

Report of the Supervisory Board



DR. SIEGFRIED JASCHINSKI
Chairman of the Supervisory Board

Dear shareholders,

Heidelberg is undergoing a development and transformation process towards becoming a more customer-oriented company. After the necessary restructuring and optimization measures in recent years to adapt its structures to market changes, the Company was realigned and the course was set to grow profitably again in the future.

The increased focus of the research and development budget on the field of digital printing is also becoming increasingly visible. Thus, the launch of the new digital label press from Heidelberg for the packaging market was successful. Likewise, Heidelberg was able to secure a German start-up company in the food industry as a partner for its latest development in 4D printing.

At the drupa trade show in June this year, Heidelberg will present intelligent services and networked products with the slogan “Simply Smart”, and so promote the digitalization of the sector. The next milestone in the digital strategy will be achieved with the presentation of the first industrial sheetfed digital press. Together with our partner Fujifilm, a new, highly productive digital printing system on an inkjet basis is being introduced for industrial applications. Heidelberg is the only provider to offer customers the parallel, simple and integrated operation of offset and digital machinery.

Heidelberg is aiming to be industrial printers’ preferred partner with its combined range of presses, service and consumables. With a dynamic portfolio geared towards further growth and sustained profitability, a stronger corporate and innovation culture and solid financing, the Company is an attractive investment opportunity for investors.

Close cooperation between Management Board and Supervisory Board

The Supervisory Board continuously monitored the management by the Management Board in the 2015/2016 financial year and regularly advised it on the running of the Company. At all times, we were assured of the legality and regularity of the work of the Management Board. The Management Board fulfilled its information duties and reported to us regularly, promptly and comprehensively in both written and verbal form on all the issues of business development, risk development and compliance relevant to the Company. In particular, we discussed all the business transactions of significance to the Company verbally and in writing with the Management Board and verified their plausibility. On several occasions, the Supervisory Board or parts of the Supervisory Board thoroughly examined the risk situation of the Company, its liquidity planning and its equity situation. The Chairman of the Supervisory Board and the Chairman of the Audit Committee were

also in close contact with the Management Board between committee meetings and informed themselves of significant developments. The Chairmen of the Supervisory Board and the Audit Committee and those of other committees reported on key findings no later than the following Supervisory Board or committee meeting.

The shareholder and employee representatives discussed the agenda items for Supervisory Board meetings in separate preliminary talks. The Supervisory Board granted its approval for individual transactions to the extent so required by law, the Articles of Association or Rules of Procedure for the Management Board.

No members took part in only half, or less, of the meetings of the Supervisory Board and committees of which they are members¹⁾. The average attendance rate at the meetings of the Supervisory Board and its committees was almost 100 percent in the 2015/2016 financial year.

Key topics at Supervisory Board meetings

The Supervisory Board's discussions focused on issues relating to strategy, the portfolio and the business activities of Heidelberger Druckmaschinen AG. Furthermore, the Supervisory Board addressed the liquidity situation, the capital structure and the efficiency review of the Supervisory Board.

In particular, I would like to highlight the following key topics:

At its extraordinary meetings held as conference calls on April 13 and 17, 2015, the Supervisory Board discussed issuing a new seven-year high-interest bond to further diversify the financial framework.

At its meeting on June 2, 2015, the Supervisory Board took a minute's silence to remember former chairman Robert Koehler who passed away in May. Without the Management Board in attendance, the undersigned was then elected as the new Chairman of the Supervisory Board. The Supervisory Board adopted the single-entity financial statements and approved the consolidated financial statements for the 2014/2015 financial year following the presentation and discussion of the auditor's report, thereby concurring with the recommendation of the Audit Committee. It also approved the agenda for the 2015 Annual General Meeting. Moreover, the Supervisory Board resolved the level of target attainment for the Management Board bonuses for the 2014/2015 financial year and the establishment of a temporary special committee owing to the absence due to illness of Dr. Gerold Linzbach.

At its extraordinary meeting held as a conference call on July 14, 2015, the Supervisory Board appointed Mr. Dirk Kaliebe as the deputy Chief Executive Officer for the duration of Dr. Linzbach's illness. This arrangement was suspended with the return of Dr. Linzbach at the start of 2016. Furthermore, the adjustment and renewal of the existing revolving loan agreement with a syndicate of banks was discussed and resolved at this meeting.

At the meeting before the Annual General Meeting on July 24, 2015, the Supervisory Board discussed the reporting of the Management Board on the business situation and the report of the Audit Committee as in every meeting held in the year under review. In addition, the meeting served as preparation for the Annual General Meeting that followed. Furthermore, the Supervisory Board resolved to commission PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft as the auditor for financial year 2015/2016.

Following the account of the current business situation in the Supervisory Board meeting on November 25, 2015, the Supervisory Board was then informed in detail about the meetings of the Audit Committee, the Personnel Matters Committee, the Nomination Committee and the Strategy Committee. The Supervisory Board also addressed Management Board matters and the results of the efficiency review of the Supervisory Board. Finally, the declaration of compliance for 2015 was approved at this meeting.

