

## 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 flexo-

graphic 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 Amperfiert 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”.