

ANNUAL REPORT 2014/15



# REPORT



**BOOSTING PERFORMANCE**

## NEXT GENERATION WINGLETS

**INCREASE IN THE SHARE OF VALUE CREATION**

## THE SUPER CYCLE CONTINUES



The background of the right half of the page is a teal color. It features a large, semi-transparent clock face with tick marks. Overlaid on the clock face are several white, fluffy clouds. The overall aesthetic is clean and modern.

fact Key figures  
for the 2014/15  
financial year

# facc Key figures 2014/15

	2013/14	2014/15
<b>Revenue</b>	547.4	<b>528.9</b>
Aerostructures	305.4	<b>273.3</b>
Engines & Nacelles	101.1	<b>93.9</b>
Interiors	140.9	<b>161.7</b>
<b>Earnings before interest, taxes and fair value measurement of derivative financial instruments</b>	41.9	<b>(4.5)</b>
Profit/loss before taxes	36.5	<b>(14.6)</b>
Profit/loss after taxes	28.9	<b>(9.6)</b>
<b>Total comprehensive income/ loss for the year</b>	28.0	<b>(32.2)</b>

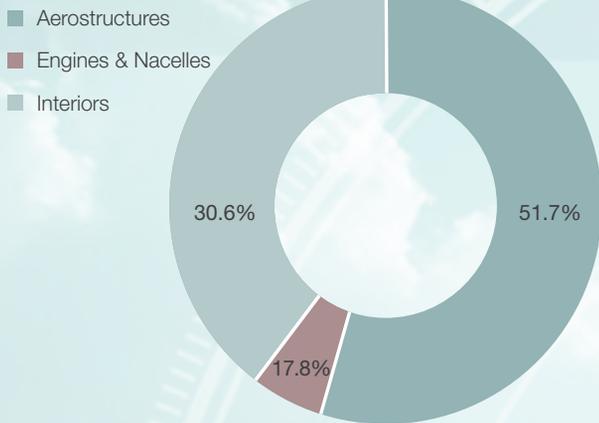
<b>Capital expenditures</b>	101.1	<b>77.8</b>
Purchase of property, plant and equipment	(58.8)	<b>(42.8)</b>
Purchase of intangible assets	(6.1)	<b>(4.7)</b>
Payments for addition to development costs	(36.4)	<b>(30.3)</b>

<b>Revenue</b>		
Production	416.1	<b>471.4</b>
Engineering and services	131.2	<b>57.5</b>

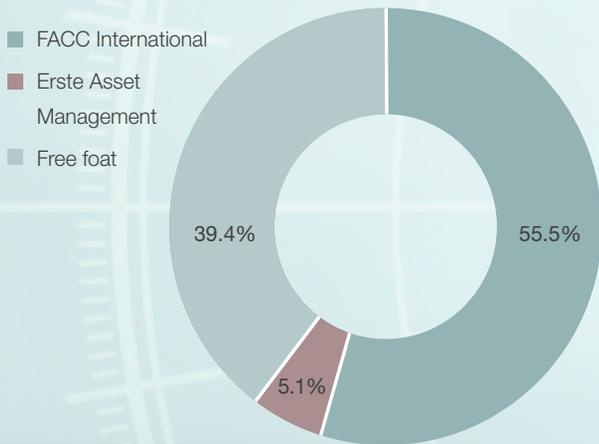
February 28, 2014    February 28, 2015

<b>Equity ratio</b>	39.5%	<b>43.8%</b>
<b>Net financial debt</b>	150.7	<b>102.6</b>
<b>Total balance sheet</b>	569.3	<b>718.2</b>

### Revenue by segment



### Shareholder structure



# REVENUE

## 528.9 EUR MILLION

### Key share data

		2014/15 <sup>1</sup>
Trading volume	shares	29,312,752
Average daily trading volume	shares	172,428
Monetary turnover	EUR million	1.41
Highest closing price over the year	EUR	9.55
Lowest closing price over the year	EUR	6.35
Closing price on February 27	EUR	8.50
Annual share price performance	%	-10.50
Market capitalisation as of February 27	EUR million	389.22

<sup>1</sup> Period since initial listing on June 25, 2014

**3,109 EMPLOYEES**  
FROM MORE THAN 40 NATIONS

**ORDER BOOK**  
5.5 USD BILLION

**77.8 EUR MILLION**  
CAPITAL  
EXPENDITURES



## 30 PRODUCTION

Based on state-of-the-art technological solutions, FACC manufactures highly sophisticated high-tech components for the aviation industry. An example is provided by the production of winglets, whose level of technological maturity continues to increase moving forward.



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In its “Vision 2020”, FACC focuses on uncompromising quality leadership and addresses market disruptive developments with six core strategic elements.

## 36 INNOVATION

At FACC, innovation provides the basis for the company’s technological leadership and helps consolidate its relationship to customers.



On Topic



# Insights and perspectives

## 25 YEARS FACC 40

In 2014, FACC celebrated 25 years of operations and, thus, 25 years of growth.

## CREW 42

With a wide range of fringe benefits and attractive further education and vocational training measures, FACC demonstrates how much it values its crew. The result is the personal commitment and peak performances of its staff.

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Based on the optimisation of energy efficiency along with targeted recycling measures, FACC is committed to using resources as sparingly as possible.

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We will soon be celebrating the first anniversary of our company's successful IPO and, with the present annual report, we are presenting our first balance sheet as a publicly listed company. By compiling a comprehensive report about our company, our corporate strategy and the 2014/15 financial year, we want to offer – especially our new shareholders – an extensive insight into FACC's corporate world, its business performance and its potential moving forward. Only a high level of transparency allows for a clear understanding of a company along with its business model and overall strategy.

