# TECHNOLOGIES FOR TOMORROW

Annual Report
2021/2022

OUR CLAIM

# TECHNOLOGIES FOR TOMORROW

OUR AGENDA

**MORE EFFICIENCY**

**MORE RESILIENCE**

**MORE IMAGINATION**

**MORE SUSTAINABILITY**

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OUR APPROACH

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## TWO-YEAR OVERVIEW – HEIDELBERG GROUP

| Figures in € millions | 2020/2021 | **2021/2022** | Change in % |
|---|---|---|---|
| Incoming orders | 2,000 | 2,454 | + 23 % |
| Order backlog | 636 | 901 | + 42 % |
| Net sales | 1,913 | 2,183 | + 14 % |
| EBITDA [1] | 95 | 160 | + 68 % |
| in percent of sales | 5.0 | 7.3 | + 47 % |
| Result of operating activities | 18 | 81 | + 350 % |
| Net result after taxes | – 43 | 33 | n. a. |
| in percent of sales | – 2.2 | 1.5 | n. a. |
| Research and development costs | 87 | 98 | + 13 % |
| Investments | 78 | 71 | – 9 % |
| Equity | 109 | 242 | + 122 % |
| Net debt [2] | 67 | – 11 | – 116 % |
| Free cash flow | 40 | 88 | + 120 % |
| Earnings per share in € | – 0.14 | 0.11 | n. a. |
| Number of employees at financial year-end [3] | 10,212 | 9,811 | – 4 % |

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

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

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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.

# Letter from the Management Board

Ladies and gentlemen,

We are delighted to be able to report that HEIDELBERG achieved its ambitious targets for the financial year 2021/2022, closing the year with a significant improvement in all key financial performance indicators. Sales and incoming orders both increased compared with the previous year, which was impacted by the COVID-19 pandemic. A tangible recovery in the market led to the highest order backlog in the last decade. We are particularly pleased by the extremely positive development in terms of profitability. This means the cost reduction measures initiated in early 2020, which demanded the painful streamlining of our structures and the reorientation of the Group, have thus achieved its most important goal.

HEIDELBERG completely eliminated its net debt in the past financial year – this should be emphasized. Just over two years ago, net debt still amounted to around € 400 million. This was thanks in part to the extremely positive cash flow in the reporting period.

Although we are delighted by the improvement in the Company’s financial situation, this was tempered by the negative development in the economic and political environment toward the end of the financial year. China in particular is still dealing with the COVID-19 pandemic, which is leading to business disruption. We are shocked by the armed conflict between Russia and Ukraine and its humanitarian consequences. Although the impact of the war remains difficult to predict, it is already having a pronounced negative impact on the supply market. We are experiencing considerable price increases and ongoing supply bottlenecks.

With a view to the future, we will concentrate on expanding our market position in our core business. We are pressing ahead with the digitization and automation of all print shop processes with the aim of increasing our customers’ productivity and lowering their costs. One key area is packaging printing, “We are pressing ahead with the digitization and automation of all print shop processes with the aim of increasing our customers’ productivity and lowering their costs.”

DR. LUDWIN MONZ

which enjoys particularly good prospects thanks to the growth in the world population, rising prosperity, and changing consumer behavior. In the past financial year, we showcased the Speedmaster CX 104, a new and innovative sheetfed offset printing press that is suited to a wide range of materials from paper to cardboard. We expect this product to offer considerable potential for the future.

We also believe there are extensive opportunities to be leveraged through the systematic utilization of anonymous operating data from more than 13,000 HEIDELBERG printing presses installed worldwide. For example, this means we can advise our customers on optimizing their print shop processes. This is at the heart of our subscription model.

In addition to developing our core business, we intend to continue developing new areas, including our latest success story: our charging station business. The e-mobility market is a promising,

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> "HEIDELBERG completely eliminated its net debt in the past financial year – this should be emphasized."

MARCUS A. WASSENBERG

high-growth area that will make a key contribution to climate neutrality in the transport sector. In the past financial year, HEIDELBERG established itself as a leading provider of private charging stations in Germany, more than doubling its sales and generating a substantially positive earnings contribution. We will significantly expand our product range in the new financial year and harness the benefits of various partnerships.

Dear shareholders, we intend to write the next chapters in HEIDELBERG's current success story following the change at the top of the Company. Our aim is to generate sustainable growth in enterprise value. The return to the SDAX reflects the initial success of these efforts, and our dedicated team is working hard to ensure that our customers and investors continue to place their trust in us in the future. We look forward to a successful financial year 2022/2023 and the opportunities ahead of us.

Sincerely,

DR. LUDWIN MONZ

MARCUS A. WASSENBERG

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DR. LUDWIN MONZ
CEO
Heidelberger
Druckmaschinen AG

MARCUS A. WASSENBERG
CFO
Heidelberger
Druckmaschinen AG

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# Interview with Dr. Ludwin Monz

**What are your first impressions after almost three months as HEIDELBERG CEO?**
DR. LUDWIN MONZ The main thing I have taken away from my interactions with colleagues so far is their dedication to the Company and their great passion for printing and technology. Many of them have been with HEIDELBERG for years or even decades, and they have a strong sense of connection with the Company. In all of the areas I have visited to date, I have encountered an impressive willingness and desire to work together for HEIDELBERG's success – and that is great to see. I have also experienced the same from customers: a strong sense of loyalty to the Company and the HEIDELBERG brand. I believe in the value of the brand, which is synonymous with tradition, excellence and precision in mechanical engineering or innovation. In my view, the importance of the brand offers extensive opportunities for all stakeholders.

**What are HEIDELBERG's strengths?**
DR. LUDWIN MONZ I am fascinated by what HEIDELBERG is capable of: We have a huge breadth and depth of technology at our disposal and a first-rate understanding of print applications. This explains why HEIDELBERG has achieved such a high degree of market penetration with its products. At the same time, we have impressive creativity that allows us to enter new areas and take new opportunities. I believe the Company has great potential that I am looking forward to leveraging along with the team.

**What are the biggest challenges for you?**
DR. LUDWIN MONZ The nature and dynamism of our core market involves certain challenges. Thanks to digitization, we are seeing a fundamental shift that has led to stagnation in some market segments, but growth in others. We have strong and, in some cases, new competitors in offset and digital printing. We closely monitor both of these areas with a view to harnessing the change process in printing and the accompanying processes as an opportunity and actively shaping this process with new and innovative ideas. At the same time, we want to continue to expand HEIDELBERG's business portfolio.

It goes without saying that this takes time, and we intend to support this process by systematically enhancing the expertise within our Company. I would like to inspire university graduates and other young professionals with the "fascination of HEIDELBERG".

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**How resilient is HEIDELBERG in the face of war, pandemic, supply chain disruption and rising commodity prices? How is the Company responding to this uncertainty?**

DR. LUDWIN MONZ We have significantly reduced our cost base in recent years, which is benefiting us in these uncertain times. But it is important that we do not rest on our laurels. Instead, we need to keep working to strengthen our core business and increase our profitability.

Our high degree of vertical integration is helpful in the current supply chain crisis. It gives us a little more control over the supply process than might be the case for other industrial companies. We also consider our two-location strategy – Germany and China – to be a competitive advantage. We supply the Asian region from China and Europe and the Americas from Germany. But even this broad geographic positioning is not enough to absorb all of the material cost increases to which we are exposed. Some of the costs have to be passed on to our customers. It is important for us to observe this development extremely closely and respond with additional measures as required.

Our differentiated business models are another way of improving our resilience. The subscription approach is one example of this, but there may be other options that we have not yet considered.

**How important will core business and digitization be in the future?**

DR. LUDWIN MONZ Print business is the core of our activities today. It accounted for around 97 percent of our sales in the past financial year. The overwhelming importance of this core business will not change any time soon, which is why we will do everything in our power to continue to strengthen and advance our activities in this area. We will achieve this by becoming more resistant. The crises in past years have shown that we are often subject to external factors beyond our control. We need to become more resilient so that we can continue to master these challenges in the future and lay the foundations for entering new business areas.

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HEIDELBERG has already achieved a great deal when it comes to digitization in the print industry, and we intend to systematically continue on this path. We are seeking out the opportunities of change so that we can continue to grow profitably.

My priorities are:

> Our customers: It is important for us to understand exactly which challenges and opportunities our customers face, and to offer the products and services that will make them more successful.

> Our employees: They make HEIDELBERG what it is. My absolute priority is to work on the vision of the future for HEIDELBERG. A vision, but also a culture of cooperation and appreciation that encourages innovation, promotes outstanding customer service, and makes our Company attractive.

> Our shareholders: HEIDELBERG is a technology leader in mechanical engineering. We create sustainable value by leveraging the opportunities of existing markets and systematically addressing new markets.

**Will you continue HEIDELBERG's evolution into a technology group?**
DR. LUDWIN MONZ My main priority is HEIDELBERG's long-term future orientation. We will take a two-pronged approach: Strengthening our core business will give us the scope we need to establish new pillars.

**Why do you think that HEIDELBERG's share price has more than doubled?**
**What are your criteria for successful and sustainable value growth?**
DR. LUDWIN MONZ HEIDELBERG was hard hit by the economic downturn in the first phase of the COVID-19 crisis. Prior to that, the Company had not generated positive cash flows for a number of years. The slump in sales during the pandemic exacerbated the challenge facing the Company: the need to significantly reduce its cost base and obtain liquidity. This situation led to the share price falling sharply.

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> “We create sustainable value by leveraging the opportunities of existing markets and systematically addressing new markets.”
>
> DR. LUDWIN MONZ

I have nothing but respect for the immense efforts on the part of the Management Board at the time, the employee representatives and our employees, who agreed to the painful cuts that were necessary to achieve the fundamental reorientation of HEIDELBERG. This included a significant workforce reduction, short-time work, and the sale of various assets. The results are clear: As well as generating a respectable EBITDA margin of 7.3 percent in the past year, the Company has eliminated its net debt and strengthened its equity. At the same time, we have pressed ahead with the renewal of our product range with a view to digitization and expanded our new business. Wallboxes are one area that bears highlighting. Thanks to these considerable efforts, we have regained the confidence of the capital markets and our share price has recovered significantly.

**Where do you see potential for future value creation?**
DR. LUDWIN MONZ Our responsibility is to systematically press ahead with HEIDELBERG’s reorientation. For me, the Company’s innovation and expertise lies in mechanical engineering as well as in related disciplines such as power electronics, control electronics and software. I am committed to HEIDELBERG’s long-term, future-oriented development. Accordingly, I am confident that we will create sustainable value for our shareholders by harnessing our skills not only in our core business, but also in related markets. These levers will help us to systematically generate growth, which typically leads to sustained share price rises.

**What can employees expect from your leadership?**
DR. LUDWIN MONZ My aspiration is for HEIDELBERG to be a company where people enjoy working. Where they share our values and goals and are fully committed to our cause because they are enthusiastic about their development and career opportunities. I am happy to play my part in achieving this. Mutual appreciation, respect, trust and commitment offer the best conditions for encouraging personal responsibility and an entrepreneurial mindset. That is what employees can expect from me.

**If you could wish for one thing right now, what would it be?**
DR. LUDWIN MONZ I would wish for an end to the war in Ukraine, because the suffering resulting from the war is hard to endure. Moreover, it is destabilizing our world order and our value system. The global economy is seeing a high degree of uncertainty and extensive disruption to supply chains. This could have unpredictable consequences for the industry, and hence for HEIDELBERG. Ending the war is the first and most important step in helping this situation return to normal.

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**Data, data, and more data ...**

The availability and the intelligent evaluation and use of data are required in order to exploit the potential that modern technologies and applications have to offer. Without the often-quoted digitization, progress and technological leaps would scarcely be thinkable or feasible.

# TECHNOLOGIES FOR TOMORROW

## FOR DIGITAL INTEGRATION

CLOUD


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The **Heidelberg Cloud** is a key element of the digital world of Heidelberg and the basis of our digital products. All Heidelberg machines and software products can be connected online via this secure and flexible cloud service. Our customers benefit from offers including remote maintenance or our digital service on the H+ customer portal. A growing number of Prinect modules will be available in the new “Prinect Direct” workflow suite there in the future.

**Prinect** is our comprehensive modular workflow software that covers everything from prepress to postpress, including MIS and production planning, and is the basis for our autonomous production. The Prinect modules make customer communication, calculation, order creation, planning, production and reporting “smart”. As a comprehensive workflow, Prinect incorporates all steps of print production seamlessly into consistent processes.

**Software determines what hardware does**

Big data, cloud computing, artificial intelligence (AI), automation and business analytics are far more than just buzzwords when it comes to the digitization of the printing industry. Print shops that are taking a systematic and consistent approach to digitization and have implemented autonomous production are achieving measurable success, not only in terms of operational key figures, but also in terms of customer and employee satisfaction. Interconnectedness and integration of all process steps and participants are critical factors for creating value. Only when all components work together smoothly do individual stars become a winning team.




**Prinect Direct** is the new cloud-based workflow suite for autonomous production. With the first products, we will automate the workflow for prepress so that resources can be used elsewhere in the print shop.

With **H+**, we are creating a central online portal for our customers where they can access all the cloud-based solutions and information they need to operate their print shops. H+ is the digital interface via which our customers can obtain real-time information and extensive analyses from the Heidelberg Cloud. With H+, our customers can access important key figures, service contracts and services at any time, and keep an eye on the availability and efficiency of their print shop.

**When the whole is far more than the sum of its parts**

Integrated, connected and automated processes, from obtaining the order and along the entire production chain, all the way to delivery and invoicing, are the levers for increasing the efficiency and productivity of a print shop.

**How intelligent can a machine be?**

Automation, robotics and artificial intelligence are the parameters used to standardize production processes and make them safe and repeatable, to increase efficiency and profitability, and ease the workload of the operator.

# TECHNOLOGIES FOR TOMORROW

## FOR END-TO-END PROCESSES

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**Digital interfaces** and tools save valuable resources even before the start of actual production. Sales activities, procurement or order preparation can be accelerated and processed in a smart manner with our corresponding Prinect modules, and can be integrated seamlessly into downstream processes.

**The role of the operator** is being redefined, moving away from the operator who actively influences the process and toward the intelligently navigating process monitor. Production and quality control are independent of the operator, the fault rate caused by manual interventions decreases, and the same demonstrable quality is always achieved.

**Push to stop** is our concept for the consistent automation of the entire print production process and our response to the rising demands for connected and integrated production. This results in a significant increase in the efficiency of the resources used and the overall process. Overall equipment effectiveness (OEE) is used to gauge the productivity of a production plant. The focus is on increasing it.

**Our subscription models** – or print site contracts – are individually scalable contract packages that combine various services into a tailored comprehensive offer which not only includes everything the customer needs for the profitable operation of their machine, but also offers the potential to increase OEE.


The latest generation of **Speedmaster machines** are making key contributions to increasing the total operating performance and efficiency, thanks to the continuous optimization and integration of automation components that extend all the way to artificial intelligence.

For example, **robotics and automation** come into play in the context of fully automated plate logistics – Plate to Unit – and in postpress with the P-stacker robotics system: Production capacities can be fully utilized, and the manual workload of the operator is reduced.

Performing order analysis, documentation and invoicing with the **Prinect MIS modules** such as Business Manager or Printshop Analytics ensures security and repeatability and allows the actual service to be evaluated.

We also make systematic use of **our technology expertise** for new products and markets. For example, we have successfully transferred our expertise in the field of power electronics and software to e-mobility and thereby opened up a new high-growth market for Heidelberg. In the future, our products in the area of e-mobility will be offered under the name Heidelberg AMPERFIED.

# TECHNOLOGY TRANSFER

## IN NEW MARKETS

## SMART CHARGING TECHNOLOGIES


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**The Wallbox**
Our Wallbox is not only a sales hit and testament to the versatility of Heidelberg's expertise, it also contributes to the transition to more environmentally friendly means of transportation and to climate protection.

**Smart charging technologies**
Fast authorization via an RFID charging card, convenient control via smartphone, charging data in real time: Heidelberg is continuing to expand its product portfolio with a focus on smart technologies.

**The Wallbox from Heidelberg – a success story**

Sales in the area of e-mobility more than doubled in the 2021/2022 financial year. Heidelberg is continuing to expand its product portfolio with a focus on smart technologies. Offers for home energy management and integrated charging technology, for example for company car fleets, parking garages, entire residential complexes or municipalities will follow. Acquisitions, for example of parts of EnBW's charging station technology, as well as partnerships and cooperations for integrating additional software modules and applications, are strengthening Heidelberg's capacity for innovation.

FLEET MANAGEMENT CHARGING COLUMNS


**Well-thought-out fleet management**
Want to charge your electric car at work? No problem. Thanks to clever load management, interconnected Wallboxes distribute the charging current to multiple vehicles. For fast, scalable and precise charging.

**Public projects – charging columns**
In parking lots, at gas stations, rest stops, or in front of restaurants and grocery stores: The RFID charging card or smartphone app enables straightforward authorization, fast charging and clear invoicing.

**Heidelberger Druckmaschinen AG has intensified its activities in sustainability management**

In response to the global challenges of climate change, Heidelberg has set itself an ambitious goal as part of its sustainability strategy: We have undertaken to make our production sites and branches climate-neutral by 2030.

# CLIMATE STRATEGY

## OUR STEPS TOWARD CLIMATE NEUTRALITY


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Since 1996, we have established an **environmental management system** at our production locations that helps us to continuously increase our efficiency.

Our **foundry** in Amstetten stands out with energy-efficient processes and closed material cycles with high rates of regeneration of the foundry sands.

In 2018, we put a **photovoltaic system** into operation on the roof of our research and development center that covers a portion of our energy requirement with solar power.

**Our steps toward climate neutrality:**

1. Increased energy efficiency at all production and sales locations
2. Production sites to be supplied with renewable energy from in-house plants
3. Purchase of certified green electricity
4. Offsetting unavoidable emissions through emissions certificates
5. Climate-neutral by 2030

# CLIMATE-NEUTRAL BY 2030


In an effort to promote **biodiversity**, we established flower meadows and insect hotels in Wiesloch-Walldorf, for example.

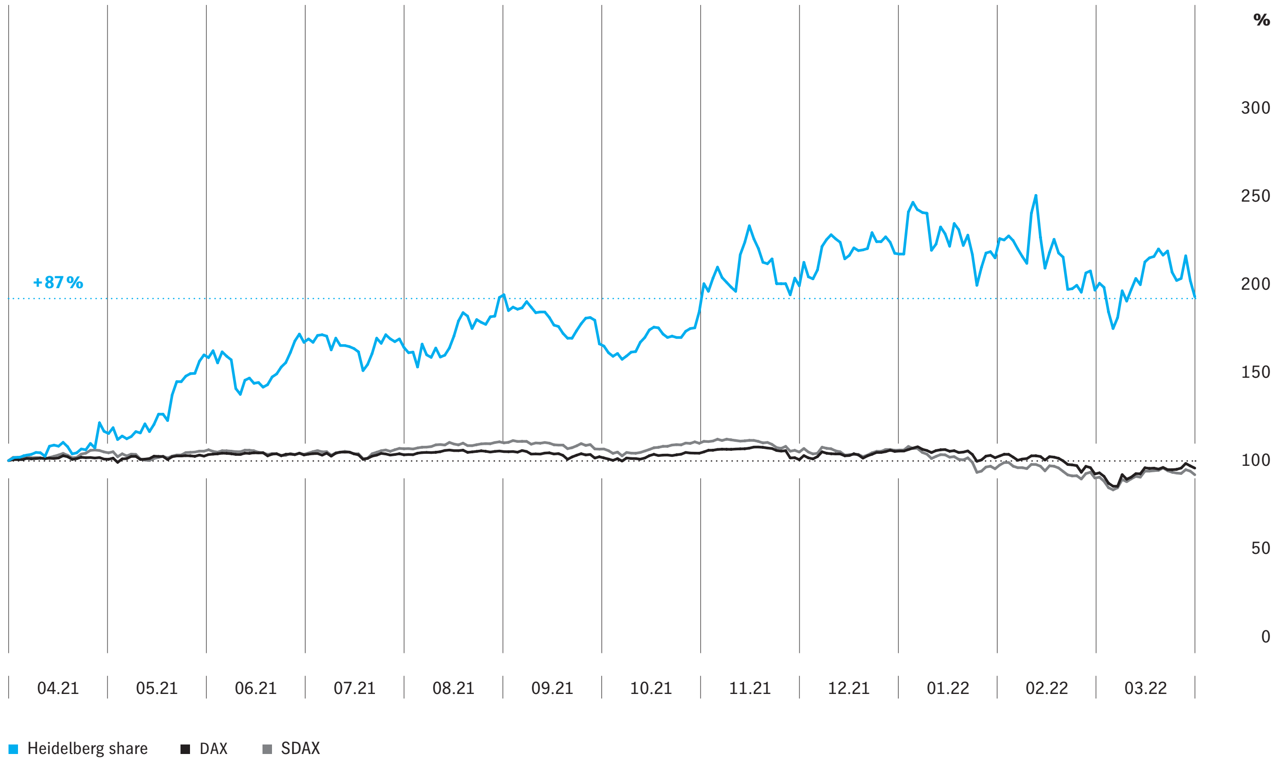
Back in 2012, we started creating **life-cycle assessments** for our products that indicate the concrete carbon footprint. Upon our customers' request, these products are set to be carbon-neutral. We offer compensation only via certificates that comply with the gold standard.

Our guideline for **ecological product development** ensures that sustainability-related criteria are considered as an integrated part of our product strategy from the start.

## Heidelberg on the Capital Markets

**Performance of the Heidelberg share**

Compared to the DAX (Index: April 1, 2020 = 100 percent)




### The Heidelberg share and the Heidelberg bonds

- Heidelberg share price rises significantly in the year under review
- Return to the SDAX
- Outstanding portion of convertible bond repaid in full

Driven by the recovery from the pandemic-related recession in the previous year and a significant improvement in operating profitability accompanied by a reduction in debt thanks to the successful transformation of the Company, the Heidelberg share began the past financial year by rising steadily from an opening price of € 1.20 on April 1, 2021. The preliminary key figures for the financial year 2020/2021 that were published on April 27, 2021, provided further support as investor confidence returned. During the first half of the year, the trading volume gradually increased in line with the recovery in the share price. The Heidelberg share closed the first half of the financial year up more than 70 percent compared with its opening price. This meant it substantially outperformed the DAX (+3 percent) and the SDAX (+7 percent) over the same period. As the financial year reached the halfway point, the stock markets were temporarily hit by indications from the US Federal Reserve that it would seek to curb rising inflation by scaling back its expansionary monetary policy in particular.

Even as the stock markets became more volatile, the Heidelberg share price continued to rise in the second half of the year. Among other things, this was due to the figures for the second and third quarter, which demonstrated the progress made in terms of operating profitability and underlined the recovery in incoming orders in the past financial year. Another important factor was the rapid growth of our e-mobility division. The significant improvement in the share price meant that the Company was included in the SDAX again with effect from December 20, 2021. In the last quarter of the financial year, the stock markets were adversely affected by the Russian war in Ukraine and the resulting economic upheaval in particular. Since the invasion began on February 24, the DAX has fallen more than 12 percent from its peak. The Heidelberg share price fell by up to 16 percent in the same period. The share closed at € 2.39 on March 31, thereby gaining around 87 percent over the financial year as a whole in spite of the setback in the final quarter.

Accordingly, the Company's market capitalization increased from € 350 million on March 31, 2021 to € 728 million on March 31, 2022. This placed it 140th (previous year: 171st) 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 1,625,399 shares (previous year: 1,035,867). In terms of trading volume, presented as a ranking of all stocks listed in the Prime Standard, the share ranked 114th in March 2022 (previous year: 154th).

Having previously had an outstanding volume of around € 17 million, the convertible bond was repaid in full on maturity on March 31, 2022 without the bond being converted into shares. With a low trading volume, the bond price developed in line with the share price over the course of the year, closing at almost 100 percent of the nominal amount on maturity.

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

The aim of our investor and creditor relations activities is to present Heidelberg transparently on the capital markets in order to achieve an appropriate valuation for the Heidelberg share and bonds. 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 seven analysts. The average target price as of March 31, 2022 was € 2.68.

In the past year, 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, the majority of which also 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, the share or the bonds; 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 2021 approves all agenda items by significant majority

The Annual General Meeting for the financial year 2020/2021 was again held in virtual form. It was streamed live from the Company's headquarters in Wiesloch-Walldorf on July 23, 2021. At the Annual General Meeting, the Management Board explained the Company's strategy and the accounts for the past financial year (April 1, 2020 to March 31, 2021). Around 27 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, including a new remuneration system for the members of the Management Board and the election of one of the six shareholder representatives on the Supervisory Board. The candidate for this position was Dr. Fritz Oesterle. A large majority of those entitled to vote on resolutions on the election of members of the Supervisory Board approved the candidate proposed by the Supervisory Board.

### 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, 2022 – 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 €<br>ISIN: DE 0007314007 | 2020/2021 | **2021/2022** |
|---|---|---|
| Basic earnings per share [1] | –0.14 | 0.11 |
| High | 1.50 | 3.14 |
| Low | 0.48 | 1.18 |
| Price at beginning of financial year [2] | 0.56 | 1.28 |
| Price at end of financial year [2] | 1.15 | 2.39 |
| Market capitalization – financial year-end in € millions | 350 | 728 |
| Number of shares outstanding in thousands (reporting date) | 304,479 | 304,479 |

**Key performance data of the Heidelberg 2015 convertible bond**

| Figures in percent<br>ISIN: DE 000A14KEZ4 | 2020/2021 | **2021/2022** |
|---|---|---|
| Nominal volume in € millions | 17.1 | 17.1 |
| High | 97.98 | 102.25 |
| Low | 74.87 | 83.75 |
| Price at beginning of financial year [3] | 74.97 | 95.47 |
| Price at end of financial year [3] | 94.55 | – [4] |

[1] Determined based on the weighted number of outstanding shares
[2] Xetra closing price, source: Bloomberg
[3] Closing price, source: Bloomberg
[4] Repaid on maturity on March 30, 2022

# Combined Management Report 2021/2022

# Combined Management Report

## BASIC INFORMATION ON THE GROUP

## Business Model of the Group

### Company profile

Heidelberger Druckmaschinen Aktiengesellschaft is a global technology group with a leading position in the printing industry. As a reliable and highly innovative partner, we have been synonymous with quality and future viability for more than 170 years. This means that we are a company with a long tradition and comprehensive expertise that helps to define the future trends in the print media industry thanks to state-of-the-art technologies and innovative business ideas. We also harness this technological strength to successfully position ourselves in new business areas such as e-mobility.

Our core business is oriented toward the needs of our customers in our target markets of packaging and advertising printing along the entire value chain. We play a leading technological role with our integrated range of solutions and new digital business models. In doing so, we focus on the systematic end-to-end digitization of customer value creation, with a particular view to integrated and automated system solutions for machines, software, consumables and services. We are also using an open industry platform to connect all the relevant systems in the printing industry in order to further digitize and standardize both administrative processes such as in procurement, and production processes.

With our technology leadership in our core business and a focus on digitization, we are addressing a global market with an annual print production volume of around € 380 billion that offers strong foundations for our products and services for packaging, advertising and label printing. We are also addressing new and growing markets thanks to our comprehensive technological know-how. In the e-mobility market, for example, our power electronics expertise has allowed us to establish ourselves as a leading provider of private charging systems in Germany.

With a market share of more than 40 percent for sheetfed offset presses, we were again able to consolidate our position as the printing industry's market and technology leader in the current financial year. Consolidated sales amounted to around € 2.2 billion in the financial year 2021/2022. A total of around 9,800 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.

### Service and consumables network, sites and production

- Global service network as the basis for new, data-driven service models
- A production partner for industrial customer business; production capacities for Wallboxes increased
- China: Growing production location and center of excellence

Global service is extremely important to Heidelberg's business activity. It allows us to offer our customers high machine availability, guaranteed quality and on-time delivery directly or via our partners. As we generate around 86 percent of our sales abroad, our service and sales network is present in all the world's key printing markets.

**Global network for service and consumables**

Service at Heidelberg is characterized by global availability and digitality. One of the aims of Heidelberg's reorientation is to strengthen our customer and market focus and create needs-oriented solutions. Starting from central product management, we work on solutions aimed at making our customers more successful and directly helping them to optimize their workflows and processes. This approach is complemented by the range of the global Heidelberg service organization, which is highly valued by our customers and is considered to be a leader in the engineering industry even beyond the printing industry. Our service logistics network ensures that customers can enjoy a reliable supply of original Heidelberg service parts over the entire product lifecycle. 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.

We also use our network to supply customers with our consumables. The range of consumables extends from the preliminary stage including printing plates and plate chemicals, via the pressroom with printing inks, coatings, offset blankets, pressroom chemicals and rollers, through to postpress. With its global network of sales branches, Heidelberg has grown to become one of the biggest providers of consumables for print shops. We offer our customers various complete packages of consumables so that they can give their core business their undivided attention. These packages can vary slightly in accordance with local laws and regulations. Our customers can also benefit from the Heidelberg Vendor Managed Inventory system (VMI). We take responsibility for controlling and material planning for the customer's warehouse, allowing print shops to focus entirely on their customers and printing tasks.

The performance promise of our integrated logistics network supports our customers' performance around the world and ensures high machine availability and reliable quality. We are constantly optimizing our logistics network through strategic partnerships with logistics service providers.

### Further expansion of data-driven service models on the basis of cloud technology

The digitization of the entire print media industry is allowing most print shops to tap further efficiency potential. The innovative services offered by Heidelberg also make an important contribution to this. Our customers have access to a large number of additional digital services at all times via the Heidelberg Assistant customer platform. In addition to our Vendor Managed Inventory system (VMI), this includes real-time information on the company's current performance and recommended improvements. The performance of individual presses can also be compared anonymously with other market participants in order to identify and leverage hidden potential. The new Digital Training solution makes Heidelberg's expertise available to customers whenever and wherever they need it. Predictive Monitoring also ensures maximum printing press availability by watching over press sensor data and reducing unplanned downtime. All the resulting preventive measures can be tracked in the Heidelberg Assistant. The new Maintenance Manager makes printing press maintenance even more convenient. This cloud-based application enables the effective planning and controlling of maintenance tasks. The accompanying app also supports the maintenance team in performing the necessary work by providing them with instructions and videos on their smartphones.

The basis for these digital services is the Heidelberg Cloud, which Heidelberg uses to give its customers access to the largest data pool in the industry. For example, every year we analyze 500 million data points per press for Predictive Monitoring. 60 million anonymized print jobs are available as a reference base for evaluating the performance of individual presses in Performance Benchmarking. In this way, we are helping our customers to improve their efficiency, reduce the frequency and duration of service calls, and optimize their processes.

### Heidelberg production network: Diversified global approach pays off

The Heidelberg production network covers two countries across two continents. Together, these sites constitute a global network that 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 and are continuously expanding the product portfolio to include additional variants and configurations. The division of production across the Wiesloch-Walldorf and Shanghai sites is a competitive advantage for Heidelberg, especially in light of the current geopolitical challenges and disrupted global supply chains.

Heidelberg has a workforce of around 1,000 people in China, of which 550 work in production and 450 in sales and service positions. Two branches in Beijing and Hong Kong and three offices in Guangzhou, Shanghai and Shenzhen serve to ensure comprehensive local customer care. The production site in Shanghai is fully integrated into Heidelberg's plant network. This means that all its processes and its quality are compliant with Heidelberg's uniform global quality standards, even with a rising share of certified local suppliers. Heidelberg quality from Shanghai is now also recognized beyond China's borders: In the past year, around 18 percent of the production volume was exported to various countries in Asia, Europe and the Americas. This figure is slightly lower than in the previous year because of the successful China Print trade fair in Beijing in June 2021, which resulted in strong demand on the Chinese market. Some model series are already being produced exclusively for the world market in Shanghai and demonstrated to customers at the plant's print media center, where customers can also train their employees as required.

The Ludwigsburg production site manufactures individual parts, modules and postpress machinery. The Amstetten site is the most important supplier of cast parts and large parts for our production locations and is continuing to expand its industrial customer business. The production specialists in Wiesloch-Walldorf and Brandenburg round off the production network for mechanical components. Langgöns is the primary production site for label printing systems.

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 pressing ahead with the development of its production system with a high degree of intensity so that it can continue to realize enduring efficiency enhancements in the future.

### Heidelberger Druckmaschinen as a production partner for industrial customer business

Heidelberg Industry offers business solutions from engineering and model and prototype construction through to series production. The service range encompasses foundry products, mechanical part machining, the production of industrial electronics and the assembly of component groups and systems, with particular strengths in the mechanical and vehicle engineering, automotive and energy sectors.

With its high productivity and quality, our foundry in Amstetten is one of the most powerful in Europe. We use it to produce an extensive portfolio of components for Heidelberg and industrial customers in a wide range of cast materials. We support our customers with attuned production processes for the manufacture and processing of high-end cast parts, thereby enabling production and cost benefits along the entire value chain.

As a result of rapidly increasing demand for individualized solutions for different markets, the scalability of the production process becomes necessary for industrial customers as well. Heidelberg Industry has established itself as a reliable partner across the entire product portfolio. For example, Heidelberg has succeeded in positioning itself as a partner in the assembly of high-precision 3D printers for the flexible production of such new systems. In the area of electronics, we develop and produce customized control and power electronics.

### Production capacities for Wallboxes continuously increased

Building on its long-standing expertise in power electronics, Heidelberg entered the field of charging electronics for electric vehicles in 2014. Having started out as a supplier for the automotive industry, Heidelberg is now one of the biggest suppliers in this area with around 130,000 units sold. Since June 2018, we have also offered a Wallbox for private customers under the Heidelberg brand: the Home Eco. More than 50,000 units have already been delivered and the Wallbox has proven its worth in specialist tests. Fall 2020 saw the start of series production of a second model, Energy Control. With load management and networking features, this Wallbox has already achieved sales of more than 60,000 units. To serve the rising demand in this field more quickly and hence further expand its market position, Heidelberg continuously expanded production capacities at the Wiesloch-Walldorf location and now has five production lines in operation.

## Markets and customers

- The market for printed products is recovering from the COVID-19 pandemic
- Packaging and label printing proves to be particularly crisis-resistant
- Data-driven business and contract models improve efficiency and gain ground

### Growth in the global print volume across all segments after the first year of the pandemic

The market for printed products is proving to be a consistently attractive business area for market participants even as digitization progresses. The worldwide print production volume has been worth around € 380 billion annually in recent years and enjoyed a strong recovery in the past year following the pandemic-related downturn in 2020. All in all, the economic ramifications for the global printing industry were higher during the first wave of the pandemic than in the subsequent phases, even with infection figures around the world increasing and lockdowns becoming stricter. In terms of the print production volume, the Chinese printing industry in particular recovered from the impact of the pandemic far more quickly and sustainably than other markets. This development was driven in particular by the robust growth segment of packaging and label printing. Print shops in this segment proved to be system-relevant and further increased their print production in the past financial year. For example, demand for food packaged for home consumption continued to rise significantly as restaurants closed their doors due to the lockdowns. The total production volume in packaging and label printing actually exceeded the pre-crisis level.

Advertising printing (commercial printing) also saw signs of a recovery in 2021 compared with 2020, although it has yet to return to the pre-COVID-19 level recorded in 2019. At its peak, the downturn in the print production volume in 2020, the first year of the pandemic, compared with 2019 was in excess of 30 percent.

Regionally, too, there are different trends offering interesting growth opportunities. While print volumes are continuing to grow overall in the emerging economies, particularly in China, print service providers in the industrialized nations are facing highly dynamic and rapidly changing market parameters.

Finally, there is also a clear trend in terms of the printing technologies used: Around 70 percent of the print volume is created using sheetfed offset, flexographic and digital printing processes, and this figure is forecast to rise. Sheetfed offset printing accounts for around 35 percent of the printing volume, and is still the most frequently used printing technology. Digital printing has continued to increase its share of the global printing volume to around 19 percent since 2000, and the trend towards customization and the growing demand for quick turnaround times mean that it will continue to gain in importance. Flexo printing, an important technology on the packaging market, continues to benefit from the stable and significant growth in packaging and labels, and holds a share of around 16 percent of the global print volume. Especially label printing remains a growth market across all conventional printing technologies, from offset and digital to flexo.

### Data-driven business and contract models gain further ground

Our new business models, such as our subscription services and data-driven print site contracts, are based on our business area strategies for the packaging, commercial and label market segments. The proportion of presses, software, consumables and services sold via these models, which means customers increasingly paying for what they actually use, is rising continuously – including in the graphics industry. The agreement entered into with our financing partner Munich Re in the past financial year will give this business model an additional boost.

### Packaging market

In total, packaging accounts for over 30 percent of all printed materials. Along with the label market, the packaging market is also the fastest growing market segment, with average growth of around 2.5 percent. Among other things, this growth is being driven by sustainability considerations, as folding boxes are increasingly used instead of plastic packaging, for example Printing technology is also seeing progress when it comes to sustainability, with cold foil transfers increasingly being used instead of aluminum-coated materials. In the past ten years, we have successfully installed more than 2,800 sheetfed offset printing presses at our packaging customers around the world, and we now realize around 50 percent of our offset press sales in this area. International brand companies, which invest a lot of money into advertising and product staging, have highest standards of quality: If there is even a tiny flaw on a single folding box, all the pallets delivered are returned to the packaging supplier. So there must be no errors in production. Heidelberg has the solution with its Zero Defect Packaging: The greater the degree of automation, the data workflow and the more integrated inspections, the closer the print shop gets to claiming zero defects. The digital tools needed for this are provided by the Prinect software. Using assistance systems such as Intellistart, firms can link up their printing presses and color measurement and inspection systems to form smart systems that share data across all production steps, thereby automatically checking actual values against the defined targets for each process step and monitoring production quality.

### Commercial market

The market for products such as flyers, brochures, business cards, postcards, annual reports and calendars is referred to as the commercial market. It has historically also been known as “job printing” or “occasional printing” on account of the fact that it originally constituted an additional, irregular source of income for publishing and newspaper print shops. Nowadays, there is nothing irregular about the commercial market, which is the largest market segment in terms of the worldwide print production volume at around 40 percent. In the general commercial and advertising sub-segments in particular, digital printing already accounts for more than 35 percent of all printing. In addition to the dominant offset printing, Heidelberg offers a competitive solution for all areas of application here as well with the Versafire digital printing systems.

The consolidation of print shops in advertising and publishing printing is continuing, leading to increased demand for particularly powerful, automated, digitally connected production systems covering the entire printing process (“end-to-end”) at industrial print shops that largely focus on standardized printed products. Advertising printing is also benefiting from rising demand for products that offer clear points of differentiation, from environmental considerations such as grass paper through to effect coatings with optical and haptic properties, as well as from the growth in online retail due to the advertising inserts included in packages. 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 credibility.

### Label market

While the label market is relatively small, making up around 7 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. Digital printing currently accounts for around 30 percent of label printing, and this share is seeing annual growth of around 6 percent in inkjet technology, for example. Digital printing is therefore driving the change in this promising market segment. Heidelberg's answer for demand-driven digital printing is Labelfire. By integrating conventional printing and finishing processes in addition to inline finishing, the Labelfire allows label makers to print the finished label from a single file – using just one single printing press. There are virtually no manual touch points between the print file and the finished product. The result is less waste, lower costs, greater energy efficiency and shorter delivery times.

The aspects of waste prevention and energy efficiency – for which Heidelberg offers efficient solutions – are not only cost-effective, but also help to improve the environmental footprint of print shops that are looking to secure an extra competitive edge. Needless to say, this also applies to the same degree for labels made using the sheetfed offset printing method, which typically involve larger runs.

## 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 2021/2022, the Management Board consisted of two members: Rainer Hundsdörfer (Chief Executive Officer) and Marcus A. Wassenberg (Chief Financial Officer and Chief Human Resources Officer). The organizational chart below shows the allocation of functional responsibilities within the Management Board as of March 31, 2022. Until he stepped down effective March 31, 2022, Rainer Hundsdörfer was the Chief Executive Officer and was responsible for the Occupational Health and Safety and Company Security, Manufacturing and Assembly, Information Security, Internal Audit, Communications, Lifecycle Operations, Product Development and Product Safety, Product Management, Quality Management, Corporate Development, and Environmental and Energy Management functions, as well as other subsidiaries (Gallus Group, Amperfied GmbH, Heidelberg Printed Electronics GmbH and Zaikio GmbH). Rainer Hundsdörfer also had overall responsibility for Sales Operations and Marketing, meaning that he was in charge of the regional sales organization.

