

Strategic orientation

The printing industry has been undergoing profound change for many years. While demand is falling in some market segments, demand is growing in others. At the same time, print shops around the world are facing increased demands for sustainability and efficiency as well as the opportunities and challenges of labor shortages and digitization.

Markets outside the printing industry are also on the move; global megatrends are changing existing markets, shaping the growth markets of tomorrow and offering start-ups and established industrial companies interesting market opportunities.

HEIDELBERG is responding to these developments with its dual-track strategy. With the aim of positioning HEIDELBERG in such a way that it can be economically successful today and in the future, two main strategic directions are being pursued:

- We shape the printing market.
- We tap new markets in addition to our core business.

Core business of printing: We shape the printing market

Printing is our core business. We are using the strength of our brand and our extensive expertise to expand our market and innovation leadership in the sheetfed offset sector and open up further growth areas. With the aim of addressing our customers' most pressing problems, we consistently seize the opportunities and embrace the challenges surrounding digitization, sustainability, efficiency and labor shortages. Dialogue

with our customers is the basis for operating successfully and sustainably in increasingly diversified markets.

We want to expand our share of the growing packaging and label market and focus our offering more strongly on optimizing the entire production process. We are also working on strengthening our digital printing offering and increasing the proportion of recurring sales.

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

Thanks to globally increasing demand for packaged goods, packaging and label printing is seeing structural growth. Driven primarily by increased environmental awareness and legislation, there is also a clear trend in many regions away from polymer-based packaging towards fiber-based packaging. At the same time, international brand companies continue to attach great importance to product presentation and packaging design and have the highest quality standards. HEIDELBERG already generates around half of its sales revenues in the Packaging Solutions segment – and the trend is rising. We aim to keep growing in this segment in the future.

In folding box printing, HEIDELBERG is the leading provider of the most important sheetfed offset printing technology. The latest generation of our Speedmaster XL 106 Gen24 unveiled at drupa 2024 sets new standards in terms of performance, automation and sustainability. HEIDELBERG is thus underpinning its claim to expand its market and technology leadership in this market segment.

At the same time, the Company is also broadening its focus to include flexographic printing, which can offer a key productivity advantage particularly for packaging printers with high volumes. The successful launch of the Boardmaster web-fed flexographic printing press for folding box printing provides a foundation for entering additional, untapped growth markets within the packaging segment. In particular, HEIDELBERG is responding to the trend away from plastic and towards paper-based packaging and is actively driving the transformation to sustainable packaging in the market.

Another building block for HEIDELBERG and key to the holistic optimization of our customers' production processes is a consistent data workflow across the entire value chain. HEIDELBERG already maps this in its Prinect software, from prepress and printing through to postproduction. This is continuously being developed with a view to the challenges faced by our customers. In conjunction with highly automated solutions that minimize manual work steps, the susceptibility to errors and system interruptions in the production process, HEIDELBERG thus creates the conditions for more efficient printing processes.

The market for printed labels is comparatively small, accounting for around 10 percent of the print volume in the packaging sector, but offers good growth opportunities from HEIDELBERG's perspective. Sheetfed offset, flexographic and digital printing are the leading printing processes in this market segment, with digital printing in particular showing the highest growth rates for the future. For HEIDELBERG, this market segment is therefore a strategic growth segment where the Company provides both automated end-to-end solutions in sheetfed offset printing and also digital and flexographic printing solutions at the Swiss subsidiary Gallus. With the introduction of the Gallus One, the first fully digital label printing system, the Company set new standards and intends to further expand its position in this market segment. The Gallus One has been specifically designed to reduce the total cost of ownership for roll-to-roll digital label production with the highest level of automation and cloud-based technologies. It gives brand manufacturers access to cost-effective, sustainable and high-quality digital labels. The Gallus One also helps to increase recurring sales for HEIDELBERG thanks to a proprietary ink.