This momentary representation of the results of the past financial year may fail to meet your expectations as a number of production start-ups and delays in recognition of revenues from customers have had a temporarily negative effect on our earnings performance. The longer-term perspective, which also provided the framework for our IPO, has remained unchanged. Besides, FACC can look back upon a success story of more than 25 years and, in view of its strong position and positive market environment, has excellent prospects for the future, as ultimately demonstrated by the attractive orders we have received recently. Read more about these orders and our prospects in the following report.

Yours sincerely,

Walter Stephan  
Chairman of the Management Board





# FACC awarded contract

## FOR THE NEW AIRBUS A330NEO



*In November 2014, FACC and Aircele signed a contract for the development and manufacture of fan cowls for the Airbus A330neo. Left to right: Janick Andriamananaivo (Aircele), François Tarel (Aircele), Robert Machtlinger (FACC), Amaud De Bussac (Aircele), Robert Braunsberger (FACC)*

FACC has been awarded a contract by Aircele, a leading player in the worldwide nacelle market for aircraft engines, to be the single source supplier of fan cowls for the new Airbus A330neo (new engine option) aircraft.

This order, which further consolidates the longstanding, strategic cooperation between Aircele – a subsidiary of Safran based in France – and FACC, includes the development, industrialisation, ramp-up and full-rate production of the fan cowls for the entire lifetime of the aircraft programme. Depending on the sales success of the Airbus A330neo, it will generate total revenues of more than 100 USD million for FACC. The delivery of the first components is planned for the third quarter of 2016. ■

# Additional work packages

## FOR THE AIRBUS A320 FAMILY

FACC is successfully consolidating its position as a Tier 1 supplier of Airbus. In July 2014, a contract was signed for an additional work package for the A320 aircraft family. The contract includes the retrofit and production, as a second source, of sharklet wing tip devices (special fuel-saving winglets) for the single-aisle aircraft from Airbus. The first delivery of sharklets is scheduled for autumn 2015. Jointly with the other two large contracts, which were also awarded in 2014 for the manufacture of structural and interior components, the total order volume of the three work packages amounts to approximately 450 USD million, according to the current state of the aircraft orders placed by Airbus, and envisages deliveries over a period of at least ten years. ■



*Signing the contract for the production of A320 sharklets in July 2014. From left to right: Mark Haisman (Airbus), François Mery (Airbus), Walter Stephan (FACC), Robert Machtlinger (FACC)*

# EASA certification

## FACC RECEIVES EASA "DESIGN ORGANISATION" APPROVAL

FACC Operations GmbH, a subsidiary of the publicly listed FACC AG, successfully concluded European Aviation Safety Agency (EASA) certification and gained EASA Part 21 – Subpart J – Design Organisation Approval (DOA) at the end of 2014. This makes FACC an approved Design Organisation within the European aviation industry, authorised to independently develop and approve designs for modifications and repairs. This Design Organisation Approval marks the third EASA approval for FACC alongside the company's existing approvals as a production and maintenance organisation. ■



Austro Control handed over the Design Organisation Approval certificate in January 2015. From left to right: Martin Krenn (Austro Control), Thomas Bauer (FACC), Horst Hasenhütl (Austro Control), Hermann Filsegger (FACC), Hubert Kern (FACC), Josef Pollak (Austro Control)



## Boeing:

### NEW ORDERS FOR DREAMLINER AND TRIPLE SEVEN

In view of the excellent work done in connection with the 787-8 and 787-9, FACC was again selected as a manufacturing partner for the new Boeing 787-10 and will be manufacturing the spoilers for the most recent and biggest member of the Dreamliner family. Its extended fuselage gives this aircraft a length of 68 m. For the Boeing 787 series, FACC supplies spoilers, trailing edge panels,

translating sleeves and engine components. For the Boeing 777, FACC has manufactured the leading edge panels for several years now. This contract, which is due to expire in 2015, was renewed by Boeing until 2020. Starting from 2016, these components will be produced in the new composite manufacturing plant of Fesher Aviation Components – FACC's Chinese partner. ■

# High-class business class

FOR EMBRAER LEGACY 500 AND 450



Best-in-class comfort, functionality and design – Embraer’s new mid-size business jets appeal to customers not only with their range and speed but also with their interiors.

For this new project, FACC is acting for the first time as Embraer’s system integrator and as development and manufacturing partner for the cabin interiors. The company has already been supplying interior components for Embraer’s Lineage 1000 as well as Phenom 100 and 300 aircraft and has already received the “Supplier of the Year Award” from Embraer twice.



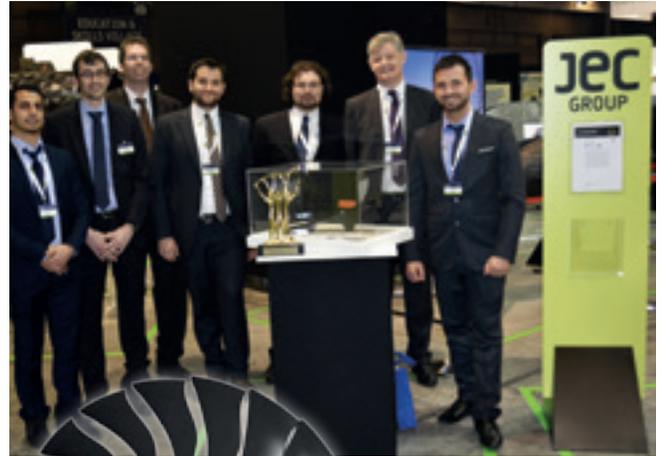
In 2008, this leading manufacturer of business jets commissioned FACC the development of the cabin interiors for its new Legacy models, including cockpit and storage compartment linings. While type certification for the newly developed components for the Legacy 450 is imminent, the full set of interior components for the Legacy 500 was delivered as early as mid-2014. ■

*Since the beginning of 2014, FACC has been supplying high-class interiors for Embraer’s new business jets.*

