

## Report of the Supervisory Board



**DR. SIEGFRIED JASCHINSKI**  
Chairman of the Supervisory Board

Dear shareholders,

In the past financial year, Heidelberger Druckmaschinen AG has laid the foundations for growth, initiated a turnaround in its earnings situation, and geared its strategy towards a successful digital future – including the repositioning of the Management Board. Based on the new portfolio and planned acquisitions in the service area in particular, Heidelberg is seeking to continue on its growth path over the coming years.

At the drupa 2016 trade fair in Düsseldorf, the Company pressed ahead on the path to a digital future under the central theme of “Simply Smart”, which represents the start of Heidelberg’s response to the challenges of ongoing digitization in the print media industry. The Company’s underlying digital strategy will give rise to increased benefit, making it as easy as possible for customers to handle increasingly complex processes and technologies. The overriding aim is to reduce manual interventions in the production process to a minimum so that printing companies can focus on what matters most – business with their customers.

The new digital printing range also offers expanded business models, particularly for industrialized packaging producers. At the same time, Heidelberg is continuously expanding its service range. The Company intends to further improve customer retention with a new cloud-based service platform. Accordingly, the portfolio focus will shift towards growing market segments that are more economically robust, such as packaging printing.

With the appointment of Rainer Hundsdörfer as the new Chief Executive Officer and Dr. Ulrich Hermann as the member of the Management Board with responsibility for Digital Business and Services, the Supervisory Board is underlining the importance of the digital positioning for Heidelberg’s future while also helping to actively shape this development. In their positions to date, both managers have demonstrated their ability to efficiently change structures and successfully implement digital business models.

We are already gearing up for the challenges of the future at a structural level. In 2018, the new development center at the Wiesloch-Walldorf production site, which will house around 1,000 employees, will become the world’s most modern research facility for the printing industry. It will be the most significant center of excellence for the printing industry, which is generating global sales of around € 400 billion per year and rising.

### **Close cooperation between Management Board and Supervisory Board**

The Supervisory Board continuously monitored the management by the Management Board in financial year 2016/2017 and regularly advised it on the running of the Company. We were assured of the legality and propriety of the work of the Management Board at all times. 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 also maintained a close and regular exchange of information and thoughts with the Management Board between the committee meetings and informed themselves of significant developments. The Chairmen of the Supervisory Board and the Audit Committee reported on key findings no later than the next Supervisory Board or committee meeting.

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 required by law, the Articles of Association or the 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 members. The average attendance rate at the meetings of the Supervisory Board and its committees was almost 100 percent in financial year 2016/2017.

### **Key topics at Supervisory Board meetings**

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

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

At its meeting on June 3, 2016, 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 Supervisory Board adopted the consolidated and single-entity financial statements for financial year 2015/2016 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 2016 Annual General Meeting. The Chairman of the Audit Committee reported on the meeting held on May 2, 2016. The meeting also discussed the appointment of new members to the Supervisory Board committees.

The meeting ahead of the Annual General Meeting on July 28, 2016 was used to prepare for the Annual General Meeting. Furthermore, the Supervisory Board resolved to commission PricewaterhouseCoopers Wirtschaftsprüfungsgesellschaft as the auditor for financial year 2016/2017. The Supervisory Board also discussed the search for a successor to Mr. Eichler, who stepped down from the Supervisory Board at his own request at the end of the Annual General Meeting.

The extraordinary meeting on October 27, 2016, dealt with extensive changes to the Management Board. The Supervisory Board discussed the successors to Dr. Linzbach and Mr. Weimer and resolved the appointment of Mr. Hundsdörfer and Dr. Hermann as well as the key economic conditions of the respective employment contracts and pension agreements. The reappointment of Mr. Plenz and the corresponding extension of his contract to 2020 was also resolved.

Following the account of the current business situation at the Supervisory Board meeting on November 16, 2016, the Supervisory Board was then informed in detail about the meetings of the Audit Committee and the Strategy Committee. The Supervisory Board also approved the declaration of compliance for 2016.

The topics discussed at the Supervisory Board's last meeting of the reporting year, on March 29, 2017, were the current business situation, planning for the coming financial year and projections for the following years. The Supervisory Board acknowledged the planning presented to the meeting. The Supervisory Board was also informed about the meeting of the Audit Committee and the new organizational chart.

### Corporate governance

The corporate governance of the Company was a regular topic of the discussions in the Supervisory Board, as were the then-current recommendations of the German Corporate Governance Code (GCGC) as revised in 2015 and 2017. Following the amendment to the GCGC on February 7, 2017, the Rules of Procedure for the Supervisory Board were updated at the meeting on March 29, 2017 to reflect the deletion of section 6.2 of the GCGC (old version). 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 website [www.heidelberg.com](http://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 twice in reporting year 2016/2017 and passed one resolution in writing. Its work focused on remuneration issues and other issues concerning members of the Management Board. This included the search for successors to Dr. Linzbach and Mr. Weimer, which resulted in the appointment of Mr. Hundsdörfer and Dr. Hermann. The Audit Committee held five regular meetings. 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 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 regions, the equity situation and the financial framework. It also discussed HDE and HDS. The Nomination Committee and the Management Committee did not meet in the reporting year. Furthermore, the Mediation Committee in accordance with section 27(3) of the German Codetermination Act (MitBestG) did not have to be convened.

### Audit of the single-entity and consolidated financial statements

The Annual General Meeting on July 28, 2016, appointed PricewaterhouseCoopers Wirtschaftsprüfungsgesellschaft as the auditor. This company audited the single-entity financial statements for financial year 2016/2017, 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 1, 2017. 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 1, 2017. 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, 2017.

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

There were two changes to the shareholder representatives on the Supervisory Board of Heidelberger Druckmaschinen Aktiengesellschaft. Mr. Edwin Eichler stepped down from the Supervisory Board with effect from the end of July 2016. Mr. Oliver Jung was appointed as a member of the Supervisory Board by way of a judicial appointment effective May 23, 2017. The members of the Supervisory Board thanked Edwin Eichler for the many years of good cooperation.

On the Management Board, two new members were appointed and two members stepped down: Dr. Gerold Linzbach and Mr. Harald Weimer stepped down from the Management Board effective November 13, 2016. The Supervisory Board appointed Mr. Rainer Hundsdörfer as the new Chief Executive Officer and Chief Human Resources Officer and Dr. Ulrich Hermann as a new ordinary member of the Management Board with responsibility for the Services segment with effect from November 14, 2016.

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 Council 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.

Wiesloch, May 2017

**FOR THE SUPERVISORY BOARD**



**DR. SIEGFRIED JASCHINSKI**

Chairman of the Supervisory Board