance with the IAS 16 revaluation model, which involves the measurement of the affected assets at fair value, led to an increase in value of around € 56 million that was recognized directly in equity. The equity ratio amounted to 23.1 percent at the reporting date (previous year: 11.1 percent).

Pension provisions declined to € 683 million at the reporting date (previous year: € 843 million), largely as a result of the higher interest rate for German pensions. The higher discount rate led to a reduction in the present value of the pension obligations that was recognized directly in equity. As a result, total provisions decreased to € 934 million (previous year: € 1,113 million).

The planned reduction of various debt instruments meant that financial liabilities declined from € 135 million as of March 31, 2022 to € 102 million at the reporting date. Cash and cash equivalents exceeded financial liabilities at the end of the financial year, meaning that net financial position increased to € 51 million (March 31, 2022: € 11 million).

Five-year overview: Net assets

Figures in € millions	2018/2019	2019/2020	2020/2021	2021/2022	**2022/2023**
Total assets	2,329	2,602	2,169	2,183	2,221
Total operating performance	2,556	2,345	1,845	2,233	2,435
Ratio of total assets to total operating performance (in percent)	91.1	111.0	117.6	97.8	91.2
Net working capital (NWC)	684	645	505	440	515
in percent of sales [1]	27.5	27.5	26.4	20.2	21.2
Equity	399	202	109	242	514
in percent of total equity and liabilities	17.1	7.8	5.0	11.1	23.1
Net financial position [2]	–250	–43	–67	11	51
Leverage [3]	1.6	–0.4	0.7	–0.1	–0.2

1) Net working capital in relation to sales for the last four quarters
2) Net total of cash and cash equivalents and current securities and financial liabilities
3) Net financial position in relation to EBITDA

Financial position

- Free cash flow down on previous year
- Operating cash flow benefits from higher net result after taxes but impacted by increase in NWC
- Investment cash flow positive due to asset management income
- Comfortable and flexible financing structure – syndicated credit facility extended to 2025

Statement of cash flows: Positive free cash flow
Free cash flow declined to € 72 million in the past financial year (previous year: € 88 million). Cash generated by operating activities (operating cash flow) was impacted by a € 79 million increase in net working capital as of March 31, 2023, which was attributable to the higher sales volume as well as supply chain restrictions. However, this was offset to a large extent by the increase in the net result after taxes. The operating cash flow was also impacted by payments for pensions and the transformation program that was initiated in 2020.

Net cash generated by investing activities was positive at € 39 million. This included € 110 million in non-recurring cash inflows from the sale of real estate (St. Gallen and Wiesloch), the reversal of a cash investment position, and a cash inflow from the property in Brentford that was sold in the previous year, whereas investments amounted to € 80 million.

Significant expansion in net financial position – syndicated credit facility extended
Financial liabilities were reduced to € 102 million in the year under review due to loan repayments (previous year: € 135 million). The positive free cash flow meant that the net financial position, i.e. cash and cash equivalents less financial liabilities, increased significantly once again from around € 11 million in the previous year to € 51 million as of March 31, 2023. HEIDELBERG's financing portfolio consists of a syndicated credit facility (around € 246 million) with a term to 2025 and various loans and development loans. HEIDELBERG's credit facilities, which currently total around € 283 million, have a maturity structure until 2025 and provide solid foundations for the Company's continued strategic development.

Segment report

- Print Solutions enjoys relatively stable development in a challenging market environment
- Packaging Solutions benefits from structural growth
- Technology Solutions weakened by expiration of support program

Print Solutions segment
At the end of the year, incoming orders in the Print Solutions segment were down around 5 percent against the previous year. This was because the commercial printing

Five-year overview: Financial position

Figures in € millions	2018/2019	2019/2020	2020/2021	2021/2022	**2022/2023**
Cash used in/generated by operating activities	–11	–54	0	51	33
of which: net working capital	–62	27	125	71	–79
of which: receivables from sales financing	6	14	0	2	3
of which: other operating changes	45	–95	–126	–22	110
Cash used in/generated by investing activities	–82	279	40	36	39
Free cash flow	–93	225 [1)]	40	88	72
in percent of sales	–3.7	9.6	2.1	4.0	3.0

1) Including inflow of around € 324 million from trust assets

market returned to normal, especially in Europe and China, following the unusually high level of incoming orders in the previous year due to the post-pandemic market recovery. Sales and EBITDA enjoyed robust performance, increasing by around 4 percent year-on-year. The prior-year figure for the Print Solutions segment also included all the income from the sale of Docufy GmbH, which totaled around € 22 million. The other non-recurring income in the previous year and the year under review was allocated to the segments in line with sales.

Print Solutions

Figures in € millions	2021/2022	**2022/2023**
Incoming orders	1,324	1,255
Order backlog as of March 31, 2023	438	384
Sales	1,208	1,254
EBITDA	111	115
Investments	38	56
Employees [1]	5,433	5,267

1) Number of employees excluding trainees

Packaging Solutions segment

In the Packaging Solutions segment, incoming orders were up 7 percent year-on-year at the reporting date. In addition to new machinery business, growth was recorded in the area of consumables and service. Segment sales for the year rose by around 25 percent. EBITDA increased by 141 percent year-over-year, chiefly as a result of the significant growth in sales and the resulting capacity utilization.

Packaging Solutions

Figures in € millions	2021/2022	**2022/2023**
Incoming orders	1,080	1,156
Order backlog as of March 31, 2023	445	455
Sales	925	1,158
EBITDA	46	111
Investments	33	45
Employees [1]	4,248	4,139

1) Number of employees excluding trainees

Technology Solutions segment

In the Technology Solutions segment, purchasing restraint for Wallboxes due to the expiration of the support programs in Germany, the long delivery times for electric vehicles and the uncertainties regarding the development of energy prices in the year under review had a clear impact. At –57 percent, incoming orders and sales were both down considerably on the previous year's figures. EBITDA deteriorated significantly in the reporting year due to the reduction in sales and non-recurring inventory adjustments.

Technology Solutions

Figures in € millions	2021/2022	**2022/2023**
Incoming orders	51	22
Order backlog as of March 31, 2023	18	8
Sales	51	22
EBITDA	4	–16
Investments	0	0
Employees [1]	130	148

1) Number of employees excluding trainees

Report on the regions

- EMEA region benefits from high order backlog with highest sales growth in absolute terms
- North America region improves on strong previous year
- Asia/Pacific region benefits from robust development in the packaging market

Europe, Middle East and Africa (EMEA)

The EMEA region maintained the strong level of incoming orders recorded in the previous year. The French and Spanish markets in particular saw significant growth in incoming orders in the Print and Packaging Solutions segments. In Germany, incoming orders for packaging printing continued to increase. Thanks to the high order backlog at the end of the year, sales in the EMEA region grew by around 16 percent year-on-year. The French market made a particularly significant contribution here, as did Italy, which had recorded high incoming orders in the previous quarters due to a government support program.

Asia / Pacific

The decreases in incoming orders and sales in the Asia/ Pacific region were mainly attributable to the Chinese market. Following the high level of incoming orders in the first quarter of the previous year due to the trade show and restrictions on sales and marketing and on production in Shanghai due to the lockdown at the beginning of the reporting period, China saw a 24 percent downturn in incoming orders which the smaller markets in the region were unable to offset. The weakness of the Japanese yen also proved to be a competitive disadvantage vis-à-vis local providers. As a result, incoming orders in the Asia/Pacific region declined by 13 percent. Sales followed the development of demand with a certain time delay, falling by 4 percent year-on-year.

Eastern Europe

The Eastern Europe region was impacted by the discontinuation of Russian business. This was reflected in incoming orders in particular, which declined by around 20 percent. The other markets in the region were unable to compensate for this downturn.

Sales were stable overall and in line with the prior-year level. The discontinuation of business in Russia was offset by other markets, especially Poland. While sales declined in the Print Solutions segment, this was offset by sales growth in the Packaging Solutions segment..

North America

The North America region enjoyed substantial growth in terms of incoming orders (25 percent) and sales (33 percent), with the USA recording the biggest rise supported by the attractive exchange rate. The Mexican market also expanded its strong position in terms of incoming orders and sales on the back of the Expográfica trade show in May 2022.

South America

The South American markets also developed positively in the period under review. Incoming orders increased by 24 percent year-on-year on the back of growth in the Packaging Solutions segment. The Expoprint Latin America trade show in April 2022 had a particularly pronounced impact in this respect. Sales rose by around 45 percent compared with the previous year.

Incoming orders by region

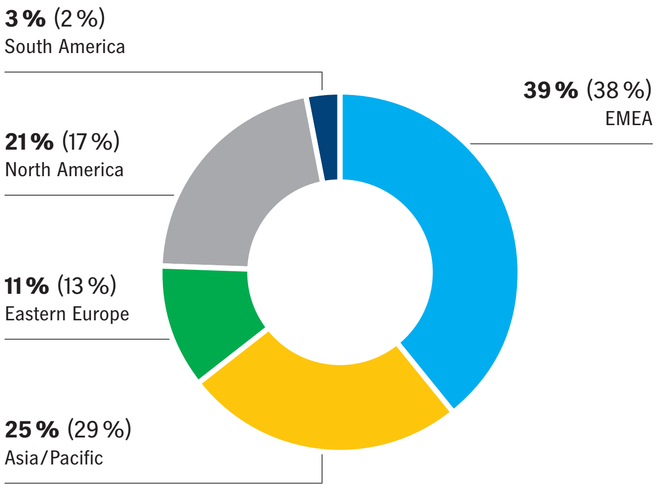
Figures in € millions	2021 / 2022	**2022 / 2023**
EMEA	984	993
Asia / Pacific	683	597
Eastern Europe	311	249
North America	419	523
South America	58	72
HEIDELBERG Group	**2,454**	**2,433**

Sales by region

Figures in € millions	2021 / 2022	**2022 / 2023**
EMEA	830	960
Asia / Pacific	644	620
Eastern Europe	282	280
North America	380	505
South America	48	70
HEIDELBERG Group	**2,183**	**2,435**

Sales by region

Proportion of HEIDELBERG Group sales
(in parentheses: previous year)



Information on Heidelberger Druckmaschinen Aktiengesellschaft

Heidelberger Druckmaschinen Aktiengesellschaft, Heidelberg, is the parent company of the HEIDELBERG Group. Due to the size of Heidelberger Druckmaschinen Aktiengesellschaft relative to the Group, the above disclosures on the HEIDELBERG Group also apply to Heidelberger Druckmaschinen Aktiengesellschaft unless stated otherwise below.

The annual financial statements of Heidelberger Druckmaschinen Aktiengesellschaft are prepared in accordance with the German Commercial Code (HGB) and the German Stock Corporation Act (AktG). The consolidated financial statements are prepared in line with the International Financial Reporting Standards (IFRS) as applicable in the European Union (EU). This results in some differences in terms of accounting and valuation policies.

In addition to its function as the largest operating company, the activities of Heidelberger Druckmaschinen Aktiengesellschaft include its function as the holding company and parent of the HEIDELBERG Group. The business activity of Heidelberger Druckmaschinen Aktiengesellschaft constitutes an excerpt of the overall business activity of the HEIDELBERG Group and is managed on the basis of the performance indicators for the HEIDELBERG Group. The performance indicators are discussed in the "Key Performance Indicators" section.

Results of operations

Income statement

Figures in € millions	2021/2022	2022/2023
Net sales	1,039	1,118
Total operating performance	1,054	1,174
EBITDA [1]	85	43
in percent of sales	8.2 %	3.8 %
EBIT [2]	45	3
in percent of sales	4.3 %	0.3 %
Financial result	–52	–61
Taxes on income	3	2
Net result after taxes	–11	–60
in percent of sales	–1.1 %	–5.4 %

1) Result of operating activities before depreciation and amortization
2) Result of operating activities

Sales amounted to € 1,118 million in the year under review (previous year: € 1,039 million), thus increasing by around 8 percent year-on-year.

The Packaging Solutions segment saw significant growth to € 557 million (previous year: € 454 million), while the Print Solutions segment exceeded the prior-year level slightly at € 536 million (previous year: € 531 million). Sales in the Technology Solutions segment remained in the low-double-digit million euro range at € 25 million (previous year: € 54 million).

As discussed in the "Report on the regions", sales in the individual regions saw varying development.

The operating result before depreciation and amortization (EBITDA) amounted to € 43 million in the year under review (previous year: € 85 million). Thanks to the positive business development, we achieved our forecast for the reporting year of a positive operating result in the mid-double-digit million euro range.

Within EBITDA, other operating income declined by € 81 million year-on-year to € 135 million (previous year: € 216 million). This was mainly due to the contribution of the "E-Mobility" business operations to Amperfied GmbH, Walldorf, in the previous year.

The cost of materials rose by € 65 million to € 573 million (previous year: € 508 million) on the back of the higher sales volume and increased purchase prices.

Staff costs increased by € 28 million year-on-year to € 413 million (previous year: € 385 million), largely as a result of adjustments to the parameters underlying pension provisions.

Other operating expenses fell by € 12 million to € 280 million (previous year: € 292 million). This development was mainly due to lower net expenses of € 31 million from additions to provisions and the utilization of provisions, which related to several expense types. This was offset by increased currency translation expenses of € 23 million.

As forecast in the previous year, the financial result remained negative, declining by € 9 million year-on-year to € –61 million (previous year: € –52 million). This was mainly due to the € 63 million increase in write-downs on subsidiaries. This was partially offset by the € 12 million increase in income from profit and loss transfer agreements as well as dividends and a € 40 million improvement in net interest income due to lower interest expenses for provisions for pensions and similar obligations.

The net result after taxes amounted to € –60 million after € –11 million in the previous year. In addition to the aforementioned changes in the operating result, this was due in particular to the sustained weakness of the financial result and the increase in write-downs on subsidiaries compared to the previous year. The forecast of a negative net result after taxes in the mid-double-digit million euro range was achieved.

Net assets and financial position

In the year under review, total assets decreased by around 3 percent or € 73 million to € 2,042 million. Non-current assets increased slightly year-on-year to € 1,553 million.

At € 489 million, current assets including deferred income/prepaid expenses were € 88 million lower than in the previous year. Under equity and liabilities, equity fell by € 60 million to € 540 million. Provisions declined slightly by € 23 million to € 954 million (previous year: € 977 million). Liabilities including deferred income increased by € 10 million year-on-year to € 541 million.

Within non-current assets, intangible assets increased by € 16 million to € 66 million (previous year: € 50 million) while financial assets rose by € 21 million to € 1,087 million (previous year: € 1,066 million). On the other hand, property, plant and equipment declined by € 22 million to € 401 million (previous year: € 423 million).

Within current assets, inventories rose by € 49 million to € 331 million (previous year: € 282 million) on the back of higher purchase prices and increased stockpiling in order to mitigate the risk of supply bottlenecks in the value chain. Receivables declined by € 109 million to € 91 million (previous year: € 200 million). This related in particular to receivables from affiliated companies following a debt to equity swap. Cash and cash equivalents amounted to € 40 million at the reporting date (previous year: € 37 million). All in all, current assets including prepaid expenses were lower than in the previous year.

Balance sheet structure

Figures in € millions	31-Mar-2022	in % of balance sheet total	**31-Mar-2023**	in % of balance sheet total
Non-current assets	1,538	72.7	1,553	76.1
Current assets [1)]	577	27.3	489	23.9
Balance sheet total	**2,115**	**100.0**	**2,042**	**100.0**
Equity	600	28.4	540	26.5
Special items	7	0.3	7	0.3
Provisions	977	46.2	954	46.7
Liabilities [1)]	531	25.1	541	26.5
Balance sheet total	**2,115**	**100.0**	**2,042**	**100.0**

1) Including deferred income/prepaid expenses

The € 60 million decrease in equity to € 540 million (previous year: € 600 million) is due entirely to the net loss for the year (€ – 60 million). The equity ratio amounted to 26 percent at the reporting date (previous year: 28 percent).

All in all, provisions declined by € 23 million to € 954 million in the year under review (previous year: € 977 million). This development was mainly attributable to lower staff obligations and a reduction in other provisions.

Liabilities including deferred income increased slightly by € 10 million to € 541 million in the year under review.

Research and development

The research and development activities within the HEIDELBERG Group largely correspond to those of Heidelberger Druckmaschinen Aktiengesellschaft, whose Innovation Center (IVC) at the Wiesloch-Walldorf site is the headquarters of a European development network. A total of 620 employees, or around 14 percent of our workforce, are active in the area of research and development. We invested € 87 million – approximately 8 percent of our sales – in research and development in the year under review.

Employees

At the reporting date, a total of 4,358 people (excluding trainees) were employed at Heidelberger Druckmaschinen Aktiengesellschaft's four locations, 187 fewer than at the end of the previous year.

Number of employees per site

	31-Mar-2022	**31-Mar-2023**
Wiesloch-Walldorf	3,980	3,801
Brandenburg	364	359
Kiel	182	181
Neuss	19	17
	4,545	**4,358**
Trainees	240	255
	4,785	**4,613**

Risks and opportunities

The risks and opportunities of Heidelberger Druckmaschinen Aktiengesellschaft are largely the same as for the HEIDELBERG Group. Reference is therefore made to the information in the "Risks and Opportunities" section.

Heidelberger Druckmaschinen Aktiengesellschaft is integrated into the Group-wide risk management system and the internal control system of the HEIDELBERG Group. Further information can be found in the "Internal control and risk management system for the Group accounting process in accordance with Section 289 (4) and Section 315 (4) HGB" section of the combined management report.

Forecast

Heidelberger Druckmaschinen Aktiengesellschaft expects sales in the new financial year 2023/2024 to increase slightly compared with the reporting year (2022/2023: € 1,118 million). All in all, Heidelberger Druckmaschinen Aktiengesellschaft expects to record a positive operating result before depreciation and amortization at the prior-year level in the financial year 2023/2024 (2022/2023: € 43 million).

Employees

The number of people employed by the HEIDELBERG Group around the world decreased by a further 257 to 9,554 as of March 31, 2023 (previous year: 9,811 employees excluding trainees) as a result of the measures initiated in March 2020 as part of the transformation process. There were 5,989 employees in Germany and 3,565 outside Germany at the reporting date.

With trainees accounting for 5.7 percent of its workforce, HEIDELBERG is demonstrating the importance of developing young talents in light of demographic change. In the year under review, the available training professions were again adapted to reflect the demand areas of strategic relevance. HEIDELBERG has a clearly defined human resources strategy with projects that have been set out in a road map and initiated accordingly. Among other things, this includes launching measures aimed at improving HEIDELBERG's positioning as an employer with the relevant target groups and integrating them into the Company. At the same time, the necessary processes have been defined and digital implementation has begun.

In the year under review, HEIDELBERG integrated a new human resources function in order to promote diversity within the Company with strategic projects and operational measures. In addition to ensuring that all employees are treated equally, the aim of this function is to advance diversity and internationality in cooperation. Diversity is also enshrined in the Company's mission statement, which is currently being rolled out and will be communicated within the organization with the managers serving as multipliers.

For further information on our activities in employee matters, please refer to our separate combined non-financial report. This report can be found on our website www.heidelberg.com under Investor Relations > Reports and Presentations.

Employees by region

Number of employees [1]	31-Mar-2022	**31-Mar-2023**
EMEA	7,040	6,895
Asia/Pacific	1,636	1,592
Eastern Europe	440	361
North America	606	614
South America	89	92
HEIDELBERG Group	**9,811**	**9,554**

1) Excluding trainees

Sustainability

HEIDELBERG considers sustainability as part of its strategic orientation that creates the foundations for long-term economic success. Attention to sustainability aspects forms part of the Group’s standards of conduct and environmental standards as they apply to our products, production processes and supply chain, and our interactions with our partners. Compliance with standards of conduct and environmental standards is set out in HEIDELBERG’s environmental policy and codified in a binding manner in our Code of Conduct as well as in the policy statement on human rights, all of which are published on the HEIDELBERG website.

The Company made further progress in the area of sustainability management in the period under review. Our aim is to have the smallest environmental footprint along the value chain of any company in the industry. In addition to climate-neutral production sites and sales units, we therefore also focus on the development of sustainable products. As a responsible company, we have adopted the target of achieving climate neutrality (Scope 1 and 2 without Scope 3) at all of our production sites by 2030 as a means of addressing the challenges of climate change. Our priorities in this respect include improving energy efficiency, reducing emissions, and substantially increasing the proportion of electricity generated internally from renewable sources.

The majority of emissions along the value chain arise in connection with the use of our products. Accordingly, we have teamed up with Bosch Climate Solutions to launch a project for calculating Scope 3 emissions. The results will enable us to develop additional strategies for reducing or preventing emissions. We are already addressing Scope 3 emissions, a reduction in which ultimately also generates economic benefits for our customers, through projects aimed at lowering the energy consumption of our printing presses and improving their energy efficiency. For example, the Speedmaster XL 106, which was presented in November 2022, can print 21,000 sheets per hour, making it up to 10 percent more productive and more efficient than predecessor models. In the year under review, we also launched a campaign for our print shop customers featuring expert advice, hints and tips on the subject of energy efficiency.

Furthermore, HEIDELBERG is expanding its efforts to increase sustainability along its supply chain by pressing ahead with the development of an ESG-compliant supply chain focusing on human rights, ethics and environmental aspects. To this end, various measures were taken and tools and processes were introduced in the period under review. Our aim is to remain an attractive employer at all times. Among other things, we achieve this by providing attractive working conditions, development opportunities and benefits. HEIDELBERG works continuously to offer new opportunities and focus on future challenges.

Sustainability management at HEIDELBERG is managed centrally by the Corporate Sustainability function, which is responsible for the sustainability strategy, controlling and reporting, as well as defining the tools and methods required to achieve the sustainability targets. The Head of Corporate Sustainability reports directly to the CEO. Management Board remuneration has included sustainability targets since the financial year 2022/2023. Additional information can be found in the “Remuneration Report – Management Board and Supervisory Board” section on pages 176 to 195.

For more information on our sustainability activities, please refer to our separate combined non-financial report. This report can be found on our website www.heidelberg.com under Investor Relations > Reports and Presentations.

Risks and Opportunities

As an internationally oriented company with international operations, HEIDELBERG is exposed to macroeconomic, industry-specific and Company-specific risks and opportunities. Opportunities in particular may arise externally as a result of new customer requirements or regulatory changes, as well as internally due to new products, innovations and quality improvements.

These risks and opportunities are defined as possible future developments or events that can lead to a negative or positive deviation from targets. The early recognition, controlling and monitoring of risks and opportunities is enshrined in HEIDELBERG's business processes. Risks are entered into only when the resulting opportunities are expected to make an appropriate positive contribution to enterprise value, and any developments that could jeopardize the Company's existence as a going concern can be ruled out at all times.

The principles of proper corporate planning (Grundsätze ordnungsgemäßer Planung) issued by the Federal Association of German Management Consultants (Bundesverband Deutscher Unternehmensberatungen) were revised in April 2022. These principles state that realistic assumptions serve as an important underlying element of unbiased forecasts that, in themselves, may fluctuate positively or negatively around an average value. Event risks may also fluctuate within defined ranges but typically have the corresponding impact when triggered by specific events.

HEIDELBERG's risk management system satisfies the statutory requirements and is regularly reviewed and modified to reflect new requirements as necessary. The workflow for recording, evaluating and reporting risks has been digitized using GRC (governance, risk and compliance) software. GRC software also supports the risk management system by automating additional routines and offers real-time transparency with continuous control monitoring.

Furthermore, the Audit Committee of the Supervisory Board has implemented early crisis detection in accordance with the German Act on the Stabilization and Restructuring Framework for Businesses (StaRUG) by defining thresholds for the "degree of risk to the Company's status as a going concern". If any of these thresholds is exceeded, the Head of Group Risk Management is required to initially inform the Management Board and then the Audit Committee of the Supervisory Board so that suitable countermeasures can be initiated.

In line with its audit planning, the Internal Audit department examines the appropriateness and effectiveness of the risk management system (RMS) and the internal control system (ICS). In the past financial year, Internal Audit examined and evaluated the appropriateness of the RMS on the basis of DIIR Standard No. 2.1.

The objectives of HEIDELBERG's risk management system are:

- Compliance with legal and regulatory requirements
- Safeguarding HEIDELBERG's status as a going concern by ensuring that the overall risk situation is consistent with the available resources
- Securing and increasing HEIDELBERG's enterprise value through end-to-end risk management in order to support the achievement of financial targets
- Creating economic value added by ensuring that the impact of business decisions on the overall risk position is taken into account to an adequate extent (business judgment rule)

Risk management

Risk management organization
The HEIDELBERG Management Board bears overall responsibility for the risk management system. The Management Board has transferred operational responsibility for the monitoring, coordination and further development of the risk management process to Group Risk Management (GRM).

Clear values, principles and guidelines help the Management Board and the management operate and control the Group. The Group policy on risk management defines a structured process to reliably ensure that opportunities and risks are systematically identified, evaluated, controlled, documented in the GRC system in an audit-proof manner, and made available to the relevant stakeholders in real time. The fundamental aspects of the organizational structure, workflows, responsibilities and methods are documented in a comprehensive risk management manual.

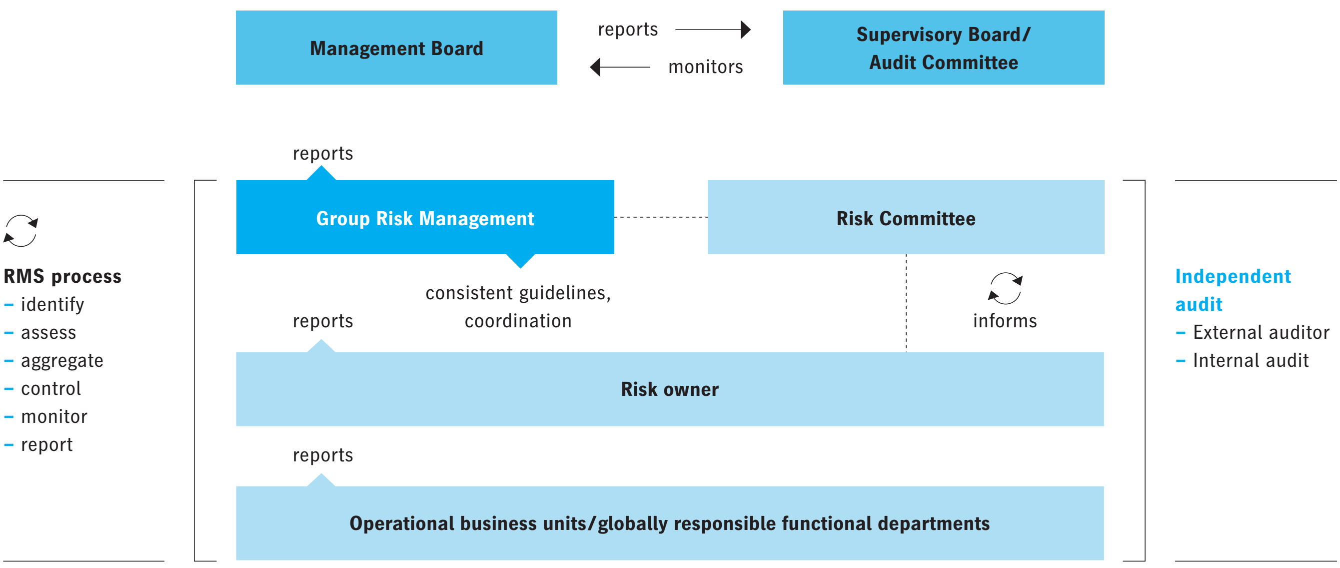
HEIDELBERG has established a Risk Committee comprising the Management Board, the GRM and managers of key areas of the Company. This body discusses the current risk situation and the latest risk inventory, including validating the completeness and relevance of the risks recorded, at least once every quarter.

The head of Group Risk Management informs the Management Board about current developments relating to risks and opportunities at regular meetings. As a matter of principle, the Management Board and the head of Group Risk Management regularly inform the Audit Committee of the Supervisory Board about the risk management system. In addition to standard reporting, there is an obligation to report to the Management Board and the Supervisory Board on an ad hoc basis in the event of significant changes to existing risks or new risks (when defined thresholds are exceeded) so that any necessary countermeasures can be initiated at an early stage.

HEIDELBERG has established a multi-level Group-wide risk management system encompassing all consolidated companies and material unconsolidated equity investments.

The operational implementation of risk management is performed by the respective risk owners. These are managers with budget responsibility who are assigned responsibility for fundamental tasks, such as the identification, assessment, controlling and monitoring of risks, in line with the stipulations of Group Risk Management. Their responsibility also includes taking suitable measures to prevent/reduce risk at an early stage and to report as part of the planning, management and controlling process.

Organization of risk management at HEIDELBERG



The Audit Committee deals with the appropriateness and effectiveness of the risk management system and the internal control system and arranges for regular reporting (in some cases from the directly responsible managers in accordance with Section 107 (4) sentence 4 AktG). The risk early warning system forms part of the risk management system whose functionality is assessed by the auditor in accordance with Section 317 (4) HGB.

The organization of risk management at HEIDELBERG is illustrated on page 59.

Risk culture

HEIDELBERG believes that entering into risks is an integral aspect of business activity. Risks may be entered into actively or by way of deliberate omission. To the extent that it can influence such risks, HEIDELBERG only consciously enters into risks that it has carefully investigated (and documented) and that serve the object of the Company as defined in the Articles of Association. Risks are entered into only when the resulting opportunities are expected to make an appropriate positive contribution to enterprise value, the Company's risk-bearing capacity is not exceeded, and this risk policy is not expected to result in developments that could endanger the Company's existence as a going concern. The Management Board of HEIDELBERG sets a clear tone from the top through various measures including the Code of Conduct, the HEIDELBERG mission statement, and periodic statements.

Risk awareness requires compliance with laws, regulations, etc., as failure to do so entails risks such as the payment of fines or damages or reputational damage. In line with this risk culture, all HEIDELBERG employees are expected to act in a risk- and control-aware manner and in accordance with the Group policies relating to risks.

Identification of risks and opportunities

Consistently changing conditions (e. g. legislation, market conditions) and internal changes affecting the organizational structure and workflows require a process of continuous analysis in order to enable the identification of existing and potential future risks. The identification of risks and opportunities as early as possible is a priority in order to be able to take appropriate measures promptly. Accordingly, the risk owners are obliged – with the assistance of GRM – to regularly examine the risks in their area of responsibility to ensure that they are complete and up-to-date and to update the risk inventory as required. This process is supported by checklists of potential risks and supplemented by review discussions, where these risks are discussed with the risk owners in order to ensure the greatest possible degree of transparency and completeness with regard to risks at HEIDELBERG.

Assessment of risks and opportunities

Following on from identification, the individual risks and opportunities are assessed using uniform assessment techniques that are set out in the risk management manual. All individual risks ascertained are assessed on a purely quantitative basis and taking risk-mitigating activities into account (net analysis). Where risks and opportunities are not directly quantifiable, they are quantified on the basis of an expert assessment. Defined materiality thresholds ensure that individual risks and opportunities above the respective threshold are recorded and reported. Risks and opportunities are not netted.

Risks and opportunities are assessed on the basis of assumptions regarding loss distribution (e. g. using a three-point estimate), and, where applicable, regarding the probability of occurrence. The impact of risks and opportunities on the Group's net assets, financial position and results of operations is also evaluated.

Individual risks are classified in line with their risk level. This corresponds to the expected loss distribution and probability of occurrence. However, the impact on the net assets, financial position and results of operations in the event of a risk actually occurring (worst case) could be significantly higher.

HEIDELBERG applies the following thresholds in its classification of risk levels (as in the previous year):

Classification	Threshold in € millions
Low	≤ 5
Medium	> 5 to < 15
High	≥ 15

Generally speaking, the annual report only includes a separate presentation of risks that are classified as high. Exceptions from this principle may occur, for example if risks from the previous year are listed in order to ensure consistent reporting. Risks classified as low or medium may have a more significant future impact than is currently assumed. This may be due to uncertainties whose assessment can change over time or that are not yet known and that fall outside of HEIDELBERG's sphere of influence.

Aggregation of risks and opportunities and risk-bearing capacity
In addition to individual risks in isolation, risks to the Company's existence as a going concern often arise from the combined effect of multiple individual risks.

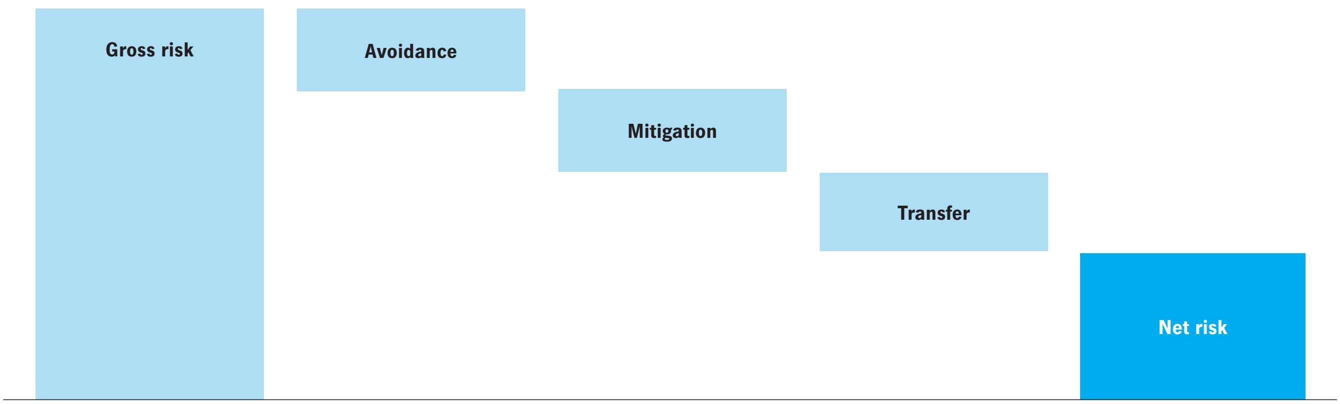
At HEIDELBERG, the individual risks and opportunities are assessed quantitatively and aggregated using a Monte Carlo simulation that takes into account a large number of potential scenarios (different combinations of loss events and amounts). The results form the basis for the risk-bearing capacity concept and are used to determine the overall risk potential as well as to evaluate business decisions (> business judgment rule).

In assessing risk-bearing capacity, i.e. whether the maximum extent of the overall risk position could endanger the Company's status as a going concern, the overall risk position is compared with the aggregate risk cover.

Controlling risks and opportunities
The risk owners define suitable measures for risk controlling depending on the individual risk, track their implementation, and examine their effectiveness. Suitable measures for minimizing risk may include avoidance (not going ahead with an originally planned activity), mitigation (taking measures to minimize the probability of occurrence or the loss potential), and transfer (reducing the consequences of the risk occurring).

The risk presentation takes risk-mitigating activities into account, i.e. the net risks are presented (see also the illustration below).

Risk-mitigating activities (illustration)



Group Risk Management ensures that the Management Board and the Supervisory Board are informed directly of potential violations of the Company's risk-bearing capacity so that suitable countermeasures can be initiated.

Monitoring of risks and opportunities
Regular monitoring allows the detection of changes in individual risks. Adjustments in risk management can therefore be promptly turned into the initiation of necessary measures. Taking the materiality thresholds into account, each risk owner is responsible for reporting all known risks and opportunities within their own area of responsibility to Group Management.

Risk monitoring and the processes of the primary risk management system also include Group Risk Management (GRM) and the Internal Audit department, as discussed under "Risk management organization" above.

Risks relating to material non-financial matters
In accordance with Section 289c HGB in its current version, HEIDELBERG's risk management system also includes material CSR risks (environmental, employee and social issues, human rights, combating corruption and bribery, and supply chain issues) that could result from the Company's business activity in general or from the products and services it offers and that could have an impact on non-financial matters. In the year under review, GRM already identified the risk areas of relevance to sustainability reporting. No material non-financial risks were identified in the year under review.

Risk and opportunity report

Corporate risks are divided into the categories “National economy”, “Strategy and industry”, “Operational”, “Financial markets”, and “Legal and compliance”. The following table provides an overview of the risk categories and their overall risk assessment in addition to changes against the previous year:

Risk category	Classification	**Change as against previous year**
National economy	High	→
Strategy and industry	High	→
Operational		
Information security	High	→
Sales financing	High	→
Procurement	Medium	→
Production	Medium	↗
Human resources	Low	↘
Financial markets		
Pension obligations	Medium	↘
Taxation	Low	↘
Currency and interest	Low	↘
Liquidity and refinancing	Low	→
Legal and compliance	Medium	→

The above table allocates the quantified risks within a category based on their expected level (from high to low). In the same way as for the forecast, the horizon for risk classification is one year.

National economic risks and opportunities

Economic conditions have a direct impact on HEIDELBERG’s business activities and its net assets, financial position and results of operation. These are influenced by social developments, political changes and ecological events (e. g. natural disasters), which may be reflected in changes to the prevailing legal and macroeconomic conditions. Unexpected disruptions to the global fabric of economic relations can have consequences that are difficult to predict.

HEIDELBERG addresses these challenges through the geographical diversification of its sales markets and the development of alternative scenarios in the case of serious events.

In particular, the armed conflict between Russia and Ukraine and the sanctions imposed as a result had a significant impact on the world economy in the 2022 calendar year, and the consequences with regard to geopolitical and economic conditions continue to persist. Having withdrawn entirely from the Russian market in early 2022, HEIDELBERG is only indirectly affected by the ramifications of the conflict.

The development of commodity prices and the potential failure of energy and raw material deliveries also represent a major risk for HEIDELBERG. Thanks to government intervention and new supply routes, the risk of disruption to the energy supply (especially gas) is considered to be lower than it was one year ago.

Although HEIDELBERG has a high degree of vertical integration, maintaining production is an operational challenge on account of the availability issues affecting some raw materials on the one hand and problems in the global supply chains on the other. Accordingly, HEIDELBERG continuously analyzes the political, economic and legal conditions, and works in close cooperation with its suppliers and logistics partners in order to respond to changes in the supply chain at an early stage and strengthen it as necessary.

Three years after the outbreak of the COVID-19 pandemic, infection levels have normalized and measures to combat the spread of the virus (including lockdowns and social distancing) have been lifted. Although pandemics have recurred in the past, the probability of a renewed pandemic is considered to be extremely low. While there are currently no specific signs of a renewed global pandemic event, this would constitute a serious risk to the world economy if it were to occur.

Although Russia’s war against Ukraine is currently dominating the information situation, there are other political and national economic risks. In particular, the differing political and economic interests of the USA and China entail considerable potential for conflict in terms of world trade, e. g. in the form of new or additional trade barriers (such as tariffs and import/export restrictions). Political instability in some countries in South America, Eastern Europe or Asia could also have a negative impact on economic conditions. Furthermore, the decisions taken by central banks around the world in order to combat inflation could lead to higher interest rates. In addition to making investment more expensive and leading to a general reluctance to invest, this could mean that customers or suppliers are no longer able to service debt in the usual manner.

IHS Markit is forecasting global economic growth of 2.1 percent in the 2023 calendar year. Following moderate growth in the 2022 calendar year, HEIDELBERG's important sales market of China is expected to see year-on-year growth of 5.2 percent. Germany is set to enjoy modest economic growth in the 2023 calendar year.

In its forecast and the planning on which the risk report is based, HEIDELBERG continues to assume that the general conditions for free world trade will remain unchanged and that the consequences of the COVID-19 pandemic will recede and have no further material impact on the world economy. Although an end to the Russia-Ukraine war is not anticipated in the near future, HEIDELBERG does not expect the conflict to have any new or additional impact on the world economy. However, the current sanctions are unlikely to be lifted.

If the economic data (especially regarding inflation and expected price increases) were to outperform original expectations by some distance, this could lead to an improvement in the Group's net assets, financial position and results of operations. However, the current order book and the sensitivity of demand mean that any improvements in the economic data would only have a positive impact for HEIDELBERG following a certain time delay.

Strategic and industry-specific risks and opportunities

The printing industry continues to be characterized by consolidation pressure and price competition. Innovation cycles and the accompanying investment costs/risks mean that size and rationalization are the only way for many print companies to ensure their future in a changing market environment. Against this backdrop, the increased automation and digital connectivity of HEIDELBERG's printing presses ("end-to-end") offers customers advantages such as a significant increase in productivity and efficiency. This typically makes HEIDELBERG's product portfolio more attractive and improves customer retention.

HEIDELBERG expects the print volume in the emerging economies to continue to increase on the whole, whereas the number of print shops in the industrialized nations is expected to decline further as a result of the ongoing industrialization of the industry, sustained excess capacity and the resulting cost pressure. In the industrialized nations, the substitution of printed products and business stationery by the Internet and the impact of demographic change on the buying and reading habits of the population is leading to a decline in the corresponding printing sales.

By contrast, packaging and label printing have the potential for continued growth (including due to the substitution of plastic with paper) as disposable income is increasing in many emerging economies, leading to rising demand for packaged consumables and durables. Print shops can also be expected to increasingly adapt to the "Amazon effect", with the same-day or next-day delivery of goods and services becoming standard. This means the transition from conventional to digital print is continuing as time-to-market and quick turnaround times become increasingly important.

In view of the changes in the printing industry (in terms of customers and areas of application), the risk that planned sales and margin targets will not be met is taken into account in our assessment of sector risk. As previously, the key sales markets for HEIDELBERG are North America, Central Europe and China. HEIDELBERG expects to see sustained growth in the 2023 calendar year in these markets in particular, as well as in other markets, although the pace of growth is likely to be considerably slower than in 2022.

Mechanical engineering companies in many countries are reporting well-filled order books. Accordingly, economists from the VDMA forecast an inflation-adjusted increase in global machinery sales of 1 percent in the current calendar year (as of March 2023).

If the global economy were to fail to develop in line with expectations, or if key markets were to suffer a more pronounced economic downturn than anticipated, there is a risk that the planned sales and earnings performance would not be achieved, particularly in new machinery business. Service and consumables business, which benefits to a considerable extent from the number of installed printing presses and their print volume, is economically less cyclical but would be unable to fully compensate for the downturn in new machinery business.

In its planning, HEIDELBERG assumes that inflation will begin returning toward the central banks' target level and that HEIDELBERG will be able to realize the planned price rises for its products and services on the market. If these prices are only partially realized, this could have a negative impact on margins. Conversely, a positive economic environment would present the opportunity of improved price quality.

The optimization of production and structural costs is a continuous process and the resulting savings are included in planning at the time at which they are expected to take effect. The success of these measures is a significant factor in HEIDELBERG achieving its business objectives. There is a risk that the planned measures may not be implemented within the intended timeframe, may not generate the anticipated savings, or may require higher expenditure than planned. Because HEIDELBERG has extensive experience of managing efficiency projects, however, there is also the possibility that quicker or more extensive implementation could have a positive impact on HEIDELBERG.

Operational risks and opportunities

INFORMATION SECURITY AND IT

The digitization of business models and processes in all areas of the Company also involves risks, e. g. due to the misuse or loss of data, misappropriation or the failure of information technology (IT). There are many potential causes for these risks, including cyberattacks (e. g. hacking, virus attacks), employee misconduct or a lack of resources due to demographic change and the skills shortage. As the statutory and regulatory requirements for the protection of personal data and business secrets become more stringent around the world, there is a greater risk of potential breaches of regulations in a complex environment.

In a loss scenario, this could lead directly to the partial or complete failure of information technology, business interruption and claims for damages on the part of customers, for example. The international nature of HEIDELBERG's activities mean that, in the worst case, its service performance could be restricted globally. Reputational damage could also be an indirect consequence.

HEIDELBERG places extremely high priority on the availability, integrity and confidentiality of electronically processed information and the information technology (IT) used. Information security is a fixed component of the Company's business processes and the information security management system (ISMS) with Group-wide validity that has been implemented is certified in accordance with the internationally recognized ISO/IEC 27001 standard in the area of digital services. Although systematic risk analysis, preventive and technical protection measures such as access controls, state-of-the-art endpoint detection and response (EDR) and secure access service edge (SASE) systems, data backups and data encryption in the cloud, and investments in strengthening the IT landscape cannot eliminate risks altogether, they serve to reduce them significantly.

The threat situation with regard to information security is continuously monitored and security measures and regulations are checked and adapted as required. Regular communication, training and awareness measures (e. g. anti-phishing training) serve to strengthen risk awareness and the understanding of security within the Company. External IT service providers and their IT security management are expected to meet the same high standards as the Company's own information security and IT.

The threat situation has intensified significantly in recent years and is considered to be high. The conflict between Russia and Ukraine has led to an increase in the number of cyberattacks on companies.

SALES FINANCING

Sales financing supports the sales team with the sale of machinery. HEIDELBERG either brokers financing with one of our financing partners or provides customer financing itself.

This financing activity gives rise to risks such as partial or complete default (counterparty default risk), delays in payment and risks relating to the realization of collateral (residual value risk). In particular, a difficult economic environment (e. g. a pandemic or a high-inflation or recessionary environment) can lead to a growing number of overdue payments and requests for payment deferrals as well as the restructuring of financing agreements.

To reduce the risk in connection with its own financing commitments, HEIDELBERG only enters into such commitments following a comprehensive review of the customer and its business model and credit rating. A comprehensive database of contracts and printing presses helps to assess and minimize residual value and counter-liability risks.

Existing financing agreements are regularly reviewed using internal rating processes. These (like the Basel standards) comprise both debtor-specific and transaction-specific components. HEIDELBERG has established a system of receivables management so that it can closely monitor agreements and take corrective action where necessary. Measures are taken at an early stage and appropriate risk provisions are recognized for discernible risks. The methods and processes used have proven their worth in the past years.

Due to the importance of sales financing for the sale of machinery, the Company could be subject to additional funding requirements if the availability of financing partners or their financing volume were to be lower than planned; taxonomy is expected to play a role in this respect in the future. This would require HEIDELBERG to expand its own financing commitments to customers in order to achieve the planned sales and earnings contributions. This would tie up additional funds and raise the risk profile of sales financing.

To date, however, HEIDELBERG has always been in a position to keep its own financing commitments stable at a low level thanks to the close cooperation with its financing partners in a spirit of mutual trust.

PROCUREMENT

In order to manufacture our products and provide our services, HEIDELBERG relies on receiving the required quantities of raw materials, precursors, energy and services at the required time and in the required quality.

Purchase prices increased significantly in the year under review due to the war in Ukraine and the upturn in inflation. These prices can vary considerably depending on the product group and will continue to impact HEIDELBERG's cost structure in the future. There is also a risk of supply bottlenecks in the value chain due to the absence of individual suppliers, supply routes or transport capacities, either in part or in full, as well as due to variations in quality. This can lead to delays and additional expenses in production or, in the worst case, to production downtime.

HEIDELBERG has a comprehensive supplier management system and works closely with selected systems suppliers on a contractually assured basis in order to minimize procurement risks. Additionally, it works continuously to optimize its supply methods and procurement processes with key suppliers to ensure reliable supply.

HEIDELBERG counters the risk of rising energy prices by engaging in structured energy procurement. HEIDELBERG is also working to optimize its energy consumption and reduce its dependency on external energy suppliers.

PRODUCTION

There is the risk of production disruptions or downtime due to elemental loss events (e. g. a fire at the foundry or a natural disaster) as well as disruptions to operations (e. g. machinery/tool failure), transport and logistics. The high degree of integration in production means that a loss event could also impact production and assembly at other sites. This could result in a financial loss for HEIDELBERG due to damage remediation as well as lower margins due to lost sales.