# JEC award

## FOR COMPOSITE ANNULUS FILLER

In 2014, FACC AG received the “JEC European Innovation Award” in the aeronautics category for a particularly light-weight composite annulus filler for jet engines (a ring-shaped component situated between the fan blades that ensures optimum aerodynamics). This new component was developed in cooperation with research partners Rolls-Royce plc and the University of Applied Sciences (FH) Rapperswil within the framework of the EU Clean Sky research initiative. The award ceremony took place as part of the JEC, the world’s largest composite trade fair, which was held in Paris in March 2014. With a network numbering 25,000 experts, JEC is the largest international organisation for promoting the use and further development of composite materials in industrial applications. ■



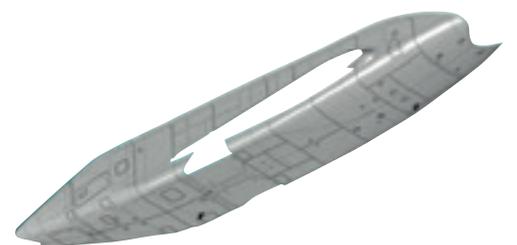
*JEC European Innovation Award ceremony in Paris. From left to right: Korian Viken (FACC), Gion Barandun (FH Rapperswil), Markus Henne (FH Rapperswil), Konstantin Horejsi (FACC), Kristofer Bottome (Rolls-Royce), James Lee (Rolls-Royce), Gazmend Braha (FACC)*

# First wing-to-body fairings

## FOR BOMBARDIER GLOBAL 7000/8000 DELIVERED



The development of the wing-to-body fairings (WTBF) for the Global 7000 and Global 8000 ultra-long-haul business jets of the Canadian aircraft manufacturer Bombardier started in July 2012. In January 2015, the very first full set of wing-to-body fairings was delivered to Bombardier following a development phase of several years. The FACC team succeeded in outperforming the current ambitious limit in terms of weight reduction, thus making a significant contribution to the overall efficiency of this new aircraft family. ■



# FACC starts series production

## OF BYPASS DUCTS FOR PW800 ENGINES



In mid-October 2014, the G500 and G600 business jets with PurePower® PW800 engines were launched by Gulfstream. FACC engine bypass ducts are on board the new generation of business aircraft.

Towards the end of 2014, FACC received approval of the first prototype components and the go-ahead for series production of bypass ducts for the new PurePower® PW814 and PW815 engines by Pratt & Whitney Canada, thereby reaching an important milestone in this forward-looking programme. FACC is contributing innovative composite technology to this next-generation engine family, with responsibility for development and production of the bypass ducts. FACC's involvement in the PW800 programme comprises deliveries throughout the entire service life of this engine family and a planned order volume of around 150 USD million. ■

# 1,100 guests

## AT THE FIRST FACC LEONARDO AWARD CEREMONY

The fact that innovation and teamwork are considered key success factors at FACC was underlined by the Leonardo Award, which was bestowed by the company for the first time on November 29, 2014. In front of around 1,100 guests attending the event in the Rieder Messehalle, the Interior Team for the "A320 synchronised assembly line" project received this innovation team award for outstanding achievements in the company. The prize-winning team worked hard to harmonise a wide range of individual processing steps and succeeded in boosting productivity in this area by 16 percent using state-of-the-art ergonomic methods. ■

FACC's Management Board members Robert Machtlinger and Walter Stephan with the proud winning team at the FACC Leonardo Award ceremony



# Best-practice apprentice training

At the beginning of 2015, FACC was recognised as a  
“state-approved training enterprise”.



For the company, this is a welcome acknowledgement of its wide range of initiatives in the field of apprentice training. FACC is now entitled to bear the national coat of arms as the highest Austrian distinction.

The fact that competence and commitment are not merely limited to technical topics was demonstrated by the project activities carried out by the company's apprentices, which underscore their social engagement and technical skills. Within this framework, the company's talented young staff designed and built an air-hockey table for a children's home and designed three oversized “Parcheesi” boards for a nursing home for elderly people. ■



*FACC is committed to promoting apprentices' awareness of the vital importance of social engagement from the very beginning.*





- Manufacturing/Engineering
- Engineering
- International supply chain partners

*Global partner for the aviation industry: FACC is exactly where its customers need it.*

PILOT.  
PASSION.  
PARTNERSHIP.



*The material the future is made of: FACC manufactures complex material combinations and develops them into high-strength components.*

### **Outstanding expertise in composite materials**

Wherever people board a plane these days, they are more than likely to be surrounded by products made by FACC. Lightweight components made of fibre reinforced composite materials, so called composites, can be found in almost every modern passenger aircraft. Since the company was founded over 25 years ago, FACC's core competences have lain in the development and manufacturing of such lightweight composite components. In most cases, composite components contain multiple layers of carbon fabric, which are shaped using both high pressure and high temperatures. Furthermore, they include a honeycomb core structure. These composite components combine two basic properties, which are of vital importance for the aircraft construction industry: they are light and extremely stable. Their production requires the highest level of technological expertise, which FACC is able to guarantee thanks to a team of over 3,000 highly qualified employees and a clear focus on research and development. ■

