

**Not to be released until the speech starts!**

**Speech for the Annual General Meeting of  
Heidelberger Druckmaschinen AG**

**Wednesday, July 26, 2023**

**Congress Center Rosengarten, Mannheim**

**Dr. Ludwin Monz  
Chief Executive Officer**

**The spoken word applies!**

## **Title Chart: Welcome**

Dear Shareholders, Ladies and Gentleman,

Welcome to this year's Annual General Meeting of Heidelberger Druckmaschinen AG, which after three years of being held in an entirely virtual format is now once again taking place in a physical location. It is great to see you all here in person.

Similarly, this past year has also given me the opportunity to get to know HEIDELBERG as a company on a more personal level. I have been able to speak informally to staff from all levels and make numerous visits to markets from Europe to North America and Asia. If I could share just *one* insight into HEIDELBERG as it is today with you, our shareholders, it would be this: All across the globe, I have met staff members who are, in equal measure, proud to work for a company with a rich tradition and yet also motivated to take those all-important next steps into the future.

I also regularly see the sense of pride and loyalty that I have encountered inside the company reflected by our customers. For many in the printing industry, working with a press from HEIDELBERG is still something very special. There is one particular place at our premises in Wiesloch where this is clear to see – our Print Media Center. This is where we regularly showcase our company and products to both existing and prospective customers. We introduce them to our sheetfed offset presses for packaging printing and our digital printing systems for commercial work, for example. When you watch over their shoulder as they operate our machines, you get a very clear sense of how the HEIDELBERG brand fuses together tradition and the future. Regardless of whether they are trainees or longstanding customers, they are all overtaken with enthusiasm.

That is precisely what I want to focus on today. Over the next 30 minutes, I would like to show you how we intend to leverage the strengths we have built up in the past and acquire new strengths for the future. After all, as shareholders, you will naturally have a particular interest in looking ahead.

## A look back

Ladies and Gentlemen,

As shareholders in HEIDELBERG, you will have found the past year eventful. It has been dominated by crises and consequently by enormous challenges. The sheer amount of political and economic upheaval is unparalleled in recent decades.

We started the year with continuing COVID-19 lockdowns in China. The pandemic was not yet over in Germany, either, and distancing, masks, mobile working, and video conferences were still very much part of our daily working life. We felt the economic consequences first and foremost in China. Although the situation normalized again in the second half of the year, sales in China were still well below the previous year's levels.

However, the pandemic had another consequence, specifically for supply chains. Many materials and parts were simply unavailable, or could only be supplied with considerable delays. The second and much more difficult event was Russia's invasion of Ukraine and the war that continues to this day. This meant we had to give up our business in Russia. Particularly in Germany and Europe, we experienced enormous inflation driven by the natural gas and energy crisis. This development brought cost increases in virtually all areas.

You will, of course, have followed the consequences for the economy, the SDAX, and HEIDELBERG shares. While the German DAX benchmark index fell by around 3 percent compared with the start of 2022, the SDAX dropped by more than 20 percent. This development was even clearer on the Industrial Machinery Index, which saw a downturn of almost 33 percent. HEIDELBERG shares also came under considerable pressure. After starting out at € 2.42 on April 1 of last year, we reached our low for the year of € 1.11 on November 29. The gradual relaxation of energy prices and the publication of the half-yearly figures on November 9, 2022, led to a slight recovery in our share price. At the end of the financial year, concerns about the stability of the banking sector saw share prices dip slightly again. A look at the new financial year shows that you, our investors, are watching our moves very carefully. Our ad hoc announcement regarding a positive deviation from our outlook for the past financial year 2022/2023 brought about a jump in the share price. By contrast, you were reserved in your response to the cautiously optimistic outlook for the new financial year at the Annual Press Conference. I would like to take the next few minutes to look at this in a little more detail.

Ladies and Gentlemen,

Despite the challenges I mentioned at the start of my speech, the past financial year 2022/2023 was brought to a successful close. It ended on March 31, 2023, and I would now like to present the most important financial key performance indicators.