The topics discussed at the Supervisory Board's last meeting of the reporting year, on March 30, 2016, were the planning for the coming financial year and projections for the following years. The Supervisory Board acknowledged and approved the planning presented and was informed about the meeting of the Nomination Committee and the Personnel Matters Committee. Finally, following its discussions, the Supervisory Board approved the conclusion of a secured development loan of €100 million with a term of seven years with the European Investment Bank.

¹⁾ The resolution regarding Ms Heumann's appointment did not reach us until March 31, 2016

Corporate governance

The corporate governance of the Company was a regular topic of the discussions in the Supervisory Board, as were the recommendations of the German Corporate Governance Code revised in 2015. The Rules of Procedure of the Management Board and the Supervisory Board did not have to be updated as a result of the revised recommendations. Further information on the Company's corporate governance and related activities of the Supervisory Board can also be found in the corporate governance report on our Web site www.heidelberg.com under Company > About Us > Corporate Governance.

Work in the committees

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

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

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

The Personnel Matters Committee met three times in the 2015/2016 reporting year. Its work focused on remuneration issues and other issues concerning members of the Management Board. The Audit Committee held five regular meetings and several event-driven telephone conferences covering individual topics. It examined quarterly and event-driven questions 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 interim 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 integration of newly acquired companies and the effects of the reorientation and development of business areas, risk management, the internal controlling and audit system, compliance, the implementation and impact of the portfolio and restructuring measures, the accounting treatment of pension provisions, investment controlling and sales financing. The Strategy Committee met once and discussed the strategic orientation of the individual business areas and the changes in the market and at customers, including in particular the business areas consumables, digital and sheetfed. The Nomination Committee met three times. The Management Committee did not meet. Furthermore, the Mediation Committee in accordance with section 27 (3) of the German Codetermination Act (MitBestG) did not have to be convened.

In addition, a temporary special committee was formed in the year under review for the duration of Dr. Linzbach's illness.

Change in financing framework

Accompanied by refinancing activities, the Company's interest costs were gradually reduced and the maturity profile of financial instruments adapted to the cash flows generated from the portfolio. Overall, the financial framework has a solid foundation, with the result that the corporate strategy can be implemented in the business areas, and parallel to this there can be further optimization within the capital structure. Key milestones in this were the issue of the 2015 corporate bond of €205 million maturing in 2022 and a partial repayment of the corporate bond maturing in 2018 to a remainder of around €115 million, of which a further €64.5 million was repaid in mid-April 2016 and the remaining part of which will be repaid completely on June 10, 2016. A further milestone finally was the signing of a secured development loan of €100 million with a term of seven years with the European Investment Bank.

Audit of the single-entity and consolidated financial statements

The Annual General Meeting on July 24, 2015, appointed PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft as the auditor. This company audited the single-entity financial statements for

the 2015/2016 financial year, the management report of Heidelberger Druckmaschinen Aktiengesellschaft and the consolidated financial statements and Group management report of the Heidelberg Group prepared by the Management Board and issued each with unqualified opinions. The single-entity financial statements, the consolidated financial statements, the management report of the Company and the management report of the Heidelberg Group were submitted to the Supervisory Board immediately on their completion. The reports of the auditors were distributed to all the members of the Supervisory Board in time before the accounts meeting of the Supervisory Board on June 3, 2016. The auditors who signed the audit reports took part in the Supervisory Board's discussions. During the meeting, they reported on the results and on the fact that there are no significant weaknesses in the internal controlling or risk management system with regard to the (Group) accounting process. They were available to the members of the Supervisory Board to answer questions. 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 Audit Committee recommended the adoption of the single-entity financial statements and the approval of the consolidated financial statements at the meeting of the Supervisory Board on June 12, 2016. We examined and accepted the annual financial statements, the consolidated financial statements, the management report of Heidelberger Druckmaschinen Aktiengesellschaft and the management report of the Heidelberg Group prepared by the Management Board. We thereby concurred with the audit findings of both sets of financial statements, adopted the single-entity financial statements and approved the consolidated financial statements for the year ended March 31, 2016.

Composition of the Management Board and Supervisory Board

The composition of the Supervisory Board changed in the year under review. The Chairman of the Supervisory Board, Robert Koehler, passed away on May 17, 2015. The undersigned was appointed as the new Chairman of the Supervisory Board effective June 2, 2015. The place on the Supervisory Board vacated by Robert Koehler's passing was filled by Karen Heumann. She was appointed as a new member of the Supervisory Board by court order effective March 24, 2016, until the forthcoming Annual General Meeting. Karen Heumann has extensive knowledge of the brand and advertising environment in addition to experience in the printing industry, which will be of considerable benefit to Heidelberg in its journey of realignment to increase its customer focus.

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

This year, my particular thanks go once again to the employees of Heidelberg and their representatives in the Supervisory Board, the Works Councils and the Speakers Committee for all their dedicated work.

I would also expressly like to include the members of the Management Board who have done everything possible in difficult times to turn Heidelberg into a healthy and sustainably profitable enterprise once again. I would like to conclude by thanking you, dear shareholders, for the confidence you have placed in our Company and in the shares of Heidelberger Druckmaschinen Aktiengesellschaft.

Düsseldorf, June 3, 2016

FOR THE SUPERVISORY BOARD



DR. SIEGFRIED JASCHINSKI

Chairman of the Supervisory Board