### **Global presence**

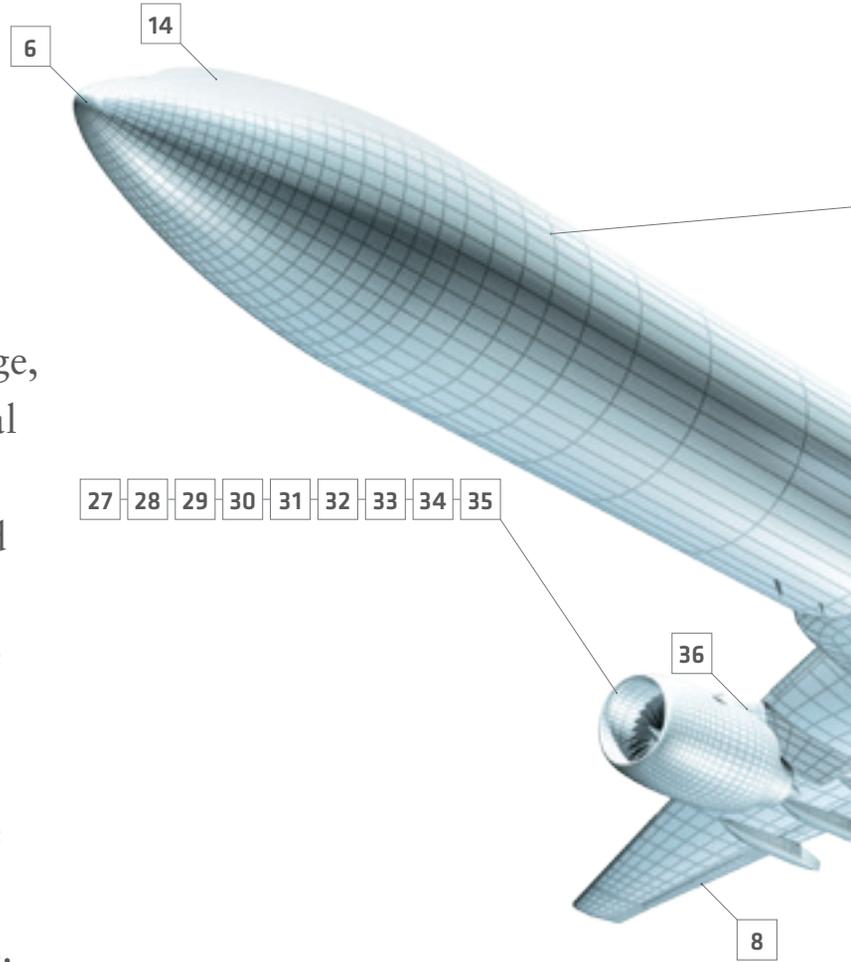
Hardly any other sector has such an extensive international network as the aviation industry. Thus, FACC seeks to offer its services wherever they are required: be it in close proximity to the Boeing business locations in Seattle and Wichita, the Airbus plants in Filton, Toulouse and Hamburg or in Shanghai, São Paulo and the dynamic Arabian and East-Asian emerging markets. Besides, FACC can build upon a global footprint based on both company-owned locations and cooperation partnerships. This ability to offer worldwide customer proximity not only translates into a significant competitive advantage for the company but also into a considerable value added for customers across the world. ■

### **A future full of opportunities**

In the aviation industry, metal parts are increasingly being replaced with composite components. Twenty years ago, fibre-reinforced plastic materials accounted for less than ten percent on average of the total weight of an aircraft. Today, they already account for 50 percent and the trend is rising. At the same time, according to forecasts, the commercial aerospace industry is expected to show considerable growth rates over the mid and long term. This represents a good starting position for FACC, which is already working on the lightweight solutions of tomorrow. ■

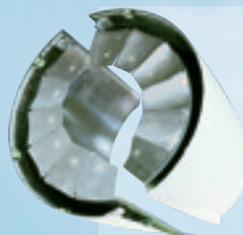
# Extend your expectations

With a highly diversified product range, FACC is a Tier 1 supplier to the global aviation industry. The composite materials produced by FACC are used as structural components and help ensure safety, save weight, and reduce fuel consumption on board aircraft. The company's solutions also provide for more comfort and enhanced noise reduction in both aircraft passenger cabins and power-plant environments. With a view to optimally fulfilling the most diverse requirements across all application fields, the company is divided into three main divisions.



## FACC DIVISIONS

Consider everything, implement the best, only the sky is the limit. Nature is our inspiration.



### ENGINES & NACELLES

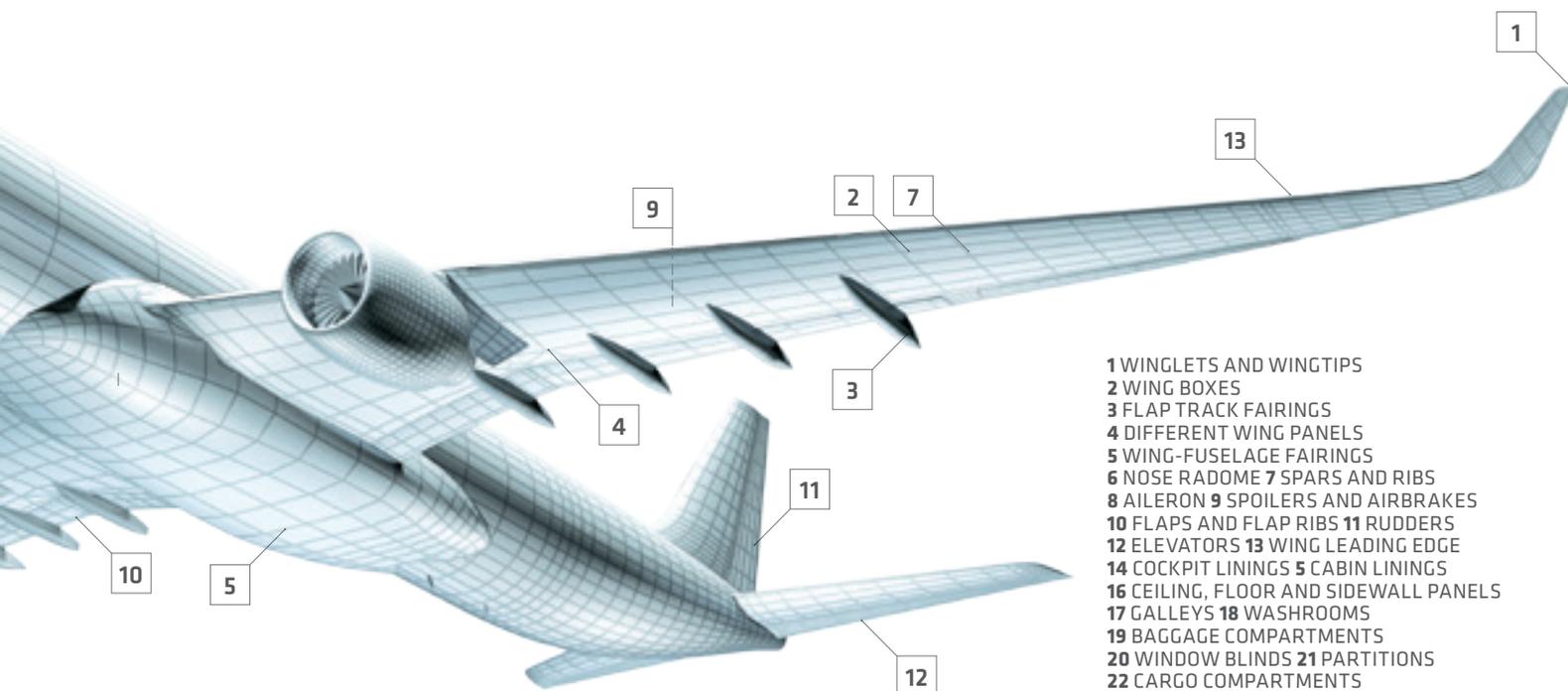
Quieter, lighter and more efficient: engine inlets, fan cowls, blocker doors, innovative solutions in the fan area and beyond.