Dr. Ludwin Monz succeeded Rainer Hundsdörfer with effect from April 1, 2022.

In his role as Chief Financial Officer, Marcus A. Wassenberg is also the Chief Human Resources Officer and is responsible for the functions Human Resources, Controlling & Financing, Procurement, Information Technology, Investor Relations, Mergers and Acquisitions, Accounting, Legal, Patents, Corporate Governance, Compliance and Data Protection, Site Management, and Taxes.

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.

**Business allocation plan as of March 31, 2022**

| **Rainer Hundsdörfer**<br>Chief Executive Officer | **Marcus A. Wassenberg**<br>Chief Financial Officer &<br>Chief Human Resources Officer |
|---|---|
| **MARKETS** | |
| ¬ Regional Sales Organization | |
| **FUNCTIONAL RESPONSIBILITIES** | |
| ¬ Occupational Health and Safety & Company Security<br>¬ Manufacturing and Assembly<br>¬ Information Security<br>¬ Internal Audit<br>¬ Communications<br>¬ Lifecycle Operations<br>¬ Product Development and Product Safety<br>¬ Product Management<br>¬ Management of Quality<br>¬ Sales Operations and Marketing<br>¬ Corporate Development<br>¬ Environmental and Energy Management<br>¬ Other subsidiaries | ¬ Controlling & Financing<br>¬ Procurement<br>¬ Information Technology<br>¬ Investor Relations<br>¬ Mergers & Acquisitions<br>¬ Human Resources<br>¬ Accounting<br>¬ Legal, Patents, Corporate Governance, Compliance and Data Protection<br>¬ Site Management<br>¬ Taxes |

**SEGMENTS**

| | | |
|---|---|---|
| ¬ **Print Solutions**<br>(Digital, Commercial, Industrial, Print Other) | ¬ **Packaging Solutions**<br>(Folding Carton, Label, Packaging Other) | ¬ **Technology Solutions**<br>(Zaikio, E-Mobility, Printed Electronics, Technology Other) |

## New 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 2021/2022: 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 Zaikio, E-Mobility and Printed Electronics. These are also the reportable segments in accordance with IFRS.

Heidelberg has been focused on customer orientation and profitability since the start of its reorientation. One important step in the past year was the introduction of the new operating model: The business units were dissolved, a centralized product management was established, and responsibilities for customer segments were defined. In this way, the perspective was shifted from products to markets with a clear focus on the customer.

To reflect this shift in our controlling and reporting structures, Heidelberg introduced a new segment structure with the three segments of Print Solutions, Packaging Solutions and Technology Solutions with effect from April 1, 2021. Business management is now 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, 2022 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 156 to 159.

**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) | Heidelberg Praha spol. s r.o. (CZE) |
| 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) | Heidelberger CIS OOO (RUS) |
| 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

### Transition from a traditional mechanical engineering company to a high-growth, profitable technology group

Heidelberg's strategy is aimed at continuing its transition from a traditional mechanical engineering company to a technology company – with increasingly diversified end markets – over the coming years. The starting point is the strategic reorientation of the Group that began in March 2020. This includes focusing the Group's core business on the high-growth, profitable areas of packaging printing, China – one of the world's biggest and most promising individual markets – and new digital business models. To this end, Heidelberg streamlined its product portfolio in early 2020, substantially reduced its debt and initiated a workforce reduction of around 2,000 full-time positions, which will be completed by the end of the financial year 2022/2023. All in all, these measures should lead to annual savings of € 170 million compared to financial year 2019/2020 as well as significantly lowering the break-even point.

### Focusing and strengthening core business

In its core business, Heidelberg benefits from its strong position as an end-to-end system provider of printing presses using different printing technologies, and of consumables, software and services. One central competitive advantage is the Company's pioneering technological role when it comes to the data-driven automation of printing processes along the entire value chain in offset printing, especially in light of the growing digitization of processes in packaging, label and advertising printing. Close customer ties are achieved by providing partnership-based support throughout the entire lifecycle. Another foundation of future success is the customer-oriented use of the data generated by 13,000 installed printing presses as the basis for our technological ability to make growing use of artificial intelligence.

Alongside its core business, Heidelberg is leveraging additional growth potential by using existing technologies in new markets. In the area of e-mobility, the Company has already established itself as one of the leading providers of stationary charging systems for home use, and it is significantly expanding these activities by extending its product and solution portfolio in line with the strong growth in demand for hybrid and fully electric vehicles. The Company also has promising concepts for the future when it comes to addressing the megatrends of automation and the platform economy.

By implementing this strategy, the Company expects to substantially improve its operating profitability and generate value for all stakeholders.

### Core business focuses on packaging printing, China, and digital business models

**Packaging printing benefits from the e-commerce boom and the trend to sustainability**

In monetary terms, the global print volume is forecast to increase slightly from around € 380 billion to € 385 billion by 2026. The global packaging and label printing market, in which Heidelberg occupies a leading position, will account for an ever larger share of this figure. Label printing is expected to expand by an average of 3.5 percent annually, from € 28 billion in 2021 to € 34 billion. In this area, Heidelberg will benefit in particular from the digital activities of its Gallus Group subsidiaries. Experts are forecasting annual growth in the packaging print volume of around 2.5 percent, from € 122 billion to € 138 billion in 2026. This development is being driven by growing e-commerce business around the world as well as heightened environmental awareness, which is leading to the use of paper and cardboard instead of plastic packaging, among other things. With a market share of almost 50 percent of all sheetfed offset packaging printing presses sold, Heidelberg is the global market leader and the only provider to offer the complete value chain tailored to customer requirements.

In this market segment, the Company is focusing in particular on automation and connectivity in printing processes and beyond (end-to-end) in order to satisfy the growing performance requirements of its customers. These value-generating services are based on Heidelberg's innovative strength and technology leadership. In turn, this is driven by the Company's extensive research and development activities with around 726 employees (see also the “Research and Development” section on pages 35 to 37 of this report). In light of this and the Company’s extremely good position in the high-growth Asian markets, Heidelberg intends to systematically leverage its potential in packaging printing over the coming years.

### Harnessing the competitive benefits of a well-established presence in China

Among the Asian markets, China is particularly promising. The sheetfed offset print volume (€ 40 billion in 2021) is expected to see average annual growth of more than 2 percent over the coming years, with packaging printing performing especially well. The aim is to further expand Heidelberg’s leading position in the important 70 x 100 sheetfed offset format, which currently involves a market share of around 50 percent, and to benefit from growth in one of the world’s largest individual print markets. In addition to tailored printing presses aimed primarily at the Asian market, Heidelberg’s strategy in China involves new, digital services for the entire printing press lifecycle. To this end, the capacities that have been in place at the Shanghai site since 2006 have been expanded to more than 550 employees in order to successfully serve the local market and neighboring markets. Heidelberg already supplies customers in more than 40 countries from its plant in Shanghai, with an export rate of about 18 percent. Heidelberg is taking efforts to considerably reduce its dependence on vulnerable global supply chains by increasing the extent to which it is supplied by local providers.

### Digital business models: a win-win approach for customers and Heidelberg

In light of the growing complexity of print jobs and hence customer orders, data usage and connectivity will be of crucial importance to Heidelberg in the future. As well as offering considerable benefits to our customers in the form of optimal efficiency and productivity, the associated products open up additional sales prospects for Heidelberg. We can draw upon our experience and the data from the around 13,000 printing presses and around 25,000 Heidelberg Prinect modules for data transfer that have been installed to date. In this way, big data is an essential factor to make possible that all components and processes are automated, including using artificial intelligence. We are also using an open industry platform to connect all the relevant systems in the printing industry in order to further digitize and standardize both administrative processes, such as in procurement, and production processes.

Heidelberg is the only company in the industry to offer solutions for an optimally coordinated subscription model for printing presses, services, consumables, consulting and software via its global service and sales network. These can be individually scaled, and guarantee constant, predictable revenue streams for Heidelberg over a longer period irrespective of the volatility of new machinery business. Building on long-term service and consumables contracts, the services provided include Prinect software, consulting services and the printing press itself. In its most complete form, the customer no longer pays for the individual components, but rather for the number of sheets printed on a performance-related basis. This means for Heidelberg that sales generation is increasingly linked to the print production volume, which is more stable than the cyclical new machinery business, thereby ensuring higher income from the installed base across the entire printing press lifecycle. Since 2018, Heidelberg has increased the share of total contract business from 5 percent to 13 percent. The new strategic financing partnership with the insurance group Munich Re will provide Heidelberg with new opportunities for scaling from the financial year 2022/2023 onward, thereby allowing it to leverage the market potential of the subscription model even more effectively.

## Attractive growth potential outside the core business

### Successful technology transfer to the growth market of e-mobility

Building on its innovative strength and broad-based expertise, Heidelberg intends to benefit from technology transfer from its core markets to new markets to an even greater extent in the future. Heidelberg’s successful move into the e-mobility market, with growth potential in the comfortable double-digit range, shows that this approach can succeed and offers inspiration for future plans. With a market share of more than 20 percent, Heidelberg is already one of Germany's leading providers of charging stations for private households, also known as Wallboxes. It has now sold around 130,000 charging units. Capacities at the Wiesloch-Walldorf site had been expanded to five production lines by the end of the financial year 2021/2022. However, growth is currently still being curbed by the tangible difficulties affecting the supply of semiconductors and other materials. The sustained high level of demand for electric vehicles will require the rapid expansion of charging infrastructure also in the coming years. Around 80 percent of the hardware sold in Germany in 2030 is expected to be installed in the home. Heidelberg also intends to grow by expanding internationally. It has entered the Austrian and Swiss markets, and is preparing to do the same in France, Poland and Hungary.

The Company will also continue to expand its product portfolio in the direction of smart charging solutions. In addition to its own product innovations, the Company engages in partnerships and acquisitions. A strategic cooperation with SAP was agreed to this end in late 2021. The SAP e-mobility solution will offer the users and operators of charging stations standardized and scalable cloud-based services that enable fully integrated billing processes, among other things. Coupled with Heidelberg's charging solutions, this will allow operators to run their charging networks intelligently and establish modern fleet management, for example. In the financial year 2021/2022, Heidelberg also acquired parts of the power company EnBW's charging station technology, thereby expanding its product range to include a publicly authorized and calibrated charging station for public users. The range of products and solutions will also be expanded to include solutions for larger fleets, office buildings and apartment buildings that address issues such as billing, calibrated charging columns and software-based load management.

**Additional technology transfers under investigation**

Printed and organic electronics is an innovative technology for producing sensors based on conductive inks and functional materials. Heidelberg is investigating application, production and market scenarios together with Heidelberger InnovationLab, the Company's specialized partner for printed organic electronics. For example, the past financial year saw the presentation of new scenarios for printed sensors in automotive applications such as car seats or battery management.

## Key Performance Indicators

With the announcement of the package of measures for the Company's reorientation in March 2020, Heidelberg set itself a clear objective: profitability. In its management of the 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 mainly based on the sales and earnings development of the Group. In terms of operational financial performance measurement, the most significant controlling performance indicators in addition to sales are the result of operating activities before interest, taxes, depreciation and amortization (EBITDA) and the net result after taxes. More detailed information on the development of these financial performance indicators can be found in the individual sections of the "Economic Report" on pages 38 to 52 and in the "Future Prospects" section on pages 64 to 65.

### Other financial and non-financial performance indicators

Other important key figures applied in operational financial performance measurement are primarily the result of operating activities before interest and taxes (EBIT), net working capital in relation to sales, and free cash flow and leverage, i.e. net debt in relation to EBITDA. In addition to financial key figures, the Management Board also uses non-financial performance indicators, particularly with regard to quality assurance. Furthermore, we are currently analyzing the future use of ESG (environmental, social, governance) performance indicators.

**Reconciliation of EBITDA to net result after taxes**

| Figures in € millions | 2020/2021 | **2021/2022** |
|---|---|---|
| EBITDA | 95 | 160 |
| Depreciation and amortization | 78 | 79 |
| Result of operating activities | 18 | 81 |
| Financial result | – 41 | – 30 |
| Net result before taxes | – 23 | 51 |
| Taxes on income | 20 | 18 |
| Net result after taxes | – 43 | 33 |

## Partnerships

- Partnerships and cooperations for the expansion of new digital business models
- Focus on digitization and industrialization
- Successful cooperation with Masterwork: growth with postpress packaging products
- Expansion of subscription business through cooperation with Munich Re

We have established ourselves as a preferred industry partner for worldwide cooperations at various levels. The resulting cooperations with companies that are also the leaders in their fields are paying off for Heidelberg. They are a component of our strategy of defining digitization in our industry and a powerful engine for making our activities a success. Cooperations help us to make our established activities more efficient and contribute to the faster cultivation of new market segments in defined growth areas and additional sales regions. In the projects, the main focus is on ongoing digitization. We combine our own innovative drive with that of our partners. This ensures the rapid integration of expertise and optimized resource management on both sides.

The ongoing digitization of our industry is mainly about gaining flexibility and simplifying the elaborate integration of technologies and processes into a continuous workflow that transparently connects customers, service providers and suppliers. In digital printing, we are concentrating on the Versafire and the Gallus Labelfire, and hence on the commercial and label market segments, and we are cooperating with innovative partners who are the leaders in their respective segment. We also intend to systematically drive ahead the topic of digitization in order to optimize our customers' efficiency. Digital label printing is growing globally, and the Gallus Labelfire has now established itself within this market and occupies a solid position.

Since the start of the partnership between Heidelberg and Ricoh in 2011, around 1,600 users have opted for a Versafire digital printing system. To ensure our customers' success, the Prinect Digital Frontend is being further enhanced by Heidelberg, and the Prinect functions are being expanded in order to harness the performance of the systems for a growing range of print applications with the greatest possible flexibility while also ensuring their effective and comprehensive integration into the print shop workflow so that digital and offset printing systems can be controlled using a common workflow.

### Growth with postpress packaging products from Masterwork

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. Selected folder gluer models for Asia have also been supplied from Tianjin since this year. Additionally, the Masterwork Group is Heidelberg's largest single shareholder.

On the product side, we expanded the portfolio for our folding box customers in the reporting period. We unveiled the Mastermatrix 106 CSB, the new flagship die-cutter for the high-end folding box segment. In the area of folder gluers, we repositioned two preconfigured machines for the special applications of envelopes for e-commerce and luxury packaging with the Diana Envelope and the Diana Luxury. All in all, our partnership with Masterwork is continuing to progress extremely well.

### Cooperation with universities, associations and research partners

In research and development, we share information with a number of partners in order to bring about new developments more quickly. We test new developments prior to their market launch in cooperation with selected customers. Our internal research projects are supplemented by partnerships with institutes and universities such as Darmstadt University of Technology, Mannheim University of Applied Sciences, the University of Wuppertal and the SID (Sächsisches Institut für die Druckindustrie). These activities are rounded off by our cooperation and collaboration within associations such as the VDMA, the FGD and Fogra in addition to DIN/ISO committees.

When it comes to developing new business areas, we work in cooperation with InnovationLab GmbH (iL), in which Heidelberg holds 20 percent of the shares. iL is an expert in printed and organic electronics, providing tailor-made solutions for its customers' R & D challenges.

### Expansion of subscription business through cooperation with Munich Re

Heidelberg Financial Services has been successfully supporting print shops in developing financing solutions for a number of years. We actively moderate between our customers and global financing partners. Tailored financing solutions contribute to our customers' success.

In order to further expand business with our digital usage-based subscription model, we entered into a strategic financing partnership with the insurance group Munich Re in the period under review. In selected markets, subscription contracts will be offered in cooperation with Munich Re, one of the leading providers of (re)insurance and insurance-related risk solutions, thereby allowing us to further leverage the global market potential of our subscription model.

## Research and Development

- Speedmaster CX 104: new universal press successfully brought to market
- Increased investment in packaging technologies
- Expansion of industry platform and cloud technologies
- Artificial intelligence used in a growing number of market-ready innovations
- New applications for printed organic electronics presented
- Smart charging technologies developed for the e-mobility growth market

At Heidelberg's sites in Wiesloch-Walldorf, Ludwigsburg and Kiel, Weiden and St. Gallen, around 730 research and development employees work to expand the Company's technology leadership and address new technologies and markets by digitally integrating all print shop processes and systematically improving their productivity as well as making our products more effective and efficient.

### Speedmaster CX 104: new universal press successfully brought to market

Building on its capacity for innovation, Heidelberg is aiming to further strengthen its core business in the printing industry in the future. The launch of the new Speedmaster CX 104 universal press in summer 2021, just one year after the presentation of the drupa 2020 printing press generation, is an impressive example of this approach that sends out a clear signal to the industry. With its new 104 cm sheet format, the system addresses the growing demand for flexible printing systems with a variety of automation solutions and variants in the commercial sector while also constituting a strong (supplementary) product for the expanding packaging segment. When selecting equipment variants, customers benefit from the system's free scalability – which extends all the way through to Push-to-Stop functionality – as well as customized configurations.

All in all, the Company is increasing its investment in the development and expansion of its portfolio in the packaging segment, including in cooperation with its strategic partner Masterwork. These activities are focusing on enhanced die-cutters and folder gluers. One particularly important aspect in this segment is innovations to improve sustainability, such as fully automated color measurement and control technology that enables a further reduction in paper consumption. The further development of the promising area of digital label printing for the Gallus portfolio is another focal point.

### Industry platform and cloud technologies expanded further

Heidelberg is pursuing the goal of setting standards in the platform economy in the print media industry. To this end, it has presented Heidelberg Plus, which combines all elements of the Heidelberg ecosystem in a single digital customer portal. In addition to the website and e-shop presence, this includes various performance reporting, monitoring and service applications in the production sector as well as access to instructional videos and white papers covering technical aspects and applications. Developments in the areas of cloud technology, IoT, big data and AI have created new possibilities that Heidelberg intends to systematically harness in order to offer its customers additional value added.

Examples include developing the first AI-based applications to advise them interactively on how they can optimize their own operations, with Heidelberg leveraging and supplying its big data expertise. In the fall, the Company showcased Prinect Print Shop Analytics, the first cloud-based app in its workflow, which will also be available via Heidelberg Plus. This tool allows users to monitor current print shop performance on the basis of real-time data on the most important KPIs in order to optimize production by suggesting specific courses of action with the help of artificial intelligence. The gradual transition of the Prinect workflow to the cloud is one of the focal points of software development.

A special AI-based process consulting tool, Performance Advisor Technology (PAT), uses an automated process to provide contract customers with specific, straightforward instructions for improving their operational procedures. This involves adding an artificial intelligence module to the Heidelberg Cloud, which contains data from around 13,000 connected machines and information relating to more than 60 million anonymized make-ready processes. PAT addresses the growing demand for performance consulting services and will help to drive the automation of consulting services and the scalability of the subscription model. A benchmarking function for PAT that compares Heidelberg printing presses with an anonymized peer group from the Heidelberg Cloud is already in development.

In the past year, the Company also focused on scaling the transaction volume on the Zaikio industry platform by adding new partners and developing new functions for the procurement module. Zaikio aims to unite as many users as possible on a single platform in the future, with the first step involving the simplification of procurement processes. The free Zaikio account enables print shops and their suppliers to bring together supply and demand in a connected database in real time and connect formerly manual procurement processes to their own software systems digitally. Zaikio creates the foundations for consistently automated process chains, thereby reducing the transaction costs for all participants.

### New applications for printed organic electronics investigated

Printed and organic electronics is an innovative technology for producing sensors based on conductive inks and functional materials. In this area, Heidelberg intends to use state-of-the-art printing technology to analyze electronic components and sensors for other digital applications, particularly in healthcare and logistics as well as in the retail and automotive sectors. Following on from the first applications for healthcare, Heidelberg and its partner InnovationLab presented new applications for the automotive industry for printed sensors for battery monitoring and car seats at LOPEC, the leading international trade fair for flexible, organic and printed electronics, in March 2022.

**Five-year overview: Research and development**

| | 2017/2018 | 2018/2019 | 2019/2020 | 2020/2021 | **2021/2022** |
|---|---|---|---|---|---|
| R&D costs in € millions | 121 | 127 | 126 | 87 | 98 |
| in percent of sales | 5.0 | 5.1 | 5.4 | 4.5 | 4.5 |
| R&D employees | 911 | 988 | 1,003 | 870 | 726 |
| Patent applications | 81 | 89 | 81 | 47 | 40 |

### Smart charging technologies developed for the e-mobility growth market

Following the establishment of a dedicated “E-Mobility” business unit and the success of Heidelberg’s charging technology, the Company expanded its production capacities and more than doubled its sales volume in the past financial year. In response to the significant market potential, Heidelberg is continuing to expand the product portfolio with a focus on smart technologies. In the future, the portfolio will be developed into a comprehensive range of smart home solutions, including integrated charging solutions for company car fleets, parking garages, entire residential complexes or municipalities. To this end, the Company is leveraging its expertise in the field of power electronics and software, supplemented by acquisitions such as parts of EnBW’s charging station technology, as well as engaging in partnerships.

The challenge with a B2C product like the Wallbox is to develop a solution that meets the statutory and standardization requirements without exceeding the required budget. By bundling our R & D expertise in the areas of mechanics, electronics and software and integrating it with production, we have created a marketable product that represents a good investment for the end customer thanks to our high quality standards. The “E-Mobility” unit draws upon Heidelberg’s extensive expertise in the areas of construction, electronics and software development as well as the particular support of our laboratories and test benches.

### European development network with unique industry expertise

The IVC – 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 further processing, control systems, drive systems and software including user interfaces, and consumables. Around two-thirds of them have a university degree or a doctorate. 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 areas of e-mobility and organic electronics.

### R & D in figures

Around 7.4 percent of our workforce is currently employed in the area of research and development. We invested around 4.5 percent of our sales in research and development in the year under review. Heidelberg submitted a total of 40 new patent applications in the financial year 2021/2022 (previous year: 47). This means that Heidelberg’s innovations and unique selling propositions are protected by 2,444 active patents and patent applications worldwide.

# ECONOMIC REPORT

## General information regarding this report

The Company has reported the key earnings figures of EBIT and EBITDA including restructuring result since April 1, 2021. The prior-year figures have been restated accordingly.

Heidelberg has also reported in a new segment structure since April 1, 2021 in order to better reflect its focus on the customer requirements, profitability and potential resulting from the new operating model introduced as part of its reorientation. Reporting in the three segments of Print Solutions, Packaging Solutions and Technology Solutions will allow Heidelberg to manage its business in line with its target markets and the respective customer requirements to an even greater extent than before. The prior-year figures have been restated accordingly.

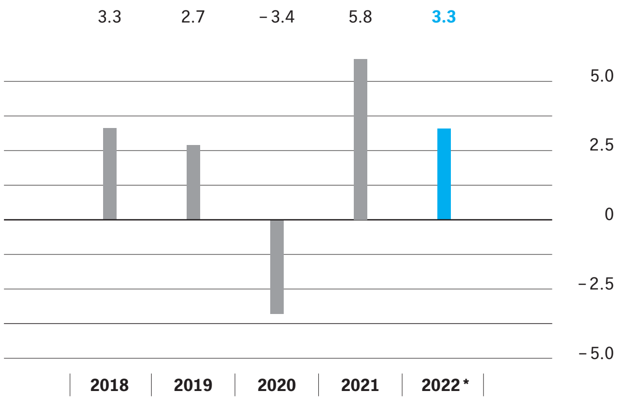
## Macroeconomic and industry-specific conditions

Although the COVID-19 pandemic continued to have an impact on economic activity in the 2021 calendar year, the downturn in global economic output in the previous year was recovered to a considerable extent thanks to the high vaccination rates in many countries. The economic situation improved significantly as the pandemic and the related restrictions eased in the second quarter of the past calendar year. The spread of the highly infectious Omicron variant from November 2021 led to high absence rates in workplaces in particular. This exacerbated the supply-side restrictions to supply chains that had already emerged following the rapid recovery of demand. This scarcity effect and the associated price increases, together with rising energy prices, had a particularly pronounced impact on worldwide inflation. While the US Federal Reserve took the first steps to combat this with its interest rate policy, the European Central Bank remained cautious with the exception of the announcement that it would scale back bond purchases (as of April 2022).

According to IHS Markit, the world economy grew by a total of 5.8 percent in 2021. There were considerable differences in the extent of the economic recovery in the industrialized nations: While the United States saw growth of 5.7 percent in 2021, the highest figure since 1984, the Japanese economy expanded by just 1.7 percent as an average

**Change in global GDP**

Figures in percent

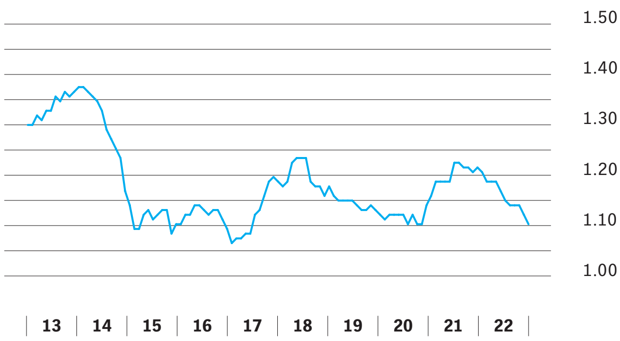



* Forecast

Source: IHS Markit Global Insight; calendar year; as of March 2022

**Development of EUR / USD**

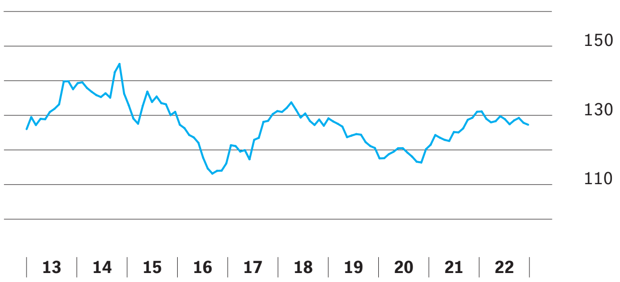
January 2013 to January 2022




Source: IHS Markit Global Insight

**Development of EUR / JPY**

January 2013 to January 2022




Source: IHS Markit Global Insight

for the year. The euro zone economy grew by an average of 5.4 percent, while Germany saw growth of 2.9 percent.

The emerging economies enjoyed significant GDP growth in 2021, especially in the majority of Asian nations. In China, the strong upturn in economic output continued with growth of 8.1 percent in the past year, although momentum slowed considerably toward the end of the year. The renewed imposition of strict and widespread government restrictions as part of the zero-COVID-19 policy in China curbed economic activity further in the first quarter of the 2022 calendar year. The specific consequences of the lockdown in the Chinese metropolis of Shanghai from late March onward are considerable and are already being felt.

The first quarter of the current calendar year was dominated by the impact of the sanctions imposed against Russia by the EU and North America. This put further pressure on supply chains, especially for raw materials, leading to rising inflation as well as production downtime in some areas of industry.

Global sales in mechanical and plant engineering rose by around 13 percent, while inflation-adjusted production in the German mechanical engineering industry increased by just 6.4 percent year-on-year. However, this figure would have been considerably higher if mechanical and plant engineering had not been so hard hit by bottlenecks. In the printing and paper technology sector, orders for printing presses increased by 22 percent adjusted for inflation, while sales rose by 5 percent.

Sources: IHS Markit 2022; VDMA 2022

## Business Development

- Incoming orders up more than 23 percent to € 2,454 million
- Highest order backlog for more than ten years
- At € 2,183 million, sales exceed € 2.1 billion as forecast
- EBITDA margin of 7.3 percent within target range and with significant operating improvement
- Net result before taxes € 51 million, net result after taxes € 33 million

### Overall assessment of business development

For Heidelberger Druckmaschinen Aktiengesellschaft, the financial year 2021/2022 saw a significant recovery compared with the previous year, which was dominated by the impact of the COVID-19 pandemic. The substantial improvement in the investment climate was reflected in particular in a year-on-year increase in incoming orders of more than € 450 million to € 2,454 million. Although infection rates increased due to the spread of the Omicron variant, the impact on the Company's business activity was not as strong as at the start of the pandemic. For the most part, measures to offset the financial impact were only required in the first quarter of the past financial year. The main challenge related to the global supply chains, as the substantial recovery in the world economy was accompanied by bottlenecks for certain materials and sharp price rises. Despite this, the positive effects of the sales growth and the implementation of the measures forming part of the transformation program that was resolved in March 2020 led to a significant improvement in operating profitability.

**Five-year overview: Business development**

| Figures in € millions | 2017/2018 | 2018/2019 | 2019/2020 | 2020/2021 | **2021/2022** |
|---|---|---|---|---|---|
| Incoming orders | 2,588 | 2,559 | 2,362 | 2,000 | 2,454 |
| Order backlog as of March 31 | 604 | 654 | 612 | 636 | 901 |
| Sales | 2,420 | 2,490 | 2,349 | 1,913 | 2,183 |

At € 2,183 million, sales in the financial year 2021/2022 met the updated forecast of at least € 2.1 billion that was issued on February 9, 2022 (previous forecast: at least € 2 billion), thereby increasing by around 14 percent compared with the prior-year figure of € 1,913 million.

The EBITDA margin amounted to 7.3 percent, thereby falling within the forecast range of 7 – 7.5 percent as per the revised forecast that was issued on August 31, 2021. The Company had forecast an EBIT margin of 6 – 7 percent at the start of the financial year.

The net result before taxes for the financial year 2021/2022 amounted to € 51 million (previous year: € – 23 million). As forecast, the net result after taxes was slightly positive at € 33 million after € – 43 million in the previous year.

Leverage (the ratio of net debt to EBITDA) was below 0 at the end of the financial year (due to net debt being negative), thereby outperforming the original target of development in line with the previous year (0.7).

**Highest order backlog for more than ten years**

Incoming orders in the financial year 2021/2022 amounted to € 2,454 million (after adjustment for currency effects: € 2,426 million), an increase of almost 23 percent compared with the prior-year figure (€ 2,000 million), which was significantly impacted by the global COVID-19 pandemic.

In the first quarter, which saw the best performance in the past financial year, this development was also driven by the successful China Print trade fair in Shanghai and the weakness of the prior-year quarter. Incoming orders in the following quarters remained at a consistently high level. Advertising printing and packaging printing enjoyed significant year-on-year growth in the past financial year, with advertising printing seeing higher growth on account of the extremely weak prior-year figure. Growth was generated across almost all products, with demand for new machinery being the main driver. Demand for Wallboxes saw the biggest increase in percentage terms, rising by more than 120 percent to around € 50 million. Regionally speaking, EMEA made the biggest contribution to the growth in the Group’s incoming orders.

Accordingly, the order backlog of around € 901 million as of March 31, 2022 was the highest level for more than ten years, as well as being up significantly on the prior-year figure of € 636 million.

**Sales volume up 14 percent year-on-year**

Sales also enjoyed a considerable recovery, increasing to € 2,183 million (previous year: € 1,913 million) and recording successive growth in each quarter of the financial year (after adjustment for currency effects: € 2,158 million). Longer delivery times due to the high level of demand for new machinery as well as the limited availability of some materials meant that sales increased more slowly than incoming orders, especially in the second half of the year.

Sales per employee (excluding trainees) amounted to € 223 thousand in the year under review after € 187 thousand in the previous year.

## Results of Operations

- EBITDA margin of 7.3 percent despite growing impact of material price increases
- Significant operating improvement compared with previous year
- Income from asset management of around € 48 million
- Positive net result after taxes

At € 160 million, EBITDA was up considerably on the prior-year figure (€ 95 million). The improvement in operating profitability was even more pronounced. The previous year was positively affected by the comprehensive compensation for the decline of employment through short-time work, income from the reorganization of the pension plans for the Company’s employees in Germany in the first quarter (around € 73 million), the disposal of the Belgian subsidiary CERM N.V. (around € 8 million) in the second quarter, and the disposal of BluePrint Products NV and Hi-Tech Chemicals BV with the Belgian production site for printing chemicals (around € 11 million) in the third quarter. However, earnings in the previous year were impacted by restructuring expenses of around € 50 million in connection with the transformation program initiated in March 2020. The past financial year saw a significant increase in EBITDA compared with the prior-year figure adjusted for the aforementioned effects. This was due to the sharp rise in sales, higher capacity utilization and further savings as a result of the transformation. Despite material price rises in the low-double-digit million euro range and the need to recognize write-downs on assets in connection with the sanctions imposed against Russia, EBITDA improved significantly in operational terms. Earnings in the past financial year include income from asset management from the disposal of docufy in the second quarter (around € 22 million) and the property in the UK in the third quarter (around € 26 million). The EBITDA margin amounted to around 7.3 percent of sales (previous year: 5.0 percent).

## Income statement: Net result after taxes positive at € 33 million

As a result of the higher sales volume, the Group's total operating performance increased from € 1,845 million in the previous year to € 2,233 million in the year under review. The ratio of the cost of materials to total operating performance increased to around 46.5 percent (previous year: 46 percent). This was due in particular to rising material costs. Staff costs had been reduced significantly in the previous year thanks to short-time work and flexible working hours, the savings resulting from the transformation program and the reorganization of the Company's pension plans in Germany. Despite this, the higher total operating performance and ongoing savings under the transformation program meant that the staff cost ratio declined slightly year-on-year to 35.7 percent (previous year: 36 percent).

Other operating expenses and income were slightly above the prior-year level at a net amount of € 230 million in the year under review (previous year: € 220 million). For further details, please refer to notes 9 and 13 on pages 97 and 99 of this report. Depreciation and amortization remained essentially unchanged at € 79 million (previous year: € 78 million).

**Income statement**

| Figures in € millions | 2020/2021 | **2021/2022** |
|---|---|---|
| Net sales | 1,913 | 2,183 |
| Change in inventories/ other own work capitalized | – 68 | 49 |
| Total operating performance | 1,845 | 2,233 |
| EBITDA | 95 | 160 |
| Depreciation and amortization | 78 | 79 |
| Result of operating activities (EBIT) | 18 | 81 |
| Financial result | – 41 | – 30 |
| Net result before taxes | – 23 | 51 |
| Taxes on income | 20 | 18 |
| Net result after taxes | – 43 | 33 |

The financial result improved to € – 30 million, largely as a result of the significantly lower level of financial liabilities (previous year: € –41 million). In March 2022, Heidelberg repaid the outstanding portion of the convertible bond in the amount of around € 17 million on maturity as scheduled.

All in all, the net result before taxes improved to € 51 million (previous year: € – 23 million), while the net result after taxes improved to € 33 million (previous year: € – 43 million).

**Five-year overview: Results of operations**

| Figures in € millions | 2017/2018 | 2018/2019 | 2019/2020 | 2020/2021 | **2021/2022** |
|---|---|---|---|---|---|
| Sales | 2,420 | 2,490 | 2,349 | 1,913 | 2,183 |
| Per capita sales[1] (in € thousands) | 209 | 216 | 208 | 187 | 223 |
| EBITDA[2] | 156 | 161 | – 103 | 95 | 160 |
| in percent of sales | 6.4 | 6.5 | – 4.4 | 5.0 | 7.3 |
| Result of operating activities | 87 | 81 | – 269 | 18 | 81 |
| Financial result | – 48 | – 49 | – 52 | – 41 | – 30 |
| Net result after taxes | 14 | 21 | – 343 | – 43 | 33 |
| in percent of sales | 0.6 | 0.8 | – 14.6 | – 2.2 | 1.5 |

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

## Net Assets

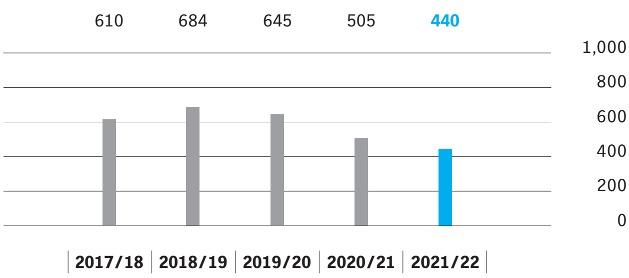
- Substantial reduction in net working capital
- Net debt eliminated
- Significant improvement in equity

### Net working capital

As of March 31, 2022, net working capital declined to € 440 million despite the substantial increase in inventories on the back of the higher order volume, thereby corresponding to 20.2 percent of sales (March 31, 2021: EUR 505 million; 26.4 percent). Although inventories rose from € 542 million to € 631 million, this was more than offset by the increase in customer prepayments from € 137 million to € 200 million, as well as the € 73 million increase in trade payables to € 216 million (previous year: € 146 million). Despite the sales growth, systematic receivables management meant that trade receivables were unchanged year-on-year at € 246 million as of March 31 of the year under review (previous year: € 246 million).

**Development of net working capital**

Figures in € millions




**Assets**

| Figures in € millions | 31-Mar-2021 | **31-Mar-2022** |
|---|---|---|
| Non-current assets | 902 | 843 |
| Inventories | 542 | 631 |
| Trade receivables | 246 | 246 |
| Receivables from sales financing | 44 | 43 |
| Cash and cash equivalents | 204 | 146 |
| Other assets | 231 | 274 |
| | **2,169** | **2,183** |

### Assets: Non-current assets reduced as a result of asset management

Mainly as a result of the higher production volume, inventories – and therefore total assets as well – were up as against March 31, 2021.

Non-current assets declined as against the end of the previous year on account of the disposal of the property in the UK and of additional space at the Wiesloch-Walldorf site. The increase in other assets is 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.

Despite the positive free cash flow of € 88 million, cash and cash equivalents declined from € 204 million in the previous year to € 146 million at the reporting date. This was primarily due to the planned reduction in debt instruments of around € 135 million.

We continued to successfully pursue our proven, long-standing strategy of arranging customer financing agreements with financing partners in the Heidelberg Financial Services segment and maintained our receivables from sales financing at the prior-year level as of March 31, 2022.

**Equity and liabilities**

| Figures in € millions | 31-Mar-2021 | **31-Mar-2022** |
|---|---|---|
| Equity | 109 | 242 |
| Provisions | 1,253 | 1,113 |
| of which pension provisions | 946 | 843 |
| Financial liabilities | 271 | 135 |
| Trade payables | 146 | 216 |
| Other equity and liabilities | 390 | 477 |
| | **2,169** | **2,183** |

## Equity and liabilities: Significant increase in equity

The Heidelberg Group's equity rose compared with the previous year (€ 109 million) to € 242 million due to the increase in the interest rate for German pensions (from 1.4 percent as of March 31, 2021 to 2.1 percent as of March 31, 2022) as well as the positive net result after taxes. The equity ratio amounted to 11.1 percent at the reporting date (previous year: 5.0 percent).

Pension provisions declined to € 843 million at the reporting date (previous year: € 946 million), largely as a result of the higher interest rate for German pensions. As a result, total provisions decreased to € 1,113 million (previous year: € 1,253 million).

The planned reduction of various debt instruments meant that financial liabilities declined from € 271 million as of March 31, 2021 to € 135 million at the reporting date. Cash and cash equivalents exceeded financial liabilities at the end of the year, meaning that net debt declined to € – 11 million (March 31, 2021: € 67 million). This meant the ratio of net debt to EBITDA (leverage) was negative and below the prior-year level (0.7).

**Five-year overview: Net assets**

| Figures in € millions | 2017/2018 | 2018/2019 | 2019/2020 | 2020/2021 | **2021/2022** |
|---|---|---|---|---|---|
| Total assets | 2,256 | 2,329 | 2,602 | 2,169 | 2,183 |
| Total operating performance | 2,507 | 2,556 | 2,345 | 1,845 | 2,233 |
| Ratio of total assets to total operating performance (in percent) | 90.0 | 91.1 | 111.0 | 117.6 | 97.8 |
| Net working capital | 610 | 684 | 645 | 505 | 440 |
| in percent of sales [1] | 25.2 | 27.5 | 27.5 | 26.4 | 20.2 |
| Equity | 341 | 399 | 202 | 109 | 242 |
| in percent of total equity and liabilities | 15.1 | 17.1 | 7.8 | 5.0 | 11.1 |
| Net debt [2] | 236 | 250 | 43 | 67 | – 11 |
| Leverage [3] | 1.5 | 1.6 | – 0.4 | 0.7 | – 0.1 |

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

## Financial Position

- Substantial increase in free cash flow – significant operating improvement
- Investment cash flow positive due to asset management income
- Comfortable and flexible financing structure

### Statement of cash flows: Positive free cash flow – significant operating improvement

Free cash flow increased substantially year-on-year to € 88 million (previous year: € 40 million). This was mainly due to cash generated by operating activities, which improved to € 51 million (previous year: € 0 million) on the back of the higher operating result in particular.