### **Chart 2: An overview of financial year 2022/2023 – a clear recovery compared with the previous year**

One crucial task last year was to keep pace with the inflationary environment and offset rising costs with price increases. Through intensive dialog with our customers, we were able to do that. Thanks to a strong final quarter, sales in financial year 2022/2023 were slightly higher than the forecast level of approximately € 2.3 billion, amounting to around € 2.435 billion. By comparison, sales in the previous year had been € 2.183 billion. Strong growth in the Packaging Solutions segment made a particular contribution to the result. The order backlog on March 31, 2023, remained high at around € 848 million.

In particular, the price adjustments and positive sales developments had a notable impact on EBITDA. At 8.6 percent, the EBITDA margin exceeded the target of at least 8 percent. When adjusted for earnings from the sale of fixed assets, the EBITDA margin was 7.2 percent. That represents a clear increase compared with the previous year, when the adjusted value was 5.1 percent.

Due to the higher absolute EBITDA level and financial and tax results that benefited from non-recurring effects, the net result after taxes amounted to € 91 million. Accordingly, it comfortably exceeded the forecast for a slight improvement of € 33 million compared with the previous year. The net result after taxes was also higher than market expectations, which had themselves already overtaken the forecast over the course of the financial year.

### **Considerably higher new syndicated credit facility with extended term agreed**

During the year under review, the financial liabilities as the sum of all amounts due to banks and lease liabilities were reduced by means of loan repayments and amounted to € 102 million (previous year: € 135 million).

Since publishing our single-entity financial statements, we have agreed a new syndicated credit facility with our long-standing banking partners, and this was signed by all parties a few days

ago. The credit facility runs to July 2027 and has also been significantly increased by approximately € 100 million to € 350 million. Consequently, as part of a move to simplify our financial liabilities, we have paid off our remaining smaller residual sums from loans and development loans in Germany that have a short remaining term. This long-term realignment and expansion of our financing represents a solid foundation for the ongoing strategic development of our company. We can potentially develop this credit facility into a sustainability-linked loan by incorporating corresponding sustainability KPIs. Ladies and Gentlemen, I would like to take this opportunity to thank our financing partners for their trusting cooperation over recent years. It is due to this that we are now able to focus on strategically guiding our company to the next level.

### **Chart 3: Free cash flow buoyed by non-recurring effects**

There is one factor that I would like to draw particular attention to – both today and in the years ahead. At € 72 million, free cash flow in the last financial year was lower than in the previous year (€ 88 million). As in earlier years, the cash flow benefited from non-recurring effects such as land sales. For example, we were once again able to exert a positive influence on our cash flow by selling land in Wiesloch and outside Germany.

The operating cash flow was boosted by the improved results situation but negatively affected by the volume-related increase in inventories. The net financial position – that is, cash minus financial liabilities – rose to € 51 million at the end of the reporting period (previous year: € 11 million). HEIDELBERG is also making progress with its equity ratio, which increased to around 23 percent at the end of the financial year (previous year: 11 percent). Alongside the higher interest rate for pensions in Germany and the planned revaluation of land, this is above all due to the positive net result after taxes.

### **Chart 4: Value creation program**

Ladies and Gentlemen,

Moving forward, we must – and will – devote a great deal of attention to our cash flow. After all, we cannot go on selling off parcels of our land and other assets, as we have done in recent years. HEIDELBERG has reached a point where the funds for investments must be raised through operating activities. Furthermore, although the profitability of HEIDELBERG based on

operating activities has improved in recent years, it is still at an unsatisfactory level and gives us little scope for investment and for financing strategic initiatives.

To finance the growth of the future and fundamentally boost the financial strength and resilience of HEIDELBERG, we have therefore initiated a comprehensive, global value creation program.

You may already have read about our value creation program in the press, as we unveiled it publicly for the first time at the Annual Press Conference.

