

Report of the Supervisory Board of FACC AG for the Fiscal Year 2016/2017

Dear Shareholders,

In the FY2016/17, 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 senior managers 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, customer relation management, significant events 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 the search for the new members to the Management Board. Meanwhile great importance was attached to the business cooperation with key accounts.

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 meet its duties and obligations in full. The chairmen of the Management and Supervisory Boards also held a number of personal discussions for strategy and business development of the company.

Meetings of the Supervisory Board

The Supervisory Board met five times during the fiscal year 2016/17: four times at scheduled meetings and once in a special meeting. The attendance of the meetings is more than 90%.

The Supervisory Board meeting on 24 May 2016 focused, above all, on the 2015/16 annual financial statements and consolidated financial statements of FACC AG. After an extensive discussion of operating results in FACC

AG during the full fiscal year 2015/16, the Supervisory Board agreed to the Audit Committee's recommendations to approve the audited annual financial statements and the management report and to accept the consolidated financial statements, including the group management report. Based on a recommendation by the Audit Committee, we also discussed and approved a proposal to the annual general meeting for the election of Ernst & Young Wirtschaftsprüfungs GmbH, Linz, as the auditor of the individual and consolidated financial statements for the FY2016/17. The Supervisory Board's report to the annual general meeting was discussed and approved. The Supervisory Board adopted the resolution to revoke the appointment of Mr. Walter Stephan as the CEO of the company according to the collective discussion and voting result. Mr. Robert Machtlinger was appointed as the interim CEO and the recruitment of new CEO was launched immediately.

The Supervisory Board meeting on 19 August 2016 analyzed the operation status for the first quarter and main financial data of the company. The Management Board presented the reports regarding the risk management, internal control system and reorganization of financial system. The Supervisory Board resolved to appoint Mr. Ales Starek as the new CFO of the company.

The Supervisory Board met in a video conference on 15 October 2016 to discuss and adopt the resolution on installing one more member of Management Board and appoint Mr. Wang Yongsheng as the member of Management Board who is responsible for the internal audit, M&A, special projects and China business & relations.

The main topics of the Supervisory Board meeting on 15 November 2016 included the operational report for the first six months, the outlook for the full financial year and the budget plan for FY2017/18. The KPMG auditor reported the audit result regarding the corporate governance.

The central topics of the Supervisory Board meeting on 13 February 2017 were the budget for FY2017/18, the management report on the third quarter and whole year business results. After the analysis and discussion of the

whole year result, the Supervisory Board approved the budget of the company for FY2017/18 and KPIs. Based on the nomination of the Personnel and Compensation Committee, the Supervisory Board adopted the resolutions to appoint Mr. Robert Machtlinger as the CEO of the company and appoint Mr. Dietmar Daichendt to become VP operations of Engine and Nacelle division.

Audit Committee

The Audit Committee held four meetings during FY2016/17.

The Audit Committee meeting on 24 May 2016 concentrated on the annual financial statements for FY2015/16. The PwC auditor reported the audit work of FACC AG for FY2015/16. The Audit Committee approved the audited management report, group management report, individual financial statements and consolidated financial statements of FACC AG. A resolution for the appointment of the auditor for the FY2016/17 was approved by the Supervisory Board.

The meeting on 19 August 2016 reviewed the internal control system and improvement of financial system of the company. The Audit Committee clearly requested to conduct the special inspection of funds management in the company.

On 15 November 2016 the Audit Committee studied the audit plan and special purpose audit arrangement for the FY 2016/17 presented by E&Y auditor. The Management Board reported the construction of financial system and recruitment of financial people as well as the construction of internal audit system in the company.

In the meeting on 13 February 2017 the E&Y auditor reported the special purpose audit results to the Audit Committee. The Management Board presented the company's risk management report. The Audit Committee approved the internal audit activity charter and three-year rolling work plan.

Personnel and Compensation Committee

The Personnel and Compensation Committee held total four meetings during the FY2016/17.

On 23 May 2016 the Personnel and Compensation Committee held the meeting for the final interview of three candidates who applied for the CFO of FACC AG based on the preliminary result and recruitment process. After the discussion Mr. Ales Starek was determined as the new CFO of the company.

The Personnel and Compensation Committee meeting on 19 August 2016 resolved to nominate Mr. Ales Starek as the new CFO and agree to engage the headhunt firm for the recruitment of CEO.

On 23 May 2016 the Personnel and Compensation Committee carried out the final interview of four candidates who applied for the CEO of FACC AG according to the preliminary result and recruitment process. The final candidate to CEO of the company was deeply reviewed and discussed.

In the meeting on 13 February 2017 the Personnel and Compensation Committee decided to nominate Mr. Robert Machtlinger as the new CEO of FACC AG after the serious consideration.

Strategy Committee

The main topic of the Strategy Committee meeting was to discuss the future five-year business strategy of FACC AG. The Management Board was requested to further review and revise the five-year business planning.

Audit of FY2016/17

Ernst & Young Wirtschaftsprüfungs GmbH, Linz were elected auditors of the FY2016/17 annual financial statements at the 2nd annual general meeting of FACC AG and were commissioned to perform this audit. This firm audited the annual and consolidated financial statements for

FY2016/17 and the related management reports for the company and the Group, which were prepared by the Management Board, and awarded these financial statements unqualified opinions.

Audit of Annual and Consolidated Financial Statements

The Audit Committee reviewed the following documents at its meetings in the presence and with the support of the auditor: the annual financial statements and consolidated financial statements as well as the company and Group management reports for FACC AG on the fiscal year 2016/17. The Audit Committee then informed the Supervisory Board of the results of its work, which formed the basis for the evaluation of the annual and consolidated financial statements by the Supervisory Board.

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 FY2016/17 pursuant to § 96 (1) of the Austrian Stock Corporation Act. The Supervisory Board also approved the corporate governance report, which was reviewed by the Audit Committee.

The Supervisory Board extends its thanks to the members of the executive board and all employees of FACC AG for their work in fiscal year 2016/17.

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

Ried Im Innkreis



Geng Ruguang
Chairman of the SB