Net other operating changes improved substantially year-on-year to € – 22 million (previous year: € – 126 million). However, they were again impacted by scheduled payments in a mid-double-digit million euro amount in connection with the transformation program initiated in March 2020. In the previous year, cash generated by operating activities was adjusted for non-cash income from the reorganization of the Company's pension plans in Germany (around € 73 million), which was reported in other operating changes. This effect will materialize in future in the form of slightly lower annual payments for pensions.

Despite the higher sales volume, the funds released as a result of the reduction in net working capital contributed a further € 71 million in the past year (previous year: € 125 million).

Net cash generated by investing activities amounted to € 36 million in the past financial year (previous year: € 40 million). This was due in particular to the sale of space at the Wiesloch-Walldorf site (around € 43 million) and the disposal of the subsidiary docufy (around € 28 million). In the previous year, the main cash inflows from investing activity related to cash investments (around € 36 million) and asset management (around € 48 million).

### Net debt eliminated – comfortable and flexible financing structure

Financial liabilities were almost halved to € 135 million in the period under review. In addition to loan repayments of around € 110 million, this was due to the scheduled repayment of the convertible bond in the amount of around € 17 million in March 2022. Net debt declined significantly by around € 67 million year-on-year to € – 11 million as of March 31, 2022. Heidelberg's financing portfolio consists of a syndicated credit facility (around € 250 million) with a term to 2024 and various loans and development loans. Heidelberg's credit facilities, which currently total around € 325 million, have a maturity structure until 2024 and provide a solid foundation for the Company's continued strategic development.

We supplement our financing with leases where economically appropriate. There are no financing instruments not reported on the face of the statement of financial position with a significant influence on the economic position of the Group. Heidelberg had a stable liquidity framework at the reporting date.

**Five-year overview: Financial position**

| Figures in € millions | 2017/2018 | 2018/2019 | 2019/2020 | 2020/2021 | **2021/2022** |
|---|---|---|---|---|---|
| Net result after taxes | 14 | 21 | – 343 | – 43 | 33 |
| Cash used in/generated by operating activities | 87 | – 11 | – 54 | 0 | 51 |
| of which: net working capital | 24 | – 62 | 27 | 125 | 71 |
| of which: receivables from sales financing | – 10 | 6 | 14 | 0 | 2 |
| of which: other operating changes | 73 | 45 | – 95 | – 126 | – 22 |
| Cash used in/generated by investing activities | – 95 | – 82 | 279 | 40 | 36 |
| Free cash flow | – 8 | – 93 | 225 [1] | 40 | 88 |
| in percent of sales | – 0.3 | – 3.7 | 9.6 | 2.1 | 4.0 |

[1] Including inflow of around € 324 million from trust assets

## Segment Report

- Print Solutions: Results improve significantly
- Packaging Solutions: Strong demand from China
- Technology Solutions: Sales more than double, positive earnings contribution

Sales in the Print Solutions segment contributed 55.3 percent to consolidated sales in the past financial year (previous year: 53.7 percent). The Packaging Solutions segment accounted for around 42.4 percent (previous year: 45.1 percent). The Technology Solutions segment doubled its contribution to consolidated sales to 2.3 percent (previous year: 1.2 percent).

### Print Solutions segment: Strong earnings improvement

Incoming orders in the Print Solutions segment amounted to € 1,324 million in the year under review, a 25 percent increase compared with the weak prior-year figure due to the pandemic (€ 1,058 million). This development was driven by all product categories, especially new machinery business. Segment sales rose by 18 percent year-on-year to € 1,208 million (previous year: € 1,028 million). As delivery times increased in response to the high level of demand, this meant that sales failed to keep pace with the growth in incoming orders. The result of operating activities before interest, taxes, depreciation and amortization (EBITDA) was up significantly year-on-year at € 111 million (previous year: € 52 million). This was due to the substantially higher sales volume, effects from the transformation program and income from asset management, with the income from the sale of docufy in the second quarter of 2021/2022 in the amount of around € 22 million being recognized in this segment in full. The previous year's figure had benefited proportionally from the reorganization of the Company pension plan in Germany and the comprehensive utilization of short-time work in particular.

**Print Solutions**

| Figures in € millions | 2020/2021 | **2021/2022** |
|---|---|---|
| Incoming orders | 1,058 | 1,324 |
| Sales | 1,028 | 1,208 |
| Order backlog | 319 | 438 |
| EBITDA | 52 | 111 |
| Investments | 20 | 38 |
| Employees [1] | 5,682 | 5,433 |

[1] Number of employees excluding trainees

### Packaging Solutions segment: High demand from China

Incoming orders in the Packaging Solutions segment increased by 17 percent year-on-year to € 1,080 million in the financial year 2021/2022 (previous year: € 920 million). In the previous year, the segment was affected by the pandemic to a far lesser extent as packaging benefited from the rapid growth in online retail in particular. The higher level of incoming orders was primarily driven by increased demand from the Asian region. Sales rose by around 7 percent year-on-year to € 925 million (previous year: € 863 million). At € 46 million, operating EBITDA improved significantly despite negative mix effects on margin and isolated delivery delays due to the limited availability of certain product components for packaging and label printing presses. This figure includes a share of the income from the sale of the property in the UK. The previous year's figure (EBITDA: € 44 million) had benefited in particular from the reorganization of the Company pension plan in Germany and the comprehensive utilization of short-time work.

**Packaging Solutions**

| Figures in € millions | 2020/2021 | **2021/2022** |
|---|---|---|
| Incoming orders | 920 | 1,080 |
| Sales | 863 | 925 |
| Order backlog | 316 | 445 |
| EBITDA | 44 | 46 |
| Investments | 58 | 33 |
| Employees [1] | 4,440 | 4,248 |

[1] Number of employees excluding trainees

### Technology Solutions segment: Sales more than double, positive earnings contribution

Incoming orders and sales enjoyed particularly strong growth in the Technology Solutions segment. Sales more than doubled to € 51 million in the financial year 2021/2022 (previous year: € 22 million). This development was almost entirely attributable to e-mobility. Segment EBITDA amounted to € 4 million (previous year: € 0 million).

**Technology Solutions**

| Figures in € millions | 2020/2021 | **2021/2022** |
|---|---|---|
| Incoming orders | 22 | 51 |
| Sales | 22 | 51 |
| Order backlog | 1 | 18 |
| EBITDA | 0 | 4 |
| Investments | 0 | 0 |
| Employees [1] | 90 | 130 |

[1] Number of employees excluding trainees

## Report on the Regions

- EMEA reports strongest growth in incoming orders: Germany and Italy key drivers
- North America region: substantial sales growth
- Asia/Pacific region: China enjoys considerable growth following trade fair

### Europe, Middle East and Africa (EMEA)

The EMEA region saw the strongest growth in incoming orders in the period under review. Incoming orders increased by around 34 percent, from € 736 million in the previous year to € 984 million. Whereas the prior-year figure was characterized by a reluctance to invest, all of the countries in the region recorded substantial growth in the year under review, especially in the first and third quarters. This development was primarily driven by Italy, the UK and Germany. Sales in the region amounted to € 830 million, thereby also increasing significantly compared with the previous year (€ 741 million). Sales increased continuously from quarter to quarter, thereby following the pattern in incoming orders with a time delay.

### Asia/Pacific

Incoming orders in the Asian countries also increased significantly by around 15 percent year-on-year to € 683 million (previous year: € 594 million). Having already seen a recovery in the previous year, the Chinese market in particular saw renewed growth thanks to the China Print trade fair in the first quarter of the past financial year, thereby making a substantial contribution to this development. However, Japan also successfully increased its incoming orders compared with the previous year. Sales in the region reflected this development with a time delay, increasing by 8.2 percent to € 644 million (previous year: € 595 million). With sales of € 348 million, China was by far the largest individual market for Heidelberg in the past financial year.

### Eastern Europe

Having already increased in the previous year despite the COVID-19 pandemic, incoming orders in the Eastern Europe region again increased by around 8 percent year-on-year to

€ 311 million (previous year: € 277 million). In terms of individual markets, Poland and Turkey in particular exceeded the prior-year level by some extent. Thanks to the healthy order situation in the previous year, sales rose by around 22 percent to € 282 million (previous year: € 228 million).

## North America

Driven by the US and Canadian markets, the North America region saw growth in incoming orders of around 19 percent to € 419 million in the period under review (previous year: € 350 million). The second and fourth quarters saw particularly strong development. Sales also increased significantly year-on-year by almost 24 percent to € 380 million (previous year: € 307 million).

## South America

Thanks to the recovery in the Brazilian market, incoming orders in the South America region rose by around 33 percent year-on-year to € 58 million (previous year: € 44 million). Sales followed this development with a time delay and increased to € 48 million (previous year: € 42 million).

**Incoming orders by region**

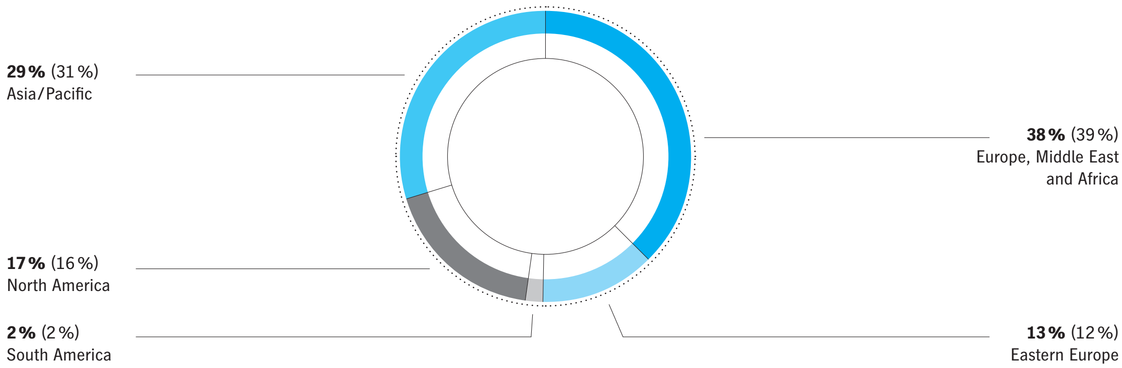
| Figures in € millions | 2020/2021 | **2021/2022** |
|---|---|---|
| EMEA | 736 | 984 |
| Asia/Pacific | 594 | 683 |
| Eastern Europe | 277 | 311 |
| North America | 350 | 419 |
| South America | 44 | 58 |
| **Heidelberg Group** | **2,000** | **2,454** |

**Sales by region**

| Figures in € millions | 2020/2021 | **2021/2022** |
|---|---|---|
| EMEA | 741 | 830 |
| Asia/Pacific | 595 | 644 |
| Eastern Europe | 228 | 282 |
| North America | 307 | 380 |
| South America | 42 | 48 |
| **Heidelberg Group** | **1,913** | **2,183** |

**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 the recognition and measurement methods, particularly with regard to the recognition of intangible assets, the recognition and measurement of financial instruments and provisions, and the recognition of deferred taxes. There are also differences in the reporting of assets and liabilities as well as income statement items.

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.

### 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 634 employees or around 14 percent of our workforce are active in the area of research and development. We invested € 84 million – approximately 8 percent of our sales – in research and development in the year under review.

### Results of operations

**Income statement**

| Figures in € millions | 2020/2021 | **2021/2022** |
|---|---|---|
| **Net sales** | 876 | 1,039 |
| **Total operating performance** | 854 | 1,054 |
| **EBITDA** [1] | 109 | 85 |
| in percent of sales | 12.4 | 8.2 |
| **EBIT** [2] | 69 | 45 |
| in percent of sales | 7.9 | 4.3 |
| **Financial result** | 55 | – 52 |
| Taxes on income | 5 | 3 |
| **Net result after taxes** | 119 | – 11 |
| in percent of sales | 13.6 | – 1.1 |

[1] Result of operating activities before depreciation and amortization
[2] Result of operating activities

Sales amounted to € 1,039 million in the year under review (previous year: € 876 million), thus increasing significantly by around 19 percent year-on-year. Heidelberger Druckmaschinen Aktiengesellschaft comfortably exceeded its forecast despite the ongoing impact of the COVID-19 pandemic.

The segments were reorganized as of April 1, 2021. The previous Heidelberg Digital Technology and Heidelberg Lifecycle Solutions segments were repositioned. Heidelberger Druckmaschinen Aktiengesellschaft has since been broken down into the segments Print Solutions, Packaging Solutions and Technology Solutions. The figures for the financial year 2020/2021 have been restated accordingly. While the Packaging Solutions segment saw moderate growth to € 454 million (previous year: € 434 million), substantial growth was recorded in the Print Solutions segment (€ 531 million; previous year: € 418 million) and the Technology Solutions segment (€ 54 million; previous year: € 24 million).

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

Other operating income declined by € 21 million year-on-year to € 216 million (previous year: € 237 million). This was mainly because the prior-year figure contained reversals of provisions due to the reorganization of the calculation parameters for pension provisions following the conclusion of the Company collective bargaining agreement.

Income from affiliated companies in the reporting year includes income from the contribution of the "E-Mobility" business operations to Amperfied GmbH, Walldorf. In the previous year, income was included as part of a contribution in kind to an affiliated company.

Staff costs increased by € 43 million to € 385 million (previous year: € 342 million). In the previous year, staff costs included higher reimbursement claims against the German Federal Employment Agency for social security expenses in connection with the use of flexible working time instruments and short-time work to cushion the impact of the COVID-19 pandemic.

Other operating expenses increased by € 63 million to € 292 million (previous year: € 229 million). This was primarily due to expenses against affiliated companies. In addition to impairments for receivables deemed to be impaired in the course of the armed conflict between Russia and Ukraine, higher royalties from the selected patents transferred in financial year 2020/2021 in the form of a contribution in kind to Heidelberger Druckmaschinen Intellectual Property AG & Co. KG, Wiesloch, were incurred.

The operating result before depreciation and amortization (EBITDA) amounted to € 85 million in the year under review (previous year: € 109 million). Thanks to the contribution of the "E-Mobility" business operations to our affiliated company Amperfied GmbH in the year under review, we significantly exceeded our forecast of a slightly negative operating result compared with the previous year.

As forecast in the previous year, the financial result deteriorated by € – 107 million year-on-year to € – 52 million (previous year: € 55 million). This was mainly due to the lower level of income from profit and loss transfer agreements in the amount of € 27 million (previous year: € 141 million). Direct and indirect dividend income totaled around € 26 million, thus improving the financial result to a lesser extent than in the previous year (€ 62 million); direct dividend income amounted to € 6 million (previous year: € 25 million).

The net result after taxes amounted to € – 11 million after € 119 million in the previous year. In addition to the aforementioned changes in the operating result, this was due in particular to the significant reduction in the financial result and the lower level of income from profit and loss transfer agreements. Contrary to our forecast of a substantially negative net result after taxes, we only recorded a slightly negative net result after taxes in the year under review.

## Net assets and financial position

In the year under review, total assets decreased by around 3 percent or € 69 million to € 2,115 million. Non-current assets increased slightly year-on-year to € 1,538 million.

At € 577 million, current assets including deferred income/prepaid expenses were € 99 million lower than in the previous year. Under equity and liabilities, equity fell by € 11 million to € 600 million. Provisions increased slightly by € 13 million to € 977 million (previous year: € 964 million). Liabilities including deferred income/prepaid expenses fell by € 71 million year-on-year to € 531 million largely as a result of the reduction in amounts due to banks.

**Balance sheet structure**

| Figures in € millions | 31-Mar-2021 | in % of balance sheet total | **31-Mar-2022** | in % of balance sheet total |
|---|---|---|---|---|
| Non-current assets | 1,508 | 69.0 | 1,538 | 72.7 |
| Current assets [1] | 676 | 31.0 | 577 | 27.3 |
| **Balance sheet total** | **2,184** | **100.0** | **2,115** | **100.0** |
| Equity | 611 | 28.0 | 600 | 28.4 |
| Special items | 7 | 0.3 | 7 | 0.3 |
| Provisions | 964 | 44.1 | 977 | 46.2 |
| Liabilities [1] | 602 | 27.6 | 531 | 25.1 |
| **Balance sheet total** | **2,184** | **100.0** | **2,115** | **100.0** |

[1] Including deferred income/prepaid expenses

Within non-current assets, intangible assets increased by € 4 million to € 50 million (previous year: € 46 million) while financial assets rose by € 66 million to € 1,066 million (previous year: € 1,000 million), mainly as a result of the contribution of the "E-Mobility" business operations to an affiliated company. This was offset in particular by a capital reduction and the disposal of an affiliated company. On the other hand, property, plant and equipment declined by € 39 million to € 423 million (previous year: € 462 million). Within current assets, inventories were almost unchanged year-on-year at € 282 million, while receivables from affiliated companies declined by € 72 million to € 178 million. Cash and cash equivalents amounted to € 37 million at the reporting date (previous year: € 77 million). The decrease is primarily due to repayments of amounts due to banks. All in all, current assets including prepaid expenses were lower than in the previous year.

The € 11 million decrease in equity to € 600 million (previous year: € 611 million) is due entirely to the net loss for the year (€ – 11 million). The equity ratio amounted to 28 percent at the reporting date (previous year: 28 percent).

All in all, provisions increased by € 13 million to € 977 million in the year under review (previous year: € 964 million). The reduction in provisions for staff obligations was offset by higher pension provisions due to the reduction in the discount rate.

Liabilities including deferred income decreased by € 71 million to € 531 million in the year under review. In March 2022, Heidelberger Druckmaschinen Aktiengesellschaft repaid its existing convertible bond (€ 17 million) in full from cash. The lower level of amounts due to banks led to a further reduction (€ – 114 million). This was offset by higher trade payables (€ + 31 million) and liabilities to affiliated companies (€ + 24 million).

## Employees

At the reporting date, a total of 4,545 people (excluding trainees) were employed at Heidelberger Druckmaschinen Aktiengesellschaft's four locations, 258 fewer than at the end of the previous year.

**Number of employees per site**

| | 31-Mar-2021 | **31-Mar-2022** |
|---|---|---|
| Wiesloch-Walldorf | 4,195 | 3,980 |
| Brandenburg | 392 | 364 |
| Kiel | 196 | 182 |
| Neuss | 20 | 19 |
| | **4,803** | **4,545** |
| Trainees | 233 | 240 |
| | **5,036** | **4,785** |

## 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 2022/2023 to remain at the level of the reporting year.

Overall, Heidelberger Druckmaschinen Aktiengesellschaft expects a positive operating result for financial year 2022/2023 in the mid-double-digit million euro range, which is therefore below the previous year's level.

Due to the lower forecast operating result and a financial result that remains weak compared to the reporting year, Heidelberger Druckmaschinen Aktiengesellschaft forecasts a negative after-tax result in the mid-double-digit million euro range for the financial year 2022/2023.

## Employees

The number of people employed by the Heidelberg Group around the world decreased by 401 to 9,811 as of March 31, 2022 (previous year: 10,212 employees excluding trainees), particularly as a result of the measures initiated in March 2020 as part of the transformation process. This was equivalent to 9,633 full-time positions. There were 6,110 employees in Germany and 3,701 outside Germany at the reporting date.

In order to counteract the demographic situation at Heidelberg, we are focusing more than ever on ensuring that our Company has a high proportion of apprentices, and we are planning to provide even more young people with opportunities for education and employment in the future. With a view to the pandemic, our primary focus in the year under review was again on protecting our employees' health. Implementing, securing and communicating the necessary health measures enjoyed top priority. In addition to specific protective measures at our sites, we introduced flexible working time models (staggered working times), physical separation (partitions to prevent face-to-face contact) and the provision of corresponding hardware (laptops for working from home).

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-2021 | **31-Mar-2022** |
|---|---|---|
| EMEA | 7,470 | 7,040 |
| Asia / Pacific | 1,579 | 1,636 |
| Eastern Europe | 454 | 440 |
| North America | 621 | 606 |
| South America | 88 | 89 |
| **Heidelberg Group** | **10,212** | **9,811** |

[1] Excluding trainees

## Sustainability

For Heidelberg, sustainability means combining long-term business success with ecological and social responsibility. We see sustainability as a part of our strategic orientation. Attention to sustainability aspects is part of the Group's environmental standards and our code of conduct as they apply to our products, our production processes and our supply chain and as regards our interactions with each other and our partners. Compliance with standards of conduct and environmental standards is mandatory throughout the Group, and is set out in the Heidelberg Group's environmental policy and in our Code of Conduct, both of which can be found on the Heidelberg website. Sustainability is a firm fixture of the Heidelberg Group's organization.

In the period under review, Heidelberg significantly expanded and reorganized its activities in the area of sustainability management. To this end, the Company has established an Environmental Social Governance (ESG) Committee with responsibility for the strategy and the definition, implementation and controlling of the road map and measures. The ESG Committee is composed of the members of the Management Board and the Heads of Corporate Sustainability, Corporate Development, Investor Relations, Product Management, Human Resources, Legal Department, Quality Management, Sales Operations, Procurement, Research and Development, Operations, Communications, Risk Management, and Site Management.

Reporting on the strategy, the status quo and measures takes place as part of regular half-yearly reviews. Adjustments are made or new measures adopted as required.

The Corporate Sustainability office defines the framework for the strategic sustainability orientation and the tools and methods required to achieve the ESG targets. The Group-wide ESG manager reports directly to the Chief Executive Officer. Heidelberg considers ESG management to be a cross-functional task. The strategy and roadmap for the three pillars of sustainability (E-S-G) are developed and their implementation tracked in conjunction with employees from the specialist departments. In addition to strategic aspects, the committee is also responsible for implementing the climate strategy.

Management Board remuneration will include sustainability targets starting from the financial year 2022/2023. Our aim 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+2) 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

We are establishing an ESG-compliant supply chain with a focus on human rights, ethics, and environmental aspects.

Our aim is to be an attractive employer at all times.

For more information on our sustainability activities, please refer to our separate combined non-financial report. This non-financial 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. 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.

Heidelberg's risk management system satisfies all the statutory requirements; work is currently in progress to fully digitize the workflows using GRC software with the aim of continuously enhancing the risk management system. Significant changes compared with the previous year relate to the changeover from qualitative and quantitative risk descriptions to a purely quantitative risk assessment and a (quantitative) risk aggregation taking scenarios into account using Monte Carlo simulations, as well as the implementation of the risk-bearing capacity concept. This enables Heidelberg to assess the impact of material business decisions on the overall risk position as a component of the necessary management information (business judgment rule). 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 the end-to-end management of risks and opportunities that could affect the achievement of financial targets
- Creating value added by ensuring that the impact of major decisions (e.g. investments, planning) on the overall risk position is taken into account to an adequate extent

## Risk and Opportunity Management System

### Risk management organization

The 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 Company's guidelines and organizational instructions stipulate a structured process that is used to systematically identify, assess, control, document and communicate risks and opportunities. These fundamental aspects of the organizational structure and workflows are documented in the 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 and opportunities recorded.

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, ad hoc reporting to the Management Board and the Supervisory Board takes place in the event of significant changes to existing risks or new risks.

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 and opportunities, 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.

In line with its audit planning, the Internal Audit department examines the appropriateness and effectiveness of the risk management system and the internal control system (ICS). The Audit Committee also 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 and opportunity management at Heidelberg is illustrated below.

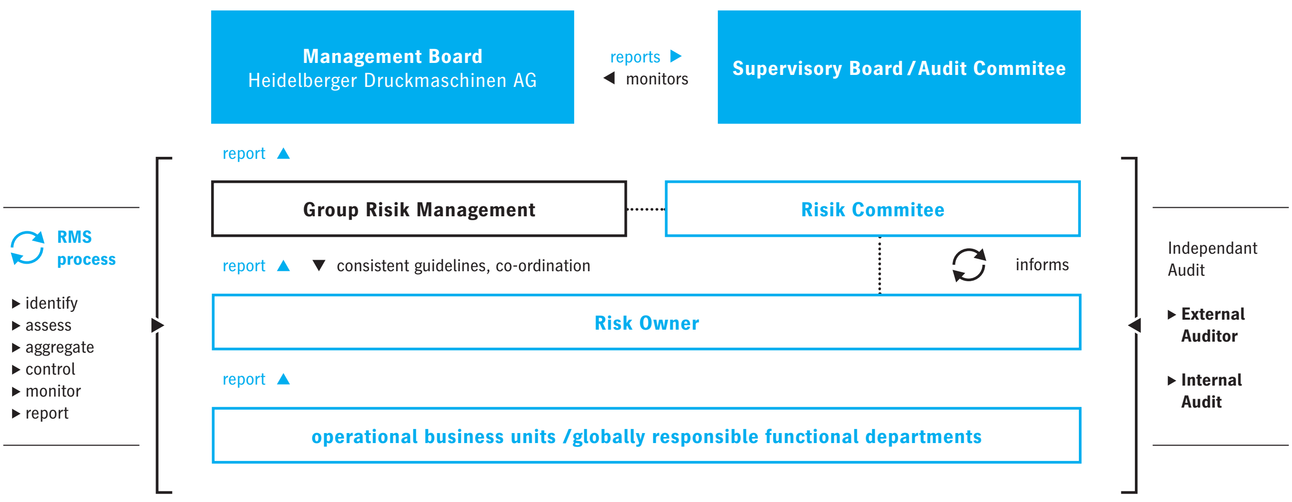
### Identification of risks and opportunities

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 and opportunities. 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 and opportunities 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 opportunities and supplemented by workshops where these are discussed with the risk owners in order to ensure the greatest possible degree of transparency and completeness with regard to risks and opportunities 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). Defined materiality thresholds ensure that individual risks and opportunities above the respective threshold are recorded and reported. Risks and opportunities are not netted. The individual risks and opportunities are assessed using value-at-risk models and by reference to the degree of loss distribution and their impact on the Company's net assets, financial position and results of operations.



The assessment methodology was changed in the financial year 2022. Instead of a point estimate and a probability of occurrence, the assessment is now fundamentally based on assumptions regarding loss distribution (e.g. using a three-point estimate).

Individual risks are classified in line with their risk level. 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:

| Classification | Threshold |
|---|---|
| Low | EUR 0 – 5 million |
| Medium | > EUR 5 – 15 million |
| High | > EUR 15 million |

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 that are not yet known and that fall outside of Heidelberg's sphere of influence.

## Aggregation of risks and opportunities and risk-bearing capacity

Risk aggregation is performed using a Monte Carlo simulation that takes into account a large number of potential scenarios (different combinations of loss events and amounts) based on Heidelberg's individual risks. The overall risk position determined on this basis shows that the level of risk determined in the simulation is not exceeded with a certain probability of occurrence.

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

Suitable management strategies for risk controlling are defined depending on the individual risk. These include avoidance (not going ahead with an originally planned activity), mitigation (taking measures to minimize the probability of occurrence), transfer (reducing the consequences of the risk occurring), and acceptance (actively taking the respective risk). It is the task of every risk owner to devise and implement suitable risk-mitigating measures and take opportunities in his or her area.

Group Risk Management also 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 risk 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 officer 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, Heidelberg's risk management system also includes material risks 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. 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 | → |
| HR | Medium | → |
| Production | Low | → |
| **Financial markets** | | |
| Pension obligations | High | → |
| Taxation | Medium | → |
| Currency and interest | Medium | → |
| Liquidity and refinancing | Low | ↘ |
| **Legal and compliance** | Medium | → |

The above table allocates the quantifiable risks within a category based on the absolute net risk (from high to low). Risks from sales partnerships are no longer included as they are classified as low and are unchanged compared with the previous year.

### National economic risks and opportunities

Economic conditions have a direct impact on Heidelberg’s business activities and its financial position and performance. 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 have had a significant impact on the world economy lately. There are fears that this could lead to more pronounced changes in the geopolitical and economic conditions. Heidelberg is directly affected by the conflict only to a limited extent. The Russian market accounts for less than 2 percent of Heidelberg’s consolidated sales. Like 85 percent of the mechanical engineering companies surveyed by the VDMA in early March 2022, however, Heidelberg considers the war to constitute a significant or serious risk to its business on account of its global impact. The prices of many raw materials had risen sharply even before the Russian invasion of Ukraine.

In addition to the development of the underlying commodity prices, the potential failure of energy and raw material deliveries constitutes a high risk for Heidelberg. For example, the substitution of gas for another available energy source at short notice would be especially difficult, as technical equipment (e.g. at the Company’s foundry) would have to be converted first. Although Heidelberg has a high degree of vertical integration, maintaining production is an operational challenge on account of the availability issues affecting 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.

The zero-COVID-19 policy in China and the resulting lockdowns in major metropolises, as recently in Shanghai, could exacerbate the supply chain problems or mean they last longer than anticipated. For example, the lockdown in the Shanghai region in late March 2022 led to production at our plant in Quingpu shutting down for several weeks. In other words, the COVID-19 pandemic continues to pose a high risk to the world economy due to the impact of measures to curb the spread of the virus (e.g. lockdowns) as well as new variants of the virus, which are already the subject of warnings.

Although the war in Ukraine and the COVID-19 pandemic are currently dominating the information situation, there are other political and national economic risks. The trade conflict between the US and China involves the risk of additional trade barriers (increased tariffs, restrictions on imports/exports), while political instability in some countries in South America, Eastern Europe or Asia could also have a negative impact on economic conditions. As central banks distance themselves from an expansionary monetary policy, investments may become more expensive due to higher financing costs, leading to a reluctance to invest.

IHS Markit still expects global economic growth of 3.2 percent in the 2022 calendar year. Following high growth in the 2021 calendar year, Heidelberg's important sales market of China is also still expected to see year-on-year growth of 5.1 percent. Meanwhile, Germany is set to enjoy modest economic growth in the 2022 calendar year.

In its forecast and the planning on which the risk and opportunity report is based, Heidelberg continues to assume that the general conditions for free world trade will remain unchanged. The impact of the war in Ukraine and the associated shortage of raw materials is still expected to remain manageable, and deliveries from Russia (especially of energy) are not expected to be halted altogether at any time. The forecast also assumes that the consequences of the COVID-19 pandemic will continue to be felt in the first half of the financial year in particular, with normal economic development resuming thereafter at the latest.

National economic risks are currently still regarded as high.

### 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") can lead to a significant increase in net productivity and efficiency for customers. 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 grow 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 as disposal income is increasing in many emerging economies, leading to rising demand for packaged consumables and durables. Packaging products are set to develop in line with GDP in the respective countries. 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 not only continuing but accelerating as a result of the COVID-19 pandemic, as time-to-market and quick turnaround times become increasingly important. Many print shops are expanding their product and service range to include activities that go beyond traditional printing in the print media industry (e.g. industrial printing, printed electronics). COVID-19 will result in changes to supply chains for many products as print production for those products is expected to return to Western Europe and North America. However, these markets in particular are currently encountering increased challenges due to the shortage of paper, cardboard and recycled fibers. Although print and packaging companies still have a healthy order situation, material shortages are making it harder for them to convert these orders into sales.

In view of the changes in the printing industry (i.e. the development 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 2022 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 2021. China is also expected to see comparatively moderate growth, and even this forecast is subject to the coronavirus pandemic remaining under control.

Mechanical engineering companies in many countries are reporting well-filled order books. Accordingly, economists from the VDMA forecast an upturn in production of 4 percent in real terms in the current calendar year (as of March 2022).

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 large 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.

Strategic and industry-specific risks are still considered to be high.

## Operational risks and opportunities

### Information security and IT

As digitization and automation increasingly find their way into all areas of the Company, the risks of data loss and the unavailability of information technology (IT) due to cyber attacks (e.g. hacking, virus attacks) or employee misconduct are increasing. Additionally, the statutory and regulatory requirements for the protection of personal data and business secrets are becoming more stringent around the world, as illustrated by the new data protection legislation in China.

The immediate consequences of a loss event could include the unavailability of products and services, business interruption, and claims for damages. Reputational damage could also be an indirect consequence. The availability, integrity and confidentiality of electronically processed information and the information technology (IT) used are given an extremely high priority. Information security is therefore a fixed component of the Company's business processes. In the year under review, an information security management system (ISMS) was implemented with a view to obtaining certification in accordance with the internationally recognized ISO/IEC 27001 standard. Although preventive and technical protection measures such as access controls, virus protection and firewall systems, data backups, data encryption and investments in strengthening the IT landscape cannot exclude the risks altogether, this serves to reduce them significantly. The threat situation is continuously monitored and regulations and security measures are checked and adapted as required. Regular communication, training and awareness measures serve to strengthen risk awareness and an understanding of security. 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.

Despite the extensive protective measures taken, information security and IT risks are still considered to be high. The threat situation has increasingly intensified in recent years. The armed conflict between Russia and Ukraine has triggered a further upturn in the number of cyberattacks.

### Sales financing

Sales financing (financial services business) is an important tool for sales of machinery, whether as an intermediary or through the provision of direct financing to the customer. However, this also involves risks including counterparty default risk, residual value risk (for collateral received), and operational risk. Around half of the Company's portfolio consists of financing agreements with receivables from customers located in emerging economies, including a high proportion of overdue receivables in Brazil.

As a result of the difficult economic environment (COVID-19 pandemic, inflationary and recessionary concerns), there have been a growing number of requests for payment deferrals and restructured financing agreements. A deterioration in the liquidity situation among Heidelberg's financing customers could lead to an increase in overdue and deferred payments. However, receivables management has been established to closely monitor and control these risks. A comprehensive database of contracts and printing presses helps to accurately assess and minimize residual value and counter-liability risks. The processes and methods used have consistently proven their worth in the past years.

Sales financing may also give rise to liquidity risks. This would be the case if the availability of third-party financing partners or their financing volume were to be lower than planned (especially in the important sales market of China), thus requiring the Company's own financing commitments to increase in order for the planned sales to be realized. In this case, it could be necessary to increase financing commitments in order to provide sales support, including in light of the current global economic uncertainty. The increased funding requirements as a result would tie up additional funds and hence raise the risk profile of sales financing. In recent years, the Company's own financing commitments have been strategically reduced and stabilized at a low level thanks to cooperation with financing partners. The strategic partnership with Munich Re is counteracting the risk of unplanned liquidity demands in connection with the subscription business model.

The Company only issues financing commitments in its own right following a comprehensive review of the customer and its business model and credit rating. Existing financing agreements are regularly reviewed using internal rating processes. These (like the Basel standards) comprise both debtor-specific and transaction-specific components. Measures are taken at an early stage and appropriate risk provisions are recognized for discernible risks.

The risks from sales financing are still considered to be high.

**Procurement**

Ensuring that its suppliers and service providers can deliver the required quality at the required time is essential if Heidelberg is to achieve the goals it has set itself.

Heidelberg engages in comprehensive supplier management in order to reduce the risks of supplier default, late deliveries of components or low-quality components. Heidelberg also works closely with selected systems suppliers on a contractual 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. As Heidelberg generates around two-thirds of its sales outside the euro zone, the option of globally diversified procurement is continuously examined.

The current global supply chain problems mean that compliance with the agreed delivery dates and ensuring disruption-free production have become particularly important. Any deviation could potentially lead to additional expenses. Avoiding this is especially important in the product groups of electronics, electrical engineering and special mechanical components.

Procurement risks are still considered to be medium.

**Production**

Production disruptions or downtime, not to mention disruptions in transport and logistics, are a fundamentally high risk that Heidelberg counters by implementing high technical and safety standards. Nevertheless, the risk of a business interruption at the production sites due to material damage (e.g. fire, machinery/tool failure or natural disasters) cannot be entirely ruled out. 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 this risk occurring. The residual risks are covered by insurance policies with typical sums insured.

Production risks are still considered to be low.

**HR**

Heidelberg requires motivated, highly qualified employees and a good working atmosphere in order to achieve its goals. However, the demographic structure of the workforce and competition for the most talented individuals can lead to the loss of expertise, as employees in key positions will leave the Company over the coming years due to reaching retirement age or taking partial retirement.

To counteract this process, Heidelberg seeks to distribute and transfer expertise within the Company and take organizational measures to prevent potential losses.

Making the Company more attractive to employees is another way of retaining qualified specialists for the long term and attracting new employees, especially in the areas of digitalization, electrical engineering and IT. 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.

In light of the difficulties on the employment market for specialists, there is a risk that it may not be possible to fill vacancies or that new appointments may not have the necessary qualifications. The resulting negative effects are varied and include the loss of expertise, project delays and increased project costs.

In its earnings planning, Heidelberg has already taken account of the salary increases that are expected following the collective bargaining round that is scheduled for fall 2022. In light of current price developments, there is a risk of additional costs for Heidelberg if these salary increases cannot be passed on in the form of higher prices.

HR risks are still considered to be medium.

## 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 pension risks (as a result of a reduction in the interest rate in particular or even unexpected developments on the capital market) could have a direct negative effect on equity and the equity ratio.

This risk from pension obligations is still considered to be high.

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.

Corresponding internal instructions ensure that employees are obliged to observe and follow the applicable tax regulations. In all tax 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 to changes in the continuously evolving tax law landscape.

There is also a risk that business relationships with Heidelberg companies could give rise to transfer pricing risks. In order to minimize any such risks, Heidelberg implemented a transfer pricing system with corresponding documentation requirements in cooperation with the tax authorities some years ago.

Tax risk is still considered to be medium.

**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 prevention 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.

Foreign currency and interest rate risk is still considered to be medium.

**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 results of operations, financial position and net assets 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, Heidelberg 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; net debt was reduced in the period under review and was negative at the end of the financial year 2021/2022. The financing commitments from banks have a maturity profile until 2024.

Liquidity and refinancing risk is now considered to be low.

### 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, trademark infringements 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 providing the relevant individuals with training and awareness measures.

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. The Heidelberg Group 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 an external ombudsperson to whom reports can be submitted. The ombudsperson is available to Heidelberg's executive bodies, managers and employees as well as all customers, suppliers and other business partners, including anonymously if required, as a channel for reporting potential compliance violations.

Since the requirements for the processing of personal data were intensified when the EU General Data Protection Regulation (GDPR) came into force in 2018, Heidelberg has strengthened its data protection organization and works to continuously enhance its data protection management system. This includes the ongoing review and development of GDPR-compliant processes.

Legal and compliance risks are still considered to be medium.

### General statement on risks and opportunities

The assessment of the overall risk situation is based on a risk-bearing capacity concept. It is examined whether the financial impact of risk scenarios (by using a Monte Carlo simulation) on key financial indicators, and especially 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, we cannot rule out the possibility that determining factors which we are currently unaware of, or which we currently consider to be immaterial, will negatively influence the going concern status of the Group, Heidelberger Druckmaschinen AG, or individual consolidated companies in the future.

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 prolongation or intensification of the COVID-19 pandemic with the corresponding consequences for the world economy. Furthermore, there remains considerable uncertainty along the entire supply chain with regard to price development and the availability of preliminary products and energy (e.g. in the event of a natural gas boycott).

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 optimization of 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 planning.

### 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 external 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. The Heidelberg Accounting Rules, which set out uniform accounting and valuation policies for all Group companies, are regularly reviewed and adjusted 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 closing data 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 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.

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 auditors, the Management Board and the 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. At the accounts meeting, the external auditor reports to the Supervisory Board (including the Audit Committee) on the results of the audit of the single-entity and consolidated financial statements.

# OUTLOOK

## Expected Conditions

At the time this outlook was prepared, economists from the International Monetary Fund (IMF) were forecasting global economic growth of around 3.6 percent. This meant the IMF adjusted its forecast for the second time in around three months, with the war in Ukraine and the sanctions imposed on Russia by Western nations in particular expected to result in a substantial downturn in economic growth and a tangible increase in commodity prices. Meanwhile, the coronavirus lockdown that was imposed in the Chinese metropolis of Shanghai in late March will place an additional burden on the world economy that is currently unforeseeable; however, some experts believe the economic impact could be even greater than that of the war in Ukraine, leading to a further sharp rise in inflation. In other words, the further development of the world economy in the current financial year is subject to growing uncertainty.