HEIDELBERG counters these risks by implementing high technical and safety standards. The (safety) precautions taken (e. g. production structure and process planning, preventive maintenance, technical fire protection, works fire department) serve to reduce the amount of any damage incurred and the probability of these risks occurring. The residual risks are transferred to insurance companies with typical sums insured and indemnification periods.

HUMAN RESOURCES

HEIDELBERG requires motivated, highly qualified employees and a good working atmosphere in order to achieve its goals. Demographic change represents a particular challenge, as the demographic structure of the workforce means many employees will leave the Company over the coming years due to reaching retirement age or taking partial retirement. The savings measures forming part of the restructuring process in recent years have also adversely affected HEIDELBERG's attractiveness as an employer.

There is a risk that HEIDELBERG may fail to attract sufficiently suitable employees (especially in the area of IT) or retain employees' commitment to and confidence in

HEIDELBERG in the longer term. The resulting negative consequences are varied and include the loss of expertise, project delays and increased project costs, and issues affecting the digital transformation of business processes.

To counter these risks, HEIDELBERG performs internal organizational measures aimed at the transfer of expertise and promoting the culture of modern work, as well as engaging in contact and dialog with potential trainees and students with the relevant qualifications at an early stage. HEIDELBERG is keen to ensure that it is open to all sections of society and to make itself interesting to potential candidates by offering targeted training and development.

Financial risks and opportunities

PENSION OBLIGATIONS

Pension obligations under defined benefit pension plans are calculated on the basis of externally produced actuarial reports. In particular, the amount of pension obligations is dependent on the interest rate used to discount future pension payments. As this is based on the returns from corporate bonds with good credit ratings, market fluctuations in these therefore influence the amount of pension obligations. Changes in other parameters, such as inflation and life expectancy, also influence the amount of pension and/or payment obligations. Risks or opportunities can arise from this depending on the change in these parameters.

HEIDELBERG's pension obligations are, in part completely or pro rata, covered by plan assets managed in trust, and are reported net in the statement of financial position. Plan assets consist of interest-bearing securities, equities, real estate and other investment classes. The diversification of assets helps to reduce risk.

Remeasurement effects from pension obligations and plan assets are recognized directly in equity, taking deferred taxes into account. The occurrence of remeasurement effects (especially as a result of a reduction in the discount rate, but also due to unexpected developments on the capital market) could have a negative effect on equity and the equity ratio.

The key interest rate rises implemented by the central banks meant that the discount rate increased considerably in the year under review, which had a positive impact on equity. As a result, the risk of a renewed downturn is considered to be greater than the possibility of a further increase.

In a favorable capital market environment, an increase in the interest rate used to discount future pension payments and the development of plan assets offer the opportunity that the provisions for pensions decrease and that equity increases due to actuarial gains.

TAXATION

HEIDELBERG conducts business worldwide and is subject to the local tax laws and regulations applicable in the respective countries and to multilateral and bilateral tax agreements. Changes in the underlying legal provisions and the application of law or changes to the business model or location concept can have negative consequences for HEIDELBERG's tax positions.

In all tax-relevant areas, HEIDELBERG has worked with internal and external tax experts to take precautions to ensure that it complies with the applicable tax provisions and to enable it to respond, in a timely manner, to changes in the tax law landscape. Internal instructions ensure that employees are obliged to observe and follow the applicable tax regulations.

The close business relationships between HEIDELBERG companies could give rise to transfer pricing risks. To minimize any negative tax consequences, HEIDELBERG has implemented a transfer pricing system with corresponding documentation in cooperation with the tax authorities.

FOREIGN CURRENCY AND INTEREST RATE BUSINESS

As an international corporation, HEIDELBERG is exposed to foreign currency risks resulting from the disparity in the scope of the different foreign currencies on the procurement and sales side as well as exchange rate fluctuations.

Foreign currency risks are monitored centrally and managed operationally (through corresponding hedges) as well as in the medium and long term using tools such as increasing procurement volumes in foreign currency (natural hedging). Risk mitigation measures are implemented at an operational level through the functional separation of trading, settlement and risk controlling and reviewed by Internal Audit.

There are interest rate risks for floating-rate liabilities as changes in the underlying reference interest rate can affect their interest. Fluctuations in interest rates can have either a positive or a negative effect on earnings. Where appropriate, interest rate risks are limited by suitable interest rate swaps.

LIQUIDITY AND REFINANCING

Liquidity risks can arise if funding requirements are not covered by available liquidity or financing commitments at all times. HEIDELBERG's financing commitments require compliance with financial covenants.

If the net assets, financial position and results of operations were to deteriorate to such a degree that it were no longer possible to guarantee compliance with the financial covenants, this would have a significant negative impact on HEIDELBERG's liquidity and refinancing capacity. Accordingly, compliance with the financial covenants is also simulated on a predictive basis. This allows potentially strained key financial indicators to be discussed in advance with the lending banks so that solutions can be found by working together.

HEIDELBERG also continuously monitors the liquidity of all Group companies and has implemented rolling liquidity planning in order to identify funding requirements at an early stage and respond accordingly. The necessary minimum liquidity based on experience from past crises is kept available. The financing commitments from banks have a maturity profile until 2025.

Legal and compliance risks

The international nature of HEIDELBERG's business activity means it is subject to legal and compliance risks. These may arise from legal disputes with business partners, infringements of industrial property rights or breaches of statutory requirements, for example. The existing legal disputes primarily relate to product liability and warranty cases in connection with sales of machinery. Provisions are recognized for risks resulting from legal risks where utilization is likely and the probable amount of the provision required can be reliably estimated. Wherever possible, standardized master agreements are utilized in order to reduce the legal risks from individual agreements. Antitrust risks result from the market structure and HEIDELBERG's strong market position. HEIDELBERG counteracts these risks by establishing policies and providing the relevant individuals with training.

HEIDELBERG has a compliance management system (CMS) that aims to ensure that its executive bodies, managers and employees act in accordance with the law. Effective prevention and early recognition help to prevent compliance misconduct and violations, and minimize or prevent any liability and reputational damage. This is supported by a risk analysis that is conducted periodically. In particular, this process analyzes and assesses the identified risks relating to violations of antitrust, corruption and money laundering law, allowing countermeasures to be initiated as necessary. In this context, the Company also continuously reviews its binding compliance principles, guidelines, regulations and work instructions, updating them on a regular basis and as required.

The Business Partner Code of Conduct aims to minimize and prevent potential compliance risks resulting from supply and production chains. HEIDELBERG reserves the right to review its business partners' compliance with the Business Partner Code of Conduct.

HEIDELBERG has also established various channels for reporting potential compliance misconduct and violations, including external ombudspersons and the electronic reporting system SpeakUp to which reports can be submitted. These are available to HEIDELBERG's executive bodies, managers and employees as well as all customers, suppliers and other business partners as a channel for reporting potential compliance violations.

General statement on risks and opportunities

The assessment of the overall risk situation is based on a risk-bearing capacity concept. It is examined (by using a Monte Carlo simulation) whether the financial impact of risk scenarios on key financial indicators, and especially with regard to compliance with the financial covenants, can be absorbed. This allows HEIDELBERG to exclude the possibility of developments that could endanger its status as a going concern to the greatest possible extent.

The Management Board is not currently aware of any risks that could endanger the Group's status as a going concern, either individually, in aggregated form, or in combination with other risks. However, the possibility that determining factors which are currently unknown or considered to be immaterial will negatively influence the going concern status of the Group, Heidelberger Druckmaschinen AG or individual consolidated companies in the future cannot be ruled out.

If global crises last longer than expected or their impact on the world economy is more pronounced than initially assumed, this could negatively affect the overall risk situation. This applies in particular to the armed conflict between Russia and Ukraine and the differing political and economic interests of the USA and China with the corresponding consequences for the world economy. Furthermore, there remains uncertainty along the entire supply chain with regard to price development and the availability of preliminary products and energy.

The Management Board and the Supervisory Board consider the risks to be manageable as they currently stand. Thanks to the negative net debt at the reporting date, the available financing instruments and the improvement in production and structural costs, HEIDELBERG is well positioned to deal with a significant deterioration in the prevailing conditions, even though this is not currently expected to occur.

Opportunities may also emerge for HEIDELBERG if the economic performance of the print media industry is more positive than expected. A shift in exchange rates in HEIDELBERG's favor would also have a positive effect on sales and earnings development.

Internal control and risk management system for the Group accounting process in accordance with Section 289 (4) and Section 315 (4) HGB

The principles, procedures and measures forming part of HEIDELBERG's internal control system (ICS), which is intended to ensure the propriety and reliability of external financial and non-financial reporting, are based on the COSO (Committee of Sponsoring Organizations of the Treadway Commission) framework model. As part of the second line in the "three lines of defense" model, the ICS constitutes the link between the operating areas (first line), Internal Audit (third line) and the external auditor.

HEIDELBERG's ICS encompasses the following measures:

- Uniform principles for accounting
- Integrated controls in processes and systems
- Functional separation/principle of dual control
- Process-independent monitoring measures

The operating financial accounting processes are performed at the Group companies with the support of outsourcing partners in some cases. The Corporate Accounting function is responsible for the preparation of the consolidated financial statements. It formulates uniform, binding requirements in terms of the technical content, formal structure and timing of financial accounting. HEIDELBERG's internal Accounting Rules, which set out uniform accounting and valuation policies for all Group companies, are regularly reviewed and revised at least once a year.

The Group companies transfer their data to Corporate Accounting for consolidation. The systems used include extensive technical controls and content plausibility checks in order to ensure proper financial reporting. For example, these include checking whether the data in the financial statements is complete and whether tax positions are correctly recorded and calculated in the financial statements. In the event of any discrepancies, the data is marked and blocked for further processing until it has been corrected.

In addition to consolidation, the carrying amount of goodwill is reviewed centrally by Corporate Accounting.

The Management Board is responsible for the establishment and regular review of an appropriate and effective internal control and risk management system for the consolidated financial statements and the disclosures in the combined management report. This control and risk management system is intended to ensure the propriety and reliability of internal and external accounting, the presentation and accuracy of the consolidated financial statements and the combined management report and the disclosures made therein.

Operational responsibility for the effectiveness of the ICS for the accounting processes, including their further development, lies with the responsible managers and process owners. Internal Audit also reviews the effectiveness of the Group-wide ICS by examining individual areas and Group companies on a test basis. In addition, it examines whether transactions are properly controlled and documented and whether the principles of functional separation and dual control are complied with. Compliance with internal guidelines and directives that have an impact on accounting operations is also monitored. The Management Board and the Audit Committee are informed about the ICS annually.

The Audit Committee of the Supervisory Board regularly meets with the independent auditor, the Management Board and the heads of Internal Audit, Risk Management and Internal Control System department to discuss the findings of the internal audits and audits of the financial statements relating to the internal control and risk management system with regard to the accounting process. The external auditor reports to the Audit Committee and, at the accounts meeting, to the Supervisory Board on the results of the audit of the single-entity and consolidated financial statements.

Appropriateness and effectiveness of the comprehensive internal control and risk management system in accordance with Recommendation A.5 GCGC

Since the German Corporate Governance Code as amended on April 28, 2022 was published in the official section of the Federal Gazette on June 27, 2022 (“Code 2022”), there has been a recommendation to also describe the other key features of the internal control and risk management system – beyond the consolidated financial reporting process – and to comment on the appropriateness and effectiveness of these systems. HEIDELBERG has analyzed the recommendations and already implemented them during the year. Reference is made here to the declaration of conformity dated November 24, 2022. The internal control and risk management system also includes a compliance management system (CMS) geared to our risk situation.

The governance subsystems implemented at HEIDELBERG have always gone beyond the Group accounting process and also address operational risks, which also includes sustainability-related aspects. This applies equally to Heidelberger Druckmaschinen Aktiengesellschaft and to the Group.

To assess the appropriateness and effectiveness of the entire internal control and risk management system, the Management Board relies on the information systems set up and the workflows on which the data basis is based and reporting is carried out. Independently of this, Internal Auditing, as the “third line of defense”, reviews the workflows set up and reports on the results. The Executive Board is not aware of any indications that speak against the appropriateness and effectiveness of these systems.

Outlook

Expected conditions

The International Monetary Fund (IMF) describes the outlook for the world economy in April as uncertain. The baseline forecast in the current World Economic Outlook is that global growth will slow from 3.4 percent in the previous year to 2.8 percent. Advanced economies are expected to see an especially pronounced growth slowdown, from 2.7 percent in the previous year to just 1.3 percent. Germany's output is expected to fall by 0.1 percent, in particular as a result of the loss of real income due to inflation. Japan and the US are also set for a modest performance with economic growth of 1.3 percent. By contrast, the IMF is forecasting an increase in output of 3.9 percent for the emerging market and developing economies. The recovery of the Chinese economy from the impact of the COVID-19 pandemic is expected to have a stabilizing effect in particular, though the forecast growth rate in China is relatively low at 5.2 percent.

In its outlook of April 11, 2023, the IMF also notes that the economic forecast is subject to considerable uncertainty. Cause for concern is identified in critical areas of the US and Swiss banking sectors, which could limit their central banks' scope to curb high inflation. The expected trend in inflation, which is at its highest level for decades, is impacting the shape of interest policy. Further changes in interest rates beyond those currently expected could have a negative effect on economic performance.

The IMF is presently forecasting global inflation of around 7 percent for the current calendar year. An inflation rate of 4.7 percent is projected for the advanced economies. Inflation will continue to be more pronounced in Germany at 6 percent. The trend in producer prices relevant to industrial companies is set to remain much higher than for consumer price inflation.

Economic research institutions cite mounting geopolitical tension as another uncertainty factor. In particular, Russia's ongoing war in Ukraine will continue to have a significant impact on economic performance. A further escalation of the war or the flare-up of other conflicts could have unforeseeable repercussions on world trade.

Sources: S&P IHS Markit 2023; VDMA 2023

Sector development

The German Engineering Federation (VDMA) anticipates a challenging year for global mechanical engineering in 2023 with adjusted sales growth of 1 percent. It adds that this forecast is subject to considerable uncertainty owing to the variance of key economic parameters. While China in particular is expected to see strong growth, mechanical engineering in Germany is projected to see a contraction of 2 percent in real production. This development can also be seen in other advanced EU economies and in the US. According to the VDMA, the high order backlogs of many companies will diminish as the year progresses as a result of the continuing improvement in supply chains and the restraint in new orders. At the same time, the VDMA sees the labor and skills shortage as an impediment to the sector's growth.

Another key indicator for the sector is the global print production volume, which describes capacity expansion due to volume and the demand for consumption-related goods in particular. This includes printing ink, printing plates and spare parts. While the print production volume for advertising printing is likely to remain largely constant, packaging and label printing in particular are set to contribute with low- to mid-single-digit rates in the coming years. Changing consumer behavior is leading to increased demand for packaging and labels, and there is a long-term correlation between this, growth in the world population and rising prosperity in parts of the world in particular.

Sources: VDMA 2023; HEIDELBERG

Future prospects

The economic and industry-specific conditions presented on the markets relevant to HEIDELBERG form the foundation for the forecast planning for the financial year 2023/2024 (April 1, 2023, to March 31, 2024). The forecast assumes that global economic growth will not be weaker than currently predicted by the economic research institutes.

Outlook for 2023/2024 still characterized by global economic uncertainty
The new financial year will again continue to be characterized by unusually challenging circumstances. Recessive trends on key markets, as indicated by inverted yield curves, unforeseeable disruption to world trade as a result of Russia's ongoing war against Ukraine or geopolitical tension define the uncertainty surrounding future economic performance. Against this backdrop, there are also further significant increases in the cost of personnel, materials and energy to be dealt with. Economic research institutions forecast that producer prices will continue to rise significantly. At the same time, the central banks are faced with the challenge of having to slow inflation, avoiding a recession and not overloading the fraught balance sheets of some financial institutions.

It is currently assumed that rising costs will continue to bring heavy pressure to bear on the Company's profitability in the coming financial year 2023/2024. In particular, staff costs will rise significantly owing to the pay increases in Germany already agreed between the social partners. The Company is also anticipating further cost increases for raw materials, intermediate products and energy. HEIDELBERG intends to continue counteracting these effects with higher sales prices. An inelastic response in demand cannot be ruled out. There are already initial indications of flat incoming orders year-on-year towards the end of the financial year. On the other hand, there was a positive response to the Print China trade fair at the start of April, which might indicate a slight recovery on the Chinese market following COVID-19. At the same time, sales levels will likely be supported by the consistently high order backlog in the coming financial year.

Weighing the risks and opportunities and assuming that the world economy does not grow more slowly than anticipated – or even enter a recession – the Company is forecasting sales for financial year 2023/2024 in line with the previous year's figure (previous year: € 2.435 billion). At the same time, it is assumed that the exchange rates relevant to business activities will not change significantly.

Rising production costs in particular are set to have a negative impact on earnings performance. It is expected that energy costs will also increase compared to the previous year, which benefited from favorable hedges. To compensate for these effects, HEIDELBERG still intends to raise the prices for its own products as well. The adjusted EBITDA margin is therefore expected to be in line with the previous year's figure (7.2 percent). The earnings trend in the Print and Packaging Solutions segments is likely to follow the respective market trend. The earnings contribution by the Technology Solutions segment is expected to be slightly better than in the previous year.

Legal Disclosures

Takeover disclosures in accordance with Section 289a and 315a of the German Commercial Code and explanatory notes

In accordance with Section 289a sentence 1 nos. 1 to 9 and Section 315a sentence 1 nos. 1 to 9 of the German Commercial Code (HGB), we address in this combined management report all points that could be relevant in the event of a public takeover bid for HEIDELBERG. The following disclosures reflect the situation as of the reporting date. The following explanation of these disclosures also complies with the requirements of Section 176 (1) sentence 1 of the German Stock Corporation Act (AktG).

As of March 31, 2023, the ISSUED CAPITAL (share capital) of Heidelberger Druckmaschinen Aktiengesellschaft amounted to € 779,466,887.68 and was divided into 304,479,253 no-par value bearer shares that are not subject to any restriction on transferability. As of the end of the reporting period, the Company held 142,919 treasury shares, from which no rights arise for the Company in accordance with Section 71b of the German Stock Corporation Act (AktG).

The APPOINTMENT AND DISMISSAL OF MEMBERS OF THE MANAGEMENT BOARD is based on Sections 84 et seq. AktG in conjunction with Sections 30 et seq. of the German Codetermination Act (MitbestG).

AMENDMENTS TO THE ARTICLES OF ASSOCIATION are made in accordance with the provisions of Sections 179 et seq. and 133 AktG in conjunction with Article 19 (2) of HEIDELBERG's Articles of Association. In accordance with Article 19 (2) of the Articles of Association, unless otherwise stipulated by law, resolutions of the Annual General Meeting are passed with a simple majority of the votes cast and, if a capital majority is required by law in addition to a majority of votes, with a simple majority of the share capital represented in the passing of the resolution. In accordance with Article 15 of the Articles of Association, the Supervisory Board is authorized to make amendments and additions to the Articles of Association that affect their wording only.

HEIDELBERG is permitted to acquire treasury shares only in accordance with Section 71 (1) nos. 1 to 6 AktG. With the approval of the Supervisory Board, the Management Board is authorized to use the treasury shares held at the end of the reporting period as follows while disapplying shareholders' preemptive subscription rights:

- for the disposal of treasury shares if sold in exchange for cash and at a price not significantly less than the stock market price as defined more precisely in the authorization resolved by the Annual General Meeting on July 18, 2008; the volume of shares thus sold together with other shares issued with preemptive subscription rights disapplied must not exceed the lesser of 10 percent of the share capital on July 18, 2008 in total and 10 percent of the share capital at the time the authorization is exercised;
- to offer and transfer treasury shares to third parties if companies, equity investments in companies or parts of companies are thereby acquired, or if mergers are thereby implemented;
- to end or settle mediation proceedings under company law;
- to fulfill obligations arising from convertible bonds and/or bonds with warrants issued or to be issued by the Company itself or by indirect or direct majority-owned subsidiaries of Heidelberger Druckmaschinen Aktiengesellschaft or certain employee participation programs.

This authorization can be exercised in full or in part in each case.

The Management Board also is authorized, with the approval of the Supervisory Board, to withdraw treasury shares without a further resolution by the Annual General Meeting. This authorization can be exercised in full or in part in each case.

The Annual General Meeting on July 25, 2019 authorized the Management Board, with the approval of the Supervisory Board, to issue warrants, convertible bonds and/or participating bonds as well as profit-sharing rights including combinations of the above instruments (collectively referred to as "bonds") up to a total nominal amount of € 200,000,000.00, dated or undated, on one or several occasions by July 24, 2024, and to grant the bearers or creditors of the bonds options or conversion rights to up to

30,447,925 bearer shares of the Company with a pro rata amount of share capital of up to € 77,946,688.00 in total, in accordance with the further conditions of the bonds. Shareholders' preemption rights can be disapplied in accordance with the further conditions of this authorization. For this purpose, the share capital of Heidelberger Druckmaschinen Aktiengesellschaft was contingently increased by up to € 77,946,688.00 (CONTINGENT CAPITAL 2019). Details on Contingent Capital 2019 can be found in Article 3 (3) of the Articles of Association.

In accordance with the resolution of the Annual General Meeting on July 25, 2019, the Management Board was authorized, with the approval of the Supervisory Board, to increase the share capital of the Company by up to € 185,609,612.80 on one or more occasions by issuing up to 72,503,755 new shares against cash or non-cash contributions by July 24, 2024 (AUTHORIZED CAPITAL 2019). Shareholders' preemption rights can be disapplied in accordance with the further conditions of this authorization. The Management Board was authorized, with the approval of the Supervisory Board, to determine the further content of share rights and the conditions for issuing shares. Details on Authorized Capital 2019 can be found in Article 3 (4) of the Articles of Association.

The syndicated revolving credit facility signed on March 25, 2011 and extended until March 22, 2023 by way of an agreement with several banks on March 22, 2018 contains two extension options under which the participating banks may extend the term of the credit facility firstly until March 25, 2024, and secondly until March 24, 2025. Both extension options were exercised. This syndicated revolving credit facility, a bilateral loan agreement with the European Investment Bank dated March 31, 2016, a development loan agreed with a syndicate of banks with refinancing by the KfW dated October 20, 2016, and a bilateral loan agreement with a German Landesbank dated May 23, 2017, contain, in the versions applicable at the end of the reporting period, standard change of control clauses that grant the contracting parties additional rights to information and termination in the event of a change in the Company's control or majority ownership structure. The early repayment of the syndicated revolving credit facility due to a change of control could give rise to potential follow-up rights of termination among the other loans mentioned above and other loans of the Company. A technology licensing agreement with a manufacturer and supplier of software products contains a change of control clause; this grants each party a right of termination with notice of 90 days if at least 50 percent of the shareholdings or voting rights of the other party are acquired by a third party.

A licensing agreement with a software provider under which the Company purchases a cloud-based platform for e-commerce and the provision of services to customers also provides for a right of termination in the event that the Company is acquired by a direct competitor of the provider; in this case, the fees paid in advance would be reimbursed.

An agreement with a manufacturer and supplier of digital production printing systems for the sale of these systems also includes a change of control clause. This clause grants each party the right to terminate the agreement with notice of three months from the time of receipt of notification from the other party that a change in control has occurred or is possibly imminent, or from the time that such a change in control becomes known. A change of control under the terms of this agreement is considered to have occurred if a third party acquires at least 25 percent of the voting rights of the party concerned or the ability to influence the activities of the party concerned on a contractual basis or based on articles of association or similar provisions that grant the third party corresponding rights.

Non-financial report

The separate combined non-financial report in accordance with Sections 315b and 315c in conjunction with Sections 289b to 289e of the German Commercial Code (HGB) and Regulation (EU) 2020/852 of the European Parliament and of the Council of June 18, 2020 on establishing a framework for facilitating sustainable investment and amending Regulation (EU) 2019/2088 for the financial year 2022/2023 is permanently available on our website www.heidelberg.com under Investor Relations > Reports and Presentations.

Disclosures on treasury shares

The disclosures on treasury shares according to Section 160 (1) no. 2 AktG can be found in note 25 to the consolidated financial statements.

Corporate Governance Declaration

The Corporate Governance Declaration in accordance with Section 289f HGB and Section 315d HGB can be found in the "Supervisory Board and Corporate Governance" section of this Annual Report. It has also been made permanently available at www.heidelberg.com under Company > About Us > Corporate Governance.

03

Financial section

Consolidated financial statements

Consolidated income statement 2022/2023

Figures in € millions	Note	1-Apr-2021 to 31-Mar-2022	**1-Apr-2022 to 31-Mar-2023**
Net sales	8	2,183	2,435
Change in inventories		30	–35
Other own work capitalized		19	35
Total operating performance		**2,233**	**2,435**
Other operating income	9	137	99
Cost of materials	10	1,044	1,113
Staff costs	11	798	815
Depreciation and amortization	12	79	79
Other operating expenses	13	366	397
Result of operating activities		**81**	**131**
Financial income	15	6	10
Financial expenses	16	36	30
Financial result	**14**	**–30**	**–19**
Net result before taxes		**51**	**112**
Taxes on income	**17**	18	20
Net result after taxes		**33**	**91**
Basic earnings per share according to IAS 33 (in € per share)	**36**	**0.11**	**0.30**
Diluted earnings per share according to IAS 33 (in € per share)	**36**	**0.11**	**0.30**

Consolidated statement of comprehensive income 2022/2023

Figures in € millions	Note	1-Apr-2021 to 31-Mar-2022	**1-Apr-2022 to 31-Mar-2023**
Net result after taxes		**33**	**91**
Other comprehensive income not reclassified to the income statement			
Remeasurement of defined benefit pension plans and similar obligations		78	133
Revaluation of land		–	56
Deferred income taxes	22	0	–1
		78	**188**
Other comprehensive income which may subsequently be reclassified to the income statement			
Currency translation			
Change outside of profit or loss		22	–14
Change in profit or loss		–	–
		22	**–14**
Fair value of other financial assets			
Change outside of profit or loss		0	1
Change in profit or loss		–	–
		0	1
Cash flow hedges			
Change outside of profit or loss		–4	–1
Change in profit or loss		6	2
		2	1
Deferred income taxes	22	0	0
		24	**–12**
Total other comprehensive income		**102**	**176**
Total comprehensive income		**135**	**267**

Consolidated statement of financial position as of March 31, 2023

Assets

Figures in € millions	Note	31-Mar-2022	**31-Mar-2023**
Non-current assets			
Intangible assets	18	199	210
Property, plant and equipment	19	630	683
Investment property	19	7	9
Financial assets	20	7	15
Receivables from sales financing	21	21	24
Other receivables and other assets [1)]	21	20	17
Income tax assets		0	0
Deferred tax assets	22	75	70
		960	**1,028**
Current assets			
Inventories	23	631	643
Receivables from sales financing	21	22	16
Trade receivables	21	246	290
Other receivables and other assets [2)]	21	133	83
Income tax assets		17	7
Cash and cash equivalents	24	146	153
		1,194	**1,192**
Assets held for sale	**20**	**30**	**–**
Total assets		**2,183**	**2,221**

1) Of which financial assets € 16 million (previous year: € 16 million) and non-financial assets € 2 million (previous year: € 4 million)
2) Of which financial assets € 29 million (previous year: € 82 million) and non-financial assets € 54 million (previous year: € 51 million)

Consolidated statement of financial position as of March 31, 2023

Equity and liabilities

Figures in € millions	Note	31-Mar-2022	31-Mar-2023
Equity	25		
Issued capital		779	779
Capital reserves, retained earnings and other reserves		–570	–357
Net result after taxes		33	91
		242	**514**
Non-current liabilities			
Provisions for pensions and similar obligations	26	843	683
Other provisions	27	71	55
Financial liabilities	28	62	44
Contract liabilities	29	19	19
Income tax liabilities	32	55	44
Other liabilities [3]	31	8	9
Deferred tax liabilities	22	3	1
		1,061	**855**
Current liabilities			
Other provisions	27	198	195
Financial liabilities	28	73	58
Contract liabilities	29	265	244
Trade payables	30	216	225
Income tax liabilities	32	17	18
Other liabilities [4]	31	110	112
		880	**852**
Total equity and liabilities		**2,183**	**2,221**

3) Of which financial liabilities € 0 million (previous year: € 0 million) and non-financial liabilities € 8 million (previous year: € 8 million)
4) Of which financial liabilities € 14 million (previous year: € 15 million) and non-financial liabilities € 98 million (previous year: € 95 million)

Statement of changes in consolidated equity as of March 31, 2023 [1)]

Figures in € millions	Issued capital	Capital reserves	Retained earnings
April 1, 2021	779	33	–690
Profit carryforward	–	–	–43
Total comprehensive income	–	–	78
Consolidation adjustments/other changes	–	–	47
March 31, 2022	**779**	**33**	**–608**
April 1, 2022	779	33	–608
Profit carryforward	–	–	33
Total comprehensive income	–	–	133
Consolidation adjustments/other changes	–	–	19
March 31, 2023	**779**	**33**	**–424**

1) For further details please refer to note 25

		Other retained earnings		Total other retained earnings	Total capital reserves, retained earnings and other retained earnings	Net result after taxes	Total
Revaluation of land	Currency translation	Fair value of other financial assets	Fair value of cash flow hedges				
169	–136	0	–3	29	–627	–43	109
–	–	–	–	–	–43	43	0
–	22	0	2	24	102	33	135
–49	–	–	–	–49	–2	–	–2
120	**–114**	**0**	**0**	**5**	**–570**	**33**	**242**
120	–114	0	0	5	–570	33	242
–	–	–	–	–	33	–33	0
55	–14	0	2	43	176	91	267
–15	–	–	–	–15	5	–	5
160	**–128**	**0**	**1**	**33**	**–357**	**91**	**514**

Consolidated statement of cash flows 2022 / 2023 [1)]

Figures in € millions	1-Apr-2021 to 31-Mar-2022	**1-Apr-2022 to 31-Mar-2023**
Net result after taxes	33	91
Depreciation and amortization, write-downs and reversals [2)]	80	75
Change in pension provisions	–18	–26
Change in deferred tax assets/deferred tax liabilities	–14	3
Result from disposals [2)]	–36	–24
Change in inventories	–74	–17
Change in trade receivables/payables	68	–36
Change in advance payments	77	–26
Change in sales financing	2	3
Change in other provisions	–40	–18
Change in other items of the statement of financial position	–27	9
Cash generated by operating activities [3)]	**51**	**33**
Intangible assets/property, plant and equipment/investment property		
Investments	–55	–78
Income from disposals	65	105
Business acquisitions/corporate sales		
Investments	–	–
Income from disposals	27	–
Financial assets		
Investments	0	–2
Income from disposals	0	0
Cash generated by investing activities before cash investment	**36**	**25**
Cash investment	–	13
Cash generated by investing activities	**36**	**39**
Borrowing of financial liabilities	4	80
Repayment of financial liabilities	–157	–140
Cash used in financing activities	**–152**	**–60**
Net change in cash and cash equivalents	**–65**	**12**
Cash and cash equivalents at the beginning of the year	**204**	**146**
Changes in the scope of consolidation	–	–
Currency adjustments	6	–4
Net change in cash and cash equivalents	–65	12
Cash and cash equivalents at the end of the year	**146**	**153**
Cash generated by operating activities	51	33
Cash generated by investing activities	36	39
Free cash flow	**88**	**72**

1) For further details please refer to note 37

2) Relates to intangible assets, property, plant and equipment, investment property and financial assets

3) Includes income taxes paid and refunded of € 24 million (previous year: € 24 million) and € 12 million (previous year: € 2 million) respectively.
The interest expenses and interest income amount to € 7 million (previous year: € 13 million) and € 5 million (previous year: € 4 million) respectively

Financial section

Notes to the consolidated financial statements for the financial year April 1, 2022 to March 31, 2023

Development of intangible assets, property, plant and equipment, and investment property

Figures in € millions								**Cost**
	As of start of financial year	Change in scope of consolidation	Additions	Remeasure-ment	Reclassifica-tions [1]	Currency adjustments	Disposals	**As of end of financial year**
2021/2022								
Intangible assets								
Goodwill	132	–	–	–	–	0	2	129
Development costs	399	–	9	–	–	0	2	406
Software/other rights	105	–6	4	–	1	0	8	96
Advance payments	–	–	–	–	–	–	–	–
	635	**–6**	**13**	**–**	**1**	**1**	**12**	**631**
Property, plant and equipment								
Land and buildings	821	–1	11	–	–25	6	38	774
Technical equipment and machinery	577	5	14	–	7	5	23	585
Other equipment, operating and office equipment	654	–6	27	–	1	5	54	628
Advance payments and assets under construction	9	–	6	–	–9	0	0	7
	2,061	**–2**	**58**	**–**	**–25**	**16**	**115**	**1,994**
Investment property	**11**	**–**	**–**	**–**	**–2**	**–**	**–**	**9**
2022/2023								
Intangible assets								
Goodwill	129	–	–	–	–	–1	–	128
Development costs	406	–	21	–	–	0	0	427
Software/other rights	96	0	2	–	3	0	1	100
Advance payments	–	–	0	–	–	–	–	0
	631	**0**	**24**	–	**3**	**–1**	**1**	**656**
Property, plant and equipment								
Land and buildings	774	–1	16	56	1	–4	11	829
Technical equipment and machinery	585	–1	11	–	–1	–2	16	576
Other equipment, office and operating equipment	628	–1	35	–	7	–2	39	627
Advance payments and assets under construction	7	–	16	–	–5	–	0	18
	1,994	**–3**	**77**	**56**	**2**	**–8**	**66**	**2,052**
Investment property	**9**	–	–	–	**5**	**0**	**2**	**12**

1) Prior-year figure also includes reclassifications to "Assets held for sale" of € 28 million
2) Including write-downs of € 2 million (previous year: € 3 million); see note 12

								Carrying amounts
					Cumulative depreciation and amortization			
As of start of financial year	Change in scope of consolidation	Depreciation and amortization 2)	Reclassifications 1)	Currency adjustments	Disposals	Reversals	**As of end of financial year**	**As of end of financial year**
2	–	–	–				2	128
350	–	7	–	0	2	–	355	52
80	−3	6	1	0	7	–	76	20
–	–	–	–	–	–	–	–	–
431	**−3**	**13**	**1**	**0**	**9**	**–**	**432**	**199**
435	0	20	−7	2	11	1	437	337
432	4	19	–	2	20	–	437	148
511	−4	28	0	4	48	–	490	138
0	–	–	–	–	–	–	0	7
1,378	**−1**	**67**	**−8**	**8**	**79**	**1**	**1,364**	**630**
4	**–**	**0**	**−2**	**–**	**–**	**–**	**2**	**7**
2	–	1	–	−1	–	–	2	127
355	–	8	–	0	0	–	362	65
76	0	4	3	0	1	–	82	18
–	–	–	–	–	–	–	–	–
432	**0**	**13**	**3**	**−1**	**1**	–	**446**	**210**
437	−1	20	2	−2	11	1	444	385
437	−1	19	−1	–	12	–	442	135
490	−1	27	5	−1	36	–	483	145
0	–	–	–	–	–	–	–	18
1,364	**−3**	**66**	**6**	**−3**	**59**	**1**	**1,368**	**683**
2	–	–	**3**	–	–	**1**	**4**	**9**

General notes

1. Basis for the preparation of the consolidated financial statements

The HEIDELBERG Group manufactures, sells and deals in printing presses and other print media industry products, and provides consulting and other related services. In addition, its product portfolio comprises other products as well as consulting and other services in the field of mechanical engineering, electronics and electrical engineering and the metal industry. The Group is divided into the segments Print Solutions, Packaging Solutions and Technology Solutions.

Heidelberger Druckmaschinen Aktiengesellschaft, based in Heidelberg, Germany, Kurfürsten-Anlage 52 – 60, is the parent company of the HEIDELBERG Group and is entered in the commercial register of the Mannheim Local Court, Germany, under register number HRB 330004. The consolidated financial statements of Heidelberger Druckmaschinen Aktiengesellschaft were prepared in accordance with the International Financial Reporting Standards (IFRS) as applicable in the European Union and in accordance with the supplemental provisions of Section 315e (1) of the Handelsgesetzbuch (HGB – German Commercial Code). The consolidated financial statements also comply with the IFRS in force and applicable in the EU as of the end of the reporting period and have been prepared on a going concern basis.

Certain consolidated income statement and consolidated statement of financial position items have been combined to improve the clarity of presentation. A breakdown of these items is presented in the notes to the consolidated financial statements.

The consolidated income statement has been prepared in line with the nature of expense method.

All amounts are stated in millions of euros. In individual cases, rounding may result in discrepancies concerning the totals. For subsidiaries located in countries outside the euro zone, the annual financial statements prepared in local currency are translated into euros (see note 5).

These consolidated financial statements relate to the financial year 2022 / 2023 (April 1, 2022, to March 31, 2023). They were approved for publication by the Management Board of Heidelberger Druckmaschinen Aktiengesellschaft on May 23, 2023.

During the financial year 2022 / 2023, most of the restrictions put in place to combat the COVID-19 pandemic were eased or lifted altogether. For details of the impact on the assets, liabilities and financial position in the financial year 2022 / 2023, please refer to the combined management report.

Russian troops invaded Ukraine at the end of February 2022. Since then, Russia's war in Ukraine has severely impacted the world economy, HEIDELBERG is only affected indirectly and to a limited extent. As the conflict remains ongoing as of the end of the financial year 2022 / 2023, an impact on the assets, liabilities and financial position is anticipated in the financial year 2023 / 2024. For further details of the impact in the year under review, please refer to the comments in the combined management report. The impact in terms of the preparation of the consolidated financial statements for the year ended March 31, 2023 related to estimates and judgments (see note 7) and other provisions (see note 27). In the previous year, the impact also related to depreciation, amortization and write-downs (see note 12), the measurement of trade receivables (see note 21) and inventories (see note 23).

2. Adoption of amended or new standards

The HEIDELBERG Group applied all standards that were mandatory in the reporting year.

The International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRS IC) have approved the following changes to existing standards, which are to be applied for the first time in the financial year 2022 / 2023.

Standards	Publication by the IASB/IFRS IC	Date of adoption [1]	Published in Official Journal of the EU	Effects
Amendments to standards				
Amendments to IAS 16: Property, Plant and Equipment – Proceeds before Intended Use	14-May-2020	1-Jan-2022	2-Jul-2021	None
Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract	14-May-2020	1-Jan-2022	2-Jul-2021	No material effects
Amendments to IFRS 3: Business Combinations – Reference to the Conceptual Framework	14-May-2020	1-Jan-2022	2-Jul-2021	No material effects
Annual Improvements to IFRS Standards 2018 – 2020 Cycle	14-May-2020	1-Jan-2022	2-Jul-2021	No material effects

1) For financial years beginning on or after this date

New accounting provisions

The IASB and the IFRS IC approved and amended other standards and interpretations, whose application is not yet compulsory in the financial year 2022 / 2023 or which have not yet been endorsed by the European Union (EU). HEIDELBERG is not currently planning to apply these standards at an early date.

Standards	Publication by the IASB/IFRS IC	Date of adoption [1]	Published in Official Journal of the EU	Content	Effects
Amendments to standards					
Amendments to IAS 1: Classification of Liabilities as Current or Non-Current	23-Jan-2020 and 15-Jul-2020	1-Jan-2023	Pending	– The amendments contain clarifications on the classification of liabilities as current or non-current. Classification should be based on rights that are in existence at the end of the reporting period regardless of management intentions or expectations.	No material effects
Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies	12-Feb-2021	1-Jan-2023	3-Mar-2022	– The changes aim to improve disclosures of accounting policies.	None
Amendments to IAS 8: Definition of Accounting Estimates	12-Feb-2021	1-Jan-2023	3-Mar-2022	– The amendments contain clarifications on how changes in accounting estimates are to be delimited from changes in accounting policies.	None
Amendments to IAS 12: Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	7-May-2021	1-Jan-2023	12-Aug-2022	– The amendments clarify that the prohibition on recognizing deferred taxes from the initial recognition of assets or liabilities does not apply if deductible and taxable temporary differences of the same amount arise from a single transaction.	No material effects

1) For financial years beginning on or after this date

Standards	Publication by the IASB/IFRS IC	Date of adoption [1]	Published in Official Journal of the EU	Content	Effects
New standards					
IFRS 17: Insurance Contracts	18-May-2017 and 25-Jun-2020	1-Jan-2023	23-Nov-2021	– IFRS 17 replaces the previous standard IFRS 4. – The standard provides three variants for the future accounting treatment of insurance contracts. On initial recognition, insurance contracts are measured at their settlement amount plus the service margin. – Deviating from the IASB version of IFRS 17, the EU Commission has granted users an optional exemption from applying the annual cohort requirement (IFRS 17.22) for certain contracts.	No material effects
Initial application of IFRS 17 and IFRS 9: Comparative Information (Amendment to IFRS 17)	9-Dec-2021	1-Jan-2023	9-Sep-2022	– The amendment gives entities applying IFRS 17 and IFRS 9 simultaneously for the first time the option of presenting comparative information about a financial asset as if the classification and measurement requirements of IFRS 9 had already been applied to that financial asset previously.	No material effects

1) For financial years beginning on or after this date

3. Scope of consolidation

The consolidated financial statements of Heidelberger Druckmaschinen Aktiengesellschaft include a total of 62 (previous year: 65) domestic and foreign companies controlled by Heidelberger Druckmaschinen Aktiengesellschaft within the meaning of IFRS 10. Of these companies, 48 (previous year: 52) are located outside Germany.

	2021/2022	**2022/2023**
April 1	68	65
Additions	1	1
Disposals (including mergers)	4	4
March 31	65	62

Control within the meaning of IFRS 10 exists when an investor controls the material activities of the investee, has exposure to variable returns from its involvement with the investee and the ability to utilize its control to influence the amount of returns from the investee. Inclusion in the consolidated financial statements occurs at the time that control is established. Subsidiaries that are of minor importance are not included. These subsidiaries are of minor significance if the total of the equity, total assets, net sales and net profit or loss of the subsidiaries not included amounts to only an insignificant portion of the Group figure. The list of all shareholdings of Heidelberger Druckmaschinen Aktiengesellschaft, which is a component of the notes to the consolidated financial statements, can be found in the annex to these notes (see pages 160 to 162).

The scope of consolidation changed as follows as against the previous year:

- Heidelberg CIS OOO, Moscow, Russia, was deconsolidated effective April 1, 2022.
- The newly created company Heidelberger Druckmaschinen Subscription GmbH, Wiesloch, Germany, was included in consolidation effective May 25, 2022.
- Heidelberger Druckmaschinen Osteuropa Vertriebs-GmbH, Vienna, Austria, was merged into Heidelberger Druckmaschinen Austria Vertriebs-GmbH, Vienna, Austria, in the reporting year.
- Gallus Inc., Philadelphia, United States, was merged into Heidelberg Americas Inc., Kennesaw, United States, in the reporting year.
- Linotype-Hell Ltd, Brentford, United Kingdom, was liquidated in the reporting year.

4. Principles of consolidation

In accordance with IFRS 3, all business combinations are recognized using the purchase method in the form of the full revaluation method.

On first-time consolidation of acquired companies, the identifiable assets, liabilities and contingent liabilities are measured at fair value as of the date of acquisition. If the purchase price exceeds the fair value of the identifiable assets less liabilities and contingent liabilities, this is recognized as goodwill. Negative goodwill arising on an acquisition at less than market value is recognized in profit or loss after a repeat assessment of the measurement performed.

Intra-Group sales, expenses and income, receivables, liabilities and contingent liabilities are eliminated. Intra-Group transactions are calculated both on the basis of market prices and on the basis of arm's length transfer prices. Assets from commercial transactions among consolidated companies included in inventories are adjusted to eliminate intercompany profits and losses. In consolidation processes affecting profit or loss, income tax effects are taken into account and the corresponding deferred taxes are recognized in profit or loss. In consolidation processes not affecting profit or loss, deferred taxes are recognized outside profit and loss.

5. Currency translation

In those individual financial statements of consolidated companies which are prepared in local currencies, monetary items in foreign currencies (cash and cash equivalents, receivables, liabilities) are measured at the exchange rate as of the end of the reporting period and exchange rate effects are recognized in profit or loss. Non-monetary items denominated in foreign currencies are posted at their historic exchange rates.

The financial statements of the companies included in consolidation that are prepared in foreign currency are translated on the basis of the functional currency concept (IAS 21) in accordance with the modified closing rate method. As our subsidiaries financially, economically and organizationally effect their transactions on an independent basis, the functional currency is usually the same as each subsidiary's respective local currency. Assets and liabilities are therefore translated at the closing rates, the equity – except income and expenses recognized directly in equity – at the historical rates, and expenses and income at the average exchange rates for the year. The difference resulting from the foreign currency translation is offset against other reserves outside profit and loss.

Currency differences arising as against the previous year's translation in the HEIDELBERG Group are also offset against other reserves outside profit and loss.

Accounting in line with IAS 29 was not required as the HEIDELBERG Group does not have any subsidiaries located in countries with hyperinflationary economies.

The main exchange rates used in currency translation are as follows:

	Average rates for the year		Reporting date rates	
	2021/2022 € 1 =	**2022/2023 € 1 =**	31-Mar-2022 € 1 =	**31-Mar-2023 € 1 =**
AUD	1.5725	1.5266	1.4829	1.6268
CAD	1.4541	1.3814	1.3896	1.4737
CHF	1.0648	0.9929	1.0267	0.9968
CNY	7.4325	7.1543	7.0403	7.4763
GBP	0.8505	0.8652	0.8460	0.8792
HKD	9.0376	8.1572	8.6918	8.5367
JPY	130.9483	141.3108	135.1700	144.8300
KRW	1,354.5733	1,363.9050	1,347.3700	1,420.2600
USD	1.1606	1.0406	1.1101	1.0875

AUD = Australian dollar
CAD = Canadian dollar
CHF = Swiss franc
CNY = Chinese yuan
GBP = Pound sterling
HKD = Hong Kong dollar
JPY = Japanese yen
KRW = South Korean won
USD = US dollar

6. General accounting policies

The accounting policies applied in the consolidated financial statements are presented below. Further information on the individual items of the consolidated income statement, consolidated statement of financial position and corresponding figures is shown from note 8 onwards.

General principles

In the opinion of the IASB, the consolidated financial statements present a true and fair view and a fair presentation (overriding principle) if the qualitative criteria of the presentation of accounts are met and the individual IFRS guidelines are complied with. Consequently, to achieve fair presentation, preparers cannot deviate from the individual regulations.

Uniform accounting policies
The consolidated financial statements are prepared on the basis of accounting policies that are applied uniformly throughout the Group. The consolidated financial statements are prepared in line with the principle of historical cost, with the exception of certain items of the statement of financial position, which are reported at fair value.

Consistency of accounting policies
With the exception of changes resulting from new or amended standards or interpretations (see note 2), the accounting policies applied in the previous year remain unchanged.

Revenue recognition
Revenue from the **sale of machinery** is recognized when the buyer has obtained control of the machinery sold. This is typically on delivery of the machinery or after its installation, if the installation accounts for a material share of the performance obligation. Neither a continuing managerial involvement nor effective control over the machinery sold remain. In the rare case of bill-and-hold agreements, revenue from the sale of machinery is recognized on invoicing and storage at the agreed storage location if all the other relevant IFRS 15 criteria have been met. When selling machinery, customer payments are typically divided into an advance payment on receipt of order confirmation, an advance payment before delivery and a final payment after invoicing.

When **selling consumables and spare parts** and when selling charging stations (Wallboxes) in the field of e-mobility, control is typically transferred and sales are recognized on delivery to the customer. Invoicing takes place at the same time. The average payment deadline is around 40 days.