I would like to give you, our shareholders, as detailed an insight into this undertaking as I can at this present time. Through this program, we are pursuing both short-term targets that will produce quick results and longer-term goals.

This firstly means that our program will support the financial targets from our outlook during the current financial year. Allow me to offer a few examples of what that means. In the short term, the program encompasses a more detailed review and adjustment of our pricing structure. Against the backdrop of inflation on an almost fully global scale, it is particularly important that we engage with this issue systematically and adjust the prices for products and services in line with our customers' needs. At the same time, we are analyzing our product portfolio to ensure that, in the midst of a dynamically changing environment, we are always able to offer precisely those products that both meet the needs of customers and are also profitable. Finally, we also need to re-examine ourselves and continue to optimize and streamline processes – this is another step we will have to take this year in order to achieve the targets that have been set.

I believe it is important to emphasize to you, our shareholders, that we are looking at the whole of HEIDELBERG and leaving no stone unturned. That is why we are also thinking in the long term and following the principle of “paving the way today for the innovation and growth of tomorrow”. In the medium term – and this is important to me – HEIDELBERG aims to use the value creation program to significantly increase free cash flow. It is through our own efforts that we will procure and redistribute the resources we need in order to successfully implement our growth strategy. I will set out this strategy in detail shortly, but allow me to sum it up briefly at this juncture by saying that, when it comes to our core business of printing, we must make a successful and sustainable move into the digital press market over the next few years. However, we also intend to move into new fields of technology. We will use our value creation program to free up the financial resources for this strategy.

## Chart 5: Incoming orders and sales up in printing segments

Ladies and Gentlemen,

Ultimately, we can only achieve good figures if our products are selling well. I am therefore very pleased to report that sales in our core business developed encouragingly in the last financial year. If we look at the individual segments of HEIDELBERG, we can see that sales in both categories of the printing market rose, although there are structural differences between them.

Packaging printing and label printing – covered by our Packaging Solutions segment – represent the strongest growing segment in the global printing market. At approximately € 1.2 billion, our incoming orders on the reporting date were a good 7 percent up on the previous year's figure. A high order backlog and good order situation ensured that sales in the Packaging Solutions segment grew by around 25 percent over the course of the year. That is a very encouraging development.

Besides growth in new machinery business, we also recorded growth in consumables and services. This reaffirms our dual-track business strategy. Moving forward, HEIDELBERG must increase its investment in the growth market of packaging printing.

We cover the commercial printing market with our Print Solutions segment, which held its ground in a challenging environment. On the one hand, incoming orders at the end of the year were approximately 5 percent lower than the previous year's figure. On the other hand, sales in the Print Solutions segment exhibited robust growth and were approximately 4 percent up compared with the previous year. It was crucially important in this regard that we were able to push through price increases in dialog with our customers and thus counter cost increases.

In contrast to the printing market in the last financial year, Wallbox business in our Technology Solutions segment recorded very considerable drops in incoming orders and sales.

What happened? Germany's incentive policy for electromobility changed. In the financial year before last, our business was still being very much stimulated by a Wallbox funding program. Unfortunately, purchasing incentives such as these have been absent over the past financial year. In addition, long delivery times for electric vehicles and uncertainty about the development of energy prices also resulted in Wallbox business being weaker.

At minus 57 percent, both incoming orders and sales were down significantly on the levels from the previous year. As I said, this drop was primarily due to the closure of the funding program. We are confident that electromobility is a long-term growth market and that this trend will be reversed again, which is why we have also continued to invest in this business. For example, we have appointed an experienced expert with a background in the electric vehicles market to the post of CEO at our electromobility subsidiary Amperfied. He will drive forward our growth in the charging solutions sector for electromobility, both by continuing to develop the product portfolio and by expanding our sales. More on that later.

The potential of electromobility is just as big as ever. From 2035, newly registered vehicles in the EU will be required to have zero CO<sub>2</sub> emissions. However, at the start of 2023, only around one million of the 48.8 million passenger cars registered in Germany were all-electric vehicles. The switchover to emissions-free driving will therefore take years, and the necessary charging infrastructure will need to be put in place in parallel with this process. HEIDELBERG aims to benefit from this development.

