



## Report of the Supervisory Board of FACC AG for the Fiscal Year 2017/18

**Dear Shareholders,**

Despite increasing market competition and continuously increasing customer demands, FACC has created a record high operating performance in history, and sales revenue and EBIT have achieved the best level in history.

In the fiscal year 2017/18, with the growth of company performance, the Supervisory Board of FACC AG performed the duties required by law, the articles of association and rules of procedure on regular supervision of the Management Board and continuous monitoring of the business performance of the company.

The Management Board provided us with comprehensive verbal and written reports on a regular and timely basis which covered the general development of business, market expansion, and customer relation management, especially the progress of FPI and operational status of FACC AG. The Supervisory Board not only focused on the normal operation of the company but also spent a lot of efforts on recruiting and appointing a new COO, the improvement of the product quality that affects the company's operating performance, the reduction of the accounts receivables and inventory, the profitability assessment of new projects, the qualification review process of the new Vice Presidents, the performance evaluation and promotion of senior management as well as re-allocation of the responsibilities for the members of the Management Board. Meanwhile great importance was attached to the business cooperation with key accounts and partners.

Between the scheduled meetings, the Management Board was required to report the important issues to the Supervisory Board at any time. These activities allowed the Supervisory Board to fulfill its duties and obligations. The chairmen of the Management and Supervisory Boards held a number of personal discussions for strategy and business development of the company, and also special discussions with other members of Management Board for improvement and implementation of the investment plan, budget and internal control system.

The Supervisory Board strengthened the communication with the Management Board, whereas the Chairman of the Supervisory Board was present at the sites in Austria during most of the fiscal year 2017/18, and preparation prior to the Supervisory Board meeting and strengthened the supervision of

the company after the Supervisory Board meeting to ensure the work efficiency. In respect of financial management, the Supervisory Board made proposals to the Management Board to always act with prudence.

### **Meetings of the Supervisory Board**

The Supervisory Board met five times during the fiscal year 2017/18. The attendance of Supervisory Board members in the meetings was achieved with 95%.

The Management Board reported to the Supervisory Board in particular on the company's business operation status, the implementation of the budget, the new fiscal year budget, major business activities, the appointment of the executives, and important matters. The Supervisory Board conducted serious research and discussion on the above issues and gave timely approval or professional guidance. The first Supervisory Board meeting was held on May 16, 2017, focused on the implementation of the annual budget. The Supervisory Board required the Management Board to take actions to eliminate the negative impact of the FPI event on the operations and achieve new breakthroughs in KPIs such as sales revenue and EBIT. The second Supervisory Board meeting was held on June 12, 2017, it focused on the audit of FMA and reviewed and approved the company's financial statements for fiscal year 2016/17. The third Supervisory Board meeting was held on August 22, 2017, it focused on reviewing the company's operations and put forward proposals to require the Management Board to take the measures following the FMA restatements of financial statement. The fourth Supervisory Board meeting was held on November 28, 2017, the meeting focused on the analysis and forecast of the company's outline in the fiscal year 2017/18 and the actions it needed to take. At the same time, the meeting focused inter alia on the development of risk management and internal auditing. The fifth Supervisory Board meeting was held on February 27, 2018, the meeting reported the completion of the business forecast for the fiscal year 2017/18 and approved the budget for the fiscal year 2018/19.

### **Audit Committee**

The Audit Committee held five meetings during fiscal year 2017/18.

At the Audit Committee meeting on 16 May 2017, the Management Board reported on the FMA audit and the Ernest & Young auditor reported the key audit matters on the financial statements of FACC AG for fiscal year 2016/17 as well as the supervision of the audit of FMA and the internal control system. Audit Committee discussed the internal audit report. On 12 June 2017 the audit committee meeting held and reviewed the annual financial statements and consolidated financial statements of FACC AG for fiscal year 2016/17.

