

- Translation for Convenience-

**Ordinary Annual General Meeting of Heidelberger Druckmaschinen Aktiengesellschaft
on July 21, 2022**

Joint report

of the Management Board of Heidelberger Druckmaschinen Aktiengesellschaft

and

the management of Heidelberger Druckmaschinen Subscription GmbH

in accordance with section 293a AktG

**on the conclusion of a profit transfer agreement between Heidelberger
Druckmaschinen AG and Heidelberger Druckmaschinen Subscription GmbH**

I. General information

Heidelberger Druckmaschinen Aktiengesellschaft, headquartered in Heidelberg (hereinafter "**Heidelberger Druck**") and Heidelberg Druckmaschinen Subscription GmbH, headquartered in Wiesloch (hereinafter "**HD Subscription**"), a direct wholly owned subsidiary of Heidelberger Druck, have entered into a profit transfer agreement (hereinafter the "**agreement**") in which HD Subscription undertakes to transfer all of its profits to Heidelberger Druck. Heidelberger Druck undertakes in turn to absorb HD Subscription's losses.

The Management Board of Heidelberger Druck and the management of HD Subscription jointly submit the following report on the conclusion of the agreement in accordance with section 293a of the Aktiengesetz (AktG – German Stock Corporation Act).

II. Parties

The parties to the agreement are Heidelberger Druck and HD Subscription.

1. Heidelberger Druck

Heidelberger Druck is a listed stock corporation headquartered in Heidelberg and entered into the commercial register of the Mannheim District Court under HRB 330004. Heidelberger Druck employs around 4,545 people worldwide in total and generated consolidated sales of around EUR 2.2 billion in the 2021/2022 reporting year. The purpose of the company according to its articles of association is the

manufacture, sale and trade of printing presses and other products in the print media industry and the performance of services and advisory services that relate to this. The purpose of the company also includes other products, services and consulting services in the area of mechanical engineering, electronics, electrical engineering and the metal industry. The financial year of Heidelberger Druck is the period from April 1 to March 31.

2. HD Subscription

HD Subscription is a limited liability company that was established in March 2022 and that is headquartered in Wiesloch and entered in the commercial register of the Mannheim District Court under HRB 743985. The company's share capital amounts to EUR 25,000.00. The financial year of HD Subscription is the period from April 1 to March 31.

The purpose of the company according to its articles of association is the acquisition, development, marketing, rental and sale of products, consulting and other services, risk management, financial structuring, and solution delivery, within the framework of subscription models, all in connection with printing presses, their accessories and other products in the printing industry, including production facilities serving this purpose. Banking and financial services pursuant to the regulations of the Gesetz über das Kreditwesen (KWG – German Banking Act) and all other activities that require a government, regulatory or judicial license or approval are excluded.

HD Subscription does not currently employ any staff. As a limited liability company in formation, HD Subscription had not commenced any business activities by March 31, 2022. For this reason, annual financial statements as at March 31, 2022 will not be prepared. The company will be included in the consolidated financial statements of Heidelberger Druck starting from the 2022/2023 financial year.

III. Agreement relating to the profit transfer agreement

1. Conclusion and entry into effect of the agreement

Heidelberger Druck and HD Subscription entered into a profit transfer agreement on March 21, 2022. The approval of the Annual General Meeting of Heidelberger Druck is required in order for this agreement to become effective. The Management Board and the Supervisory Board of Heidelberger Druck therefore propose to the Annual General Meeting scheduled for July 21, 2022 that it approve the version of the agreement of March 21, 2022 that is submitted to the Annual General Meeting.

Furthermore, the agreement requires the approval of the shareholders' meeting of HD Subscription in order to become effective. The shareholders' meeting approved the agreement on March 21, 2022.

Finally, the agreement must be entered in the commercial register of HD Subscription in accordance with section 294(2) AktG in order to become effective. Given the intended retroactive effect of the profit transfer agreement, this therefore applies from the financial year of HD Subscription in which the profit transfer agreement comes into effect as a result of being entered in the commercial register, i.e. prospectively from April 1, 2022.

2. Legal and business reasons for concluding the agreement

The goal of the agreement is to create a consolidated tax group for income tax purposes, i.e. a consolidated tax group for corporation and trade tax purposes, between Heidelberger Druck and HD Subscription.

By forming a consolidated tax group of this kind, it will initially be possible to attribute the profits and losses of HD Subscription as the controlled company directly to Heidelberger Druck as the controlling company for tax law purposes and thus to enable both companies to optimize their tax positions.

In addition to the positive effects of the business integration, the agreement will in particular result in benefits for HD Subscription through the financial security it provides, as Heidelberger Druck undertakes to settle any losses that may arise. The obligation to transfer the profits is not expected to have any notable impacts, as Heidelberger Druck will, as the sole shareholder, receive all of the profits in the future.

For Heidelberger Druck, the agreement results in the obligation to absorb the losses of HD Subscription. No particular consequences for the shareholders of Heidelberger Druck arise beyond this; in particular, no settlement or compensation payments to minority shareholders as defined by sections 304, 305 AktG will be owed. Moreover, concluding the agreement will not mean any changes in the equity interests in the parties to the agreement.

3. Notes on specific regulations

a. Section 1 Profit transfer

Section 1 of the agreement governs the obligation of HD Subscription to transfer all of its profits to Heidelberger Druck, as the controlling company, in accordance with the provisions of section 301 AktG as amended from time to time. The regulation is based on the legal model of section 301 AktG. The profit transfer is a central requirement for forming a consolidated tax group for income tax purposes and is what enables the potential settlement of losses by offsetting the tax results of the companies affiliated in the consolidated tax group.