Ladies and Gentlemen,

Having analyzed the financial key performance indicators, my interim summary is that, despite headwinds, we have stabilized our leading position in our core market of the printing industry and restored our financial fitness so that we can leverage further growth potential for HEIDELBERG in the future. We will achieve this by pursuing a consistent strategy, and that is what I would like to talk about now.

### **Chart 6: The HEIDELBERG strategy**

As many of you will know only too well, the printing industry and therefore also our company is still undergoing a far-reaching process of change. This makes it all the more important to clearly define the path that HEIDELBERG is taking. The most important aim of the strategy is to position HEIDELBERG so it can be commercially successful.

HEIDELBERG is pursuing a dual-track strategy. On the one hand, we are focusing on our core business in the printing market. We are leveraging the strengths of our brand and our outstanding expertise so that we can retain our technology leadership in the printing press industry. We are aiming to – and we will – make an impression on the printing market beyond our business with sheetfed offset presses, especially in the packaging market and digital printing.



On the other hand, we are systematically searching for new business areas that are a good fit for us and could generate additional business at some point. Charging technology with our Wallboxes is one example of this.

However, it is clear that we can only afford to explore new avenues if we are successful in our core business activities. Furthermore, it will take many years for any new operations to build up to a scale that is similar to that of our core business.

### **Chart 7: Printing market**

So how do we go about growing in the printing market? It is true that the market for sheetfed offset presses has significantly contracted over the past 20 years. Today, the sheetfed offset market is worth approximately € 2 billion. At the same time, however, the market for digital presses and the associated consumables and services has grown considerably and is continuing to grow. The digital printing market that we can address currently has a volume of around € 5 billion, making it more than twice the size of the sheetfed offset market. When comparing these two markets, we see another important difference – more than half the sales on the digital printing market are accounted for by services and consumables, i.e. ink or toner. Dealing in consumables is far more profitable than dealing in machinery. That is another reason why we are so interested in the digital printing market.

So, where do we stand with this ambition? A number of you, as long-term shareholders, may well be asking yourselves that question, specifically with regard to digital printing. In answer, I would like to take a closer look at four HEIDELBERG products that exemplify our dual-track strategic focus on growth segments: the Speedmaster XL 106 and the recently launched Boardmaster, which are both aimed at the packaging segment, the Gallus One digital label printing press, and our new Wallbox, which has been specially designed for domestic photovoltaic installations.

### **Chart 8: Folding carton market**

#### **New Speedmaster XL 106 from HEIDELBERG boosts productivity and is the world's fastest sheetfed offset press**

We have launched an innovation in sheetfed offset printing and thus once again underscored our technology leadership in this important market. The option to increase the printing speed of the Speedmaster XL 106 to up to 21,000 sheets per hour makes this high-performance system the world's fastest sheetfed offset press and means an annual output of over 100 million prints

is now also possible in folding carton production. This press is a particularly good option for companies producing packaging in the 70 x 100 format, who are calling for ever higher machine outputs and end-to-end automation. The increase in printing speed from 18,000 to up to 21,000 sheets per hour on the Speedmaster XL 106 is especially attractive to these users. Depending on customer base, the economic benefit is an 8 to 10 percent higher net output and – provided productivity potential is fully utilized – the opportunity to recoup investment costs in around two years.

To achieve this, HEIDELBERG has optimized some 200 components throughout the entire system, from feeder to delivery. For example, two servo motors now drive the feeder directly and, in the delivery, the gripper bars have been reduced in weight and adapted to the new speed to ensure stable and reliable operation. Our market success proves we are on the right track. Only recently, HEIDELBERG sold the 20,000th printing unit for its Speedmaster XL 106 sheetfed offset press.