In particular, global growth is being curbed by the loss of purchasing power due to rising inflation. While the IMF World Economic Outlook published on April 19, 2022 included a growth forecast of 3.7 percent in the United States and 2.4 percent in Japan for the current calendar year, the euro zone is expected to see growth of just 2.8 percent (previously 3.9 percent) due to its strong reliance on Russia for commodity exports. The IMF also expects the emerging economies to see growth of just 3.8 percent in 2022. In China, the IMF believes the ailing real estate sector and the restrictive zero-COVID-19 policy will result in GDP growth of just 4.4 percent in the current year. This does not include the impact of the latest government restrictions to curb the COVID-19 pandemic. The growth prospects for Latin America during the forecast period are limited, although some parts of the region are benefiting from the record prices for commodity exports.

### Sector development

According to the German Mechanical Engineering Industry Association (VDMA), mechanical engineering companies in many countries are reporting well-filled order books. Accordingly, economists from the VDMA expect Germany to see an upturn in production of 4 percent in real terms in the current calendar year (as of March 2022). However, this is down on the forecast of 7 percent at the start of the year. In light of rising energy prices, growing uncertainty among customers, the lack of clarity regarding price development and potential disruption to key supply chains, this growth assumption may also be lowered significantly further as the year progresses.

The global print volume is forecast to increase slightly over the coming years. While the figure for advertising printing is likely to remain largely constant, packaging and label printing in particular are set to contribute to this development with low- to mid-single-digit growth rates. 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. Following the slump in 2020 in response to the COVID-19 pandemic, customer investment behavior in the print industry has recovered significantly, leading to high incoming orders and a substantial order backlog in the Print Solutions and Packaging Solutions segments. The downturn and the recovery in the Print Solutions segment have been more pronounced, while Packaging Solutions has been less volatile. In addition to individual customer factors, further development in customer investment behavior in both segments is likely to depend on future economic performance. On a regional basis, the Asian market is expected to become increasingly important over the coming years, as growth in the print volume and investments in printing presses are forecast to be especially strong in the countries in this region.

## Future Prospects

The economic, political and industry-specific conditions presented on the markets relevant to Heidelberg serve as premises for the forecast planning for the financial year 2022/2023 (April 1, 2022 to March 31, 2023). The forecast assumes that global economic growth will not be weaker than currently predicted by the economic research institutes. The Company considers the further development of the armed conflict between Russia and Ukraine and the economic consequences of the zero-COVID-19 policy in China to constitute significant uncertainties.

### Outlook for 2022/2023 characterized by growing uncertainty

The financial year 2021/2022 was characterized by a sharp recovery in demand and a tangible improvement in operating profitability. Despite rising material costs and bottlenecks in the availability of certain products and materials during the past financial year, the Company assumed that the positive development would be reinforced over the forecast period. However, the clear signs of a deterioration in conditions, especially as a result of the armed conflict between Russia and Ukraine and the coronavirus lockdowns in parts of China, mean that a reliable prediction of the Company's development is only possible to a limited extent at the current time.

In its forecast for the financial year 2022/2023, Heidelberg had assumed a renewed rise in the cost of raw materials, product components and labor, but that this could be passed on in the form of higher selling prices. In the meantime, however, the dramatic rise in commodity and energy prices following the economic sanctions against Russia mean that the Company's profitability is expected to come under pressure in spite of the countermeasures that have already been initiated, such as further price adjustments. Additionally, the impact of these measures on new machinery in particular will take effect only with a time delay.

### High order backlog provides strong foundations for new financial year

The high order backlog at the end of the financial year 2021/2022 compared with previous years, which was due to the pronounced market recovery, provides strong foundations for sales in the financial year 2022/2023. Assuming no further deterioration in the already strained supply chains, this will lead to high production capacity utilization already in the first half of the current financial year.

At the time this report was prepared, the Company expected the impact of the production shutdown in Shanghai in response to the government-imposed lockdown since the end of March 2022 to be largely absorbed within the production network as the year progresses. If the duration of the strict COVID-19 restrictions in China is longer than anticipated or renewed closures become necessary at a later date, the corresponding production shutdowns could lead to sales being postponed until the next financial year. It is not currently possible to assess the potential economic consequences of the government restrictions on the Chinese and world economy.

Assuming that the world economy does not grow more slowly than anticipated by the research institutes at the time the forecast was issued, or even slip into a recession, the Company expects the aforementioned factors to result in an increase in sales to around € 2.3 billion in the financial year 2022/2023 (2021/2022: € 2,183 million).

In addition to the anticipated volume and margin improvements, profitability will continue to benefit from the impact of the three-year transformation program. The sustained reduction in structural costs is expected to increase the cumulative savings under the program by a further € 30 million to at least € 170 million compared with the financial year 2019/2020, with around 90 percent of these total savings classified as sustainable. By contrast, income from asset management projects will be significantly lower than the figure of around € 50 million recorded in the past financial year. The further sharp rise in energy and commodity prices as a result of the armed conflict between Russia and Ukraine is also expected to have a pronounced adverse effect on EBITDA. The same applies to the likely price rises in connection with lockdown-related shortages and availability issues affecting certain products.

In spite of these factors, most of which are subject to considerable uncertainty, the Company expects the EBITDA margin to improve noticeably to at least 8 percent in the financial year 2022/2023 (2021/2022: 7.3 percent).

The Print Solutions and Packaging Solutions segments are set to generate at least moderate margin growth. The Technology Solutions segment is expected to realize a positive earnings contribution despite the investments in growth in the respective business areas. The net result after taxes is also forecast to improve slightly compared with 2021/2022 (€ 33 million).

# 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 balance sheet 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, 2022, 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.

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 share capital of Heidelberger Druckmaschinen Aktiengesellschaft was most recently contingently increased by up to € 48,230,453.76, divided into 18,840,021 bearer shares (Contingent Capital 2014), on the basis of Annual General Meeting resolutions on July 24, 2014 and July 24, 2015; details of Contingent Capital 2014 were set out in Article 3 (3) of the Articles of Association. The Supervisory Board resolved to delete Article 3 (3) of the Articles of Association after **CONTINGENT CAPITAL 2014** became non-functional following the end of the conversion period and the expiry of the convertible bond placed on March 25, 2015 and issued on March 30, 2015, the servicing of which was the sole remaining purpose of Contingent Capital 2014. The corresponding amendment to the Articles of Association was entered in the commercial register of the Company on April 19, 2022.

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. 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 2021/2022 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.

# Financial section 2021/2022

# Consolidated income statement 2021/2022

| Figures in € thousands | Note | 1-Apr-2020 to 31-Mar-2021 | **1-Apr-2021 to 31-Mar-2022** |
|---|---|---|---|
| Net sales | 8 | 1,913,169 | 2,183,432 |
| Change in inventories | | – 91,463 | 30,452 |
| Other own work capitalized | | 23,476 | 18,740 |
| **Total operating performance** | | **1,845,182** | **2,232,624** |
| | | | |
| Other operating income | 9 | 130,223 | 136,697 |
| Cost of materials | 10 | 856,933 | 1,044,179 |
| Staff costs | 11 | 672,340 | 798,493 |
| Depreciation and amortization | 12 | 77,833 | 79,423 |
| Other operating expenses | 13 | 350,659 | 366,489 |
| **Result of operating activities** | | **17,640** | **80,737** |
| | | | |
| Financial income | 15 | 5,277 | 5,668 |
| Financial expenses | 16 | 46,284 | 35,605 |
| **Financial result** | 14 | **– 41,007** | **– 29,937** |
| | | | |
| **Net result before taxes** | | **– 23,367** | **50,800** |
| Taxes on income | 17 | 19,523 | 17,741 |
| **Net result after taxes** | | **– 42,890** | **33,059** |
| | | | |
| **Basic earnings per share according to IAS 33 (in € per share)** | 36 | **– 0.14** | **0.11** |
| **Diluted earnings per share according to IAS 33 (in € per share)** | 36 | **– 0.14** | **0.11** |

# Consolidated statement of comprehensive income 2021/2022

| Figures in € thousands | Note | 1-Apr-2020 to 31-Mar-2021 | **1-Apr-2021 to 31-Mar-2022** |
|---|---|---|---|
| **Net result after taxes** | | **– 42,890** | **33,059** |
| **Other comprehensive income not reclassified to the income statement** | | | |
| Remeasurement of defined benefit pension plans and similar obligations | | – 43,893 | 77,675 |
| Revaluation of land | | – | – |
| Deferred income taxes | 22 | – 1,450 | 76 |
| | | **– 45,343** | **77,751** |
| **Other comprehensive income which may subsequently be reclassified to the income statement** | | | |
| Currency translation | | | |
| Change outside of profit or loss | | – 1 | 21,843 |
| Change in profit or loss | | – | 0 |
| | | **– 1** | **21,843** |
| Fair value of other financial assets | | | |
| Change outside of profit or loss | | 215 | 309 |
| Change in profit or loss | | – | 0 |
| | | 215 | 309 |
| Cash flow hedges | | | |
| Change outside of profit or loss | | – 52 | – 3,793 |
| Change in profit or loss | | – 3,782 | 6,257 |
| | | – 3,834 | 2,464 |
| Deferred income taxes | 22 | 79 | – 336 |
| | | **– 3,541** | **24,280** |
| **Total other comprehensive income** | | – 48,884 | 102,031 |
| **Total comprehensive income** | | **– 91,774** | **135,090** |

# Consolidated statement of financial position as of March 31, 2022

## Assets

| Figures in € thousands | Note | 31-Mar-2021 | 31-Mar-2022 |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | 18 | 204,460 | 199,090 |
| Property, plant and equipment | 19 | 683,488 | 630,487 |
| Investment property | 19 | 7,390 | 6,914 |
| Financial assets | 20 | 6,721 | 6,544 |
| Receivables from sales financing | 21 | 19,210 | 21,404 |
| Other receivables and other assets [1] | 21 | 25,395 | 19,948 |
| Income tax assets | | 86 | 92 |
| Deferred tax assets | 22 | 60,843 | 75,240 |
| | | 1,007,593 | 959,719 |
| **Current assets** | | | |
| Inventories | 23 | 541,969 | 630,830 |
| Receivables from sales financing | 21 | 24,465 | 21,775 |
| Trade receivables | 21 | 245,728 | 246,076 |
| Other receivables and other assets [2] | 21 | 88,839 | 132,740 |
| Income tax assets | | 14,889 | 16,633 |
| Cash and cash equivalents | 24 | 204,371 | 145,710 |
| | | 1,120,261 | 1,193,764 |
| | | | |
| **Assets held for sale** | 20 | 41,098 | 29,689 |
| | | | |
| **Total assets** | | **2,168,952** | **2,183,172** |

[1] Of which financial assets € 16,414 thousand (previous year: € 19,920 thousand) and non-financial assets € 3,534 thousand (previous year: € 5,475 thousand)
[2] Of which financial assets € 81,568 thousand (previous year: € 38,803 thousand) and non-financial assets € 51,172 thousand (previous year: € 50,036 thousand)

# Consolidated statement of financial position as of March 31, 2022

## Equity and liabilities

| Figures in € thousands | Note | 31-Mar-2021 | **31-Mar-2022** |
|---|---|---|---|
| **Equity** | 25 | | |
| Issued capital | | 779,102 | 779,102 |
| Capital reserves, retained earnings and other reserves | | – 627,169 | – 570,153 |
| Net result after taxes | | – 42,890 | 33,059 |
| | | 109,043 | 242,008 |
| **Non-current liabilities** | | | |
| Provisions for pensions and similar obligations | 26 | 945,537 | 843,332 |
| Other provisions | 27 | 90,270 | 71,051 |
| Financial liabilities | 28 | 103,893 | 62,231 |
| Contract liabilities | 29 | 20,160 | 19,288 |
| Income tax liabilities | 32 | 54,957 | 54,957 |
| Other liabilities [3] | 31 | 8,223 | 7,879 |
| Deferred tax liabilities | 22 | 4,490 | 2,560 |
| | | 1,227,530 | 1,061,298 |
| **Current liabilities** | | | |
| Other provisions | 27 | 216,832 | 198,392 |
| Financial liabilities | 28 | 167,348 | 72,937 |
| Contract liabilities | 29 | 182,234 | 264,768 |
| Trade payables | 30 | 146,190 | 216,484 |
| Income tax liabilities | 32 | 9,440 | 16,880 |
| Other liabilities [4] | 31 | 110,335 | 110,405 |
| | | 832,379 | 879,866 |
| **Total equity and liabilities** | | **2,168,952** | **2,183,172** |

[3] Of which financial liabilities € 2 thousand (previous year: € 43 thousand) and non-financial liabilities € 7,877 thousand (previous year: € 8,180 thousand)
[4] Of which financial liabilities € 15,262 thousand (previous year: € 18,642 thousand) and non-financial liabilities € 95,143 thousand (previous year: € 91,693 thousand)

# Statement of changes in consolidated equity as of March 31, 2022 [1)]

| Figures in € thousands | Issued capital | Capital reserves | Retained earnings |
|---|---|---|---|
| **April 1, 2020** | 779,102 | 33,225 | – 299,724 |
| Profit carryforward | 0 | 0 | – 343,002 |
| Total comprehensive income | 0 | 0 | – 45,340 |
| Consolidation adjustments/other changes | 0 | 0 | – 1,606 |
| **March 31, 2021** | **779,102** | **33,225** | **– 689,672** |
| **April 1, 2021** | 779,102 | 33,225 | – 689,672 |
| Profit carryforward | 0 | 0 | – 42,890 |
| Total comprehensive income | 0 | 0 | 77,709 |
| Consolidation adjustments/other changes | 0 | 0 | 46,602 |
| **March 31, 2022** | **779,102** | **33,225** | **– 608,251** |

[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 | | | | |
| 168,515 | – 136,280 | – 430 | 1,016 | 32,822 | – 233,677 | – 343,002 | 202,423 |
| 0 | 0 | 0 | 0 | 0 | – 343,002 | 343,002 | 0 |
| – 3 | – 1 | 150 | – 3,690 | – 3,544 | – 48,884 | – 42,890 | – 91,774 |
| 0 | 0 | 0 | 0 | 0 | – 1,606 | 0 | – 1,606 |
| **168,512** | **– 136,281** | **– 280** | **– 2,674** | **29,278** | **– 627,169** | **– 42,890** | **109,043** |
| | | | | | | | |
| 168,512 | – 136,281 | – 280 | – 2,674 | 29,278 | – 627,169 | – 42,890 | 109,043 |
| 0 | 0 | 0 | 0 | 0 | – 42,890 | 42,890 | 0 |
| 42 | 21,843 | 214 | 2,223 | 24,322 | 102,031 | 33,059 | 135,090 |
| – 48,727 | 0 | 0 | 0 | – 48,727 | – 2,125 | 0 | – 2,125 |
| **119,827** | **– 114,438** | **– 66** | **– 451** | **4,873** | **– 570,153** | **33,059** | **242,008** |

# Consolidated statement of cash flows 2021/2022 [1)]

| Figures in € thousands | 1-Apr-2020 to 31-Mar-2021 | **1-Apr-2021 to 31-Mar-2022** |
|---|---|---|
| Net result after taxes | – 42,890 | 33,059 |
| Depreciation, amortization, write-downs and reversals [2)] | 78,835 | 80,463 |
| Change in pension provisions | – 84,657 | – 18,269 |
| Change in deferred tax assets/deferred tax liabilities [3)] | 4,428 | – 14,344 |
| Result from disposals [2)] | 811 | – 35,539 |
| Change in inventories | 114,029 | – 74,291 |
| Change in sales financing | 404 | 1,965 |
| Change in trade receivables/payables | – 23,829 | 68,489 |
| Change in other provisions | – 39,450 | – 40,453 |
| Change in other items of the statement of financial position | – 7,626 | 50,137 |
| **Cash generated by operating activities [3)]** | **55** | **51,217** |
| Intangible assets/property, plant and equipment/investment property | | |
| Investments | – 59,802 | – 55,419 |
| Income from disposals | 33,999 | 64,875 |
| Business acquisitions/corporate sales | | |
| Investments | – | – |
| Income from disposals | 29,690 | 27,002 |
| Financial assets | | |
| Investments | – 85 | – 43 |
| Income from disposals | 210 | – 85 |
| **Cash generated by investing activities before cash investment** | **4,012** | **36,330** |
| Cash investment | 35,760 | – |
| **Cash generated by investing activities** | **39,772** | **36,330** |
| Borrowing of financial liabilities | 146,600 | 4,485 |
| Repayment of financial liabilities | – 354,619 | – 156,849 |
| **Cash used in financing activities** | **– 208,019** | **– 152,364** |
| **Net change in cash and cash equivalents** | **– 168,192** | **– 64,817** |
| **Cash and cash equivalents at the beginning of the year** | **372,719** | **204,371** |
| Changes in the scope of consolidation | 235 | – |
| Currency adjustments | – 391 | 6,156 |
| Net change in cash and cash equivalents | – 168,192 | – 64,817 |
| **Cash and cash equivalents at the end of the year** | **204,371** | **145,710** |
| Cash generated by operating activities | 55 | 51,217 |
| Cash generated by investing activities | 39,772 | 36,330 |
| **Free cash flow** | **39,827** | **87,547** |

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 € 23,708 thousand (previous year: € 18,622 thousand) and € 1,510 thousand (previous year: € 2,779 thousand) respectively. The interest expenses and interest income amount to € 13,250 thousand (previous year: € 24,565 thousand) and € 4,146 thousand (previous year € 5,625 thousand) respectively

# Financial section 2021/2022

# Notes to the consolidated financial statements for the financial year April 1, 2021 to March 31, 2022

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

| Figures in € thousands | | | | | | | | **Cost** |
|---|---|---|---|---|---|---|---|---|
| | As of start of financial year | Change in scope of consolida-tion | Additions | Remea-surement | Reclas-sifications [1] | Currency adjustments | Disposals | **As of end of financial year** |
| **2020/2021** | | | | | | | | |
| **Intangible assets** | | | | | | | | |
| Goodwill | 129,262 | 2,170 | 0 | – | 0 | 189 | 0 | 131,621 |
| Development costs | 392,460 | 0 | 8,429 | – | 0 | –168 | 1,712 | 399,009 |
| Software/other rights | 104,652 | –3,334 | 4,514 | – | 284 | –177 | 1,246 | 104,693 |
| Advance payments | 0 | 0 | 0 | – | 0 | 0 | 0 | 0 |
| | **626,374** | **–1,164** | **12,943** | – | **284** | **–156** | **2,958** | **635,323** |
| **Property, plant and equipment** | | | | | | | | |
| Land and buildings | 868,510 | –3,199 | 12,507 | – | –51,152 | –190 | 5,664 | 820,812 |
| Technical equipment and machinery | 576,531 | –460 | 22,004 | – | 7,396 | 390 | 29,185 | 576,676 |
| Other equipment, operating and office equipment | 663,470 | –1,188 | 26,004 | – | 7,605 | –1,448 | 39,969 | 654,474 |
| Advance payments and assets under construction | 20,284 | –37 | 4,541 | – | –15,356 | 92 | 34 | 9,490 |
| | **2,128,795** | **–4,884** | **65,056** | – | **–51,507** | **–1,156** | **74,852** | **2,061,452** |
| **Investment property** | **11,200** | **0** | **0** | – | **0** | **0** | **0** | **11,200** |
| **2021/2022** | | | | | | | | |
| **Intangible assets** | | | | | | | | |
| Goodwill | 131,621 | 0 | 0 | – | 0 | –253 | 2,000 | 129,368 |
| Development costs | 399,009 | 0 | 9,254 | – | 0 | 303 | 2,416 | 406,150 |
| Software/other rights | 104,693 | –5,896 | 3,744 | – | 517 | 454 | 7,724 | 95,788 |
| Advance payments | 0 | 0 | 0 | – | 0 | 0 | 0 | 0 |
| | **635,323** | **–5,896** | **12,998** | – | **517** | **504** | **12,140** | **631,306** |
| **Property, plant and equipment** | | | | | | | | |
| Land and buildings | 820,812 | –716 | 10,838 | – | –25,115 | 6,280 | 37,785 | 774,314 |
| Technical equipment and machinery | 576,676 | 5,152 | 14,396 | – | 6,909 | 4,908 | 22,956 | 585,085 |
| Other equipment, operating and office equipment | 654,474 | –6,064 | 26,737 | – | 1,393 | 4,728 | 53,559 | 627,709 |
| Advance payments and assets under construction | 9,490 | 0 | 6,407 | – | –8,604 | 179 | 263 | 7,209 |
| | **2,061,452** | **–1,628** | **58,378** | – | **–25,417** | **16,095** | **114,563** | **1,994,317** |
| **Investment property** | **11,200** | **0** | **0** | – | **–2,090** | **0** | **0** | **9,110** |

[1] Includes reclassifications to “Assets held for sale” of € 27,526 thousand (previous year: € 30,441 thousand)
[2] Including write-downs of € 2,667 thousand (previous year: € 166 thousand), see note 12

| | | | | | | | Cumulative depreciation and amortization | Carrying amounts |
|---|---|---|---|---|---|---|---|---|
| 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 |
| 1,601 | 0 | 0 | 0 | 0 | 0 | – | 1,601 | 130,020 |
| 345,764 | 0 | 5,739 | 0 | – 66 | 1,712 | – | 349,725 | 49,284 |
| 77,881 | – 2,220 | 5,155 | – 61 | – 158 | 1,060 | – | 79,537 | 25,156 |
| 0 | 0 | 0 | 0 | 0 | 0 | – | 0 | 0 |
| **425,246** | **– 2,220** | **10,894** | **– 61** | **– 224** | **2,772** | – | **430,863** | **204,460** |
| 439,330 | – 285 | 19,670 | – 20,371 | – 249 | 3,238 | – | 434,857 | 385,955 |
| 440,212 | – 263 | 17,248 | – 1 | – 274 | 24,614 | – | 432,308 | 144,368 |
| 516,949 | – 564 | 29,918 | 62 | – 1,049 | 34,526 | – | 510,790 | 143,684 |
| 9 | 0 | 0 | 0 | 0 | 0 | – | 9 | 9,481 |
| **1,396,500** | **– 1,112** | **66,836** | **– 20,310** | **– 1,572** | **62,378** | – | **1,377,964** | **683,488** |
| **3,707** | **0** | **103** | **0** | **0** | **0** | – | **3,810** | **7,390** |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 1,601 | 0 | 0 | 0 | 0 | 0 | – | 1,601 | 127,767 |
| 349,725 | 0 | 7,187 | 0 | 78 | 2,416 | – | 354,574 | 51,576 |
| 79,537 | – 3,050 | 5,549 | 517 | 417 | 6,929 | – | 76,041 | 19,747 |
| 0 | 0 | 0 | 0 | 0 | 0 | – | 0 | 0 |
| **430,863** | **– 3,050** | **12,736** | **517** | **495** | **9,345** | – | **432,216** | **199,090** |
| 434,857 | – 119 | 19,663 | – 7,339 | 2,337 | 10,635 | – 1,302 | 437,462 | 336,852 |
| 432,308 | 3,924 | 18,904 | 0 | 1,974 | 20,281 | – | 436,829 | 148,256 |
| 510,790 | – 4,463 | 28,022 | – 273 | 3,514 | 48,060 | – | 489,530 | 138,179 |
| 9 | 0 | 0 | 0 | 0 | 0 | – | 9 | 7,200 |
| **1,377,964** | **– 658** | **66,589** | **– 7,612** | **7,825** | **78,976** | **– 1,302** | **1,363,830** | **630,487** |
| **3,810** | **0** | **98** | **– 1,712** | **0** | **0** | – | **2,196** | **6,914** |

## 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.

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 € thousand. 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 financial year 2021/2022 (April 1, 2021, to March 31, 2022). They were approved for publication by the Management Board of Heidelberger Druckmaschinen Aktiengesellschaft on May 20, 2022.

During the financial year 2021/2022, many of the restrictions put into place to combat the COVID-19 pandemic were eased as the vaccination rate rose, though the reporting year continued to be dominated by the effects of the pandemic. As the COVID-19 pandemic had not been overcome as of the end of the financial year 2021/2022, an impact on the assets, liabilities and financial position is to be anticipated for the financial year 2022/2023. For further details of the impact in the year under review, please refer to the combined management report. When preparing the consolidated financial statements as of March 31, 2022, effects were identified particularly in the following areas:

- Estimates and judgments
  (see note 7)
- Write-downs on non-financial assets
  (see note 18)
- Measurement of receivables from sales financing
  (see note 21)

Russian troops marched into Ukraine at the end of February 2022. The armed conflict between Russia and Ukraine since then has severely impacted the world economy; Heidelberg is only indirectly and narrowly affected by this conflict. As the armed conflict has not ended as of the end of the financial year 2021/2022, an impact on the assets, liabilities and financial position is anticipated for the finacial year 2022/2023. For further details of the impact in the year under review, please refer to the comments in the combined management report. When preparing the consolidated financial statements as of March 31, 2022, effects were identified particularly in the following areas:

- Estimates and judgments
  (see note 7)
- Depreciation, amortization and write-downs
  (see note 12)
- Measurement of trade receivables
  (see note 21)
- 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 financial year 2021/2022.

| Standards | Publication by the IASB / IFRS IC | Date of adoption[1] | Published in Official Journal of the EU | Effects |
|---|---|---|---|---|
| **Amendments to standards** | | | | |
| Amendment to IFRS 4: Extension of the Temporary Exemption from Applying IFRS 9 | 25-Jun-2020 | 1-Jan-2021 | 16-Dec-2020 | None |
| Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2 | 27-Aug-2020 | 1-Jan-2021 | 14-Jan-2021 | No material effects |
| Amendment to IFRS 16: COVID-19-related Rent Concessions after June 30, 2021 | 31-Mar-2021 | 1-Apr-2021[2] | 31-Aug-2021 | None |

[1] For financial years beginning on or after this date
[2] From April 1, 2021, for financial years beginning on or after January 1, 2021

## New accounting provisions

The IASB and the IFRS IC approved and amended other standards and interpretations, whose application is not yet compulsory in financial year 2020/2021 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 | Effective date[1] | Published in Official Journal of the EU | Content | Expected 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. | Currently being examined |
| 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. | No material effects |
| 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. | No material effects |
| Amendments to IAS 12: Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction | 7-May-2021 | 1-Jan-2023 | Pending | 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. | Currently being examined |
| Amendments to IAS 16: Property, Plant and Equipment – Proceeds before Intended Use | 14-May-2020 | 1-Jan-2022 | 2-Jul-2021 | The amendments specify that proceeds generated during the acquisition or production of an item of property, plant and equipment, e.g. proceeds from the sale of such items, may no longer be deducted from cost but instead must be recognized directly in profit or loss. | None |

| Standards | Publication by the IASB / IFRS IC | Effective date [1] | Published in Official Journal of the EU | Content | Expected effects |
|---|---|---|---|---|---|
| Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract | 14-May-2020 | 1-Jan-2022 | 2-Jul-2021 | The amendments specify that, in assessing whether a contract is onerous, the cost of fulfilling a contract comprises all costs relating directly to the contract. | No material effects |
| Amendments to IFRS 3: Business Combinations – Reference to the Conceptual Framework | 14-May-2020 | 1-Jan-2022 | 2-Jul-2021 | The amendments update and define in greater detail the references to the conceptual framework in IFRS 3.<br>The amendments also require IAS 37 or IFRIC 21 to be applied in identifying the liabilities and contingent liabilities assumed by the acquirer and set out an explicit prohibition on the recognition of contingent assets acquired. | No material effects |
| Annual Improvements to IFRS® Standards 2018–2020 Cycle | 14-May-2020 | 1-Jan-2022 | 2-Jul-2021 | Minor and non-urgent improvements are made to IFRS as part of the IASB's annual improvement project. These relate to the standards IFRS 1, IFRS 9, IFRS 16 and IAS 41. | No material 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.<br>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.<br>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 |
| First-time adoption of IFRS 17 and IFRS 9: Comparative Information (Amendment to IFRS 17) | 9-Dec-2021 | 1-Jan-2023 | Pending | 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 65 (previous year: 68) domestic and foreign companies controlled by Heidelberger Druckmaschinen Aktiengesellschaft within the meaning of IFRS 10. Of these companies, 52 (previous year: 54) are located outside Germany.

| | 2020/2021 | **2021/2022** |
|---|---|---|
| April 1 | 69 | 68 |
| Additions | 5 | 1 |
| Disposals (including mergers) | 6 | 4 |
| March 31 | 68 | 65 |

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 156 to 159).

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

- The newly created company HEI Charge – Heidelberger Druckmaschinen e-Mobility & Charging GmbH, Wiesloch, Germany, was included in consolidation effective June 7, 2021 and renamed Amperfied GmbH, Walldorf, Germany, on January 28, 2022.
- Following the transfer of the assets and liabilities of Heidelberg Print Finance Australia Pty Ltd., Notting Hill, Melbourne, Australia, to Heidelberg Graphic Equipment Ltd. – Heidelberg Australia –, Notting Hill, Melbourne, Australia, effective April 1, 2021, the company was liquidated effective December 8, 2021.
- docufy GmbH, Bamberg, was sold and deconsolidated effective August 31, 2021 in conjunction with the ongoing focus on the cloud-based digitization strategy in core business; the selling price was € 28.1 million and was paid in cash in the reporting year. The gain on deconsolidation resulting from the disposal of docufy GmbH of € 22,174 thousand is reported in the consolidated income statement under other operating income. The sale of the company resulted in the disposal of cash and cash equivalents in the amount of € 1,065 thousand. The following assets and liabilities relate to the disposal of docufy GmbH:

| | |
|---|---|
| Non-current assets | 5,836 |
| Current assets | 2,118 |
| **Assets** | **7,954** |
| Equity | 0 |
| Liabilities | 3,126 |
| **Equity and liabilities** | **3,126** |

- MTC Co., Ltd., Tokyo, Japan, was liquidated effective October 21, 2021.
- Heidelberg Digital Platforms GmbH, Wiesloch, was merged with Heidelberger Druckmaschinen Aktiengesellschaft as of October 22, 2021.

## 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.

## 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 directly recognized 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 | |
|---|---|---|---|---|
| | 2020/2021 €1 = | **2021/2022 €1 =** | 31-Mar-2021 €1 = | **31-Mar-2022 €1 =** |
| **AUD** | 1.6202 | 1.5725 | 1.5412 | 1.4829 |
| **CAD** | 1.5439 | 1.4541 | 1.4782 | 1.3896 |
| **CHF** | 1.0794 | 1.0648 | 1.1070 | 1.0267 |
| **CNY** | 7.9145 | 7.4325 | 7.6812 | 7.0403 |
| **GBP** | 0.8918 | 0.8505 | 0.8521 | 0.8460 |
| **HKD** | 9.0881 | 9.0376 | 9.1153 | 8.6918 |
| **JPY** | 124.1558 | 130.9483 | 129.9100 | 135.1700 |
| **KRW** | 1,355.1117 | 1,354.5733 | 1,324.1900 | 1,347.3700 |
| **USD** | 1.1721 | 1.1606 | 1.1725 | 1.1101 |

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.

The consolidated financial statements were prepared based on the assumption of a going concern.

## 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 recognized, on delivery to the customer.

Sales from SERVICES are recognized when the services are rendered or when the customer has obtained control of the services. 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. In accordance with IFRS 3 in conjunction with IAS 36, goodwill is tested for impairment on an annual basis and if there is any evidence to suggest a loss of value. 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 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 a (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 leased assets that are still Heidelberg's legal property, for example regarding the use of the leased asset, relocation and insurance. 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):

| | 2020/2021 | **2021/2022** |
|---|---|---|
| Development costs | 5 to 10 | 5 to 12 |
| Software/other rights | 3 to 20 | 3 to 20 |
| Buildings | 25 to 50 | 25 to 50 |
| Technical equipment and machinery | 12 to 31 | 10 to 31 |
| Other equipment, operating and office equipment | 5 to 26 | 5 to 26 |
| Investment property | 25 to 50 | 25 to 50 |

### 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 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**

Both financial and non-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 equity investments are measured at cost.

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**

First-time recognition of trade receivables is at fair value plus directly attributable transaction costs. 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” 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 interest rate and 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 and interest rate swaps.

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.

**Hybrid financial instruments**

Financial instruments that contain both a liability and an equity component are recognized in different items in the statement of financial position according to their nature. As of the date of issue the fair value of the liability component, which is the present value of the contractually determined future payments, is recognized as a bond liability. The conversion option is recognized in capital reserves as the difference between the issue proceeds and the fair value of the liability component. During the term of the bond the interest expense of the liability component is calculated using the market interest rate as of the issue date for a similar bond without a conversion option. The issuing costs of convertible bonds reduce the cost of the equity or liability components in direct proportion. The deduction from equity is recognized outside profit or loss after taking into account any related income tax benefit.

### 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 27.94 percent (previous year: 27.97 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 accordance with IFRS 2, this remuneration component is measured on the basis of fair value using a Monte Carlo simulation. Given a three-year vesting period, the respective fair value is recalculated as of the end of each reporting period and as of the settlement date, and recognized in staff costs starting from the year granted.

### 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 especially in the reporting year on account of uncertainty in connection with the COVID-19 pandemic.

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. Planning assumed an end to the COVID-19 pandemic and a corresponding return to pre-crisis levels (in financial year 2019/2020) during the financial year 2022/2023. As in the previous year, increasing the discount rate before taxes by one percentage point to 11.0 percent (previous year: 10.3 percent) for the Print Solutions cash-generating unit, 10.9 percent (previous year: 10.2 percent) for the Packaging Solutions cash-generating unit and 14.0 percent (previous year: 13.7 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 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. In measuring trade receivables, a certain set of the receivables were deemed irrecoverable as of the end of the reporting period in conjunction with the armed conflict between Russia and Ukraine (see also “Trade receivables” in note 21). 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 € 1,244,362 thousand (previous year: € 1,086,470 thousand), income from the sale of consumables and spare parts of € 581,932 thousand (previous year: € 511,947 thousand), income from the sale of charging stations (Wallboxes) in the e-mobility area of € 49,942 thousand (previous year: € 22,365 thousand) and income from services of € 290,240 thousand (previous year: € 276,020 thousand), net sales also include income from commissions, finance and operating leases of € 14,541 thousand (previous year: € 13,985 thousand) and interest income from sales financing and finance leases calculated using the effective interest method of € 2,415 thousand (previous year: € 2,383 thousand). 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 € 11,213 thousand (previous year: € 11,430 thousand). 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 € 2,183,432 thousand (previous year: € 1,913,169 thousand) comprise revenue from contracts with customers in accordance with IFRS 15 of € 2,166,476 thousand (previous year: € 1,896,802 thousand) and other net sales of € 16,956 thousand (previous year: € 16,367 thousand).

As of March 31, 2022, the order backlog amounts to € 900,816 thousand (previous year: € 636,439 thousand). Of the performance obligations not yet fulfilled as of the end of the reporting period (see note 29), € 220,277 thousand (previous year: € 136,683 thousand) relates to machinery not yet delivered and € 63,779 thousand (previous year: € 65,711 thousand) 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

| | 2020/2021 | **2021/2022** |
|---|---|---|
| Reversal of other provisions/ deferred liabilities | 46,903 | 45,398 |
| Income from disposals of intangible assets, property, plant and equipment and investment property | 1,240 | 39,451 |
| Income from deconsolidation of docufy GmbH | – | 22,174 |
| Income from deconsolidation of BluePrint Products N.V. and Hi-Tech Chemicals BVBA | 10,704 | – |
| Income from deconsolidation of CERM N.V. | 8,191 | – |
| Recoveries on loans and other assets previously written down | 14,643 | 6,015 |
| Income from operating facilities | 5,383 | 3,372 |
| Hedging/exchange rate gains | 10,279 | 2,003 |
| Other income | 32,880 | 18,284 |
| | **130,223** | **136,697** |

"Income from disposals of intangible assets, property, plant and equipment and investment property" includes the gain on the disposal of an area of around 130,000 m² at the Wiesloch/Walldorf production site of € 12,383 thousand and the income in connection with the sale of the past property in Brentford, UK, of € 26,863 thousand.

## 10 Cost of materials

| | 2020/2021 | 2021/2022 |
|---|---|---|
| Cost of raw materials, consumables and supplies, and of goods purchased and held for resale | 767,344 | 936,714 |
| Cost of purchased services | 89,068 | 107,262 |
| Interest expense of Heidelberg Financial Services | 521 | 203 |
| | **856,933** | **1,044,179** |

The ratio of the cost of materials to total operating performance is 46.8 percent (previous year: 46.4 percent).

In the previous year, under "Cost of raw materials, consumables and supplies, and of goods purchased and held for resale", € 7,422 thousand was recognized under work in progress and finished goods due to the COVID-19-related decline in employment.

## 11 Staff costs and number of employees

| | 2020/2021 | 2021/2022 |
|---|---|---|
| Wages and salaries | 622,683 | 665,803 |
| Cost of/income from pension scheme | – 55,647 | 15,808 |
| Other social security contributions and expenses | 105,304 | 116,882 |
| | **672,340** | **798,493** |

In the previous year, the item "Cost of/income from pension scheme" also included income of € 72,831 thousand from the reorganization of pension plans for Company employees in Germany which was implemented in financial year 2020/2021.

Reimbursement claims against the Bundesagentur für Arbeit (Federal Employment Agency) for social insurance expenses in the context of short-term work reduced staff costs by € 5,200 thousand (previous year: € 26,727 thousand).

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

| | Average | | As of | |
|---|---|---|---|---|
| | 2020/2021 | **2021/2022** | 31-Mar-2021 | **31-Mar-2022** |
| Europe, Middle East and Africa | 7,910 | 7,167 | 7,470 | 7,040 |
| Asia/Pacific | 1,611 | 1,626 | 1,579 | 1,636 |
| Eastern Europe | 486 | 436 | 454 | 440 |
| North America | 630 | 615 | 621 | 606 |
| South America | 89 | 88 | 88 | 89 |
| | 10,726 | 9,932 | 10,212 | 9,811 |
| Trainees | 352 | 376 | 326 | 362 |
| | **11,078** | **10,308** | **10,538** | **10,173** |

[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 € 79,423 thousand (previous year: € 77,833 thousand) relate to intangible assets of € 12,736 thousand (previous year: € 10,894 thousand), property, plant and equipment of € 66,589 thousand (previous year: € 66,836 thousand) and investment property of € 98 thousand (previous year: € 103 thousand). Depreciation and write-downs of € 17,414 thousand (previous year: € 17,987 thousand) relate to right-of-use assets from leases reported under property, plant and equipment. These relate to land and buildings of € 9,461 thousand (previous year: € 9,221 thousand, technical equipment and machinery of € 230 thousand (previous year: € 177 thousand) and other equipment, operating and office equipment of € 7,723 thousand (previous year: € 8,589 thousand).

Impairment of € 2,667 thousand (previous year: € 166 thousand) essentially relates to software/other rights and to right-of-use assets from leases. In conjunction with the armed conflict between Russia and Ukraine, € 830 thousand (previous year: € 0 thousand), essentially right-of-use assets from leases were deemed irrecoverable. Impairment of € 1,440 thousand relates to the Print Solutions segment and of € 1,227 thousand to the Packaging Solutions segment.