### INTERIORS

Comfortable and functional: series-produced cabin and cargo compartment linings for commercial airlines and customer-tailored solutions for business jets.



15 16 17 18 19 20 21 22 23 24 25 26



- 1 WINGLETS AND WINGTIPS
- 2 WING BOXES
- 3 FLAP TRACK FAIRINGS
- 4 DIFFERENT WING PANELS
- 5 WING-FUSELAGE FAIRINGS
- 6 NOSE RADOME 7 SPARS AND RIBS
- 8 AILERON 9 SPOILERS AND AIRBRAKES
- 10 FLAPS AND FLAP RIBS 11 RUDDERS
- 12 ELEVATORS 13 WING LEADING EDGE
- 14 COCKPIT LININGS 5 CABIN LININGS
- 16 CEILING, FLOOR AND SIDEWALL PANELS
- 17 GALLEYS 18 WASHROOMS
- 19 BAGGAGE COMPARTMENTS
- 20 WINDOW BLINDS 21 PARTITIONS
- 22 CARGO COMPARTMENTS
- 23 DOOR AND DOORFRAME LININGS
- 24 COVE LIGHT PANELS 25 SMOKE DETECTION COVERS 26 CABINETS 27 NOSE SPINNERS FOR JET ENGINES 28 ACOUSTIC LINERS
- 29 FLOW DIVIDER FOR JET ENGINES
- 30 BYPASS DUCTS
- 31 CORE FAIRINGS
- 32 ELECTRONIC BOXES
- 33 FAN TRACK LINERS
- 34 TRANSLATING SLEEVES
- 35 BLOCKER DOORS
- 36 PYLON FAIRINGS



**AEROSTRUCTURES**

Innovative and light: ready-to-install systems and primary structural components for wings, empennage units, and fairings.



# FACC

## ON BOARD

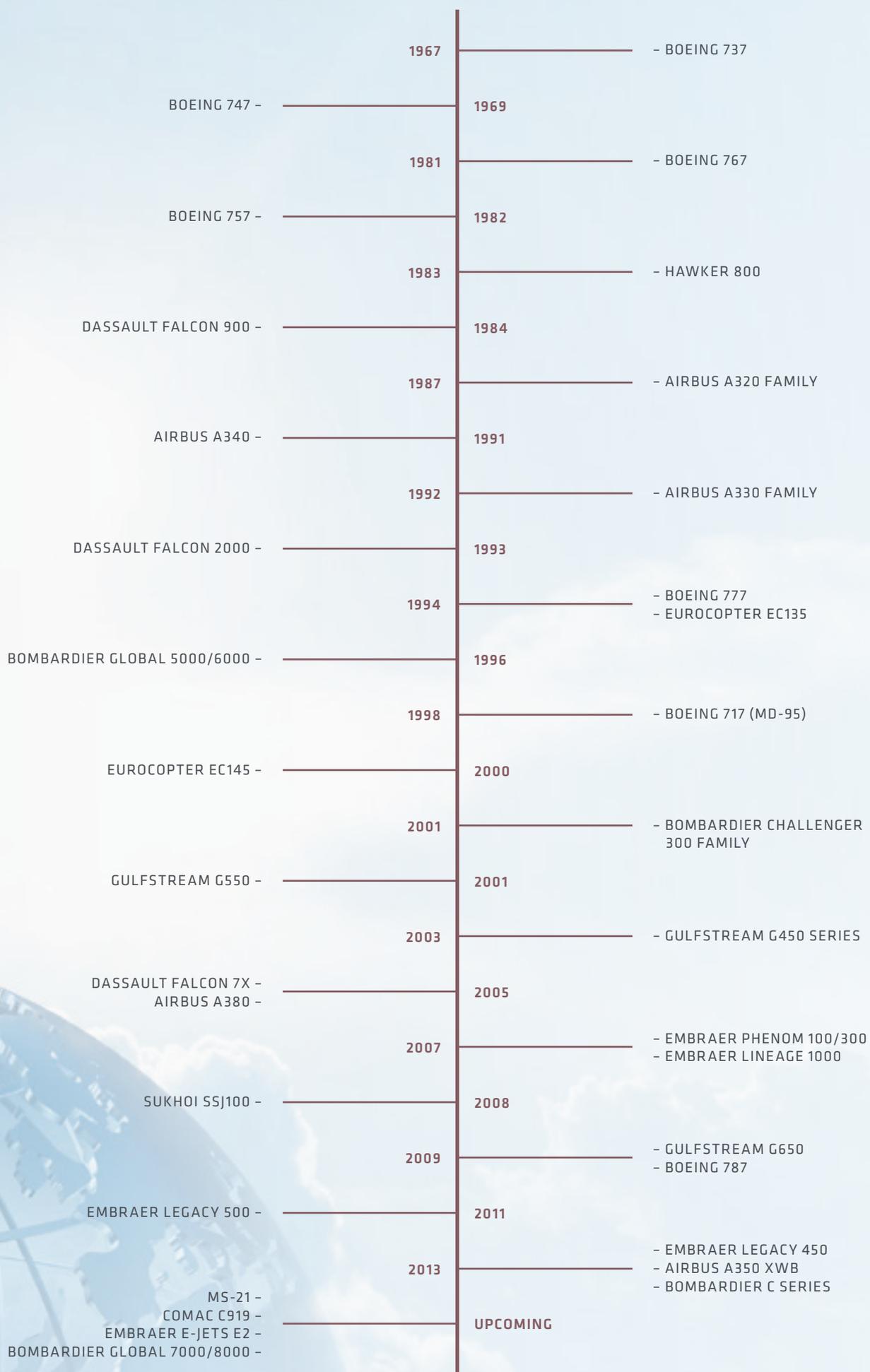
The picture shows aircraft types featuring components produced by FACC. The year date refers to the maiden flight of the corresponding aircraft. Starting from 1996, FACC has also acted as development partner.