As you may remember from the previous year, the subscription model continues to play an important role for us. In April 2023, WEIG Packaging invited around 40 guests to its Emskirchen site in Bavaria for a ribbon-cutting ceremony where it unveiled the first Speedmaster XL 106 with a speed of 21,000 sheets per hour to be installed in Germany. The new press is being run alongside two other Speedmaster XL 106 machines to manufacture folding cartons on a huge scale.

The print shop is also the first company to have ordered the new press as part of the extended “Subscription Plus Model” with HEIDELBERG and Munich Re as partners. Under this model, it pays exclusively for its productive industrial output or, to put it another way, for the number of sheets it prints. This price covers the press, software, all the necessary consumables, and services.

Thanks to this subscription partnership, our customer WEIG has been able to significantly boost its productivity. The Managing Director of WEIG recently stated that this latest investment lays a new foundation for its partnership with HEIDELBERG and Munich Re. This model puts the interests of the customer and HEIDELBERG on an equal footing. We benefit from our customer’s higher output and our customer benefits from increased productivity.

Ladies and Gentlemen,

It gives me great pleasure to present an innovation to you that has caught the interest of both new customers and the trade press worldwide. Boardmaster celebrated its global premiere in May 2023 at Interpack, the international trade fair for the packaging segment.

### **Doubling productivity in packaging production – HEIDELBERG presents the new Boardmaster**

The new HEIDELBERG Boardmaster is a flexographic web printing system that doubles productivity compared with the previous generation thanks to its machine availability of up to 90 percent and a maximum printing speed of 600 meters per minute. This leads to a dramatic reduction in overall operating costs in industrial packaging production. Having a product that is as competitive as this is important for us, because the packaging and label printing segment is recording structural growth due to burgeoning worldwide demand for packaged goods and is an important core segment for HEIDELBERG.

With the world premiere of our HEIDELBERG Boardmaster, we are responding to key customer requirements in the packaging market – cost pressure, productivity, the skills shortage, and sustainability. Alongside offset printing, flexographic printing is now the number one printing technology in the packaging market. Today, some 15 percent of all folding cartons are already being manufactured using flexographic techniques – and this proportion is continuing to increase. For example, the flexographic printing production volume for folding cartons in the packaging printing sector is exhibiting above-average growth of 2.4 percent.

International brand corporations in particular are looking to combine printing quality with ever greater sustainability and recyclability across their entire packaging portfolio, and they are increasingly moving away from plastic. In the food sector, plastic is still the dominant packaging material by some margin. According to a recent study by Smithers, however, the proportion of fiber-based packaging made from materials such as board and paper will overtake plastic in the medium term. The study claims that paper packaging will then assume the top spot with a proportion of over 40 percent. The new HEIDELBERG Boardmaster is especially suited to the food and beverage sector's folding carton applications, which are becoming increasingly popular worldwide due to a growing global demand for packaged products.

It is also important to note that the packaging market is the segment of the printing industry that is recording the strongest growth – at 2 percent growth in print volume every year. I am pleased

to report that, in financial year 2022/2023, HEIDELBERG generated around half its sales in the Packaging Solutions segment.

### **Chart 9: An important step into digital printing – the Gallus One**

Ladies and Gentlemen,

I emphasized earlier that we at HEIDELBERG also want to forge ahead with digital printing. After all, this segment of the printing market is growing and is an excellent fit for HEIDELBERG. To break into digital printing, we are initially focusing on strong growth in a niche segment that also promises big profits – label printing. This segment is leading the way in digitization. HEIDELBERG aims to seize the resultant opportunities with a fully comprehensive solutions portfolio. This approach is borne out in the newly developed digital label printing press Gallus One, which combines a high level of automation with comprehensive connectivity and low overall costs over its service life.

According to industry forecasts, the global print volume in label printing is set to increase from € 29 billion in 2022 to € 32 billion in 2027. A clear trend is also emerging toward digital technology, where growth is above average. The Gallus One is the first product from our current innovation cycle that brings digital label printing to the wider growth market.