## 13 Other operating expenses

| | 2020/2021 | **2021/2022** |
|---|---|---|
| Other deliveries and services not included in the cost of materials | 142,166 | 149,443 |
| Special direct sales expenses including freight charges | 77,362 | 83,432 |
| Travel expenses | 18,571 | 24,926 |
| Insurance expense | 11,702 | 12,113 |
| Rents and leases | 11,711 | 10,207 |
| Bad debt allowances and impairment on other assets | 8,756 | 9,718 |
| Hedging/exchange rate losses | 9,616 | 7,768 |
| Costs of car fleet (excluding leases) | 3,144 | 4,153 |
| Additions to provisions and accruals relating to several types of expense | 17,327 | 3,183 |
| Other overheads | 50,304 | 61,546 |
| | **350,659** | **366,489** |

The "Rents and leases" item recognizes the following amounts for leases in which the Heidelberg Group is the lessee:

| | 2020/2021 | **2021/2022** |
|---|---|---|
| Expenses for short-term leases | 887 | 804 |
| Expenses for leases for low-value assets (not including short-term leases) | 1,002 | 605 |
| Expenses for variable lease payments | 588 | 575 |
| **Total** | **2,477** | **1,984** |

## 14 Financial result

| | 2020/2021 | **2021/2022** |
|---|---|---|
| Financial income | 5,277 | 5,668 |
| Financial expenses | 46,284 | 35,605 |
| **Financial result** | **– 41,007** | **– 29,937** |

## 15 Financial income

| | 2020/2021 | **2021/2022** |
|---|---|---|
| Interest and similar income | 4,398 | 4,644 |
| Income from financial assets/loans/securities | 879 | 1.024 |
| **Financial income** | **5,277** | **5,668** |

"Income from financial assets/loans/securities" includes dividends of € 64 thousand (previous year: € 66 thousand) from securities at fair value through other comprehensive income in the reporting period.

## 16 Financial expenses

| | 2020/2021 | 2021/2022 |
|---|---|---|
| Interest and similar expenses | 41,255 | 28,740 |
| of which: net interest cost of pensions | (15,146) | (12,546) |
| Expenses for financial assets/ loans/securities | 5,029 | 6,865 |
| **Financial expenses** | **46,284** | **35,605** |

Interest and similar expenses essentially include expenses in connection with the convertible bond repaid in full in March 2022, the credit facility, the development loans as well as the loan assumed in connection with the purchase/sell of the research and development center in Heidelberg repaid in full in January 2022 (see note 28). 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 € 1,596 thousand (previous year: € 1,820 thousand).

The cost of financial assets/loans/securities includes write-downs of € 4,519 thousand (previous year: € 1,002 thousand).

## 17 Taxes on income

Taxes on income are broken down as follows:

| | 2020/2021 | 2021/2022 |
|---|---|---|
| Current taxes | 15,095 | 32,085 |
| of which Germany | (5,386) | (6,142) |
| of which abroad | (9,709) | (25,943) |
| Deferred taxes | 4,428 | – 14,344 |
| of which Germany | (– 390) | (– 10,672) |
| of which abroad | (4,818) | (– 3,672) |
| | **19,523** | **17,741** |

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 (12.11 percent; previous year: 12.14 percent) and comparable taxes of the foreign subsidiaries. The nominal total German tax rate is 27.94 percent for the financial year (previous year: 27.97 percent).

No deferred tax liabilities were recognized for temporary differences on shares in subsidiaries of € 121,203 thousand (previous year: € 150,431 thousand) as it is unlikely that these differences will reverse in the foreseeable future or the corresponding effects are not subject to taxation. Any recognition of deferred taxes would be based on 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 thousand (previous year: € 23 thousand) and € 58 thousand (previous year: € 98 thousand) respectively.

In the reporting year, deferred tax income of € 9,188 thousand 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.

Total tax loss carryforwards for which no deferred tax assets were recognized amount to € 2,016,523 thousand (previous year: € 1,952,287 thousand). Of these, € 0 thousand can be used by 2023 (previous year: € 2 thousand by 2022), € 1,357 thousand by 2024 (previous year: € 6 thousand by 2023) € 1,943 thousand by 2025 (previous year: € 1,806 thousand by 2024), € 70 thousand by 2026 (previous year: € 3,443 thousand by 2025), € 91,686 thousand by 2027 (previous year: € 159 thousand by 2026) and € 1,921,467 thousand by 2028 and later (previous year: € 1,946,871 thousand by 2027 and later).

For interest carryforwards amounting to € 98,530 thousand (previous year: € 115,472 thousand) no deferred tax assets were recognized.

Deferred tax assets are only recognized for tax loss carry forwards and interest carryforwards if their realization is guaranteed in the near future. Write-downs of deferred tax assets for loss carryforwards recognized in previous years were recognized in the amount of € 1,742 thousand in the year under review (previous year: € 1,140 thousand). Deferred tax assets totaling € 765 thousand (previous year: € 898 thousand) 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 € 4,186 thousand (previous year: € 726 thousand) were recognized in profit or loss.

The reversals of deferred tax assets on temporary differences and tax loss carryforwards not yet recognized essentially relate to a German company. The reversal is essentially due to the company's economic recovery.

Deferred tax assets of € 47,302 thousand (previous year: € 42,404 thousand) 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.

Income of € 223 thousand (previous year: € 0 thousand) from loss carrybacks was recognized in the reporting year.

Current taxes were reduced in the reporting year by € 6,834 thousand (previous year: € 502 thousand) as a result of deferred tax assets for tax loss carryforwards that had not previously been taken into account. In the reporting period, current income taxes included prior-period expenses of € 3,824 thousand (previous year: income of € 1,642 thousand).

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

| | 2020/2021 | **2021/2022** |
|---|---|---|
| Net result before taxes | – 23,367 | 50,800 |
| Theoretical tax rate in percent | 27.97 | 27.94 |
| **Theoretical tax income/expense** | **– 6,536** | **14,194** |
| Change in theoretical tax income/expense due to: | | |
| Differing tax rate | – 1,285 | – 4,523 |
| Tax loss carryforwards [1] | 53,325 | 27,663 |
| Reduction due to tax-free income | – 5,815 | – 18,317 |
| Tax increase due to non-deductible expenses | 11,048 | 13,686 |
| Change in income tax liabilities for reassessment risks | – 1,558 | 2,523 |
| Impairment/reversal of deferred tax assets on temporary differences | – 29,969 | – 16,895 |
| Other (incl. taxes on previous years) | 313 | – 590 |
| **Taxes on income** | **19,523** | **17,741** |
| **Tax rate in percent** | **– 83.55** | **34.92** |

[1] Amortization 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 associated with the Print Solutions, Packaging Solutions, Zaikio and E-Mobility cash-generating units total € 47,013 thousand (April 1, 2021: € 49,115 thousand), € 77,458 thousand (April 1, 2021: € 77,608 thousand), € 817 thousand (April 1, 2021: € 817 thousand) and € 2,479 thousand (April 1, 2021: € 2,480 thousand) 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 1.1 percent p.a. (previous year: around 4.8 percent p.a.) for the Print Solutions cash-generating unit, around 7.7 percent p.a. (previous year: around 9.0 percent p.a.) for the Packaging Solutions cash-generating unit and around 62.3 percent p.a. (previous year: around 48.3 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 high-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, and as in the previous year, despite the ongoing COVID-19 pandemic, there were no impairment requirements for the Print Solutions, Packaging Solutions or E-Mobility cash-generating units.

The calculated cash flows were discounted on the basis of market data using weighted average costs of capital (WACC) before taxes of 10.0 percent (previous year: 9.3 percent) for the Print Solutions cash-generating unit, 9.9 percent (previous year: 9.2 percent) for the Packaging Solutions cash-generating unit and 13.0 percent (previous year: 12.7 percent) for the E-Mobility cash-generating unit. For the determination of the weighted average cost of capital, the selection of the reference market for deriving the beta factor was refined in the previous year as part of the calculation of the cost of equity.

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 € 90,631 thousand in the reporting year (previous year: € 81,427 thousand).

## 19 Property, plant and equipment and investment property

In conjunction with the last revaluation of land reported under property, plant and equipment in the financial year 2019/2020, increases in value of € 169,823 thousand less deferred taxes of € 1,308 thousand were recognized in "Other comprehensive income" and write-downs of € 1,882 thousand were recognized in profit or loss. If this land had still been measured in accordance with the cost model as of March 31, 2022, its carrying amount would have been € 20,541 thousand as of the end of the reporting period (previous year: € 22,068 thousand).

Most recently as of the measurement date of March 31, 2020, 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 previous property in Brentford, located between central London and Heathrow Airport, was sold to the real estate developer Fairview New Homes Ltd. in the first quarter of the reporting year. The transaction, which was closed in the third quarter of the reporting year and had an agreed purchase price in the mid-double-digit million euro range, resulted in income of more than € 20 million, which was reported in other operating income. As per the agreement, the majority of the purchase price will not be paid until the financial year 2022/2023.

In the third quarter of the previous year, Heidelberger Druckmaschinen Aktiengesellschaft sold an area of around 130,000 m² at the Wiesloch-Walldorf production site to a property developer for around € 43 million as part of the planned production site and structural optimization program; the gain on disposal of € 12,383 thousand was recognized in other operating income in the reporting year.

Following the closure of a sale of around 130,000 m² of space at the Wiesloch-Walldorf site at the end of the first quarter of the financial year 2021/2022, a further area of around 80,000 m² was sold to the same investor at the end of the 2021 calendar year in conjunction with location and structural optimization. The purchase price of the second tranche was in the mid double-digit million euro range; the transaction is due to close in the financial year 2022/2023. In accordance with IFRS 5, the corresponding assets were classified as held for sale as of March 31, 2022 (see note 20).

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:

| | 1-Apr-2020 | Additions | Depreciation and amortization | Disposals | Other changes | 31-Mar-2021 |
|---|---|---|---|---|---|---|
| Land and buildings | 31,963 | 8,473 | 9,221 | 2,426 | – 1,900 | 26,889 |
| Technical equipment and machinery | 1,521 | 1,955 | 177 | – | – 3 | 3,296 |
| Other equipment, operating and office equipment | 15,274 | 7,769 | 8,589 | 536 | – 141 | 13,777 |
| | **48,758** | **18,197** | **17,987** | **2,962** | **– 2,044** | **43,962** |

| | 1-Apr-2021 | Additions | Depreciation and amortization | Disposals | Other changes | 31-Mar-2022 |
|---|---|---|---|---|---|---|
| Land and buildings | 26,889 | 7,759 | 9,461 | 4,616 | 1,393 | 21,964 |
| Technical equipment and machinery | 3,296 | 1,025 | 230 | 0 | 2 | 4,093 |
| Other equipment, operating and office equipment | 13,777 | 7,172 | 7,987 | 372 | 107 | 12,697 |
| | **43,962** | **15,956** | **17,678** | **4,988** | **1,502** | **38,754** |

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 € 39,083 thousand (previous year: € 36,356 thousand). These assets are reported under technical equipment and machinery. These assets are printing presses leased to customers. The gross carrying amounts were € 61,433 thousand (previous year: € 51,754 thousand) and cumulative depreciation amounted to € 22,350 thousand (previous year: € 15,398 thousand). Depreciation of € 6,529 thousand (previous year: € 5,789 thousand) was recognized in the reporting year. Future lease income of € 17,179 thousand (previous year: € 21,024 thousand) is anticipated from operating leases. These undiscounted lease payments are due as follows:

| | 31-Mar-2021 | **31-Mar-2022** |
|---|---|---|
| Up to 1 year | 6,123 | 6,805 |
| Between 1 and 2 years | 5,999 | 5,678 |
| Between 2 and 3 years | 5,209 | 3,274 |
| Between 3 and 4 years | 2,826 | 1,026 |
| Between 4 and 5 years | 609 | 245 |
| More than 5 years | 258 | 151 |
| | **21,024** | **17,179** |

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 € 444,842 thousand (previous year: € 471,689 thousand) and € 4,656 thousand (previous year: € 5,046 thousand).

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 € 8,084 thousand (previous year: € 9,655 thousand). Investment property with a fair value of € 2,861 thousand (previous year: € 2,861 thousand) 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.

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 € 155 thousand (previous year: € 270 thousand), other investments of € 3,791 thousand (previous year: € 4,100 thousand) and securities of € 2,598 thousand (previous year: € 2,351 thousand). Please see note 33 for information on securities and their fair value.

The assets of € 29,689 thousand classified as held for sale (March 31, 2021: € 41,098 thousand) in accordance with IFRS 5 until March 31, 2022 relate to nine developed plots of land and five undeveloped plots of land, whose sale is planned and has been initiated in each case. Assets of € 16,804 thousand relate to the Print Solutions segment and of € 12,885 thousand to the Packaging Solutions segment.

## 21 Receivables and other assets

| | | | 31-Mar-2021 | | | **31-Mar-2022** |
|---|---|---|---|---|---|---|
| | Current | Non-current | Total | Current | Non-current | **Total** |
| **Receivables from sales financing** | **24,465** | **19,210** | **43,675** | **21,775** | **21,404** | **43,179** |
| **Trade receivables** | **245,728** | **0** | **245,728** | **246,076** | **0** | **246,076** |
| **Other receivables and other assets** | | | | | | |
| Other tax assets | 11,177 | 3 | 11,180 | 14,037 | 3 | 14,040 |
| Cash and cash equivalents of Heidelberg Pension-Trust e.V. | – | 14,704 | 14,704 | 0 | 14,599 | 14,599 |
| Loans | 70 | 4,807 | 4,877 | 55 | 957 | 1,012 |
| Derivative financial instruments | 1,508 | – | 1,508 | 3,331 | 0 | 3,331 |
| Contract assets | 691 | 1,069 | 1,760 | 894 | 1,195 | 2,089 |
| Deferred income | 6,665 | 752 | 7,417 | 9,075 | 112 | 9,187 |
| Purchase price receivable for property in Brentford, UK | – | – | – | 39,719 | 0 | 39,719 |
| Cash investment | 20,000 | – | 20,000 | 20,000 | 0 | 20,000 |
| Other assets | 48,728 | 4,060 | 52,788 | 45,629 | 3,082 | 48,711 |
| | **88,839** | **25,395** | **114,234** | **132,740** | **19,948** | **152,688** |

Receivables from sales financing (not including lease receivables from finance leases) and trade receivables result from contracts with customers and amounted to € 288,580 thousand as of April 1, 2021 and € 288,367 thousand as of March 31, 2022.

In the reporting year, plan assets of € 861 thousand (previous year: € 3,943 thousand) 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 € 43,260 thousand (previous year: € 37,894 thousand), € 2,455 thousand (previous year: € 2,820 thousand) and € 1,385 thousand (previous year: € 449 thousand) respectively.

## Receivables from sales financing

The fair value of receivables from sales financing essentially corresponds to the reported carrying amounts. 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 € 39,459 thousand (previous year: € 35,980 thousand) 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.

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

| | 2020/2021 | | | **2021/2022** | | |
|---|---|---|---|---|---|---|
| | 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) | 1,338 | – | 5,865 | 1,388 | – | 3,858 |
| Additions | 163 | – | 1,284 | 73 | – | 1,088 |
| Utilization | – | – | – 3,240 | – | – | – 410 |
| Reversals | – 113 | – | – 1,349 | – 818 | – | – 1,001 |
| Change in scope of consolidation, currency adjustments, other changes | – | – | 1,298 | 116 | – | 18 |
| **As of the end of the financial year** | **1,388** | **–** | **3,858** | **759** | **–** | **3,553** |

Particularly due to the COVID-19 pandemic, receivables from sales financing with a carrying amount of € 2,792 thousand (previous year: € 3,308 thousand), were modified with the loss allowance being measured at lifetime expected credit losses (stage 3). The total net losses from these modifications of € 83 thousand (previous year: € 40 thousand) were recognized in profit or loss in the year under review. 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 € 713 thousand (previous year: € 0 thousand). 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:

| | | 2020/2021 | | | **2021/2022** | |
|---|---|---|---|---|---|---|
| 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 | 4,423 | – | 1,345 | 7,324 | – | 288 |
| Medium risk | 27,671 | – | 2,481 | 22,665 | – | 1,438 |
| High risk | 3,254 | – | 9,747 | 4,205 | – | 11,570 |
| **Total** | **35,348** | **–** | **13,573** | **34,194** | **–** | **13,296** |

Receivables from sales financing include lease receivables from finance leases in which in particular our financing companies act as lessors.

The following table shows the maturity structure of undiscounted lease payments and their reconciliation to net investment in the lease reported as a lease receivable:

| | 31-Mar-2021 | 31-Mar-2022 |
|---|---|---|
| Up to 1 year | 345 | 384 |
| Between 1 and 2 years | 228 | 231 |
| Between 2 and 3 years | 137 | 183 |
| Between 3 and 4 years | 93 | 132 |
| Between 4 and 5 years | 74 | 38 |
| More than 5 years | 34 | 0 |
| **Undiscounted lease payments** | **911** | **968** |
| | | |
| Unearned finance income | 88 | 81 |
| **Net investment in the lease** | **823** | **887** |

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 industrialized nations.

## 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, 2022:

| | 2020/2021 | | | **2021/2022** | | |
|---|---|---|---|---|---|---|
| | Default ratio | Gross carrying amount | Expected loss | Default ratio | Gross carrying amount | Expected loss |
| Receivables neither past due nor impaired | 0.95 % | 179,714 | 1,711 | 0.38 % | 181,674 | 695 |
| Receivables past due but not impaired | | | | | | |
| less than 30 days | 1.26 % | 28,428 | 358 | 1.18 % | 33,075 | 389 |
| between 30 and 60 days | 3.13 % | 11,619 | 363 | 2.79 % | 12,407 | 346 |
| between 60 and 90 days | 5.63 % | 4,088 | 230 | 5.90 % | 4,407 | 260 |
| between 90 and 180 days | 5.78 % | 4,071 | 235 | 9.38 % | 2,944 | 276 |
| more than 180 days | 9.01 % | 6,900 | 620 | 11.44 % | 3,173 | 363 |
| **Total** | | **234,820** | **3,517** | | **237,680** | **2,329** |

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 € 237,680 thousand (previous year: € 234,820 thousand) 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 € 99,155 thousand (previous year: € 112,729 thousand) 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 in the period amounted to € 7,714 thousand (previous year: € 7,007 thousand) and included € 1,299 thousand (previous year: € 0 thousand) deemed irrecoverable in conjunction with the armed conflict between Russia and Ukraine in the reporting year. Of this, write-downs booked to allowance accounts developed as follows in the reporting year:

| | 2020/2021 | | **2021/2022** | |
|---|---|---|---|---|
| | Expected losses | Impairment | Expected losses | Impairment |
| As of the start of the financial year | 11,145 | 19,235 | 3,517 | 15,776 |
| Additions | 1,637 | 3,712 | 1,141 | 6,290 |
| Utilization | – | –2,975 | – | –1,684 |
| Reversals | –9,278 | –3,705 | –1,838 | –1,630 |
| Change in scope of consolidation, currency adjustments, other changes | 13 | –491 | –491 | 55 |
| **As of the end of the financial year** | **3,517** | **15,776** | **2,329** | **18,807** |

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 € 14,599 thousand (previous year: € 14,704 thousand) 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 € 4,644 thousand (previous year: € 224 thousand) and € 2,799 thousand (previous year: € 3,544 thousand) relate to loans (gross carrying amount: € 5,656 thousand; previous year: € 5,101 thousand) and to other financial assets (gross carrying amount: € 70,556 thousand; previous year: € 52,075 thousand).

Of the impairment recognized on loans in the previous year, as in the previous year, none was utilized or reversed. Additions to impairment losses of € 4,292 thousand were required (previous year: € 0 thousand). Of the impairment recognized on other financial assets in the previous year, € 665 thousand (previous year: € 476 thousand) was utilized and € 156 thousand (previous year: € 6 thousand) was reversed. Additions of € 25 thousand were required (previous year: € 173 thousand).

€ 1,103 thousand (previous year: € 3,473 thousand) of unimpaired loans and other financial assets were past due by more than 180 days.

Derivative financial instruments include asset cash flow hedges of € 1,811 thousand (previous year: € 467 thousand) and asset fair value hedges of € 1,520 thousand (previous year: € 1,041 thousand).

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 conditions for recognition were not met as of March 31, 2022.

## 22 Deferred tax assets and deferred tax liabilities

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

| | 31-Mar-2021 | | **31-Mar-2022** | |
|---|---|---|---|---|
| | Assets | Liabilities | Assets | Liabilities |
| Tax loss carry-forwards | 28,360 | – | 30,136 | – |
| | | | | |
| Assets: | | | | |
| Intangible assets/property, plant and equipment/investment property/financial assets | 2,949 | 78,156 | 11,942 | 79,983 |
| Inventories, receivables and other assets | 9,349 | 2,712 | 11,864 | 2,659 |
| Securities | 217 | 2 | 158 | 0 |
| | | | | |
| Liabilities: | | | | |
| Provisions | 88,373 | 358 | 91,584 | 534 |
| Liabilities | 9,443 | 1,110 | 11,431 | 1,259 |
| Gross amount | 138,691 | 82,338 | 157,115 | 84,435 |
| | | | | |
| Offsetting | 77,848 | 77,848 | 81,875 | 81,875 |
| **Carrying amount** | **60,843** | **4,490** | **75,240** | **2,560** |

Deferred tax assets include non-current deferred taxes of € 60,573 thousand (previous year: € 49,970 thousand). Deferred tax liabilities include non-current deferred taxes of € 2,442 thousand (previous year: € 4,309 thousand).

As a result of currency translation, deferred tax assets increased by € 2,224 thousand (previous year: decreased by € 2,136 thousand) in the reporting year. Owing to the change in the consolidated group, deferred tax assets increased by € 19 thousand (previous year: invreased by € 124 thousand).

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

| | | | 2020/2021 | | | **2021/2022** |
|---|---|---|---|---|---|---|
| | 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 | – 43,893 | – 1,447 | – 45,340 | 77,675 | 34 | 77,709 |
| Revaluation of land | – | – 3 | – 3 | – | 42 | 42 |
| Currency translation | – 1 | – | – 1 | 21,843 | – | 21,843 |
| Fair value of other financial assets | 215 | – 65 | 150 | 308 | – 94 | 214 |
| Cash flow hedges | – 3,834 | 144 | – 3,690 | 2,464 | – 241 | 2,223 |
| **Total other comprehensive income** | **– 47,513** | **– 1,371** | **– 48,884** | **102,290** | – 259 | **102,031** |

## 23 Inventories

| | 31-Mar-2021 | **31-Mar-2022** |
|---|---|---|
| Raw materials and supplies | 93,362 | 119,933 |
| Work and services in progress | 231,242 | 251,742 |
| Finished goods and goods for resale | 210,921 | 248,734 |
| Advance payments | 6,444 | 10,421 |
| | **541,969** | **630,830** |

In order to adjust inventories to the net realizable value, write-downs of € 13,058 thousand were recognized in the year under review (previous year: € 15,241 thousand). This essentially relates to part of our inventories deemed irrecoverable in conjunction with the armed conflict between Russia and Ukraine of € 4,782 thousand (previous year: € 0 thousand) and a small part of our inventories with a decreased likelihood of market success of € 8,276 thousand (previous year: € 15,241 thousand). 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 € 305,138 thousand (previous year: € 302,861 thousand).

## 24 Securities and 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 disposal of cash and cash equivalents due to foreign exchange restrictions amount to € 25,469 thousand (previous year: € 26,493 thousand). Bank balances are exclusively held for short-term cash management purposes.

## 25 Equity

### Share capital/number of shares outstanding/treasury stock

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.

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

As of March 31, 2022, 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, 2022 (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 only 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 2014

The share capital of Heidelberger Druckmaschinen Aktiengesellschaft was contingently increased by way of resolutions by the Annual General Meetings on July 24, 2014 and July 24, 2015 by up to € 48,230,453.76, divided into 18,840,021 bearer shares (Contingent Capital 2014); the details of Contingent Capital 2014 were governed by Article 3 (3) of the Articles of Association. The Supervisory Board resolved to cancel Article 3 (3) of the Articles of Association after Contingent Capital 2014 became inoperable on account of the end of the conversion period and the expiry of the convertible bond placed on March 25, 2015 and issued on March 30, 2015, the servicing of which had been the sole remaining purpose of Contingent Capital 2014. The corresponding amendment of the Articles of Association was entered in the commercial register of the company on April 19, 2022.

#### 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 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 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 increase in accordance with Section 272 (2) no. 1 HGB, from the non-cash capital increase in the context of the Gallus transaction in 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) and expenses from the issuance of option rights to employees 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 earnings 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 income for the financial year 2020/2021 of € 119,256,163.70 was offset against the loss carryforward from the previous year of € 351,796,056.91.

The HGB net loss for the financial year 2021/2022 of € 10,791,739.48 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 € 835 million (previous year: € 934 million) of the present value of the defined benefit obligation (DBO) and € 31 million (previous year: € 29 million) of plan assets.

Until 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 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. Alternatively, the employee can access his/her pension credit as a pension for life and, under certain conditions, have this paid out as a one-time capital payment. The installment/annuity payment option of 60 percent/ 40 percent constitutes a further actuarial assumption for calculation of the present value of the defined benefit obligation in Germany.

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 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 see the remuneration report on pages 172 to 190 of the annual 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 € 257 million (previous year: € 255 million) of the present value of the defined benefit obligation (DBO) and € 247 million (previous year: € 246 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 last assessment of technical funding took place as of March 31, 2021 and – on the basis of the assumptions at this date determined by the trustee – identified a technical funding deficit of GBP 11.1 million.

On the basis of this, annual payments of GBP 2.47 million will be made in accordance with the agreement reached between Heidelberg and the trustee in August 2021 until Heidelberg pays a planned one-time special contribution of GBP 6.98 million in December 2022.

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 € 126 million (previous year: € 126 million) of the present value of the defined benefit obligation (DBO) and € 150 million (previous year: € 140 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 € 9 million (previous year: € 8 million) of the present value of the defined benefit obligation (DBO) and € 9 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-2021 | **31-Mar-2022** |
|---|---|---|
| Provisions for pensions and similar obligations | 945,537 | 843,332 |
| Assets from defined benefit pension plans | 3,943 | 861 |
| **Net carrying amounts at the end of the financial year** | **941,594** | **842,471** |

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, 2020** | **529,055** | **840,990** | **1,370,045** | **– 384,691** | **985,354** |
| Current service cost | 2,171 | 6,470 | 8,641 | – | 8,641 |
| Interest expense (+)/income (–) | 8,502 | 12,917 | 21,419 | – 6,273 | 15,146 |
| Past service cost/gains (–)/losses (+) from settlements and curtailments [1] | – 8,377 | – 64,414 | – 72,791 | – | – 72,791 |
| Remeasurements: [2] | 35,699 | 51,352 | 87,051 | – 43,158 | 43,893 |
| Gains (–)/losses (+) from changes in demographic assumptions | – 13,764 | – 562 | – 14,326 | – | – 14,326 |
| Gains (–)/losses (+) from changes in financial assumptions | 50,580 | 50,972 | 101,552 | – | 101,552 |
| Gains (–)/losses (+) from experience-based adjustments | – 1,117 | 942 | – 175 | – | – 175 |
| Difference between interest income recognized in profit or loss and actual income from plan assets [3] | – | – | – | – 43,158 | – 43,158 |
| Currency translation differences | 5,227 | – 1,273 | 3,954 | – 5,032 | – 1,078 |
| Contributions: | 1,666 | 2,135 | 3,801 | – 6,083 | – 2,282 |
| Employers | – | – | – | – 4,417 | – 4,417 |
| Pension plan participants | 1,666 | 2,135 | 3,801 | – 1,666 | 2,135 |
| Payments made | – 30,245 | – 26,548 | – 56,793 | 23,422 | – 33,371 |
| Changes in the scope of consolidation, other changes | 2,163 | – 2,089 | 74 | – 1,992 | – 1,918 |
| **As of March 31, 2021** | **545,861** | **819,540** | **1,365,401** | **– 423,807** | **941,594** |

[1] This essentially included income from the reorganization of pension plans for Company employees in Germany which was implemented in financial year 2020/2021
[2] A discount rate of 1.40 percent as of March 31, 2021 (March 31, 2020: 1.80 percent) was used to calculate the remeasurement of net liabilities (assets) from defined benefit pension plans for the German companies. This discount rate is based on a narrower selection of the corporate bonds used to determine the discount rate for the euro zone (without narrowing selection: 1.10 percent). Without this modification, the losses arising on the remeasurement of defined benefit pension plans would have been € 42,558 thousand higher as of March 31, 2021
[3] This includes the effects of the asset ceiling of € 11,255 thousand, which were 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, 2021** | **545,861** | **819,540** | **1,365,401** | **– 423,807** | **941,594** |
| Current service cost | 2,588 | 6,164 | 8,752 | 0 | 8,752 |
| Interest expense (+)/income (–) | 7,480 | 11,074 | 18,554 | – 6,008 | 12,546 |
| Past service cost/gains (–)/losses (+) from settlements and curtailments | 31 | 0 | 31 | 0 | 31 |
| Remeasurements: | – 12,089 | – 73,421 | – 85,510 | 7,835 | – 77,675 |
| Gains (–)/losses (+) from changes in demographic assumptions | 4,372 | – 403 | 3,969 | 0 | 3,969 |
| Gains (–)/losses (+) from changes in financial assumptions | – 10,211 | – 73,083 | – 83,294 | 0 | – 83,294 |
| Gains (–)/losses (+) from experience-based adjustments | – 6,250 | 65 | – 6,185 | 0 | – 6,185 |
| Difference between interest income recognized in profit or loss and actual income from plan assets [1] | 0 | 0 | 0 | 7,835 | 7,835 |
| Currency translation differences | 11,690 | – 523 | 11,167 | – 11,768 | – 601 |
| Contributions: | 1,657 | 2,097 | 3,754 | – 7,767 | – 4,013 |
| Employers | 0 | 0 | 0 | – 6,110 | – 6,110 |
| Pension plan participants | 1,657 | 2,097 | 3,754 | – 1,657 | 2,097 |
| Payments made | – 25,947 | – 28,989 | – 54,936 | 19,351 | – 35,585 |
| Changes in the scope of consolidation, other changes | 2,624 | – 2,553 | 71 | – 2,649 | – 2,578 |
| **As of March 31, 2022** | **533,895** | **733,389** | **1,267,284** | **– 424,813** | **842,471** |

[1] This includes the effects of the asset ceiling of € 24,387 thousand, which were 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 | 2020/2021 | | 2021/2022 | |
|---|---|---|---|---|
| | Domestic | Foreign | Domestic | Foreign |
| Discount rate | 1.40 | 1.39 | 2.10 | 2.13 |
| Expected future salary increases | 2.75 | 0.41 | 2.75 | 0.47 |
| Expected future pension increases | 0.59 | 2.17 | 1.60 | 2.47 |

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:

| | 2020/2021 | of which: | | 2021/2022 | of which: | |
|---|---|---|---|---|---|---|
| | | with a market price quoted on an active market | without a market price quoted on an active market | | with a market price quoted on an active market | without a market price quoted on an active market |
| Cash and cash equivalents | 5,105 | 5,022 | 83 | 8,763 | 8,673 | 90 |
| Equity instruments | 109,135 | 108,669 | 466 | 110,560 | 110,055 | 505 |
| Debt instruments | 141,127 | 131,681 | 9,446 | 132,238 | 122,381 | 9,857 |
| Real estate | – | – | – | 0 | 0 | 0 |
| Derivatives | – | – | – | 0 | 0 | 0 |
| Securities funds | 139,594 | 103,632 | 35,962 | 154,931 | 120,551 | 34,380 |
| Qualifying insurance policies | 29,387 | – | 29,387 | 31,405 | 0 | 31,405 |
| Other | 10,432 | 10,379 | 53 | 11,303 | 11,239 | 64 |
| | **434,780** | **359,383** | **75,397** | **449,200** | **372,899** | **76,301** |

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 € 41,526 thousand (previous year: € 27,922 thousand) in the reporting year 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-2021 | Change in % | **31-Mar-2022** | Change in % |
|---|---|---|---|---|
| Present value of the material defined benefit obligations [1] | 1,322,687 | | 1,226,928 | |
| Present value of the material defined benefit obligations assuming that | | | | |
| the discount rate was | | | | |
| 0.50 percentage points higher | 1,232,061 | –6.9 % | 1,150,021 | –6.3 % |
| 0.50 percentage points lower | 1,424,644 | 7.7 % | 1,309,744 | 6.7 % |
| the expected future salary increase was | | | | |
| 0.25 percentage points higher | 1,323,190 | 0.0 % | 1,227,354 | 0.0 % |
| 0.25 percentage points lower | 1,322,204 | 0.0% | 1,223,321 | –0.3 % |
| the expected future pension increase was | | | | |
| 0.25 percentage points higher | 1,334,835 | 0.9 % | 1,238,101 | 0.9 % |
| 0.25 percentage points lower | 1,313,498 | –0.7 % | 1,216,916 | –0.8 % |
| Increase in life expectancy per entitled beneficiary [2] | 1,379,991 | 4.3 % | 1,274,796 | 3.9 % |

[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 € 16 million in financial year 2022/2023 (previous year: € 7 million). With regard to the material defined benefit obligations, undiscounted pension payments amounting to € 48 million (previous year: € 47 million) are anticipated for financial year 2022/2023. The weighted average duration of the material defined benefit obligations is 14 years (previous year: 15 years).

## 27 Other provisions

| | | | 31-Mar-2021 | | | **31-Mar-2022** |
|---|---|---|---|---|---|---|
| | Current | Non-current | Total | Current | Non-current | **Total** |
| Staff obligations | 56,699 | 22,678 | 79,377 | 67,591 | 22,746 | 90,337 |
| Sales obligations | 66,532 | 4,760 | 71,292 | 66,951 | 5,559 | 72,510 |
| Other | 93,601 | 62,832 | 156,433 | 63,850 | 42,746 | 106,596 |
| | **216,832** | **90,270** | **307,102** | **198,392** | **71,051** | **269,443** |

| | As of 1-Apr-2021 | Change in scope of consolidation, currency adjustments, reclassification | Utilization | Reversal | Addition | **As of 31-Mar-2022** |
|---|---|---|---|---|---|---|
| Staff obligations | 79,377 | 1,119 | 42,898 | 1,131 | 53,870 | 90,337 |
| Sales obligations | 71,292 | 323 | 27,876 | 16,445 | 45,216 | 72,510 |
| Other | 156,433 | 1,352 | 66,911 | 27,631 | 43,353 | 106,596 |
| | **307,102** | 2,794 | 137,685 | 45,207 | 142,439 | **269,443** |

Additions include discounting/accrued interest and the effects of the change in discount rates of € – 434 thousand (previous year: € 1,864 thousand). These relate to income of € 88 thousand (previous year: € 736 thousand expense) for staff obligations and income of € 346 thousand (previous year: € 1,128 thousand expense) for miscellaneous other provisions.

STAFF PROVISIONS essentially relate to bonuses (€ 23,827 thousand; previous year: € 22,336 thousand) and the cost of early retirement payments and partial retirement programs (€ 39,563 thousand; previous year: € 34,642 thousand).

SALES PROVISIONS mainly relate to warranties, reciprocal liability and buyback obligations (€ 47,239 thousand; previous year: € 45,017 thousand). 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 reciprocal liability and buyback obligations of € 102 thousand (previous year: € 530 thousand) 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 € 13,285 thousand (previous year: € 14,902 thousand). 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 € 73,015 thousand (previous year: € 120,643 thousand), provisions for onerous contracts of € 4,058 thousand (previous year: € 6,398 thousand) and provisions for legal disputes of € 14,032 thousand (previous year: € 12,517 thousand). 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-2021 | | | | **31-Mar-2022** |
|---|---|---|---|---|---|---|---|---|
| | 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] | 121,086 | 73,312 | 526 | 194,924 | 49,232 | 35,755 | – | 84,987 |
| Convertible bond [1] | 17,205 | – | – | 17,205 | – | – | – | – |
| Lease liabilities | 21,337 | 28,181 | 1,874 | 51,392 | 19,068 | 22,410 | 1,828 | 43,306 |
| Other | 7,720 | – | – | 7,720 | 4,637 | 2,238 | – | 6,875 |
| | **167,348** | **101,493** | **2,400** | **271,241** | **72,937** | **60,403** | **1,828** | **135,168** |

[1] Including deferred interest

Financial liabilities developed as follows:

| | As of 1-Apr-2020 | Cash changes | | Non-cash changes | | | **As of 31-Mar-2021** |
|---|---|---|---|---|---|---|---|
| | | Free cash flow [1] | From financing activities | Change in scope of consolidation | Currency adjustments | Other | |
| Corporate bond | 151,509 | –14,774 | –145,026 | – | – | 8,291 | – |
| Amounts due to banks | 241,688 | –10,159 | –40,852 | –163 | –347 | 4,757 | 194,924 |
| Convertible bond | 17,205 | –903 | – | – | – | 903 | 17,205 |
| Lease liabilities | 53,955 | –1,820 | –22,891 | –713 | –1,493 | 24,354 | 51,392 |
| Other | 7,060 | – | 750 | –1 | –84 | –5 | 7,720 |
| | **471,417** | –27,656 | –208,019 | –877 | –1,924 | 38,300 | **271,241** |

[1] Interest paid amounts to € 22,683 thousand

| | 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 | 194,924 | – 5,682 | – 110,193 | 85 | 361 | 5,492 | 84,987 |
| Convertible bond | 17,205 | – 903 | – 17,200 | – | – | 898 | – |
| Lease liabilities | 51,392 | – 1,597 | – 23,981 | – 656 | 712 | 17,436 | 43,306 |
| Other | 7,720 | – | – 990 | – | 145 | – | 6,875 |
| | **271,241** | – 8,182 | – 152,364 | – 571 | 1,218 | 23,826 | **135,168** |

[1] Interest paid amounts to € 8,182 thousand

## Convertible bond

On March 30, 2015, Heidelberger Druckmaschinen Aktiengesellschaft issued an unsecured, unsubordinated convertible bond with an option for conversion into shares in Heidelberger Druckmaschinen Aktiengesellschaft (convertible bond). This convertible bond has a volume of € 58.6 million and is convertible into approximately 18.84 million no-par shares. The convertible bond was issued in denominations of € 100,000. It has a term of seven years, was issued at 100 percent of the nominal value and is 100 percent repayable. The coupon is 5.25 percent p.a. and is distributed at the end of every quarter. The initial exercise price per underlying share is € 3.1104 at an initial conversion ratio of 32,150.2058.

From April 20, 2018, Heidelberger Druckmaschinen Aktiengesellschaft is entitled to repay the convertible bond ahead of schedule in full at the nominal value plus accrued interest. This required that the share price multiplied by the applicable conversion ratio on 20 of the 30 consecutive trading days on the Frankfurt Stock Exchange before the announcement of the date of the early repayment exceeds 130 percent of the nominal value as of each of these 20 trading days. Each holder of the convertible bond was entitled to demand the repayment of all or some of his/her bonds for which the conversion right was not exercised and for which no early repayment was announced by Heidelberger Druckmaschinen Aktiengesellschaft as of March 30, 2020 at the set nominal amount plus interest incurred by March 30, 2020 (exclusively).

In the financial year 2019/2020, most of the investors in the convertible bond exercised their right to early repayment in accordance with section 4 (5) of the terms and conditions of the bond at a nominal amount of € 41,400 thousand as of March 30, 2020. The remaining amount of € 17,200 thousand, plus interest, was repaid from cash when the convertible bond matured as of March 30, 2022.

## Amounts due to banks

Amounts due to banks are shown in the table below:

| Type | Contract currency | Carrying amount 31-Mar-2021 in € thousands | Remaining term in years | Effective interest rate in % | Carrying amount **31-Mar-2022** in € thousands | Remaining term in years | Effective interest rate in % |
|---|---|---|---|---|---|---|---|
| Loans | EUR | 188,366 | up to 5 | up to 3.60 | 75,619 | up to 4 | up to 3.60 |
| Loans | Various | 5,578 | up to 1 | up to 20.50 | 8,351 | up to 1 | up to 17.50 |
| Other | Various | 980 | up to 1 | up to 2.50 | 1,017 | up to 1 | up to 2.50 |
| | | **194,924** | | | **84,987** | | |

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

The stated carrying amounts essentially correspond to the respective nominal values and include contractually agreed interest adjustment terms for variable interest of up to six months.

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 € 177,543 thousand (previous year: € 143,009 thousand) 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 facility to around € 266.5 million; in March 2022, it was prolonged until March 2024 ahead of schedule with a volume of around € 250.5 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 will amortize by April 2023. The remainder was called off 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 € 44,113 thousand (previous year: € 68,120 thousand) compared to its carrying amount of € 44,045 thousand (previous year: € 69,230 thousand).

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 € 9,550 thousand (previous year: € 16,100 thousand) compared to its carrying amount of € 9,474 thousand (previous year: € 16,211 thousand).