Sales from **services** are recognized when the services are rendered or when the customer has obtained control of the services. Invoicing takes place when the services are rendered. The average payment deadline is around 30 days. Sales from long-term service contracts are generally distributed on a straight-line basis. As expenses are incurred in line with the percentage of completion, the net sales deferred for long-term service contracts are recognized in proportion to the expected development in costs. Given the large number of long-term service contracts that there are, straight-line distribution represents a sufficiently accurate estimate of the expected development in costs. A long-term service contract typically also entails a warranty extension. HEIDELBERG's associated obligation to offer services beyond the statutory warranty period constitutes a separate performance obligation.

Net sales are reported net of discounts. Transaction prices are agreed on a case-by-case basis due to the large number of machinery configurations and equipment variants that customers can select individually. If a contract includes variable consideration, revenue from the sale of machinery is typically estimated at the most probable amount. There is variable consideration for consumables, whereby the volume usually fluctuates depending on the capacity utilization of the machinery.

For multi-component contracts, such as contracts for the sale of new printing presses and services, the transaction price is allocated to the various performance obligations on the basis of relative stand-alone selling prices.

A financing component included in the transaction price is only deferred applying the practical expedient of IFRS 15 if the period until the consideration is received from the customer is longer than one year and the amount to be deferred is material. Applying the practical expedient of IFRS 15, transaction prices for unfulfilled service obligations arising from services billed at a fixed hourly rate or for contracts with an original term of less than one year are not disclosed.

Income from **operating and finance leases** is recognized based on the provisions of IFRS 16.

Intangible assets
With the exception of goodwill, all intangible assets have a limited useful life and are therefore amortized on a straight-line basis over their expected useful life. In accordance with the option provided under IAS 38, intangible assets are measured at amortized cost. Goodwill is tested for impairment on initial recognition in accordance with IFRS 3 and then annually and if there is any evidence to suggest a loss of value in accordance with IAS 36.. Purchased intangible assets are capitalized at cost. Internally generated intangible assets are capitalized to the extent that the criteria for recognition in IAS 38 are met. Manufacturing costs include all directly attributable costs.

Research and development costs
Development costs for newly developed products are capitalized at cost to the extent that expenses are directly attributable and if both the technical feasibility and the marketing of the newly developed products are assured (IAS 38). There must also be a sufficient degree of probability that the development activity will lead to future inflows of benefits. Capitalized development costs include all direct costs and overheads that are directly attributable to the development process. If capitalized development projects meet the criteria of qualifying assets, borrowing costs are capitalized as part of cost in line with IAS 23. The corresponding interest expense is calculated using the effective interest method. Capitalized development costs are amortized on the basis of the estimated period during which sales may be expected.

In accordance with IAS 38, research costs cannot be capitalized and are therefore recognized in profit or loss directly in the consolidated income statement.

Property, plant and equipment
Exercising the option allowed, developed and undeveloped land recognized in accordance with IAS 16 is measured at the revalued amount, which is the respective fair value on the date of revaluation less subsequent accumulated write-downs; revaluation must be repeated at sufficiently regular intervals. Corresponding increases in the value of this land, after taking deferred taxes into account, are added to a revaluation surplus through other comprehensive income in the consolidated statement of comprehensive income or, if they reverse impairment losses previously recognized in profit or loss, they are recognized in profit or loss.

Impairment losses are recognized in other comprehensive income provided that they do not exceed the amount of a revaluation surplus allocable to a plot of land, and otherwise in profit or loss.

All other property, plant and equipment, including right-of-use assets under leases recognized in accordance with IFRS 16, are measured at cost less cumulative straight-line depreciation and cumulative write-downs in line with the option provided under IAS 16.

In addition to direct costs, the cost also includes appropriate portions of material and production overheads.

Borrowing costs that can be assigned directly to qualifying assets are capitalized as a part of cost in line with IAS 23.

Costs of repairs to property, plant and equipment that do not result in an expansion or substantial improvement of the respective asset are recognized in profit or loss.

Investment property
Investment property (IAS 40: Investment Property) is recognized at cost less cumulative straight-line depreciation and cumulative write-downs in line with the option provided under IAS 40. The fair value of investment property is disclosed in the notes to the consolidated financial statements. This value is calculated by non-Group, independent experts in line with internationally acknowledged valuation methods; otherwise it is derived from the current market price of comparable real estate.

Leases
A lease is an agreement in which the lessor transfers the right to use a specified asset to the lessee for a period of time in return for a fee. If a lease also contains non-lease components, these are not recognized in accordance with IFRS 16.

The leases in which we are the lessee are essentially for buildings, the fleet of vehicles and IT equipment. HEIDELBERG exercises the practical expedient of recognizing expenses for short-term or low-value assets on a straight-line basis over the term of the lease. For all other leases, a right of use and a lease liability are recognized at the asset's commencement date.

Right-of-use assets are measured at cost on the commencement date, whereby the cost is equal to the lease liability as of the commencement date, plus initial direct costs, lease payments made before the commencement date and the present value of estimated costs at the end of the term less lease incentives received. Right-of-use assets are depreciated over the term of the respective lease or over the expected useful life if a purchase option is likely to be exercised. They are subject to impairment testing in accordance with IAS 36.

Lease liabilities are measured at the present value of the remaining lease payments, discounted using the corresponding currency and maturity-dependent incremental borrowing rate at the date of initial recognition. Lease payments primarily comprise fixed payments less any lease incentives receivable and variable lease payments that depend on an index or (interest) rate.

Variable lease payments not included in lease liabilities are recognized in profit or loss when the condition triggering those payments occurs. These are immaterial in terms of value.

Lease liabilities are subsequently measured using the effective interest method. If future lease payments change due to an amendment to the lease or a change in the assessment of existing residual value guarantees, purchase or extension options, the carrying amount of the lease liability is adjusted accordingly.

Some of the leases contain termination, prolongation and/or purchase options. The assessment of whether these options are reasonably certain to be exercised is based on judgments as to whether there are economic incentives to exercise the option.

For rented buildings, there is typically an obligation to maintain them in accordance with their use and to return them in their original condition at the end of the rental period. In some cases, the subletting of rented buildings is only permitted with the owner's consent.

The leases in which the HEIDELBERG Group is the lessor are essentially for printing presses leased to customers. If such leases are operating leases, the underlying asset is capitalized in non-current assets. If customers finance printing presses by way of a finance lease, the corresponding lease receivable from the customer is reported under receivables from sales financing.

The risks of leases in which we are the lessor are limited as far as the law allows by corresponding contractual arrangements. In particular, leases contain regulations on risks in connection with the legal ownership of the leased assets that rests with HEIDELBERG, for example regarding the use of the leased asset, relocation and insurance. As part of the secondary realization strategy, the leased assets are either resold or assigned to another leasing business. Market price developments are monitored transparently through active market observation, and any market value risks are identified at an early stage and addressed accordingly. In finance leases HEIDELBERG typically has a contractual put option to sell the leased asset to the customer at its calculated residual value. The residual value risk is thus transferred to the customer in such cases. Moreover, finance leases are subject to risk management for sales financing (see also "Operational risks and opportunities" in the risk and opportunity report in the combined management report).

Depreciation and amortization

Amortization of intangible assets and depreciation of property, plant and equipment and investment property is calculated primarily on the basis of the following useful lives, which are applied uniformly throughout the Group (in years):

	2021/2022	**2022/2023**
Development costs	5 to 12	5 to 12
Software/other rights	3 to 20	3 to 20
Buildings	25 to 50	25 to 50
Technical equipment and machinery	10 to 31	10 to 31
Other equipment, operating and office equipment	5 to 26	5 to 26
Investment property	25 to 50	33 to 33

Write-downs on non-financial assets

Intangible assets and items of property, plant and equipment are impaired if the recoverable amount of the asset is lower than its carrying amount. The recoverable amount for an individual asset must be estimated if there is any indication that this asset could be impaired. There is a separate rule if an intangible asset (including capitalized development costs) or an item of property, plant and equipment is part of a cash-generating unit. If an asset is part of a cash-generating unit, impairment is determined on the basis of the recoverable amount of this unit. This is typically the case for property, plant and equipment and intangible assets; the cash-generating units are the Print Solutions and Packaging Solutions segments (see note 38) and the Zaikio, E-Mobility and Printed Electronics business areas.

The recoverable amount is the higher of the fair value less costs to sell and the value in use. If goodwill has been assigned to a cash-generating unit and its carrying amount exceeds the recoverable amount, the goodwill is first impaired by the amount of the difference. Any additional impairment requirements are recognized by way of the pro rata reduction of the carrying amounts of the other assets of the cash-generating unit.

If the reason for earlier impairment ceases to exist, the impairment on intangible assets and items of property, plant and equipment is reversed. However, the carrying amount increased by reversal may not exceed amortized cost. No impairment on goodwill is reversed.

Inventories

Inventories are carried at the lower of cost and net realizable value. Carrying amounts are calculated using the weighted average cost method.

Costs include production-related full costs determined on the basis of normal capacity utilization.

In particular, the cost of products includes directly attributable direct costs (such as production materials and wages used in construction) and fixed and variable production overheads (such as materials and production overheads), including an appropriate depreciation on manufacturing equipment. Particular account is taken of costs that are charged to specific production cost centers.

The risks of holding inventories arising from reduced usability are taken into account by appropriate write-downs. These write-downs are recognized on the basis of the future production program or actual consumption. Individual periods are used for different inventory items, which are monitored and adjusted based on appropriate criteria. Measurement takes into account lower realizable net selling prices at the end of the reporting period. If the reasons for a lower valuation no longer apply to inventories that have formerly been written down and the net selling price has therefore risen, the reversal of the write-down is recognized as a reduction of the cost of materials.

Financial instruments

BASIC INFORMATION

A financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments are recognized when HEIDELBERG becomes party to a contract for the financial instrument. If the trade date and settlement date differ for standard purchases or sales, financial instruments are recognized at the settlement date. First-time measurement of financial assets and liabilities is at fair value. The carrying amount of financial instruments not measured at fair value through profit or loss includes the directly attributable transaction costs. Subsequent measurement of financial instruments is in line with the measurement categories defined in IFRS 9: Financial Instruments. Under IFRS 9, on first-time recognition financial assets and liabilities can be designated as financial instruments in the fair value through profit and loss category. HEIDELBERG did not exercise this option.

In general, financial assets and liabilities are reported without being offset. They are only offset when there is an enforceable legal right to do so at the end of the reporting period and the entity intends to settle them on a net basis (see note 33). The recognized carrying amount of current and variable interest, non-current financial assets and liabilities is an appropriate estimate of the fair value.

The HEIDELBERG Group is exposed to default risks to the extent that partners do not fulfill their contractual obligations. Default risk essentially relates to receivables from sales financing and trade receivables. For receivables from sales financing, there are risks of default on receivables due to industry, customer, residual value and country risks. These receivables are monitored and managed very closely by internal receivables management. Default risks from derivative financial instruments are regularly managed and continuously monitored for deteriorations in credit rating.

An impaired credit rating and therefore a significant increase in credit risk are assumed when payments are more than 30 days past due. Receivables past due by more than 180 days are basically written down in full as it must be assumed that they will be defaulted on. Default always occurs when the debtor is no longer able to settle its liabilities in full. For receivables from sales financing, default is also assumed if HEIDELBERG cancels customer financing prematurely due to non-payment, when collateral is repossessed or if the customer becomes insolvent. Credit security measures are also continued for fully impaired receivables. The amounts received are recognized in profit or loss.

For outstanding receivables, it is checked on an ongoing basis whether enforcement measures still have a chance of being successful. In the reporting year, as in the previous year, there were no write-downs on significant receivables from sales financing for which enforcement measures are still ongoing.

If the contractual cash flows from receivables from sales financing are renegotiated or otherwise amended and no further payments are expected to be past due in the short term, write-downs are reversed and the receivables are remeasured in accordance with the expected credit losses. Amounts past due are monitored regularly.

Financial assets are measured **at amortized cost** if they are held in a business model with the objective of generating contractual cash flows and the contractual cash flows are solely payments of principal and interest. Write-downs on financial assets measured **at amortized cost** are either recognized directly in profit or loss by reducing the carrying amount of the financial asset or by using an allowance account. The way in which the impairment is shown is dependent on the estimated probability of the risk of default.

The carrying amount of uncollectible receivables is derecognized. If the amount of impairment is objectively reduced in subsequent reporting periods due to an event occurring after recognition of the impairment, the impairment recognized is reversed accordingly in income. Financial assets are measured **at fair value through other comprehensive income** if they are held in a business model with the objective of generating contractual cash flows and to sell financial assets, and if the contractual cash flows are solely payments of principal and interest. Impairment on financial assets at fair value through other comprehensive income is recognized in the consolidated income statement as the difference between cost (net of any principle repayments or amortization) and current fair value, less any impairment previously recognized in profit or loss or, without adjustment of the carrying amount, in other comprehensive income. If the amount of impairment on debt instruments is objectively reduced in subsequent reporting periods due to an event occurring after recognition of the impairment, the impairment recognized is reversed accordingly in income or in other comprehensive income.

All other financial assets are measured **at fair value through profit or loss**.

In accordance with IFRS 9, in addition to the specific allowances for impairment losses to be recognized, the expected credit losses from financial assets measured at amortized cost or fair value through other comprehensive income must be measured on the basis of the expected loss model. The calculation of the expected loss is dependent on whether there is a significant increase in credit risk. If the credit risk of the financial asset has not increased significantly since initial recognition of the financial asset, the impairment loss is measured on the basis of the 12-month expected credit losses.

Expected credit losses for receivables from sales financing are calculated on the basis of the credit risk assessment for each individual receivable. This calculation takes into account all receivables not already impaired. The key inputs are the internally calculated individual probability of default for the receivable and the expected loss given default. In order to draw conclusions about the customer's future sales and earnings performance, pieces of forward-looking information, including estimates of the expected development of the macroeconomic environment and demand on the relevant market derived from the internal customer risk assessment, are taken into consideration. Impairment is recognized on the receivable if its credit risk has increased significantly since initial recognition. Receivables from sales financing are not impaired if the value of the collateral held exceeds the amount of the receivable given default.

For trade receivables, in line with the simplified approach chosen to calculate write-downs in accordance with IFRS 9, the lifetime expected credit losses are recognized from initial recognition of the receivables. The trade receivables portfolio is clustered by country and number of days past due to calculate the expected credit losses. Historical loss experience is used to calculate a provision matrix which is adjusted by a forward-looking factor that reflects the expected development of country risk. The theoretical maximum remaining risk of default of financial assets, disregarding collateral, is the same as their recognized carrying amounts. Impairment is recognized in the amount of the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. Trade receivables are not impaired if the value of the collateral held exceeds the amount of the receivable given default.

Financial assets are derecognized when the contractual rights to cash flows end or substantially all the risks and rewards of ownership are transferred to another party. Financial liabilities are derecognized when the contractual obligation is discharged or legally canceled. If financial liabilities are extinguished in full or in part via the issue of equity instruments by the obligor in accordance with IFRIC 19, the difference between the carrying amount of the liability repaid and the fair value of the equity instruments issued is recognized in profit or loss. The costs attributable to the issue of equity instruments are deducted directly from equity (IAS 32).

The net gains and losses essentially include changes in the fair value and exchange rate effects recognized in net operating income and the financial result and interest income and expense from financial instruments recognized in the financial result. Changes in fair value also include the effects of financial assets measured at fair value recognized directly in equity.

For information on risk management please refer to note 33 and to the Risk and Opportunity Report in the combined management report.

FINANCIAL ASSETS

Financial assets are reported under financial assets, which include shares in subsidiaries, other investments and securities.

Securities reported under financial assets are predominantly classified as financial assets at fair value through other comprehensive income by exercising the option provided by IFRS 9 for financial investments in equity instruments as they are not primarily for short-term profit maximization. On the basis of IFRS 9, these financial instruments are measured at fair value through other comprehensive income taking deferred taxes into account and are not subsequently reclassified to profit or loss. These securities are measured at their stock market prices. If this value cannot be reliably determined, securities are measured at cost.

The appropriate classification of these securities is determined at the time of purchase and is reviewed as of the end of each reporting period.

Shares in affiliated companies and other investments are measured at cost. Other investments include associated companies accounted for using the equity method.
The carrying amounts of the investments accounted for using the equity method are increased or decreased annually by their net income or loss.

The carrying amounts of shares in affiliated companies, other equity investments and securities measured at cost are tested for impairment as of the end of each reporting period; write-downs are recognized in profit or loss.

Acquisitions and disposals of equity investments are based on business policy considerations.

LOANS
Loans are credit that we extend and are classified as financial assets at amortized cost under IFRS 9. Non-current non-interest-bearing and low-interest-bearing loans are carried at net present value. Measurement in subsequent periods is at amortized cost using the effective interest rate method. After initial recognition, financial assets at fair value through profit or loss are measured at fair value; unrealized gains and losses are recognized through profit or loss.

RECEIVABLES FROM SALES FINANCING
Receivables from sales financing include receivables from our customers arising in connection with the financing of machinery sales and receivables under finance leases.

Finance leases include leased installations considered as sales under non-current financing. In line with IFRS 16, these receivables are carried at the net investment value, i.e. discounted future minimum lease payments plus any unguaranteed residual values. Lease payments are broken down into repayments and interest income, and interest income is recognized in the consolidated income statement over the term of the leases reflecting a constant periodic rate of return.

Receivables from sales financing are assigned to the IFRS 9 category “measured at amortized cost” and carried at fair value. Measurement in subsequent periods is at amortized cost using the effective interest rate method.

TRADE RECEIVABLES
Trade receivables do not contain any significant financing components and hence are carried at their transaction price on initial recognition. In subsequent periods they are measured at amortized cost using the effective interest rate method.

RECEIVABLES AND OTHER ASSETS
The receivables and other assets item includes both non-financial assets and financial assets including derivative financial instruments. With the exception of derivative financial instruments, financial assets are assigned to the “measured at amortized cost” and “measured at fair value through profit or loss” category under IFRS 9. Non-financial assets are measured in line with the respective applicable standard.

CASH AND CASH EQUIVALENTS
Cash on hand and bank balances are carried at amortized cost. Bank balances have a remaining term of up to three months.

FINANCIAL LIABILITIES
Primary financial instruments include financial liabilities, trade payables and non-derivative other financial liabilities. Trade payables and non-derivative other financial liabilities include accruals for outstanding invoices and accruals relating to staff.

In accordance with IFRS 9, primary liabilities are stated at fair value. Directly attributable transaction costs are included for financial liabilities not carried at fair value through profit or loss. Measurement in subsequent periods is at amortized cost using the effective interest rate method. For information on the recognition of lease liabilities, please refer to the section “Leases” in this note. Financial guarantees are recognized at the higher of the amount calculated in line with IAS 37 and the initial amount carried as a liability less any amortization. They are reported under other provisions.

DERIVATIVE FINANCIAL INSTRUMENTS
Derivative financial instruments in the HEIDELBERG Group comprise hedging instruments used to manage exchange rate fluctuations. These instruments serve to reduce income volatility. The Group does not enter into trading positions, i.e. derivatives without an underlying hedged item. We currently use over-the-counter (OTC) instruments. These currently comprise forward exchange transactions.

The scope of hedging by financial derivatives comprises recognized, onerous and highly probable hedged items.

In accordance with IFRS 9, derivatives meet the recognition criteria for assets and liabilities, as a result of which they must be capitalized (other assets) or expensed (other liabilities) at fair value. First-time recognition is as of the settlement date.

Under IFRS 9, the distinction between a fair value hedge and a cash flow hedge is of fundamental importance for hedge accounting.

The aim of a fair value hedge is to offset the changes in fair value of assets and liabilities with opposing changes in the fair value of the designated hedging instrument. Any profit or loss resulting from the change in fair value of the designated hedging instrument is recognized directly in the consolidated income statement. From the inception of the hedge, changes in the fair value of the hedged item attributable to the hedged risk are also recognized in profit or loss.

A cash flow hedge serves to hedge the changes in cash flows that typically arise in connection with floating rate assets or liabilities recognized in the consolidated statement of financial position, foreign currency onerous contracts or planned future transactions. The gains and losses of the fair value of derivatives designated as a hedging instrument are recognized outside profit or loss until the respective hedged item becomes effective.

Hedges that do not satisfy the documentation requirements of IFRS 9 for hedge accounting or whose underlying hedged items no longer exist are classified as at fair value through profit or loss.

Assets and liabilities held for sale

Non-current assets and liabilities are classified as held for sale when disposal is highly likely and the asset is available for immediate sale in its present condition. In addition, the owner must have resolved to sell the individual asset or disposal group within one year.

Assets held for sale are carried at the lower of the carrying amount and fair value less costs to sell. Assets held for sale are no longer subject to scheduled depreciation or amortization.

Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are calculated in accordance with the liability method (IAS 12). Under this method, deferred taxes are recognized for all temporary differences between IFRS carrying amounts and the tax carrying amounts of the individual companies or Group companies and on corresponding consolidation adjustments. In addition, deferred tax assets for future benefits from tax loss carryforwards are also taken into account. Deferred tax assets for accounting differences and for tax loss carryforwards are recognized in the amount for which it is probable that taxable income will be available, i.e. for which utilization seems reasonably assured. Deferred taxes are measured on the basis of the income tax rates of the respective countries. A tax rate of 27.89 percent (previous year: 27.94 percent) is used to calculate domestic deferred taxes. In addition to the corporation tax of 15 percent and the solidarity surcharge of 5.5 percent, the average trade tax rate was also taken into account.

In accordance with the provisions of IAS 12, neither deferred tax assets nor liabilities have been discounted. Deferred tax assets were offset against deferred tax liabilities when required according to the provisions of IAS 12. In line with this, offsetting must be effected if there is a legally enforceable right to offset the actual taxes and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority and originate from the same company or in the same group of controlled companies.

Provisions for pensions and similar obligations

The pensions and similar obligations comprise the obligations of the Group to establish provisions under both defined benefit plans and defined contribution plans.

For defined benefit plans, the pension obligations are calculated using the projected unit credit method (IAS 19). Under this method, expert actuarial reports are commissioned each year. The discount rate used for the present values of defined benefit obligations is based on the yields of high-quality corporate bonds with matching maturities and currencies and ratings of AA on the basis of the information provided by Bloomberg. This discount rate is also used to determine the net interest on the net liability/asset from defined benefit plans. Mortality and retirement rates are calculated in Germany according to the 2018 G Heubeck mortality tables and, outside Germany, according to comparable foreign mortality tables. Plan assets carried at fair value are offset against defined benefit obligations. The cash and cash equivalents of Heidelberg Pension-Trust e.V. are held in trust by the latter and serve to secure pension obligations as well as pension payments in case of delay. They do not qualify as plan assets in accordance with IAS 19.8. Current service cost and any past service cost is recognized immediately and reported under staff costs; the net interest expense, as the net total of interest expenses on benefit obligations and interest income on plan assets, is reported in the financial result. Gains or losses resulting from changed expectations with regard to life expectancy, future pension and salary increases and the discount rate from the actual developments during the period are recognized outside profit or loss directly in other comprehensive income in the statement of comprehensive income. Recognition of the gains or losses from remeasurements reported in other comprehensive income in profit or loss in later periods is not permitted. The difference between the (interest) income on plan assets calculated at the start of the period and the actual return on plan assets determined at the end of the period is also recognized outside profit or loss in other comprehensive income.

For defined contribution plans, compulsory contributions are offset directly as an expense. No provisions for pension obligations are recognized, as in these cases the Company does not have any obligation beyond that to pay premiums.

Other provisions

Other provisions are recognized when a past event gives rise to a current obligation, utilization is more likely than not and its amount can be reliably estimated. This means that the probability must exceed 50 percent. They are measured either at the most likely settlement amount or, if probabilities are equal, at the expected settlement amount. Provisions are only recognized for legal or constructive obligations in respect of third parties. Provisions are measured at full production cost, taking into consideration possible cost increases. Provisions for restructuring measures are recognized to the extent that the criteria of IAS 37 or IAS 19 respectively are met.

Non-current provisions with a remaining term of more than one year are carried at the discounted settlement amount at the end of the reporting period on the basis of appropriate interest rates if the time value of money is material. The underlying interest rates depend on the term of the obligation.

Income tax liabilities

Income tax liabilities are recognized in the amount which is expected to be paid to the tax authorities.

If income tax liabilities include uncertain income tax items because they are probable, these are typically measured at the most probable amount. In some cases the determination of income tax liabilities requires discretionary decisions.

Cash-settled share-based payment

From the financial year 2017/2018, in the context of the multi-year variable remuneration of the Management Board, share-based, cash-settled payment has been granted on the basis of the total shareholder return performance indicator. This is then paid out at the end of the respective three-year performance period.

In this financial year, a multi-year variable compensation will be allocated for the first time, which is based on the issue of virtual HDM shares, is earned over a one-year period and is settled in equal parts in cash and in HDM shares at the end of the three-year performance period. The valuation of these components is measured in accordance with IFRS 2 on the basis of their fair value using a Monte Carlo simulation.

The fair values of the cash-settled remuneration components are remeasured at each reporting date and at the settlement date and recognized proportionately in personnel expense. Multi-year variable compensation to be settled in equity instruments is measured once at fair value on the grant date and recognized as personnel expense in the capital reserve.

Contract liabilities

Contract liabilities typically arise in connection with the sale of sheetfed offset presses on account of the advance payment usually required and, for service and maintenance work, on account of the one-time payment when the contract is signed.

Government grants

For taxable government investment subsidies and tax-free investment allowances there is an option to recognize these as deferred income or deduct them when determining the carrying amount of the asset. HEIDELBERG reports these subsidies as deferred income that is reversed and recognized as income in line with the expected pattern of economic benefits from the asset over its useful life.

Contingent liabilities

Contingent liabilities are potential obligations that relate to past events and whose existence will not be confirmed until one or more uncertain future events occur. These future events, however, lie outside the sphere of influence of the HEIDELBERG Group. Furthermore, current obligations can represent contingent liabilities if the outflow of resources is not sufficiently probable to recognize a respective provision or if the amount of the obligation cannot be reliably estimated. The carrying amount of contingent liabilities is equal to the best possible estimate of the settlement amount resulting from the liability.

7. Estimates and judgments

When preparing consolidated financial statements, certain assumptions and estimates are made that have an effect on the amount and reporting of assets and liabilities, information on contingent assets and liabilities at the end of the reporting period and on income and expense reported in the period under review. The preparer of consolidated financial statements has a degree of discretion here.

The following are the key issues affected by assumptions and estimates:

- assessing the recoverability of goodwill,
- the measurement of other intangible assets and of items of property, plant and equipment,
- assessing impairment of trade receivables and receivables from sales financing,
- recognition and measurement of other provisions,
- recognition and measurement of provisions for pensions and similar obligations.

In the impairment test for goodwill, the recoverable amount of the cash-generating unit is determined as the higher of its fair value less the cost to sell and its value in use. The fair value here reflects the best estimate of the price independent market participants would receive under standard market conditions for the sale of the cash-generating units at the end of the reporting period. The value in use is the present value of the estimated future cash flows expected from the cash-generating unit. A change in determining factors can change the fair value or the value in use, and could result in the recognition of write-downs. As in the previous year, this applies in the reporting year with regard to the uncertainty in connection with the armed conflict between Russia and Ukraine in particular. Goodwill impairment testing is mainly based on the parameters listed in note 18.

As in the previous year, a reduction in the growth factor used to calculate the perpetual annuity by one percentage point and a reduction in the result of operating activities of 5 percent would not result in any impairment requirement for the Print Solutions cash-generating unit, the Packaging Solutions cash-generating unit or the E-Mobility cash-generating unit. In light of Russia's war on Ukraine, current economic development is priced into corporate planning with a relatively conservative course of business and the expected sales have been risk-adjusted accordingly. It is assumed that the cost of materials and staff costs will increase in the coming financial years. These cost increases are reflected in planning in the form of corresponding price rises.

As in the previous year, increasing the discount rate before taxes by one percentage point to 11.5 percent (previous year: 11.0 percent) for the Print Solutions cash-generating unit, 11.6 percent (previous year: 10.9 percent) for the Packaging Solutions cash-generating unit and 16.7 percent (previous year: 14.0 percent) for the E-Mobility cash-generating unit would not result in any impairment requirements.

The useful lives used throughout the Group for intangible assets – with the exception of goodwill – and for items of property, plant and equipment are subject to management assessments. In addition, the impairment test determines the recoverable amount of the asset or cash-generating unit to which the asset is attributed as the higher of fair value less costs to sell and value in use. The fair value here reflects the best estimate of the amount for which an independent third party would acquire the asset under standard market conditions at the end of the reporting period. The value in use is the present value of the estimated future cash flows that can be anticipated from the continued use of the asset or cash-generating unit. A change in determining factors can change the fair value or the value in use and could result in the recognition or reversal of write-downs.

Credit and default risks arise for trade receivables and receivables from sales financing to the extent that customers do not meet their payment obligations and assets are lost as a result.

The necessary write-downs (see also note 6, "Financial instruments") are calculated on a forward-looking basis taking into account the credit rating of the respective customer, any collateral and experience of historical default rates. In particular, forward-looking factors include information on the expected development of credit ratings by country (trade receivables) and estimates of the expected development of the macroeconomic environment and demand on the relevant market derived from the internal customer risk assessment (receivables from sales financing). The customer's actual default may differ from the expected default on account of the underlying factors.

The amount and probability of utilization are estimated in the recognition and measurement of other provisions. They are measured either at the most likely settlement amount or, if probabilities are equal, at the expected settlement amount. The amount of the actual utilization can deviate from estimates. Please refer to note 26 for information on the sensitivity analysis regarding provisions for pensions and similar obligations.

The assumptions and estimates are based on the information and data currently available. Actual developments can deviate from the estimates. The carrying amounts of the relevant assets and liabilities are adjusted accordingly if actual amounts deviate from estimated values.

Notes to the consolidated income statement

8. Net sales

In addition to income from the sale of machinery of € 1,466 million (previous year: € 1,244 million), income from the sale of consumables and spare parts of € 624 million (previous year: € 582 million), income from the sale of charging stations (Wallboxes) in the e-mobility area of € 21 million (previous year: € 50 million) and income from services of € 308 million (previous year: € 290 million), net sales also include income from commissions, finance and operating leases of € 14 million (previous year: € 15 million) and interest income from sales financing and finance leases calculated using the effective interest method of € 3 million (previous year: € 2 million). The gain on disposal and the financial income on the net investment in the lease are immaterial to income from finance leases, as in the previous year. Income from operating leases amounted to € 11 million (previous year: € 11 million). HEIDELBERG's business activities are divided into the Print Solutions area with the customer categories Digital, Commercial and Industrial, the Packaging Solutions area, which essentially bundles the Folding Cartons and Labels areas, and the Technology Solutions areas, with the Zaikio, E-Mobility and Printed Electronics units. Sales of machinery essentially comprise the sheetfed offset, label printing, postpress and digital printing business.

Net sales of € 2,435 million (previous year: € 2,183 million) comprise revenue from contracts with customers in accordance with IFRS 15 of € 2,418 million (previous year: € 2,166 million) and other net sales of € 16 million (previous year: € 17 million).

As of March 31, 2023, the order backlog amounts to € 848 million (previous year: € 901 million). Of the performance obligations not yet fulfilled as of the end of the reporting period (see note 29), € 194 million (previous year: € 220 million) relates to machinery not yet delivered and € 71 million (previous year: € 64 million) to maintenance and services not yet performed. Fulfillment of the former performance obligations is essentially expected within the next 12 months while fulfillment of the latter performance obligations is essentially expected within a short to medium-term period.

Further information on net sales can be found in the segment report and the report on the regions in the combined management report. The breakdown of net sales by segment and by region is shown in note 38.

9. Other operating income

	2021/2022	**2022/2023**
Income from disposals of intangible assets, property, plant and equipment and investment property	39	29
Reversal of other provisions and accruals	45	25
Income from deconsolidation of Docufy GmbH	22	–
Income from contribution of HeiMaster Technology Co., Ltd.	–	7
Hedging/exchange rate gains	2	6
Recoveries on loans and other assets previously written down	6	4
Income from operating facilities	3	3
Other income	18	25
	137	**99**

In the previous year, "income from disposals of intangible assets, property, plant and equipment and investment property" included the gain on the disposal of an area of around 130,000 m² at the Wiesloch/Walldorf production site of € 12 million and the income in connection with the sale of the previous property in Brentford, UK, of € 27 million.

In the year under review, this item included the gain on the disposal of an additional area of around 80,000 m² at the Wiesloch-Walldorf production site of € 15 million and the income in connection with the sale of the entire area of around 20,000 m² at the St. Gallen site in Switzerland. As part of the sale of the building in St. Gallen, HEIDELBERG entered into a lease agreement with a term of ten years. The gain on this sale and leaseback transaction amounted to € 12 million. The cash inflow from the sale amounted to € 32 million and the future annual rental payments amount to € 1 million.

Income of € 7 million was realized in the reporting year from the contribution of technological expertise to the associated company HeiMaster Technology (Tianjin) Co., Ltd.

10. Cost of materials

	2021/2022	2022/2023
Cost of raw materials, consumables and supplies, and of goods purchased and held for resale	937	1,000
Cost of purchased services	107	113
	1,044	**1,113**

The ratio of the cost of materials to total operating performance is 45.7 percent (previous year: 46.8 percent).

11. Staff costs and number of employees

	2021/2022	2022/2023
Wages and salaries	666	678
Cost of/income from pension scheme	16	16
Other social security contributions and expenses	117	121
	798	**815**

In the reporting year, wages and salaries included an expense of € 17 million for the inflation compensation bonus that was collectively agreed on November 18, 2022, at the German sites.

Reimbursement claims against the Bundesagentur für Arbeit (Federal Employment Agency) for social insurance expenses in the context of short-term work ended as of March 31, 2022, and hence no longer served to reduce staff costs (previous year: € 5 million).

The number of **employees** [1] was:

	Average		As of	
	2021/2022	2022/2023	31-Mar-2022	31-Mar-2023
Europe, Middle East and Africa	7,167	6,920	7,040	6,895
Asia/Pacific	1,626	1,610	1,636	1,592
Eastern Europe	436	358	440	361
North America	615	613	606	614
South America	88	91	89	92
	9,932	**9,592**	**9,811**	**9,554**
Trainees	376	410	362	390
	10,308	**10,002**	**10,173**	**9,944**

1) Not including interns, graduating students, dormant employees and employees in the exemption phase of partial retirement

12. Depreciation and amortization

Depreciation and amortization including write-downs of € 79 million (previous year: € 79 million) relate to intangible assets of € 13 million (previous year: € 13 million) and property, plant and equipment of € 66 million (previous year: € 67 million). Depreciation and write-downs of € 17 million (previous year: € 17 million) relate to right-of-use assets from leases reported under property, plant and equipment. In turn, these relate to land and buildings of € 10 million (previous year: € 9 million) and other equipment, operating and office equipment of € 7 million (previous year: € 8 million).

Write-downs of € 2 million (previous year: € 3 million) primarily relate to right-of-use assets from leases in the amount of € 1 million and goodwill for the Zaikio cash-generating unit in the amount of € 1 million. In the previous year, write-downs primarily related to software/other rights and to right-of-use assets from leases. In conjunction with the armed conflict between Russia and Ukraine, assets of € 1 million were deemed to be irrecoverable in the previous year. These primarily comprised right-of-use assets from leases. Write-downs of € 1 million relate to the Print Solutions segment, € 0 million to the Packaging Solutions segment, and € 1 million to the Technology Solutions segment.

13. Other operating expenses

	2021/2022	2022/2023
Other deliveries and services not included in the cost of materials	149	150
Special direct selling expenses including freight charges	83	96
Travel expenses	25	32
Insurance expense	12	13
Rents and leases	10	13
Bad debt allowances and impairment on other assets	10	7
Hedging/exchange rate losses	8	6
Additions to provisions and accruals relating to several types of expense	3	6
Costs of car fleet (excluding leases)	4	5
Other overheads	62	70
	366	**397**

In addition to ancillary costs and services, the “Rents and leases” item recognizes the following amounts for leases in which the HEIDELBERG Group is the lessee:

	2021/2022	2022/2023
Expenses for short-term leases	1	1
Expenses for leases for low-value assets (not including short-term leases)	1	0
Expenses for variable lease payments	1	1
Total	**2**	**2**

14. Financial result

	2021/2022	2022/2023
Financial income	6	10
Financial expenses	36	30
Financial result	**–30**	**–19**

15. Financial income

	2021/2022	2022/2023
Interest and similar income	5	10
Income from financial assets/loans/securities	1	1
Financial income	**6**	**10**

Interest and similar income includes income from the discounting of non-current provisions and income tax liabilities in the amount of € 6 million (previous year: € 1 million).

16. Financial expenses

	2021/2022	2022/2023
Interest and similar expenses	29	27
of which: net interest cost of pensions	(13)	(16)
Expenses for financial assets/loans/securities	7	2
Financial expenses	**36**	**30**

In addition to the net interest cost of pensions, interest and similar expenses includes expenses in connection with the credit facility and the development loans (see note 28). The prior-year figure also includes expenses in connection with the convertible bond that was repaid in full in March 2022, as well as the loan that was assumed in connection with the purchase/sale of the research and development center in Heidelberg and repaid in full in January 2022. The net interest expense for pensions is the net total of interest expenses on defined benefit obligations (DBO) and (interest) income on plan assets.

Interest and similar expenses include interest expenses from leases of € 2 million (previous year: € 2 million).

The cost of financial assets/loans/securities includes write-downs of € 0 million (previous year: € 5 million).

17. Taxes on income

Taxes on income are broken down as follows:

	2021/2022	2022/2023
Current taxes	32	18
of which Germany	(6)	(−9)
of which abroad	(26)	(27)
Deferred taxes	−14	3
of which Germany	(−11)	(5)
of which abroad	(−4)	(−3)
	18	**20**

As in the previous year, the adoption of amended or new standards did not result in any additional tax expenses or tax income.

Taxes on income comprise German corporate tax (15 percent) plus the solidarity surcharge (5.5 percent), trade tax (12.06 percent; previous year: 12.11 percent) and comparable taxes of the foreign subsidiaries. The nominal total German tax rate is 27.89 percent for the financial year (previous year: 27.94 percent).

No deferred tax liabilities were recognized for temporary differences on shares in subsidiaries of € 91 million (previous year: € 121 million) as it is unlikely that these differences will reverse in the foreseeable future or the corresponding effects are not subject to taxation. Deferred tax liabilities of € 1 million (previous year: € 0 million) were recognized on the basis of the respective applicable tax rates in line with local taxation on planned dividends.

Deferred tax income from the reversal of a previous write-down of deferred tax assets on temporary differences and deferred tax expenses resulting from the write-down in the reporting year amounted to € 0 million (previous year: € 0 million) and € 5 million (previous year: € 0 million) respectively.

In the previous year, deferred tax income of € 9 million resulted from the capitalization of deferred taxes on temporary differences in conjunction with the contribution of e-mobility operations to the newly formed company Amperfied GmbH. A write-down of € 5 million was recognized in the year under review.

Total tax loss carryforwards for which no deferred tax assets were recognized amount to € 2,009 million (previous year: € 2,017 million). Of these, € 0 million can be used by 2024 (previous year: € 0 million by 2023), € 1 million by 2025 (previous year: € 1 million by 2024), € 0 million by 2026 (previous year: € 2 million by 2025), € 0 million by 2027 (previous year: € 0 million by 2026), € 0 million by 2028 (previous year: € 0 million by 2027) and € 2,008 million by 2029 and later (previous year: € 2,014 million by 2028 and later).

No deferred tax assets were recognized for interest carryforwards amounting to € 100 million (previous year: € 99 million).

Deferred tax assets are only recognized for tax loss carryforwards and interest carryforwards if their realization is guaranteed in the near future. No write-downs were made in the year under review on deferred tax assets for loss carryforwards recognized in previous years (previous year: € 2 million). Deferred tax assets totaling € 1 million (previous year: € 1 million) were recognized in the reporting year on tax loss carryforwards not previously recognized. In the reporting year, deferred tax assets on current tax losses in the amount of € 7 million (previous year: € 4 million) were recognized in profit or loss.

The reversals of deferred tax assets on temporary differences and tax loss carryforwards not yet recognized relate to two foreign companies. The reversal is essentially due to the economic recovery of the companies.

Deferred tax assets of € 12 million (previous year: € 47 million) were capitalized at companies that generated a tax loss in the reporting year or in the prior financial year, as on the basis of tax planning it is assumed that positive taxable income will be available in the foreseeable future.

No income from loss carrybacks was recognized in the reporting year (previous year: none).

Current taxes were reduced in the reporting year by € 0 million (previous year: € 7 million) as a result of deferred tax assets for tax loss carryforwards that had not previously been taken into account. Current income taxes include net prior-period income of € 9 million (previous year: expenses of € 4 million).

Taxes on income can be derived from the net result before taxes as follows:

	2021/2022	**2022/2023**
Net result before taxes	51	112
Theoretical tax rate in percent	27.94	27.89
Theoretical tax income/expense	**14**	**31**
Change in theoretical tax income/expense due to:		
Differing tax rate	−5	−5
Tax loss carryforwards [1)]	28	4
Reduction due to tax-free income	−18	−9
Tax increase due to non-deductible expenses	14	18
Change in income tax liabilities for reassessment risks	3	−11
Impairment/reversal of deferred tax assets on temporary differences	−17	−10
Other (incl. taxes on previous years)	−1	2
Taxes on income	**18**	**20**
Tax rate in percent	**34.92**	**18.35**

1) Write-downs and reversals of tax loss carryforwards, utilization of non-recognized tax loss carryforwards and non-recognition of current losses and interest carryforwards

Notes to the consolidated statement of financial position

18. Intangible assets

Goodwill includes amounts arising from the takeover of businesses (asset deals) and from the acquisition of shares in companies (share deals). For the purpose of impairment testing, assets are allocated to cash-generating units. These are the Print Solutions and Packaging Solutions segments (see note 38) and the Zaikio, E-Mobility and Printed Electronics business areas. The carrying amounts of the goodwill allocated to the Print Solutions, Packaging Solutions, Zaikio and E-Mobility cash-generating units amounted to € 47 million (previous year: € 47 million), € 77 million (previous year: € 77 million), € 0 million (previous year: € 1 million) and € 2 million (previous year: € 2 million) respectively.

According to IAS 36, as part of the impairment test the recoverable amount of the cash-generating units is determined based on the higher of the fair value less costs to sell and the value in use. The fair value here reflects the best estimate of the price independent market participants would receive under standard market conditions for the sale of the cash-generating units at the end of the reporting period. The value in use is the present value of the estimated future cash flows expected from the cash-generating unit. The calculation of the value in use by HEIDELBERG on the basis of the discounted cash flow method is based on the planning authorized by the Management Board, which in turn is based on medium-term planning for the result of operating activities for a period of five (previous year: five) financial years. This planning process is based on past experience, the corporate strategy, external information sources and expectations of future market development. Key assumptions on which the calculation of the value in use by the management is based include forecasts in the planning period of the development of sales, the costs taking into account the effects of Company-wide earnings improvement measures (EBIT), the costs of capital and the growth rate.

The average sales growth in the detailed planning period is around 2.6 percent p.a. (previous year: around 1.1 percent p.a.) for the Print Solutions cash-generating unit, around 6.0 percent p.a. (previous year: around 7.7 percent p.a.) for the Packaging Solutions cash-generating unit, and around 121.0 percent p.a. (previous year: around 62.3 percent p.a.) for the E-Mobility cash-generating unit. On the one hand, this sales growth is based on forecast increases in sale prices, which also reflect price inflation. On the other, it results from sales growth in individual product areas already established in the market for which market growth is forecast on the basis of external information sources and internal expectations, as well as the expected ramp-up of sales for products and business models that were newly launched up until the year under review. Adjusted for anticipated cost developments, this results in EBIT growth up until the end of the planning period to a mid-single-digit percentage of sales for the Print Solutions cash-generating unit, a mid-single-digit percentage for the Packaging Solutions cash-generating unit and a low-double-digit percentage of sales for the E-Mobility cash-generating unit. Cash outflows for the Company's investment activities relate to investments on the basis of measures already commenced in the year under review and planned maintenance investments in respect of current and forecast wear and tear. The value in use model does not take into account any additional income from expansion investments. With regard to EBIT, the transition to the perpetual annuity is effected by taking into account a growth rate of 1 percent (previous year: 1 percent) for EBITDA on the basis of the last planning year as well as sustained depreciation.

As a result, as in the previous year, there were no impairment requirements for the Print Solutions, Packaging Solutions or E-Mobility cash-generating units despite Russia's ongoing war in Ukraine.

The calculated cash flows were discounted on the basis of market data using weighted average costs of capital (WACC) before taxes of 10.5 percent (previous year: 10.0 percent) for the Print Solutions cash-generating unit, 10.6 percent (previous year: 9.9 percent) for the Packaging Solutions cash-generating unit and 15.7 percent (previous year: 13.0 percent) for the E-Mobility cash-generating unit.

Sensitivity analyses were conducted as part of the impairment test in accordance with the requirements of IAS 36.134; no impairment requirements were identified (see note 7).

Capitalized development costs mainly relate to developments with regard to sheetfed offset printing presses in the Packaging Solutions segment and workflow software. Non-capitalized development costs from all segments – including research expenses – amount to € 88 million in the reporting year (previous year: € 91 million).

19. Property, plant and equipment and investment property

In conjunction with the remeasurement of land reported under property, plant and equipment in the financial year 2022 / 2023 (first remeasurement in the financial year 2019 / 2020), increases in value of € 56 million less deferred taxes of € 0 million were recognized in "Other comprehensive income" and write-ups of € 1 million were recognized in profit or loss. The revaluation surplus totaled € 160 million as of March 31, 2023 (previous year: € 120 million). If this land had still been measured in accordance with the cost model as of March 31, 2023, its carrying amount would have been € 18 million as of the end of the reporting period (previous year: € 21 million).

Most recently as of the measurement date of March 31, 2023, the fair value of land recognized in accordance with the IAS 16 revaluation model was nearly completely calculated by third-party, independent experts in line with internationally acknowledged measurement methods in accordance with level 2 of the IFRS 13 measurement hierarchy.

The carrying amounts of right-of-use assets from leases in which we are the lessee reported under property, plant and equipment developed as follows:

	As of 1-Apr-2021	Additions	Depreciation and amortization	Disposals	Other changes	**As of 31-Mar-2022**
Land and buildings	27	8	9	5	1	22
Technical equipment and machinery	3	1	0	–	0	4
Other equipment, operating and office equipment	14	7	8	0	0	13
	44	**16**	**18**	**5**	**2**	**39**

	As of 1-Apr-2022	Additions	Depreciation and amortization	Disposals	Other changes	**As of 31-Mar-2023**
Land and buildings	22	14	10	0	–1	25
Technical equipment and machinery	4	0	0	0	0	4
Other equipment, operating and office equipment	13	9	7	0	0	15
	39	**23**	**17**	**0**	**–1**	**44**

Please refer to note 28 for further information on the lease liabilities offsetting the right-of-use assets.

The carrying amounts of assets capitalized in non-current assets from operating leases in which we are the lessor are € 33 million (previous year: € 39 million). These assets are reported under technical equipment and machinery. These assets are printing presses leased to customers. The gross carrying amounts were € 59 million (previous year: € 61 million) and cumulative depreciation amounted to € 26 million (previous year: € 22 million). Depreciation of € 7 million (previous year: € 7 million) was recognized in the reporting year. Future lease income of € 12 million (previous year: € 17 million) is anticipated from operating leases.