The Gallus One also symbolizes the integration of our Swiss subsidiary Gallus into the Group. After all, it combines the technological expertise of HEIDELBERG in digital printing and software with the application know-how and market access that Gallus has in the label printing sector. For example, experts from a total of three sites – in St. Gallen, Langöns, and Wiesloch – worked together to develop the Gallus One, which is the first solution we have created using a new construction kit. The result is not just the best possible print quality and efficiency – in terms of energy consumption, for instance – but also a high level of automation and connectivity. We are currently utilizing this construction kit as a basis for developing more innovations.

Digital printing is also becoming ever more important in the commercial segment. Around 30 percent of the print volume in this segment is already being produced digitally. HEIDELBERG works in partnership with Ricoh to supply this market with the Versafire digital printing press. Most of our customers use a combination of offset and digital printing techniques to give them maximum flexibility for their commercial work. That is why being able to integrate digital printing into their pre-existing production workflow is crucially important to them. HEIDELBERG offers a solution to help them do just that – its Prinect workflow software. The

principle of “two printing processes – one workflow technology” hugely simplifies the processes involved in manufacturing print products and plays a decisive part in delivering standardized production and safeguarding competitiveness.

### **Benefiting from the trend toward solar panels – the new Wallbox from Amperfiend**

Ladies and Gentlemen,

That covers the printing sector, and brings me to the second track of our strategy – new business areas.

#### **Chart 10: Electromobility**

There is one spin-off from HEIDELBERG that you as shareholders will have a particular interest in. Thanks to its charging solutions for electric cars, HEIDELBERG has successfully positioned itself in the growth market of domestic electromobility in Germany through its subsidiary Amperfiend GmbH. To reach a larger customer base in the future, the company is further driving its expansion into other European countries and extending its range of solutions for the public and semi-public sector. A Wallbox with a solar function is also being added to the product portfolio to benefit from the growing number of domestic photovoltaic installations.

After all, photovoltaics (PV) is one of the fastest growing technologies for the energy transition in Germany and almost half of all new solar power installations being fitted to homes are already being combined with a Wallbox. This is why we are expanding our product portfolio to include a Wallbox with a solar function. As a result, we are offering our customers a “made-in-Germany” solution that enables them to recharge an electric car at minimal cost using solar power they have generated themselves. The system has two major benefits: First, the Wallbox is connected directly to the solar installation – no additional components are required. Second, the car can be charged with a solar output as low as 1.4 kW, the kind of output achieved when the sky is cloudy, for example. This is possible thanks to innovative electronics that switch between single-phase and three-phase charging depending on how much power is available. Consequently, the Wallbox is also suitable for homeowners who already have a PV installation and therefore only need to get a compatible Wallbox in order to optimize the charging of their electric car. All they need to do is connect the Wallbox and power meter to the home’s power grid and that’s it – job done.

Until now, our charging solution operations have focused on Germany. In the new financial year, we are planning to expand sales into other European countries and have already made some initial progress in this regard. Besides the home markets of Germany, Austria, and Switzerland, we are now also focusing on France, the Benelux countries, Spain, Italy, and Poland, as these are the countries that offer the biggest sales opportunities for our current portfolio.

### **Chart 11: Extending sustainability management activities**

Electromobility is helping to drive the transition that is shaping the energy and transport sectors in Germany and Europe. It is also contributing to improved sustainability. However, the sustainability activities that HEIDELBERG is pursuing are not limited to electromobility. I would now like to address this in a little more detail. In our view, sustainability has become the very basis for economic activities in a great many fields of business, including in our core business with printing presses. This is because of new legal requirements, of course, but is also because customers are increasingly demanding sustainability in production and in operations, and not least because we ourselves are committed to sustainability as we look to the future.

At HEIDELBERG, sustainability is a constant guiding principle. Our aim is to have the smallest ecological footprint in our sector, throughout the entire value chain. To achieve this ambitious goal, we aim to make our production and sales locations climate neutral. We are also developing sustainable products and solutions that will help our print shop customers reduce their consumption of energy and raw materials.