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 € 9,589 thousand (previous year: € 11,939 thousand) compared to its carrying amount of € 9,493 thousand (previous year: € 12,064 thousand).

The loan assumed in connection with the purchase/sale of the research and development center in Heidelberg in the financial year 2018/2019 of around € 32.5 million was repaid in full in January 2022 (previous year: € 28,483 thousand).

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 € 2,726 thousand (previous year: € 3,871 thousand) compared to its carrying amount of € 2,700 thousand (previous year: € 3,900 thousand).

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 € 2,712 thousand (previous year: € 2,518 thousand)/€ 1,484 thousand (previous year: € 2,234 thousand), as compared to their carrying amounts of € 1,696 thousand (previous year: € 2,536 thousand)/€ 1,472 thousand (previous year: € 2,232 thousand).

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 € 4,694 thousand (previous year: € 4,513 thousand) compared to its carrying amount of € 5,000 thousand (previous year: € 5,000 thousand).

The fair value of each of these eight 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. The minimum required liquidity of € 80 million is significantly less than the cash available in recent financial years.

The present diversified financing structure with a maturity profile up to 2024 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-2021 | **31-Mar-2022** |
|---|---|---|
| Current | 21,337 | 19,068 |
| Non-current | 30,055 | 24,238 |
| **Lease liabilities** | **51,392** | **43,306** |

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

| | 31-Mar-2021 | **31-Mar-2022** |
|---|---|---|
| Up to 1 year | 21,730 | 19,216 |
| Between 1 and 5 years | 30,447 | 23,260 |
| More than 5 years | 3,333 | 2,802 |
| **Total** | **55,510** | **45,278** |

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 are of minor significance. 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, 2022, there were lease obligations from short-term leases of € 450 thousand (previous year: € 453 thousand).

## 29 Contract liabilities

Contract liabilities essentially comprise advance payments on orders and prepayments for future maintenance and services and amounted to € 284,056 thousand (previous year: € 202,394 thousand). These amounts are reversed to profit or loss over the term of the agreement. The contract liabilities in place as of April 1, 2021 resulted in net sales of € 182,234 thousand (previous year: € 149,476 thousand).

## 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-2021 | | | | **31-Mar-2022** |
|---|---|---|---|---|---|---|---|---|
| | 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) | 46,619 | – | – | 46,619 | 48,762 | – | – | 48,762 |
| From derivative financial instruments | 4,748 | – | – | 4,748 | 3,917 | – | – | 3,917 |
| From other taxes | 25,551 | 42 | – | 25,593 | 28,294 | 41 | – | 28,335 |
| For social security contributions | 4,667 | – | – | 4,667 | 3,671 | – | 3 | 3,674 |
| Deferred income | 4,035 | 2,076 | 6,063 | 12,174 | 4,342 | 1,993 | 5,839 | 12,174 |
| Other | 24,715 | 42 | – | 24,757 | 21,419 | 3 | – | 21,422 |
| | 110,335 | 2,160 | 6,063 | **118,558** | 110,405 | 2,037 | 5,842 | **118,284** |

### Derivative financial instruments

Derivative financial instruments include negative fair values from cash flow hedges of € 2,506 thousand (previous year: € 4,090 thousand) and from fair value hedges of € 1,411 thousand (previous year: € 658 thousand).

### Deferred income

Deferred income includes taxable investment subsidies of € 8,291 thousand (previous year: € 7,838 thousand), tax-free investment allowances of € 68 thousand (previous year: € 85 thousand) and other deferred income of € 3,815 thousand (previous year: € 4,251 thousand).

In the reporting year, TAXABLE SUBSIDIES essentially include 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 € 68 thousand (previous year: € 85 thousand) for the Brandenburg production site.

### Miscellaneous other liabilities

Recognized liabilities are essentially 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 € 57,788 thousand (previous year: € 54,679 thousand). As in previous years, these mainly relate to the risks of reassessment.

## 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:

**Reconciliation > Assets**

| Items in statement of financial position | IFRS 9 measurement category [1] | Carrying amounts | | | Carrying amounts | | |
|---|---|---|---|---|---|---|---|
| | | | | 31-Mar-2021 | | | **31-Mar-2022** |
| | | Current | Non-current | Total | Current | Non-current | **Total** |
| Financial assets | | | | | | | |
| Shares in affiliated companies | n. a. | – | 270 | 270 | – | 155 | 155 |
| Other investments | n. a. | – | 4,100 | 4,100 | – | 3,791 | 3,791 |
| Securities | FVOCI | – | 2,351 | 2,351 | – | 2,598 | 2,598 |
| | | | 6,721 | 6,721 | | 6,544 | 6,544 |
| Receivables from sales financing | | | | | | | |
| Receivables from sales financing not including finance leases | AC | 24,124 | 18,728 | 42,852 | 21,390 | 20,902 | 42,292 |
| Receivables from finance leases | n. a. | 341 | 482 | 823 | 385 | 502 | 887 |
| | | 24,465 | 19,210 | 43,675 | 21,775 | 21,404 | 43,179 |
| Trade receivables | AC | 245,728 | – | 245,728 | 246,076 | – | 246,076 |
| Other receivables and other assets | | | | | | | |
| Derivative financial instruments | n. a.[2] | 1,508 | – | 1,508 | 3,331 | – | 3,331 |
| Miscellaneous financial assets | AC | 37,295 | 19,920 | 57,215 | 78,237 | 16,414 | 94,651 |
| | | 38,803 | 19,920 | 58,723 | 81,568 | 16,414 | 97,982 |
| Miscellaneous other assets | | 50,036 | 5,475 | 55,511 | 51,172 | 3,534 | 54,706 |
| | | 88,839 | 25,395 | 114,234 | 132,740 | 19,948 | 152,688 |
| Cash and cash equivalents | AC | 204,371 | – | 204,371 | 145,710 | – | 145,710 |

[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 hedges assigned to the IFRS 9 measurement category of financial assets at fair value through profit or loss

**Reconciliation > Equity and liabilities**

| Items in statement of financial position | IFRS 9 measurement category [1] | Carrying amounts | | | Carrying amounts | | |
|---|---|---|---|---|---|---|---|
| | | | | 31-Mar-2021 | | | **31-Mar-2022** |
| | | Current | Non-current | Total | Current | Non-current | **Total** |
| Financial liabilities | | | | | | | |
| Convertible bond | FLaC | 17,205 | – | 17,205 | – | – | – |
| Amounts due to banks | FLaC | 121,086 | 73,838 | 194,924 | 49,232 | 35,755 | 84,987 |
| Lease liabilities | n. a. | 21,337 | 30,055 | 51,392 | 19,068 | 24,238 | 43,306 |
| Other financial liabilities | FLaC | 7,720 | – | 7,720 | 4,637 | 2,238 | 6,875 |
| | | 167,348 | 103,893 | 271,241 | 72,937 | 62,231 | 135,168 |
| Trade payables | FLaC | 146,190 | – | 146,190 | 216,484 | – | 216,484 |
| Other liabilities | | | | | | | |
| Derivative financial instruments | n. a.[2] | 4,748 | – | 4,748 | 3,917 | – | 3,917 |
| Miscellaneous financial liabilities | FLaC | 13,894 | 43 | 13,937 | 11,345 | 2 | 11,347 |
| | | 18,642 | 43 | 18,685 | 15,262 | 2 | 15,264 |
| Miscellaneous other liabilities | | 91,693 | 8,180 | 99,873 | 95,143 | 7,877 | 103,020 |
| | | 110,335 | 8,223 | 118,558 | 110,405 | 7,879 | 118,284 |

[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 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. The yield curves of the respective currencies valid as of the end of the reporting period were used to determine the variable interest payments from financial instruments. 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 2024.

| | 31-Mar-2021 | **31-Mar-2022** |
|---|---|---|
| Up to 1 year | 328,292 | 302,547 |
| Between 1 and 5 years | 110,658 | 61,829 |
| More than 5 years | 3,859 | 2,802 |
| | **442,809** | **367,178** |

### Net gains and losses

The net gains and losses are assigned to the IFRS 9 measurement categories as follows:

| | 2020/2021 | **2021/2022** |
|---|---|---|
| Financial liabilities at amortized cost | – 15,957 | – 9,369 |
| Financial assets at fair value through profit or loss | – 1,447 | 64 |
| Financial investments in equity instruments at fair value through other comprehensive income | 215 | 309 |
| Financial assets at amortized cost | 7,247 | – 11,687 |

Net gains and losses include € 2,553 thousand (previous year: € 2,375 thousand) of interest income and € 11,934 thousand (previous year: € 20,463 thousand) of interest expenses for financial assets and financial liabilities measured at amortized cost.

The derecognition of financial assets measured at amortized cost gave rise to gains and losses of € 0 thousand (previous year: € 0 thousand) and € 333 thousand (previous year: € 1,788 thousand) respectively in the reporting period.

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 both a functional and a physical 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 and of interest rate risks are shown as follows:

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, loans 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. The yield curves of the respective currencies valid as of the end of the reporting period were used to determine the variable interest payments from financial instruments. Where necessary, foreign currencies were translated at closing rates.

| | | Nominal volumes | | Fair values |
|---|---|---|---|---|
| | 31-Mar-2021 | **31-Mar-2022** | 31-Mar-2021 | **31-Mar-2022** |
| **Currency hedging** | | | | |
| **Cash flow hedge** | | | | |
| Forward exchange transactions | 118,406 | 214,021 | -2,256 | -695 |
| of which: assets | 9,970 | 112,725 | 466 | 1,811 |
| of which: liabilities | 108,436 | 101,296 | -2,722 | -2,506 |
| **Fair value hedge** | | | | |
| Forward exchange transactions | 150,444 | 160,372 | 383 | 109 |
| of which: assets | 86,729 | 80,089 | 1,041 | 1,520 |
| of which: liabilities | 63,715 | 80,283 | -658 | -1,411 |
| **Interest rate hedging** | | | | |
| **Cash flow hedge** | | | | |
| Interest rate swaps | 28,483 | – | -1,368 | – |
| of which: assets | – | – | – | – |
| of which: liabilities | 28,483 | – | -1,368 | – |

| | | | | 31-Mar-2021 | | | | **31-Mar-2022** |
|---|---|---|---|---|---|---|---|---|
| | 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 | -177,690 | – | – | -177,690 | 185,260 | – | – | 185,260 |
| Associated incoming payments | 172,789 | – | – | 172,789 | 180,832 | – | – | 180,832 |
| Derivative financial assets | | | | | | | | |
| Outgoing payments | -96,495 | – | – | -96,495 | 191,956 | – | – | 191,956 |
| Associated incoming payments | 97,845 | – | – | 97,845 | 195,268 | – | – | 195,268 |

## 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 131. 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 € 374,393 thousand mostly hedge highly likely currency risks expected from purchase volumes of our subsidiaries over the next 12 months. Therefore, the remaining term of these derivatives at the end of the reporting period was up to one year. As of the end of the reporting period, a net volume of € 20,012 thousand from hedges relates to the Swiss franc and a net volume of € 56,746 thousand relates to the US dollar. The average hedging rate for these transactions was CHF 1.06/EUR and USD 1.14/EUR.

### Cash flow hedge

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 € – 695 thousand (previous year: € – 2,870 thousand) 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 € 989 thousand (previous year: € 356 thousand) in the reporting year, which was reported under financial result.

As of the end of the reporting period, hedges resulted in total assets of € 1,811 thousand (previous year: € 466 thousand) and liabilities of € 2,506 thousand (previous year: € 2,722 thousand). 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 12 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: € 0 thousand).

### 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 € 501 thousand (previous year: € 1,325 thousand) and the translation of hedged items at closing rates of € 510 thousand (previous year: € 1,741 thousand) 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 € 75 thousand (previous year: expense of € 175 thousand) in the reporting year, which was reported under financial result.

## Interest rate hedging

INTEREST RATE RISKS generally occur for floating rate refinancing transactions. Typically only variable interest payments are designated as hedged items. Other risk components are disregarded. The extent of the risk hedged is equal to the nominal volume shown in the table above. Only interest rate swaps are used as hedging instruments at this time. Hedge effectiveness is calculated using the critical terms match method. The interest payments of the hedged items are fully hedged. Ineffectiveness can arise, for example, if different interest calculation methods or interest periods are used.

### Cash flow hedge

The Heidelberg Group limits the risk from increasing interest expenses for refinancing by using interest rate swaps, under which Heidelberg receives variable-rate interest and pays fixed interest (payer interest rate swap).

The interest rate swap entered into in parallel to the loan assumed in connection with the purchase/sale of the research and development center in Heidelberg in the financial year 2018/2019 and of the same nominal amount ended at the same time as the full repayment of the loan in January 2022 (nominal amount in previous year: € 28,483 thousand; fair value in previous year: € 1,368 thousand).

As in the previous year no cash flow hedges of interest rate risks were terminated early in the reporting year and no hedge reserve expenses were transferred to the financial result. The underlying transactions hedged against interest risks as part of cash flow hedges and recognized in the cash flow hedge reserve relate exclusively to active hedges amounting to € 0 thousand (previous year: € 196 thousand) as of the end of the reporting period. € 196 thousand (previous year: € 97 thousand) were transferred from the hedge reserve to the financial result, as the hedged items affected profit or loss in the reporting year.

The reserve for cash flow hedges developed as follows in relation to the hedging of currency and interest rate risks:

| | 2020/2021 | **2021/2022** |
|---|---|---|
| As of April 1 | 1,016 | – 2,674 |
| Effective portion of changes in value | | |
| Currency risks | – 248 | – 3,793 |
| Interest rate risks | 196 | 0 |
| Reclassification to the income statement due to the recognition of the hedged item | | |
| Currency risks | – 3,782 | 6,257 |
| Interest rate risks | – | – |
| Reclassification to the income statement due to non-occurrence of expected cash flows | | |
| Currency risks | – | – |
| Interest rate risks | – | – |
| Tax effect from the change in reserves | 144 | – 241 |
| As of March 31 | – 2,674 | – 451 |

## Sensitivity analysis

In order to clearly show the effects of currency and interest rate risks on the consolidated income statement and the equity, the impact of hypothetical changes in exchange rates and interest 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 € 10,395 thousand higher (previous year: € 6,027 thousand higher) as of the end of the reporting period and the financial result would have been € 30 thousand lower (previous year: € 6 thousand lower). Assuming a 10 percent decrease in the value of the euro, the hedge reserve would have been € 12,705 thousand lower (previous year: € 7,366 thousand lower) and the financial result would have been € 37 thousand higher (previous year: € 8 thousand higher).

In accordance with IFRS 7, recognized **INTEREST RATE RISKS** of the Heidelberg Group must also be shown. These are partly due to the portion of primary floating rate financial instruments that were not hedged through the use of derivative financial instruments within cash flow hedges. In addition, a hypothetical change in market interest rates with regard to derivative financial instruments would result in changes to the hedge reserve in the cash flow hedge. Fixed-income financial instruments carried at amortized cost and floating rate financial instruments hedged within cash flow hedges, on the other hand, are not subject to any recognized interest rate risk. These financial instruments are therefore not taken into account. Assuming an increase of 100 basis points in the market interest rate across all terms, the hedge reserve would have been € 0 thousand (previous year: € 208 thousand) higher as of the end of the reporting period and the financial result would have been € 775 thousand higher (previous year: € 8 thousand) lower. Assuming a decrease of 100 basis points in the market interest rate across all terms, the hedge reserve would have been € 0 thousand (previous year: € 211 thousand lower) and the financial result would have been € 775 thousand lower (previous year: € 8 thousand 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 € 2,599 thousand (previous year: € 2,351 thousand) and as a matter of principle are recognized at fair value.

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 on March 31, 2022:

| | 31-Mar-2021 | | | | **31-Mar-2022** | | | |
|---|---|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | **Total** |
| Securities | 2,308 | 43 | – | 2,351 | 2,553 | 45 | – | 2,598 |
| Derivative financial assets | – | 1,508 | – | 1,508 | – | 3,331 | – | 3,331 |
| **Assets carried at fair value** | **2,308** | **1,551** | – | **3,859** | **2,553** | **3,376** | – | **5,929** |
| | | | | | | | | |
| Derivative financial liabilities | – | 4,748 | – | 4,748 | – | 3,917 | – | 3,917 |
| **Liabilities carried at fair value** | – | **4,748** | – | **4,748** | – | **3,917** | – | **3,917** |

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):

| | Gross amount | Offsetting implemented | Reported net amount | Amounts not offset | Net amount |
|---|---|---|---|---|---|
| **31-Mar-2021** | | | | | |
| Derivative financial instruments (assets) | 1,508 | – | 1,508 | –634 | 874 |
| Trade receivables | 248,643 | –2,915 | 245,728 | – | 245,728 |
| Derivative financial instruments (liabilities) | 4,748 | – | 4,748 | –634 | 4,114 |
| Trade payables | 149,105 | –2,915 | 146,190 | – | 146,190 |
| | | | | | |
| **31-Mar-2022** | | | | | |
| Derivative financial instruments (assets) | 3,331 | – | 3,331 | –1,891 | 1,440 |
| Trade receivables | 247,938 | –1,862 | 246,076 | – | 246,076 |
| Derivative financial instruments (liabilities) | 3,917 | – | 3,917 | –1,891 | 2,026 |
| Trade payables | 218,346 | –1,862 | 216,484 | – | 216,484 |

## 34 Guarantees and contingent liabilities

Contingent liabilities from sureties and guarantees, amounting to € 2,686 thousand as of March 31, 2022 (previous year: € 5,257 thousand), comprise among others 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-2021 | | | | **31-Mar-2022** |
|---|---|---|---|---|---|---|---|---|
| | 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 | 10,387 | 8,879 | – | 19,266 | 17,987 | 12,828 | – | 30,815 |

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 € 10,467 thousand (previous year: € 5,944 thousand) and liabilities for the purchase of raw materials, consumables and supplies amounting to € 20,348 thousand (previous year: € 13,322 thousand).

## Additional information

### 36 Earnings per share in accordance with IAS 33

| | 2020/2021 | **2021/2022** |
|---|---|---|
| Net result after taxes (€ thousands) | –42,890 | 33,059 |
| Number of shares in thousands (weighted average) | 304,336 | 304,336 |
| Basic earnings per share (€) | –0.14 | 0.11 |
| Diluted earnings per share (€) | –0.14 | 0.11 |

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, 2022.

The calculation of diluted earnings per share assumes conversion of outstanding debt securities (convertible bond) to shares. The convertible bond would only be included in the calculation of diluted earnings per share if it would have 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:

| | 2020/2021 | | **2021/2022** | |
|---|---|---|---|---|
| | 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 (€ thousands) | –42,890 | –42,890 | 33,059 | 33,059 |
| Plus effects from the convertible bond recognized in profit or loss (€ thousands) | 903 | 0 | 898 | 0 |
| Numerator for diluted earnings (€ thousands) | **–41,987** | **–42,890** | **33,957** | **33,059** |
| | | | | |
| 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 | 5,530 | 0 | 5,515 | 0 |
| Denominator for diluted earnings per share (thousands) | – | **304,336** | – | **304,336** |
| **Denominator for potentially diluted earnings per share (thousands)** | **309,866** | – | **309,851** | – |
| | | | | |
| Basic earnings per share (€) | – | –0.14 | – | 0.11 |
| Diluted earnings per share (€) | – | –0.14 | – | 0.11 |

## 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.

€ 12,998 thousand (previous year: € 12,943 thousand) of investments in intangible assets, property, plant and equipment and investment property relate to intangible assets, € 42,421 thousand (previous year: € 46,859 thousand) to property, plant and equipment. Investments do not include additions from leases of € 15,957 thousand (previous year: € 18,197 thousand). The proceeds from company disposals relate to the disposal of docufy GmbH in the reporting year.

Income of € 75 thousand (previous year: € 158 thousand) from the disposal of intangible assets, property, plant and equipment and investment property relates to intangible assets and € 64,800 thousand (previous year: € 33,841 thousand) to property, plant and equipment.

The cash outflows for leases in which Heidelberg is the lessee amounted to € 23,981 thousand (previous year: € 22,891 thousand). 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 (€ 145,710 thousand; previous year: € 204,371 thousand). 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-2020 to 31-Mar-2021 | **1-Apr-2021 to 31-Mar-2022** | 1-Apr-2020 to 31-Mar-2021 | **1-Apr-2021 to 31-Mar-2022** | 1-Apr-2020 to 31-Mar-2021 | **1-Apr-2021 to 31-Mar-2022** | 1-Apr-2020 to 31-Mar-2021 | **1-Apr-2021 to 31-Mar-2022** |
| External sales | 1,027,813 | 1,208,030 | 862,991 | 924,888 | 22,365 | 50,514 | 1,913,169 | 2,183,432 |
| EBITDA[1] (segment result) | 51,580 | 110,843 | 44,243 | 45,684 | – 350 | 3,633 | 95,473 | 160,160 |
| Non-cash expenses | 122,162 | 137,882 | 104,064 | 100,363 | 0 | 690 | 226,226 | 238,935 |

[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 segments were reorganized as of April 1, 2021 to better reflect the focus on the respective customer requirements, profitability and potential in line with the operating model introduced in conjunction with Heidelberg's reorganization, and to align business management more closely to the target markets and their respective customer requirements. The previous Heidelberg Digital Technology, Heidelberg Lifecycle Solutions and Heidelberg Financial Services segments were restructured. The Heidelberg Group's structure has since been 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 segment. The Technology Solutions segment combines the businesses of Zaikio, E-Mobility and Printed Electronics. The prior-year figures have been restated accordingly. 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-2020 to 31-Mar-2021 | **1-Apr-2021 to 31-Mar-2022** |
|---|---|---|
| EBITDA (segment result) | 95,473 | 160,160 |
| Depreciation and amortization | 77,833 | 79,423 |
| Result of operating activities | 17,640 | 80,737 |
| Financial income | 5,277 | 5,668 |
| Financial expenses | 46,284 | 35,605 |
| Financial result | – 41,007 | – 29,937 |
| **Net result before taxes** | **– 23,367** | **50,800** |

## 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-2020 to 31-Mar-2021 | **1-Apr-2021 to 31-Mar-2022** | 1-Apr-2020 to 31-Mar-2021 | **1-Apr-2021 to 31-Mar-2022** | 1-Apr-2020 to 31-Mar-2021 | **1-Apr-2021 to 31-Mar-2022** | 1-Apr-2020 to 31-Mar-2021 | **1-Apr-2021 to 31-Mar-2022** |
| **Europe, Middle East and Africa** | | | | | | | | |
| Germany | 138,990 | 176,431 | 98,534 | 89,263 | 22,365 | 49,180 | 259,889 | 314,874 |
| Other Europe, Middle East and Africa region | 264,420 | 334,243 | 216,780 | 179,896 | 0 | 712 | 481,200 | 514,851 |
| | 403,410 | 510,674 | 315,314 | 269,159 | 22,365 | 49,892 | 741,089 | 829,725 |
| **Asia/Pacific** | | | | | | | | |
| China | 148,143 | 152,791 | 160,432 | 193,634 | 0 | 0 | 308,575 | 346,425 |
| Other Asia/Pacific region | 157,303 | 155,074 | 128,873 | 142,212 | 0 | 0 | 286,176 | 297,286 |
| | 305,446 | 307,865 | 289,305 | 335,846 | 0 | 0 | 594,751 | 643,711 |
| **Eastern Europe** | 126,561 | 153,874 | 101,528 | 127,290 | 0 | 622 | 228,089 | 281,786 |
| **North America** | | | | | | | | |
| USA | 135,532 | 159,016 | 104,632 | 137,322 | 0 | 0 | 240,164 | 296,338 |
| Other North America region | 34,977 | 52,236 | 31,755 | 31,492 | 0 | 0 | 66,732 | 83,728 |
| | 170,509 | 211,252 | 136,387 | 168,814 | 0 | 0 | 306,896 | 380,066 |
| **South America** | 21,887 | 24,365 | 20,457 | 23,779 | 0 | 0 | 42,344 | 48,144 |
| | **1,027,813** | **1,208,030** | **862,991** | **924,888** | **22,365** | **50,514** | **1,913,169** | **2,183,432** |

Of the non-current assets, which comprise intangible assets, property, plant and equipment and investment property, € 611,922 thousand (previous year: € 651,885 thousand) relate to Germany and € 224,569 thousand (previous year: € 236,063 thousand) 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 € 109,043 thousand to € 242,008 thousand. In relation to total assets, the equity ratio is higher than the previous year's level at 11.1 percent (previous year: 5.0 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 € – 10,542 thousand (previous year: € 66,870 thousand). 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, 2022, 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 € 250.5 million maturing in March 2024.

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. The minimum required liquidity of € 80 million is significantly less than the cash available in recent financial years.

The present diversified financing structure with a maturity profile up to 2024 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.

The members of the Supervisory Board and the Management Board are listed in the separate overview presented on pages 160 to 161 (Supervisory Board) and 162 (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. In each case, Management Board compensation (not including fringe benefits or service cost) amounts to a maximum of 370 percent of fixed annual compensation, divided into 100 percent for fixed annual compensation and a maximum of 270 percent for the variable compensation elements, i.e. a maximum of 90 percent for one-year variable compensation and 180 percent for multi-year variable compensation. 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. Additionally, there are fringe benefits and company pension benefits.

The total compensation in accordance with HGB amounts to € 2,150 thousand (previous year: € 1,869 thousand), comprising the fixed compensation including fringe benefits of € 1,112 thousand (previous year: € 1,114 thousand), one-year variable compensation of € 865 thousand (previous year: € 642 thousand) and multi-year variable compensation of € 173 thousand (previous year: € 113 thousand). The multi-year variable compensation includes € 173 thousand (previous year: € 113 thousand) for the fair value calculated as of the grant date for the share price performance (cash-settled share-based compensation); this is not distributed over the performance period (three years).

The total compensation according to IFRS of € 4,101 thousand (previous year: € 2,289 thousand) relates to short-term benefits of € 1,978 thousand (previous year: € 1,756 thousand), post-employment benefits of € 374 thousand (previous year: € 374 thousand), other long-term benefits of € 6 thousand (previous year: € 149 thousand), termination benefits of € 892 thousand (previous year: € 0 thousand) and share-based payments of € 863 thousand (previous year: € 308 thousand). In accordance with IFRS, total compensation includes the fair value of the claim to share-based payment earned in the respective financial year in the form of cash settlement; this means that, given a three-year vesting period, in each case the respective fair value is recognized in profit or loss over three years from the grant year. No preemption rights or options were granted. Rather, cash settlement was granted depending on the development of the price of Heidelberger Druckmaschinen Aktiengesellschaft shares.

The one-year variable compensation is dependent on the Group's success in the respective financial year, the benchmarks for which are currently defined as EBIT and free cash flow according to IFRS. 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 objectives. Until further notice – starting with the 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 compensation granted is determined according to two benchmarks: earnings before taxes (EBT) according to the IFRS consolidated income statement and share price performance. 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 of the 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 are associated with an objective fulfillment threshold that must be reached in order for the multi-year variable compensation for the benchmark in question to be paid out. However, overfulfillment of a benchmark can increase the multi-year variable compensation only 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 an ongoing performance period, that member has a pro rata temporis claim to any multi-year variable compensation determined after the end of the performance period. 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.

This share-based payment is measured using a Monte Carlo simulation. This simulates the log-normal processes for the price of Heidelberger Druckmaschinen Aktiengesellschaft to establish an average share price at the end of the respective performance period. Depending on the share price development, a percentage of the target value to be paid out is calculated using the share price performance matrix.

The fair value for the 2021 to 2023 performance period was € 284 thousand in total as of March 31, 2022 (previous year: € 232 thousand). The underlying measurement parameters used to calculate the fair value as of March 31, 2022 are as follows: risk-free continuous zero interest rates: end of performance period: – 0.49 percent (previous year: – 0.72 percent) and payout date: – 0.36 percent (previous year: – 0.72 percent); interest rates based on the yield curve for government bonds; dividend payments as the arithmetic mean, based on publicly available estimates for the years 2022 and 2023; historic volatility based on closing prices for Heidelberger Druckmaschinen Aktiengesellschaft shares: 62.38 percent (previous year: 60.54 percent).

The fair value for the 2022 to 2024 performance period was € 123 thousand in total as of March 31, 2022. The underlying measurement parameters used to calculate the fair value as of March 31, 2022 are as follows: risk-free continuous zero interest rates: end of performance period: – 0.12 percent and payout date: – 0.03 percent; interest rates based on the yield curve for government bonds; dividend payments as the arithmetic mean, based on publicly available estimates for the years 2022 and 2023; historic volatility based on closing prices for Heidelberger Druckmaschinen Aktiengesellschaft shares: 63.81 percent.

In the event of a member joining or leaving within an ongoing performance period, that member has a pro rata temporis claim to any multi-year variable compensation determined after the end of the performance period. 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 context of the obligation for members of the Management Board to make a personal investment, the Company is entitled to invest 10 % of both the one-year variable compensation and the multi-year variable compensation in shares. Up to now 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 2021/2022 for the one-year variable compensation, which is included in short-term benefits, is € 32 thousand (previous year: € 45 thousand) and for the multi-year variable compensation € 16 thousand (previous year: € 64 thousand) which is included in expenses for share-based payments.

As of March 31, 2022, Heidelberger Druckmaschinen Aktiengesellschaft had recognized provisions and liabilities for the compensation of active members of the Management Board with short-term benefits of € 865 thousand (previous year: € 642 thousand), post-employment benefits of € 374 thousand (previous year: € 374 thousand), other long-term benefits of € 166 thousand (previous year: € 160 thousand), termination benefits of € 892 thousand (previous year: €0 thousand) and share-based payments of € 863 thousand (previous year: € 314 thousand).

No loans or advances were granted in the reporting period; the Heidelberg Group has not undertaken any contingent liabilities.

FORMER MEMBERS OF THE MANAGEMENT BOARD AND THEIR SURVIVING DEPENDENTS: The total cash compensation (= total compensation) amounted to € 3,605 thousand (previous year: € 3,149 thousand); of this figure, € 708 thousand (previous year: € 890 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 € 51,944 thousand (previous year: € 57,316 thousand); of this figure, € 5,455 thousand (previous year: € 7,053 thousand) related 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 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 one of its committees. Furthermore, the expenses incurred by members of the Supervisory Board and VAT payable on them will be reimbursed. In order to boost 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 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 € 850 thousand (previous year: € 859 thousand). This compensation does not include VAT. Furthermore, members of the Supervisory Board who are employees in a company of the Heidelberg Group receive an activity-related standard market compensation. 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.

For additional details of compensation for the Executive Board and the Supervisory Board, please refer to the remuneration report on pages 172 to 190 of our Annual Report.

## 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, three joint ventures and one 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:

| | 2020/2021 | **2021/2022** |
|---|---|---|
| Liabilities | 3,171 | 3,022 |
| Non-consolidated subsidiaries | 3,171 | 3,022 |
| Joint ventures | 0 | 0 |
| Receivables | 751 | 893 |
| Non-consolidated subsidiaries | 749 | 891 |
| Joint ventures | 2 | 2 |
| Expenses | 4,125 | 5,693 |
| Non-consolidated subsidiaries | 4,125 | 5,693 |
| Joint ventures | 0 | 0 |
| Income | 11,022 | 7,504 |
| Non-consolidated subsidiaries | 9,790 | 7,401 |
| Joint ventures | 1,232 | 103 |

A company controlled by a different member of the Supervisory Board received remuneration for consulting services of € 3 thousand (previous year: € 0 thousand) from Heidelberger Druckmaschinen Aktiengesellschaft.

Write-downs of € 667 thousand (previous year: € 78 thousand) were recognized on receivables from these related companies in the reporting year. Revenue mainly includes sales.

With companies controlled by a member of the Supervisory Board there were trade relationships which impacted as follows:

| | 2020/2021 | **2021/2022** |
|---|---|---|
| Liabilities | 798 | 3,504 |
| Receivables | 181 | 22 |
| Expenses | 21,542 | 28,421 |
| Net sales | 684 | 381 |

Write-downs of € 175 thousand (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) 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 Print Finance International 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:

| | 2020/2021 | **2021/2022** |
|---|---|---|
| **Fees for** | | |
| Audits of financial statements | 935 | 997 |
| Other assurance services | 82 | 97 |
| Tax advisory services | – | – |
| Other services | 125 | 30 |
| | **1,142** | **1,124** |

Material other assurance services for Heidelberger Druckmaschinen Aktiengesellschaft provided by the auditor relate to services with regard to the non-financial report, the German Securities Trading Act (WpHG) and energy industry law. Other services relate to the preparation of expert opinions.

## 45 Events after the end of the reporting period

As part of the reorganization of the site in St. Gallen, Switzerland, the entire area in St. Gallen with approximately 20,000 m², which was classified as held for sale as of March 31, 2022 in accordance with IFRS 5, was sold to the St. Gallen businessmen Marcel and Roger Baumer as of April 1, 2022. The brothers are the fourth-generation owners of the Hälg Group and have acquired the area privately. In the future, Gallus will continue to use the required space as the main tenant in this area. A corresponding purchase and long-term lease agreement has been signed. The purchase price was around € 32 million and resulted in a high single-digit million after-tax income. The transaction was completed in the first quarter of the fiscal year 2022/2023.

Heidelberg, May 20, 2022

HEIDELBERGER DRUCKMASCHINEN
AKTIENGESELLSCHAFT

The Management Board

Dr. Ludwin Monz

Marcus A. Wassenberg

## 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 20, 2022

HEIDELBERGER DRUCKMASCHINEN
AKTIENGESELLSCHAFT

The Management Board

Dr. Ludwin Monz Marcus A. Wassenberg

The following copy of the auditor's report also includes a "Report on the assurance in accordance with Sec. 317 (3a) HGB on the electronic reproduction of the financial statements and the management report prepared for publication purposes" ("separate report on ESEF compliance"). The subject matter underlying the separate report on ESEF compliance (ESEF documents subject to assurance) is not attached. The ESEF documents that have been subject to assurance can be viewed in and obtained from the Bundesanzeiger [German Federal Gazette].

## 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 March 31, 2022, and the consolidated statement of comprehensive income, consolidated income statement, statement of changes in consolidated equity and consolidated statement of cash flows for the financial year from April 1, 2021 to March 31, 2022 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 April 1, 2021 to March 31, 2022.

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 March 31, 2022, and of its financial performance for the financial year from April 1, 2021 to March 31, 2022, 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.

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 April 1, 2021 to March 31, 2022. 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:

### 1 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:

**1 Recoverability of goodwill**

1 In the Company's consolidated financial statements goodwill amounting in total to EUR 127.8 million (5.9 % of total assets or 52.8 % 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 as well as the expected effects of the ongoing Corona crisis and the armed conflict between Russia and Ukraine on the business activities of the Group 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, also against the background of the effects of the Corona crisis and the armed conflict between Russia and Ukraine, subject to considerable uncertainty. Against this background and due to the highly 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. In this connection, we also evaluated the assessment of the executive directors regarding the effects of the Corona crisis and the armed conflict between Russia and Ukraine on the business activities of the Group and examined how they were taken into account in determining the future cash flows. 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 also focused our testing 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 net 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 comprehensible.

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

- the statement on corporate governance pursuant to § 289f HGB and § 315d HGB
- the separate non-financial report pursuant to § 289b Abs. 3 HGB and § 315b Abs. 3 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 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, the related safeguards.