These undiscounted lease payments are due as follows:

	31-Mar-2022	**31-Mar-2023**
Up to 1 year	7	6
Between 1 and 2 years	6	4
Between 2 and 3 years	3	1
Between 3 and 4 years	1	1
Between 4 and 5 years	0	0
More than 5 years	0	0
	17	**12**

In connection with the refinancing of the HEIDELBERG Group (see note 28), property, plant and equipment and investment property were pledged as collateral by way of assignment and the creation of a collective land charge. The carrying amounts of this collateral as of the end of the reporting period were € 490 million (previous year: € 445 million) and € 3 million (previous year: € 5 million).

The carrying amounts of property, plant and equipment that are partially unused or are no longer used are of minor significance.

For property, plant and equipment leased to customers of the Heidelberg Group in finance leases, corresponding receivables have been capitalized in the amount of the discounted future minimum lease payments. Leased items are therefore not reported under non-current assets.

The fair value of investment property (IAS 40: Investment Property) corresponds to the second level in the measurement hierarchy according to IFRS 13 and is € 10 million (previous year: € 8 million). Investment property with a fair value of € 5 million (previous year: € 3 million) was measured by non-Group independent experts in line with internationally acknowledged valuation methods. The other fair values were derived from current market prices of comparable real estate. In this connection, reversals of impairment losses amounting to € 1 million were recognized in other operating income.

As in the previous year, only immaterial current income or expenses were incurred in connection with investment property in the reporting year.

20. Financial assets and assets held for sale

Financial assets include shares in subsidiaries totaling € 0 million (previous year: € 0 million), other investments of € 12 million (previous year: € 4 million) and securities of € 3 million (previous year: € 3 million). Please see note 33 for information on securities and their fair value.

The increase in other investments is mainly attributable to the investment in the associated company HeiMaster Technology (Tianjin) Co., Ltd., which is recognized using the equity method. Other investments therefore include financial assets in the amount of € 9 million (prior year: none) which are accounted for using the equity method.

The assets classified as held for sale in accordance with IFRS 5 in the previous year, which amounted to € 30 million as of March 31, 2022, related to nine developed plots of land and five undeveloped plots of land whose sale was planned and had been initiated. Assets of € 17 million related to the Print Solutions segment and of € 13 million to the Packaging Solutions segment.

21. Receivables and other assets

			31-Mar-2022			31-Mar-2023
	Current	Non-current	Total	Current	Non-current	Total
Receivables from sales financing	**22**	**21**	**43**	**16**	**24**	**40**
Trade receivables	**246**	**–**	**246**	**290**	**–**	**290**
Other receivables and other assets						
Other tax assets	14	0	14	15	0	15
Cash and cash equivalents of Heidelberg Pension-Trust e.V.	–	15	15	–	15	15
Loans	0	1	1	0	1	1
Derivative financial instruments	3	–	3	3	0	3
Contract assets	1	1	2	1	1	2
Prepaid expenses	9	0	9	10	0	10
Purchase price receivable for property in Brentford, UK	40	–	40	–	–	–
Purchase price receivable for property in Wiesloch-Walldorf, Germany	–	–	–	5	–	5
Cash investment	20	–	20	6	–	6
Creditors with debit balances	11	–	11	8	–	8
Other assets	34	3	37	36	1	37
	133	**20**	**153**	**83**	**17**	**100**

Receivables from sales financing (not including lease receivables from finance leases) and trade receivables result from contracts with customers and amounted to € 288 million as of April 1, 2022 and € 330 million as of March 31, 2023.

In the reporting year, plan assets of € 1 million (previous year: € 1 million) are included in current other assets (see note 26).

In connection with the refinancing of the HEIDELBERG Group (see note 28), trade receivables, receivables from sales financing and other receivables and other assets were assigned as collateral by way of undisclosed assignment. The carrying amounts of this collateral as of the end of the reporting period were € 47 million (previous year: € 43 million), € 1 million (previous year: € 2 million) and € 2 million (previous year: € 1 million) respectively.

Receivables from sales financing

The fair value of receivables from sales financing essentially corresponds to the reported carrying amount. This fair value is based on expected cash flows and interest rates with matching maturities taking into account the customer-specific credit rating.

The derived market value of the collateral held for receivables from sales financing was € 39 million as of the end of the reporting period (previous year: € 39 million). This collateral is essentially reservations of title, with the amount of security varying from region to region.

Impairment on receivables from sales financing developed as follows in the reporting year:

			2021/2022			**2022/2023**
	Stage 1 – 12-month expected credit losses	Stage 2 – lifetime expected credit losses	Stage 3 – lifetime expected credit losses	Stage 1 – 12-month expected credit losses	Stage 2 – lifetime expected credit losses	Stage 3 – lifetime expected credit losses
As of the start of the financial year (IFRS 9)	1	–	4	1	–	4
Additions	0	–	1	0	–	1
Utilization	–	–	0	–	–	–1
Reversals	–1	–	–1	–1	–	–1
Change in scope of consolidation, currency adjustments, other changes	0	–	0	0	–	–1
As of the end of the financial year	**1**	**–**	**4**	**1**	**–**	**2**

In the year under review, receivables from sales financing with a prior carrying amount of € 0 million (previous year: € 3 million) were modified with the loss allowance being measured at the lifetime expected credit loss (stage 3). No net losses were recognized in profit or loss in the year under review as a result of these modifications (previous year: € 0 million). The modifications resulted in a change in the loss allowance from the lifetime expected credit loss (stage 3) to the 12-month expected credit loss (stage 1) in the amount of € 0 million (previous year: € 1 million). Modifications made in previous financial years also did not entail any material changes in the loss allowance from the lifetime expected credit loss (stage 3) to the 12-month expected credit loss (stage 1).

In the year under review, as in the previous year, no receivables from sales financing were written off that were still subject to enforcement measures.

As of the end of the reporting period, the gross carrying amounts are allocated to the credit risk classes as follows:

			2021/2022			**2022/2023**
Gross carrying amounts	Stage 1 – 12-month expected credit losses	Stage 2 – lifetime expected credit losses	Stage 3 – lifetime expected credit losses	Stage 1 – 12-month expected credit losses	Stage 2 – lifetime expected credit losses	Stage 3 – lifetime expected credit losses
Low risk	7	–	0	13	–	–
Medium risk	23	–	1	15	–	2
High risk	4	–	12	4	–	8
Total	**34**	**–**	**13**	**32**	**–**	**11**

Receivables from sales financing include lease receivables of € 1 million (previous year: € 1 million) from finance leases in which our financing companies in particular act as lessors.

Credit risks arising from receivables from sales financing are concentrated within the print media industry on account of the sector in which we operate. A significant proportion of receivables from sales financing is due from customers located in emerging nations. In terms of value, the risk concentration attributable to Brazil in the reporting year was 50 percent (previous year: 34 percent) of the emerging markets. With a total amount of € 17 million (previous year: € 11 million), Brazil thus accounts for 32 percent (previous year: 17 percent) of total receivables from sales financing.

Trade receivables

In accordance with the simplified approach for calculating write-downs on trade receivables, the following provision matrix was used to calculate the expected loss on receivables not impaired as of March 31, 2023:

			2021/2022			**2022/2023**
	Default ratio	Gross carrying amounts	Expected loss	Default ratio	Gross carrying amounts	Expected loss
Receivables neither past due nor impaired	0.38 %	182	1	0.28 %	223	1
Receivables past due but not impaired						
less than 30 days	1.18 %	33	0	0.94 %	35	0
between 30 and 60 days	2.79 %	12	0	3.14 %	11	0
between 60 and 90 days	5.90 %	4	0	5.48 %	7	0
between 90 and 180 days	9.38 %	3	0	6.56 %	5	0
more than 180 days	11.44 %	3	0	7.90 %	4	0
Total		**238**	**2**		**284**	**2**

The carrying amount of the trade receivables is primarily to be taken as an appropriate estimate of the fair value.

The expected credit losses on trade receivables with a gross carrying amount of € 284 million (previous year: € 238 million) as of the end of the reporting period are calculated on a collective basis.

The derived market value of the collateral held for receivables from machinery sales was € 144 million (previous year: € 99 million) as of the end of the reporting period. This collateral is essentially reservations of title, with the amount of security varying from region to region.

Total write-downs on trade receivables amounted to € 5 million (previous year: € 8 million). In the previous year, € 1 million related to receivables deemed to be impaired as a result of Russia's war in Ukraine. Of this, write-downs booked to allowance accounts developed as follows in the reporting year:

	2021/2022		**2022/2023**	
	Expected losses	Impairment	Expected losses	Impairment
As of the start of the financial year	4	16	2	19
Additions	1	6	1	3
Utilization	–	–2	–	–3
Reversals	–2	–2	–1	–1
Change in scope of consolidation, currency adjustments, other changes	0	0	0	–1
As of the end of the financial year	**2**	**19**	**2**	**16**

There were no significant modifications to trade receivables in the year under review.

Some of the trade receivables written off in the year under review are still subject to enforcement measures.

There were no significant concentrations of risk in trade receivables in the reporting year.

Other receivables and other assets

The carrying amount of the other receivables and other financial assets (not including derivative financial instruments) is primarily to be taken as an appropriate estimate of the fair value.

The cash and cash equivalents of Heidelberg Pension-Trust e.V. in the amount of € 15 million (previous year: € 15 million) are held in trust by the latter (see note 26). These instruments serve to secure all pension obligations. They are currently sufficient to satisfy in full the pension obligations not already covered by the Pensions-Sicherungs-Verein (pension guarantee association) in the event of a corresponding claim while also providing a liquidity buffer for any delayed pension payments.

Specific allowances for impairment losses of € 1 million (previous year: € 5 million) and € 2 million (previous year: € 3 million) relate to loans (gross carrying amount: € 2 million; previous year: € 6 million) and to other financial assets (gross carrying amount: € 21 million; previous year: € 71 million).

Of the impairment recognized on loans in the previous year, € 2 million was utilized (previous year: none) and none was reversed (previous year: none). Additions to impairment losses of € 0 million were required (previous year: € 4 million). Of the impairment recognized on other financial assets in the previous year, € 1 million (previous year: € 1 million) was utilized and € 0 million (previous year: € 0 million) was reversed. Additions of € 0 million were required (previous year: € 0 million).

€ 1 million (previous year: € 1 million) of unimpaired loans and other financial assets were past due by more than 180 days.

Derivative financial instruments include asset cash flow hedges of € 2 million (previous year: € 2 million) and asset fair value hedges of € 1 million (previous year: € 2 million).

The sale of the Gallus Group anticipated for the fourth quarter of the financial year 2020/2021 was not completed. benpac holding ag failed to make the agreed purchase price payment of € 120 million as of the scheduled closing date of January 29, 2021, even though all the preconditions had been satisfied. As a result, HEIDELBERG exercised its legal right of withdrawal in the fourth quarter of the previous year. On the basis of a personal acknowledgment of debt, HEIDELBERG asserted damages against Mr. Marco Corvi in Switzerland. In addition, in DIS arbitration proceedings HEIDELBERG asserted a claim for € 30 million against benpac holding ag. This relates to a partial suit connected with the contractual claim to lump-sum damages of € 50 million against benpac holding ag. Insolvency proceedings were opened in Switzerland on the assets of benpac holding ag in the financial year 2021/2022. As a result, on application of HEIDELBERG the DIS arbitration proceedings were suspended. On the basis of current information and estimates in relation to the recovery procedures pending in Switzerland against Marco Corvi and the arbitration proceedings initiated against benpac holding ag, as in the previous year these claims did not meet the conditions for recognition as of March 31, 2023.

22. Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities break down as follows:

	31-Mar-2022		**31-Mar-2023**	
	Assets	Liabilities	Assets	Liabilities
Tax loss carryforwards	30	–	29	–
Assets:				
Intangible assets/property, plant and equipment/investment property/financial assets	12	80	6	63
Inventories, receivables and other assets	12	3	10	2
Liabilities:				
Provisions	92	1	73	1
Liabilities	11	1	16	1
Gross amount	157	84	135	66
Offsetting	82	82	65	65
Carrying amount	**75**	**3**	**70**	**1**

Deferred tax assets include non-current deferred taxes of € 52 million (previous year: € 61 million). Deferred tax liabilities include non-current deferred taxes of € 1 million (previous year: € 2 million).

As a result of currency translation, deferred tax assets increased by € 0 million in the reporting year (previous year: increased by € 2 million). Owing to the change in the consolidated group, deferred tax assets decreased by € 0 million (previous year: by € 0 million).

The income taxes recognized in the consolidated statement of comprehensive income break down as follows:

	2021/2022			**2022/2023**		
	Before income taxes	Income taxes	After income taxes	Before income taxes	Income taxes	After income taxes
Remeasurement of defined benefit pension plans and similar obligations	78	0	78	133	–1	133
Revaluation of land	–	0	0	56	0	55
Currency translation	22	–	22	–14	–	–14
Fair value of other financial assets	0	0	0	1	0	0
Cash flow hedges	2	0	2	1	0	2
Total other comprehensive income	**102**	**0**	**102**	**177**	**–1**	**176**

23. Inventories

	31-Mar-2022	**31-Mar-2023**
Raw materials and supplies	120	145
Work and services in progress	252	257
Finished goods and goods for resale	249	230
Advance payments	10	11
	631	**643**

In order to adjust inventories to the net realizable value, write-downs of € 5 million were recognized in the year under review (previous year: € 13 million). This essentially relates to inventories with a reduced likelihood of marketability. In the previous year, some of our inventories were written down in the amount of € 5 million after being deemed irrecoverable in conjunction with the Russia's war in Ukraine. Used equipment was repossessed as collateral owing to the insolvency of customers.

The carrying amount of the inventories pledged as collateral in connection with the refinancing of the HEIDELBERG Group (see note 28) was € 362 million (previous year: € 305 million).

24. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and bank balances; their carrying amount is to be taken as an appropriate estimate of the fair value. Restrictions on the disposal of cash and cash equivalents due to foreign exchange restrictions amount to € 43 million (previous year: € 25 million). Bank balances are exclusively held for short-term cash management purposes.

25. Equity

Share capital / number of shares outstanding / treasury shares

The share capital of Heidelberger Druckmaschinen Aktiengesellschaft amounts to € 779,466,887.68 and is divided into 304,479,253 shares.

The shares are bearer shares and grant a pro rata amount of € 2.56 in the fully paid-in share capital of Heidelberger Druckmaschinen Aktiengesellschaft.

As of March 31, 2023, the Company holds 142,919 shares, as in the previous year. The amount of these shares allocated to share capital is € 366 thousand, as in the previous year, with a notional share of share capital of 0.05 percent as of March 31, 2023 (previous year: 0.05 percent).

The shares were acquired in March 2007. The pro rata cost of the acquisition was € 4,848 thousand. Additional pro rata transaction fees amounted to € 5 thousand. The pro rata cost of the acquisition was therefore € 4,853 thousand. These shares can in particular be utilized to reduce the capital of Heidelberger Druckmaschinen Aktiengesellschaft or for employee share participation programs and other forms of share distribution to the employees of the Company or a subsidiary or to individuals who are or were employed by Heidelberger Druckmaschinen Aktiengesellschaft or one of its associates.

Contingent capital

CONTINGENT CAPITAL 2019

The Annual General Meeting on July 25, 2019 authorized the Management Board, with the approval of the Supervisory Board, to issue warrants, convertible bonds and / or participating bonds as well as profit-sharing rights including combinations of the above instruments (collectively referred to as "bonds") up to a total nominal amount of € 200,000,000.00, dated or undated, on one or several occasions by July 24, 2024, and to grant the bearers or creditors of the bonds options or conversion rights to up to 30,447,925 bearer shares of the Company with a pro rata amount of share capital of up to € 77,946,688.00 in total, in accordance with the further conditions of the bonds. Shareholders' preemption rights can be disapplied in accordance with the further conditions of this authorization. The share capital of Heidelberger Druckmaschinen Aktiengesellschaft was contingently increased by up to € 77,946,688.00 for this purpose (**Contingent Capital 2019**); details of Contingent Capital 2019 can be found in Article 3 (3) of the Articles of Association. The resolution became effective on entry of the amendment of the Articles of Association in the commercial register of the Mannheim Local Court on September 6, 2019.

AUTHORIZED CAPITAL

In accordance with the resolution of the Annual General Meeting on July 25, 2019, the Management Board was authorized, with the approval of the Supervisory Board, to increase the share capital of the Company by up to € 185,609,612.80 on one or more occasions by issuing up to 72,503,755 new shares against cash or non-cash contributions by July 24, 2024 (**Authorized Capital 2019**). Shareholders' preemption rights can be disapplied in accordance with the further conditions of this authorization. The Management Board was authorized, with the approval of the Supervisory Board, to determine the further content of share rights and the conditions for issuing shares. Details on Authorized Capital 2019 can be found in Article 3 (4) of the Articles of Association. The resolutions became effective on entry of the amendment of the Articles of Association in the commercial register of the Mannheim Local Court on September 6, 2019.

Capital reserves

The capital reserves essentially include amounts from the capital increases in accordance with Section 272 (2) no. 1 HGB, from the non-cash capital increase in the context of the Gallus transaction in the financial year 2014 / 2015, from the cash capital increase that took effect in March 2019, from simplified capital reductions in accordance with Section 237 (5) of the Aktiengesetz (AktG – German Stock Corporation Act), expenses from the issuance of option rights to employees and virtual shares to Management Board members in line with IFRS 2: Share-based Payment, and the difference between the issue proceeds and the fair value of the liability component from convertible bonds (see "Contingent capital").

Retained earnings

The retained earnings include the profits carried forward generated by consolidated subsidiaries in previous years, the effects of consolidation and the effects of the remeasurement of net liabilities (assets) under defined benefit pension plans.

Other retained earnings

The other retained earnings include exchange rate effects, IFRS 9 fair value changes outside profit or loss and the revaluation of land recognized in accordance with IAS 16.

Appropriation of the net result of Heidelberger Druckmaschinen Aktiengesellschaft
In the previous year, the HGB net loss for the financial year 2021/2022 of € 10,791,739.48 was carried forward to new account in full.

The HGB net loss for the financial year 2022/2023 of € 60,122,369.35 will be carried forward to new account in full.

26. Provisions for pensions and similar obligations

The HEIDELBERG Group operates pension schemes – either directly or through premium payments to schemes financed by private institutions – for the majority of employees for the time after their retirement. The amount of benefit payments depends on the conditions in the respective countries. The amounts are generally based on the term of employment and the salary of the employees. Liabilities include both those arising from current pensions and vested pension rights for pensions payable in the future. Financing of pension payments expected following the start of benefit payments is distributed over the employee's full period of employment.

Notes on significant pension commitments
Heidelberger Druckmaschinen Aktiengesellschaft (based in Heidelberg, Germany), Heidelberger Druckmaschinen Vertrieb Deutschland GmbH, Heidelberg Postpress Deutschland GmbH and **Heidelberg Manufacturing Deutschland GmbH (each based in Wiesloch, Germany)** accounted for € 689 million (previous year: € 835 million) of the present value of the defined benefit obligation (DBO) and € 31 million (previous year: € 31 million) of plan assets.

Until the financial year 2014/2015, benefit commitments essentially comprised retirement, disability and surviving dependents benefits (widows', widowers' and orphans' pension) plus an age bonus and death benefits. The amount of retirement and disability pensions was based on the pension group to which the employee is assigned on the basis of his/her pensionable income and the eligible years of service. In the event of disability this also takes into account creditable additional periods of coverage. Pensionable years of service are all years of service spent by the employee at the Company, starting from the age of 20, until the pension begins.

The funded, defined benefit plans financed at Heidelberger Druckmaschinen Aktiengesellschaft and Heidelberger Druckmaschinen Vertrieb Deutschland GmbH were closed to new entrants on February 28, 2006.

The employees of Heidelberger Druckmaschinen Aktiengesellschaft and Heidelberger Druckmaschinen Vertrieb Deutschland GmbH who joined the Company after March 1, 2006 were assigned to an employer-financed defined contribution policy offered by an insurance provider.

By way of agreement with the Group Works Council of February 27, 2015, Heidelberger Druckmaschinen Aktiengesellschaft and Heidelberger Druckmaschinen Vertrieb Deutschland GmbH introduced a new pension system effective from January 1, 2015, with greater incentives for private retirement provision. This agreement changed the defined benefit plan described above to a defined contribution plan, which also still includes retirement, disability and surviving dependents benefits (widows', widowers' and orphans' benefits). The new collective agreement on company pension plans dated June 30, 2020 applies to all current and future pension beneficiaries of Heidelberger Druckmaschinen Aktiengesellschaft, Heidelberger Druckmaschinen Vertrieb Deutschland GmbH and Heidelberg Manufacturing Deutschland GmbH, which was spun off effective April 1, 2015. The pension components vested in accordance with the old system were transferred in the form that a corresponding initial component was credited to the pension account of the respective employee as of April 1, 2015, for the pension commitments as of March 31, 2015 (transfer date). The amount of this initial component is based on the monthly pension achieved by March 31, 2015, multiplied by a flat-rate capitalization factor. The annual pension contribution is determined based on the employee's completed years of service on the basis of the respective eligible remuneration. In addition, for each active employee with a deferred compensation plan, the employer will provide a further annual contribution to the employee's pension account based on his/her supplementary benefit contribution and amounting to a quarter of the cumulative deferred compensation amount of the employee per financial year and capped at a maximum amount. The pension credit is paid out in three, five or 12 annual installments, or optionally the employee can choose 14 annual installments with an increased initial installment.

Below a certain threshold, the payout takes the form of a one-time capital payment. Alternatively, the employee can access their pension credit as a pension for life. Beneficiaries without an initial component are weighted using an assumed installment factor of 100 percent. The factor for beneficiaries with an initial component is 45 percent.

As part of a contractual trust arrangement (CTA) at Heidelberger Druckmaschinen Aktiengesellschaft and Heidelberger Druckmaschinen Vertrieb Deutschland GmbH set up in March 2006, assets were transferred to a trustee, Heidelberg Pension-Trust e.V., Heidelberg, which is legally independent from the Company. The respective trust agreement establishes a management trust between the respective company and the trustee and a security trust between the trustee and the beneficiaries (dual trust). The purpose of the CTA is to finance all pension obligations. The respective trust assets are managed by the trustee in accordance with the respective trust agreement. This previously qualified as plan assets.

Heidelberger Druckmaschinen Aktiengesellschaft and Heidelberger Druckmaschinen Vertrieb Deutschland GmbH amended the trust agreement by way of an agreement with the trustee, Heidelberg Pension-Trust e.V., Heidelberg, dated March 17, 2020. Since then assets can be retransferred to Heidelberger Druckmaschinen Aktiengesellschaft and Heidelberger Druckmaschinen Vertrieb Deutschland GmbH providing they do not fall below the minimum level of € 15.0 million as newly defined in the trust agreement (see note 21). Since then this retransfer is also possible if the corresponding pension obligations are not yet overfunded. The trust assets affected by the amendment to the agreement are no longer classified as plan assets ex nunc / prospectively from the time the amendment came into force on March 17, 2020.

By way of agreements with Heidelberger Druckmaschinen Aktiengesellschaft and Heidelberger Druckmaschinen Vertrieb Deutschland GmbH dated March 17, 2020, the respective central works councils also approved this amendment to the trust agreement on behalf and in the interest of the beneficiaries. Heidelberger Druckmaschinen Aktiengesellschaft and Heidelberger Druckmaschinen Vertrieb Deutschland GmbH therefore derecognized the assets that had been contributed to plan assets in the total amount of € 394.8 million on March 17, 2020. In the financial year 2019 / 2020, this resulted in an increase in cash and cash equivalents of € 324.4 million, an addition to freely available securities in the amount of their fair value of € 55.4 million, and an addition to other receivables and other assets in the amount of € 15.0 million (see note 21).

The retransfer required a corresponding application by the trustors and the corresponding approval of the trustee; the trustors did not have an entitlement to the retransfer. The funds retransferred may be used only for contractually defined measures in connection with the reduction of financial liabilities and HEIDELBERG's reorientation; in the case of defined events, including breaches of these conditions for the use of the funds, there is a contractual obligation to repay a portion of the retransferred funds to the trustee.

Information on the remaining trust assets can be found in note 21.

The pension plans for Company employees in Germany were reorganized in the financial year 2020 / 2021. This entails merging the previous pension plans of Heidelberger Druckmaschinen Aktiengesellschaft, Heidelberger Druckmaschinen Vertrieb Deutschland GmbH, Heidelberg Manufacturing Deutschland GmbH and Heidelberg Postpress Deutschland GmbH, and the uniform indexation of Company pensions on the basis of the expected lower rate of inflation. The new regulations result in a reduction of expected future pension increases.

As of March 1, 2006, a defined contribution plan was introduced for key executives. This provides for interest on contributions based on salary and EBIT at rates based on the respective maximum permissible interest rate for life assurance companies in Germany and the investment of the previous CTA's assets. This plan provides for a capital payout with the option of conversion into a pension for life. Furthermore, this group of persons has the option of deferred compensation to increase the employer-funded benefit scheme.

In Germany there are no legal or regulatory minimum allocation obligations.

For details of the pension commitments for members of the Management Board of Heidelberger Druckmaschinen Aktiengesellschaft, please refer to the remuneration report in the combined management report.

The **Heidelberg Group pension scheme** in the UK comprises a defined benefit and a defined contribution plan. From April 1, 2020, all future contributions to the defined contribution plan were transferred to a third party; the related funds were transferred in June 2020. The Heidelberg Group Pension Scheme accounts for € 187 million (previous year: € 257 million) of the present value of the defined benefit obligation (DBO) and € 187 million (previous year: € 247 million) of plan assets. The defined benefit portion is based on final salary with a guaranteed pension level. The pension level is dependent on the length of employment and the respective salary before retiring. Pension payments are adjusted based on the development of the retail price index. This plan is subject to the statutory funding objective under the UK Pension Act 2004. The necessary financing is performed at least every three years by way of so-called technical assessments. These determine whether the statutory funding objective has been complied with. The defined benefit plan is managed by a trustee, the board of which is elected partly by the Company and partly by the members of the plan. The trustee is responsible for obtaining the assessment, the pension payments and investing the plan assets; if necessary, these functions are transferred to professional advisors. The trustee and HEIDELBERG agreed to compensate the existing funding deficit by way of annual payments of GBP 3 million and a one-off special contribution of GBP 7 million in December 2022. A subsequent review of the funding level found that the defined benefit plan was covered in full. The trustee and HEIDELBERG therefore agreed the suspension of the monthly contributions. This will be investigated as part of the next funding review as of March 31, 2024.

The **pension funds of the Swiss companies**, which manage pension assets as foundations independent of the Company and are subject to Swiss legislation on occupational pensions, accounted for € 117 million (previous year: € 126 million) of the present value of the defined benefit obligation (DBO) and € 141 million (previous year: € 150 million) of plan assets. These obligations are based on retirement, disability and surviving dependents benefits. The retirement benefits are usually a pension. This is determined based on the individual pension credit saved by the employee by the time of retirement and the regulatory conversion rates. However, at the discretion of the employee, pension credit can also be drawn in the form of a lump sum payment. Disability and surviving dependents benefits are calculated from the pension credit projected at regulatory retirement age or are defined as a percentage of the pay insured. For each insured employee, the Swiss companies pay an annual employer's contribution to the respective pension fund. The amount of this is determined in the respective pension regulations as a percentage of the pay insured and can be adjusted by the pension fund board of trustees, which consists of equal numbers of employer and employee representatives. In the event of a severe deficit the pension fund board of trustees can resolve to impose recapitalization contributions, if there are no other measures to remedy the deficit. In such an event, the Swiss companies would be legally required to pay at least as much as the respective employee contributions.

The **Heidelberg Australia Superannuation Fund** in Australia comprises defined benefit and defined contribution plans. The Heidelberg Australia Superannuation Fund accounts for € 6 million (previous year: € 9 million) of the present value of the defined benefit obligation (DBO) and € 7 million (previous year: € 9 million) of plan assets. In general, the defined benefit component is based on the average final salary and the length of employment. As their pension benefit, some entitled members of this plan receive the higher of the respective defined benefit obligation and an obligation accrued during the qualifying period based on the individual contributions by the employee and corresponding capital gains; entitlement to this is dependent on when employees joined the plan. The Heidelberg Australia Superannuation Fund is subject to the statutory minimum benefit obligation as per the superannuation guarantee legislation, which provides for a gradual increase in minimum obligations from July 1, 2013. It is managed by an independent trustee, the board of which is equally appointed by the Company and elected by the members of the plan. The trustee is required to act in the best interests of the plan members.

Notes on risks
In addition to the standard actuarial risks, the defined benefit obligations are exposed in particular to financial risks in connection with plan assets, which above all can comprise counterparty and market price risks.

The plan assets serve exclusively to satisfy defined benefit obligations. The funding of these defined benefit obligations with assets constitutes a reserve for future cash outflows in the form of pension payments, which is based on the statutory regulations in place in some countries and is voluntary in others, such as Germany.

The ratio of the fair value of plan assets and the present value of the defined benefit obligations is referred to as the funding ratio of the respective pension plan. If the defined benefit obligations (DBO) exceed the plan assets, this is a plan deficit; the reverse is an excess.

However, it should be noted that both the defined benefit obligations and the plan assets fluctuate over time. This gives rise to the risk of a growing plan deficit. Depending on the statutory regulations in the respective countries, there is a legal obligation to reduce this deficit by contributing additional funding. Fluctuations can arise in the measurement of defined benefit obligations in that the underlying actuarial assumptions, such as discounting rates, the development of pensions and salaries or life expectancy, are subject to adjustments that can materially influence the amount of defined benefit obligations. The return on plan assets is assumed in the amount of discounting rates, which are also used in determining the defined benefit obligations and are based on corporate bonds rated AA. If the actual return on plan assets is less than the discounting rates applied the net liability under defined benefit plans increases. However, given the equity backing ratio it is assumed that the actual return can contribute to greater volatility in the fair value of plan assets in the medium and long term. Possible inflation risks, which could lead to a rise in defined benefit obligations, exist to the extent that some plans are based on final salary.

The material German and international pension plans in the HEIDELBERG Group are subject to actuarial risks such as investment risk, interest rate risk, longevity risk and risks of pay increases. The Swiss pension funds are also exposed to the risk that, in the event of a severe deficit, the effectiveness of recapitalization would be limited to the extent that this would have to be covered by future pension beneficiaries and the employer as it is legally prohibited to include current pensioners in the recapitalization.

The information on pensions is structured as follows:

1) Composition and development of the net carrying amounts
2) Development of net liability from defined benefit plans
3) Composition of plan assets
4) Cost of defined contribution plans
5) Sensitivity analysis
6) Forecast contributions to plan assets, future forecast pension payments and duration

1) The net carrying amounts broke down as follows at the end of the financial year:

	31-Mar-2022	**31-Mar-2023**
Provisions for pensions and similar obligations	843	683
Assets from defined benefit pension plans	1	1
Net carrying amounts at the end of the financial year	**842**	**682**

The assets from defined benefit pension plans are reported under non-current other assets.

2) The net liability under defined benefit plans developed as follows:

	Funded benefit obligations	Unfunded benefit obligations	Present value of the defined benefit obligations	Fair value of plan assets	Total
As of April 1, 2021	**546**	**820**	**1,365**	**−424**	**942**
Current service cost	3	6	9	–	9
Interest expense (+)/income (–)	7	11	19	−6	13
Past service cost/gains (–)/losses (+) from settlements and curtailments	0	–	0	–	0
Remeasurements:	– 12	−73	−86	8	−78
Gains (–)/losses (+) from changes in demographic assumptions	4	0	4	–	4
Gains (–)/losses (+) from changes in financial assumptions	−10	−73	−83	–	−83
Gains (–)/losses from experience-based adjustments	−6	0	−6	–	−6
Difference between interest income recognized in profit or loss and actual income from plan assets [1)]	–	–	–	8	8
Currency translation differences	12	−1	11	−12	−1
Contributions:	2	2	4	−8	−4
Employers	–	–	–	−6	−6
Pension plan participants	2	2	4	−2	2
Payments made	−26	−29	−55	19	−36
Changes in the scope of consolidation, other changes	3	−3	0	−3	−3
As of March 31, 2022	**534**	**733**	**1,267**	**−425**	**842**

1) This includes the effects of the asset ceiling of € 24 million, which are taken into account by deducting them from the fair value of the plan assets

	Funded benefit obligations	Unfunded benefit obligations	Present value of the defined benefit obligations	Fair value of plan assets	**Total**
As of April 1, 2022	**534**	**733**	**1,267**	**–425**	**842**
Current service cost	2	5	7	–	7
Interest expense (+)/income (–)	10	15	25	–9	16
Past service cost/gains (–)/losses (+) from settlements and curtailments	–	–	–	–	–
Remeasurements:	–86	–117	–202	70	–133
Gains (–)/losses (+) from changes in demographic assumptions	0	0	0	–	0
Gains (–)/losses (+) from changes in financial assumptions	–99	–117	–216	–	–216
Gains (–)/losses from experience-based adjustments	14	0	14	–	14
Difference between interest income recognized in profit or loss and actual income from plan assets [1]	–	–	–	70	70
Currency translation differences	–6	–1	–6	5	–1
Contributions:	2	2	4	–15	–11
Employers	–	–	–	–13	–13
Pension plan participants	2	2	4	–2	2
Payments made	–28	–32	–61	22	–39
Changes in the scope of consolidation, other changes	–	0	0	–	0
As of March 31, 2023	**429**	**605**	**1,035**	**–352**	**682**

1) This includes the effects of the asset ceiling of € 25 million, which are taken into account by deducting them from the fair value of the plan assets

The following key actuarial assumptions were applied in calculating the present value of defined benefit obligations:

In percent	2021/2022 Domestic	2021/2022 Foreign	2022/2023 Domestic	2022/2023 Foreign
Discount rate	2.10	2.13	3.70	3.84
Expected future salary increases	2.75	0.47	2.75	0.56
Expected future pension increases	1.60	2.47	2.00	2.02

The figures for international companies are average values weighted with the present value of the respective defined benefit obligation.

3) The fair value of plan assets breaks down by the following asset classes as follows:

	2021/2022	of which: with a market price quoted on an active market	of which: without a market price quoted on an active market	2022/2023	of which: with a market price quoted on an active market	of which: without a market price quoted on an active market
Cash and cash equivalents	9	9	0	12	12	0
Equity instruments	111	110	1	56	56	0
Debt instruments	132	122	10	165	155	10
Securities funds	155	121	34	101	61	41
Qualifying insurance policies	31	–	31	31	–	31
Other	11	11	0	12	12	1
	449	**373**	**76**	**377**	**295**	**82**

As in the previous year, the plan assets contain no financial instruments of companies of the Heidelberg Group or real estate or other assets used by companies of the HEIDELBERG Group.

4) The cost of defined contribution plans amounted to € 45 million in the reporting year (previous year: € 42 million) and essentially included contributions to statutory pension insurance.

5) The following table shows how the present value of material defined benefit obligations in Germany and abroad would have been affected by changes in the main actuarial assumptions:

	31-Mar-2022	Change in %	**31-Mar-2023**	Change in %
Present value of the material defined benefit obligations [1]	1,227		1,000	
Present value of the material defined benefit obligations assuming that				
the discount rate were				
0.50 percentage points higher	1,150	−6.3 %	940	−6.0 %
0.50 percentage points lower	1,310	6.7 %	1,052	5.2 %
the expected future salary increase were				
0.25 percentage points higher	1,227	0.0 %	1,000	0.0 %
0.25 percentage points lower	1,223	−0.3 %	999	−0.1 %
the expected future pension increase were:				
0.25 percentage points higher	1,238	0.9 %	1,006	0.6 %
0.25 percentage points lower	1,217	−0.8 %	994	−0.6 %
Increase in life expectancy per entitled beneficiary [2]	1,275	3.9 %	1,034	3.4 %

1) Present value of defined benefit obligations calculated on the basis of the “Actuarial assumptions” table
2) To simulate this increased life expectancy, the biometric probabilities for “age x” in the generation and periodic tables were replaced by the corresponding figures for “age x-1 in each case (age shift)

In the sensitivity analysis, one actuarial assumption was changed at a time while the other actuarial assumptions remained constant. In actual fact, there are dependencies between actuarial assumptions, particularly between the discount rate and forecast pay increases, as both are based to a certain degree on the forecast inflation rate. The sensitivity analysis does not take these dependencies into account. The sensitivity analysis is performed on the basis of the projected unit credit method, which was also used to calculate the defined benefit obligations.

6) The forecast contributions to plan assets are expected to amount to € 4 million in the financial year 2023 / 2024 (previous year: € 16 million). With regard to the material defined benefit obligations, undiscounted pension payments amounting to € 56 million (previous year: € 48 million) are anticipated for financial year 2023 / 2024. The weighted average duration of the material defined benefit obligations is 12 years (previous year: 14 years).

27. Other provisions

	31-Mar-2022 Current	31-Mar-2022 Non-current	31-Mar-2022 Total	31-Mar-2023 Current	31-Mar-2023 Non-current	31-Mar-2023 Total
Staff obligations	68	23	90	64	19	83
Sales obligations	67	6	73	76	1	77
Other	64	43	107	55	36	91
	198	**71**	**269**	**195**	**55**	**251**

	As of 1-Apr-2022	Change in scope of consolidation, currency adjustments, reclassification	Utilization	Reversal	Addition	**As of 31-Mar-2023**
Staff obligations	90	–2	50	1	46	83
Sales obligations	73	–2	25	19	50	77
Other	107	3	35	5	21	91
	269	**–1**	**110**	**25**	**117**	**251**

Additions include accrued interest and the effects of the change in discount rates of € -3 million (previous year: € 0 million). These relate to income of € 1 million (previous year: € 0 million) for staff obligations, € 0 million (previous year: € 0 million) for sales obligations, and € 2 million (previous year: € 0 million) for miscellaneous other provisions.

Staff provisions essentially relate to bonuses (€ 22 million; previous year: € 24 million) and the cost of early retirement payments and partial retirement programs (€ 33 million; previous year: € 40 million).

Sales provisions mainly relate to warranties, reciprocal liability and buyback obligations (€ 47 million; previous year: € 47 million). The provisions for warranty obligations and obligations to provide subsequent performance and product liability serve to cover risks that are either not insured or which go beyond insurable risks. Utilization of these provisions in Germany is predominantly expected over a short- to medium-term horizon. The provisions for reinsurance and buyback obligations of € 0 million (previous year: € 0 million) relate entirely to financial guarantees generally issued to finance partners of our customers for sales financing. The maximum risk of default of these financial guarantees that can result in cash outflows in the subsequent financial year is € 11 million (previous year: € 13 million). Utilization of the provisions for reciprocal liability and buyback obligations is predominantly expected over a short-term horizon. In connection with the finance guarantees for sales financing, there are claims against third parties for the transfer of machinery. Outstanding claims were not capitalized.

Miscellaneous other provisions predominantly include provisions for our portfolio and cost efficiency measures of € 55 million (previous year: € 73 million), provisions for onerous contracts of € 2 million (previous year: € 4 million) and provisions for legal disputes of € 16 million (previous year: € 14 million). There are still provisions of € 2 million for outstanding cost absorption in connection with the deconsolidation of the former distribution company Heidelberger CIS OOO, Moscow, Russia. Utilization of these provisions is primarily expected over a short- to medium-term horizon.

As part of general business operations, HEIDELBERG is involved in judicial and extra-judicial legal disputes in different jurisdictions whose outcome cannot be predicted with certainty. For example, legal disputes may arise in connection with product liability cases and warranties. Provisions are recognized for risks resulting from legal disputes that are not already covered by insurance, provided utilization is likely and the probable amount of the provision required can be reliably estimated.

The assumptions required for this mean that the recognition and measurement of provisions for legal disputes is subject to uncertainty.

The provisions recognized as of the end of the reporting period for legal disputes predominantly relate to the categories described below:

The major legal disputes relate to product liability cases in connection with machinery whose production has already been discontinued and that were produced and sold by the former Linotype-Hell Aktiengesellschaft and its legal successors. In addition, there are legal disputes regarding warranty cases in connection with sales of machinery that could also lead to rescission. Provisions have been recognized at an appropriate amount for these; their amount is monitored on an ongoing basis and adjusted as necessary.

28. Financial liabilities

				31-Mar-2022				**31-Mar-2023**
	Up to 1 year	Between 1 and 5 years	More than 5 years	Total	Up to 1 year	Between 1 and 5 years	More than 5 years	**Total**
Amounts due to banks [1]	49	36	–	85	34	9	–	43
Lease liabilities	19	22	2	43	19	27	6	53
Other	5	2	–	7	5	1	0	6
	73	**60**	**2**	**135**	**58**	**38**	**6**	**102**

1) Including deferred interest

Financial liabilities developed as follows:

	As of 1-Apr-2021	Cash changes		Non-cash changes			**As of 31-Mar-2022**
		Free cash flow [1]	From financing activities	Change in scope of consolidation	Currency adjustments	Other	
Amounts due to banks	195	−6	−110	0	0	5	85
Convertible bond	17	−1	−17	–	–	1	–
Lease liabilities	51	−2	−24	−1	1	17	43
Other	8	–	−1	–	0	–	7
	271	**−8**	**−152**	**−1**	**1**	**24**	**135**

1) Interest paid amounts to € 8 million

	As of 1-Apr-2022	Cash changes		Non-cash changes			As of 31-Mar-2023
		Free cash flow [1)]	From financing activities	Change in scope of consolidation	Currency adjustments	Other	
Amounts due to banks	85	–3	–41	–	0	3	43
Lease liabilities	43	–2	–18	–1	0	31	53
Other	7	–	–1	–	0	0	6
	135	**–5**	**–60**	**–1**	**0**	**34**	**102**

1) Interest paid amounts to € 5 million

Amounts due to banks

Amounts due to banks are shown in the table below:

Type	Contract currency	Carrying amount as of 31-Mar-2022 in € millions	Remaining term in years	Effective interest rate in %	**Carrying amount as of 31-Mar-2023 in € millions**	Remaining term in years	Effective interest rate in %
Loans	€	76	up to 4	up to 3.60	37	up to 3	up to 3.60
Loans	Various	8	up to 1	up to 17.50	3	up to 1	up to 5.10
Other	Various	1	up to 1	up to 2.50	4	up to 1	up to 16.75
		85			**43**		

The stated effective interest rates largely match the agreed nominal interest rates.

The stated carrying amounts essentially correspond to the respective nominal values.

The HEIDELBERG Group was able to meet its financial obligations due at all times in the reporting year. The credit facilities not yet fully utilized in our Group of € 168 million (previous year: € 178 million) can be used as financing for general business purposes and for our portfolio and cost efficiency measures.

The revolving credit facility that came into force in 2011 with an original term until the end of 2014 was extended ahead of schedule in December 2013 until mid-2017 and ahead of schedule in July 2015 until June 2019.

In March 2018, this revolving credit facility with a banking syndicate was newly agreed at improved conditions with a volume of € 320 million and a term to March 2023. It was agreed with the syndicate in March 2020 to reduce the credit facility to around € 266.5 million. In March 2022, the facility was prolonged until March 2024 ahead of schedule with a volume of around € 250.5 million. In March 2023, it was prolonged until March 2025 ahead of schedule with a volume of around € 245.8 million.

On March 31, 2016, a loan of € 100 million with a staggered term until March 2024 was agreed with the European Investment Bank to support HEIDELBERG's research and development activities, especially with regard to digitization and the expansion of the digital printing portfolio. The development loan is available in callable tranches, each with a term of seven years. In April 2016, Heidelberger Druckmaschinen Aktiengesellschaft called an initial tranche of € 50 million from this loan; this amortize by April 2023. The remainder was called in January and March 2017 in further tranches of € 20 million and € 30 million respectively; these will amortize accordingly over terms until January 2024 and March 2024 respectively. The fair value of the loan is € 19 million (previous year: € 44 million) compared to its carrying amount of € 19 million (previous year: € 44 million).

To finance the investment in relocating our research and development activities to our Wiesloch-Walldorf production site, a development loan of € 42.1 million maturing in September 2023 (initially: September 2024) was arranged with a syndicate of banks refinanced by KfW ("Energy Efficiency Program – Energy-efficient Construction and Renovation"). The funding was paid over the course of construction. Its fair value is € 3 million (previous year: € 10 million) compared to its carrying amount of € 3 million (previous year: € 9 million).

In May 2017, a loan of € 25.7 million was borrowed which, following unscheduled repayment of € 4 million in March 2021, is now amortizing over a term until the end of December 2025 (previously: June 2027). It is secured by the lender's equal participation in the existing collateral concept. The fair value of this loan is € 7 million (previous year: € 10 million) compared to its carrying amount of € 7 million (previous year: € 9 million).

A KfW loan of € 6 million was granted in July 2019 to finance investment in our IT landscape and will be amortized until July 2024. The fair value of this loan is € 1 million (previous year: € 3 million) compared to its carrying amount of € 2 million (previous year: € 3 million).

In July and August 2019, two loans funded by KfW totaling € 4.2 million and € 3.8 million were borrowed to finance investments in two buildings at our Wiesloch-Walldorf production site, which will be amortized over a term until July and April 2024, respectively. The fair values of these loans are € 1 million (previous year: € 3 million) / € 1 million (previous year: € 1 million), as compared to their carrying amounts of € 1 million (previous year: € 2 million) / € 1 million (previous year: € 1 million).

An amortizing loan supported by the Italian State Guarantee Fund for Small and Medium-sized Enterprises of € 5 million maturing in August 2026 was issued in August 2020. The fair value of this loan is € 4 million (previous year: € 5 million) compared to its carrying amount of € 4 million (previous year: € 5 million).

The fair value of each of these seven financial liabilities was calculated on the basis of the discounted cash flow method using market interest rates and corresponds to the second level in the fair value hierarchy according to IFRS 13.

The financing agreements for the revolving credit facility, the European Investment Bank loan and other significant loans contain standard financial covenants regarding the financial situation of the HEIDELBERG Group. Two of the key performance indicators relate to the HEIDELBERG Group's equity and cash funds. All external minimum capital requirements to which the HEIDELBERG Group is subject were met in the year under review.

The present diversified financing structure with a maturity profile up to 2025 provides HEIDELBERG with a stable financing base.

The carrying amounts of the collateral pledged in connection with the loan agreements as part of a collateral pool concept are shown under the appropriate notes.

The carrying amount of the other amounts due to banks and other financial liabilities is primarily to be taken as an appropriate estimate of the fair value.

Lease liabilities

Lease liabilities as per the statement of financial position are as follows:

	31-Mar-2022	**31-Mar-2023**
Current	19	19
Non-current	24	34
Lease liabilities	**43**	**53**

The maturity structure of the lease liabilities based on cash flows is as follows:

	31-Mar-2022	**31-Mar-2023**
Up to 1 year	19	20
Between 1 and 5 years	23	29
More than 5 years	3	9
Total	**45**	**57**

Some of the building leases contain prolongation and cancellation options. This guarantees the HEIDELBERG Group's flexibility in terms of the necessary volume of space and rent price structure. Possible future payments for optional rental periods that are not reasonably certain amount to € 11 million. Furthermore, there are future payments from residual value guarantees and leases that have been contractually agreed but that have not yet begun. However, these are immaterial in the view of the HEIDELBERG Group.

As of March 31, 2023, there were lease obligations from short-term leases of € 0 million (previous year: € 0 million).