Print Solutions: Two print technologies, workflow software and new services to benefit from change

Commercial printing and the publishing market segment, which HEIDELBERG addresses in the Print Solutions business segment, have been characterized by change for years. Consumer requirements for commercial print products, such as business and advertising prints, publications, calendars and catalogs, are changing. The main driver is the trend towards smaller print runs and individualized print products. Against this backdrop, commercial printers are adapting their business models and services. In terms of technology, the shift towards a stronger coexistence of sheetfed offset and digital printing processes is evident, and the share of digital printing technology in this segment is growing continuously. Nevertheless, sheetfed offset printing is still the dominant technology in commercial printing, accounting for around 40 percent of print production volumes.

HEIDELBERG has derived two general strategic directions for the Print Solutions segment from these developments:

- We will further strengthen our strong market position in the sheetfed offset sector through targeted technological innovations across the entire value chain of commercial print shops. We will specifically address the pain points of our customers. By enabling sustainable and efficient production with our products – even beyond printing – we ensure the competitiveness of our commercial customers in a challenging market environment.
- In terms of digital printing, this segment is an interesting growth market for HEIDELBERG. The declared aim is therefore to strengthen the Company's own digital printing presence in the commercial printing sector. The introduction of the fully digital label printing system Gallus One is a very good blueprint for achieving economic success in commercial printing with a profitable digital ecosystem consisting of a digital printing press, software, service and consumables with recurring sales.

HEIDELBERG also has extensive process and application expertise in both offset and digital printing, which enables the integration of both printing processes in a standardized workflow within the Prinect software. From HEIDELBERG's point of view, the integrated mapping of both printing processes in one software system and the worldwide professional service offering are a decisive competitive advantage for our customers.

At the same time, HEIDELBERG's subscription offers provide medium-sized customers in this segment in particular with a systematic approach to increasing productivity. Thanks to its extensive industry expertise and anonymized data from around 13,000 machines installed in the field, the Company can deliver decisive added value.

Customers who operate this business model have an average 20 to 30 percent higher machine capacity utilization. In turn, HEIDELBERG benefits from recurring sales over the term of the contract. The consumables business also provides regular income and is more stable than the new machine business, which tends to be cyclical.

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

With regard to the Technology segment, HEIDELBERG is pursuing the goal of opening up new, attractive business areas. These should address megatrends, have sustainable growth potential and fit with HEIDELBERG's competencies.

HEIDELBERG has already taken the first steps in this direction. With its charging solutions for private households, vehicle fleets and public charging, HEIDELBERG and its subsidiary Amperfied GmbH have already successfully positioned themselves in the e-mobility market. And the forecasts confirm: Despite the current vacuum effect due to the expiration of subsidies in Germany, this market will grow worldwide in the coming years. With regard to the European Union, this trend is being positively influenced by the so-called "ban on combustion engines", among other things. From 2035, only new cars that do not emit any greenhouse gases are to be registered in the EU.

HEIDELBERG would like to participate in this growth with its subsidiary Amperfied GmbH. Amperfied GmbH is in the process of transforming itself from a hardware supplier for the wholesale and automotive industries in Germany into a company with a multichannel and direct customer strategy and Europe-wide expansion. Furthermore, the course was set to develop from a hardware supplier to a charge point operator. In addition to the revenue from the sale of hardware, this could open up further recurring sales potential – for example, through installation and service, backend solutions and financing.

HEIDELBERG also intends to use its extensive expertise to tap into further growth markets and continuously analyzes market opportunities and developments.

Sustainability firmly integrated in strategic agenda

For HEIDELBERG, sustainability is the combination of long-term economic success with ecological and social responsibility and is part of our strategic orientation. At HEIDELBERG, sustainability is firmly anchored in the organization throughout the Group. In order to fulfill its social responsibility, HEIDELBERG expanded its previous climate target in the past financial year. The prior target focused solely on Scope 1 and 2 emissions. The new, science-based climate target aligns with the Paris Agreement's ambitious 1.5-degree goal and now encompasses Scope 3 emissions. HEIDELBERG therefore pursues the holistic goal of reducing emissions along the entire value chain and throughout the service life of the machines; in addition to emissions at our own production and sales sites, we also focus on the emissions of our customers throughout the entire lifecycle of our machines.

Further information of our sustainability initiatives is provided in the non-financial report 2023/2024, which is published in the Investor Relations section of our website under "Reports and presentations".