Two years ago, we set ourselves the target of using offsetting measures to make all our locations climate neutral by 2030. This applies to emissions that are generated at HEIDELBERG and to the procurement of energy. From 2040, we want to achieve this climate neutrality without having to purchase emissions certificates. To reach this goal, we must focus on the big emitters, and we can already point to significant successes in this regard. In the financial year just closed, we succeeded in cutting CO<sub>2</sub> emissions by approximately 28 percent by reducing square footage and implementing energy efficiency measures.

Ladies and Gentlemen,

We believe sustainability also means sustainable electricity generation in the future. Our first step in this regard is to focus on our foundry in Amstetten, which offers the ideal conditions, since steel is manufactured there using heat generated from electricity. Environmental necessity converges with sound economic sense in Amstetten. At the same time, we are also taking an

important step at the foundry toward green steel from Germany. We will shortly be unveiling a photovoltaic installation at the site with an output of 3,600 kWp. The future annual yield of around 3.6 megawatt hours of electricity will be consumed almost entirely at the site itself, and will cover around 5 percent of the foundry's enormous electricity consumption. You can see from these figures alone just how important it is to start working on sustainable solutions now.

The financial year just closed was the first in which we calculated our company's overall carbon footprint. Scope 3 emissions were the biggest contributor. These are the emissions from logistics operations, bought-in goods and services, and the product utilization phase with our customers. We are no different from other companies in this regard. It is quite normal for products to be a significant cause of emissions, particularly when they have a high energy consumption.

However, this is what is driving us in our efforts to develop our products on an environmentally friendly basis and thus place an emphasis on energy and resource efficiency.

All this will help to futureproof the company's position. After all, the earlier we can reach the point where we are avoiding emissions, the further away we are from having to take costly, short-term measures in response to any future tightening of regulations.

Ladies and Gentlemen,

This brings me to our expectations for the economic development of HEIDELBERG in the new financial year 2023/2024. As I explained earlier, the improvements that have been made to the company's financial health over recent years have created sound conditions for positive development. However, the continuing process of change on the printing market, the enormous challenges and uncertainties regarding the development of the global economy, and the continued high level of inflation all require further efforts, which we are combining in our value creation program. This program will also give us the scope we need to strategically develop our company and implement our dual-track strategy. The good order situation gives us grounds to be optimistic about the new year, while the fragile situation in terms of the global economy and the challenging political situation remind us to be alert. It is still impossible to say how the war between Russia and Ukraine will develop and what kind of economic consequences might emerge as a result. We had to cease our operations in Russia itself after virtually all products and spare parts from HEIDELBERG fell under the European Union's export restrictions connected to sanctions against Russia.

## **Chart 12: Outlook for 2023/2024 – characterized by uncertainties in global economic policy**

The new financial year will also be characterized by unusually challenging circumstances. For example, there are recessive trends in important markets, and inverted yield curves are a further sign of this. We need to deal with unpredictable disruption to global trade as a consequence of Russia's continuing war against Ukraine. Finally, there are other geopolitical tensions that are bringing uncertainty with regard to future economic development.

Against this backdrop, there are also further significant increases in personnel, material, and energy costs that need to be met. 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 while also avoiding a recession and not overloading the strained balance sheets of certain financial institutions.

By contrast, we can say that our customers' response to the Print China trade fair at the beginning of April was positive. This could indicate a slight recovery on the Chinese market, which is beginning to move on from the consequences of the COVID-19 pandemic. The continued high order backlog is likely to also support sales growth in the financial year ahead.

## **Chart 13: Outlook**

This brings me to our forecast for financial year 2023/2024. Weighing up the opportunities and risks, we expect sales for financial year 2023/2024 to be in line with the previous year's level (previous year: € 2.435 billion). This expectation is based on the assumption that the global economy does not see weaker growth than is forecast by the relevant institutes, or go into recession. It is also based on the assumption there will be no substantial changes in key exchange rates for business activities.