29. Contract liabilities

Contract liabilities essentially comprise advance payments on orders and prepayments for future maintenance and services and amounted to € 263 million (previous year: € 284 million). These amounts are reversed to profit or loss over the term of the agreement. The contract liabilities in place as of April 1, 2022 resulted in net sales of € 265 million (previous year: € 182 million).

30. Trade payables

Trade payables are usually secured by reservation of title until payment has been completed. The carrying amount of the trade payables is to be taken as an appropriate estimate of the fair value.

31. Other liabilities

	31-Mar-2022				**31-Mar-2023**			
	Up to 1 year	Between 1 and 5 years	More than 5 years	Total	Up to 1 year	Between 1 and 5 years	More than 5 years	**Total**
Accruals (staff)	49	–	–	49	52	–	–	52
From derivative financial instruments	4	–	–	4	1	–	–	1
From other taxes	28	0	–	28	32	–	–	32
For social security contributions	4	–	0	4	5	–	–	5
Prepaid expenses	4	2	6	12	3	2	7	12
Debtors with credit balances	7	–	–	7	6	–	–	6
Other	14	0	–	14	13	0	0	13
	110	**2**	**6**	**118**	**112**	**2**	**7**	**120**

Derivative financial instruments

Derivative financial instruments include negative fair values from cash flow hedges of € 0 million (previous year: € 3 million) and from fair value hedges of € 1 million (previous year: € 1 million).

Prepaid expenses

Deferred income includes taxable investment subsidies of € 8 million (previous year: € 8 million), tax-free investment allowances of € 0 million (previous year: € 0 million) and other deferred income of € 3 million (previous year: € 4 million).

In the reporting year, taxable subsidies essentially included a subsidy for the energy-related refurbishment of our Innovation Center at the Wiesloch-Walldorf production site.

Tax-free allowances include allowances under the German Investment Allowance Act of 2007/2010 of € 0 million (previous year: € 0 million) for the Brandenburg production site.

Miscellaneous other liabilities

Recognized liabilities essentially comprise the undiscounted contractual cash flows. The carrying amount of the remaining miscellaneous other financial liabilities is primarily to be taken as an appropriate estimate of the fair value.

32. Income tax liabilities

Income tax liabilities include uncertain tax positions of € 44 million (previous year: € 58 million). As in previous years, these mainly relate to the risks of reassessment. Among other things, the reduction compared with the previous year is due to the discounting of the non-current portion of the income tax liability in the amount of € 3 million (previous year: € 0 million).

33. Disclosures on financial instruments

Carrying amounts of financial instruments

The carrying amounts of financial instruments can be transitioned to the measurement categories of IFRS 9:

Assets

Items in statement of financial position	IFRS 9 measurement category[1]	Carrying amounts			Carrying amounts		
				31-Mar-2022			31-Mar-2023
		Current	Non-current	Total	Current	Non-current	Total
Financial assets							
Shares in affiliated companies	n.a.	–	0	0	–	0	0
Other investments	n.a.	–	4	4	–	12	12
Securities	FVOCI	–	3	3	–	3	3
		–	7	7	–	15	15
Receivables from sales financing							
Receivables from sales financing not including finance leases	AC	21	21	42	16	24	39
Receivables from finance leases	n.a.	0	1	1	0	0	1
		22	21	43	16	24	40
Trade receivables	AC	246	–	246	290	–	290
Other receivables and other assets							
Derivative financial instruments	n.a.[2]	3	–	3	3	0	3
Miscellaneous financial assets	FVTPL	–	15	15	–	15	15
Miscellaneous financial assets	AC	78	1	80	26	1	27
		82	16	98	29	16	45
Miscellaneous other assets		51	4	55	54	2	56
		133	20	153	83	17	100
Cash and cash equivalents	AC	146	–	146	153	–	153

1) Notes on abbreviations for IFRS 9 measurement categories:
FVOCI: financial assets at fair value through other comprehensive income
AC: financial assets/liabilities at amortized cost
FVTPL: financial assets at fair value through profit or loss
n.a.: no IFRS 9 measurement category

2) As in the previous year, derivative financial instruments do not include any current hedges assigned to the IFRS 9 measurement category of financial assets at fair value through profit or loss

Equity and liabilities

Items in statement of financial position	IFRS 9 measurement category[1]	Carrying amounts			Carrying amounts		
				31-Mar-2022			**31-Mar-2023**
		Current	Non-current	Total	Current	Non-current	**Total**
Financial liabilities							
Amounts due to banks	FLaC	49	36	85	34	9	43
Finance lease liabilities	n.a.	19	24	43	19	34	53
Other financial liabilities	FLaC	5	2	7	5	1	6
		73	62	135	58	44	102
Trade payables	FLaC	216	–	216	225	–	225
Other liabilities							
Derivative financial instruments	n.a.[2]	4	–	4	1	–	1
Miscellaneous financial liabilities	FLaC	11	0	11	13	0	13
		15	0	15	14	0	14
Miscellaneous other liabilities		95	8	103	98	9	107
		110	8	118	112	9	120

1) IFRS 9 measurement categories:
FLaC: financial liabilities at amortized cost
n.a.: no IFRS 9 measurement category
2) As in the previous year, derivative financial instruments do not include any current hedges assigned to the IFRS 9 measurement category of financial liabilities at fair value through profit or loss

Liquidity risk from non-derivative financial liabilities

The following table shows the contractually agreed, undiscounted cash flows of non-derivative financial liabilities. Where necessary, foreign currencies were translated at closing rates. Financial liabilities repayable on demand are always assigned to the earliest time band. Utilization of the syndicated credit facility is on a short-term basis. The period of utilization is normally not more than three months. These loans have therefore been assigned to the "Up to 1 year" column, although the agreements on which they are based run until the end of March 2025.

	31-Mar-2022	**31-Mar-2023**
Up to 1 year	303	296
Between 1 and 5 years	62	40
More than 5 years	3	9
	367	**345**

Net gains and losses

The net gains and losses are assigned to the IFRS 9 measurement categories as follows:

	2021/2022	**2022/2023**
Financial liabilities at amortized cost	–9	–6
Financial assets at fair value through profit or loss	0	0
Financial investments in equity instruments at fair value through other comprehensive income	0	1
Financial assets at amortized cost	–12	–2

Net gains and losses include € 3 million (previous year: € 3 million) of interest income and € 8 million (previous year: € 12 million) of interest expenses for financial assets and financial liabilities measured at amortized cost.

In the year under review, the derecognition of financial assets measured at amortized cost gave rise to no gains (previous year: none) and losses of € 1 million (previous year: € 0 million).

As in the previous year, no financial assets measured at fair value through other comprehensive income were sold in the reporting year.

Derivative financial instruments

The Corporate Treasury department of Heidelberger Druckmaschinen Aktiengesellschaft is responsible for all hedging and financing activities of Heidelberger Druckmaschinen Aktiengesellschaft and our subsidiaries. In this connection, it is also responsible for the cash pooling operations of our Group as a whole. Within the Corporate Treasury department, we ensure that there is a functional separation of the trading, processing and risk control activities, and that this is regularly reviewed by our Internal Audit department.

The prerequisite for an adequate risk management system is a well-founded basis of data. The Corporate Treasury department of Heidelberger Druckmaschinen Aktiengesellschaft operates a Group-wide financial reporting system – the Treasury Information System. This system is used to identify interest rate, currency and liquidity risks within the Group and to derive appropriate action plans and strategies with which to manage these risks on a central basis in line with guidelines issued by the Management Board. HEIDELBERG operates a monthly, annualized consolidated liquidity planning system on a rollover basis, which makes it possible to manage current and future liquidity needs in a timely manner.

The HEIDELBERG Group is exposed to market price risks in the form of interest rate and exchange rate fluctuations. In general, derivative financial instruments are used to limit these risks. Corresponding contracts with third-party banks are mainly concluded through Heidelberger Druckmaschinen Aktiengesellschaft. The credit ratings of these business partners are reviewed regularly. The risk control activities include an ongoing market evaluation of contracted transactions.

In hedge accounting, the derivative financial instruments designated as a hedge of these currency risks are shown as follows:

	Nominal volumes		Fair values	
	31-Mar-2022	**31-Mar-2023**	31-Mar-2022	**31-Mar-2023**
Currency hedging				
Cash flow hedge				
Forward exchange transactions	214	104	−1	2
of which: assets	113	74	2	2
of which: liabilities	101	30	−3	0
Fair value hedge				
Forward exchange transactions	160	157	0	0
of which: assets	80	64	2	1
of which: liabilities	80	94	−1	−1

The derivative financial instruments designated as hedges are reported in the statement of financial position under other receivables and other assets / other liabilities.

The nominal volumes result from the total of all the purchase and sale amounts of the underlying hedged items. For information on the calculation of fair values, see the “Fair values of securities and derivative financial instruments” section of this note.

The positive and negative fair values of the derivative financial instruments designated as hedging instruments are offset by opposing value developments in the hedged items. All derivative financial instruments are carried as assets or liabilities at their corresponding fair values.

The following table shows the contractually agreed, undiscounted incoming and outgoing payments for derivative financial instruments. Where necessary, foreign currencies were translated at closing rates.

				31-Mar-2022				**31-Mar-2023**
	Up to 1 year	Between 1 and 5 years	More than 5 years	Total undiscounted cash flows	Up to 1 year	Between 1 and 5 years	More than 5 years	Total undiscounted cash flows
Derivative financial liabilities								
Outgoing payments	−185	–	–	−185	−124	–	–	−124
Associated incoming payments	181	–	–	181	122	–	–	122
Derivative financial assets								
Outgoing payments	−192	–	–	−192	−137	0	–	−138
Associated incoming payments	195	–	–	195	139	0	–	140

Currency hedging

HEDGING STRATEGY

Currency risks arise as a result of exchange rate fluctuations in connection with net risk positions in foreign currency. These occur for receivables and liabilities, anticipated cash flows and onerous contracts. The highly probable underlying transactions to be hedged are always fully designated. The extent of the risk hedged is equal to the nominal volume shown in the table on page 135. Only forward exchange transactions are used as hedging instruments at this time. Hedge effectiveness is calculated using the critical terms match method. Only the spot component of the hedging transaction is designated. Only discontinued hedged items can lead to ineffectiveness in this respect.

The forward exchange transactions outstanding as of the end of the reporting period of € 261 million primarily hedge highly likely currency risks expected from purchase volumes of our subsidiaries over the next 24 months. Accordingly, the remaining term of these derivatives at the end of the reporting period was up to two years. As of the end of the reporting period, a net volume of € 56 million from hedges relates to the Swiss franc and a net volume of € 17 million relates to the US dollar. The average hedging rate for these transactions was CHF 0.99 / EUR and USD 1.03 / EUR.

CASH FLOW HEDGES

The underlying transactions hedged against currency risks as part of cash flow hedges and recognized in the cash flow hedge reserve relate exclusively to active hedges amounting to € 2 million (previous year: € -1 million) as of the end of the reporting period.

In connection with the hedging of currency risks, the non-designated portion of cash flow hedges resulted in an expense of € 1 million (previous year: € 1 million) in the reporting year, which was reported in the financial result.

As of the end of the reporting period, hedges resulted in total assets of € 2 million (previous year: € 2 million) and liabilities of € 0 million (previous year: € 3 million). The change in value of the designated portion of the hedge was recognized outside profit and loss and will be recognized in the result of operating activities over the subsequent 24 months. No cash flow hedges were terminated early and no expenses were transferred from the hedge reserve to the financial result because the forecast purchasing volumes of our subsidiaries were no longer considered highly likely (previous year: none).

The reserve for cash flow hedges developed as follows in relation to the hedging of currency risks:

	2021/2022	**2022/2023**
As of April 1	–3	0
Effective portion of changes in value	–4	–1
Reclassification to the income statement due to the recognition of the hedged item	6	2
Reclassification to the income statement due to non-occurrence of expected cash flows	–	–
Tax effect from the change in reserves	0	0
As of March 31	0	1

FAIR VALUE HEDGE

This is essentially the exchange rate hedge for loan receivables and liabilities in foreign currencies within the Group. The net results on the fair value of hedges of € 2 million (previous year: € 1 million) and the translation of hedged items at closing rates of € 1 million (previous year: € 1 million) are reported in the consolidated income statement.

In connection with the hedging of currency risks, the non-designated portion of fair value hedges resulted in income of € 0 million (previous year: income of € 0 million) in the reporting year, which was reported in the financial result.

Sensitivity analysis

In order to clearly show the effects of currency risks on the consolidated income statement and the equity, the impact of hypothetical changes in exchange rates is shown below in the form of sensitivity analyses. It is assumed here that the position at the end of the reporting period is representative for the financial year.

Recognized **currency risks** as defined by IFRS 7 are caused by monetary financial instruments not in the functional currency. The portfolio of primary monetary financial instruments is mainly held directly in the functional currency or transferred to the functional currency through the use of derivatives. It is therefore assumed in this analysis that changes in exchange rates show no influence on income or equity with regard to this portfolio. The impact of the translation of the subsidiaries' financial statements into the Group currency (translation risk) is not taken into account either. Accordingly, the analysis includes those derivative financial instruments that were concluded in order to hedge highly probable future cash flows in a foreign currency (cash flow hedge).

Assuming a 10 percent increase in the value of the euro against all currencies in which hedges are held, the hedge reserve would have been € 4 million higher (previous year: € 10 million higher) as of the end of the reporting period and the financial result would have been € 0 million higher (previous year: € 0 million lower). Assuming a 10 percent decrease in the value of the euro, the hedge reserve would have been € 5 million lower (previous year: € 13 million lower) and the financial result would have been € 0 million lower (previous year: € 0 million higher).

Risk of default

The HEIDELBERG Group is exposed to default risks to the extent that counterparties do not fulfill their contractual obligations arising from derivative financial instruments. In order to control this risk, default risks and changes in credit ratings are continually monitored. There is a theoretical risk of default (credit risk) for the existing derivative financial instruments in the amount of the asset fair values as of the end of the respective reporting period. However, no actual default of payments from these derivatives is expected at present.

Fair values of securities, loans and derivative financial instruments

Financial assets and financial liabilities are allocated to the three levels of the fair value hierarchy as set out in IFRS 13 depending on the availability of observable market data.

The individual levels are defined as follows:

Level 1: Financial instruments traded on active markets whose quoted prices can be used to measure fair value without adjustment.

Level 2: Measurement on the basis of measurement procedures whose inputs are derived from observable market data, either directly or indirectly.

Level 3: Measurement on the basis of measurement procedures whose inputs are not derived from observable market data.

Securities are classified as financial assets at fair value through other comprehensive income in the amount of € 3 million (previous year: € 3 million) and are recognized at fair value as a matter of principle. This classification was chosen in accordance with the strategic orientation of these financial investments. The underlying quoted prices for the measurement of the vast majority of securities correspond to level 1 of the fair value hierarchy set out in IFRS 13, as only quoted prices observed on active markets are used in measurement. If the fair value of securities cannot be reliably determined, they are carried at cost.

The fair values of derivative financial instruments correspond to changes in value arising from a notional revaluation taking into consideration market parameters applicable at the end of the reporting period. The fair values are calculated using standardized measurement procedures (discounted cash flow and option pricing models). This corresponds to level 2 of the fair value hierarchy set out in IFRS 13, as only input data observable on the market, such as exchange rates, exchange rate volatilities and interest rates, is used.

The financial assets and financial liabilities recognized at fair value were assigned to the IFRS 13 fair value hierarchy as follows as of March 31, 2023:

	31-Mar-2022				31-Mar-2023			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	**Total**
Securities	3	0	–	3	3	0	–	3
Derivative financial assets	–	3	–	3	–	3	–	3
Assets carried at fair value	**3**	**3**	**–**	**6**	**3**	**3**	**–**	**6**
Derivative financial liabilities	–	4	–	4	–	1	–	1
Liabilities carried at fair value	**–**	**4**	**–**	**4**	**–**	**1**	**–**	**1**

In the reporting year, there were no reclassifications between the first and second level of the fair value hierarchy.

Offsetting financial assets and financial liabilities
For Germany, the following table shows the carrying amounts of the recognized derivative financial instruments subject to master netting agreements and the offsetting between trade receivables and payables (for information on offsetting financial assets and financial liabilities, please refer to the section entitled "Financial instruments" in note 6):

31-Mar-2022	Gross amount	Offsetting implemented	Reported net amount	Amounts not offset	Net amount
Derivative financial instruments (assets)	3	–	3	–2	1
Trade receivables	248	–2	246	–	246
Derivative financial instruments (liabilities)	4	–	4	–2	2
Trade payables	218	–2	216	–	216
31-Mar-2023					
Derivative financial instruments (assets)	3	–	3	–1	2
Trade receivables	292	–1	290	–	290
Derivative financial instruments (liabilities)	1	–	1	–1	0
Trade payables	226	–1	225	–	225

34. Guarantees and contingent liabilities

Contingent liabilities from sureties and guarantees, amounting to € 4 million as of March 31, 2023 (previous year: € 3 million), include reciprocal liability and buyback obligations for third-party liabilities in connection with long-term sales financing, which in turn largely correspond to rights of recourse on the delivered products.

The contingent liabilities in connection with legal disputes are immaterial.

35. Other financial liabilities

Other financial liabilities break down as follows:

				31-Mar-2022				**31-Mar-2023**
	Up to 1 year	Between 1 and 5 years	More than 5 years	Total	Up to 1 year	Between 1 and 5 years	More than 5 years	**Total**
Investments and other purchasing commitments	18	13	–	31	32	15	–	48

The figures shown are nominal values.

In the reporting year, other financial liabilities relate to investments and other purchasing commitments. These include financial liabilities in connection with orders of property, plant and equipment totaling € 8 million (previous year: € 10 million) and liabilities for the purchase of raw materials, consumables and supplies amounting to € 40 million (previous year: € 20 million).

Additional information

36. Earnings per share in accordance with IAS 33

	2021/2022	2022/2023
Net result after taxes (€ million)	33	91
Number of shares in thousands (weighted average)	304,336	304,336
Basic earnings per share (€)	0.11	0.30
Diluted earnings per share (€)	0.11	0.30

The basic earnings per share are calculated by dividing the net result after taxes by the weighted average number of the shares outstanding in the reporting year of 304,336 thousand (previous year: 304,336 thousand). The weighted number of shares outstanding was influenced by the holdings of treasury shares. As in the previous year, there were still 142,919 treasury shares as of March 31, 2023.

The calculation of diluted earnings per share assumed the conversion of outstanding debt securities (convertible bond) to shares. The convertible bond was only included in the calculation of diluted earnings per share if it had a diluting effect in the respective reporting period.

As a result of the end of the conversion period and the expiry of the convertible bond on March 30, 2022, there was – as in the previous year – no dilution of earnings per share in the reporting year.

The reconciliation of basic earnings per share to diluted earnings per share is as follows:

	2021/2022		2022/2023	
	Potentially dilutive financial instruments (total)	Dilutive financial instruments applied in calculation	Potentially dilutive financial instruments (total)	Dilutive financial instruments applied in calculation
Numerator for basic earnings (€ million)	33	33	91	91
Plus effects from the convertible bond recognized in profit or loss (€ million)	1	–	–	–
Numerator for diluted earnings (€ million)	34	33	91	91
Number of shares (thousands)				
Denominator for basic earnings per share (weighted average number of shares, thousands)	304,336	304,336	304,336	304,336
Convertible bond	5,515	–	–	–
Denominator for diluted earnings per share (thousands)	–	304,336	–	304,336
Denominator for potentially diluted earnings per share (thousands)	**309,851**	**–**	**304,336**	**–**
Basic earnings per share (€)	–	0.11	–	0.30
Diluted earnings per share (€)	–	0.11	–	0.30

37. Information on the consolidated statement of cash flows

The consolidated statement of cash flows shows the changes in the cash and cash equivalents of the HEIDELBERG Group during the financial year as a result of cash inflows and outflows. Cash flows are broken down into operating, investing and financing activities (IAS 7). The changes in statement of financial position items shown in the consolidated statement of cash flows cannot be derived directly from the consolidated statement of financial position as the effects of currency translation and changes in the scope of consolidation do not affect cash and have therefore been eliminated.

€ 24 million (previous year: € 13 million) of investments in intangible assets, property, plant and equipment and investment property relate to intangible assets, € 54 million (previous year: € 42 million) to property, plant and equipment. Investments do not include additions from leases of € 23 million (previous year: € 16 million). The proceeds from company disposals in the previous year related to the disposal of Docufy GmbH.

Income of € 0 million (previous year: € 0 million) from the disposal of intangible assets, property, plant and equipment and investment property relates to intangible assets and € 105 million (previous year: € 65 million) to property, plant and equipment.

The cash outflows for leases in which HEIDELBERG is the lessee amounted to € 18 million (previous year: € 24 million). Payments from leases for short-term or low-value assets are shown entirely under operating activities. The payments from all other leases in which Heidelberg is the lessee are divided into the principal component and the interest component in the consolidated statement of cash flows. The principal portion of lease installments is reported under financing activities. The interest portion of lease installments is shown under operating activities.

Payments received from operating and finance leases in which HEIDELBERG is the lessor are reported under changes in cash from operating activities.

The carrying amounts of the collateral pledged in connection with the loan agreements as part of a collateral pool concept are shown under the appropriate notes. Please see note 28 for information on the unutilized credit lines.

Cash and cash equivalents include cash and cash equivalents only (€ 153 million; previous year: € 146 million). For foreign exchange restrictions please see note 24.

Further information on the consolidated statement of cash flows can be found in the combined management report.

38. Information on segment reporting

	Print Solutions		Packaging Solutions		Technology Solutions		HEIDELBERG Group	
	1-Apr-2021 to 31-Mar-2022	**1-Apr-2022 to 31-Mar-2023**	1-Apr-2021 to 31-Mar-2022	**1-Apr-2022 to 31-Mar-2023**	1-Apr-2021 to 31-Mar-2022	**1-Apr-2022 to 31-Mar-2023**	1-Apr-2021 to 31-Mar-2022	**1-Apr-2022 to 31-Mar-2023**
External sales	1,208	1,254	925	1,158	51	22	2,183	2,435
EBITDA[1)] (segment result)	111	115	46	111	4	–16	160	209
Non-cash expenses	138	119	100	101	1	4	239	224

1) Result of operating activities before interest, taxes, depreciation and amortization

In the HEIDELBERG Group, the segments are defined in accordance with the business management of our target markets and their respective customer requirements. The segments are based on internal reporting in line with the **management approach.**

The HEIDELBERG Group's structure is broken down in line with the internal organizational and reporting structure into the segments Print Solutions, Packaging Solutions and Technology Solutions. Print Solutions comprises the client categories Digital, Commercial, Industrial and Print Others. The client categories Folding Carton, Label and Packaging Others together form the Packaging Solutions client segment. The Technology Solutions segment combines the businesses of Zaikio, E-Mobility and Printed Electronics. Further information on the business activities, products and services of the individual segments can be found in note 8 and in the chapters "Management and control" and "Segments and business units" in the combined management report.

Geographically, we distinguish between Europe, Middle East and Africa, Asia / Pacific, Eastern Europe, North America and South America.

Further information on the business areas can be found in the chapters "Segment report" and "Report on the regions" in the combined management report. Transfer prices for internal Group sales are determined using a market-driven approach, based on the principle of dealing at arm's length.

Notes on segment data

Segment performance is measured on the basis of EBITDA – the result of operating activities before interest, taxes and depreciation and amortization.

In the year under review and the previous year, the HEIDELBERG Group did not generate more than 10 percent of (net) sales with any one customer.

Inter-segment sales are of minor financial significance.

The segment result is transitioned to the net result before taxes as follows:

	1-Apr-2021 to 31-Mar-2022	**1-Apr-2022 to 31-Mar-2023**
EBITDA (segment result)	160	209
Depreciation and amortization	79	79
EBIT (result of operating activities)	**81**	**131**
Financial income	6	10
Financial expenses	36	30
Financial result	**–30**	**–19**
Net result before taxes	**51**	**112**

INFORMATION BY REGION

Net sales by region according to the domicile of the customer were as follows:

	Print Solutions		Packaging Solutions		Technology Solutions		**HEIDELBERG Group**	
	1-Apr-2021 to 31-Mar-2022	**1-Apr-2022 to 31-Mar-2023**	1-Apr-2021 to 31-Mar-2022	**1-Apr-2022 to 31-Mar-2023**	1-Apr-2021 to 31-Mar-2022	**1-Apr-2022 to 31-Mar-2023**	1-Apr-2021 to 31-Mar-2022	**1-Apr-2022 to 31-Mar-2023**
Europe, Middle East and Africa								
Germany	176	170	89	121	49	20	315	311
Other Europe, Middle East and Africa region	334	380	180	268	1	1	515	649
	511	550	269	389	50	21	830	960
Asia/Pacific								
China	153	114	194	191	–	0	346	304
Other Asia/Pacific region	155	139	142	177	–	–	297	316
	308	252	336	368	–	0	644	620
Eastern Europe	154	141	127	138	1	1	282	280
North America								
United States	159	203	137	183	–	0	296	386
Other North America region	52	64	31	55	–	–	84	119
	211	267	169	238	–	0	380	505
South America	24	44	24	26	–	–	48	70
	1,208	**1,254**	**925**	**1,158**	**51**	**22**	**2,184**	**2,435**

Of the non-current assets, which comprise intangible assets, property, plant and equipment and investment property, € 678 million (previous year: € 612 million) relate to Germany and € 224 million (previous year: € 225 million) to other countries.

39. Capital management

In the context of implementing the holistic management approach, it is the task of capital management to provide the best possible support in the attainment of the HEIDELBERG Group's goals. The focus here is on ensuring liquidity and creditworthiness of the HEIDELBERG Group.

For the HEIDELBERG Group, capital management prioritizes reducing the commitment of capital, strengthening the equity and securing liquidity. In the year under review, the equity of the HEIDELBERG Group increased from € 242 million to € 510 million. In relation to total assets, the equity ratio is higher than the previous year's level at 23.0 percent (previous year: 11.1 percent).

As a result of the positive free cash flow in the year under review, the net financial position was up year-on-year at € –51 million (previous year: € -11 million). The net financial position is calculated as the net amount of financial liabilities less cash and cash equivalents.

HEIDELBERG is not subject to any capital requirements arising from its Articles of Association.

As of March 31, 2023, the financing of the HEIDELBERG Group essentially consists of a promotional loan from the European Investment bank of € 100 million with a staggered maturity until March 2024, a development loan refinanced by KfW for € 42.1 million maturing in September 2023 arranged with a syndicate of banks, a loan of € 25.7 million maturing at the end of December 2025 borrowed in May 2017, a promotional loan from KfW of € 6 million borrowed in August 2020 and maturing in July 2024, a promotional loan for SMEs in Italy of € 5 million maturing in August 2026 from the state guarantee fund, two loans funded by KfW of € 4.2 million and € 3.8 million borrowed in July and August 2019 and maturing in July and April 2024, respectively, and a revolving credit facility with a banking syndicate totaling around € 245.8 million maturing in March 2025.

The financing agreements for the revolving credit facility, the European Investment Bank loan and other significant loans contain standard financial covenants regarding the financial situation of the HEIDELBERG Group. Two of the key performance indicators relate to the HEIDELBERG Group's equity and cash funds. All external minimum capital requirements to which the HEIDELBERG Group is subject were fulfilled in the year under review.

The present diversified financing structure with a maturity profile up to 2025 provides HEIDELBERG with a stable financing base. For further details regarding the financing instruments, please refer to note 28.

40. Declaration of compliance in accordance with section 161 AktG

The Management Board and the Supervisory Board of Heidelberger Druckmaschinen Aktiengesellschaft issued the declaration of compliance in accordance with Section 161 AktG and made it permanently accessible to the shareholders on the website **WWW.HEIDELBERG.COM** under About Us > Company > Corporate Governance. Earlier declarations of compliance are also permanently available here.

41. Executive bodies of the Company

The basic characteristics of the compensation system and amounts of compensation for the members of the Management Board and Supervisory Board are presented below.

Additional and further information on the structure and design of the compensation system can also be found in the remuneration report on pages 177 to 194 of the annual report.

The individual members of the Supervisory Board and the Management Board are listed in the separate overview presented on pages 163 to 164 (Supervisory Board) and 165 (Management Board).

Members of the Management Board: The overall structure and amount of compensation of the Management Board are determined at the recommendation of the Personnel Matters Committee by the Supervisory Board of Heidelberger Druckmaschinen Aktiengesellschaft and reviewed at regular intervals.

The compensation of the Management Board consists of fixed annual compensation paid in equal installments at the end of each month, one-year variable compensation and multi-year variable compensation, which is calculated on the achievement of certain three-year objectives using defined parameters.

In each case, Management Board compensation (not including fringe benefits or pension contributions) amounts to a maximum of 400 percent of basic annual compensation, divided into 100 percent for basic annual compensation and a maximum of 300 percent for the variable compensation elements, i. e. a maximum of 100 percent for one-year variable compensation and 200 percent for multi-year variable compensation.

There are also fringe benefits, which in the past financial year essentially consisted of the provision of a company car and accident/personal liability insurance, and a pension contribution granted to each member of the Management Board of 35 percent of basic annual compensation.

The pension contribution is paid directly to members of the Management Board who were new appointees to the Management Board at the start of or during the financial year. This takes the form of a taxable, cash payment that must be used for pension investment.

Mr. Marcus A. Wassenberg alone was still granted the pension contribution as a defined contribution commitment.

The total compensation in accordance with HGB amounts to € 3,499 thousand (previous year: € 2,150 thousand), comprising the fixed compensation including fringe benefits and pension contributions of € 1,913 thousand (previous year: € 1,112 thousand), one-year variable compensation of € 762 thousand (previous year: € 865 thousand) and multi-year variable compensation of € 824 thousand (previous year: € 173 thousand).

The multi-year variable compensation includes € 131 thousand (previous year: € 0 thousand) in non-share-based remuneration that relates to the EBT benchmark for LTI tranche 2021/2023 and LTI tranche 2022/2024. With Mr. Marcus A. Wassenberg having stepped down as of December 31, 2022, his work is considered complete pro rata temporis and, accordingly, the respective performance period underlying his multi-year variable compensation has finished. The compensation will be paid out as of the end of the first quarter of financial year 2023/2024.

In addition, the multi-year variable compensation includes share-based compensation of € 693 thousand (previous year: € 173 thousand) equivalent to the fair value of the 2023/2025 tranche calculated as of the grant date for the three benchmarks of EBT, share price performance and ESG; this is not distributed over the performance period (one year). Taking into account a pro rata temporis reduction owing to members joining and leaving during the year, the total number of virtual shares issued to members of the Management Board is 541,334.78 (previous year: 0).

The total compensation according to IFRS of € 3,256 thousand (previous year: € 4,101 thousand) relates to short-term benefits of € 2,543 thousand (previous year: € 1,978 thousand), post-employment benefits of € 131 thousand (previous year: € 374 thousand), income from other long-term benefits of € 96 thousand (previous year: expense of € 6 thousand), whereby recognition in profit or loss this year relates to an adjustment of the expected target achievement of the EBT benchmark, termination benefits of € 0 thousand (previous year: € 892 thousand) and share-based payments of € 678 thousand (previous year: € 863 thousand). € 331 thousand (previous year: € 863 thousand) of this relates to cash-settled share-based compensation and € 347 thousand (previous year: € 0 thousand) to equity-settled share-based compensation.

The one-year variable compensation is dependent on the Group's success in the respective financial year and the achievement of specific non-financial sustainability objectives; the financial benchmarks are currently defined as EBITDA and free cash flow according to both the IFRS consolidated income statement and the statement of cash flows. In addition, each member of the Management Board receives a personal, performance-based bonus that is determined by the Supervisory Board at the recommendation of the Personnel Matters Committee, taking into account their particular duties and responsibilities in addition to any individual objectives agreed. If objectives are achieved in full, the personal annual bonus can amount up to 30 percent of the fixed annual compensation; the Company bonus can also account for up to 30 percent or if objectives are exceeded 60 percent of the fixed annual compensation. With respect to their personal annual bonuses for the year under review, the Supervisory Board and the Management Board had again agreed to give priority to the annual financial and sustainability objectives. Until further notice – starting with financial year 2012/2013 – the 30 percent of the personal bonus will be added on to the Company bonus subordinate to the financial objectives on which it is based.

The multi-year variable remuneration is allocated in annual tranches.

Starting with **financial year 2022/2023,** the annual award of the LTI (LTI target) amounts to 100 percent of fixed compensation and takes the form of virtual shares in Heidelberger Druckmaschinen AG (Heidelberg shares) awarded to plan participants at the award date. These are referred to as performance share units (PSUs) and, subject to the fulfillment of certain conditions, establish a claim partly to payment and partly to the transfer of Heidelberg shares. The number of PSUs as of the award date, rounded to two decimal places in line with commercial practice, is calculated by dividing the LTI target by the share price as of the award date. The share price to be used is the arithmetic average of closing prices for Heidelberg's shares in XETRA trading on the Frankfurt Stock Exchange over the last 60 trading days immediately preceding the award date.

The LTI is always awarded for one LTI financial year, which is the financial year of Heidelberger Druckmaschinen AG. Claims under the LTI are earned pro rata temporis over the term of the one-year LTI financial year, whereas the performance period over which the plan participant's performance is measured is three years.

At the end of the three-year performance period, the number of virtual shares is calculated based on the target achievement of three key performance indicators (KPIs). The targets for the benchmarks for multi-year variable compensation as well as the respective thresholds of the multi-year variable compensation and the maximum overfulfillment are all defined at the beginning of the relevant three-year period.

In conjunction with the LTI allocation in financial year 2022/2023, the Supervisory Board defined the performance targets of EBT with a weighting of 40 percent, relative total shareholder return (RTSR) with a weighting of 40 percent and sustainability targets (ESG) with a weighting of 20 percent. Thresholds and caps have also been defined for the two KPIs EBT and RTSR. The threshold must be achieved for each KPI, otherwise the target achievement for this KPI is 0 percent. In the event of overfulfillment of the target, the maximum target achievement is 200 percent; achievement between values is determined by linear interpolation. The achievement of the sustainability objectives is also ascertained between 0 percent and 200 percent.

The RTSR target criterion is derived from the ratio of the performance of Heidelberg shares to the performance of the SDAX. Target achievement is calculated using the following formula:

KPI – target achievement = max. (min. (4 × RTSR – 3; 2); 0)

The starting values for measuring performance are the arithmetic mean of the closing prices of Heidelberg's shares and the SDAX over the 60 trading days before the start of the three-year performance period. In turn, the final values for measuring performance are the arithmetic mean of the closing prices of Heidelberg's shares and the SDAX over the 60 trading days immediately preceding the end of the three-year performance period. If the Company pays dividends during the performance period, these dividends are translated in terms of the share prices immediately preceding the end of the performance period.

On the allocation date after the end of the performance period, the target achievement of the KPIs is ascertained, weighted accordingly and then summarized to produce the overall degree of target achievement. The provisional number of PSUs as of the allocation date, rounded to two decimal places in line with commercial practice, is calculated by multiplying the number of PSUs on the award date by the overall degree of target achievement.

Subject to any adjustments on the basis of members joining or leaving during the year or maximum compensation being exceeded, the value of the LTI is calculated by multiplying the number of PSUs as of the allocation date by the share price as of the allocation date. In turn, the share price as of the allocation date is the arithmetic average of closing prices for Heidelberg's shares in XETRA trading on the Frankfurt Stock Exchange over the last 60 trading days immediately preceding the allocation date.

Half of the value of the LTI is paid out in cash (cash-settled share-based remuneration), the other half is settled in shares of Heidelberger Druckmaschinen AG (equity-settled share-based remuneration). The Heidelberg shares issued are subject to a holding period of 12 months beginning on the day after the allocation date and ending on the release date.

The multi-year variable compensation is paid out at the end of the month in which the Annual General Meeting – after the end of the final financial year of the three-year period– resolves on the appropriation of the net result.

In the event of a member joining or leaving within an ongoing LTI financial year, that member has a pro rata temporis claim to any multi-year variable compensation determined after the end of the performance period.

Preemption rights are measured using a Monte Carlo simulation. This simulates the log-normal distribution of prices of Heidelberg's shares and the SDAX. Furthermore, in determining the average share prices at the end of the performance period, the dividends are taken into account in conjunction with the total shareholder return and the cap on the total amount.

The fair value of the virtual shares relating to the EBT and ESG benchmarks for the 2023 to 2025 performance period is € 1.598 as of March 31, 2023. The virtual shares relating to the RTSR benchmark are measured at € 1.307.

The net asset value of the cash-settled LTI component is € 104 thousand as of March 31, 2023.

The underlying measurement parameters used to calculate the fair values as of March 31, 2023, are as follows:

Baseline value for HDM shares: € 2.5862; baseline value for SDAX: 14,706.87; closing price of HDM shares € 1.706; closing value for SDAX: 13,155.25; end of the performance period: March 31, 2025; payment date/maturity: July 31, 2025.

Risk-free continuous zero interest rates: end of performance period: 2.58 percent and payout date: 2.52 percent; interest rates based on the yield curve for government bonds as of March 31, 2023; dividend payments as the arithmetic mean, based on publicly available estimates for the years 2023 and 2024; historic volatility based on closing prices for Heidelberger Druckmaschinen Aktiengesellschaft shares: 57.77 percent and for the SDAX 22.50 percent; historic correlation on the basis of closing prices for Heidelberger Druckmaschinen Aktiengesellschaft and the SDAX: 0.6531.

Until **financial year 2021/2022** inclusively, the multi-year variable compensation was determined based on earnings before taxes according to the IFRS consolidated income statement (EBT) and total shareholder return (TSR). The part of the long-term variable compensation determined on the basis of EBT is recognized as other long-term benefits in accordance with IAS 19; the part determined in line with the share price performance is recognized as share-based payment in accordance with IFRS 2.

The targets for the two benchmarks for multi-year variable compensation as well as the respective thresholds of the multi-year variable compensation and the maximum overfulfillment are all defined at the beginning of the relevant three-year period (performance period). Half the multi-year variable compensation is attributable to each benchmark, i.e. 45 percent of the fixed annual compensation in the event of 100 percent fulfillment of the targets for each of the relevant benchmarks.

Overfulfillment of a benchmark is recognized and can at most result in a doubling of the attributable multi-year variable target compensation. Both benchmarks have a target achievement threshold that must be reached in order for the multi-year variable compensation for the respective benchmarks to be paid out.

However, overfulfillment of a benchmark can only increase the multi-year variable compensation if the other benchmark reaches at least the threshold. The basis for target measurement for the total shareholder return is the long-term expected return (Heidelberg share price increases) during the performance period.

The baseline value for each performance period is determined at the beginning of the first financial year of the performance period. The achievement of objectives is checked and ascertained at the end of each three-year period.

The multi-year variable compensation is paid out at the end of the month in which the Annual General Meeting – after the end of the final financial year of the three-year period – resolves on the appropriation of the net result. For the multi-year variable compensation, achievement of the relevant threshold results in a payout amounting to 25 percent of the amount that would be payable in the event of 100 percent objective fulfillment. If the objective attainment lies between the threshold and the defined objective, the payout is determined by linear interpolation. If overfulfillment is to be recognized, the amount of the payout is determined either as a percentage according to the degree of overfulfillment or by linear interpolation between the objective and the maximum recognizable value.

In the event of a member joining or leaving within the ongoing performance period, that member has a pro rata temporis claim to any multi-year variable compensation determined. In the event of a member leaving, pro rata temporis multi-year variable compensation is calculated for the performance periods still ongoing at this time on the basis of the determination of goals as of the exit date, which is then frozen. In the event of a member leaving the Management Board during an ongoing performance period, the pro rata temporis variable compensation is paid out as soon as the annual financial statements for the financial year in question have been adopted, or no later than the end of the first quarter of the financial year following the member's departure.

As the performance periods for the LTI tranches affected by this of financial years 2021/2023 and 2022/2024 were ended early by Mr. Marcus A. Wassenberg's departure as of December 31, 2022, and are measured based on the target achievement rates ascertained, there is no fair value measurement for the LTI tranches in question.

In the context of the obligation for members of the Management Board to make a personal stock investment, the Company is authorized to invest 20 percent of the one-year variable compensation in Heidelberg shares until the portfolio matches the amount of current fixed compensation (minimum value). To date, the Company has paid out the compensation elements entirely in cash and thus recognized them as liabilities or provisions. The expense recognized in financial year 2022/2023 for the one-year variable compensation, which is included in short-term benefits, is € 112 thousand (previous year: € 32 thousand).

An authorization to invest an additional portion of the multi-year variable compensation in Heidelberg shares no longer exists in this financial year (previous year: € 16 thousand).

As of March 31, 2023, Heidelberger Druckmaschinen Aktiengesellschaft had recognized provisions and liabilities for the compensation of active members of the Management Board with short-term benefits of € 916 thousand (previous year: € 865 thousand), post-employment benefits of € 0 thousand (previous year: € 374 thousand), other long-term benefits of € 0 thousand (previous year: € 166 thousand), termination benefits of € 0 thousand (previous year: € 892 thousand) and share-based payments of € 174 thousand (previous year: € 863 thousand).

Former members of the Management Board and their surviving dependents: The total cash compensation (= total compensation) amounted to € 4,132 thousand (previous year: € 3,605 thousand); of this figure, € 575 thousand (previous year: € 708 thousand) related to obligations to former members of the Management Board and their surviving dependents of Linotype-Hell Aktiengesellschaft, which were assumed in financial year 1997/1998 under the provisions of universal succession. As in the previous year, no share options were held as of the end of the reporting period. The pension obligations (defined benefit obligations in accordance with IFRS) amounted to € 43,702 thousand (previous year: € 51,944 thousand); € 5,034 thousand (previous year: € 5,455 thousand) of which relating to pension obligations of the former Linotype-Hell Aktiengesellschaft which were assumed in financial year 1997/1998 under the provisions of universal succession.

Members of the Supervisory Board: Each member of the Supervisory Board receives fixed annual compensation of € 40,000. The Chair of the Supervisory Board receives three times this amount, the Deputy Chair twice this amount. The members of the Management Committee, the Audit Committee and the Committee on Arranging Personnel Matters of the Management Board receive additional compensation for work on these committees. Each committee member receives compensation of € 1,500 per meeting for participation in a meeting of one of these committees. The Chair of the Audit Committee receives compensation of € 4,500 per meeting; the Chair of the Management Committee and the Chair of the Committee on Arranging Personnel Matters of the Management Board receive compensation of € 2,500 per meeting. The members of the Supervisory Board also receive an attendance fee of € 500 per meeting for attending a meeting of the Supervisory Board or of one of its committees. Furthermore, the expenses incurred by members of the Supervisory Board and VAT payable on them are reimbursed. In order to reinforce the Supervisory Board's role as a controlling body, compensation does not include a variable, performance-based component. The members of the union and the Works Council have declared that they will transfer their Supervisory Board compensation to the Hans Böckler Foundation in accordance with the guidelines of IG Metall.

For the year under review, fixed annual compensation plus an attendance fee of € 500 per meeting day and compensation for sitting on the Management Committee, the Audit Committee and the Committee on Arranging Personnel Matters were granted, totaling € 809 thousand (previous year: € 850 thousand). This compensation does not include VAT. Furthermore, members of the Supervisory Board who are also employed by a company of the Heidelberg Group receive activity-based customary market remuneration. No loans or advances were granted to members of the Supervisory Board in the reporting period; the Heidelberg Group has not undertaken any contingent liabilities for Supervisory Board members.

42. Related party transactions

Business relations exist between numerous companies and Heidelberger Druckmaschinen Aktiengesellschaft and its subsidiaries in the course of ordinary business. This comprises the affiliated companies not included in the consolidated financial statements, one joint ventures and three associated company, which are regarded as related companies of the HEIDELBERG Group. Related parties include members of the Management Board and the Supervisory Board.

Transactions were performed with these related parties, which impacted as follows:

Figures in € thousands	2021/2022	**2022/2023**
Liabilities	**3,022**	**3,016**
Non-consolidated subsidiaries	3,022	3,012
Joint ventures	–	2
Associated companies	–	2
Receivables	**893**	**1,117**
Non-consolidated subsidiaries	891	1,059
Joint ventures	2	2
Associated companies	–	56
Expenses	**5,693**	**3,307**
Non-consolidated subsidiaries	5,693	3,273
Joint ventures	–	35
Income	**7,504**	**11,882**
Non-consolidated subsidiaries	7,401	4,552
Joint ventures	103	78
Associated companies	–	7,252

A company controlled by a member of the Supervisory Board received remuneration for consulting services of € 18 thousand (previous year: € 3 thousand) from Heidelberger Druckmaschinen Aktiengesellschaft.

Write-downs of € 532 thousand (previous year: € 667 thousand) were recognized on receivables from these related companies in the reporting year. The expenses mainly include losses from profit transfers. The income of the non-consolidated subsidiaries mainly include revenues from the sale of of goods. Income of € 7 million was realized in the reporting year from the contribution of technological expertise to the associated company HeiMaster Technology (Tianjin) Co., Ltd.

With companies controlled by a member of the Supervisory Board there were trade relationships which impacted as follows:

Figures in € thousands	2021/2022	**2022/2023**
Liabilities	3,504	3,878
Receivables	22	94
Expenses	28,421	38,787
Net sales	381	313

No write-downs (previous year: € 175 thousand) were recognized on receivables from these companies in the reporting year.

All transactions were concluded at standard market terms and did not differ from trade relationships with other companies.

43. Exemption under Section 264 (3) and 264b of the German Commercial Code

The following subsidiaries exercised the exemption provisions of Sections 264 (3) and Section 264b of the German Commercial Code (Handelsgesetzbuch – HGB) with regard to the preparation and disclosure of financial statements in the period under review:

- Amperfied GmbH, Walldorf
- Gallus Druckmaschinen GmbH, Langgöns-Oberkleen
- Heidelberg Boxmeer Beteiligungs-GmbH, Wiesloch
- Heidelberg China-Holding GmbH, Wiesloch
- Heidelberg Consumables Holding GmbH, Wiesloch
- Heidelberger Druckmaschinen Intellectual Property AG & Co. KG, Wiesloch
- Heidelberger Druckmaschinen Vertrieb Deutschland GmbH, Wiesloch
- Heidelberg Manufacturing Deutschland GmbH, Wiesloch
- Heidelberg Postpress Deutschland GmbH, Wiesloch
- Heidelberg Web Carton Converting GmbH, Weiden in der Oberpfalz

44. Auditor's fees

In the reporting year, the following expenses were incurred for services by the auditor:

Figures in € thousands	2021/2022	**2022/2023**
Fees for		
Audits of financial statements	997	917
Other assurance services	97	187
Tax advisory services	–	–
Other services	30	–
	1,124	**1,105**

Material other assurance services for Heidelberger Druckmaschinen Aktiengesellschaft provided by the auditor relate to services with regard to the non-financial report, the remuneration report, the German Securities Trading Act (WpHG) and energy industry law. Other services in the previous year relate to the preparation of expert opinions.

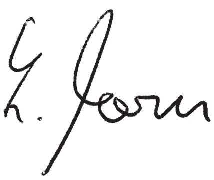
45. Events after the end of the reporting period

There were no significant events after the end of the reporting period.