# Working FOR THE BEST IN CLASS

The world's leading aircraft and aircraft engine manufacturers including their direct suppliers rely on FACC as a development and production partner.



MAIDEN FLIGHT





# “The super cycle continues ...”

An interview with company founder and Chairman of the FACC AG's Management Board, Walter Stephan, as well as Management Board member Robert Machtlinger.

*In 2014, FACC celebrated its 25<sup>th</sup> anniversary. The company can now look back upon an impressive development. Mr Stephan, as the company founder, which were the main highlights for you on this path to success?*

Walter Stephan: A major achievement, certainly, was the successful and sustainable positioning of our company as one of the world's 20 first tier suppliers against the backdrop of a very challenging industry. Today, FACC is a highly appreciated and valued component supplier for almost all aircraft manufacturers. This market success is reflected in our revenue development: in the first 25 years of operation, we achieved an average annual growth rate of 22 percent, which is quite remarkable. A second important aspect worth mentioning is that, during

these first 25 years, we have gained extensive experience in M&A and finance. Therefore, we are not newcomers to the capital market even if we only went public a year ago.

... sustainable positioning of our company as one of the world's 20 first tier suppliers.

*To what do you owe this success, what are the cornerstones of your business model? And, what are the key success factors in this very specific market?*

**Walter Stephan:** This can be answered with a single word: innovation, and for two main reasons: on the one hand, I mean innovation in technological terms, namely the new breed of applications that play such a crucial and instrumental role for our customers. In the early days, we rapidly succeeded in establishing ourselves as a supplier of comprehensive technical solutions thanks to our “slightly different” approach from the sports equipment sector, which – to a large extent – was quite new to the aviation industry. Thanks to our technological innovations, composite materials are now becoming increasingly attractive not only in terms of weight reduction but also from a cost perspective. On the other hand, I mean innovation with regard to our business model. Thanks to our innovative ideas, we were able to finance our strong growth in a sustainable manner even though we started off as a relatively small player.



**Innovation is the promise and execution its fulfilment.**

**Robert Machtlinger:** I would like to add a second word: execution. Innovation is the promise and execution its fulfilment. Incidentally, this applies to our customers and thereby to our products, in the form of premium quality and delivery reliability, but also to the company owners and their earnings expectations, which we have successfully met within a short timeframe. We are confident that, in the long run, this will also apply to our new shareholders. A further crucial role is played by our global footprint, as we are present wherever growth can be generated for our customers, and by our cost leadership, which we are able to effectively combine with our technological leadership thanks to consistent development work.

*How do you find the general market environment at the moment? You use the term “super cycle” repeatedly – what do you mean by it? Are you targeting higher production vol-*



*umes of aircraft components primarily or would you like to see an increase in the overall share of manufactured items for the aviation industry?*

**Walter Stephan:** By “super cycle” we mean that not only the company’s total aircraft production output will continue to grow over the next few years but also the value creation share of the composite components produced by us will increase on an ongoing basis. According to the twenty-year estimates of both Airbus and Boeing, sustained growth is expected in the aviation industry in the years to come. Thanks to our global footprint, we are not only on board all the most relevant aircraft programmes but also ideally positioned from a geographical perspective to be able to benefit from this upward trend more than most. Weight reduction still plays a key role for airlines, even if fuel prices have fallen slightly in recent times, and composite materials account for an increasing percentage of the total weight of an aircraft: over the past ten years this share has increased from an average of 20 to 23 percent to a current value of 50 percent and the upward trend is continuing.

**Robert Machtlinger:** Our state-of-the-art product portfolio helps us actively leverage this trend. In the year under review, 42 percent of the company’s total revenues were generated from products, where series production started no more than three years ago. This bears eloquent testimony to the fact that we are absolutely leading edge and we can rely on a product portfolio that will guarantee a high degree of capacity utilisation over the next 15 to 25 years. Especially with regard to new aircraft types, thanks to the high proportion of composite components, we should

now be in a position to achieve considerable organic growth moving forward. In the case of long-haul aircraft models, such as the Airbus A350 XWB and the Boeing 787, we are implementing numerous projects across our various divisions. As a result, our share of total value creation has already reached a double-digit rate and we currently generate average revenues of more than 1.3 USD million per aircraft.