Rising production costs in particular are likely to have a negative impact on results. Energy costs are also expected to be higher than in the previous year, which benefited from favorable hedging transactions. To compensate for these effects, HEIDELBERG is intending to continue to adapt the prices of its products. The adjusted EBITDA margin is therefore anticipated to remain at the previous year's level (previous year: 7.2 percent). Results in the Print Solutions and Packaging Solutions segments are likely to develop in line with the respective market trend,



while the Technology Solutions segment's profit contribution is expected to be slightly higher than in the previous year.

### **2023/2024 – a challenging financial year has started off in line with expectations**

Although we will only be able to issue detailed figures for the first quarter at the end of next week, I can confirm to you today that we have had a stable start to the new financial year in what is a challenging environment. On a regional basis, the recovery in Asia has been able to offset muted demand from other regions. The packaging segment first and foremost is giving us growth options, which underscores the very welcome customer interest in our new presses. These presses are the new Boardmaster for packaging printing and the Gallus One digital printing press for label production, which I spoke about earlier. The anticipated cash development in the first quarter once again highlights the need for the value creation program, which we aim to use to significantly boost free cash flow without non-recurring effects in the future. The value creation program has been planned for a period of several years. During the current financial year, we must initially offset persistent cost increases with price increases and maintain cost discipline.

All in all, having completed the first quarter, we are on course in financial year 2023/2024.

### **Chart 14: Key conclusions**

Ladies and Gentlemen,

To end my report, I would like to summarize my key statements:

1. HEIDELBERG brought financial year 2022/2023 to a successful conclusion in a challenging environment. Compared to the previous year, we were able to increase sales and operating earnings after adjustment for non-recurring effects.
2. Moving forward, we are pursuing a dual-track strategy. This combines two strategic approaches. The first is to expand our core business in printing, primarily in the packaging printing and digital printing sectors. The second is to tap into new business areas.
3. Against the backdrop of rising costs and profitability that continues to be low, HEIDELBERG is launching a value creation program designed to enable future strategic investments in line with the dual-track strategy.

4. The new financial year will also be characterized by unusually challenging circumstances. Weighing up the opportunities and risks, we anticipate stable development, with sales staying at a similar level.

Ladies and Gentlemen,

Allow me to conclude my presentation by giving you my own personal assessment. I am confident that – despite all the challenges – we all have reason to be optimistic about the future. HEIDELBERG has repeatedly shown that it can cope with difficult situations, and we are in a much better position now than we were even one or two years ago. However, we are not relaxing our efforts, but are instead taking measures to secure the company's success for the long term. I have set out the strategy and the technological developments that we are pursuing moving forward. The allure of the HEIDELBERG brand, which appeals to the people within our company, to customers, and to the wider public, will help us in our endeavors. I have every confidence in the potential of the workforce at HEIDELBERG. And, finally, I hope very much that over the past 30 minutes I have succeeded in persuading you, our shareholders, to accompany HEIDELBERG on this journey.

Ultimately, we are still a company in a process of change. Indeed, change has become a constant in the operating environment of HEIDELBERG, more so than in almost any other industry. However, this change also presents an opportunity, provided we can embrace it and help shape it, which is precisely what we at team HEIDELBERG are doing right now.

Thank you, Ladies and Gentlemen, for playing your part in this change. Thank you for supporting HEIDELBERG.

**Important note:**

This release contains forward-looking statements based on assumptions and estimates by the management of Heidelberger Druckmaschinen Aktiengesellschaft. Even though the management is of the opinion that those assumptions and estimates are accurate, the actual future development and results may deviate substantially from these forward-looking statements due to various factors, such as changes in the overall economic situation, exchange and interest rates, and changes within the print media industry. Heidelberger Druckmaschinen Aktiengesellschaft provides no guarantee and assumes no liability for future developments and actual results deviating from the assumptions and estimates made in this press release.