On 21 August 2017, the Audit Committee reviewed the internal audit status and risk management report of FACC AG for the first half of fiscal year 2017/18. The auditor presented FMA special audit status and the audit report of financial statements for FACC Operations GmbH. The auditor gave the recommendations to the management issues of FACC AG and the Audit Committee requested the Management Board to attach the importance to the issues and come up with the corrective action plan.

On 28 November 2017 the Audit Committee reviewed the monthly financial report of the company, the forecast of business result of FACC AG for fiscal year 2017/18 and 2017 calendar year. The Audit Committee discussed the proposal for changing the fiscal year of FACC AG and requested the Management Board to develop a working plan with time schedule. The internal audit activity charter and update three-year rolling work plan were approved. The auditor reported the updated audit status and the Audit Committee agreed to the audit work plan of the auditor for fiscal year 2017/18.

On 26 February 2018 the Audit Committee held the meeting to review the financial report and business forecast of FACC AG for fiscal year 2017/18, budget plan for fiscal year 2018/19, risk management report, internal audit report and EY audit report.

### **Personnel and Compensation Committee**

The Personnel and Compensation Committee held total four meetings during the fiscal year 2017/18.

On 16 May 2017 the Personnel and Compensation Committee held the meeting to discuss the final candidate for the CEO of FACC AG. Based on the performance of Mr. Robert Machtlinger acting as interim CEO of the company, the Personnel and Compensation Committee decided to nominate him as the CEO of FACC AG. On the Personnel and Compensation Committee meeting, the nomination of COO discussed with Mr. Andreas Ockel as candidate.

The Personnel and Compensation Committee meeting on 21 August 2017 reviewed the performance based incentive plan and requested the Management Board to revise the incentive plan according to the comments made by the committee members.

On 27 November 2017 the Personnel and Compensation Committee reviewed and approved the motion on the responsibilities re-allocation for the members of Management Board after the new COO was on board. The committee members also reviewed the motion and adopted the resolutions to approve Mr. Georg Horacek to become Vice President Human Resources of the company.

On 26 February 2018 the Personnel and Compensation Committee meeting, adopted the resolutions to approve the company's incentive plan, resolved to nominate three VPs and nominate Mr. Andreas Ockel as member of the respective boards of the subsidiaries pursuant to local law. The Personnel and Compensation Committee agreed to the adjustment of the responsibilities allocations for the members of Management Board.

### **Strategy Committee**

On the 27 February 2018 the Strategy Committee listened to the strategy and the five-year business plan of FACC AG reported by the Management Board. The Management Board was requested to further review and revise the strategy and five-year business plan based on the comments of the Strategy Committee.

### **Audit of the fiscal year 2017/18**

Ernst & Young Wirtschaftsprüfungs GmbH, Linz was elected as auditor annual financial statements of the fiscal year 2017/18 at the 3rd Annual General Meeting of FACC AG and were commissioned to perform the audit. This firm audited the annual and consolidated financial statements of FACC AG for fiscal year 2017/18 and the related management reports for the company and the Group which were prepared by the Management Board. The auditor released the audit report with unqualified opinions.

### **Approval of Financial Statements**

The Supervisory Board approved the annual financial statements, the consolidated financial statements, the management reports of the company and the group of FACC AG for fiscal year 2017/18 pursuant to § 96 (1) of the Austrian Stock Corporation Act. The Supervisory Board also approved the corporate governance report reviewed by the Audit Committee.

The Supervisory Board would like to extend its thanks to the all employees and members of the Management Board of FACC AG for their work in fiscal year 2017/18, and congratulate everyone on the outstanding achievements in the fiscal year 2017/18.

The Supervisory Board would also like to thank the shareholders of FACC AG for the confidence they have placed in us.

On behalf of the Supervisory Board, I would like to thank the members of Supervisory Board of FACC AG for their continued commitment over the past year; we have jointly managed a difficult time and helped the company developed positively.

Ried Im Innkreis

Geng Ruguang  
Chairman of the SB