**... we can rely on a product portfolio that will guarantee a high degree of capacity utilisation over the next 15 to 25 years.**

*This sounds like a solid market position. Where does FACC stand within the industry at the moment and where is it heading? In numerous other sectors, consolidation is the buzzword.*



**Walter Stephan:** We are for sure the largest composite-only supplier at the moment. Other market players originally came from the metal engineering sector, whereas we “started on the ground floor” with this new technology from the very beginning and, therefore, we enjoy a certain competitive advantage. This does not necessarily mean that we are the largest player but we are certainly the most agile. In the execution phase, we do our best to meet both our customer’s guidelines and our internal targets in line with our motto “extend your expectations“. This is also our main ambition and we are very strict with ourselves in this regard. Besides, we support our customers as a dependable partner, especially when it comes to gaining access to new markets. We were, for

instance, among the first ones to support our key customers in setting up a well-functioning production line in China and Malaysia, playing a pioneering role not only in terms of technology but also with regard to the overall business model.

Talking about consolidation: we definitely want to play an active role in this regard, and, following the IPO, we have also gained access to the necessary capital resources.

*What about your objectives and your overall corporate strategy? What are your main strategic focal points?*

**Walter Stephan:** The overriding goal of our corporate strategy “Vision 2020” is to achieve revenues of 1 EUR billion by 2020. We can currently achieve 80 to 85 percent of this revenue target merely with the projects that we already have under contract. With total investments of roughly 300 EUR million over the past four years, we have contributed to securing implementation of these projects. We have invested in project ramp-ups, in the expansion of production plants, the realisation of new facilities as well as in the technology centre at St. Martin im Innkreis (Upper Austria). Therefore, to meet the planned revenue target, only small-scale investments will be required over the next few years.

**Robert Machtlinger:** In addition to driving revenues, we work constantly at improving our earnings performance by optimising overall efficiency, reducing capital expenditures for quality assurance and relocating the production of less complex components to emerging markets. Besides, we strive to be the preferred Tier 1 supplier of our customers and, in this role, actively take part in the expected consolidation of our industry, as I have previously mentioned. We want to be the most attractive employer among suppliers to the international aviation industry and therefore recruit the best and most skilled employees. Besides, an important basis for our business is provided by a balanced product portfolio both in terms of customers and aircraft platforms. Today, we are represented with our lightweight components in almost every modern aircraft and this state of affairs will continue moving forward. Expressed in figures, we strive to boost our annual productivity by ten percent. And, last but not least, we are committed to increasing shareholder value on an ongoing basis.

*Do you intend to set up your own branches in China or in the US? Or are joint ventures still the most viable solution?*

... we strive to boost  
our annual productivity by  
ten percent.

**Walter Stephan:** In terms of our own locations, we are mainly thinking of the US rather than elsewhere as our business is predominantly a dollar business and this will allow us to achieve a natural hedging effect. Otherwise, we are very satisfied with our existing partnership models, where our partners mainly invest in the construction of the production plants and we support them in managing the business. As far as China is concerned, currently the largest market not only for the aviation industry, we see considerable growth opportunities through cooperation and, thanks to our 55 percent core shareholder, we are excellently positioned in this market.

*And what strategic projects are currently in the pipeline? How did you respond, for instance, to the negative results development in the 2014/15 financial year?*

**Robert Machtlinger:** As I mentioned before, in the 2014/15 financial year, we generated 42 percent of our revenues from new products. In the previous year, this percentage was only 22 percent. Therefore, in the year under review, we had a disproportionately high number of production start-ups, which we had to stabilise. This is usually combined with high capital expenditure, which, in turn, has a significant impact on results, which of course we are not very happy about. We are currently intensifying series-production ramp-up measures, but there is still considerable room for improvement especially in terms of optimising efficiency, and this is true for the entire process chain, from the production line to the supply chain.

Generally speaking, the whole industrialisation concept is of crucial importance for us: once projects have been permanently stabilised – and this might take up to three years after the start of series production – the level of automation can be considerably increased, provided that the overall production volume has reached a certain magnitude. This, in turn, leads to significant savings of 30 to 60 percent in terms of personnel costs and therefore to higher margins. A further positive effect arising from a lower labour-related cost component is that manufacturing operations can remain in Austria, as a potential relocation to China or India, for instance, would not bring about additional cost advantages. This ultimately contributes to safeguarding

Austria as a business location. We are currently working on a number of such industrialisation projects. After automating the production line for the interior components for the Airbus A320 over the past year, the outboard-flap manufacturing process for the A321 will soon follow suit in 2015. In this case, automation will involve also the deployment of robots. Over the next two years, we are planning a mixed model line for manufacturing translating sleeves for the Boeing 787 and the Airbus A350 and, starting from 2018, the translating sleeves for the A330neo will also be manufactured using the same production line.

Generally speaking, the whole  
industrialisation concept is of  
crucial importance for us.

**Walter Stephan:** Another important strategic topic, which we are currently looking at, is whether to get involved in the maintenance and repair business for composite components. Servicing operations are still carried out by our customers or by the airlines, however, not always in the most efficient manner, as we were bound to note. With composite components accounting for an ever-rising proportion of an aircraft, this area is becoming increasingly important and particularly interesting for both manufacturers and OEMs. We are talking here about a growing market worth several hundred million euros per year. This is why we have decided also to get involved in the MRO (maintenance – repair – overhaul) business, most probably in cooperation with an industry partner. We have a huge competitive advantage here, because we are familiar with all the relevant data of the components concerned and we are also meeting with great interest on the part of the major aircraft manufacturers.