Heidelberg, May 23, 2023

Heidelberger Druckmaschinen Aktiengesellschaft

The Management Board



Dr. Ludwin Monz

Tania von der Goltz

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group, and the Group management report, which has been combined with the management report of Heidelberger Druckmaschinen Aktiengesellschaft, includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Heidelberg, May 23, 2023

Heidelberger Druckmaschinen Aktiengesellschaft

The Management Board

Dr. Ludwin Monz | Tania von der Goltz

Independent auditor's report

To Heidelberger Druckmaschinen Aktiengesellschaft,
Heidelberg

Report on the audit of the consolidated financial statements and of the Group management report

Audit Opinions

We have audited the consolidated financial statements of Heidelberger Druckmaschinen Aktiengesellschaft, Heidelberg, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 March 2023, and the consolidated statement of comprehensive income, consolidated statement of profit or loss, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 April 2022 to 31 March 2023, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Heidelberger Druckmaschinen Aktiengesellschaft, which is combined with the Company's management report, for the financial year from 1 April 2022 to 31 March 2023. In accordance with the German legal requirements, we have not audited the content of section "Appropriateness and effectiveness of the comprehensive internal control and risk management system in accordance with Recommendation A.5 GCGC" of the group management report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 March 2023, and of its financial performance for the financial year from 1 April 2022 to 31 March 2023, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of the section of the group management report referred to above.

Pursuant to §322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with §317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 April 2022 to 31 March 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matter of most significance in our audit was as follows:

❶ Recoverability of goodwill

Our presentation of this key audit matter has been structured as follows:

① Matter and issue

② Audit approach and findings

③ Reference to further information

Hereinafter we present the key audit matter:

❶ Recoverability of goodwill

① In the Company's consolidated financial statements goodwill amounting in total to EUR 126.8 million (5.7 percent of total assets or 24.7 percent of equity) is reported under the "Intangible assets" balance sheet item. Goodwill is tested for impairment by the Company once a year or when there are indications of impairment to determine any possible need for write-downs. The impairment test is carried out at the level of the groups of cash-generating units to which the relevant goodwill is allocated. The carrying amount of the relevant cash-generating units, including goodwill, is compared with the corresponding recoverable amount in the context of the impairment test. The recoverable amount is generally determined using the value in use. The present value of the future cash flows from the respective group of cash-generating units normally serves as the basis of valuation. Present values are calculated using discounted cash flow models. For this purpose, the adopted medium-term business plan of the Group forms the starting point which is extrapolated based on assumptions about long-term rates of growth. Expectations relating to future market developments and assumptions about the development of macroeconomic factors are also taken into account. The discount rate used is the weighted average cost of capital for the respective group of cash-generating units. The impairment test determined that no write-downs were necessary. The outcome of this valuation is dependent to a large extent on the estimates made by the executive directors with respect to the future cash inflows from the respective group of cash-generating units, the discount rate used, the rate of growth and other assumptions, and is therefore subject to considerable uncertainty. Against this background and due to the complex nature of the valuation, this matter was of particular significance in the context of our audit.

② As part of our audit, we assessed the methodology used for the purposes of performing the impairment test, among other things. After matching the future cash inflows used for the calculation against the adopted medium-term business plan of the Group, we assessed the appropriateness of the calculation, in particular by reconciling it with general and sector-specific market expectations. We discussed and examined supplementary adjustments to the medium-term business plan for the purposes of the impairment test with the members of the Company's staff responsible. In addition, we assessed the appropriate consideration of the costs of Group functions. In the knowledge that even relatively small changes in the discount rate applied can have a material impact on the value of the entity calculated in this way, we focused our testing in particular on the parameters used to determine the discount rate applied, and assessed the calculation model. In order to reflect the uncertainty inherent in the projections, we evaluated the sensitivity analyses performed by the Company. Taking into account the information available, we determined that the carrying amounts of the cash-generating units, including the allocated goodwill, were adequately covered by the discounted future cash flows. We verified that the necessary disclosures were made in the notes to the consolidated financial statements relating to groups of cash-generating units for which a reasonably possible change in an assumption would result in the recoverable amount falling below the carrying amount of the cash-generating units including the allocated goodwill.

Overall, the valuation parameters and assumptions used by the executive directors are in line with our expectations and are also within the ranges considered by us to be reasonable.

③ The Company's disclosures on impairment testing and goodwill are contained in numbers 6, 7 and 18 of the notes to the consolidated financial statements.

Other Information

The executive directors are responsible for the other information. The other information comprises section "Appropriateness and effectiveness of the comprehensive internal control and risk management system in accordance with Recommendation A.5 GCGC" of the group management report as an unaudited part of the group management report.

The other information comprises further

- the statement on corporate governance pursuant to §289f HGB and §315d HGB
- the separate non-financial report to comply with §§289b to 289e HGB and with §§315b to 315c HGB
- the remuneration report pursuant to §162 AktG [Aktiengesetz: German Stock Corporation Act], for which the supervisory board is also responsible
- all remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information mentioned above and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report disclosures audited in terms of content or with our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to §315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with §317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to §315e Abs. 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB

Assurance Opinion

We have performed assurance work in accordance with §317 Abs. 3a HGB to obtain reasonable assurance as to whether the rendering of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the electronic file HDM_AG_KA+LB_ESEF-2023-03-31.zip and prepared for publication purposes complies in all material respects with the requirements of §328 Abs. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the electronic file identified above.

In our opinion, the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above and prepared for publication purposes complies in all material respects with the requirements of §328 Abs. 1 HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from 1 April 2022 to 31 March 2023 contained in the "Report on the Audit of the Consolidated Financial Statements and on the Group Management Report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the electronic file identified above.

Basis for the Assurance Opinion

We conducted our assurance work on the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above in accordance with §317 Abs. 3a HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering, of Financial Statements and Management Reports, Prepared for Publication Purposes in Accordance with §317 Abs. 3a HGB (IDW AsS 410 (06.2022)) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility in accordance therewith is further described in the "Group Auditor's Responsibilities for the Assurance Work on the ESEF Documents" section. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic renderings of the consolidated financial statements and the group management report in accordance with §328 Abs. 1 Satz 4 Nr. [number] 1 HGB and for the tagging of the consolidated financial statements in accordance with §328 Abs. 1 Satz 4 Nr. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of §328 Abs. 1 HGB for the electronic reporting format, whether due to fraud or error.

The supervisory board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

Group Auditor's Responsibilities for the Assurance Work on the ESEF Documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of §328 Abs. 1 HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also:

- Identify and assess the risks of material non-compliance with the requirements of §328 Abs. 1 HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance work on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i. e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version in force at the date of the consolidated financial statements on the technical specification for this electronic file.
- Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited consolidated financial statements and to the audited group management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, in the version in force at the date of the consolidated financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 21 July 2022. We were engaged by the supervisory board on 21 July 2022. We have been the group auditor of the Heidelberger Druckmaschinen Aktiengesellschaft, Heidelberg, without interruption since the financial year 1997.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

Reference to an other matter – use of the auditor's report

Our auditor's report must always be read together with the audited consolidated financial statements and the audited group management report as well as the assured ESEF documents. The consolidated financial statements and the group management report converted to the ESEF format – including the versions to be filed in the company register – are merely electronic renderings of the audited consolidated financial statements and the audited group management report and do not take their place. In particular, the "Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB" and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

German public auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Dr. Bernd Roese.

Mannheim, May 24, 2023

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Dr. Bernd Roese	ppa. Stefan Sigmann
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Financial section

List of shareholdings

List of shareholdings as per Section 285 no. 11 and Section 313 (2) (in conjunction with Section 315a (1)) HGB

Figures in € millions

Name	Country/Domicile		Shareholding in percent	Equity	Net result after taxes
Affiliated companies included in the consolidated financial statements					
Germany					
Amperfied GmbH	D	Walldorf	100.00	107	–23
Gallus Druckmaschinen GmbH [1)]	D	Langgöns-Oberkleen	100.00	2	–
Heidelberg Boxmeer Beteiligungs-GmbH [1)]	D	Wiesloch	100.00	127	2
Heidelberg China-Holding GmbH [1)]	D	Wiesloch	100.00	135	17
Heidelberg Consumables Holding GmbH [1)]	D	Wiesloch	100.00	–	–2
Heidelberg Manufacturing Deutschland GmbH [1)]	D	Wiesloch	100.00	43	–1
Heidelberg Postpress Deutschland GmbH [1)]	D	Wiesloch	100.00	10	1
Heidelberg Print Finance International GmbH [1)]	D	Wiesloch	100.00	35	2
Heidelberg Printed Electronics GmbH [1)]	D	Wiesloch	100.00	–	–2
Heidelberg Web Carton Converting GmbH	D	Weiden	100.00	3	–2
Heidelberger Druckmaschinen Intellectual Property AG & Co. KG	D	Wiesloch	100.00	106	4
Heidelberger Druckmaschinen Subscription GmbH [1)]	D	Wiesloch	100.00	–	–
Heidelberger Druckmaschinen Vertrieb Deutschland GmbH [1)]	D	Wiesloch	100.00	11	8
Zaikio GmbH	D	Mainz	100.00	–5	–
Outside Germany [2)]					
Baumfolder Corporation	USA	Sidney, Ohio	100.00	–1	1
Europe Graphic Machinery Far East Ltd. [3)]	PRC	Hong Kong	100.00	–	–
Gallus Ferd. Rüesch AG	CH	St. Gallen	100.00	54	6
Gallus Holding AG	CH	St. Gallen	100.00	37	0
Heidelberg Americas, Inc.	USA	Kennesaw, Georgia	100.00	131	24
Heidelberg Asia Pte. Ltd.	SGP	Singapore	100.00	8	–
Heidelberg Baltic Finland OÜ	EST	Tallinn	100.00	5	2
Heidelberg Benelux BV	NL	Haarlem	100.00	56	4
Heidelberg Benelux NV	BE	Brussels	100.00	17	–
Heidelberg Boxmeer B.V.	NL	Boxmeer	100.00	38	2
Heidelberg Canada Graphic Equipment Ltd.	CDN	Mississauga	100.00	12	2
Heidelberg China Ltd.	PRC	Hong Kong	100.00	8	–
Heidelberg do Brasil Sistemas Graficos e Servicos Ltda.	BR	São Paulo	100.00	14	3
Heidelberg France S.A.S.	F	Roissy-en-France	100.00	24	6
Heidelberg Grafik Ticaret Servis Limited Sirketi	TR	Istanbul	100.00	4	1
Heidelberg Graphic Equipment (Shanghai) Co. Ltd.	PRC	Shanghai	100.00	223	30
Heidelberg Graphic Equipment Ireland Ltd.	IE	Dublin	100.00	2	–
Heidelberg Graphic Equipment Ltd. – Heidelberg Australia –	AUS	Mulgrave, Melbourne	100.00	8	2
Heidelberg Graphic Equipment Ltd. – Heidelberg New Zealand –	NZ	Auckland	100.00	3	–

Figures in € millions					
Name	Country/Domicile		Shareholding in percent	Equity	Net result after taxes
Heidelberg Graphic Equipment Ltd. – Heidelberg UK –	GB	Uxbridge	100.00	32	6
Heidelberg Graphic Systems Southern Africa (Pty) Ltd.	ZA	Johannesburg	100.00	1	–
Heidelberg Graphics (Beijing) Co. Ltd.	PRC	Beijing	100.00	21	7
Heidelberg Graphics (Thailand) Ltd.	TH	Bangkok	100.00	6	1
Heidelberg Graphics (Tianjin) Co. Ltd.	PRC	Tianjin	100.00	6	–
Heidelberg Graphics Taiwan Ltd.	TWN	New Taipei City	100.00	3	–
Heidelberg Group Trustees Ltd.	GB	Uxbridge	100.00	–	–
Heidelberg Hong Kong Ltd.	PRC	Hong Kong	100.00	9	–3
Heidelberg India Private Ltd.	IN	Chennai	100.00	3	1
Heidelberg International Ltd. A/S	DK	Hvidovre	100.00	58	2
Heidelberg International Trading (Shanghai) Co. Ltd.	PRC	Shanghai	100.00	–	–
Heidelberg Italia S.r.L.	IT	Bollate	100.00	31	7
Heidelberg Japan K.K.	J	Tokyo	100.00	24	4
Heidelberg Korea Ltd.	ROK	Seoul	100.00	3	–
Heidelberg Magyarország Kft.	HU	Kalasch	100.00	5	1
Heidelberg Malaysia Sdn Bhd	MYS	Petaling Jaya	100.00	–7	–
Heidelberg Mexico, S. de R.L. de C.V.	MEX	Mexico City	100.00	17	3
Heidelberg Philippines, Inc.	PH	Makati City	100.00	4	–
Heidelberg Polska Sp z.o.o.	PL	Warsaw	100.00	11	1
Heidelberg Praha spol s.r.o.	CZ	Prague	100.00	3	1
Heidelberg Print Finance Korea Ltd.	ROK	Seoul	100.00	16	–
Heidelberg Schweiz AG	CH	Bern	100.00	8	3
Heidelberg Slovensko s.r.o.	SK	Bratislava	100.00	1	–
Heidelberg Spain S.L.U.	ES	Cornella de Llobregat	100.00	9	1
Heidelberg Sverige AB	S	Limhamn	100.00	5	1
Heidelberg USA, Inc.	USA	Kennesaw, GA	100.00	76	17
Heidelberger Druckmaschinen Austria Vertriebs-GmbH	A	Vienna	100.00	16	–2
P.T. Heidelberg Indonesia	ID	Jakarta	100.00	11	3
Press Parts Outlet GmbH	A	Vienna	100.00	2	–

1) Before profit transfer
2) Disclosures for companies outside Germany in accordance with IFRS
3) In liquidation

Figures in € millions

Name	Country/Domicile		Shareholding in percent	Equity	Net result after taxes
Affiliated companies not included in the consolidated financial statements owing to immateriality for the net assets, financial positions and result of operations					
Germany					
Heidelberg Catering Services GmbH [1]	D	Wiesloch	100.00	–	–2
Heidelberger Druckmaschinen Vermögensverwaltungsgesellschaft mbH	D	Walldorf	100.00	–	–
Menschick Trockensysteme GmbH	D	Renningen	100.00	–	–
Outside Germany [2]					
Gallus India Private Limited [3]	IN	Mumbai	100.00	–	–
Heidelberg Druckmaschinen Ukraine GmbH	UA	Kiev	100.00	–	–
Heidelberg Hellas A.E.E.	GR	Metamorfosis	100.00	5	–
Joint ventures not accounted for using the equity method owing to immateriality for the net assets, financial position and results of operations					
Outside Germany [2]					
Heidelberg Middle East FZ Co.	AE	Dubai	50.00	1	–
Associated companies accounted for using the equity method					
Germany					
Flotteladen GmbH	D	Frankfurt	25.10	1	–
Outside Germany [2]					
HeiMaster Technology (Tianjin) Co., Ltd.	PRC	Tianjin	40.00	–4	–2
Associated companies not accounted for using the equity method owing to immateriality for the net assets, financial position and results of operations					
Germany					
InnovationLab GmbH	D	Heidelberg	20.00	1	–1

1) Before profit transfer
2) Disclosures for companies outside Germany in accordance with IFRS
3) In liquidation

The Supervisory Board

Dr. Martin Sonnenschein
Independent consultant,
Berlin
Chair of the Supervisory Board

a) SupplyOn AG

b) Futurice Oy

Ralph Arns*
Chair of the Central Works Council,
Heidelberg/Wiesloch-Walldorf
Deputy Chair of the Supervisory Board

Dr. Bernhard Buck*
Deputy Chair of the Executive Spokespersons Committee,
Wiesloch-Walldorf

Gerald Dörr*
Deputy Chair of the Central Works Council,
Heidelberg/Wiesloch-Walldorf

Mirko Geiger*
First Senior Representative of IG Metall,
Heidelberg

a) ABB AG

Dipl.-Ing. Dr. h.c. Oliver Jung
Chair of the Management Board of Festo SE & Co. KG,
Esslingen

a) Leistritz AG

Li Li
Chair of Masterwork Group Co., Ltd.,
Tianjin, People's Republic of China

Dr. Fritz Oesterle
Consultant for private equity companies and family offices,
Stuttgart

a) Volksbank am Württemberg eG (Chair)
LBBW Landesbank Baden-Württemberg

b) CEPD N.V., Amsterdam, the Netherlands
(Chair of the Board of Directors (non-executive))

Petra Otte*
Trade union secretary of IG Metall,
Baden-Württemberg,
Stuttgart

a) Audi AG

Ferdinand Rüesch
Entrepreneur and Vice President Global Key Accounts of
Gallus Ferd. Rüesch AG
St. Gallen, Switzerland

b) Ferd. Rüesch AG, Switzerland (Chair of the Administration Board)

Ina Schlie
Diplom-Volkswirtin (degree in economics) and supervisory
board member,
Heidelberg

a) q.beyond AG
CMBlu Energy AG

Beate Schmitt*
Full-time member of the Works Council,
Heidelberg/Wiesloch-Walldorf

---

* Employee representative
a) Membership in other statutory supervisory boards
b) Membership in comparable German and foreign control bodies of business enterprises

Committees of the Supervisory Board

Management Committee

Dr. Martin Sonnenschein (Chair)
Ralph Arns
Gerald Dörr
Mirko Geiger
Oliver Jung
Ferdinand Rüesch

Personnel Matters Committee mediation committee under article 27 paragraph 3 of the codetermination act

Dr. Martin Sonnenschein (Chair)
Ralph Arns
Gerald Dörr
Ferdinand Rüesch

Personnel Matters Committee

Dr. Martin Sonnenschein (Chair)
Ralph Arns
Gerald Dörr
Dr. Fritz Oesterle
Ferdinand Rüesch
Beate Schmitt

Audit Committee

Ina Schlie (Chair)
Ralph Arns
Mirko Geiger
Oliver Jung
Beate Schmitt
Dr. Martin Sonnenschein

Nomination Committee

Dr. Martin Sonnenschein (Chair)
Oliver Jung
Ferdinand Rüesch

Strategy Committee

Dr. Martin Sonnenschein (Chair)
Ralph Arns
Mirko Geiger
Oliver Jung
Li Li
Dr. Fritz Oesterle
Ferdinand Rüesch
Ina Schlie

The Management Board

Dr. Ludwin Monz
Chief Executive Officer and
labour director (since January 1, 2023)

** *Heidelberg Americas, Inc., USA*
(Chairman of the Board of Directors)
Heidelberg USA, Inc., USA
(Chairman of the Board of Directors)

Tania von der Goltz
Chief Financial Officer
(since January 1, 2023)

* *Carl Zeiss Meditec AG*

** *Heidelberg Americas, Inc., USA*
Heidelberg USA, Inc., USA
Veonet Vision GmbH (Member of the Advisory Board)

Marcus A. Wassenberg
Chief Financial Officer and labour director
(until December 312022)

** *Heidelberg Americas, Inc., USA*
Heidelberg USA, Inc., USA
Heidelberg Graphic Equipment Ltd., Australia
Heidelberg Japan K.K., Japan
Gallus Holding AG, Switzerland
(Chair of the Administration Board)

---

* Membership in statutory supervisory boards
** Membership in comparable German and foreign control bodies of business enterprises

04

Supervisory Board and Corporate Governance

Report of the Supervisory Board

Dear Shareholders,

Before I explain the work of the Supervisory Board and its committees in financial year 2022 / 2023, allow me to briefly discuss the significant issues of the past financial year. The economy as a whole noticeably felt the effects of Russia's war in Ukraine, which were reflected in price increases and shortages, concerning energy especially, and reinforced the general trend toward high inflation. There were also other geopolitical risks and persistent supply chain and logistics problems, which caused availability bottlenecks for certain parts groups in some cases. As shown by the figures presented, Heidelberger Druckmaschinen Aktiengesellschaft performed more than well in this challenging environment, thanks in part to the systematic implementation of its transformation program.

We would therefore like to take this opportunity to acknowledge and thank the Management Board and our employees.

But for Heidelberger Druckmaschinen Aktiengesellschaft, the financial year was also defined by a new Management Board team: In his first year at HEIDELBERG, Dr. Ludwin Monz delivered on the Company's two-pillar strategy of honing and boosting the profitability of core business on the one hand, while establishing and expanding new business areas on the other. Since January 2023, HEIDELBERG's Management Board has had an experienced financial expert in Tania von der Goltz, who succeeded Marcus A. Wassenberg after he left the Company. The Supervisory Board firmly believes that the financial stability and enterprise value of the Company will continue to improve with her help. The Management Board team works together effectively and efficiently.

HEIDELBERG again released new innovations in financial year 2022 / 2023: The new generation of the XL 106, which prints up to 21,000 sheets per hour, enhances productivity and scores on sustainability as well. The Company demonstrated its expertise in digital printing with the newly developed fully digital label printing system Gallus One. And finally, a new generation of Wallboxes was launched in fall 2022. All these developments and innovations shore up the technology expertise of our Company.

We believe that HEIDELBERG as a whole is well positioned and are confident that the Company will continue to be sustainably profitable with the support of the Management

DR. MARTIN SONNENSCHEIN
Chairman of the Supervisory Board

Board. The Supervisory Board will continue to work alongside the Management Board and the Company's employees to ensure that this is the case.

Close cooperation between Management Board and Supervisory Board

The Supervisory Board of Heidelberger Druckmaschinen Aktiengesellschaft again performed its duties in accordance with the law, the Articles of Association and its Rules of Procedure in full in the financial year 2022 / 2023. It continuously monitored the work of the Management Board and advised it on key strategic issues and material individual activities. The Supervisory Board assured the legality, expediency and compliance of the work of the Management Board at all times. Its monitoring and consulting work also comprised sustainability issues in particular.

The Management Board reported to the Supervisory Board regularly, promptly and comprehensively in written or verbal form on all matters relevant to the Company, meaning that it met its information obligations in full. The Management Board kept the Supervisory Board informed continuously and in detail about the Group's sales, earnings, employment and business performance, and the Company's financial position including the corresponding risks and rewards. Furthermore, the Supervisory Board was informed of the planning and of deviations in business performance from the prepared plans and targets as well as the reasons for this. The regular reporting topics also comprised corporate strategy including the development and implementation of the sustainability strategy, risk management and compliance. The Chairman of the Supervisory Board and the Chairwoman of the Audit Committee were also in continuous contact with the Management Board outside meetings and discussed significant current issues and developments at the Company with them. Key findings were reported on no later than the next Supervisory Board or committee meeting.

The Supervisory Board discussed and dealt with all the above topics in depth. The members of the Supervisory Board always had sufficient opportunity to scrutinize the information and resolution proposals they received from the Management Board and to make and discuss suggestions with them at the meetings of the Supervisory Board as a whole and of the committees. The Supervisory Board granted its approval for individual transactions to the extent so required by law, and the Articles of Association or the Rules of Procedure. In financial year 2022 / 2023, this related to the approval of the assignment of collateral that was necessary to extend the syndicated credit facility until March 2025.

Meetings of the Supervisory Board, participation and key topics

The Supervisory Board held five ordinary meetings and two extraordinary meetings in the reporting year. Six of these were hybrid meetings held in person and one was held as a video conference. The meetings of the Supervisory Board and its committees are typically held in person again with the option of participation by video conference. Meetings are only held purely as a video conference in isolated cases, for example when short meetings are convened at short notice. The average attendance rate at the meetings of the Supervisory Board and its committees was around 97.2 percent in the financial year 2022/2023. The following table shows the individual breakdown of meeting participation:

	Meeting participation
Full Supervisory Board	
Dr. Martin Sonnenschein (Chair)	7/7
Ralph Arns*	7/7
Dr. Bernhard Buck*	7/7
Gerald Dörr*	7/7
Mirko Geiger*	7/7
Oliver Jung	7/7
Li Li	6/7
Dr. Fritz Oesterle	7/7
Petra Otte*	7/7
Ferdinand Rüesch	7/7
Beate Schmitt*	7/7
Ina Schlie	7/7

	Meeting participation
Audit Committee	
Ina Schlie (Chair)	5/6
Oliver Jung	6/6
Ralph Arns*	6/6
Mirko Geiger*	6/6
Beate Schmitt*	6/6
Dr. Martin Sonnenschein	6/6

	Meeting participation
Personnel Matters Committee	
Dr. Martin Sonnenschein (Chair)	3/3
Ralph Arns*	3/3
Gerald Dörr*	3/3
Dr. Fritz Oesterle	3/3
Ferdinand Rüesch	3/3
Beate Schmitt*	3/3

	Meeting participation
Nomination Committee	
Dr. Martin Sonnenschein (Chair)	1/1
Oliver Jung	1/1
Ferdinand Rüesch	1/1

	Meeting participation
Strategy Committee	
Dr. Martin Sonnenschein (Chair)	3/3
Ralph Arns*	3/3
Mirko Geiger*	3/3
Oliver Jung	3/3
Li Li	0/3**
Dr. Fritz Oesterle	3/3
Ferdinand Rüesch	3/3
Ina Schlie	3/3

	Meeting participation
Management Committee	
Dr. Martin Sonnenschein (Chair)	2/2
Ralph Arns*	2/2
Gerald Dörr*	2/2
Mirko Geiger*	2/2
Oliver Jung	2/2
Ferdinand Rüesch	2/2

* Employee representatives
** Ms. Li Li was unable to attend the meetings of the Strategy Committee. However, the Chairman of the Supervisory Board, Dr. Sonnenschein, discussed strategic matters with Ms. Li separately before the meeting and asked her opinions

The Supervisory Board also regularly held parts of its meetings without the Management Board.

The discussions of the Supervisory Board focused on the business activities, performance and strategy of Heidelberger Druckmaschinen Aktiengesellschaft and the HEIDELBERG Group, including the challenges in the supply chains and logistics, the effects of Russia's war in Ukraine and the lockdown in China. The business and financial situation of the Company, as well as the outlook, were discussed at each regular meeting of the Supervisory Board. At its regular meetings, the Supervisory Board had also requested recurring reporting on the developments in the proceedings against benpac Holding AG and Mr. Corvi.

In particular, the Supervisory Board discussed the following key topics in the reporting year:

At the accounts meeting on June 3, 2022, the Supervisory Board mainly addressed the annual financial statements of Heidelberger Druckmaschinen Aktiengesellschaft and the HEIDELBERG Group as of March 31, 2022, the combined management report, the non-financial report and the corresponding reports by the auditor. Furthermore, the Supervisory Board approved the report of the Supervisory Board and the corporate governance declaration in addition to resolving the remuneration report for financial year 2021/2022.

At the recommendation of the Personnel Matters Committee, the Supervisory Board determined the remuneration of the members of the Management Board for financial year 2021/2022 on the basis of their ascertained target performance as well as the criteria for the variable remuneration of the Management Board for the following performance period.

The Supervisory Board likewise resolved the target for the share of women in the Management Board in accordance with section 111 (5) AktG. A target of one person was defined for the period from July 1, 2022, to March 31, 2027.

It approved the agenda for the 2022 Annual General Meeting and, owing to the ongoing effects of the COVID-19 pandemic, again agreed to hold the Annual General Meeting virtually without shareholders attending in person.

Furthermore, the Supervisory Board reviewed and discussed the results of the Strategy Committee meeting on June 2, 2022, and the status of Russia's war in Ukraine, in particular the sanctions situation and the Management Board's thoughts on the future handling of business in Russia.

In addition to a report on the current business and financial situation, the meeting before the Annual General Meeting on July 21, 2022, essentially focused on the preparations for the subsequent Annual General Meeting.

At the second meeting on July 21, 2022, immediately after the Annual General Meeting, having been reelected to the Supervisory Board, Mr. Oliver Jung was elected/confirmed as a member of the Management Committee, the Audit Committee and the Nomination Committee. Mr. Jung is also a member of the Strategy Committee as the shareholder representative on the Supervisory Board.

Furthermore, the Supervisory Board resolved to commission PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft as the auditor of the single-entity and consolidated financial statements for the financial year 2022/2023 following its election by the Annual General Meeting and issued the corresponding audit engagement.

The Supervisory Board also addressed the amended requirements of the German Corporate Governance Code reform, heard a report on the status of its implementation and approved a revision of its Rules of Procedure in line with the Code.

Other issues included the development of the capital market and the performance of the Company's shares as well as the possibility of a halt in the gas supply and its potential impact.

At the extraordinary meeting of the Supervisory Board on October 16, 2022, the Supervisory Board discussed the negotiations with Mr. Marcus A. Wassenberg and his wish to be early released from the offices of Chief Financial Officer and Labor Director of the Company. The extraordinary meeting of the Supervisory Board on November 2, 2022 – based on the preliminary discussions and preparations by the Personnel Matters Committee – discussed the appointment of a successor and resolved in accordance with the recommendation of the Personnel Matters Committee to appoint Ms. Tania von der Goltz as a member of the Management Board as of January 1, 2023. Furthermore, it was resolved to transfer the function of Labor Director to the Chief Executive Officer, Dr. Ludwin Monz, as of January 1, 2023.

In conjunction with the reporting of the Management Board on the current business situation, the meeting of the Supervisory Board on November 24, 2022, discussed the disposal of business in Russia as well as measures to ensure the security of supply in view of the ongoing challenges in supply chains, the trends in procurement prices and energy-saving measures.

After discussing the Group's financing situation, the Supervisory Board also approved the extension of the existing credit facility until March 2025. The current status and ongoing development of the risk management system were presented and discussed, as was the risk report.

The Supervisory Board also addressed the Company's sustainability strategy and the implementation status of the Supply Chain Due Diligence Act.

It was informed of the implementation of the new regulations of the German Corporate Governance Code and approved a correspondingly amended skills profile for the Supervisory Board and a skills matrix as well as the annual declaration of compliance in accordance with section 161 AktG. This can be accessed at all times on Heidelberger Druckmaschinen Aktiengesellschaft's website.

The final meeting of the Supervisory Board in the reporting period on March 29, 2023, discussed the planning for the coming financial year as well as the long-term planning and reviewed the meeting of the Strategy Committee on March 28, 2023.

It also focused on the tendering procedure to elect a new auditor for financial year 2023/2024 in accordance with Article 16 of the EU Audit Regulation. On the basis of the scheduled external rotation of the auditor required by the current state of the law, as of the end of financial year 2022/2023 the Company, with the participation of the Audit Committee, had to conduct a transparent and non-discriminatory procedure to elect the auditor for financial year 2023/2024. Based on the recommendation of the Audit Committee, drawing on the recommendation and preference and reasons given by the Audit Committee, the Supervisory Board resolved to propose to the Annual General Meeting to elect KPMG AG Wirtschaftsprüfungsgesellschaft, Mannheim, as the auditor of the annual and consolidated financial statements for financial year 2023/2024.

The Supervisory Board addressed its work, its cooperation with the Management Board, the provision on information to the Supervisory Board and the preparation and organization of Supervisory Board meetings, and came to the conclusion that it intended to conduct a formal efficiency review again in financial year 2023/2024.

Moreover, drawing on the proposal by the Nomination Committee, the shareholder representatives on the Supervisory Board decided to propose to the Annual General Meeting on July 26, 2023, to reelect Mr. Ferdinand Rüesch to the Supervisory Board.

Furthermore, the shareholder representatives on the Supervisory Board adopted a resolution by written procedure in December 2022 concerning the objection to overall compliance with the gender ratio in accordance with section 96 (2) AktG regarding the Supervisory Board elections by the employees and the Annual General Meeting.

Work in the committees

The Supervisory Board of the Company has set up six permanent committees to support it in its work:

- Mediation Committee
- Audit Committee
- Personnel Matters Committee
- Management Committee
- Nomination Committee
- Strategy Committee

The Supervisory Board's six committees prepare decisions for the Supervisory Board as a whole and pass resolutions on matters delegated to them for a decision. Further details can be found in the Rules of Procedure of the Supervisory Board at www.heidelberg.com > About Us > Corporate Governance.

The chairs of the respective committees reported to the Supervisory Board regularly and comprehensively on their deliberations at the meetings of the Supervisory Board. The composition of the committees in the financial year 2022 / 2023 is presented in the notes to the consolidated financial statements on page 164 of the Annual Report.

The Personnel Matters Committee met three times in reporting year 2022 / 2023. Two of these were hybrid meetings held in person and one was held as a video conference. Its work focused on the achievement of the goals for variable remuneration in 2021 / 2022 and the proposals for the variable remuneration of the Management Board for the following performance period as well as corresponding resolution recommendations for the Supervisory Board. The Personnel Matters Committee likewise discussed the target for the share of women on the Management Board and resolved to propose a specific target of one person to the Supervisory Board. Furthermore, the Personnel Matters Committee addressed Marcus A. Wassenberg's departure at short notice as of December 31, 2022, the search for candidates to replace him and the proposal to the Supervisory Board to appoint Ms. Tania von der Goltz as a member of the Management Board as of January 1, 2023.

The Audit Committee held six regular meetings and adopted one resolution by way of written procedure in the reporting year. All meetings were held as hybrid meetings in person. Representatives for the auditor took part in the meetings in addition to the members of the Management Board. The Audit Committee also regularly spoke with the auditor without the Management Board in attendance. The Chairwoman of the Audit Committee also regularly exchanged information with the auditors between the meetings. In addition, the heads of the relevant Group functions were on hand to deliver reports and answer questions concerning individual items of the agenda.

The auditor declared to the Audit Committee that there were no circumstances that could give rise to grounds for impartiality. The Audit Committee obtained the necessary declaration of independence from the auditor, reviewed its qualifications and entered into a fee agreement with it.

The Audit Committee examined quarterly and ad hoc issues relating to the Company's net assets, financial position and results of operations and its risk reporting. At several meetings, the Audit Committee discussed the status and ongoing development of the internal control system, the risk management system and the work of Internal Audit. The Committee also addressed compliance within the Company at length and discussed the ongoing development of the compliance management system. There were regular reports on the implementation of the measures necessary in connection with the Supply Chain Due Diligence Act. Furthermore, the Audit Committee heard reports on matters such as the Company's cybersecurity strategy and IT strategy as well as relevant accounting issues such as goodwill impairment, the application of the revaluation method in accordance with IAS 16 and the disposal and deconsolidation of business in Russia. Other matters discussed included the effects of Russia's war in Ukraine and the COVID-19 lockdown in China on energy and materials prices and the supply situation of the Group, the implementation and effects of portfolio and restructuring measures as well as the implementation of the requirements of data protection law.

Together with the auditor, the Audit Committee also addressed the annual and consolidated financial statements, the combined management report and the sustainability reporting, and discussed with the auditor the assessment of the audit risk, the audit strategy and audit planning as well as the results of the audit of the annual and consolidated financial statements. In addition, the Audit Committee intensively addressed new regulatory developments, in particular regarding sustainability reporting.

The Audit Committee also discussed with the Management Board the half-year and quarterly financial reports prior to their publication.

The committee monitored the selection, independence, qualifications and efficiency of the auditor as well as the services performed by the auditor, and addressed the review of the quality of the audit of the financial statements.

Another key area for the Audit Committee in this reporting year was an invitation to tender for the audit of the consolidated and annual financial statements in accordance with the EU Audit Regulation as the previous auditor had reached the maximum term of service under the EU Regulation. The Audit Committee, with the Company's support, conducted the selection procedure and, with its recommendation, preference and reasons, prepared the resolution of the Supervisory Board on a recommendation for the Annual General Meeting. Finally, the Audit Committee assessed the amendments to the German Corporate Governance Code and revised its Rules of Procedure accordingly.

The Strategy Committee met three times in the reporting year. All meetings were held in person. The Strategy Committee discussed the future of printing, developments in the printing industry, the relevant markets for HEIDELBERG and the current software landscape in the printing sector. Furthermore, the Strategy Committee discussed further possibilities for ongoing strategic development at HEIDELBERG, both for its core activities and the establishment of new business areas and HR development at HEIDELBERG.

The Nomination Committee met once in the reporting year in the form of a video conference and addressed the proposal for election to the Supervisory Board by the Annual General Meeting on July 26, 2023. The Nomination Committee took into account the requirements and objectives deriving from the updated skills profile for the Supervisory Board and the achievement of goals which would result from the possible reelection of Mr. Rüesch to the Supervisory Board. The Nomination Committee came to the conclusion that the Supervisory Board satisfies requirements as currently composed, and that additional skills can be developed by training if necessary. The Nomination Committee moreover came to the conclusion that preserving the experience with the Company and its business activities embodied by the Supervisory Board as currently composed is important in the current situation, and therefore advocated the nomination of Mr. Rüesch as a candidate for election to the Supervisory Board.

The Management Committee met twice in the reporting year. Both meetings were held as video conferences. The Management Committee focused on the specific issues of the reporting year, both actively and on an ad hoc basis, including in particular the situation in Russia and the supply of gas as well as measures relating to higher costs and inflation. Moreover, the Management Committee addressed the planning process and the key data of planning in preparation.

The Mediation Committee in accordance with section 27 (3) of the German Codetermination Act did not need to convene in the reporting year.

Audit of the annual and consolidated financial statements

The Annual General Meeting on July 21, 2022, appointed PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt / Main, as the auditor of the single-entity and consolidated financial statements. This company audited the single-entity financial statements for the financial year 2022 / 2023 in accordance with the German Commercial Code (HGB) and the German Stock Corporation Act (AktG), the consolidated financial statements and the combined management report of Heidelberger Druckmaschinen Aktiengesellschaft and the HEIDELBERG Group in accordance with IFRSs as applicable in the European Union (EU) as prepared by the Management Board on May 24, 2023, and issued each with unqualified opinions. The auditor responsible for the audit was Dr. Bernd Roese, who held this position for the third year. The single-entity financial statements, the consolidated financial statements, the combined management report of the Company and the HEIDELBERG Group, and the separate combined non-financial report were submitted to all of the members of the Supervisory Board immediately after their preparation. The reports of the auditor were also distributed to all of the members of the Supervisory Board in good time. At the meeting of the Audit Committee on June 5, 2023, the auditor responsible presented the results of the audit and the Audit Committee discussed the single-entity and consolidated financial statements, the combined management report for the Company and the HEIDELBERG Group, and the audit documentation in the presence of the auditor in order to prepare discussion thereof by the full Supervisory Board. The auditor likewise discussed the key audit matters in the annual and consolidated financial statements, which included the measurement of equity investments and the recoverability of goodwill. The auditor answered all questions in full. The auditor was also represented at the Supervisory Board meeting on June 6, 2023, by the two auditors who signed the audit opinions. During the meeting of the full Supervisory Board, they reported on the results of their audit and on the fact that there are no significant weaknesses in the internal controlling and risk management system with regard to the (Group) accounting process. They were available to the members of the Supervisory Board to answer questions and answered all of these questions in full. The auditor also informed the meeting about the services provided in addition to the audit of the financial statements and confirmed that there were no circumstances giving rise to concerns over its impartiality. The audit report does not include any comments or indications of any inaccuracies in the declaration of compliance with the German Corporate Governance Code. The Chairwoman of the Audit Committee reported to the Supervisory Board on the key contents and findings of the examination by the Audit Committee and gave recommendations for the resolutions by the Supervisory Board, including the approval of the single-entity and consolidated financial statements as prepared. In line with the Audit Committee's proposal, the Supervisory Board then concurred with the audit findings. On the basis of its own examination of the single-entity financial statements, the consolidated financial statements, the combined management report of Heidelberger Druckmaschinen Aktiengesellschaft and the HEIDELBERG Group, the Supervisory Board came to the conclusion that it had no reservations. The Supervisory Board approved the single-entity financial statements of Heidelberger Druckmaschinen Aktiengesellschaft for the year ended March 31, 2023, as prepared by the Management Board and the consolidated financial statements of the HEIDELBERG Group for the year ended March 31, 2023. The single-entity financial statements were therefore adopted.

The Supervisory Board also examined the separate combined non-financial report for the financial year 2022/2023. This was reviewed by the auditor, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, on the basis of a voluntary content review resolved by the Supervisory Board. The Supervisory Board discussed the separate combined non-financial report with the auditors and came to the conclusion that it had no reservations. The separate combined non-financial report will be published on the Company's website on June 14, 2023.

Conflicts of interest

Every Supervisory Board member discloses potential conflicts of interest in accordance with the German Corporate Governance Code.

The members of the Management Board and the Supervisory Board did not experience any conflicts of interest in the period under review that would have required disclosure in accordance with the German Corporate Governance Code.

Basic and advanced training

The members of the Supervisory Board undertake the basic and advanced training they need to carry out their duties, such as on corporate governance issues or new products, autonomously and are supported by the Company where necessary. New regulatory developments were regularly presented at meetings in financial year 2022/2023, in particular regarding corporate governance issues and new reporting standards. Given the complexity of the issue, separate training on CSR reporting was offered by an external service provider and performed. As part of their induction, new members of the Supervisory Board can meet with the members of the Management Board to discuss current topics in the respective Management Board divisions in order to obtain an overview of the relevant topics at the Company.

Corporate governance

The Supervisory Board continuously addressed the standards of good corporate governance in the course of financial year 2022/2023. Information on corporate governance at the Company and related activities by the Supervisory Board can also be found in the corporate governance declaration. This can be found on our website at www.heidelberg.com under Company > About Us > Corporate Governance > Corporate Governance Declaration.

Corporate governance at Heidelberger Druckmaschinen Aktiengesellschaft is discussed in detail in the Corporate Governance Declaration on pages 198 to 209 of the Annual Report.

Personnel changes in the Supervisory Board and the Management Board

There were the following changes in the Management Board in the reporting year: Mr. Marcus A. Wassenberg stepped down as a member of the Management Board as of December 31, 2022. Mr. Wassenberg left the Company by mutual arrangement and joined the management board of another listed industrial enterprise. Ms. Tania von der Goltz was appointed as a member of the Management Board effective January 1, 2023, since when she has held the position of Chief Financial Officer.

The Supervisory Board especially wishes to thank the member of the Supervisory Board who has now stepped down for his work.

The reelection of Mr. Jung to the Supervisory Board meant that there was no change to its lineup.

The Supervisory Board will continue to monitor the Company's interests and its long-term development and work towards its well-being.

Thank you from the Supervisory Board

The Supervisory Board would like to thank the members of the Management Board, all the employees of the HEIDELBERG Group around the world and their representatives on the Supervisory Board, the members of the Works Councils and the Representative Committee for their commitment in the financial year 2022/2023 and their achievements in a challenging environment.

The Supervisory Board would like to conclude by thanking you, the shareholders, for the confidence you have placed in the Company and in the shares of Heidelberger Druckmaschinen Aktiengesellschaft.

Heidelberg, June 6, 2023

On behalf of the Supervisory Board

Dr. Martin Sonnenschein
Chairman of the Supervisory Board

Remuneration Report – Management Board and Supervisory Board

Remuneration Report – Management Board and Supervisory Board

I. Preamble

The remuneration report of Heidelberger Druckmaschinen Aktiengesellschaft (HEIDELBERG) has been jointly prepared by the Management Board and the Supervisory Board. It summarizes the key elements of the remuneration system for the members of the Management Board and Supervisory Board. The remuneration report was prepared in accordance with section 162 of the German Stock Corporation Act (AktG). In addition to these statutory requirements, the remuneration report takes into account the recommendations of the German Corporate Governance Code (GCGC) as amended April 28, 2022.

This remuneration report illustrates the application of the respective remuneration system for the Management Board and the Supervisory Board in the financial year and explains how the remuneration promotes the long-term development of the Company. In addition, the compensation paid and owed to current and former members of the Management Board and Supervisory Board of HEIDELBERG in the financial year 2022/2023 is disclosed individually. In some cases, rounding may result in discrepancies concerning the totals and percentages contained in this report.

The remuneration report is published on the Company's website at https://www.heidelberg.com/global/de/about_heidelberg/company/executive_bodies/management_board/remuneration/remuneration.jsp and has been formally and substantively audited by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft. It will be presented to the Annual General Meeting on July 26, 2023, for approval in accordance with the provisions of section 120a (4) AktG.

II. Review of the financial year 2022/2023

The revised system of remuneration for the Management Board adopted in line with the German Act Implementing the Second Shareholders' Rights Directive (ARUG II) in accordance with section 87a AktG was applied for the first time in financial year 2022/2023. The remuneration system was approved by a majority at the Annual General Meeting on July 23, 2021, and places the focus on the following aspects:

- The share price is taken into account to a greater extent in order to further enhance the shareholder perspective
- Targeted incentives for the successful implementation of the transformation program
- Comprehensive integration of current regulatory requirements (ARUG II, GCGC) and relevant investor expectations

Say on pay

The remuneration report on the remuneration of the Management Board and the Supervisory Board to be prepared in accordance with section 162 AktG for the first time was presented to the Annual General Meeting on July 21, 2022, for its approval. The Annual General Meeting approved it with 82.70% of the votes cast.

The Supervisory Board and Management Board were prompted by the result of the vote to review the reporting on the remuneration system of the Management Board once again in order to ensure an even more transparent and even more comprehensible description of the key issues. The findings from the discussion will also be taken into account in the regular review of the remuneration system.

In particular, the transparent disclosure of the performance targets for variable remuneration components was discussed as part of the investor dialog. The Management Board and the Supervisory Board intend to have transparent reporting that also incorporates the disclosure of target and actual figures for the financial and non-financial performance targets of the variable remuneration components. For competitive reasons, it is still considered proper to disclose these ex post in the remuneration report.

Business performance

The positive performance in financial year 2022/2023 (please refer to the information in HEIDELBERG's 2022/2023 Annual Report) can also be seen by the achievement of the targets for short-term, one-year variable remuneration. The overall target achievement of 109% reflects the achievement of the financial and non-financial performance targets set and illustrates the pay-for-performance correlation of variable remuneration.

Changes in the Management Board

There were changes in the lineup of the Management Board in financial year 2022/2023. Dr. Ludwin Monz succeeded Rainer Hundsdörfer as the Chief Executive Officer at the start of the financial year. By mutual arrangement with the Supervisory Board, Marcus A. Wassenberg resigned from his office as a member of the Management Board early as of December 31, 2022. He was succeeded in the role of CFO by Tania von der Goltz as of January 1, 2023.

III. Management Board remuneration in the financial year 2022/2023

1. Principles of Management Board remuneration

1.1. Principles for determining Management Board remuneration

The applicable remuneration system for the Management Board in the financial year 2022/2023 makes a significant contribution to the implementation of HEIDELBERG's strategic objectives. It incentivizes the long-term development of the Company and introduces effective incentives for its value-adding prosperity.

In designing and defining the structure and amount of the remuneration for the individual Management Board members, the Supervisory Board applies the following principles in particular:

Corporate strategy

By selecting strategically relevant benchmarks, the remuneration makes a significant contribution to promoting the corporate strategy and thereby supports a long-term and sustainable performance of the Company

Pay for performance

The remuneration ensures that outstanding performance by the Management Board is rewarded accordingly and that a failure to meet targets results in a substantial reduction in the remuneration

Suitability and standard conditions

The amount and structure of the remuneration are consistent with standard market conditions (horizontal proportionality) and reflect the size, complexity and economic position of the Company

Sustainability

Remuneration ensures that environmental, social and governance aspects are appropriately taken into account by integrating ESG criteria into short-term and long-term variable remuneration

Shareholder interests

The personal investment and long-term variable compensation components ensure that shareholder interests are taken into account to an appropriate extent

Vertical proportionality

The remuneration takes into account the general remuneration structure within the Company in order to ensure proportionality within the Company (vertical proportionality)

1.2. Suitability of Management Board remuneration and standard conditions

The Supervisory Board ensures that the Management Board remuneration is commensurate with the responsibilities and tasks of the Management Board members and the situation of the Company, and that it does not exceed the standard remuneration without good cause.

In addition to taking into account the industry, size, complexity and economic performance of the Company, the review of the suitability of Management Board remuneration ensures that it is consistent with other companies (horizontal comparability) and with the remuneration structure within the Company itself (vertical comparability).