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-2022-03-31.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 April 1, 2021, to March 31, 2022, 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 (10.2021)) 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 July 23, 2021. We were engaged by the supervisory board on July 23, 2021. 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 published in the Federal Gazette – 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 23, 2022

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

| | |
|---|---|
| Dr. Bernd Roese | ppa. Stefan Sigmann |
| Wirtschaftsprüfer | Wirtschaftsprüfer |
| [German Public Auditor] | [German Public Auditor] |

# Financial section 2021/2022

# 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 € thousands)

| Name | Country/Domicile | | Shareholding in percent | Equity | Net result after taxes |
|---|---|---|---|---|---|
| **Affiliated companies included in the consolidated financial statements** | | | | | |
| **Germany** | | | | | |
| Gallus Druckmaschinen GmbH [1)] | D | Langgöns-Oberkleen | 100 | 2,238 | – 790 |
| Heidelberg Boxmeer Beteiligungs-GmbH [1)] | D | Wiesloch | 100 | 127,091 | 4,256 |
| Heidelberg China-Holding GmbH [1)] | D | Wiesloch | 100 | 58,430 | 12,609 |
| Heidelberg Consumables Holding GmbH [1)] | D | Wiesloch | 100 | 382 | – 1,364 |
| Heidelberger Druckmaschinen Intellectual Property AG & Co. KG | D | Wiesloch | 100 | 105,506 | 4,038 |
| Heidelberger Druckmaschinen Vertrieb Deutschland GmbH [1)] | D | Wiesloch | 100 | 10,500 | 8,450 |
| Heidelberg Manufacturing Deutschland GmbH [1)] | D | Wiesloch | 100 | 42,561 | – 978 |
| Heidelberg Postpress Deutschland GmbH [1)] | D | Wiesloch | 100 | 9,617 | – 1,016 |
| Heidelberg Print Finance International GmbH [1)] | D | Wiesloch | 100 | 34,849 | 1,231 |
| Heidelberg Printed Electronics GmbH | D | Wiesloch | 100 | – 39 | – 1,362 |
| Heidelberg Web Carton Converting GmbH | D | Weiden | 100 | 4,738 | – 640 |
| Zaikio GmbH | D | Mainz | 100 | – 5,389 | – 3,445 |
| Amperfied GmbH | D | Wiesloch | 100 | 128,615 | – 10 |
| **Outside Germany [2)]** | | | | | |
| Baumfolder Corporation | USA | Sidney, Ohio | 100 | – 1,962 | 314 |
| Europe Graphic Machinery Far East Ltd. | PRC | Hong Kong | 100 | 2,416 | 239 |
| Gallus Ferd. Rüesch AG | CH | St. Gallen | 100 | 46,473 | 1,237 |
| Gallus Holding AG | CH | St. Gallen | 100 | 36,083 | 173 |
| Gallus Inc. [4)] | USA | Philadelphia, Pennsylvania | 100 | 1,090 | 3 |
| Heidelberg Americas, Inc. | USA | Kennesaw, Georgia | 100 | 105,357 | – 1,332 |
| Heidelberg Asia Pte. Ltd. | SGP | Singapore | 100 | 7,209 | – 214 |
| Heidelberg Baltic Finland OÜ | EST | Tallinn | 100 | 2,474 | 1,964 |
| Heidelberg Benelux B.V. | NL | Haarlem | 100 | 52,165 | 2,036 |
| Heidelberg Benelux N.V. | BE | Brussels | 100 | 16,232 | 849 |
| Heidelberg Boxmeer B.V. | NL | Boxmeer | 100 | 35,154 | 1,839 |
| Heidelberg Canada Graphic Equipment Ltd. | CDN | Mississauga | 100 | 10,174 | 1,150 |
| Heidelberg China Ltd. | PRC | Hong Kong | 100 | 7,663 | 65 |
| Heidelberg do Brasil Sistemas Graficos e Servicos Ltda. | BR | São Paulo | 100 | 10,552 | 321 |
| Heidelberg France S.A.S. | F | Roissy-en-France | 100 | 17,342 | 2,543 |
| Heidelberg Grafik Ticaret Servis Limited Sirketi | TR | Istanbul | 100 | 3,399 | 359 |
| Heidelberg Graphic Equipment (Shanghai) Co. Ltd. | PRC | Shanghai | 100 | 225,388 | 32,728 |
| Heidelberg Graphic Equipment Ireland Ltd. | IE | Dublin | 100 | 1,354 | – 98 |

| Name | Country/Domicile | | Shareholding in percent | Equity | Net result after taxes |
|---|---|---|---|---|---|
| Heidelberg Graphic Equipment Ltd. – Heidelberg Australia – | AUS | Notting Hill, Melbourne | 100 | 18,211 | 393 |
| Heidelberg Graphic Equipment Ltd. – Heidelberg New Zealand – | NZ | Auckland | 100 | 3,075 | 592 |
| Heidelberg Graphic Equipment Ltd. – Heidelberg UK – | GB | Uxbridge | 100 | 46,033 | 25,424 |
| Heidelberg Graphic Systems Southern Africa (Pty) Ltd. | ZA | Johannesburg | 100 | 797 | – 396 |
| Heidelberg Graphics (Beijing) Co. Ltd. | PRC | Beijing | 100 | 19,735 | 4,367 |
| Heidelberg Graphics (Thailand) Ltd. | TH | Bangkok | 100 | 6,318 | 810 |
| Heidelberg Graphics (Tianjin) Co. Ltd. | PRC | Tianjin | 100 | 5,668 | 14 |
| Heidelberg Graphics Taiwan Ltd. | TWN | Wu Ku Hsiang | 100 | 2,488 | 283 |
| Heidelberg Group Trustees Ltd. | GB | Uxbridge | 100 | 0 | 0 |
| Heidelberg Hong Kong Ltd. | PRC | Hong Kong | 100 | 11,731 | 1,124 |
| Heidelberg India Private Ltd. | IN | Chennai | 100 | 2,228 | 279 |
| Heidelberg International Ltd. A/S | DK | Ballerup | 100 | 57,836 | 2,310 |
| Heidelberg International Trading (Shanghai) Co. Ltd. | PRC | Shanghai | 100 | 104 | – 14 |
| Heidelberg Italia S.r.L. | IT | Bollate | 100 | 24,215 | 4,920 |
| Heidelberg Japan K.K. | J | Tokyo | 100 | 22,985 | 5,878 |
| Heidelberg Korea Ltd. | ROK | Seoul | 100 | 3,066 | 137 |
| Heidelberg Magyarország Kft. | HU | Kalasch | 100 | 4,455 | 1,256 |
| Heidelberg Malaysia Sdn Bhd | MYS | Petaling Jaya | 100 | – 7,242 | – 1,863 |
| Heidelberg Mexico, S. de R.L. de C.V. | MEX | Mexico City | 100 | 12,249 | 466 |
| Heidelberg Philippines, Inc. | PH | Makati City | 100 | 4,078 | 133 |
| Heidelberg Polska Sp z.o.o. | PL | Warsaw | 100 | 9,830 | 1,061 |
| Heidelberg Praha spol s.r.o. | CZ | Prague | 100 | 2,250 | 461 |
| Heidelberg Print Finance Korea Ltd. | ROK | Seoul | 100 | 17,106 | 359 |
| Heidelberg Schweiz AG | CH | Bern | 100 | 5,651 | 1,309 |
| Heidelberg Slovensko s.r.o. | SK | Bratislava | 100 | 917 | 209 |
| Heidelberg Spain S.L.U. | ES | Cornella de Llobregat | 100 | 7,600 | – 574 |
| Heidelberg Sverige AB | S | Solna | 100 | 4,510 | 521 |
| Heidelberg USA, Inc. | USA | Kennesaw, GA | 100 | 88,909 | 7,574 |
| Heidelberger CIS OOO | RUS | Moscow | 100 | – 14,321 | – 222 |
| Heidelberger Druckmaschinen Austria Vertriebs-GmbH | A | Vienna | 100 | 18,057 | – 2,540 |
| Heidelberger Druckmaschinen Osteuropa Vertriebs-GmbH | A | Vienna | 100 | 7,209 | – 1,054 |
| Linotype-Hell Ltd. [4)] | GB | Brentford | 100 | 4,053 | 0 |
| P.T. Heidelberg Indonesia | ID | Jakarta | 100 | 9,094 | 1,864 |
| Press Parts Outlet GmbH | A | Vienna | 100 | 2,046 | 126 |

| 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 | 386 | – 2,315 |
| Heidelberger Druckmaschinen Vermögensverwaltungsgesellschaft mbH | D | Walldorf | 100 | 26 | – 1 |
| Menschick Trockensysteme GmbH | D | Renningen | 100 | 223 | 83 |
| | | | | | |
| **Outside Germany [2]** | | | | | |
| Gallus India Private Limited [4] | IN | Mumbai | 100 | 0 | 0 |
| Gallus Mexico S. de R.L. de C.V. [4] | MEX | Mexiko City | 100 | 0 | 0 |
| Heidelberg Hellas A.E.E. | GR | Metamorfosis | 100 | 4,792 | 893 |
| Heidelberger Druckmaschinen Ukraina Ltd. [3] | UA | Kiev | 100 | – 187 | 317 |

| Name | Country/Domicile | | Shareholding in percent | Equity | Net result after taxes |
|---|---|---|---|---|---|
| **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 | 886 | 8 |
| Heidelberg NetworX Holding Company Limited | PRC | Hong Kong | 52 | 2,980 | – 4 |
| Shenzhen Heidelberg NetworX Technology Co., Ltd. | PRC | Shenzhen | 52 | 1,014 | – 1,865 |
| **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 [3)] | D | Heidelberg | 20 | 2,226 | – 729 |

1) Before profit transfer
2) Disclosures for companies outside Germany in accordance with IFRS
3) Prior-year figures as financial statements not yet available
4) In liquidation

## The Supervisory Board

**Dr. Martin Sonnenschein**
Independent consultant, Berlin
b) SupplyOn AG

**Ralph Arns***
Chair of the
Central Works Council,
Heidelberg/Wiesloch-Walldorf
Deputy Chair of the
Supervisory Board

**Dr. Bernhard Buck***
(since July 1, 2021)
Deputy Chair of the Executive
Spokespersons Committee,
Wiesloch-Walldorf

**Joachim Dencker***
(until June 30, 2021)
Spokesperson of the
Executive Staff, 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

**Karen Heumann**
(until July 23, 2021)
Founder and Chair of the
Management Board of thjnk AG,
Hamburg
a) NDR Media GmbH
Studio Hamburg GmbH

**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**
(since July 23,2021)
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, 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
Haufe Group SE
(Member of the Administration Board)
CMBlu Energy AG
b) Rudolf Haufe Verlag GmbH & Co. KG
(Member of the Advisory Board)

**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**

### MEDIATION COMMITTEE UNDER ARTICLE 27 PARAGRAPH 3 OF THE CODETERMINATION ACT

**Dr. Martin Sonnenschein** (Chair)
**Ralph Arns**
**Gerald Dörr**
**Ferdinand Rüesch**

### COMMITTEE ON ARRANGING PERSONNEL MATTERS OF THE MANAGEMENT BOARD

**Dr. Martin Sonnenschein** (Chair)
**Ralph Arns**
**Gerald Dörr**
**Karen Heumann** (until July 23, 2021)
**Dr. Fritz Oesterle** (since July 23, 2021)
**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**
**Karen Heumann** (until July 23, 2021)
**Oliver Jung**
**Li Li**
**Dr. Fritz Oesterle** (since July 23, 2021)
**Ferdinand Rüesch**
**Ina Schlie**

## The Management Board

**Rainer Hundsdörfer**
(until March 31, 2022)
Heidelberg
Chief Executive Officer
* Marquardt GmbH (Chair)
** Heidelberg Americas, Inc., USA
(Chair of the Board of Directors)
Heidelberg USA, Inc., USA
(Chair of the Board of Directors)

**Dr. Ludwin Monz**
(since April 1, 2022)
Rauenberg
Chief Executive Officer
** Heidelberg Americas, Inc., USA
(Chair of the Board of Directors)
Heidelberg USA, Inc., USA
(Chair of the Board of Directors)

**Marcus A. Wassenberg**
Heidelberg
Chief Financial Officer and
Chief Human Resources Officer
** 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

# Supervisory Board and corporate governance

# Report of the Supervisory Board

**DR. MARTIN SONNENSCHEIN**
Chair of the Supervisory Board

Dear shareholders,

Before I turn to the work of the Supervisory Board and its committees in the financial year 2021/2022, I would like to briefly discuss the financial year and the various topics we addressed. Global economic activity recovered in the past year despite the ongoing uncertainty and the consequences of the COVID-19 pandemic in many parts of the world. However, the strong growth in demand also led to a rapid rise in inflation, especially for energy and other commodities. Compared with the previous financial year, the negative effects of the direct restrictions in response to the coronavirus pandemic were less pronounced. However, the Omicron wave that emerged in the fall led to absences from work and, in particular, exacerbated the existing supply chain problems – mainly as a result of lockdowns in China – and the resulting price rises. Our Company was unable to escape the impact of these developments.

The Russian war in Ukraine added more uncertainty toward the end of the financial year, and it is not currently possible to predict the duration and consequences of the conflict. We have the greatest sympathy for the people of Ukraine and our colleagues in the country, and we are doing what we can do assist them.

The Management Board approached all these challenges with determination and responded appropriately. The transformation program improved the Company's operating performance and helped it to systematically press ahead with its further development. Heidelberg reported a positive net result after taxes for the first time in two years and continued to position itself successfully in the e-mobility segment. Tied-up capital not required for business operations was released through the sale of space at the Wiesloch-Walldorf production site and in the UK, while the subsidiary docufy was sold as part of the focus on core business. Together with the savings from the transformation program, this meant that net debt was eliminated altogether despite the unfavorable conditions.

We believe that Heidelberg is well positioned and are confident that the Company will prove to be sustainably profitable with the support of the new Chief Executive Officer. 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 2021/2022. The Supervisory Board continuously monitored the Management Board, regularly advised it on the running of the Company and oversaw key strategic issues. We were assured of the legality, expediency and compliance of the work of the Management Board at all times.

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. These include planning, corporate strategy, major transactions by the Company and the Group, and the associated opportunities and risks, compliance issues, and cybersecurity. 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. On receipt of the information, the Supervisory Board discussed and dealt with all the above topics in depth. In particular, the Supervisory Board discussed and examined all business transactions of significance to the Company verbally and in writing with the Management Board. In addition, the Supervisory Board and the Audit Committee dealt intensively with other material concerns of the Company in their meetings and separate discussions. The members of the Supervisory Board also discussed current topics with the Management Board outside of meetings. The Chair of the Supervisory Board was in continuous contact with the Management Board and especially with the Chief Executive Officer and discussed significant current issues and developments at the Company with them. The focal points of these discussions included strategy, risk management and the Company's business situation. The chairs of the Supervisory Board and the committees reported on key findings no later than the next Supervisory Board meeting. Against this backdrop, the Supervisory Board was always involved in all decisions of material importance to the Company and the Group in good time and reviewed these decisions ahead of their implementation. 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 suggestions at the meetings of the committees and the Supervisory Board as a whole.

Where necessary, the shareholder and employee representatives discussed the agenda items for the Supervisory Board meetings in separate preliminary talks. 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.

Every Supervisory Board member discloses potential conflicts of interest in accordance with the German Corporate Governance Code. With the approval of the Supervisory Board, Heidelberger Druckmaschinen Aktiengesellschaft and OJING.GmbH, whose sole shareholder and managing director is the Supervisory Board member Oliver Jung, entered into a project-specific consultancy agreement on November 25, 2021 for the preparation of a plan for the implementation of a synchronous production system at the Brandenburg production site. The remuneration was based on a time basis according to the consultancy services actually performed. In the reporting year, services were billed in the amount of € 3,000. The agreement was terminated in May 2022, by which time services totaling around € 20,000 had been invoiced. Mr. Jung was not involved in the award of the contract by Heidelberger Druckmaschinen Aktiengesellschaft and did not perform any consultancy services personally. Mr. Jung abstained from the corresponding vote by the Supervisory Board.

Above and beyond this, 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.

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. As part of their induction, the members of the Supervisory Board newly appointed in the financial year 2021/2022 met 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.

### Meetings of the Supervisory Board and key topics

The Supervisory Board held six ordinary meetings and two extraordinary meetings in the reporting year, most of which were held as conference calls/Teams meetings due to the coronavirus pandemic. The average attendance rate at the meetings of the Supervisory Board and its committees was around 97 percent in the financial year 2021/2022. The following table shows the individual breakdown of meeting participation:

| | Meeting attendance |
|---|---|
| **Full Supervisory Board** | |
| Dr. Martin Sonnenschein (Chair) | 8/8 |
| Ralph Arns* | 8/8 |
| Dr. Bernhard Buck - since July 1, 2021 - | 6/6 |
| Joachim Dencker* - until June 30, 2021 - | 2/2 |
| Gerald Dörr* | 8/8 |
| Mirko Geiger* | 8/8 |
| Karen Heumann - until July 23, 2021 - | 3/3 |
| Oliver Jung | 6/8 |
| Li Li | 7/8 |
| Dr. Fritz Oesterle - since July 23, 2021 - | 5/5 |
| Petra Otte* | 8/8 |
| Ferdinand Rüesch | 7/8 |
| Beate Schmitt* | 8/8 |
| Ina Schlie | 8/8 |
| **Audit Committee** | |
| Ina Schlie (Chair) | 5/5 |
| Oliver Jung | 5/5 |
| Ralph Arns* | 5/5 |
| Mirko Geiger* | 5/5 |
| Beate Schmitt* | 5/5 |
| Dr. Martin Sonnenschein | 5/5 |
| **Personnel Matters Committee** | |
| Dr. Martin Sonnenschein (Chair) | 8/8 |
| Ralph Arns* | 8/8 |
| Gerald Dörr* | 8/8 |
| Karen Heumann - until July 23, 2021 - | 1/1 |
| Dr. Fritz Oesterle - since July 23, 2021 - | 7/7 |
| Ferdinand Rüesch | 8/8 |
| Beate Schmitt* | 8/8 |

| | Meeting attendance |
|---|---|
| **Nomination Committee** | |
| Dr. Martin Sonnenschein (Chair) | 1/1 |
| Oliver Jung | 1/1 |
| Ferdinand Rüesch | 1/1 |
| **Strategy Committee** | |
| Dr. Martin Sonnenschein (Chair) | 2/2 |
| Ralph Arns* | 2/2 |
| Mirko Geiger* | 2/2 |
| Karen Heumann - until July 23, 2021 - | – |
| Oliver Jung | 1/2 |
| Li Li | 0/2** |
| Dr. Fritz Oesterle - since July 23, 2021 - | 2/2 |
| Ferdinand Rüesch | 2/2 |
| Ina Schlie | 2/2 |
| **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 Chair of the Supervisory Board, Dr. Sonnenschein, discussed strategic matters with Ms. Li in a separate conversation ahead of the meeting and asked for her opinions.

The members of the Management Board took part in the meetings of the Supervisory Board unless it seemed appropriate to discuss individual matters without their participation.

The Supervisory Board's discussions focused on issues relating to strategy, the portfolio and the business activities of Heidelberger Druckmaschinen AG. The Supervisory Board also intensively addressed the capital structure and M & A transactions, especially the sale of space at the Wiesloch-Walldorf production site and the property in Brentford, UK, as well as the proceedings against Mr. Corvi/benpac.

In particular, the Supervisory Board discussed the following key topics in the reporting year:

At the Supervisory Board meeting on May 18, 2021, Dr. Sonnenschein reported on the meetings of the Nomination Committee on January 26, 2021, February 4, 2021 and March 16, 2021. The Supervisory Board discussed the proposal for a new candidate for the forthcoming election to the Supervisory Board and adopted the proposed resolution to be presented to the Annual General Meeting on the election of Dr. Fritz Oesterle to the Supervisory Board. The Supervisory Board also discussed and resolved on the arrangement of the 2021 Annual General Meeting in virtual form. Furthermore, the Supervisory Board discussed and resolved on Supervisory Board remuneration, which also formed part of the Annual General Meeting agenda. Dr. Sonnenschein reported on the meetings of the Personnel Matters Committee on March 25, 2021 and May 3, 2021, and the Supervisory Board adopted the targets for 2020/2021, the target for the variable component of Management Board remuneration for the financial years from 2021/2022 to 2023/2024, and the new Management Board remuneration system to be presented to the Annual General Meeting for approval. The Supervisory Board also discussed the results of its self-assessment. Finally, the Supervisory Board addressed the Company's strategic road map.

At its meeting on June 2, 2021, the Supervisory Board discussed the Management Board's report on the business situation, the status of the T4F project and the budget, as well as the Company's strategy. A real estate project relating to the site and building in Brentford, UK, was also presented at the meeting and resolved. Furthermore, the Supervisory Board discussed the issue of cybersecurity at Heidelberg.

In particular, the Supervisory Board also addressed the single-entity and consolidated financial statements and the management reports for the Company and the Heidelberg Group for the financial year 2020/2021, the report of the Supervisory Board, the Corporate Governance Declaration, and the separate non-financial report for the financial year 2020/2021. Following the presentation and discussion of the auditor's report on the single-entity and consolidated financial statements, the Supervisory Board established that there were no objections based on the final results of the examination by the Audit Committee and its own examination, and thus approved the single-entity and consolidated financial statements. The Supervisory Board also adopted the agenda for the 2021 Annual General Meeting and the resolution proposals made by the Supervisory Board to the Annual General Meeting, including the proposal concerning the election of Dr. Fritz Oesterle as a member of the Supervisory Board of the Company. Ms. Schlie reported on the meetings of the Audit Committee on May 4, 2021 and June 1, 2021.

The Supervisory Board discussed the current business situation of the Company at its meeting on July 23, 2021 ahead of the Annual General Meeting. The chairs of the respective committees reported on the meetings of the Audit Committee on July 22, 2021, and the Management Committee on June 7, 2021. The meeting also discussed the forthcoming Annual General Meeting and the corresponding resolution proposals.

At the constituent meeting immediately following the Annual General Meeting on July 23, 2021, the Supervisory Board confirmed Dr. Martin Sonnenschein as the Chair of the Supervisory Board and Ralph Arns as the Deputy Chair of the Supervisory Board and elected the members of the six Supervisory Board committees. The meeting also resolved an adjustment to the profile of skills and expertise of the Supervisory Board in line with the provisions of the new German Act to Strengthen Financial Market Integrity (FISG). 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 2021/2022 following its election by the Annual General Meeting and issued the corresponding audit engagement. Finally, the Supervisory Board addressed the Company's strategy and a current project.

At an extraordinary meeting on October 21, 2021, the Supervisory Board discussed a potential candidate to succeed Mr. Rainer Hundsdörfer and the extension of the Management Board contract with Mr. Marcus A. Wassenberg after Dr. Sonnenschein referred to the meetings of the Personnel Matters Committee on September 30, 2021 and October 19, 2021.

At an extraordinary meeting on October 28, 2021, the Supervisory Board discussed and resolved the appointment of Dr. Ludwin Monz to succeed Mr. Rainer Hundsdörfer as a member of the Management Board and Chief Executive Officer with effect from April 1, 2022. The Supervisory Board also resolved to extend the Management Board contract with Mr. Marcus A. Wassenberg for a further five years.

The meeting of the Supervisory Board on November 25, 2021 focused on reporting and discussing the current business situation with the Management Board. A report on the status of the proceedings against Mr. Corvi/benpac was also provided. Furthermore, the Supervisory Board discussed the cooperation at the Brandenburg production site with the consultancy firm OJING.GmbH, whose managing director is the Supervisory Board member Oliver Jung, and resolved to conclude a consultancy agreement; Mr. Jung abstained from the vote on this matter.

After reviewing the recommendations and suggestions of the German Corporate Governance Code, the Supervisory Board also approved the issue, amendment and publication of the declaration of compliance of November 25, 2021. The chairs of the respective committees reported on the meetings of the Audit Committee on October 28, 2021, the Strategy Committee on November 24, 2021, and the Personnel Matters Committee on November 24, 2021. The Management Board also reported on current projects, e.g. to improve margin quality. Furthermore, a circular resolution by the Supervisory Board on the disposal of the subsidiary docufy GmbH was confirmed by the Supervisory Board and a report on the current status of cybersecurity at Heidelberg was provided.

The topics discussed at the Supervisory Board's last meeting of the reporting year, on March 29, 2022, included the current business situation, planning for the coming financial year and projections for the following years, including the Company's strategy. The Supervisory Board acknowledged the planning presented to the meeting. A resolution on a current property project was also passed, and two circular resolutions were approved. Furthermore, the chairs of the respective committees reported on the meetings of the Audit Committee on February 1 and February 8, 2022, the meeting of the Management Committee on January 20, 2022, the meetings of the Personnel Matters Committee on December 6, 2021, on January 14, January 18, and February 15, 2022, the meeting of the Nomination Committee on March 14, 2022, and the meeting of the Strategy Committee on March 28, 2022. Finally, the Supervisory Board addressed corporate governance matters. Firstly, the Articles of Association were amended to delete Contingent Capital 2014 after it became non-functional following the expiry of the convertible bond issued in 2015. The Supervisory Board also discussed the latest status of the discussion concerning the forthcoming changes to the German Corporate Governance Code. The Supervisory Board also approved the Management Board's resolution that the Annual General Meeting of the Company in 2022 be held in virtual form.

Furthermore, the Supervisory Board passed three resolutions by way of written circular during the financial year 2021/2022.

### Corporate governance

The Supervisory Board continuously addressed the standards of good corporate governance in the course of financial year 2021/2022. Further information on the Company's corporate governance and related activities of the Supervisory Board can also be found in the Corporate Governance Declaration on our website 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 191 to 199 of the Annual Report.

### Work in the committees

The Supervisory Board of the Company has set up six permanent committees to support it in its work:

- Mediation Committee
- Management Committee
- Audit Committee
- Nomination Committee
- Personnel Matters 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.

The chairs of the respective committees reported to the Supervisory Board regularly and comprehensively on their activities at the meetings of the Supervisory Board. The composition of the committees in the financial year 2021/2022 is presented in the notes to the consolidated financial statements.

The Personnel Matters Committee met eight times in the reporting year 2021/2022. Its activities focused on the identification of candidates to succeed Mr. Rainer Hundsdörfer, the definition and review of the targets for variable compensation, the reorganization of Management Board compensation with a view to the recommendations of the German Corporate Governance Code, and human resources matters relating to Management Board contracts. The Personnel Matters Committee also addressed the extension of the Management Board contract with Mr. Marcus A. Wassenberg.

The Audit Committee held five regular meetings in the reporting year. It examined quarterly and ad hoc issues relating to the Company's net assets, financial position and results of operations and its risk reporting. Furthermore, together with the auditor, this committee also focused intensively on the annual and consolidated financial statements in addition to the quarterly financial statements, the accounting policies applied and the specifics of the separate and consolidated financial statements. Other topics discussed at the meetings included the liquidity situation of the Heidelberg Group and its refinancing, the development of the capital structure (equity and borrowed funds), the effects of the reorganization and ongoing development of the segments, revenue recognition and accounting for leases, accounting for and assessing the subscription business model, risk management, the internal controlling and audit system, compliance, the implementation and impact of the portfolio and restructuring measures, the impact of the COVID-19 pandemic, the accounting treatment of pension provisions, investment controlling, new segmentation and sales financing.

The Strategy Committee met twice in the reporting year and discussed the Packaging Solutions and Print Solutions segments, recurring revenue, the strategy in China as well as Prinect, Zaikio, e-mobility, and printed electronics. The Strategy Committee also discussed the ESG sustainability initiative, digital printing, cybersecurity in the graphics industry, and a current project.

The Nomination Committee met once in the reporting year. Its meeting addressed the proposals for election to the Supervisory Board at the Annual General Meeting on July 21, 2022.

The Management Committee met twice in the reporting year. It discussed measures to improve the Company's margins, the value chain for Print Solutions and Packaging Solutions, the R & D budget, and an analysis of selling costs. The Management Committee also addressed the status of the proceedings against Mr. Corvi/benpac, the further development of e-mobility, the performance of the Company's share price, and its consulting costs.

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 single-entity and consolidated financial statements**

The Annual General Meeting on July 23, 2021, 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 2021/2022 in accordance with the German Commercial Code (HGB) and the German Stock Corporation Act (AktG), the management report of Heidelberger Druckmaschinen Aktiengesellschaft, and the consolidated financial statements and Group management report of the Heidelberg Group in accordance with IFRSs as applicable in the European Union (EU) as prepared by the Management Board on May 20, 2022 and issued each with unqualified opinions. The auditor responsible for the audit was Dr. Bernd Roese, who held this position for the second year. The single-entity financial statements, the consolidated financial statements, the management report of the Company, the management report of 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 auditors were also distributed to all of the members of the Supervisory Board in good time. At the meeting of the Audit Committee on June 1, 2022, the responsible auditor presented the results of the audit and the Audit Committee discussed the single-entity and consolidated financial statements, the management report for the Company and the management report for the Heidelberg Group and the audit documentation in the presence of the auditor in order to prepare its discussion by the full Supervisory Board. The auditor answered all questions in full. The auditor was also represented at the Supervisory Board meeting on June 3, 2022 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 Chair 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 management report of Heidelberger Druckmaschinen Aktiengesellschaft and the management report of 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, 2022 as prepared by the Management Board and the consolidated financial statements of the Heidelberg Group for the year ended March 31, 2022. The single-entity financial statements were therefore adopted.

The Supervisory Board also examined the separate combined non-financial report for the financial year 2021/2022. 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 9, 2022.

**Personnel changes in the Supervisory Board and the Management Board**

There were two personnel changes among the shareholder representatives on the Supervisory Board of Heidelberger Druckmaschinen AG. Ms. Karen Heumann stepped down from the Supervisory Board of the Company at the end of the Annual General Meeting on July 23, 2021. Dr. Fritz Oesterle was newly elected to the Supervisory Board at the Annual General Meeting on July 23, 2021.

There were also two changes among the employee representatives. Mr. Joachim Dencker stepped down from the Supervisory Board with effect from June 30, 2021, and Dr. Bernhard Buck was appointed as a new member of the Supervisory Board by court order with effect from July 1, 2021.

There were also two changes in the Management Board. Mr. Rainer Hundsdörfer stepped down as a member of the Management Board and Chief Executive Officer with effect from March 31, 2022. Dr. Ludwin Monz was appointed as a member of the Management Board and Chief Executive Officer with effect from April 1, 2022.

The Supervisory Board wishes to express its particular gratitude to the departing members of the Supervisory Board and Management Board for their work.

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 2021/2022 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 3, 2022

ON BEHALF OF THE SUPERVISORY BOARD

Dr. Martin Sonnenschein
Chair 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 AG (Heidelberg) has been jointly prepared by the Management Board and Supervisory Board of Heidelberg. It summarizes the key elements of the remuneration system for the members of the Management Board and Supervisory Board. The remuneration report is required to be prepared for the first time 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) in the version dated December 16, 2019.

The remuneration report sets out how the remuneration corresponds to the respective remuneration system for the Management Board and Supervisory Board and how it 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 2021/2022 is disclosed individually.

The remuneration report is published on the Company's website, www.heidelberg.com, under "About us" > "Company" > "Executive bodies" and has been formally and substantively audited by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft. It will be presented to the Annual General Meeting on July 21, 2022 for approval in accordance with the provisions of section 120a (4) AktG.

## II. Review of the financial year 2021/2022

Following the change in regulatory requirements concerning Management Board remuneration as a result of the German Act Implementing the Second Shareholders' Rights Directive (ARUG II) with the introduction of section 87a AktG as well as the new version of the German Corporate Governance Code (GCGC), the existing remuneration system for the Management Board was revised by the Supervisory Board and approved by the Annual General Meeting on July 23, 2021 with a large majority.

The revised remuneration system focuses 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

This remuneration system will apply to the members of the Management Board from the financial year 2022/2023. Its principles are described in the outlook section of this remuneration report.

The applicable remuneration system in the financial year 2021/2022 was the system most recently approved by the Annual General Meeting on July 26, 2012, with 97.66 percent of the votes cast.

The remuneration of the members of Heidelberg's Supervisory Board was also approved by the Annual General Meeting on July 23, 2021, with 99.09 percent of the votes cast. The remuneration previously resolved by the Annual General Meeting on July 26, 2012, by way of an amendment to the Articles of Association was deemed to still be appropriate and thus continues to apply unchanged.

## III. Management Board remuneration in the financial year 2021/2022

### 1. Principles of Management Board remuneration

### 1.1. Principles for determining Management Board remuneration

The applicable remuneration system for the Management Board system in the financial year 2021/2022 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 | Pay for performance | Suitability and standard conditions |
|---|---|---|
| By selecting strategically relevant benchmarks, the remuneration makes a significant contribution to promoting the corporate strategy | 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 | 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 |
| **Long-term development** | **Shareholder interests** | **Vertical proportionality** |
| The remuneration promotes the long-term development of the Company through its operational and strategic focus and long-term variable compensation components | The personal investment and long-term variable compensation components ensure that shareholder interests are taken into account to an appropriate extent | 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 strength and economic performance. Following a review of the horizontal peer group in the previous financial year, 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 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.

### 1.3. Components and structure of Management Board remuneration

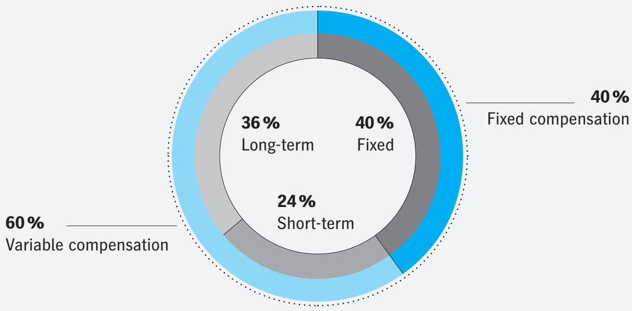
In the financial year 2021/2022, Management Board remuneration is composed of performance-related and non-performance-related components. The non-performance-related components consist of fixed annual compensation, fringe benefits (benefits in kind) and company pension benefits. The performance-related components consist of short-term annual variable compensation (STI) and long-term multi-year variable compensation (LTI), which is calculated when certain three-year targets are achieved on the basis of predefined parameters.

The following table shows the key 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 fixed compensation components** | | |
| Fixed compensation | Fixed annual compensation; paid in 12 equal installments | Ensuring the fixed compensation is appropriate, including standard market conditions, and hence that it is competitive when it comes to attracting and retaining qualified Management Board members |
| Fringe benefits | e.g. insurance contributions, company car for professional and private use, expenses for the maintenance of two households | |
| Company pension | Defined contribution commitment | |
| **Performance-related variable compensation components** | | |
| **Short-term variable compensation** | | |
| Plan type | Annual bonus | Incentivizing the Company's operational success and a focus on the Company's annual earnings strength in the respective financial year |
| Benchmarks | Company bonus: EBIT, free cash flow<br>Personal bonus: individual targets as agreed | |
| Cap | Max. 90 percent of fixed compensation | |
| **Long-term variable compensation** | | |
| Plan type | Performance cash plan | Incentives geared toward profitable long-term earnings strength in line with the corporate strategy and a long-term increase in the share-holder return |
| Performance period | 3 years | |
| Benchmarks | EBT and share price performance | |
| Cap | Max. 180 percent of fixed compensation | |
| **Other contractual components** | | |
| Share Ownership Guideline | Share ownership obligation in the amount of the current fixed compensation.<br>Built up annually via 10 percent of variable compensation | Increased alignment between the interests of the Management Board and shareholders |

The overall structure and amount of the Management Board remuneration are determined by the Supervisory Board at the recommendation of the Personnel Matters Committee and reviewed at regular intervals.

The total target compensation (excluding fringe benefits and service cost) has the following structure in the event of 100 percent target achievement:



### 1.4. Definition of target compensation
The Supervisory Board has defined the following total target compensation (including fringe benefits and service cost) for the financial year 2021/2022. The amount shown for the variable compensation is based on target achievement of 100 percent.

**Target compensation**

| Figures in € thousands | **Rainer Hundsdörfer**[1] Chief Executive Officer until March 31, 2022 | | **Marcus A. Wassenberg** Chief Financial Officer | |
|---|---|---|---|---|
| | **2021/2022** | 2020/2021 | **2021/2022** | 2020/2021 |
| Fixed compensation | 670 | 670 | 400 | 400 |
| Fringe benefits | 22 | 23 | 20 | 21 |
| **Total fixed compensation** | **692** | **693** | **420** | **421** |
| One-year variable compensation | | | | |
| 2021/2022 | 402 | – | 240 | – |
| 2020/2021 | – | 402 | – | 240 |
| Multi-year variable compensation | | | | |
| Tranche 2021/2022 – 2023/2024[2] | 100[3] | – | 303 | – |
| Tranche 2020/2021 – 2022/2023[2] | – | 372 | – | 222 |
| **Total variable compensation** | **502** | **774** | **543** | **462** |
| Service cost | 234 | 234 | 140 | 140 |
| **Total target compensation** | **1,428** | **1,701** | **1,103** | **1,023** |

[1] The term of office of Rainer Hundsdörfer as Chief Executive Officer and a member of the Management Board ended on March 31, 2022. His contract of employment ends on September 6, 2022
[2] Term: three years
[3] The reported figure of € 100,425 for Rainer Hundsdörfer for the financial year 2021/2022 is based on the settlement agreement dated January 13, 2022

## 2. Application of the remuneration system in the financial year 2021/2022
### 2.1. Non-performance-related fixed compensation components
#### 2.1.1. Fixed compensation
Fixed compensation is paid in 12 equal monthly installments.

#### 2.1.2. Fringe benefits
Generally speaking, the contractually agreed fringe benefits 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 in accordance with local conditions. In the financial year 2021/2022, 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. Company pension
The pension agreement for the Management Board members provides for a defined contribution commitment. For each financial year, a pension contribution is credited. The pension contribution amounts to 35 percent of the corresponding fixed compensation.

The pension can be drawn as an early pension from the age of 60. In the event of a member of the Management Board leaving the Company, the pension will be paid from the age of 65 or 60 respectively, principally as a non-recurring payment of pension capital.

The agreements also provide for disability and surviving dependents' benefits based on the amount of the last fixed compensation; these are limited to a maximum of 60 percent of the fixed monthly salary derived from the fixed annual salary (disability payment) or pension. The percentage in the event of a disability pension is based on the length of service on the Company's Management Board, with attributable time up to the age of 65 and a maximum pension percentage of 60 percent.

If the contract of employment expires prior to the start of benefit payments, the claim to the accrued pension funds at that point in time remains valid. The other pension benefits (disability and surviving dependents' benefits) earned in accordance with section 2 of the German Company Pension Act (BetrAVG) remain valid on a pro rata temporis basis. The benefits of both active Management Board members in the financial year are vested immediately.

The service cost and the present value of the pension capital in accordance with IAS 19 are broken down as follows as of March 31, 2022:

**Company pension**

| Figures in € thousands | Defined benefit obligation | | Service cost | |
|---|---|---|---|---|
| | **2021/2022** | 2020/2021 | **2021/2022** | 2020/2021 |
| Rainer Hundsdörfer [1)] | 1,280 | 1,046 | 234 | 234 |
| Marcus A. Wassenberg | 370 | 261 | 140 | 140 |

[1)] The appointment of Rainer Hundsdörfer as Chief Executive Officer and a member of the Management Board ended on March 31, 2022. His contract of employment ends on September 6, 2022

## 2.2. Performance-related variable compensation components

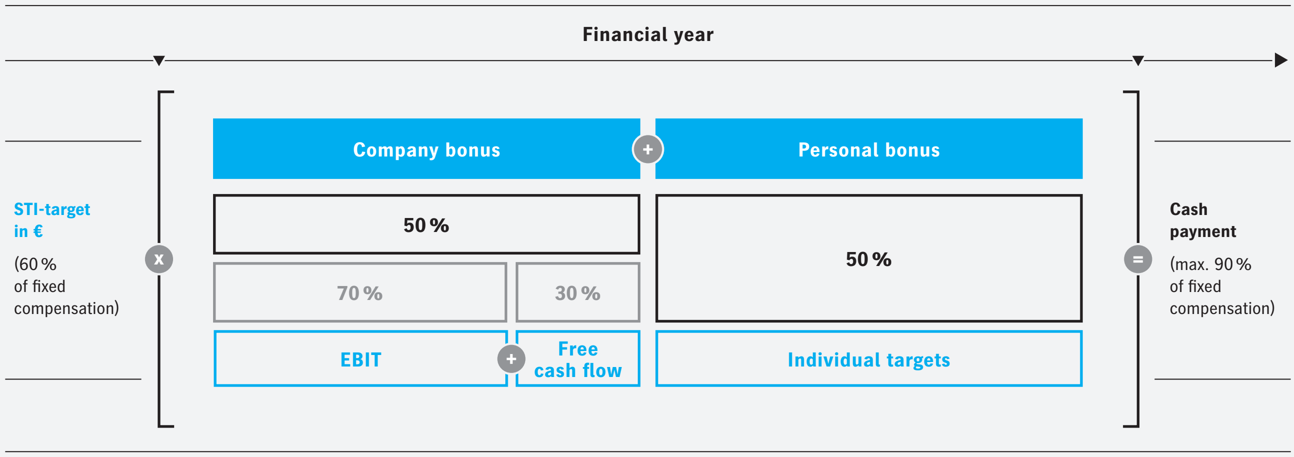
### 2.2.1. Short-term variable compensation

The short-term variable compensation serves to incentivize growth in the Company's operating success and annual earnings strength. Generally speaking, it comprises a company bonus and a performance-related personal bonus, which are weighted equally.

The company bonus reflects Heidelberg's operating success in the financial year. The benchmarks applied are the operating result (EBIT) with a weighting of 70 percent and the free cash flow (FCF) with a weighting of 30 percent, in each case in accordance with IFRS. In the event of target achievement of 100 percent, the company bonus amounts to 30 percent of the fixed compensation; in the event of overfulfillment, it may amount to up to 60 percent of the fixed compensation.

Furthermore, every Management Board member may receive a performance-related personal bonus. This is determined by the Supervisory Board at the recommendation of the Personnel Matters Committee, taking into account the duties and responsibilities of the respective member in addition to any individual targets agreed. In the event of target achievement of 100 percent, the annual personal bonus may amount to up to 30 percent of the fixed compensation.

The short-term variable compensation is composed as follows:



With regard to the personal bonus, the Supervisory Board and the Management Board have agreed to focus on the Company bonus in the current financial year, as they have done since the financial year 2012/2013. Accordingly, the proportion attributable to the personal bonus is added to the Company bonus. This ensures that the short-term variable compensation is geared toward the operating success of the Company as a whole.

A target and a lower threshold have been defined for the EBIT and free cash flow benchmarks. These targets and thresholds may not be subsequently changed. The threshold must be reached in order for the short-term variable compensation for the respective benchmark to be paid out. If the threshold is not reached, no payout is made.

After the end of the financial year, target achievement is determined on the basis of the actual figures for the respective benchmarks. The short-term variable compensation is paid out at the end of the month in which the Annual General Meeting resolves on the appropriation of the net result. If the relevant threshold is reached, this results in a payout of 25 percent of the amount payable in the event of target achievement of 100 percent (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 short-term variable remuneration is capped at 90 percent of the fixed compensation (target achievement of 200 percent). 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. Accordingly, the payment ratio (as a percentage of the target compensation) is calculated as 90/200 of the target achievement in each case.

