Ordinary Annual General Meeting
of Heidelberger Druckmaschinen Aktiengesellschaft
on July 25, 2024

Report of the Management Board
on
agenda item 10

Report of the Management Board to the Annual General Meeting in accordance with Sections 71 (1) (8) sentence 5 in conjunction with Section 186 (4) sentence 2 AktG

Section 71 (1) (8) AktG provides the option of acquiring treasury stock up to a total of 10 percent of the share capital on the basis of an authorization by the Annual General Meeting.

The proposed resolution in item 10 of the agenda provides for the Management Board to be authorized, with the prior approval of the Supervisory Board, to acquire treasury stock up to a maximum of 10 percent of the share capital existing at the time the resolution is adopted or – if this value is lower – of the share capital existing at the time the authorization is exercised. The acquisition must take place via the stock exchange, on the basis of a public purchase offer to all shareholders or on the basis of a public invitation to all shareholders to submit offers for sale. The principle of equal treatment under stock corporation law must be observed in each case. In case of a public invitation to all shareholders to submit offers for sale, the addressees of this invitation can decide how many shares they would like to offer the company and at what price (if a price range is set).

If the acquisition is made by means of a public purchase offer addressed to all shareholders or by means of a public invitation to submit offers for sale, the volume of the offer or the invitation to submit offers for sale may be limited. This may result in the number of shares in the company offered by the shareholders exceeding the number of shares demanded by the company. In this case, allocation must be based on quotas. In this context, it should be possible to carry out a scaling down based on the ratio of the shares subscribed or offered (tender quotas) instead of according to ownership interest, because the acquisition process can be carried out technically better within an economically sensible framework in this way. It should also be possible to provide for preferred acceptance of smaller numbers of up to 100 shares tendered per shareholder. This option is used to avoid fractional amounts when determining the quotas to be acquired and small remainders, thus facilitating the technical processing of the share buyback. This also helps preventing a de facto discrimination of small shareholders. Finally, it should be possible to provide for rounding in accordance with commercial principles to avoid fractions of shares. Insofar, the acquisition ratio and the number of shares to be acquired from individual tendering shareholders may be rounded as necessary to reflect the acquisition of whole shares with respect to settlement technicalities. The Management Board and Supervisory Board consider the exclusion of any further shareholder tender rights to be objectively justified.

The respective price offered or the limits of the purchase price range per share set by the company (excluding incidental acquisition costs) may not be more than 10 percent above or below the average closing price of the shares in the company in XETRA trading (or a comparable successor system) on the Frankfurt Stock Exchange on the last five trading days prior to the date of the public announcement of the offer or the public invitation to submit offers for sale. Following the release of a public purchase offer addressed to all shareholders or a public invitation to all shareholders to submit offers for sale, if there are significant deviations in the relevant share price, the purchase offer or the invitation to submit offers for sale may be adjusted. In this case, the average price of the five trading days prior to the public announcement of the adjustment is used as a basis. The purchase offer addressed to all shareholders or the invitation to all shareholders to submit offers for sale may stipulate further conditions.

The additional proposed option of selling or using treasury stock is used to simplify the procurement of funds. In accordance with Section 71 (1) (8) sentence 5 AktG, the Annual General Meeting may also authorize the Management Board to sell the shares in a form other than via the stock exchange or on the basis of an offer to all shareholders. According to the proposed resolution, the Management Board also requires the prior approval of the Supervisory Board for the use of treasury stock.

The prerequisite for this alternative proposed in item 10b (2) of the agenda is that the treasury stock is sold in accordance with Section 186 (3) sentence 4 AktG for cash at a price that is not significantly lower than the stock market price of the substantially comparable shares in the company that are already listed on the stock market at the time of the sale. This makes use of the legally permitted and customary option of a simplified exclusion of subscription rights. The idea of protecting shareholders against dilution is taken into account by the fact that the shares may only be sold at a price that is not significantly lower than the relevant stock market price. The disposal price for treasury stock will be determined in a timely manner shortly before disposal. The Management Board – with the approval of the Supervisory Board – will set the discount on the stock market price as low as possible in accordance with the market conditions prevailing at the time of placement. The possibility of selling treasury stock with the exclusion of subscription rights and in a form other than via the stock exchange or through an offer to all shareholders is in the interest of the company in view of the strong competition on the capital markets. This opens up the opportunity for the company to offer its treasury stock quickly and flexibly to national and international investors, expand the shareholder base and stabilize the value of the share. The sale at a purchase price that is not significantly lower than the stock market price and the limitation of the proportion of treasury stock that can be sold under this type of exclusion of subscription right to a maximum of 10 percent of the share capital (when the authorization takes effect and when it is exercised) ensure that the financial interests of the shareholders are adequately protected. The 10% cap on share capital includes shares issued or sold during the term of this authorization with pre-emptive subscription rights disapplied in accordance with section 186 (3) sentence 4 AktG applied directly or analogously. It also includes shares issued to serve option or conversion rights from convertible option bonds profit participation certificates and/or profit participation rights if these bonds or profit participation rights are issued during the term of this authorization with pre-emptive subscription rights disapplied in accordance with section 186 (3) sentence 4 AktG in direct or analogous application. As the treasury stock will be placed close to the market price, all shareholders may acquire shares on the market at approximately the same conditions in order to maintain their investment ratio.