Horizontal comparability is determined by reference to a peer group whose specific composition is determined by the Personnel Matters Committee. This involves comparing the total remuneration at companies that are comparable in terms of industry, size, character, complexity, international activity, earnings power and economic performance. Following a review of the horizontal peer group in the financial year before last, this now comprises the following companies: DEUTZ, DMG MORI, Dürr, GEA Group, Koenig & Bauer, Krones, KUKA, MTU Aero Engines, Nordex, NORMA Group, OSRAM Licht, SGL Carbon, Vossloh.

In addition to horizontal comparability, the Supervisory Board takes account of the remuneration situation at the level of management below the Management Board and the workforce as a whole when defining the Management Board remuneration (vertical comparability). In determining the fixed annual compensation for the Management Board, it ensures that there is an appropriate gap to the average remuneration of the employees at the next highest level of management and the workforce as a whole.

1.3. Components of Management Board remuneration

In the financial year 2022/2023, Management Board remuneration is composed of performance-related and non-performance-related components.

The non-performance-related components consist of fixed annual compensation, fringe benefits and a pension contribution.

The performance-based remuneration components consist of a short-term variable remuneration component (short-term, one-year variable remuneration or short-term incentive (STI)) and a long-term variable remuneration component (long-term, multi-year variable remuneration or long-term incentive (LTI)).

The following table shows the remuneration components and the contribution they make to promoting the long-term development of the Company and the corporate strategy:

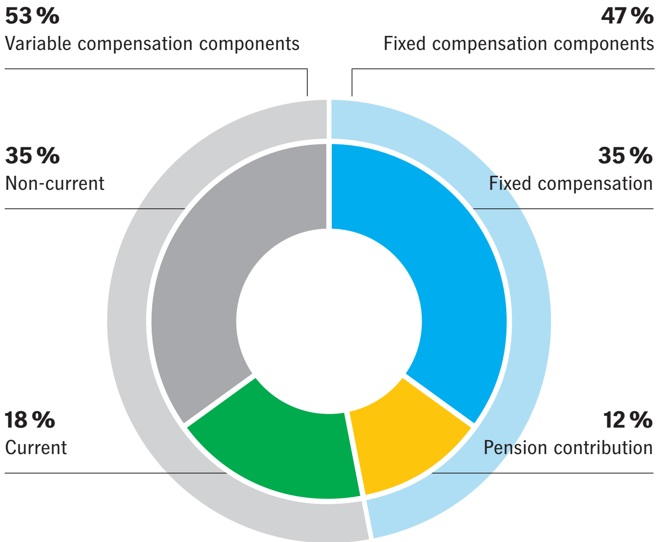
Remuneration component	Structure	Strategic purpose
Non-performance-related compensation components		
Fixed compensation	• Fixed annual compensation • Paid in 12 equal installments	Ensuring competitive capability with attractive, competitive remuneration, thus attracting and retaining qualified Management Board members
Fringe benefits	For example: • Insurance contributions • Company car for professional and private use, expenses for the maintenance of two households	
Pension contribution	Payment of a cash contribution earmarked for private retirement provision in the amount of 35% of the fixed compensation	
Performance-related compensation components		
Short-term, variable compensation component – STI		
Plan type	Annual bonus	Incentivizing operational success and annual earnings power in line with sustainable business
Performance targets	• 40% EBITDA • 40% free cash flow • 20% sustainability targets	
Cap	Max. 100% of fixed compensation	
Long-term, variable compensation component – LTI		
Plan type	Performance share plan	Incentivizing long-term profitable earnings power and a long-term increase in the shareholder return taking into account the sustainable and long-term development of the Company
Performance period	3 years	
Performance targets	• 40% EBT • 40% relative total shareholder return (vs. SDAX performance) • 20% sustainability targets	
Payment	• 50% in cash after the end of the performance period • 50% in shares of the Company	
Holding period	1 year for shares transferred at the end of the performance period	
Cap	Maximum doubling of the virtual shares allocated	
Other contractual components		
Share Ownership Guideline	• Investment in shares of the Company of 100% of current fixed compensation • Built up annually via 20% of STI	Increased alignment between the interests of the Management Board and shareholders
Malus/clawback mechanisms	Option for the reduction/repayment of variable compensation components	Incentivizing proper conduct
Maximum compensation	• € 3.6 million for Chief Executive Officer • € 2.4 million for ordinary members of the Management Board	Maximum compensation is in line with regulatory provisions

1.4. Determination and structure of target remuneration

Target remuneration is defined by the Supervisory Board at the recommendation of the Personnel Matters Committee. This includes setting the amount of the remuneration components and determining the overall structure and ratio of the individual components to each other. Once determined, the target remuneration is reviewed at regular intervals. This ensures that the share of long-term variable remuneration exceeds the share of short-term variable remuneration.

Assuming 100% target achievement for performance-based remuneration, total target remuneration (not including fringe benefits, including pension contribution) is structured as follows as a matter of principle:

Structure of target compensation



The Supervisory Board has defined the following total target compensation (including fringe benefits and pension contribution) for the members of the Management Board for the financial year 2022/2023. The amount shown for the variable compensation is based on target achievement of 100%.

Target compensation

Figures in € thousands	**Dr. Ludwin Monz** Chief Executive Officer since April 1, 2022		**Tania von der Goltz** Chief Financial Officer since January 1, 2023	
	2022/2023	2021/2022	**2022/2023**	2021/2022
Fixed compensation	900	–	125	–
Fringe benefits	6	–	8	–
Pension contribution	315	–	44	–
Total fixed compensation	**1,221**	**–**	**177**	**–**
Short-term variable compensation	450	–	63	–
Long-term variable compensation [1)]	900	–	125	–
Total variable compensation	**1,350**	**–**	**188**	**–**
Total target compensation	**2,571**	**–**	**364**	**–**

1) Term: 3 years + 1-year holding period for 50% of the payment amount in real shares

2. Application of the remuneration system in the financial year 2022/2023

2.1. Non-performance-related compensation components

2.1.1. Fixed compensation

Fixed compensation is paid in 12 equal monthly installments. The fixed compensation of the Chief Executive Officer in relation to the remuneration of an ordinary member of the Management Board takes into account the structure, assigned duties and departmental weighting within the Management Board.

2.1.2. Fringe benefits

Generally speaking, the contractually agreed fringe benefits can include benefits such as insurance contributions, the private use of a company car as a benefit in kind, and expenses for the maintenance of two households, as well as flights and taxes, in accordance with local conditions. In the financial year 2022/2023, fringe benefits primarily consisted of the value of the private use of a company car according to the fiscal guidelines.

In addition, the Management Board members are covered by HEIDELBERG's D&O insurance policy with a corresponding deductible in accordance with section 93 (2) AktG that is required to be paid by the respective Management Board member.

2.1.3. Pension contribution

The members of the Management Board receive a taxable pension contribution in cash in the amount of 35% of their fixed compensation for each financial year. The pension contribution is available for personal use but must be used for pension investment. The pension contribution is paid out against proof of intended purpose. No further pension contributions are granted once the respective member of the Management Board reaches the relevant statutory standard retirement age.

2.2. Performance-related compensation components

2.2.1. Short-term variable compensation component

The short-term variable remuneration component (short-term, one-year variable remuneration or short-term incentive (STI)) is granted each year in the form of an annual bonus. The STI provides members of the Management Board with uniform incentives intended to incentivize the operational performance of the Company in the financial year in particular and the achievement of its corporate strategy, also in respect of sustainability targets. The financial targets are derived from the annual budget, which in turn is determined on the basis of multi-year long-term strategic planning. There are also uniform incentives for sustainable action in the form of sustainability targets that do not have a direct financial impact but that serve to promote the achievement of the Company's long-term strategy.

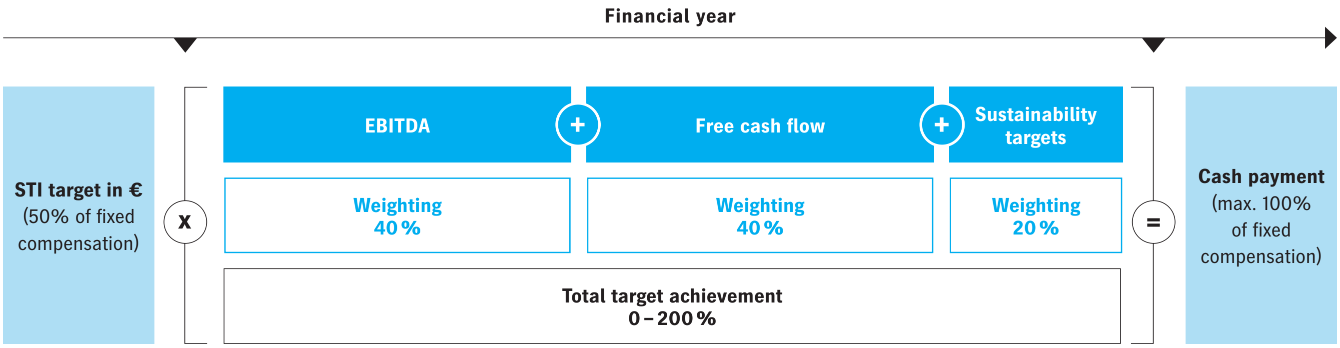
2.2.1.1. System and weighting of performance targets

The STI target is 50% of fixed compensation (gross) and is paid out in this amount if the ascertained total of weighted financial and non-financial performance target achievement (key performance indicators (KPIs)) (overall target achievement) amounts to 100%. The maximum overall target achievement is 200%, which can lead to a maximum payout of 100% of fixed compensation. The assessment period is the respective financial year for which the STI is pledged.

In financial year 2022/2023, the KPIs chosen for determining overall target achievement were operating EBITDA (IFRS) with a weighting of 40%, free cash flow (IFRS) with a weighting of 40% and sustainability targets (environmental, social, governance (ESG)) with a weighting of 20%.

The Supervisory Board determines the target achievement of financial and non-financial KPIs after the end of the financial year at its accounts meeting on the basis of the figures established by the Audit Committee. To take into consideration extraordinary, unforeseeable events in the STI financial year, the Supervisory Board can adjust the STI payment amount by up to 20% up or down at its own discretion. It did not exercise these powers in financial year 2022/2023.

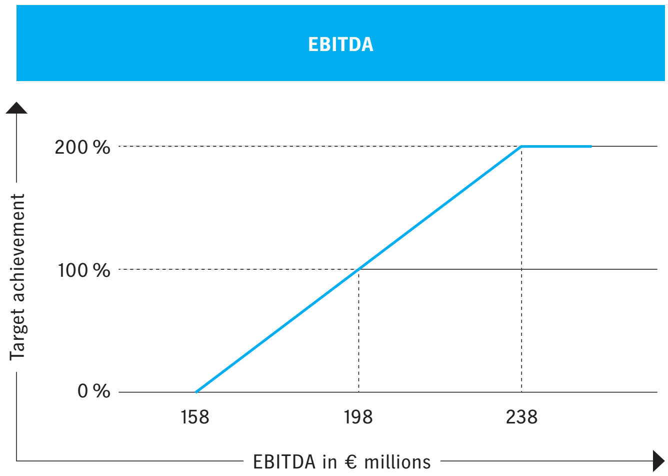
The system of variable, short-term compensation is as follows in the financial year 2022/2023:

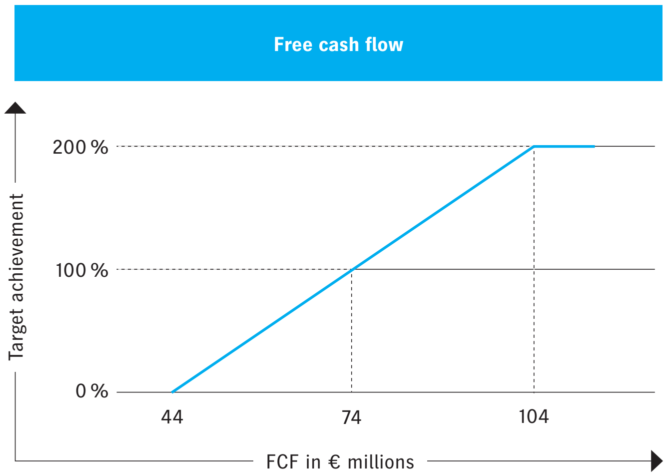


2.2.1.2. Financial performance targets in the financial year 2022/2023

A target (100% target achievement), a threshold (0% target achievement) and a cap (200% target achievement) have been defined for the EBITDA and free cash flow financial KPIs. Failure to achieve the threshold results in a target achievement of 0% for the respective KPI. Outperforming KPIs can result in a maximum target achievement of 200%. If actual performance lies between the threshold and the target or between the target and the cap, the degree of target achievement is determined by linear interpolation. The target and the threshold are resolved by the Supervisory Board at the proposal of the Personnel Matters Committee for the respective financial year. These targets and thresholds may not be subsequently changed.

The target achievement curves for the financial KPIs are shown below for the financial year 2022/2023:





The thresholds and targets for the EBITDA and free cash flow financial KPIs for financial year 2022/2023 and the degree of their achievement are as follows:

Short-term variable compensation
Achievement of financial performance targets 2022/2023

Figures in € millions	Lower threshold	Target	Upper threshold	Actual figure	Target achievement
EBITDA	158	198	238	209	129 %
Free cash flow	44	74	104	72	93 %

2.2.1.3. Sustainability targets in the financial year 2022/2023

For each financial year, the Supervisory Board defines sustainability targets relating to non-financial KPIs such as employee targets, customer targets, environmental targets, diversity targets, transformation targets for digitalization and the establishment of new business models or integrity targets.

As with financial KPIs, measurable targets are also defined for each non-financial KPI that can lead to a target achievement of between 0% (floor) and 200% (cap). These targets are set based on long-term strategic planning and taking into account the values achieved for the previous year. The individual targets and their achievement are each calculated on a stand-alone basis and accumulated.

The non-financial KPIs planned for financial year 2022/2023 and the degree of their achievement are as follows:

Short-term variable compensation
Achievement of non-financial performance targets 2022/2023

Sustainability targets	Weighting	Target achievement	Total sustainability target achievement
Concept for CO_2 efficiency potential at production sites	25 %	100 %	
Concept for personnel recruitment and development	25 %	100 %	100 %
Concept for development of sustainable new business	50 %	100 %	

2.2.1.4. Total target achievement in the financial year 2022 / 2023

Target achievement and the payouts for each member of the Management Board were calculated as follows based on the respective actual figures and target achievement of financial and non-financial KPIs:

Short-term variable compensation
Total target achievement 2022 / 2023

		EBITDA		Free cash flow		Sustainability			
Figures in € thousands	Target amount	Target achievement	Weighting	Target achievement	Weighting	Target achievement	Weighting	Total target achievement	Amount paid
Dr. Ludwin Monz	450	129 %	40 %	93 %	40 %	100 %	20 %	109 %	490
Tania von der Goltz	63								68

In financial year 2022 / 2023, the Supervisory Board did not make provision for any other personal, individually performance-based bonuses in place of the STI KPIs described above for the members of the Management Board.

2.2.2. Long-term, variable compensation component

The long-term variable remuneration component (LTI) is allocated in annual tranches. The LTI reflects the long-term strategy and provides the members of the Management Board with uniform incentives for achieving key goals in line with long-term strategic planning. The LTI also takes into account the development in HEIDELBERG's share price, thus ensuring that the interests of the members of the Management Board are consistent with those of the shareholders. With its four-year term, the LTI is intended to incentivize sustainable and long-term corporate development and to promote the retention of members of the Management Board.

2.2.2.1. System and weighting of performance targets

The annual allocation of the LTI (LTI target) is 100% of fixed compensation. The achievement of financial and non-financial performance targets is measured over a period of three financial years (performance period), which serves as the basis for calculating the LTI payment amount. Half of the payment amount is paid out in cash, while the other half of the payment amount is paid in the form of shares, which must be held for a further year in order to take share price performance into account (holding period).

At the start of the LTI performance period, the LTI target is converted into virtual HEIDELBERG shares and performance targets are defined for measuring target achievement. For this purpose, the arithmetic mean of the closing price of the Company's shares over the 60 trading days immediately preceding the start of the performance period is calculated. The LTI target, divided by the share price calculated in this manner to two decimal places in line with commercial practice, results in the number of virtual shares.

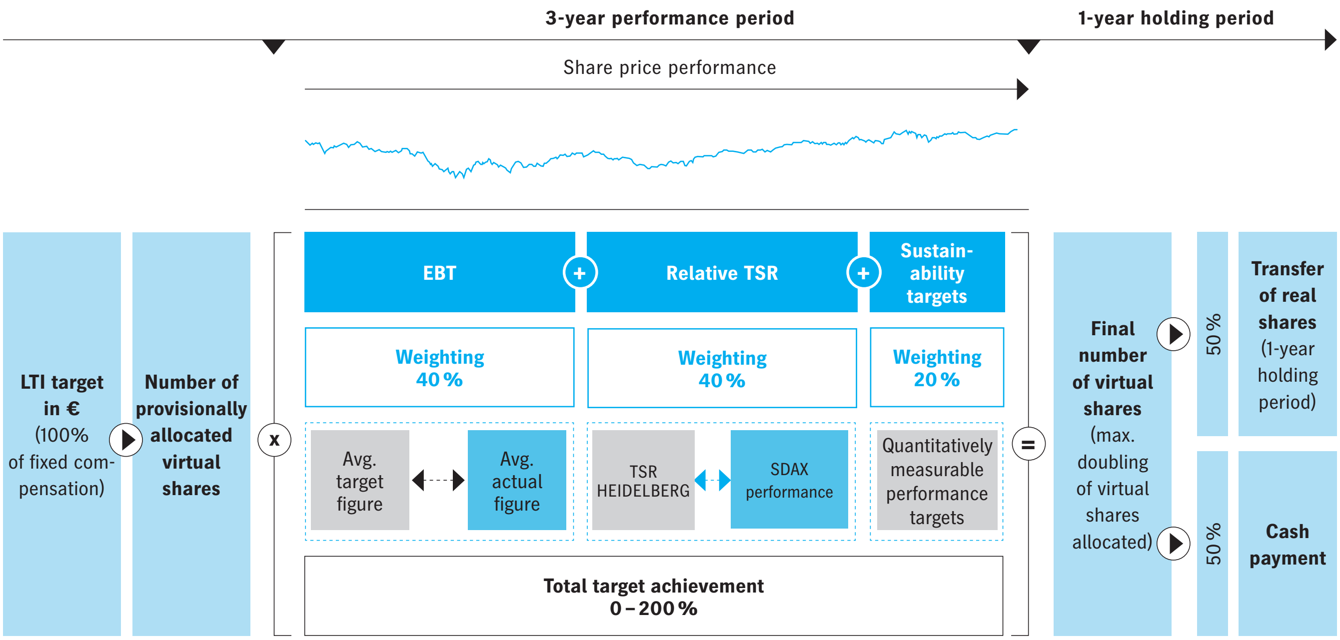
At the end of the performance period, the number of virtual shares is calculated based on the target achievement of three key performance indicators (KPIs). A target achievement of 100% is equivalent to the number of virtual shares allocated at the outset. Maximum target achievement (cap) amounts to 200% and, at most, can result in a doubling of the virtual shares allocated. Failure to achieve the targets results in a zero payout.

For the LTI allocation in financial year 2022 / 2023, the Supervisory Board defined the performance targets of EBT with a weighting of 40%, relative total shareholder return (TSR) with a weighting of 40% and sustainability targets with a weighting of 20%. The weighting of the performance targets is determined by the Supervisory Board at the time of the annual allocation. Performance targets are intended to incentivize long-term profitable earnings power in line with the corporate strategy while also ensuring a focus on the interests of shareholders and other stakeholders.

The Supervisory Board determines target achievement after the end of the performance period at its accounts meeting. The final number of virtual shares, also rounded to two decimal places in line with commercial practice, is derived from the ascertained results of the respective target achievement for the KPIs. The cap of 200% applicable to the LTI is taken into account. To take into consideration extraordinary, unforeseeable events in the LTI financial year and/or in the performance period, the Supervisory Board can adjust the number of virtual shares provisionally allocated on the basis of the overall target achievement level before taking the cap into account by up to 20% up or down at its own discretion.

Based on the arithmetic mean of the closing price of the Company's shares over the 60 trading days immediately preceding the end of the performance period, half of these virtual shares are converted into euros and paid out as gross remuneration. Any obligations to buy shares are taken into account. The second half of the ascertained virtual shares is converted into real shares. Any fractional amounts are rounded down to full shares. The number of shares ascertained in this way is transferred to the securities portfolio kept by the Company for the member of the Management Board. These shares must be held for a further financial year.

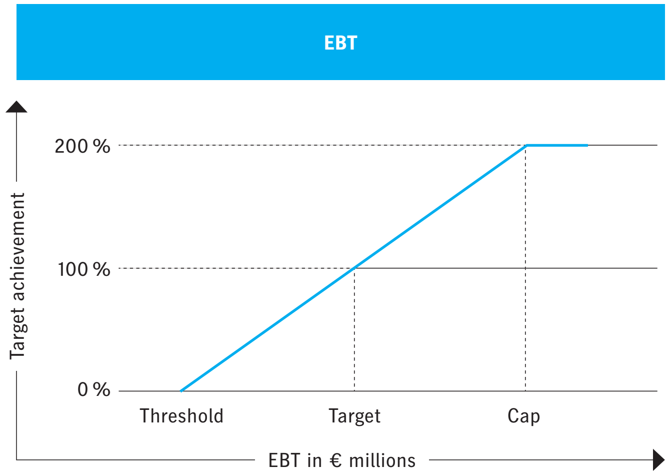
The system of the multi-year variable remuneration allocated in financial year 2022/2023 is as follows:

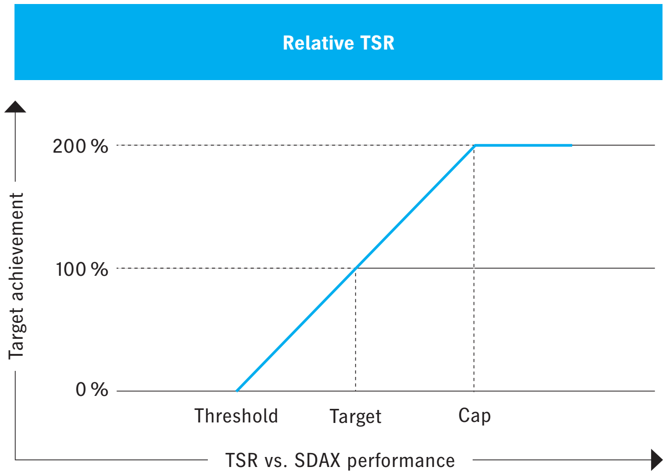


2.2.2.2. Financial performance targets and sustainability targets in the financial year 2022/2023

The Supervisory Board defines a target (100% target achievement), a threshold (0% target achievement) and a cap (200% target achievement) for each KPI at the start of the performance period. The threshold must be achieved for each KPI, otherwise the target achievement for this KPI is 0%. In the event of outperformance, the maximum target achievement is 200% (cap); achievement between values is determined by linear interpolation.

The achievement curves for the financial targets of the tranche allocated in financial year 2022/2023 are as follows:





The target for **income/loss before taxes (EBT)** is taken from the planned EBT for the Group according to the five-year planning adopted by the Supervisory Board. Target achievement after the end of the three-year performance period is calculated by comparing the actual income/loss before taxes of the three financial years within the performance period according to the IFRS consolidated income statement to the expected income/loss before taxes for these three financial years. The averages of the actual and the expected income before taxes are compared in order to calculate and identify the actual target achievement.

For the development of the share price, the **relative total shareholder return (TSR)** is taken into account plus notionally reinvested gross dividends over the three-year performance period in relation to the price performance of other shares. To calculate target achievement, HEIDELBERG's performance over the three-year performance period is compared to that of the SDAX. To calculate target achievement, for HEIDELBERG's shares and the SDAX, the arithmetic mean of closing prices over the last 60 trading days before the start of the performance period and the last 60 trading days before the end of the performance period are calculated and compared. Notionally reinvested gross dividends are also taken into account in calculating the arithmetic mean of closing prices as of the end of the assessment period. Target achievement amounts to 100% if HEIDELBERG's performance is equal to that of the SDAX. Ranges for over- and underperformance are defined by the Supervisory Board at the start of the performance period.

The third KPI comprises **sustainability targets** (environmental, social, governance (ESG)). Here, too, targets and ranges for over- and underperformance are defined by the Supervisory Board. At the start of the performance period, the Supervisory Board defines targets relating to non-financial KPIs such as employee targets, customer targets, environmental targets, diversity targets, transformation targets for digitalization and the establishment of new business models or integrity targets. The Supervisory Board ensures that the targets are sufficiently different from the STI sustainability targets.

2.3. Share Ownership Guideline

During their term in office on the Management Board, the members of the Management Board must establish and hold a portfolio of shares in the Company from their STI payments. This portfolio and the necessary shareholdings are measured as of the time of the STI payout. The portfolio must be built up to match the amount of current fixed compensation (minimum value). Shares in the Company already held are counted towards this value.

The Company is entitled to invest 20% of the STI (before deduction of taxes and contributions) in the form of shares in the Company. The Company's entitlement to invest elements of the STI to build up the share investment portfolio in the form of shares ends when the member leaves office.

Shares can only be sold from the share investment portfolio during their term in office if the above minimum value is demonstrably complied with and statutory and regulatory restrictions do not prohibit the sale.

The members of the Management Board have not yet built up shareholdings as of the end of financial year 2022 / 2023 as there has been no STI payout to date.

Share Ownership Guideline [1)]

	Target	Status quo	
	in € thousands	in € thousands	in %
Dr. Ludwin Monz	900	–	–
Tania von der Goltz	500	–	–

1) The acquisition of shares in Heidelberger Druckmaschinen AG for compliance with the Share Ownership Guideline is effected from the STI payment amount. As a result of Dr. Monz and Ms. von der Goltz joining the Management Board, shares will be acquired for the first time in the next financial year

2.4. Malus/clawback

The Company has the right to claim back payments made to members of the Management Board under the STI and/or LTI, or to delay or cancel pending payments not yet made, if it emerges that the payout was wholly or partially unwarranted because targets were not actually achieved or not achieved to the extent assumed when the payment was calculated.

Furthermore, the Company can claim back variable remuneration already paid out if the member of the Management Board was significantly involved in or responsible for conduct that led to significant losses for the Company or regulatory sanctions, or has severely violated relevant external or internal regulations concerning suitability and conduct. The claim to repayment can be triggered by misconduct on the part of the member of the Management Board regarding compliance and appropriate conduct or a miscalculation of variable remuneration. Moreover, a claim to repayment of variable remuneration already paid out can arise if it emerges after the end of the performance period that a target was not achieved (bonus-malus).

Furthermore, a payout can be canceled in full or in part if, after determination but before payout, a material deterioration in the situation of the Company is found to have occurred.

If the appointment of a member of the Management Board is revoked for cause in the course of a financial year in accordance with section 84 (3) AktG, the Supervisory Board can decide at its own discretion whether any claim to the payment of variable remuneration components for the current, past or future financial years will be canceled.

Furthermore, in the event of the actions of the Management Board not being formally approved by the Annual General Meeting or for cause, including in particular ongoing internal or external investigations, the Supervisory Board has the option to delay the payment of these components after deliberation.

Remuneration can be canceled in full if there is cause for which a member of the Management Board is responsible that entitles or would have entitled the Supervisory Board to revoke their appointment or to cancel their Management Board contract for cause as referred to by section 626 of the German Civil Code (BGB).

As of the reporting date, there are no cases that would have required the reduction or repayment of variable compensation components for the financial year 2022 / 2023.

2.5. Early termination benefits

If the appointment of a member of the Management Board is revoked and there is cause as referred to by section 626 BGB, their contract also ends as of the date that the revocation of their appointment becomes effective. In such an event, no further payments will be made to the member of the Management Board from the date that the revocation becomes effective.

In the event of the early termination of a Management Board contract, outstanding variable remuneration components relating to the period before contract termination and earned pro rata temporis will be paid out according to the originally agreed targets, comparative parameters and the periods established in the remuneration system.

Payments to a member of the Management Board in the event of early termination of work on the Management Board must not exceed the value of two years' remuneration (severance cap) and must not constitute compensation for more than the remaining term of the member's contract. In the event of a post-contractual non-compete clause, the severance payment counts towards the compensation.

2.6. Compliance with maximum compensation

The remuneration system sets out maximum compensation in accordance with section 87a (1) sentence 2 no. 1 AktG. The annual maximum compensation is € 3.6 million for the Chief Executive Officer and € 2.4 million for each ordinary member of the Management Board. The Supervisory Board ensures that the defined maximum compensation is complied with.

Maximum compensation refers to all remuneration components pledged in the financial year within the meaning of Section 87 of the German Stock Corporation Act (AktG).

A statement on compliance of the maximum compensation for financial year 2022/2023 cannot be made at this time as the actual remuneration against which maximum compensation must be compared cannot be determined until after the three-year performance period of the first LTI pledged under the new remuneration system.

3. Compensation paid and owed in the financial year 2022/2023

3.1. Remuneration of current Management Board members

The following table shows the compensation paid and owed to the current members of the Management Board in the financial year 2022/2023 in accordance with section 162 (1) sentence 1 AktG. The short-term and long-term variable compensation components are reported as of the end of the financial year in which the one-year or three-year performance period ends. In addition to the performance of the underlying activity, the inclusion of the respective amount implies that the variable compensation components have been vested and that all conditions precedent or subsequent have been fulfilled or no longer apply. This enables the reporting of the variable compensation components payable for the respective period and a comparison with the Company's performance in the corresponding financial year for which target achievement is calculated (pay for performance). Regarding the LTI tranche allocated for financial year 2022/2023 on the basis of a relevant price of € 2.5862 per share and taking into account new members during the year, the "target number" of virtual shares for payment in shares is 198,167.20 for the two active members of the Management Board. Of these shares, 174,000.47 relate to Dr. Ludwin Monz and 24,166.73 to Tania von der Goltz. The relevant three-year performance period will end as of March 31, 2025.

Compensation paid and owed

	Dr. Ludwin Monz, Chief Executive Officer since April 1, 2022				Tania von der Goltz, Chief Financial Officer since January 1, 2023			
	2022/2023		2021/2022		**2022/2023**		2021/2022	
	in € thousands	in %	in € thousands	in %	in € thousands	in %	in € thousands	in %
Fixed compensation	900	53 %	–	–	125	51 %	–	–
Fringe benefits	6	0 %	–	–	8	3 %	–	–
Pension contribution	315	18 %	–	–	44	18 %	–	–
Total fixed compensation	**1,221**	**71 %**	**–**	**–**	**177**	**72 %**	**–**	**–**
Short-term variable compensation								
STI 2022/2023	490	29 %	–	–	68	28 %	–	–
STI 2021/2022	–	–	–	–	–	–	–	–
Long-term variable compensation [1]								
Tranche 2020/2021 – 2022/2023	–	–	–	–	–	–	–	–
Tranche 2019/2020 – 2021/2022	–	–	–	–	–	–	–	–
Total variable compensation	**490**	**29 %**	**–**	**–**	**68**	**28 %**	**–**	**–**
Total compensation in accordance with section 162 AktG	**1,711**	**100 %**	**–**	**–**	**245**	**100 %**	**–**	**–**

1) As a result of Dr. Monz and Ms. von der Goltz joining the Management Board, there will not yet be a payment from long-term variable remuneration in financial year 2022/2023

3.2. Remuneration of Management Board members who stepped down in the financial year 2022/2023

In financial year 2022/2023, Marcus A. Wassenberg resigned from his office as a member of the Management Board early as of December 31, 2022. In the course of this, the contract, which still provided for a regular term until March 31, 2027, was also terminated by mutual agreement as of this date. The termination agreement essentially provides for the following provisions with regard to the remuneration of the Management Board:

For his work in financial year 2022/2023 until December 31, 2022 (resignation date), Marcus A. Wassenberg will receive pro rata temporis fixed compensation of € 375 thousand (28%) and fringe benefits of € 16 thousand (1%).

It was agreed with Marcus A. Wassenberg that the defined contribution pension commitment for fiscal year 2022/2023 would be granted pro rata temporis in the amount of € 131 thousand and added to his pension account, which has already existed since he joined the Executive Board (September 1, 2019). This pension account was serviced with a pension amount of 35 percent of the fixed compensation for each contribution year.

The service cost and the present value of the pension capital are as follows for Marcus A. Wassenberg as of March 31, 2023, in accordance with IAS 19: € 131 thousand service cost, € 423 thousand present value.

At the time of retirement on December 31, 2022, the pension capital built up to that date remains as a vested entitlement. For the other pension benefits (disability and surviving dependents' benefits), the pension entitlement earned pro rata temporis in accordance with § 2 BetrAVG also remains. A pension can be drawn from the age of 65 or as an early retirement benefit from the age of 60.

Furthermore, Marcus A. Wassenberg will receive short-term variable remuneration (STI) for his work in financial year 2022 / 2023 until his resignation date. The STI was pledged pro rata temporis for financial year 2022 / 2023 under the terms of his contract. The remuneration system and performance criteria are the same as those of the STI for the active members of the Management Board; please refer to section 2.2.1. An overall target achievement of 109% was ascertained for financial year 2022 / 2023, resulting in a payment amount of € 204 thousand (16%).

In addition to the short-term variable remuneration, Marcus A. Wassenberg is still entitled to payments of long-term variable remuneration. The LTI for financial year 2022 / 2023 was pledged pro rata temporis under the terms of his contract. The targets are defined according to the system described in 2.2.2 and overall target achievement will be determined after the end of the three-year performance period as of March 31, 2025. The target number of virtual HDM shares is 72,500.19.

The previously applicable assessment agreements apply to the LTI tranches allocated in the past; however, the corresponding LTI allocation amounts will be reduced pro rata temporis for the period up to the resignation date. The targets for the 2022 / 2023 LTI tranche are defined according to the system described in 2.2.2.

The calculation of target achievement for the 2020/2021 and 2021/2022 LTI tranches is based on the previously applicable remuneration system. This states that, after the end of a three-year performance period, target achievement will be determined based on two equally weighted performance targets (income/loss before taxes (EBT) according to the IFRS consolidated income statement and share price performance). Target achievement is examined and determined at the end of the performance period as a matter of principle. The payment of the long-term variable compensation depends on the achievement of a predefined threshold. If the respective threshold is reached, this results in a payout of 25% of the amount payable in the event of target achievement of 100% (defined target). If target achievement lies between the threshold and the defined target, the payout is determined by linear interpolation. Above this figure, the amount of the long-term variable remuneration is capped at 180% of the fixed compensation. In the event of overfulfillment, the amount of the payout is determined either as a percentage based on the degree of overfulfillment or by linear interpolation between the target and the maximum recognizable amount.

Having resigned as of December 31, 2022, the performance period for the 2020/2021 and 2021/2022 LTI tranches also ends in accordance with the contractual regulations. The respective entitlements are thus calculated pro rata temporis and target achievement for the two performance targets was calculated over the correspondingly truncated performance period. The payment amount of the two tranches will become due at the end of the first quarter of the following financial year.

For the EBT and share price performance targets, the following targets and thresholds, and their achievement, were calculated for the 2020/2021 and 2021/2022 tranches. This results in a pro rata payment amount of € 387 thousand (29%) for the 2020/2021 LTI tranche and a pro rata payment amount of € 215 thousand (16%) for the 2021/2022 LTI tranche.

Long-term variable compensation
Target achievement

LTI tranche	EBT (weighting: 50%) (in € millions)					Share price performance (weighting: 50%) (in €)					
Allocation	Lower threshold	Avg. target figure	Upper threshold	Avg. actual figure	Target achievement	Lower threshold	Avg. opening price	Upper threshold	Avg. closing price	Target achievement	Total target achievement
2020 / 2021	37	62	93	40	34 %	0.93	0.83	1.15	1.51	200 %	117 %
2021 / 2022	40	101	150	77	70 %	1.31	1.17	1.62	1.51	135 %	103 %

3.3. Remuneration of former Management Board members

The following remuneration was granted and owed to former members of the Management Board in financial year 2022 / 2023:

Rainer Hundsdörfer, whose term in office ended as of March 31, 2022, and whose contract ended as of September 6, 2022, received a one-time capital payment of € 1,420 thousand (99%) to cover pension claims accrued up until the time that he stepped down. Rainer Hundsdörfer also received fringe benefits of € 8 thousand (1%) for financial year 2021/2022.

Dr. Gerold Linzbach, whose term in office ended as of November 13, 2016, and whose contract ended as of August 31, 2017, received a pension of € 22 thousand (100%).

Bernhard Schreier, whose term in office ended as of August 31, 2012, and whose contract ended as of June 30, 2013, received a pension of € 442 thousand (100%).

IV. Supervisory Board remuneration in the financial year 2022/2023

1. Principles of Supervisory Board remuneration

The remuneration system for HEIDELBERG's Supervisory Board was approved by the Annual General Meeting on July 23, 2021, with 99.09% of the votes cast.

The remuneration of the members of the Supervisory Board is governed by Article 16 of the Articles of Association and reflects the responsibility and activities of the members of the Supervisory Board. By monitoring the management activity of the Management Board in line with its duties, the Supervisory Board contributes to the promotion of the corporate strategy and the long-term development of the Company. The remuneration system for the Supervisory Board also complies with the recommendations and suggestions of the GCGC.

Supervisory Board remuneration is composed of fixed compensation and attendance fees for the meetings of certain committees (committee remuneration) as well as attendance fees for meetings of the full Supervisory Board.

Remuneration system for the Supervisory Board

Fixed compensation + **Committee remuneration** + **Attendance fees** = **Total compensation**

Each member of the Supervisory Board receives fixed annual compensation of € 40,000. The Chair of the Supervisory Board receives three times this amount, the Deputy Chair twice this amount.

The members of the Management Committee, the Audit Committee and the Committee on Arranging Personnel Matters of the Management Board receive additional compensation for work on these committees. Each committee member receives compensation of € 1,500 per meeting for participation in a meeting of one of these committees. The Chair of the Audit Committee receives compensation of € 4,500 per meeting; the Chair of the Management Committee and the Chair of the Committee on Arranging Personnel Matters of the Management Board receive compensation of € 2,500 per meeting.

The members of the Supervisory Board also receive an attendance fee of € 500 per meeting for attending a meeting of the Supervisory Board. For the meetings of the Management Committee, the Audit Committee or the Committee on Arranging Personnel Matters of the Management Board, the members of the corresponding committee also receive an attendance fee of € 500 if the committee meeting does not take place on the day of the Supervisory Board meeting. Furthermore, the expenses incurred by members of the Supervisory Board and any VAT payable on them are reimbursed.

In order to reinforce the Supervisory Board's role as a controlling body, compensation does not include a variable, performance-based component. The members of the union and of the Works Council have declared that they will transfer their Supervisory Board remuneration to the Hans Böckler Foundation in accordance with the guidelines of IG Metall.

Amount of Supervisory Board remuneration

Fixed compensation

Chair	Deputy Chair	Member
€ 120,000	**€ 80,000**	**€ 40,000**

Committee remuneration (per meeting)

Committee	**Chair**	**Member**
Audit Committee	**€ 4,500**	**€ 1,500**
Management Committee	**€ 2,500**	**€ 1,500**
Personnel Matters Committee	**€ 2,500**	**€ 1,500**

Attendance fees

Full Supervisory Board	Audit Committee, Management Committee, Personnel Matters Committee [1)]
€ 500	**€ 500**

1) If the committee meeting does not take place on the day of the Supervisory Board meeting

2. Compensation paid and owed in the financial year 2022/2023

The following table shows the compensation paid and owed to the individual members of the Supervisory Board in the financial year 2022/2023. The total compensation is broken down into fixed compensation, committee remuneration and attendance fees.

Supervisory Board remuneration

	Fixed compensation		Committee remuneration		Attendance fees		Total compensation	
Figures in € thousands	**2022/2023**	2021/2022	**2022/2023**	2021/2022	**2022/2023**	2021/2022	**2022/2023**	2021/2022
Dr. Martin Sonnenschein (Chair)	120	120	24	33	10	11	154	163
Ralph Arns (Deputy Chair)	80	80	18	23	9	11	107	113
Dr. Bernhard Buck (since July 1, 2021)	40	30	0	0	5	4	45	34
Gerald Dörr	40	40	9	15	7	9	56	64
Mirko Geiger	40	40	12	11	8	7	60	58
Oliver Jung	40	40	12	11	9	6	61	57
Li Li	40	40	0	0	4	4	44	44
Dr. Fritz Oesterle (since July 23, 2021)	40	30	6	11	6	7	52	47
Petra Otte	40	40	0	0	5	4	45	44
Ferdinand Rüesch	40	40	9	15	7	9	56	64
Ina Schlie	40	40	23	23	7	6	70	69
Beate Schmitt	40	40	15	20	8	10	63	69
Total	**600**	**580**	**128**	**159**	**85**	**85**	**813**	**823**

V. Comparative presentation of remuneration and earnings performance

The following table presents the annual change in the remuneration of the Management Board and Supervisory Board members, the average remuneration of the Company's employees and the Company's earnings performance over the last three financial years in accordance with section 162 (1) sentence 2 no. 2 AktG.

The presentation of the Company's earnings performance is based on the net profit/loss of the Company in accordance with the German Commercial Code (HGB) and Group EBITDA/EBT in accordance with IFRS. These are key performance indicators that reflect the earnings power of the Company's business activity.

The presentation of the remuneration of the Company's employees (FTEs) is based on the workforce of Heidelberger Druckmaschinen Aktiengesellschaft. Average employee remuneration is calculated by dividing IFRS staff costs by the average number of employees of the Company (FTEs).

Comparative presentation

	2022/2023	2021/2022	Change 2022/2023–2021/2022	2020/2021	Change 2021/2022–2020/2021
	in € thousands	in € thousands	in %	in € thousands	in %
Earnings performance					
Net profit/loss of the Company (HGB)	–60,122	–10,792	–457 %	119,256	–109 %
Group EBITDA (IFRS)	209,471	160,160	31 %	95,473	68 %
Group EBT (IFRS)	111,677	50,800	120 %	–23,367	317 %
Employees					
Avg. employee remuneration	85	83	2 %	93	–10 %
Management Board					
Dr. Ludwin Monz (since April 1, 2022)	1,711	–	n/a	–	n/a
Tania von der Goltz (since January 1, 2023)	245	–	n/a	–	n/a
Former Management Board members					
Marcus A. Wassenberg (until December 31, 2022)	1,328	899	48 %	661	36 %
Rainer Hundsdörfer (until March 31, 2022)	1,428	2,427	–41 %	1,095	122 %
Dr. Gerold Linzbach (until November 13, 2016)	22	22	0 %	22	0 %
Bernhard Schreier (until August 31, 2012)	442	436	1 %	435	0 %
Supervisory Board					
Dr. Martin Sonnenschein	154	163	–6 %	165	–1 %
Ralph Arns	107	113	–5 %	115	–1 %
Dr. Bernhard Buck (since July 1, 2021)	45	34	34 %	–	n/a
Gerald Dörr	56	64	–12 %	65	–2 %
Mirko Geiger	60	58	4 %	64	–9 %
Oliver Jung	61	57	8 %	73	–22 %
Li Li	44	44	0 %	44	1 %
Dr. Fritz Oesterle (since July 23, 2021)	52	47	11 %	–	n/a
Petra Otte	45	44	2 %	44	1 %
Ferdinand Rüesch	56	64	–12 %	65	–2 %
Ina Schlie (since July 23, 2020)	70	69	2 %	43	59 %
Beate Schmitt	63	69	–9 %	65	7 %

VI. Independent auditor's report

Audit opinion

To Heidelberger Druckmaschinen Aktiengesellschaft, Heidelberg

We have audited the remuneration report of Heidelberger Druckmaschinen Aktiengesellschaft, Heidelberg, for the financial year from April 1, 2022 to March 31, 2023 including the related disclosures, which was prepared to comply with § [Article] 162 AktG [Aktiengesetz: German Stock Corporation Act].

Responsibilities of the Executive Directors and the Supervisory Board

The executive directors and the supervisory board of Heidelberger Druckmaschinen Aktiengesellschaft are responsible for the preparation of the remuneration report, including the related disclosures, that complies with the requirements of §162 AktG. The executive directors and the supervisory board are also responsible for such internal control as they determine is necessary to enable the preparation of a remuneration report, including the related disclosures, that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities

Our responsibility is to express an opinion on this remuneration report, including the related disclosures, based on our audit. We conducted our audit in accordance with German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report, including the related disclosures, is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts including the related disclosures stated in the remuneration report. The procedures selected depend on the auditor's judgment. This includes the assessment of the risks of material misstatement of the remuneration report including the related disclosures, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the preparation of the remuneration report including the related disclosures. The objective of this is to plan and perform audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the executive directors and the supervisory board, as well as evaluating the overall presentation of remuneration report including the related disclosures.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

In our opinion, based on the findings of our audit, the remuneration report for the financial year from April 1, 2022 to March 31, 2023, including the related disclosures, complies in all material respects with the accounting provisions of §162 AktG.

Reference to an Other Matter – Formal Audit of the Remuneration Report according to §162 AktG

The audit of the content of the remuneration report described in this auditor's report includes the formal audit of the remuneration report required by §162 Abs. [paragraph] 3 AktG, including the issuance of a report on this audit. As we express an unqualified audit opinion on the content of the remuneration report, this audit opinion includes that the information required by §162 Abs. 1 and 2 AktG has been disclosed in all material respects in the remuneration report.

Restriction on use

We issue this auditor's report on the basis of the engagement agreed with Heidelberger Druckmaschinen Aktiengesellschaft. The audit has been performed only for purposes of the company and the auditor's report is solely intended to inform the company as to the results of the audit. Our responsibility for the audit and for our auditor's report is only towards the company in accordance with this engagement. The auditor's report is not intended for any third parties to base any (financial) decisions thereon. We do not assume any responsibility, duty of care or liability towards third parties; no third parties are included in the scope of protection of the underlying engagement. §334 BGB [Bürgerliches Gesetzbuch: German Civil Code], according to which objections arising from a contract may also be raised against third parties, is not waived.

Mannheim, June 6, 2023

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Dr. Bernd Roese	ppa. Stefan Sigmann
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Corporate Governance Declaration (as of June 2023)

The Corporate Governance Declaration in accordance with sections 289f and 315d of the German Commercial Code (HGB) has been combined for Heidelberger Druckmaschinen Aktiengesellschaft and the HEIDELBERG Group. Unless expressly indicated otherwise below, the information shown and statements made apply to both Heidelberger Druckmaschinen Aktiengesellschaft and the HEIDELBERG Group. In this declaration on the management of the Company, the Management Board and the Supervisory Board also report on corporate governance. The Corporate Governance Declaration is also available on our website www.heidelberg.com under About us > Corporate Governance > Corporate Governance Declaration.

This Corporate Governance Declaration contains the declaration of compliance in accordance with section 161 of the German Stock Corporation Act (AktG), relevant information about corporate governance practices, descriptions of the working procedures of the Management Board and the Supervisory Board and the composition and working procedures of the committees, and information on the targets for the proportion of women and the Company's diversity concept.

1. Basic information

Our actions are guided by the principles of transparent corporate management and control (corporate governance). Corporate governance enjoys a high priority at Heidelberger Druckmaschinen Aktiengesellschaft. It is the foundation for the trust of shareholders, customers, investors, employees, the financial markets and the public in our Company.