For the financial year 2021/2022, the following targets and thresholds were defined for the EBIT and free cash flow benchmarks:

**Short-term variable compensation**
**Target achievement 2021/2022**

| Figures in € millions | Lower threshold | Target | Upper threshold | Actual figure | Target achievement | Total target achievement |
|---|---|---|---|---|---|---|
| EBIT | 33 | 63 | 93 | 80.7 | 171 % | 180 % |
| Free cash flow | 0 | 21 | 51 | 87.5 | 200 % | |

Target achievement and the payouts for each benchmark were calculated as follows based on the respective actual figures:

**Short-term variable compensation**
**Total target achievement 2021/2022**

| Figures in € thousands | Target amount | Target achievement EBIT | Target achievement FCF | Total target achievement | Amount paid |
|---|---|---|---|---|---|
| Rainer Hundsdörfer | 402 | 171 % | 200 % | 180 % | 542 [1)] |
| Marcus A. Wassenberg | 240 | | | | 324 [1)] |

[1)] The payment ratio (as a percentage of the target compensation) is calculated as 90/200 of the target achievement in each case. Accordingly, the total target achievement of 180 percent results in a payment ratio of 80.9 percent of the respective fixed annual compensation

### 2.2.2. Long-term variable compensation

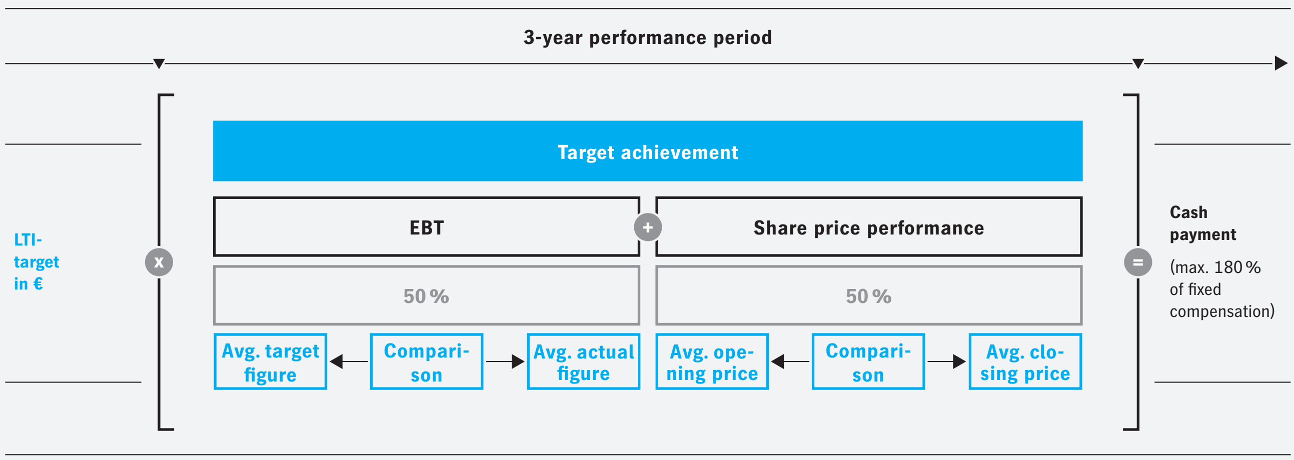
The three-year tranche of long-term variable compensation for 2019/2020 to 2021/2022, which is finalized after the end of the financial year 2021/2022, is determined on the basis of two equally weighted benchmarks measured over a three-year performance period. The benchmarks are earnings before taxes (EBT) according to the IFRS consolidated income statement and share price performance. This is intended to incentivize profitable long-term earnings strength in line with the corporate strategy while also ensuring a focus on shareholder interests.

The targets and the corresponding thresholds and caps for the two benchmarks are defined by the Supervisory Board at the start of the relevant performance period. Overfulfillment of a benchmark is recognized and can at most result in a doubling of the attributable long-term variable compensation. Both benchmarks have a target achievement threshold that must be reached in order for the long-term variable compensation for the respective benchmark to be paid out. Overfulfillment of a benchmark can only increase the long-term variable compensation if the other benchmark at least reaches the threshold.

The EBT target is based on the five-year planning adopted by the Supervisory Board. Target achievement and the attributable long-term variable compensation are determined after the end of the performance period by comparing the actual EBT for the three financial years within the performance period with the forecast EBT for these three financial years. The averages of the actual and forecast EBT are compared in order to calculate and determine the actual degree of target achievement.

The basis for target measurement for share price performance is the long-term expected return (increase in the Heidelberg share price) over the performance period. The baseline value for each performance period is determined at the beginning of the first financial year of the performance period. For this purpose, the arithmetical average closing price of the Company's shares in XETRA trading on the Frankfurt Stock Exchange over the 60 trading days immediately preceding the start of the three-year performance period is measured. The fixed baseline value is then compared with the arithmetical average closing price of the shares over the 60 trading days immediately preceding the end of the performance period.

Target achievement is examined and determined at the end of the performance period. 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 percent of the amount payable in the event of target achievement of 100 percent (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 percent 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.



The long-term 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 performance period – resolves on the appropriation of the net result.

For the 2019/2020 tranche, which is payable after the end of the financial year 2021/2022, the following targets and thresholds were defined for the EBT and share price performance benchmarks:

**Long-term variable compensation**
**Target achievement tranche 2019/2020 – 2021/2022**

| | | | | EBT (in € million) | | | | | Share price performance (in €) | Total target achievement [1] |
|---|---|---|---|---|---|---|---|---|---|---|
| Lower threshold | Avg. target figure | Upper threshold | Avg. actual figure | Target achievement | Lower threshold | Avg. opening price | Upper threshold | Avg. closing price | Target achievement | |
| 34 | 56 | 83 | – 101 | 0 % | 1.88 | 2.07 | 2.32 | 2.39 | 200 % | 50 % |

[1] As the threshold for the "EBT" benchmark was not achieved, the overfulfillment of the "Share price performance" benchmark does not increase the total target achievement

Target achievement and the payouts for each benchmark were calculated as follows based on the respective actual figures:

**Long-term variable compensation**
**Total target achievement tranche 2019/2020 – 2021/2022**

| Figures in € thousands | Target amount | Target achievement | | Total target achievement [1] | Amount paid |
|---|---|---|---|---|---|
| | | EBT | Share price performance | | |
| Rainer Hundsdörfer | 603 | 0% | 200% | 50% | 301 |
| Marcus A. Wassenberg | 310 | | | | 155 |

[1] As the threshold for the "EBT" benchmark was not achieved, the overfulfillment of the "Share price performance" benchmark does not increase the total target achievement.

**2.3. Share Ownership Guideline**

10 percent of the annual variable compensation and 10 percent of the payable multi-year variable compensation (before deduction of taxes) of each Management Board member must be invested in shares in the Company ("share investment"). Shares in the Company already held by the respective Management Board member are counted towards this figure. The member is not entitled to receive a cash payout of the amount of the share investment. Instead, the Company will commission a bank or financial service provider and directly provide this party with the corresponding amount to be invested in shares in the Company on behalf and for the benefit of the Management Board member. The resulting costs (share purchase and custody) are borne by the Company. The Company's entitlement to invest variable compensation to build the share investment portfolio in the form of shares ends when the respective Management Board member leaves office.

The respective Management Board member may only sell shares from the personal investment share portfolio during their term in office if the minimum value of the gross fixed compensation is complied with and statutory or regulatory restrictions do not prohibit the sale.

The Management Board members had built up the following shareholdings as of the end of the financial year 2021/2022:

**Share Ownership Guideline**

| | Target | Status quo | Status quo |
|---|---|---|---|
| | in € thousand | in € thousand | in % |
| Rainer Hundsdörfer | 670 | 247 | 37 % |
| Marcus A. Wassenberg | 400 | 24 | 6 % |

### 2.4. Malus/clawback

The applicable remuneration system in the financial year 2021/2022 does not include any malus and/or clawback mechanisms.

The revised remuneration system that will apply from the financial year 2022/2023 provides for corresponding mechanisms that will enable the Supervisory Board to reduce variable compensation components that have not yet been paid out (malus) or demand the repayment of variable compensation components that have already been paid out (clawback) in certain cases.

At present, there are no cases that would have required the reduction or repayment of variable compensation components for the financial year 2021/2022.

### 2.5. Early termination benefits

With regard to early termination benefits, the contracts of employment provide for the following regulations in the event of the effective revocation of a Management Board member's appointment or a justifiable resignation by a member of the Management Board:

The contract of employment ends after the statutory notice period in accordance with section 622 (1), (2) of the German Civil Code (BGB). In the event of the effective revocation of a Management Board member's appointment, the member receives a severance payment at the time of termination of the contract of employment in the amount of his or her previous total annual compensation (excluding pension benefits) under the contract of employment (see 1.3 above) for two years, but not exceeding the amount of the compensation for the originally agreed remainder of the contract of employment.

An entitlement to long-term variable compensation determined, established and thus already vested at the date of departure is unaffected by the severance and transitional regulations and is paid immediately after departure as soon as the consolidated financial statements of the financial year in question have been prepared, and in any case no later than the end of the first quarter of the financial year following the departure.

This does not affect the right to extraordinary termination for good cause in accordance with section 626 BGB.

The severance payment is paid in quarterly installments in line with the originally agreed residual term, but in any case in not more than eight quarterly installments. Other compensation received by a then former member of the Management Board which the former member has agreed to disclose to the Company must be offset in analogous application of sections 326 (2) sentence 2 and 615 (2) BGB during the originally agreed residual term.

If a member of the Management Board becomes unable to work due to disability, the benefits stipulated in the respective pension agreement will be paid.

If no decision on reappointment is made by at least nine months before the end of the term in office and the Management Board member is not reappointed thereafter, the Management Board member receives a severance payment in the amount of the fixed compensation (transitional payment). The entitlement to this fixed compensation arises at the time of termination of the contract of employment. It does not arise if, when the decision on reappointment is made or by the time of termination of the contract of employment, there is good cause for which the Management Board member is responsible that would give the Company a right to termination in accordance with section 626 BGB. The above rule applies with the corresponding changes to the payment and eligibility of other compensation. The revised remuneration system that will apply from the financial year 2022/2023 no longer contains the previous provision concerning transitional payments.

### 2.6. Compliance with maximum compensation

The short-term variable compensation is capped at 90 percent of the fixed compensation, while the long-term variable compensation is capped at 180 percent of the fixed compensation. This means that total Management Board remuneration (excluding fringe benefits and service cost) is limited to 370 percent of the fixed compensation.

The revised remuneration system that will apply from the financial year 2022/2023 also 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.

## 3. Compensation paid and owed in the financial year 2021/2022

### 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 2021/2022 in accordance with section 162 (1) sentence 1 AktG. The short-term and long-term variable compensation are reported as of the end of the financial year in which the one-year or multi-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).

**Compensation paid and owed**

| Figures in € thousands | Rainer Hundsdörfer [1] Chief Executive Officer until March 31, 2022 | | | | Marcus A. Wassenberg Chief Financial Officer | | | |
|---|---|---|---|---|---|---|---|---|
| | **2021/2022** | | 2020/2021 | | **2021/2022** | | 2020/2021 | |
| | in € thousand | in % | in € thousand | in % | in € thousand | in % | in € thousand | in % |
| Fixed compensation | 670 | 28 % | 670 | 61 % | 400 | 45 % | 400 | 61 % |
| Fringe benefits | 22 | 1 % | 23 | 2 % | 20 | 2 % | 21 | 3 % |
| **Total fixed compensation** | **692** | | **693** | | **420** | | **421** | |
| One-year variable compensation | | | | | | | | |
| STI 2021/2022 | 542 | 22 % | – | – | 324 | 36 % | – | – |
| STI 2020/2021 | – | – | 402 | 37 % | – | – | 240 | 36 % |
| Multi-year variable compensation | | | | | | | | |
| Tranche 2019/2020 – 2021/2022 [2] | 301 | 12 % | – | – | 155 | 17 % | – | – |
| Tranche 2018/2019 – 2020/2021 [2] | – | – | 0 | 0 % | – | – | 0 | 0 % |
| **Total variable compensation** | **843** | | **402** | | **479** | | **240** | |
| **Compensation under termination agreements [3]** | **892** | **37 %** | – | – | – | – | – | – |
| **Total compensation within the meaning of section 162 AktG** | **2,427** | **100 %** | **1,095** | **100 %** | **899** | **100 %** | **661** | **100 %** |
| Service cost | 234 | – | 234 | – | 140 | – | 140 | – |
| **Total compensation (incl. service cost)** | **2,661** | | **1,329** | | **1,039** | | **801** | |

[1] The term of office of Rainer Hundsdörfer as Chief Executive Officer and a member of the Management Board ended on March 31, 2022. His contract of employment ends on September 6, 2022
[2] Term: three years
[3] In the financial year 2021/2022, this relates to the compensation for Rainer Hundsdörfer under the settlement agreement concluded on January 13, 2022

### 3.2. Remuneration of Management Board members who stepped down in the financial year 2021/2022

Payments to Management Board members who stepped down in the financial year 2021/2022 are broken down as follows:

The term of office of Rainer Hundsdörfer as Chief Executive Officer and a member of the Management Board ended on March 31, 2022; his contract of employment with Heidelberger Druckmaschinen Aktiengesellschaft will end on September 6, 2022 (end of contract).

On January 13, 2022, Heidelberger Druckmaschinen Aktiengesellschaft and Rainer Hundsdörfer entered into an agreement with the following material content. The following provisions apply for the period until the end of his term of office (March 31, 2022) and the end of his contract (September 6, 2022):

Rainer Hundsdörfer will receive annual variable compensation for the financial year 2021/2022 in the amount of € 542 thousand based on target achievement of around 81 percent of the respective fixed annual compensation. He will also receive multi-year variable compensation for the three-year period from 2019/2020 to 2021/2022 in the amount of € 301 thousand based on target achievement of 45 percent of the respective fixed annual compensation. He will receive pro rata annual variable compensation for the financial year 2022/2023 of € 201 thousand based on flat-rate target achievement of 60 percent of the respective fixed annual compensation, pro rata multi-year variable compensation for the three-year period from 2020/2021 to 2022/2023 of € 301 thousand based on flat-rate target achievement of 90 percent of the respective fixed annual compensation, and pro rata multi-year variable compensation for the three-year period from 2021/2022 to 2023/2024 of € 100 thousand based on flatrate target achievement of 90 percent of the respective fixed annual compensation. The aforementioned annual and multi-year variable compensation will be paid out in September 2022 with the exception of the annual variable compensation for the financial year 2021/2022 (payout in July 2022) and the multi-year variable compensation for the three-year period from 2019/2020 to 2021/2022 (payout in June 2022).

For the period from April 1, 2022 to September 6, 2022 (end of contract), Rainer Hundsdörfer will receive his fixed monthly compensation for the remaining term of his contract of employment (on a pro rata basis for September 2022) in the amount of € 289 thousand (including fringe benefits) while also being released from his professional duties.

### 3.3. Remuneration of former Management Board members

The following compensation was owed and paid to former Management Board members in the financial year 2021/2022: Bernhard Schreier (end of term of office: August 31, 2012; end of contract: June 30, 2013): retirement benefits of € 436 thousand; Dr. Gerold Linzbach (end of term of office: November 13, 2016; end of contract: August 31, 2017): retirement benefits of € 22 thousand; Prof. Ulrich Hermann (early termination of appointment by mutual consent with effect from the end of February 16, 2020; end of contract: March 31, 2020): severance payment of € 637 thousand.

## IV. Supervisory Board remuneration in the financial year 2021/2022

### 1. Principles of Supervisory Board remuneration

The remuneration of the members of the Supervisory Board is governed by the Articles of Association and approved by the Annual General Meeting. The remuneration system for the members of the Supervisory Board reflects their responsibilities and duties. 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 meeting fees for the meetings of certain committees (committee remuneration) as well as meeting 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 Personnel Matters Committee receive additional compensation for work on these committees. Each committee member receives compensation of € 1,500 per meeting for participation in a meeting 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 Personnel Matters Committee 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 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 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.

**Supervisory Board remuneration**

**Fixed compensation**

| Chair | Deputy Chair | Member |
|---|---|---|
| **€ 120,000** | **€ 80,000** | **€ 40,000** |

**Committee remuneration (per meeting)**

| Chair | Chair | Committee member |
|---|---|---|
| Audit Committee | Management Committee<br>Personnel Matters Committee | |
| **€ 4,500** | **€ 2,500** | **€ 1,500** |

**Attendance fees**

| Full Supervisory Board | Committee |
|---|---|
| **€ 500** | **€ 500** |

### 2. Compensation paid and owed in the financial year 2021/2022

The following table shows the compensation paid and owed to the individual members of the Supervisory Board in the financial year 2021/2022. The total compensation is broken down into fixed annual compensation, committee remuneration and meeting fees.

**Supervisory Board remuneration**

| Figures in € thousands | Fixed compensation | | Committee remuneration | | Attendance fees | | Total compensation | |
|---|---|---|---|---|---|---|---|---|
| | **2021/2022** | 2020/2021 | **2021/2022** | 2020/2021 | **2021/2022** | 2020/2021 | **2021/2022** | 2020/2021 |
| Dr. Martin Sonnenschein [1] | 120 | 120 | 33 | 35 | 11 | 10 | 163 | 165 |
| Ralph Arns [2] | 80 | 80 | 23 | 24 | 11 | 11 | 113 | 115 |
| Dr. Bernhard Buck [3] | 30 | – | 0 | – | 4 | – | 34 | – |
| Joachim Dencker [4] | 10 | 40 | 0 | 0 | 1 | 4 | 11 | 44 |
| Gerald Dörr | 40 | 40 | 15 | 17 | 9 | 9 | 64 | 65 |
| Mirko Geiger | 40 | 40 | 11 | 15 | 7 | 9 | 58 | 64 |
| Karen Heumann [5] | 13 | 40 | 2 | 9 | 2 | 6 | 16 | 55 |
| Oliver Jung | 40 | 40 | 11 | 24 | 6 | 9 | 57 | 73 |
| Kirsten Lange [6] | – | 13 | – | 5 | – | 3 | – | 21 |
| Li Li | 40 | 40 | 0 | 0 | 4 | 4 | 44 | 44 |
| Dr. Fritz Oesterle [7] | 30 | – | 11 | – | 7 | – | 47 | – |
| Petra Otte | 40 | 40 | 0 | 0 | 4 | 4 | 44 | 44 |
| Ferdinand Rüesch | 40 | 40 | 15 | 17 | 9 | 9 | 64 | 65 |
| Ina Schlie [8] | 40 | 30 | 23 | 9 | 6 | 4 | 69 | 43 |
| Beate Schmitt | 40 | 40 | 20 | 17 | 10 | 8 | 69 | 65 |
| **Total** | **603** | **603** | **160** | **170** | **87** | **86** | **850** | **859** |

[1] Chair of the Supervisory Board
[2] Deputy Chair of the Supervisory Board
[3] Member of the Supervisory Board since July 1, 2021
[4] Member of the Supervisory Board until June 30, 2021
[5] Member of the Supervisory Board until July 23, 2021
[6] Member of the Supervisory Board until July 23, 2020
[7] Member of the Supervisory Board since July 23, 2021
[8] Member of the Supervisory Board since July 23, 2020

## 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 two 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 income of the Company in accordance with the German Commercial Code (HGB) and Group EBIT in accordance with IFRS. These are key performance indicators that reflect the earnings strength 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 number of employees of the Company (FTEs).

**Comparative presentation**

| | **2021/2022** | 2020/2021 | Change 2021/2022 – 2020/2021 |
|---|---|---|---|
| | in € thousand | in € thousand | in % |
| **Earnings performance** | | | |
| Net income of the Company (HGB) | – 10,792 | 119,256 | – 109 % |
| Group EBIT (IFRS) | 80,737 | 17,640 | 358 % |
| **Employees** | | | |
| Avg. employee remuneration | 83 | 93 | – 10 % |
| **Management Board** | | | |
| Rainer Hundsdörfer | 2,427 | 1,095 | 122 % |
| Marcus A. Wassenberg | 899 | 661 | 36 % |
| **Former Management Board members** | | | |
| Bernhard Schreier | 436 | 435 | 0 % |
| Dr. Gerold Linzbach | 22 | 22 | 0 % |
| Prof. Dr. Ulrich Hermann | 637 | 1,316 | –52 % |
| **Supervisory Board** | | | |
| Dr. Martin Sonnenschein | 163 | 165 | – 1 % |
| Ralph Arns | 113 | 115 | – 1 % |
| Dr. Bernhard Buck [1] | 34 | – | – |
| Joachim Dencker [2] | 11 | 44 | – 76 % |
| Gerald Dörr | 64 | 65 | – 2 % |
| Mirko Geiger | 58 | 64 | – 9 % |
| Karen Heumann [3] | 16 | 55 | – 70 % |
| Oliver Jung | 57 | 73 | – 22 % |
| Kirsten Lange [4] | – | 21 | – |
| Li Li | 44 | 44 | 1 % |
| Dr. Fritz Oesterle [5] | 47 | – | – |
| Petra Otte | 44 | 44 | 1 % |
| Ferdinand Rüesch | 64 | 65 | – 2 % |
| Ina Schlie [6] | 69 | 43 | 59 % |
| Beate Schmitt | 69 | 65 | 7 % |
| **Average** | **61** | **66** | **– 10 %** |

[1] Member of the Supervisory Board since July 1, 2021
[2] Member of the Supervisory Board until June 30, 2021
[3] Member of the Supervisory Board until July 23, 2021
[4] Member of the Supervisory Board until July 23, 2020
[5] Member of the Supervisory Board since July 23, 2021
[6] Member of the Supervisory Board since July 23, 2020

### VI. Outlook for the financial year 2022/2023

The revised remuneration system for the Management Board as adopted by the Annual General Meeting on July 23, 2021 with a large majority of the votes cast will come into force from the financial year 2022/2023. The new remuneration system will help Heidelberg to comply with the new regulatory requirements (ARUG II and GCGC), establish a targeted incentive for the successful implementation of the transformation program, and increase the extent to which the remuneration reflects the shareholder perspective. The remuneration system will also be geared toward the Company's current strategy and objectives to a greater degree. It will make Management Board remuneration more closely linked to the corporate strategy, which is geared toward customer success, sustainable growth, profitability, and a high degree of employee engagement. The remuneration system is intended to reflect the demands involved in the management of a global company by the Management Board members in a highly innovative and dynamic industry.

In addition to introducing and revising contractual conditions, such as the introduction of maximum compensation and malus/clawback mechanisms and the revision of the Share Ownership Guideline, the new system focuses on revising the variable compensation components.

The revision of short-term variable compensation is intended to incentivize the Company's operational success. It establishes uniform incentives for the Management Board members to achieve key targets relating to the annual budget that, in turn, are derived from multi-year long-term strategic planning. It also sets incentives for sustainable action that serve to promote the achievement of the Company's long-term strategy.

The long-term variable compensation is intended to reflect the predominantly share-oriented nature of the Company's long-term strategy and establish incentives for the Management Board members to achieve relevant objectives in line with long-term strategic planning. Taking the share price into account ensures that the interests of the Management Board members are consistent with the interests of the Company's shareholders. Furthermore, the four-year performance period aims to encourage Management Board members to remain with the Company.

The weighting of the respective goals and the corresponding thresholds and targets are transparently documented in the remuneration report. The Supervisory Board also ensures that ESG goals are taken into account to an appropriate extent. The specific ESG goals, their weighting compared with the financial goals and the degree of target achievement are also documented in the respective remuneration report.

The following table shows the main changes in the remuneration system that will apply for the first time in the financial year 2022/2023:

| | Structure until financial year 2021/2022 | Structure from financial year 2022/2023 |
|---|---|---|
| **Non-performance-related fixed compensation components** | | |
| Fixed compensation | Fixed annual compensation; paid in 12 equal installments | Fixed annual compensation; paid in 12 equal installments |
| Fringe benefits | e.g. insurance contributions, company car for professional and private use, expenses for the maintenance of two households | e.g. insurance contributions, company car for professional and private use, expenses for the maintenance of two households |
| Company pension | Defined contribution commitment | Payment of a contribution earmarked for private retirement provision in the amount of 35 percent of the fixed compensation |
| **Short-term variable compensation** | | |
| Plan type | Annual bonus | Annual bonus |
| Benchmarks | Company bonus: EBIT, free cash flow<br>Personal bonus: individual targets reflecting the individual performance of the Management Board members as agreed | EBITDA, free cash flow and ESG criteria.<br>May be adjusted by +/– 20 percent to reflect the individual performance of the Management Board members |
| Cap | Max. 90 percent of fixed compensation | Max. 100 percent of fixed compensation |
| **Long-term variable compensation** | | |
| Plan type | Performance cash plan | Performance share plan |
| Performance period | Three years | Three years + one-year holding period for 50 percent of the virtual shares |
| Benchmarks | EBT and share price performance | EBT, relative total shareholder return (vs. SDAX Performance) and ESG criteria |
| Cap | Max. 180 percent of fixed compensation | Max. 200 percent of fixed compensation |
| **Other contractual components** | | |
| Share Ownership Guideline | Share ownership obligation in the amount of the current fixed compensation.<br>Built up annually via 10 percent of variable compensation | Share ownership obligation in the amount of the current fixed compensation.<br>Built up annually via 20 percent of short-term variable compensation |
| Malus/clawback mechanisms | – | Introduction of malus and clawback mechanisms for variable compensation |
| Maximum compensation | – | Introduction of maximum compensation of € 3.6 million for the CEO and € 2.4 million for ordinary members of the Management Board |

## VII. 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, 2021 to March 31, 2022 prepared in accordance with section 162 of the German Stock Corporation Act (AktG), including the related disclosures.

### Responsibility 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, in compliance with the requirements of section 162 AktG. In addition, the executive directors and the Supervisory Board are responsible for such internal control as they consider necessary to enable the preparation of a remuneration report, including the related disclosures, that is free from material misstatements, whether due to fraud or error.

### Auditor's responsibility

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 audits of financial statements promulgated by the Institute of Public Auditors in Germany (IDW). This requires us to comply with our professional responsibilities and plan and conduct the audit so as to obtain reasonable assurance that the remuneration report, including the related disclosures, is free from material misstatements.

An audit involves performing audit procedures to obtain audit evidence about the amounts contained in the remuneration report, including the related disclosures. The audit procedures selected depend on the auditor's professional judgment. This includes an assessment of the risks of material misstatements, whether due to fraud or error, in the remuneration report, including the related disclosures. In assessing these risks, the auditor takes into account the internal control system relevant for the preparation of the remuneration report, including the related disclosures. The objective is to plan and perform audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the executive directors and the Supervisory Board, as well as evaluating the overall presentation of the 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.

### Opinion

In our opinion, on the basis of the knowledge obtained in the audit, the remuneration report for the financial year from April 1, 2021 to March 31, 2022, including the related disclosures, complies in all material respects with the financial reporting requirements of section 162 AktG.

### Other matter – Formal review of the remuneration report in accordance with section 162 AktG

The substantive audit of the remuneration report described in this independent auditor's report includes the formal review of the remuneration report required by section 162 (3) AktG, including the issuance of an opinion on this review. As we have issued an unqualified audit opinion on the substantive audit of the remuneration report, this opinion includes the conclusion that the disclosures pursuant to section 162 (1) and (2) AktG have been made in the remuneration report in all material respects.

### Restriction on use

We issue this independent auditor's report on the basis of the engagement agreed with Heidelberger Druckmaschinen Aktiengesellschaft. Our audit has been performed for purposes of the Company and our 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 to provide third parties with a basis for making (investment and/or financial) decisions. Accordingly, we do not assume any responsibility, duty of care or liability towards third parties; in particular, no third parties are included in the scope of protection of this contract. Section 334 of the German Civil Code (BGB), under which objections arising from a contract may also be raised against third parties, is not waived.

Mannheim, June 3, 2022

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

| | |
|---|---|
| Dr. Bernd Roese | ppa. Stefan Sigmann |
| Wirtschaftsprüfer | Wirtschaftsprüfer |

# Corporate Governance Declaration (as of June 2022)

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 stated otherwise below, the information shown applies 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 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 and recommendations 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 Corporate Governance/Articles of Association & Rules of Procedure.

The recommendations and suggestions of the Code were again complied with in the financial year 2021/2022 with one deviation. Ensuring effective management and control in an evolving corporate structure remains the priority. It is regularly checked to ensure that all laws and mandatory regulations are complied with throughout the Group and that recognized standards and recommendations are followed in addition to the Company's values, Code of Conduct and corporate guidelines.

## 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 2021/2022. These discussions culminated in the adoption of the annual declaration of compliance on November 25, 2021:

"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):

**Declaration of compliance with the German Corporate Governance Code as amended on December 16, 2019**

Since issuing its last declaration of compliance on November 26, 2020, Heidelberger Druckmaschinen Aktiengesellschaft 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 exceptions and will continue to comply with the recommendations of the 2020 Code with the following exceptions:

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 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 24, 2022 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 Heidelberg/Executive Bodies. This section of the website also contains the remuneration report for the financial year 2021/2022 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 Heidelberg/Executive Bodies. The remuneration report in accordance with section 162 AktG for the financial year 2021/2022 can also be found on pages 172 to 190 of this Annual Report.

### 4. Information on corporate governance practices

Our philosophy is to manage with goals. It 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.

In doing so, the Company adheres to a comprehensive system of internal guidelines headed by the Company's values. Five principles in the areas of management, organization, the code of conduct, quality, and environmental protection 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, an external and independent ombudsperson is 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).

We have also published our Code of Conduct 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 also published under Corporate Governance.

### 5. Description of the working procedures of the Management Board and the Supervisory Board

In accordance with the requirements of the 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 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 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 160 to 162 of our Annual Report.

In addition to the legal requirements, the Articles of Association of the Company and the recommendations of the German Corporate Governance Code, the Rules of Procedure for the Management Board in particular detail the activities, duties and internal organization of the Management Board. 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 sustained value added. 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 policy within the Group in addition to ensuring appropriate risk and opportunity management.

Under the management of the Chief Executive Officer, Corporate Sustainability, which also deals with current ESG topics (Environment, Social, Governance), has been established as an interdisciplinary team around the Head of Corporate Sustainability. He or she will advance the topic of sustainability at Heidelberg in a targeted manner. The initial focus will be on integrating the material ESG aspects for Heidelberg into the Company's strategy. Within the Supervisory Board, the Chairman of the Supervisory Board is responsible for this set of topics. More information can be found on our website (www.heidelberg.com) under Sustainability.

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 160 to 162 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, which the Supervisory Board actively supports 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 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, 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 loans 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 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 regularly advises on long-term succession planning for the Management Board. In doing so, it takes into account the Company's management planning as explained to it by the Management Board. The Management Board and the Supervisory Board also discuss the Company's management planning and the systematic development of managers on an ad hoc basis. In filling Management Board positions, the Personnel Matters Committee regularly performs an initial selection of suitable candidates and conducts structured 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.

Under the new remuneration system, which will be applied in the current contracts from April 1, 2022, the fixed age limit for the Management Board is 63. Previously, a fixed age limit of 65 years applied to the Management Board, but the regulation provided that early retirement was possible from the age of 60.

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 self-assessment in March 2021 by means of an online questionnaire.

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 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.

The composition of the Supervisory Board, including the necessary personal information and details of mandates on other supervisory boards, can be found on pages 160 to 162 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 164 to 171 of the Annual Report. The remuneration report can be found on pages 172 to 190 of the Annual Report. The Annual Report will be published in the Investor Relations section of our website (www.heidelberg.com) on June 9, 2022.

## 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 has special knowledge and experience in the application of accounting standards and internal control procedures and is familiar with auditing, is independent of the Company, the Management Board or a controlling shareholder, and is not a former member of the Management Board of the Company whose appointment 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. 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 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 and takes any necessary decisions on the Company's strategic orientation.

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 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 |

| **Committee on Arranging Personnel Matters of the Management Board** |
| --- |
| 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 committees are also described on page 161 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 164 to 171 of the Annual Report. Information on the remuneration of the Management Board and Supervisory Board members can be found in the remuneration report on pages 172 to 190 of the Annual Report. The Annual Report will be published in the Investor Relations section of our website (www.heidelberg.com) on June 9, 2022.

## 7. Targets for the proportion of women

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 has 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. The proportion of women is currently 2 percent at ML 1 and 7.6 percent at ML 2. 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 does not affect the fact that the Supervisory Board strives to take diversity into account on the whole when making HR decisions. 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.

## 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.

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 and profile of skills and expertise 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) All Supervisory Board members must have the reliability and personal integrity necessary for the fulfillment of the Supervisory Board's monitoring duties.

c) At least four of the shareholder representatives on the Supervisory Board must be "independent" of the Company and the Management Board as defined in the German Corporate Governance Code. These are currently Dr. Martin Sonnenschein, Oliver Jung, Dr. Fritz Oesterle and Ina Schlie. Despite the existing consultancy agreement for the Brandenburg production site between Heidelberger Druckmaschinen Aktiengesellschaft and OJING.GmbH, whose sole shareholder and managing director is Oliver Jung, the Supervisory Board considers Mr. Jung to be independent. Mr. Jung was not personally involved in performing the services, the agreement was project-specific and limited to a reasonable period. The remuneration invoiced until the end of the contract amounted to around € 20,000. In the opinion of the Supervisory Board, this is not sufficient to impair Mr. Jung in his independence and the exercise of his duties. The Company does not currently have a controlling shareholder.

d) No more than two former members of the Management Board may sit on the Supervisory Board.

e) At least two Supervisory Board members must have international experience in a non-German market with relevance for the Company or particular expertise in the printing and media industry.

f) The Supervisory Board must have at least one member with experience in mechanical engineering and the associated industry expertise.

g) 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.

h) The Supervisory Board must have at least one member with experience in financing and the capital market.

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. The Supervisory Board therefore had to be comprised of at least two women and at least two men on both the shareholder representative and employee representative sides. As of March 31, 2022, 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, 2022, the Supervisory Board discussed the specific proposal for election to be made to the 2022 Annual General Meeting and, at the recommendation of the Nomination Committee, resolved to propose that the Annual General Meeting elect Oliver Jung 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.

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.

### 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 writing in German or English. Proof of shareholding must be presented in writing 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 writing. 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. Above all, 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 3, 2022

HEIDELBERGER DRUCKMASCHINEN
AKTIENGESELLSCHAFT

The Supervisory Board

Dr. Martin Sonnenschein

The Executive Board

Dr. Ludwin Monz

Marcus A. Wassenberg

## Compliance

- Continuous enhancement of the compliance management system
- Publication of the revised version of the Code of Conduct for Heidelberg Group employees, the Business Partner Code of Conduct, and internal compliance guidelines
- Focal points for the financial year 2022/2023: Strengthening of the regional and local compliance organization, expansion of the internal communication strategy, enhancement of the training program through the roll-out of e-learning


### Compliance management system

The Management Board of the Heidelberg Group 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 the Heidelberg Group act with integrity and in accordance with the law.

The Heidelberg Group'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. The Heidelberg Group'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 the Heidelberg Group and its employees, managers and executive bodies. The CMS is intended to aggregate measures and regulations that ensure that the actions of the Heidelberg Group'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 the Heidelberg Group sees itself as a company. As part of the continuous enhancement of the CMS, the compliance risk analysis initiated in the financial year 2020/2021 was successfully completed and the potential compliance risks were identified and assessed. The results fed into the further planning process.

### Compliance guidelines

The Code of Conduct for employees is an important element of the CMS. The Code of Conduct is based on the values of the Heidelberg Group and has been adapted to reflect 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 the Heidelberg Group undertakes to uphold. It constitutes a binding framework and provides guidance for the day-to-day actions and decisions of the Heidelberg Group. The managers and executive bodies of the Heidelberg Group are required to act as role models and support their employees in complying with the Code of Conduct.

The Heidelberg Group 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 forms the basis for the continuous, long-standing partnership with the suppliers and business partners of the Heidelberg Group on the basis of integrity.

In the financial year 2021/2022, both documents were updated and published in their revised form both internally on the intranet and externally on Heidelberg's website.

The compliance guidelines provide a binding framework and guidance for the employees, managers and executive bodies of the Heidelberg Group, including when dealing with customers, suppliers and business partners. The internal regulations form the basis for ensuring that the Heidelberg Group acts with integrity and in accordance with the law, particularly with regard to combating bribery and corruption. Corresponding compliance guidelines were developed in the financial year 2021/2022 and published internally with accompanying communication.

### 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 and Chief Human Resources Officer.

To this end, the CCO reports directly to the Chief Financial Officer and Chief Human Resources 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 will be strengthened further in the financial year 2022/2023. In particular, the regional and local compliance officers were already provided with training in the financial year 2021/2022.

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.

### Compliance training and communication

The compliance office develops a risk- and target group-oriented training concept and training documents. The training documents cover topics including the Code of Conduct, dealing with gifts, invitations and hospitality, dealing with suppliers and business partners with integrity, and information on dealing with compliance violations. The training documents have been provided to the local and regional compliance officers. Compliance training is intended to help the employees, managers and executive bodies of the Heidelberg Group to act with integrity and in accordance with the law.

One of the main focal points of training in the financial year 2021/2022 was the Group-wide implementation of train the trainer programs, which are intended to provide in-depth training and support for the local and regional compliance officers within the Heidelberg Group.

The training program will be supported on a Group-wide basis in the financial year 2022/2023 in the form of risk- and target group-oriented classroom training as well as e-learning.

In the financial year 2021/2022, activities relating to the planned communication strategy primarily focused on internal communication. This included employee awareness training for compliance-related issues and strengthening the compliance culture.

### Dealing with compliance violations

The Heidelberg Group 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 the employees, managers and executive bodies of the Heidelberg Group for all compliance-related questions and notifications.

Compliance misconduct and violations can also be reported via various channels, including to the ombudsperson appointed by the Heidelberg Group. Through the ombudsperson, the Heidelberg Group ensures that employees, customers, suppliers and business partners can report potential compliance misconduct and violations confidentially and, if required, anonymously.

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 2022/2023

| | |
|---|---|
| **June 9, 2022** | Press Conference, Annual Analysts' and Investors' Conference |
| **July 21, 2022** | Annual General Meeting |
| **August 10, 2022** | Publication of First Quarter Figures 2022/2023 |
| **November 9, 2022** | Publication of Half-Year Figures 2022/2023 |
| **February 8, 2023** | Publication of Third Quarter Figures 2022/2023 |
| **June 14, 2023** | Press Conference, Annual Analysts' and Investors' Conference |
| **July 26, 2023** | Annual General Meeting |

Subject to change

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# Five-year overview – Heidelberg Group

| Figures in € millions | 2017/2018 | 2018/2019 | 2019/2020 | 2020/2021 | **2021/2022** |
|---|---|---|---|---|---|
| Incoming orders | 2,588 | 2,559 | 2,362 | 2,000 | 2,454 |
| Net sales | 2,420 | 2,490 | 2,349 | 1,913 | 2,183 |
| Foreign sales share in percent | 84.9 | 84.8 | 86.2 | 86.4 | 85.6 |
| EBITDA [1] | 156 | 161 | – 103 | 95 | 160 |
| in percent of sales | 6.4 | 6.5 | – 4.4 | 5.0 | 7.3 |
| Result of operating activities | 87 | 81 | – 269 | 18 | 81 |
| Net result before taxes | 39 | 32 | – 322 | – 23 | 51 |
| Net result after taxes | 14 | 21 | – 343 | – 43 | 33 |
| in percent of sales | 0.6 | 0.8 | – 14.6 | – 2.2 | 1.5 |
| Research and development costs | 121 | 127 | 126 | 87 | 98 |
| Investments | 142 | 134 | 110 | 78 | 71 |
| Total assets | 2,256 | 2,329 | 2,602 | 2,169 | 2,183 |
| Net working capital [2] | 610 | 684 | 645 | 505 | 440 |
| Receivables from sales financing | 66 | 60 | 43 | 44 | 43 |
| Equity | 341 | 399 | 202 | 109 | 242 |
| in percent of total equity and liabilities | 15.1 | 17.1 | 7.8 | 5.0 | 11.1 |
| Financial liabilities | 438 | 465 | 471 | 271 | 135 |
| Net debt [3] | 236 | 250 | 43 | 67 | – 11 |
| Free cash flow | – 8 | – 93 | 225 [4] | 40 | 88 |
| in percent of sales | – 0.3 | – 3.7 | 9.6 | 2.1 | 4.0 |
| Return on equity in percent [5] | 4.1 | 5.3 | – 169.8 | – 39.4 | 13.6 |
| Earnings per share in € | 0.05 | 0.07 | – 1.13 | – 0.14 | 0.11 |
| Dividend in € | – | – | – | – | – |
| Share price at financial year-end in € [6] | 3.04 | 1.55 | 0.56 | 1.15 | 2.39 |
| Market capitalization at financial year-end | 847 | 472 | 171 | 350 | 728 |
| Number of employees at financial year-end [7] | 11,563 | 11,522 | 11,316 | 10,212 | 9,811 |

[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 financial liabilities and cash and cash equivalents and current securities
[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

**FINANCIAL CALENDAR 2022/2023**

JUNE 9, 2022
Press Conference,
Annual Analysts’ and Investors’ Conference

JULY 21, 2022
Annual General Meeting

AUGUST 10, 2022
Publication of First Quarter Figures 2022/2023

NOVEMBER 9, 2022
Publication of Half-Year Figures 2022/2023

FEBRUARY 8, 2023
Publication of Third Quarter Figures 2022/2023

JUNE 14, 2023
Press Conference,
Annual Analysts’ and Investors’ Conference

JULY 26, 2023
Annual General Meeting

**Heidelberger Druckmaschinen Aktiengesellschaft**

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