

## **Supervisory Board Report**

Dear Shareholders,

The world economic environment is undergoing various changes; thus the aviation manufacturing industry is facing significant challenges ahead. Facing the market competition and opportunities, FACC has continuously improved internal management, improved operational performance, seized market opportunities, actively expanded the market, and enhanced the company's long-term growth potential.

In the short fiscal year 2019, the Supervisory Board of FACC AG held three meetings of the Supervisory Board, three meetings of the Audit Committee, two meetings of the Personnel & Compensation Committee, and one meeting of the Strategy Committee. The attendance of the Supervisory Board members in the meetings reached 97%.

During the regular meetings, the Supervisory Board approved resolutions and provided guidance after in-depth studies and discussions on the various business issues. At the same time, the Supervisory Board also paid attention to the management efficiency and its performance and supervised the company's compliance system, corporate governance and rules of procedure.

Apart from the scheduled meetings, the Supervisory Board monitored the budget implementation on a regular basis and asked the Management Board to report whenever there were any major issues or changes in operational performance and strategic development.

The Chairman of the Supervisory Board has been in regular contact with the Management Board to discuss about the company's strategy and measures to enhance the company's competitiveness.

In the past fiscal year, the Supervisory Board of FACC performed its duties in accordance with applicable laws and regulations, corporate governance and the rules of procedures of the Supervisory Board.

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

The Supervisory Board met three times during the short fiscal year 2019.

In May 2019, the Supervisory Board held the first meeting. The Management Board reported on the company's business performance and financial statement of fiscal year 2018/19. At the meeting, the financial statement for the fiscal year 2018/19, the management report as well as the non-financial report were approved. The contract renewal of members of the Management Board for CFO Mr. Aleš Stárek and CCO Mr. Wang Yongsheng were approved.

After Mr. Han Wenbiao resigned as a member of the Supervisory Board, AVIC Cabin System Ltd. delegated, according to the articles of association, Ms. Dai Jiajia as new member of the Supervisory Board.

In September 2019, the Supervisory Board held the second meeting. The Management Board reported on the market outlook, financial status, operational performance. At the meeting, the investment plan of the affiliate FACC Solutions Croatia was approved;

In December 2019, the Supervisory Board held the third meeting. The Management Board reported on the update of medium-term strategic plan, market outlook, operational results forecast, FY2020 budget plan and the three years cost improvement project. At the meeting, the fiscal year 2020 budget plan was approved.

At this meeting, Mr. Geng Ruguang resigned as Chairman and member of the Supervisory Board with effect as of December 31, 2019. At an inaugural meeting of the supervisory board, Mr. Pang Zhen was elected as the new Chairman of the Supervisory Board with effect from January 1st, 2020.

### **The Audit Committee**

The Audit Committee held three meetings during the fiscal year 2019. The external auditor attended all of these meetings.

In May 2019, the Audit Committee held the first meeting. The Ernst & Young auditor reported on the key audit matters regarding the company's financial statement of fiscal year 2018/19 and the released official audit report. The Management Board reported on the company's business performance of fiscal year 2018/19, financing plan, internal audit, risk management, corporate governance and the AGM resolution proposal incl. the dividend payment plan. At the meeting, the financial statement of fiscal year 2018/19 was approved.

In September 2019, the Audit Committee held its second meeting. The Management Board reported on the financial update, treasury management including financing, risk management and internal audit. The Management Board also reported on the progress of investment project in Croatia.

In December 2019, the Audit Committee held its third meeting. The Management Board reported on financial update, treasury management, risk management, internal audit, inventory and fiscal year 2020 budget plan.

### **The Personnel and Compensation Committee**

The Personnel and Compensation Committee held two meetings during the fiscal year 2019. The meetings discussed the revision of the company's three-years bonus incentive plan, the employment contracts of members of the Management Board, the pension contracts of members of the Management Board, and the appointment of executives of the Croatian company.

### **The Strategy Committee**

The Strategy Committee held one meeting during fiscal year 2019. At the meeting the company's

medium-term development plan, "Roadmap 2025" and related action plan, including reducing costs, changing of the organizational structure, and strategic technological development were reviewed.

### **Audit of the fiscal year 2019**

Ernst & Young Wirtschaftsprüfungs GmbH, Linz was elected as auditor for the annual financial statements of fiscal year 2019 at the fifth Annual General Meeting of FACC AG and were commissioned to perform the audit. The auditor released the audit report with unqualified audit opinion.

### **Audit of Annual and Consolidated Financial Statements**

At its meeting on March 23 2020, together with the auditors, the Audit Committee of the Supervisory Board studied in detail the annual financial statements including the management report, the corporate governance report, the consolidated financial statements including the group management report and the auditors' report.

Following its own examination, the audit committee endorsed the findings of the auditors' report and informed the Supervisory Board accordingly. The Supervisory Board examined the annual financial statements, the consolidated financial statements, the management report, the group management report and the corporate governance report, endorsed the result of the audit of the financial statements, and consolidated financial statements. The Supervisory Board concurred with the annual financial statements, which are thus adopted pursuant to § 96 Para.4 of the Austrian Stock Corporation Act. The Supervisory Board also agreed with the recommendation of the audit committee and will propose to the Annual General Meeting that Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H, be appointed as the auditors for the 2020 financial year. Furthermore, the Supervisory Board concurs with the recommendation of the Management Board to suspend dividend distribution for the short fiscal year 2019.

### **Thanks**

The Supervisory Board would like to thank all employees and members of the Management Board of FACC AG for their continuous commitment and achievement. Many thanks also would be given to the shareholders of FACC AG for their trust.

The Supervisory Board expresses its sincere thanks to Mr. Geng Ruguang. In the past 10 years, Mr. Geng has made great contributions to the development of FACC.

PANG Zhen

Chairman of the SB