As Heidelberger Druckmaschinen Aktiengesellschaft is a listed company (German securities code number (WKN) 731400, ISIN DE0007314007) domiciled in Germany and entered in the commercial register of the Mannheim Local Court under HRB 330004, corporate governance and the requirements for its corporate management are regulated primarily by the German Stock Corporation Act (AktG), the German Codetermination Act (MitbestG), the suggestions, recommendations and principles of the German Corporate Governance Code (in its most recent version), the Articles of Association of Heidelberger Druckmaschinen Aktiengesellschaft, and the Rules of Procedure for the Supervisory Board and the Management Board. The Rules of Procedure for the Management Board and the Supervisory Board in their most recent version can be found on the website of Heidelberger Druckmaschinen Aktiengesellschaft (www.heidelberg.com) under About us > Corporate Governance > Articles of Association and Rules of Procedure.

The recommendations, suggestions and principles of the Code were again complied with in the financial year 2022/2023 with one deviation. Ensuring effective management and control in an evolving corporate structure remains the priority. It is regularly checked to ensure that laws and mandatory regulations are complied with and that recognized standards and recommendations are followed in addition to the Company's values, Code of Conduct and corporate guidelines (Compliance).

2. Current declaration of compliance

The Management Board and the Supervisory Board addressed the recommendations of the German Corporate Governance Code in the financial year 2022/2023. These discussions culminated in the adoption of the annual declaration of compliance on November 24, 2022:

"The Management Board and the Supervisory Board of Heidelberger Druckmaschinen Aktiengesellschaft hereby submit the following declaration of compliance in accordance with section 161 of the Aktiengesetz (AktG – German Stock Corporation Act):

I. Declaration of compliance with the German Corporate Governance Code as amended on December 16, 2019

Since issuing its last declaration of compliance on November 25, 2021, Heidelberger Druckmaschinen Aktiengesellschaft has complied with all the recommendations of the Government Commission of the German Corporate Governance Code as amended on December 16, 2019 **(the '2020 Code')** and promulgated by the German Federal Ministry of Justice in the official section of the Federal Gazette on March 20, 2020, with the following exception:

Heidelberger Druckmaschinen Aktiengesellschaft has deviated from recommendation C.14 of the 2020 Code, which states that résumés for all members of the Supervisory Board should be published and updated on the Company's website each year, and will continue to do so in the future to the extent that the Company publishes only the résumés of the shareholder representatives on the Supervisory Board on its website on account of the data protection interests of its employees.

II. Declaration of compliance with the German Corporate Governance Code as amended on April 28, 2022

Since the promulgation of the German Corporate Governance Code as amended on April 28, 2022 in the official section of the Federal Gazette on June 27, 2022 **('Code 2022')**, the Company has complied with the recommendations of the Code 2022 with the following exceptions and will comply with the recommendations of the Code 2022 with the exception of recommendation C.14:

Heidelberger Druckmaschinen Aktiengesellschaft deviated from recommendation C.1 sentence 3 of the Code 2022, which requires the profile of skills and expertise for the Supervisory Board to also encompass sustainability issues relevant to the Company, from the date on which the Code 2022 came into force until the new profile of skills and expertise was adopted on November 24, 2022. The Supervisory Board took the update of the Code 2022 as an opportunity to comprehensively review the targets for the composition of the Supervisory Board and the profile of skills and expertise for the Supervisory Board. It has complied with recommendation C.1 sentence 3 of the Code 2022 since November 24, 2022, and will comply with recommendation C.1 sentence 3 of the Code 2022 in the future.

Heidelberger Druckmaschinen Aktiengesellschaft has deviated from recommendation C.14 of the 2020 Code, which states that résumés for all members of the Supervisory Board should be published and updated on the Company's website each year, and will continue to do so in the future to the extent that the Company publishes only the résumés of the shareholder representatives on the Supervisory Board on its website on account of the data protection interests of its employees."

The Management Board and the Supervisory Board provisionally intend to update the annual declaration of compliance on November 23, 2023 following due examination. This declaration will then be published at www.heidelberg.com under Corporate Governance, which is also where previous declarations of compliance can be found.

3. Remuneration report and remuneration system

The current remuneration system for the members of the Management Board in accordance with section 87 (1) and (2) sentence 1 AktG, which was approved by the Annual General Meeting on July 23, 2021, is available on our website (www.heidelberg.com) under About us > Corporate Governance > Executive Bodies. This section of the website also contains the remuneration report for the financial year 2022/2023 and the auditor's report on the audit of the remuneration report in accordance with section 162 AktG. The resolution on Supervisory Board remuneration adopted by the Annual General Meeting on July 23, 2021 in accordance with section 113 (3) AktG is available on our website (www.heidelberg.com) under About us > Corporate Governance > Executive Bodies. The remuneration report in accordance with section 162 AktG for the financial year 2022/2023 can also be found on pages 176 to 195 of this Annual Report.

4. Information on corporate governance practices

Our philosophy is to manage with goals. This extends across all divisions and hierarchical levels of the Company and is reflected in remuneration systems and practice. Goals are derived from the strategy. Their content is determined, agreed and regularly reviewed, and they are remunerated accordingly at the end of the defined period.

The Company adheres to a comprehensive system of internal guidelines headed by the Company's values. Seven principles in the areas of management, organization, the code of conduct (for employees and business partners), quality, environmental protection and the policy statement on human rights form the framework for more detailed specifications in further guidelines, which also cover occupational safety and product safety issues.

For Heidelberger Druckmaschinen Aktiengesellschaft, compliance is a fundamental element of successful management and good corporate governance. Heidelberger Druckmaschinen Aktiengesellschaft is aware of its role in society and its responsibility toward its customers, suppliers, business partners, employees and shareholders. Reliability in respect of its business partners, the quality of its products and services, proper processes and legal compliance are key principles for the business activities of Heidelberger Druckmaschinen Aktiengesellschaft.

The purpose of the Code of Conduct is to provide guidance for all employees around the world. The Code of Conduct constitutes a binding framework and provides guidance for our day-to-day actions and decisions. This extends from clear requirements for legal compliance through to recommendations on conduct in respect of business partners and employees. The Company's values are also communicated to our suppliers in close cooperation between the Compliance and Procurement departments in the form of the Business Partner Code of Conduct.

The Company's Management Board and executives work together to ensure compliance with internal regulations, and this is regularly reviewed by Internal Audit. In addition, external and independent ombudspersons are in place to confidentially receive information from employees and third parties giving rise to a suspicion of crimes or other violations of the law or (internal) regulations (especially illegal business practices). Employees and third parties also have the option of submitting reports via the electronic whistleblower system "SpeakUp". For more information, see also the "Compliance" section on pages 210 to 213 of the Annual Report.

We have also published our "Code of Conduct for Employees" and our "Business Partner Code of Conduct" in the Compliance section of our website at www.heidelberg.com. The values of the HEIDELBERG Group are published under Corporate Governance. Our policy statement on human rights is published at www.heidelberg.com under Sustainability. Our environmental protection principles are published in the same section of the website.

5. Description of the working procedures of the Management Board and the Supervisory Board

In accordance with the requirements of the German Stock Corporation Act (AktG), the management system of the Company is divided into a management body, the Management Board, and a monitoring body, the Supervisory Board. This dual management system as prescribed by the German Stock Corporation Act (AktG) provides for a personal and functional separation between the management body (Management Board) and the monitoring body (Supervisory Board). The Management Board manages the Company, while the Supervisory Board monitors and advises the Management Board. The Annual General Meeting is an additional corporate body at which shareholders can exercise their rights as owners of the Company.

The Management Board currently consists of two members. The Supervisory Board consists of 12 members. In accordance with the German Stock Corporation Act (AktG) and the German Codetermination Act (MitbestG), half of the members are shareholder representatives and half are employee representatives. Information on the current composition of the Management Board and the Supervisory Board and the mandates of their members can be found on pages 163 to 165 of our Annual Report.

In addition to the legal requirements, the Articles of Association of the Company and the principles and recommendations of the German Corporate Governance Code, the activities, duties and internal organization of the Management Board are detailed in the Rules of Procedure for the Management Board in particular. Together with the Rules of Procedure for the Supervisory Board, the Rules of Procedure for the Management Board also regulate cooperation between the two executive bodies. We have published the Rules of Procedure for the Management Board, which include the current allocation of duties, and the Rules of Procedure for the Supervisory Board on our website www.heidelberg.com under Corporate Governance.

On the basis of the Articles of Association of the Company and the Rules of Procedure for the Management Board and the Supervisory Board, the detailed working procedures of the Management Board and the Supervisory Board and the detailed cooperation between the executive bodies of the Company are as follows:

The Management Board manages the Company under its own authority with the goal of generating value added for the long term. It has an obligation to the interests of the Company and takes into account the concerns of its shareholders, employees and other groups affiliated to the Company (stakeholders). The members of the Management Board are jointly responsible for overall management. They work cooperatively and inform each other about key measures and processes within their departments. The Management Board conducts the Company's business in accordance with the law, the Articles of Association and the Rules of Procedure. It also ensures compliance with these provisions and corporate policies within the Group in addition to ensuring appropriate risk and opportunity management. Further information can be found in the Risk and Opportunity Report in the management report on pages 58 to 70 of this annual report. The Management Board as a result of its examination of the internal control and risk management system and the reports by the Internal Audit function is not aware of any circumstances indicating that these systems were inappropriate or ineffective.

Corporate Sustainability, which defines the framework of the strategic sustainability orientation and deals with the implementation of current ESG (**e**nvironmental, **s**ocial and **g**overnance) topics in the individual divisions, has been established under the leadership of the Chief Executive Officer. The Head of Corporate Sustainability reports regularly to the Chief Executive Officer, to whom this area is assigned under the allocation of duties.

The Head of Corporate Sustainability also chairs the cross-disciplinary ESG Council, which is responsible for the ESG strategy and its implementation. It comprises the members of the Management Board and the heads of various specialist departments. Comprehensive information on ESG topics at HEIDELBERG can be found in our non-financial report.

The Management Board ensures that the risks and opportunities for the Company in connection with social and environmental factors and the ecological and social impacts of the Company's activities are systematically identified and evaluated. In addition to long-term targets, the corporate strategy takes appropriate account of ecological and social targets. Corporate planning therefore incorporates corresponding sustainability-related (ESG) targets in addition to corresponding financial targets. Further information on sustainability can be found on the Company's website (www.heidelberg.com) under Sustainability.

The monitoring and advisory activities performed by the Supervisory Board take particular account of sustainability issues in the context of environmental, social and governance (ESG) topics. The Supervisory Board receives regular reports from the Management Board on the Group-wide sustainability strategy at Heidelberger Druckmaschinen Aktiengesellschaft and the status of implementation of this strategy. The Supervisory Board addresses the risks and opportunities for Heidelberger Druckmaschinen Aktiengesellschaft in connection with social and environmental factors as well as the ecological and social impacts of the Company's activities. The Supervisory Board and the Audit Committee also address sustainability reporting, which encompasses the non-financial report as well as the reporting on non-financial topics in the management report, and ensure that they are informed about new developments and the status of implementation at Heidelberger Druckmaschinen Aktiengesellschaft.

The Supervisory Board advises the Management Board on, and monitors its management of, the Company. All of the members of the Supervisory Board have the same rights and obligations regarding their activities and responsibilities on the Supervisory Board. They are not required to comply with orders or instructions.

At the time of reporting, the Supervisory Board consists of the following members:

Name
Dr. Martin Sonnenschein – Chair of the Supervisory Board
Ralph Arns* – Deputy Chair of the Supervisory Board
Dr. Bernhard Buck*
Gerald Dörr*
Mirko Geiger*
Oliver Jung
Li Li
Dr. Fritz Oesterle
Petra Otte*
Ferdinand Rüesch
Ina Schlie
Beate Schmitt*

* Employee representatives

Further information on all members of the Supervisory Board in office during the reporting period can be found on pages 163 to 164 of our Annual Report and on our website (www.heidelberg.com) under Corporate Governance. The Management Board works with the Supervisory Board on a basis of trust for the good of the Company. The Management Board is responsible for providing the Supervisory Board with sufficient information. The Supervisory Board actively supports this process in line with its own Rules of Procedure. The Management Board and the Supervisory Board report on corporate governance within the Company in the Corporate Governance Declaration. This includes an explanation of why recommendations of the German Corporate Governance Code have not been or are not complied with. This is explained in particular in the declaration in accordance with section 161 AktG.

In the first three months of the financial year, the Management Board must prepare the annual financial statements, the management report, the consolidated financial statements and the Group management report for the last financial year and submit these to the Supervisory Board immediately upon their completion. At the same time, the

Management Board must submit to the Supervisory Board the proposal it intends to make to the Annual General Meeting for the appropriation of net profits. The separate combined non-financial report is also presented to the Supervisory Board immediately after it has been prepared.

The Supervisory Board examines the non-consolidated financial statements and the management report, the consolidated financial statements and the Group management report, and any proposal on the appropriation of net profits. Following discussions with the auditor and taking into account the audit reports prepared by the auditor and the audit findings of the Audit Committee, the Supervisory Board declares whether it has any objections to raise based on the final result of its own examination. If this is not the case, the Supervisory Board approves the financial statements; the annual financial statements are adopted once this approval is granted. The Supervisory Board also examines the separate combined non-financial report. The Supervisory Board reports to the Annual General Meeting on the results of its examination and the nature and extent of its monitoring of the Management Board during the past financial year.

The Management Board reports on its strategy, its intended business policy and other fundamental corporate planning issues at Company and Group level at least once a year. This report sets out the focal points for the Management Board's planned management of the Company. In particular, this includes an explanation of the intended development and strategic orientation of the Group including the sustainability strategy, a presentation of the financial and accounting policy for the Group and its divisions, and an explanation of and reasons for deviations between previously reported objectives and actual performance. Irrespective of this, the Chair of the Supervisory Board maintains regular contact with the Chair of the Management Board and discusses the strategy, business performance and risk management of the Company with him.

At the meeting of the Supervisory Board in connection with the resolution on the single-entity and consolidated financial statements (the accounts meeting), the Management Board reports on the profitability of the Company and the Group and, in particular, the return on equity. This report includes details of the earnings power of the Group as a whole and its individual divisions on the basis of informative profitability data, with comparisons against the previous year and against forecasts in each case.

In accordance with the Articles of Association and the Rules of Procedure, the Management Board requires the approval of the Supervisory Board for acquisitions, disposals and the encumbrance of property and hereditary building rights, for acquisitions and disposals of shares in companies and for accepting warranties, guarantees or similar liabilities if their value exceeds the limits set out in the Articles of Association and/or the Rules of Procedure. Taking out bonds also requires the approval of the Supervisory Board. The Articles of Association and the Rules of Procedure for the Management Board and the Supervisory Board set out additional actions that require approval and how this is regulated. The Supervisory Board granted its approval for individual transactions to the extent so required by law and the Articles of Association or the Rules of Procedure for the Management Board.

The Supervisory Board's tasks include the appointment and, where applicable, dismissal of the members of the Management Board. The Supervisory Board also defines the individual total compensation of the members of the Management Board at the proposal of the Personnel Matters Committee and resolves and regularly reviews the compensation system for the Management Board.

The Supervisory Board works with the Management Board and with the support of the Personnel Matters Committee to ensure the long-term succession planning for the Management Board. In addition to the requirements of the German Stock Corporation Act (AktG) and the German Corporate Governance Code, long-term succession planning takes qualifications, professional experience and diversity into account in particular. The Personnel Matters Committee advises on succession planning for the Management Board.

In filling Management Board positions, the Personnel Matters Committee generally performs an initial selection of suitable candidates and conducts interviews with them, taking into account the respective requirement profile. The Personnel Matters Committee reports to the Supervisory Board on this process, presents individual candidates to the Supervisory Board, and submits a recommended resolution to the Supervisory Board. In identifying and selecting candidates, the Supervisory Board and the Personnel Matters Committee are supported by external advisors as necessary.

The fixed age limit for the Management Board is 63. This has been applied in the current contracts since April 1, 2022.

The Supervisory Board regularly assesses how effectively the Supervisory Board as a whole and its committees perform their duties. The Supervisory Board conducted its most recent comprehensive self-assessment in the year 2020 by means of an online questionnaire. The self-assessment in the year 2021 focused on the following topics in particular: cooperation between the Management Board and the Supervisory Board, information of the Supervisory Board, the preparation and organization of Supervisory Board meetings, and the human resources policy and Management Board remuneration. Another self-assessment is scheduled for 2023.

The members of the Supervisory Board undertake the training they need to carry out their duties, such as on corporate governance issues or new products, autonomously and are supported by the Company where necessary. New members of the Supervisory Board are given the opportunity to meet with the members of the Management Board for a bilateral discussion of current topics in order to obtain an overview of the relevant topics at the Company. Among other things, training on CSR reporting was offered to Supervisory Board members and delivered by an external service provider in the financial year 2022/2023.

The composition of the Supervisory Board, including the necessary personal information and details of mandates on other supervisory boards, can be found on pages 163 to 164 of our Annual Report. Details of the work of the Supervisory Board can be found in the current Report of the Supervisory Board on pages 168 to 175 of the Annual Report. The remuneration report can be found on pages 176 to 195 of the Annual Report. The Annual Report will be published in the Investor Relations section of our website (www.heidelberg.com) on June 14, 2023.

6. Description of the composition and working procedures of the committees

The Management Board has not formed any committees.

The Supervisory Board has formed six committees consisting of its members: the Mediation Committee, the Audit Committee, the Personnel Matters Committee, the Management Committee, the Nomination Committee and the Strategy Committee.

The Supervisory Board appoints a member of each committee as the chair of that committee unless stated otherwise in the Rules of Procedure. In selecting and appointing the Chair of the Audit Committee, the Supervisory Board ensures that the Chair of the Audit Committee at least has expertise in either the field of accounting or in the field of auditing. The expertise in the field of accounting should take the form of special knowledge and experience of the application of accounting principles and internal control and risk management systems. The expertise in the field of auditing should take the form of special knowledge and experience of auditing financial statements. Accounting and auditing also encompass sustainability reporting and the corresponding audit. The Chair of the Audit Committee should be independent of the Company, the Management Board and the controlling shareholder(s) and not be a former member of the Management Board of the Company whose term of office ended less than two years ago. The Chair of the Supervisory Board should not serve as the Chair of the Audit Committee.

As a matter of principle, the Rules of Procedure also permit the Supervisory Board to delegate Supervisory Board decisions to its committees. However, decisions on the remuneration of the Management Board lie with the Supervisory Board. They may not be delegated to the Personnel Matters Committee and must be decided by the full Supervisory Board.

The Chairs of the committees regularly report to the meetings of the Supervisory Board on the meetings of the committees and their activities. These consist primarily in preparing specific topics and resolutions to be discussed at Supervisory Board meetings.

The main tasks assigned to the committees are as follows:

The Management Committee discusses key topics and prepares the resolutions of the Supervisory Board. It may resolve on measures requiring approval on behalf of the Supervisory Board if the matter in question is urgent and a Supervisory Board resolution cannot be passed in good time.

The Personnel Matters Committee prepares the personnel decisions to be made by the Supervisory Board. This relates in particular to the decision on the employment contracts with the members of the Management Board. The Personnel Matters Committee also submits proposals to the Supervisory Board on the structure of the Management Board remuneration system. Furthermore, the Personnel Matters Committee resolves on behalf of the Supervisory Board on the measures and legal transactions set out in the Rules of Procedure for the Supervisory Board, and in particular on other legal transactions with members of the Management Board.

The Audit Committee deals in particular with the audit of the accounts, the monitoring of the accounting process, the effectiveness of the internal control system, the risk management system and the internal audit system, the audit of the financial statements and, in particular, the independence of the auditor, the services additionally performed by the auditor, the awarding of the audit assignment to the auditor, the determination of the main focal points of the audit and the fee agreement, as well as compliance. In particular, accounting encompasses the consolidated financial statements and the Group management report, financial information during the year, and the HGB single-entity financial statements. Accounting and auditing also include sustainability reporting and the corresponding audit. The Audit Committee discusses the half-yearly and quarterly financial reports with the Management Board prior to publication, leads the process for selecting the auditor, and submits recommendations to the Supervisory Board for the Supervisory Board's proposal to the Annual General Meeting for the appointment of the auditor. The Audit Committee discusses the assessment of audit risk, the audit strategy, audit planning and the audit findings with the auditor and regularly meets with the auditor, including without the presence of the Management Board.

The Audit Committee takes appropriate measures to establish and monitor the independence of the auditor and reports on the quality of auditing on a regular basis.

The Strategy Committee deals with the strategy of the Company and the related strategic considerations of the Management Board. It advises the Management Board in preparing for the Supervisory Board meeting at which the full Supervisory Board discusses the Company's strategy.

The Nomination Committee submits to the Supervisory Board suggestions for the nomination of suitable candidates for election by the Annual General Meeting or to fill vacant places on the Supervisory Board by way of judicial appointment. It evaluates the knowledge, skills and specific experience of the candidates and seeks to ensure a suitable balance between the knowledge, skills and specific experience of the Supervisory Board members as a whole. It takes particular account of the targets adopted by the Supervisory Board regarding its composition, the profile of skills and expertise for the Supervisory Board as a whole, and the requirements for membership of the Supervisory Board set out in the Rules of Procedure. It takes account of diversity and potential conflicts of interest and ensures that the Supervisory Board has an appropriate number of independent members as defined in the German Corporate Governance Code. It regularly examines the structure, size and composition of the Supervisory Board as well as the amount of time required for the work of the Supervisory Board, and submits suggested changes to the Supervisory Board as required. In addition, the Nomination Committee deals with issues relating to succession planning for the Supervisory Board members.

The Mediation Committee only performs the tasks assigned to it in accordance with section 31 (3) of the German Codetermination Act (MitbestG). The Mediation Committee submits proposals for the appointment of Management Board members if the required two-thirds majority of Supervisory Board member votes is not achieved in the first ballot.

The committees of the Supervisory Board are composed as follows as of the reporting date:

Management Committee
Dr. Martin Sonnenschein (Chair)
Ralph Arns
Gerald Dörr
Mirko Geiger
Oliver Jung
Ferdinand Rüesch

Mediation Committee in accordance with section 27 (3) of the German Codetermination Act
Dr. Martin Sonnenschein (Chair)
Ralph Arns
Gerald Dörr
Ferdinand Rüesch

Personnel Matters Committee
Dr. Martin Sonnenschein (Chair)
Ralph Arns
Gerald Dörr
Dr. Fritz Oesterle
Ferdinand Rüesch
Beate Schmitt

Audit Committee
Ina Schlie (Chair) [1]
Ralph Arns
Mirko Geiger
Oliver Jung
Beate Schmitt
Dr. Martin Sonnenschein [2]

1) Thanks to her many years as Senior Vice President Global Tax at SAP and as a member of supervisory boards of other stock corporations, in some cases as chair of the audit committee, Ms. Schlie has the special knowledge and experience of accounting and auditing required by principle 15 and recommendation D.3 of the GCGC
2) Thanks to his many years as a consultant and a Partner and Managing Director ("Director/Member of the Board") at A.T. Kearney and a member of supervisory boards of other stock corporations in Germany and abroad, Dr. Sonnenschein has the special knowledge and experience of accounting and auditing required by principle 15 and recommendation D.3 of the GCGC

Nomination Committee
Dr. Martin Sonnenschein (Chair)
Oliver Jung
Ferdinand Rüesch

Strategy Committee
Dr. Martin Sonnenschein (Chair)
Ralph Arns
Mirko Geiger
Oliver Jung
Li Li
Dr. Fritz Oesterle
Ferdinand Rüesch
Ina Schlie

The committees are also described on page 164 of our Annual Report. A further description of the committees and the tasks assigned to them can be found in the Rules of Procedure for the Supervisory Board (sections 9–15), which are published on our website www.heidelberg.com under Corporate Governance. Details of the work of the Supervisory Board committees can be found in the current Report of the Supervisory Board on pages 168 to 175 of the Annual Report. The Annual Report will be published in the Investor Relations section of our website (www.heidelberg.com) on June 14, 2023.

7. Targets for the proportion of women

In accordance with section 76 (4) AktG, the Management Board defines targets for the proportion of women at the two levels of management below the Management Board and deadlines for the achievement of these targets. When filling managerial positions at the Company, the Management Board takes diversity into account and strives to ensure the appropriate representation of women. On October 23, 2017, the Management Board defined a target of 5 percent for management level 1 and 7.5 percent for management level 2 for the period to June 30, 2022. At the end of June 2022, the proportion of women was 2.6 percent at management level 1 and 6.6 percent at management level 2. The failure to achieve the targets was due in particular to the organizational changes resulting from the transformation program in the previous financial years, which led to a reduction in the number of management positions and the consolidation of management roles. In order to achieve the targets that were newly defined in 2022, the Company has implemented a number of measures including a cross-company mentoring program to promote female high potentials in conjunction with other companies from the Rhein-Neckar-Kreis district, and a works agreement on mobile work aimed at improving employees' work-life balance. In addition, the recruitment process was revised and a new human resources "Diversity" function was created in order to promote diversity within the Company with strategic and operational measures.

On July 25, 2022, the Management Board resolved a target for the proportion of women for the period from July 1, 2022 to March 31, 2027 of 17.9 percent at management level 1 and 22.1 percent at management level 2. As of March 31, 2023, the proportion of women was 8.2 percent at management level 1 and 8.5 percent at management level 2.

In accordance with section 111 (5) sentence 1 and sentence 8 AktG, the Supervisory Board defines targets for the proportion of women on the Management Board and deadlines for the achievement of these targets. On November 24, 2017, the Supervisory Board resolved to maintain the current proportion of women on the Management Board and set a target for the proportion of women on the Management Board of 0 percent for the period to June 30, 2022. This expressly did not affect the fact that the Supervisory Board strives to take diversity into account on the whole when making HR decisions. This target was achieved. On June 3, 2022, the Supervisory Board set the target for the proportion of women on the Management Board at 1 person from July 1, 2022 for the period to March 31, 2027.

In accordance with the statutory provisions of sections 96 (1), 101 (1) AktG and section 7 (1) sentence 1 no. 1 MitbestG, the Supervisory Board consists of six shareholder representatives and six employee representatives. In accordance with section 96 (2) sentence 1 AktG, the Supervisory Board consists of at least 30 percent women and 30 percent men. As of the reporting date, the Supervisory Board had four female members, two of whom were appointed by the shareholders and two by the employees. There were also eight men on the Supervisory Board, four of whom were appointed by the shareholders and four by the employees. The statutory minimum quota was fulfilled in the reporting period.

8. Diversity concept and profile of skills and expertise

The aspect of diversity is an important selection criterion for the Company with regard to the composition of the Management Board and the Supervisory Board.

The Company seeks to achieve a composition of the two executive bodies that ensures the comprehensive fulfillment of all tasks assigned to the Management Board and the Supervisory Board. In filling Management Board positions and making proposals for the election of Supervisory Board members, the Supervisory Board therefore primarily looks at the personal suitability of the respective candidates, their professional qualifications and experience, their time availability, their integrity and independence, and their commitment and performance. Diversity of opinion is also supported by ensuring a range of different ages.

The current composition of the Management Board and the Supervisory Board satisfies these requirements. All the members of the Management Board and the Supervisory Board have high levels of professional experience and expertise enabling them to manage or monitor a company. The career advancement of women is taken into account to a particular extent. In the event of new candidates having equal professional and personal aptitude, the appointment of women to the Supervisory Board, the Management Board and the two levels of management below the Management Board should be considered with a view to increasing the proportion of women in the medium and long term.

The aspects of diversity that are important to the Supervisory Board and that are taken into account in its composition are set out in greater detail in the presentation of its objectives and its profile of skills and expertise. The members of the Supervisory Board should have sufficient time and the integrity and personal suitability to perform their role. The Supervisory Board should cover the areas of expertise that are considered to be material for the Board as a whole. Not all Supervisory Board members are expected to have expertise in all of the material areas of expertise.

The Supervisory Board considers the following areas of expertise and knowledge to be material with regard to the roles to be performed:

Internationality: In light of the global nature of Heidelberg Druckmaschinen Aktiengesellschaft’s activities, international professional or business experience is required for the Supervisory Board. This experience should be in a non-German market with relevance for the Company.

Industry experience: As a whole, the members of the Supervisory Board must be familiar with the sector in which the Company operates. The Supervisory Board must include members with particular expertise in the printing and media industry or mechanical engineering and the associated industry expertise.

Accounting/auditing: The Supervisory Board must include members with expertise in the field of accounting and expertise in the field of auditing. The expertise in the field of accounting must take the form of special knowledge and experience of the application of accounting principles and internal control and risk management systems, while the expertise in the field of auditing must take the form of special knowledge and experience of auditing financial statements. Accounting and auditing also include sustainability reporting and the corresponding audit.

Financing/capital market: The Supervisory Board must include particular experience in the area of financing and capital market law.

Sustainability: Members of the Supervisory Board must have experience regarding the sustainability issues that are relevant to the Company.

Taking the sector, the size of the Company and the share of international business into account, the Supervisory Board is guided in particular by the following targets for the future composition of the Board as a whole:

a. All Supervisory Board members must have sufficient corporate or operating experience as well as knowledge of their field and ensure that they have enough time to perform their Supervisory Board tasks, so that the Supervisory Board as a whole has the knowledge, skills and specific experience necessary to perform its tasks properly.

b. At least four of the shareholder representatives must be independent of the Company and the Management Board as defined in the German Corporate Governance Code.

c. No more than two former members of the Management Board may sit on the Supervisory Board.

d. The Supervisory Board must have at least one member with international experience in a non-German market with relevance for the Company.

e. The Supervisory Board must include at least one member with particular expertise in the printing and media industry and at least one member with experience of mechanical engineering and the associated industry expertise.

f. At least one Supervisory Board member must have expertise in the field of accounting and at least one more Supervisory Board member must have expertise in the field of auditing.

g. The Supervisory Board must have at least one member with experience in financing and the capital market.

h. The Supervisory Board must have at least one member with expertise regarding the sustainability issues that are relevant to the Company.

The matrix on page 208 shows the implementation status of the aforementioned objectives. The Company does not currently have a controlling shareholder.

In the view of the shareholder representatives, the shareholder representatives Dr. Martin Sonnenschein, Oliver Jung, Dr. Fritz Oesterle and Ina Schlie are independent as defined in the GCGC.

In accordance with section 96 (2) sentence 1 AktG, supervisory boards of listed companies that are subject to codetermination must be composed of at least 30 percent women (i.e. at least four) and at least 30 percent men (i.e. at least four). This gender ratio must be complied with by the Supervisory Board as a whole unless the shareholder or employee representatives object to overall compliance in accordance with section 96 (2) sentence 3 AktG. Prior to the election of shareholder representatives to the Supervisory Board on July 23, 2021, neither the shareholder representatives nor the employee representatives objected to the overall compliance with the statutory gender ratio in accordance with section 96 (2) sentence 3 AktG. As of March 31, 2023, the Supervisory Board was composed of four women (around 33 percent) and eight men (around 67 percent), thereby satisfying the gender ratio. At its meeting on March 29, 2023, the Supervisory Board discussed the specific proposal for election to be made to the 2023 Annual General Meeting and, at the recommendation of the Nomination Committee, resolved to propose that the Annual General Meeting reelect Ferdinand Rüesch to the Supervisory Board. If the proposed candidate is elected, the statutory gender ratio will continue to be satisfied with regard to both the shareholder representatives and the Supervisory Board as a whole providing there are no other changes. In light of the forthcoming election of employee representatives to the Supervisory Board in June 2023, overall fulfillment was objected to in January 2023.

Supervisory Board members should not remain in their post beyond the end of the Annual General Meeting following their 72nd birthday. There is no defined limit for length of membership of the Supervisory Board. Among other things, this enables continuity and the preservation of long-standing expertise on the Supervisory Board in the interests of the Company.

The current composition of the Supervisory Board complies with these targets and fulfills the profile of skills and expertise.

Qualification matrix pursuant to recommendation C.1 of the German Corporate Governance Code (GCGC)

Supervisory Board	Corporate/ operating experience/ knowledge	Inter- nationality	Industry experience	Accounting/ auditing	Financing/ capital market	Sustain- ability	Independence from the Company/ the Manage- ment Board as defined in the GCGC	Former Management Board member	Member since
Dr. Martin Sonnenschein (Chair)	×	×	×	×	×	×	×		December 1, 2019
Ralph Arns*	×		×			×			July 24, 2014
Dr. Bernhard Buck*	×		×						July 1, 2021
Gerald Dörr*	×		×			×			July 25, 2018
Mirko Geiger*	×		×	×		×	×		August 1, 2005
Oliver Jung	×	×	×	×			×		May 23, 2017
Li Li	×	×	×	×	×				July 25, 2019
Dr. Fritz Oesterle	×	×	×	×	×	×	×		July 23, 2021
Petra Otte*	×		×	×			×		July 25, 2018
Ferdinand Rüesch	×	×	×			×			July 25, 2018
Ina Schlie	×	×		×	×	×	×		July 23, 2020
Beate Schmitt*	×		×	×		×			April 3, 2006

* Employee representative

9. Shareholders and Annual General Meeting

Shareholders exercise their rights as shareholders, and in particular their information and voting rights, at the Annual General Meeting in accordance with the provisions of the law and the Articles of Association. All the significant regulations relating to our Annual General Meeting and the rights of our shareholders can be found in our Articles of Association, which we publish on our website www.heidelberg.com under Corporate Governance.

Excerpts of the most important regulations of the Articles of Association as of the reporting date can be found below. The Annual General Meeting of the Company is held at the registered office of the Company, at the location of a German branch or operating facility of the Company or a company associated with it, or at a different location within the Federal Republic of Germany with a population of at least 100,000 people.

The Annual General Meeting must be held in the first eight months of the financial year.

The Annual General Meeting must be convened with at least the amount of notice required by law.

Shareholders are authorized to participate in the Annual General Meeting and exercise voting rights only if they register for the Annual General Meeting and present proof of their shareholdings. Registration must be made in text form (within the meaning of the German Civil Code (BGB)) in German or English. Proof of shareholding must be presented in text form and issued by the last intermediary in accordance with section 67c (3) AktG. This can also be sent directly to the Company by the last intermediary and must refer to the start of the 21st day before the Annual General Meeting. The registration and the proof of shareholding must be received by the Company at the address specified for this purpose in the notice of convocation no later than six days before the Annual General Meeting, not including the day on which they are received and the day of the Annual General Meeting. The notice of convocation for the Annual General Meeting may specify a shorter period for registration and receipt of proof of shareholding to be measured in days.

Each shareholder may be represented at the Annual General Meeting by a proxy. Unless otherwise stipulated by law or in the notice of convocation for the Annual General Meeting, proxy must be granted, revoked and evidenced to the Company in text form. This shall not affect the provisions of section 135 AktG.

The Management Board may enable shareholders to cast their votes in writing or by way of electronic communication even if they do not attend the Annual General Meeting (postal voting). The Management Board may regulate the details of the scope and procedure for postal voting. Furthermore, the Management Board may allow shareholders to participate in the Annual General Meeting without being present at its venue and without a proxy, and to exercise all or some of their rights in full or in part by means of electronic communication (online participation). The Management Board may regulate the details of the scope and procedure for online participation.

The Annual General Meeting is chaired by the Chair of the Supervisory Board or, if he is unavailable, by another shareholder member of the Supervisory Board to be determined by him. In the event that neither the Chair of the Supervisory Board nor another member of the Supervisory Board determined by him chairs the meeting, the person chairing the meeting is elected by the shareholder members of the Supervisory Board present at the Annual General Meeting by a simple majority of the votes cast.

The Chair heads the meeting and determines the order in which items are discussed and the voting procedure.

He may reasonably restrict the time in which shareholders may ask questions and give speeches. In particular, he may, at the commencement or during the course of the Annual General Meeting, set reasonable time limits for the entire Annual General Meeting, for the period of discussion on any individual agenda items, and for presenting any individual questions and speeches.

Heidelberg, June 6, 2023

Heidelberger Druckmaschinen Aktiengesellschaft

The Supervisory Board

Dr. Martin Sonnenschein

The Management Board

Dr. Ludwin Monz

Tania von der Goltz

— Continuous enhancement of the compliance management system
— Publication of the revised version of the Code of Conduct for HEIDELBERG employees, the Business Partner Code of Conduct, and internal compliance guidelines
— Enhancement of the training program through the rollout of e-learning
— Introduction of an electronic reporting system
— Focal points for the financial year 2023 / 2024: Strengthening of the regional and local compliance organization, expansion of the internal communication strategy

Compliance management system

The Management Board of HEIDELBERG is committed to adhering to the applicable laws, provisions and regulations and to systematically pursuing and punishing compliance misconduct and violations. The Management Board has established a compliance management system (CMS) in order to ensure that the employees, managers and executive bodies of HEIDELBERG act with integrity and in accordance with the law.

HEIDELBERG's CMS is based on Audit Standard (PS) 980 issued by the Institute of Public Auditors in Germany (IDW). Its seven basic elements set out the key structural, organizational and process requirements for operational realization within the HEIDELBERG Group. HEIDELBERG's CMS aims to avert compliance misconduct and violations through prevention and early risk identification in order to minimize and avoid liability and reputational damage to HEIDELBERG and its employees, managers and executive bodies. The CMS is intended to aggregate measures and regulations that ensure that the actions of HEIDELBERG's employees, managers and executive bodies are consistent with the applicable laws and provisions and the Group's internal values and guidelines. Compliance with the applicable laws and provisions and the generally accepted ethical and social principles form part of how HEIDELBERG sees itself as a company. As part of the continuous enhancement of the CMS, the compliance risk analysis that was completed in the previous financial year led to the implementation and improvement of the corresponding guidelines and training.

Compliance guidelines

The Company-wide Code of Conduct, in which the Company undertakes to engage in respectful and collaborative cooperation, is an important element of the CMS and the foundation for HEIDELBERG's corporate culture.

The Code of Conduct for employees, which has been adopted by the Management Board, is based on HEIDELBERG's values and reflects the Ten Principles of the UN Global Compact. Among other things, it contains commitments on combating bribery and corruption, compliance with the regulations of antitrust, anti-money-laundering and tax law, integrity with respect to customers, suppliers and business partners, sustainability and product responsibility, compliance with foreign trade and customs law, compliance with human rights, data protection, protecting corporate assets, and ensuring working conditions that are fair, respectful, and free from discrimination. The Code of Conduct sets out the principles that HEIDELBERG undertakes to uphold. It constitutes a binding framework and provides guidance for HEIDELBERG's day-to-day actions and decisions. The managers and executive bodies are required to act as role models and support their employees in complying with the Code of Conduct.

HEIDELBERG also expects its suppliers and business partners to uphold these principles by signing up to the Business Partner Code of Conduct. The Business Partner Code of Conduct contains guidelines and principles aimed at ensuring compliance with laws, provisions and regulations. It provides the framework for continuous, long-standing partnerships with HEIDELBERG's suppliers and business partners on the basis of integrity.

In the financial year 2022/2023, both documents were updated and published in their revised form both internally on the intranet and externally on HEIDELBERG's website.

The compliance guidelines that accompany the Code of Conduct provide a binding framework and guidance for HEIDELBERG's employees, managers and executive bodies, including when dealing with customers, suppliers and business partners. The internal regulations form the basis for ensuring that HEIDELBERG acts with integrity and in accordance with the law, particularly with regard to combating bribery and corruption, preventing money laundering, and ensuring fair competition. Corresponding compliance guidelines were developed in the financial year 2022/2023 and published internally with accompanying communication.

Among other things, HEIDELBERG endeavors to maintain business relations only with reputable business partners who are expected to comply with the applicable laws, provisions and guidelines. To ensure this obligation across the board, HEIDELBERG has implemented guidelines for the prevention and combating of money laundering and the financing of terrorism as an aid for the risk-based evaluation of business partners. The aim of this approach is to identify (potential) risks concerning money laundering and the financing of terrorism at an early stage in order to prevent or minimize them. The evaluation also serves to ensure that business partners are selected carefully and properly.

Compliance checks will be planned and performed in the financial year 2023/2024 in order to review the effectiveness and efficiency of the guidelines and processes that have been introduced and revised.

Compliance organization

The compliance organization is allocated to the Legal, Patents & Compliance department. The head of this department heads the compliance organization in the role of Chief Compliance Officer (CCO).

Accordingly, responsibility for compliance lies with the Chief Financial Officer. To this end, the CCO reports directly to the Chief Financial Officer. The CCO also reports regularly to the Supervisory Board about compliance risks and measures as part of the Audit Committee of the Supervisory Board. The CCO and the compliance team, consisting of the central compliance office and the regional and local compliance officers, serve as the point of contact for all compliance-related questions. The regional and local compliance organization was strengthened further in the financial year 2022 / 2023.

The Compliance Committee headed by the CCO meets regularly to discuss Group-specific compliance issues with the aim of expanding and strengthening the global network. Among other things, the Compliance Committee supports the compliance organization in the Group-wide implementation of and adherence to the compliance guidelines.

In particular, the Compliance Committee held meetings at which the central office communicated new developments with regard to guidelines and engaged in open discussion with the regional and local compliance officers, among other things. The network comprises around 35 compliance officers worldwide.

Compliance training and communication

Mandatory training is another key element when it comes to preventing compliance violations and improving Company-wide awareness. The compliance office has developed a corresponding risk- and target-group-oriented training concept and appropriate training documents. Compliance training is intended to help HEIDELBERG's employees, managers and executive bodies to act with integrity and in accordance with the law.

In the financial year 2022 / 2023, the training program was supported by risk- and target-group-oriented classroom training as well as the roll-out of Group-wide e-learning. The learning content included compliance principles and specific topics such as corruption and compliance along the supply chain. In total, employees from various hierarchical levels and 37 different countries completed around 80 percent of the assigned e-learning modules on these topics in the financial year 2022 / 2023.

The compliance office also conducted special training in person and online with regard to specific risks and for particular target groups. This focused on the prevention of corruption and money laundering.

All employees are obliged to complete the training assigned to them within defined, regular periods.

The e-learning will continue in the financial year 2023 / 2024 in order to further improve employee awareness of compliance-related issues. The basic training will also be included in the HR onboarding program so that new employees are also informed about the importance of topics in the area of compliance in a timely manner.

Communication is another key element when it comes to preventing compliance violations and improving Company-wide awareness. We engage in an open dialog with employees in order to further enshrine integrity and fairness in our day-to-day business. For example, information on guidelines and compliance activities is communicated via intranet articles and videos.

The focus on the communication strategy in the previous financial year led to an improved understanding of compliance-related questions and strengthened employee awareness and the visibility of the function within the Company.

Dealing with compliance violations

HEIDELBERG has established various reporting channels so that external and internal whistleblowers can report potential compliance misconduct and violations at an early stage in order to ensure clarification. Sanctions are imposed on a case-by-case basis, taking into account the nature and seriousness of the compliance misconduct or violation and the applicable law.

The central compliance office and the regional and local compliance officers are available to HEIDELBERG's employees, managers and executive bodies for all compliance-related questions and notifications.

Compliance misconduct and violations can also be reported via various channels, including to the ombudspersons appointed by HEIDELBERG. Through the ombudspersons, HEIDELBERG ensures that employees, customers, suppliers and business partners can report potential compliance misconduct and violations confidentially and, if required, anonymously. The ombudsperson's office has been expanded to include a female contact person in order to remove potential barriers to reporting.

The financial year 2022/2023 also saw the introduction of the electronic reporting tool SpeakUp, which is available to internal and external whistleblowers. SpeakUp allows reports to be submitted using a real name or anonymously. It supplements the existing reporting channels. The SpeakUp system is operated by an independent service provider, and is available round the clock. Users can submit reports in their own language by telephone or online. Reports are processed by the compliance office. The system can be used, for example, to report corruption, antitrust violations or money laundering, as well as human rights and environmental offenses. All substantiated reports are investigated internally and may have consequences in the form of corrective measures.

A Group-wide guideline governs the procedure and describes the process transparently. It also describes the protection afforded to whistleblowers and the subjects of reports.

Various communication tools are used in order to improve trust in the system and make it more widely known. For example, it forms part of the compliance training as well as interactive events within the Company. Information material has also been developed, such as flyers explaining the procedure.

Compliance misconduct and violations can also be reported to the compliance function directly, via the Management Board, the Works Council or line managers.

Financial calendar 2023/2024

June 14, 2023
Press Conference, Annual Analysts' and Investors' Conference

July 26, 2023
Annual General Meeting

August 4, 2023
Publication of First Quarter Figures 2023/2024

November 8, 2023
Publication of Half-Year Figures 2023/2024

February 7, 2024
Publication of Third Quarter Figures 2023/2024

June 11, 2024
Press Conference, Annual Analysts' and Investors' Conference

July 25, 2024
Annual General Meeting

Subject to change

Publishing information

Heidelberger Druckmaschinen
Aktiengesellschaft
Kurfürsten-Anlage 52–60
69115 Heidelberg
Germany
www.heidelberg.com

Investor Relations
Tel. +49-6222-82 67120
investorrelations@heidelberg.com

Produced on HEIDELBERG machines using
HEIDELBERG technology.

Printed in Germany.

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

Concept/Design/Realization
3st kommunikation GmbH, Mainz

Proofreading
AdverTEXT, Düsseldorf

Photo credits
Matthias Schmiedel: cover, pages 1–23
Matthias Fellermann: top of page 2, page 4, pages 6 and 7
Roger Oberholzer: portrait page 20
Lossen Fotografie: page 26

Print
W. Kohlhammer Druckerei GmbH + Co. KG, Stuttgart

Carbon neutral
Print product
ClimatePartner.com/12585-2306-1013

RECYCLED
Paper made from recycled material
FSC® C016267
www.fsc.org

Five-year overview – HEIDELBERG Group

Figures in € millions	2018/2019	2019/2020	2020/2021	2021/2022	**2022/2023**
Incoming orders	2,559	2,362	2,000	2,454	2,433
Net sales	2,490	2,349	1,913	2,183	2,435
Foreign sales share in percent	84.8	86.2	86.4	85.6	87.2
EBITDA [1]	161	–103	95	160	209
in percent of sales	6.5	–4.4	5.0	7.3	8.6
Result of operating activities	81	–269	18	81	131
Net result before taxes	32	–322	–23	51	112
Net result after taxes	21	–343	–43	33	91
in percent of sales	0.8	–14.6	–2.2	1.5	3.7
Research and development costs	127	126	87	98	96
Investments	134	110	78	71	101
Total assets	2,329	2,602	2,169	2,183	2,221
Net working capital [2]	684	645	505	440	515
Receivables from sales financing	60	43	44	43	40
Equity	399	202	109	242	514
in percent of total equity and liabilities	17.1	7.8	5.0	11.1	23.1
Financial liabilities	465	471	271	135	102
Net financial position [3]	–250	–43	–67	11	51
Free cash flow	–93	225 [4]	40	88	72
in percent of sales	–3.7	9.6	2.1	4.0	3.0
Return on equity in percent [5]	5.3	–169.8	–39.4	13.6	17.7
Earnings per share in €	0.07	–1.13	–0.14	0.11	0.30
Dividend in €	–	–	–	–	–
Share price at financial year-end in € [6]	1.55	0.56	1.15	2.39	1.71
Market capitalization at financial year-end	472	171	350	728	512
Number of employees at financial year-end [7]	11,522	11,316	10,212	9,811	9,554

1) Result of operating activities before interest and taxes and before depreciation and amortization
2) The total of inventories and trade receivables less trade payables and advance payments
3) Net total of cash and cash equivalents and current securities and financial liabilities
4) Including inflow from trust assets of around € 324 million
5) After taxes
6) Xetra closing price, source prices: Bloomberg
7) Number of employees excluding trainees

Heidelberger Druckmaschinen Aktiengesellschaft

Kurfürsten-Anlage 52–60
69115 Heidelberg
Germany

www.heidelberg.com