According to the resolution proposed in item 10b (3) of the agenda, the company should also have the option of using treasury stock as consideration in kind for the acquisition of assets the context of business combinations, the acquisition of companies, parts of companies, interests in companies (including increases) or other assets. The authorization is intended to provide the Company with the necessary flexibility to quickly and flexibly leverage opportunities that arise to acquire companies, parts of companies, equity investments in companies or other assets and for business combinations in international competition. The possibility to offer shares as consideration can carry considerable weight when acquiring companies or equity investments. It can also be in the Company's interests to offer shares as consideration when acquiring other assets as well. These are typically items of property, plant and equipment or intangible assets. The proposed exclusion of subscription right takes this into account. When determining the valuation ratios, the Management Board and Supervisory Board will ensure that the interests of the shareholders are adequately safeguarded. In particular, they will be generally guided by the stock market price of the shares in the company when measuring the value of the treasury stock granted as consideration.

In addition, the authorization in item 10b (4) of the agenda stipulates that the company may use treasury stock as part of share participation or other share-based programs for employees of the company or employees of a company affiliated with the company or members of the management of a company affiliated with the company. The use of treasury stock for issuing to employees and/or managers of the company and/or affiliated companies is privileged by law in accordance with Section 71 (1) (2) AktG because it promotes identification with the company and encourages the willingness to assume joint responsibility within the company. In addition, it should also be possible to use the treasury stock in the same way for members of the management of a company affiliated with the company, as there may be a similar need for this. The use of treasury stock for employees and members of the management of an affiliated company is used to bind them to the company. As a result, this type of use of treasury stock can therefore be a suitable means of promoting the motivation and willingness to perform among the beneficiaries and preventing unwanted departures or at least reducing the risk of such departures. Share-based compensation also offers the opportunity, in appropriate cases, to ensure that the compensation of employees, managers and members of the management of an affiliated company is oriented towards long-term and sustainable corporate development, whereby holding periods lasting several years are usually agreed. When issuing new shares to employees of the company, employees of a company affiliated with the company and members of the management of a company affiliated with the company, it is necessary to exclude shareholders' subscription right.

Furthermore, the authorization in item 10b (5) of the agenda stipulates that treasury stock may be used, excluding shareholders' subscription right, to fulfill subscription and exchange rights arising from the exercise of conversion and/or option rights or the fulfillment of conversion obligations from convertible bonds and/or bonds with warrants, profit participation certificates and/or profit participation rights which have been or will be issued or guaranteed by the company or one of its Group companies. The proposed resolution does not create a new authorization to grant further conversion and/or option rights. Its sole purpose is to allow the management to use treasury stock in whole or in part to fulfill conversion and/or option rights or conversion obligations that can already be established on the basis of other existing or future authorizations instead of using contingent capital. There are no burdens for the shareholders that go beyond any dilution effects potentially associated with the exclusion of subscription right when issuing convertible bonds and/or bonds with warrants. Rather, it merely increases the flexibility of the Management Board in that it does not necessarily have to settle bonds from contingent capital, but can also use treasury stock if this appears more favorable in the interests of the company and its shareholders in the specific situation. Conversion and/or option rights or conversion obligations that are considered for settling with treasury stock do not yet exist but could, for example, be established on the basis of the resolution in item 8 of the agenda adopted by the Annual General Meeting on July 26, 2023 (authorization to issue bonds with warrants, convertible bonds and/or profit participation certificates).

Furthermore, the authorization in item 10b (6) of the agenda stipulates that treasury stock may be used, excluding shareholders' subscription right, with respect to holders or creditors of bonds with warrants and/or convertible bonds, profit participation certificates and/or profit participation rights with option and/or conversion rights or conversion obligations that have been or will be issued or guaranteed by the company or one of its subordinated Group companies, on the occasion of subsequent share issues with shareholders' subscription right, to grant the above-mentioned holders or creditors a subscription right to shares to the extent to which they would be entitled after exercising the option or conversion rights or after fulfilling conversion obligations.In order to facilitate the placement of bonds on the capital market, the corresponding bond conditions generally include protection against dilution. One way of protecting against dilution is to grant the holders or creditors of the bonds a subscription right to new (or existing) shares in subsequent share issues, as shareholders are entitled to. This puts them in the same position as if they were already shareholders. In order to provide the bonds with such dilution protection, which can also be settled by treasury stock, shareholders' subscription right to treasury stock must be excluded. This facilitates the placement of the bonds and thus the interests of the shareholders in an optimal financing structure for the company.

Finally, treasury stock may be redeemed by the company in accordance with the resolution proposed in item 10b (1) of the agenda without the need for a new resolution by the Annual General Meeting for this purpose. In accordance with Section 237 (3) (3) AktG, the Annual General Meeting of a company can resolve to redeem its fully paid-up no-par value shares without this requiring a reduction in the company's registered capital. The authorization proposed here expressly provides for this alternative in addition to redemption with a capital reduction. By redeeming treasury stock without reducing capital, the calculated proportion of the remaining no-par value shares in the company's share capital automatically increases. The Management Board should therefore also be authorized to make the necessary changes to the Articles of Association with regard to the number of no-par value shares that changes as a result of a redemption.

The shareholders' subscription right to acquired treasury stock is excluded to the extent that in accordance with item 10b (2) through (6) of the agenda this treasury stock is used in a manner other than through sale on the stock exchange or through an offer to all shareholders. Furthermore, in the event of the sale of treasury stock via an offer for sale to all shareholders, it should be possible to exclude shareholders' subscription right for fractional amounts. The exclusion of the subscription right for fractional amounts is necessary in order to be able to technically implement the submission of acquired treasury stock by way of an offer to the shareholders. The treasury stock excluded from shareholders' subscription right as fractional amounts is either sold on the stock exchange or otherwise disposed of in the best possible way for the company.

When deciding on the acquisition and use of treasury stock, the Management Board will be guided solely by the well-understood interests of the shareholders and the company.

The Management Board will report on any utilization of the above authorizations in the following Annual General Meeting respectively.

The above report will be available on the Company’s website at www.heidelberg.com/hauptversammlung from the day the meeting is convened. It will also be available for inspection at the Annual General Meeting itself.