Section 1(2) of the agreement states that other retained earnings recognized during the term of this agreement must be dissolved by HD Subscription at the request of

Heidelberger Druck and transferred as profit. In accordance with section 1(3) of the agreement, HD Subscription can transfer sums from the net income for the year to the retained earnings (section 272(3) of the Handelsgesetzbuch (HGB – German Commercial Code)) with the approval of Heidelberger Druck to the extent that is permitted by commercial law and is economically justifiable in line with prudent business judgment. In accordance with section 1(4) of the agreement, the entitlement to the profit transfer arises at the end of HD Subscription's financial year. It becomes due on the value date at this time.

b. Section 2 Loss absorption

Section 2 of the agreement governs the contractual obligation of Heidelberger Druck to absorb losses by referring expressly to the regulation of section 302 AktG as amended from time to time. Heidelberger Druck accordingly undertakes to absorb the losses of HD Subscription for the duration of the agreement.

The obligation to compensate losses does not apply if the net loss for the year is settled by withdrawing amounts from the other retained earnings within the meaning of section 272(3) HGB that have been transferred to these earnings during the term of the profit transfer agreement. The obligation to compensate losses ensures that the accounting equity of HD Subscription at the time the agreement comes into effect is not diminished during the term of the agreement. The obligation to compensate losses serves to safeguard the proprietary interests of HD Subscription and its creditors for the duration of the existence of the profit transfer agreement.

c. Section 3 Effective date and duration

Section 3 of the agreement governs the start, duration and effective date of the agreement. In accordance with section 3(1), the agreement comes into effect when it is entered in the commercial register of HD Subscription. The agreement applies retroactively from the beginning of the financial year of HD Subscription in which the agreement is entered in the commercial register of HD Subscription.

In accordance with section 3(2) sentence 1, the agreement is entered into for a period of five years, calculated from the time it becomes effective in accordance with subsection 3(1) sentence 2. If this period of five years ends during a current financial year of HD Subscription, the minimum term of the agreement in accordance with section 3(2) sentence 2 is extended to the end of that financial year. Thereafter, the agreement continues for an indefinite period unless it is terminated by giving one month's written notice in compliance with the above minimum term. The minimum term of five years is a basic requirement for the recognition of the intended consolidated tax group for income tax purposes (section 14(1) sentence 1 no. 3 of the Körperschaftssteuergesetz (KStG – German Corporation Tax Act) in conjunction with section 17(1) KStG).

In addition to the minimum term of the agreement of five years (cf. section 14(1) sentence 1 no. 3 KStG in conjunction with section 17(1) KStG), a requirement for the recognition of a consolidated tax group for income tax purposes is that HD Subscription

as a dependent company is financially integrated in Heidelberger Druck as the controlling company such that the controlling company is entitled to the majority of the voting rights in the dependent company without interruption from the start of the financial year. Furthermore, the profit transfer agreement must also actually be implemented during its term.

Regardless of the exclusion of the right of ordinary termination, the agreement can be terminated in accordance with section 3(3) sentence 1 without notice for good cause during the minimum term. The right of termination for good cause exists by virtue of the law and cannot be excluded by contract. Good cause always exists in principle if, when weighing up all the circumstances of the terminating party, it cannot reasonably be expected to continue the contractual arrangement. In accordance with section 3(3) sentence 2 of the agreement, good cause is also present in particular if Heidelberger Druck no longer holds an equity interest with the majority of voting rights in HD Subscription, if Heidelberger Druck sells or contributes its shares in HD Subscription, if Heidelberger Druck or HD Subscription is merged, spun off, or liquidated, or if an external shareholder invests in HD Subscription for the first time within the meaning of 307 AktG.

The result of the termination of the profit transfer agreement before the end of the statutory minimum term in accordance with section 14(1) sentence 1 no. 3 KStG in conjunction with section 17(1) KStG is in principle that the consolidated tax group is no longer recognized for tax purposes, unless there is good cause for the termination that is recognized under tax law. This includes in particular the grounds for termination provided as examples in section 3(3) of the draft agreement.

d. Section 4 Final provisions

The severability clause contained in section 4(1) of the agreement is intended to ensure that the essential content of the agreement is maintained if individual contractual provisions should prove, contrary to expectations, to be partially or entirely invalid or unenforceable or to contain gaps or omissions. This is a regulation that is typically included in profit transfer agreements. In accordance with section 4(2) of the agreement, the provisions of sections 14 and 17 KStG as amended from time to time, or the corresponding successor regulations, apply to the interpretation of the individual provisions of this agreement. If individual provisions of the agreement conflict with section 2 (loss absorption), section 2 shall take precedence over these provisions. This, too, is a typical contractual component.

IV. No settlement or compensation rights, no review

As Heidelberger Druck holds all shares in HD Subscription and HD Subscription therefore does not have any external shareholders, regulations governing settlement or compensation rights (sections 304, 305 AktG) are not necessary. There was therefore no need to perform a valuation of the companies involved in order to calculate an appropriate settlement and appropriate compensation. Similarly, no review of the agreement by a court-appointed auditor (contract auditor) in accordance with sections



293b ff. AktG is required.

Heidelberg, June 2022

The Management Board of Heidelberger Druckmaschinen Aktiengesellschaft

Dr. Ludwin Monz

Marcus A. Waßenberg

Wiesloch, June 2022

The managing directors of HD Subscription GmbH

Ralf Steger

Jochen Bender