At the same time, we have several research projects currently underway, whose main objective is to further improve aircraft fuel efficiency. Maybe the most relevant one in this regard, is a project that focuses on our winglets, and more specifically, on a new development called the “morphing winglet”. This new development, which is currently undergoing testing in the wind tunnel and will be market-ready by 2018, will lead to a further increase in fuel efficiency of roughly 50 percent. This is a remarkable achievement if one considers that with the Boeing 737 Next Generation alone almost 19 billion litres of fuel have been saved over the past 13 years thanks to the use of our winglets.

*Technology and innovation are of paramount importance within your industry. What are your top priorities in this regard? Are you mainly focusing on the further development of your existing portfolio or on brand new applications?*

**Robert Machtlinger:** We are dealing with a wide array of development activities at the moment, ranging from composite materials and manufacturing methods through to application fields and processes. As to our products, we are focusing intently on further developments; however, the gradual replacement of metal parts continually leads to new applications. I'm referring here, for instance, to new engine components such as our annulus filler, which is not only lighter than its predecessor but also makes a significant contribution to reducing the weight of the entire system. The same applies to interiors, where the trend is towards increasingly complex systems. In this context, for instance, both on-board galleys and on-board toilets might be produced from one single source moving forward. At the same time, we are striving to expand our material base, mainly in cooperation with our business partners, with a view to remaining competitive over the long term. Last but not least, we are also making concerted efforts to increasing the level of automation in the production area, as I have previously mentioned.

*Safeguarding and further expanding a business implies the adoption of specific market development measures. What are you doing in terms of customer acquisition and customer retention? And what about your customer base? Are you dependent on a few customers and, if you are, what tactics do you adopt in order to stabilise the business and manage risks?*

**The overriding goal of our market development measures is to maintain a balanced customer portfolio and order book.**

**Walter Stephan:** The overriding goal of our market development measures is to maintain a balanced customer portfolio and order book, which represents the highest value of our company. Generally speaking, our target revenue distribution model is as follows: both Airbus and Boeing should account for 40 percent of total revenue generation, with the remaining aircraft manufacturers accounting for 20 percent.

In an industry with only seven important manufacturers (four OEMs and three large jet engine manufacturers) we think this is a solid revenue distribution model. And we have long been the only component supplier in the world to have achieved it. Besides, we produce a broad product portfolio and work on a wide range of platforms for each single aircraft manufacturer, thus making our customer base even more solid.

As to the relationship with our individual customers, we focus on a pro-active customer-oriented approach, also referred to as "clienting". We know our customers, we follow their production and marketing guidelines, we are wherever they need us and we support them in implementing their market strategies. Our product lifecycle management also plays an instrumental role in promoting a close relationship to our customers. As previously mentioned, we make our extensive know-how available, when it comes to setting up and operating local production facilities. In addition, we also act as a dependable partner in the development phase, sharing corresponding risks with our customers. This implies a great deal of work but also translates into the mutual exchange of expertise along with a higher degree of customer loyalty.

We are also constantly committed to improving our internal workflows to be able to offer our customers outstanding support and assistance as a well-established and successful company. Our efforts in this area include well-structured coordination between the different corporate divisions and the streamlining of our entire IT system based on a uniform SAP database.

*What measures does FACC put in place to acquire and retain the right employees? What role does employer branding play for you?*

**Robert Machtlinger:** Employer branding is extremely important for us as we strive to position ourselves as the most attractive employer within the industry. We actually have quite a lot to offer our employees. First and foremost, we provide extensive vocational training and career opportunities, but



**Employer branding is extremely important for us.**

also additional holidays on birthdays, a bonus scheme under the motto “if the company is doing well, employees are doing well too,” along with a very wide-ranging flexitime scheme, a summer nursery and a shuttle service. It goes without saying that we are considered a very interesting employer also thanks to our customer base. Besides, we are in a position to attract aeronautical engineers from all over the world based on our product portfolio and the great importance we attach to innovation. In Austria, for instance, we currently have employees from more than 40 different countries. With a view to promoting information transparency and enhancing motivation, we regularly publish an employee magazine along with a monthly press release from the Management Board. Furthermore, in the year under review, we boosted personnel numbers relatively significantly, especially with regard to the number of staff working in the factory, and trained them as planned. As a result, we will be able to cope effectively with the growth in revenues in 2015 with our existing workforce.

*In the past year, you listed FACC on the Vienna Stock Exchange. Looking back, was it the right decision to go public?*

**Walter Stephan:** It was indeed. Being listed on the stock exchange is helping us in our daily business, as our customers appreciate the higher level of transparency that allows for a better protection of their intellectual property. This has also helped us to better safeguard our operational footprint both in Austria and Europe. The proceeds from the IPO enable us to invest in new projects and actively participate in the consolidation process currently underway within our industry by means of bolt-on acquisitions, i. e. the take-over of small enterprises or of single orders. Vienna is also a good stock market for us as it offers relatively high visibility and we have good chances to make it to the ATX over the short and mid-term.

*As far as your shareholder structure is concerned, are you expecting any further changes moving forward? What kind of benefits can you reap from the current ownership structure – keyword: Asian aviation industry?*

**Walter Stephan:** Our core shareholder comes from precisely the market with the strongest growth rate at the moment and is a high-calibre player there. This represents a considerable advantage for both our customers and our company and therefore for all other shareholders as well. We are currently working on leveraging the Chinese market in collaboration with our core shareholder with a view to expanding and further consolidating our interiors production line.



**Our core shareholder comes from precisely the market with the strongest growth rate at the moment.**

*Even if no dividends will be paid for the 2014/15 financial year due to a weak earnings performance – what is your dividend policy over the mid-term?*

**Walter Stephan:** We intend to pay out 20 to 30 percent of the company's distributable profit to our investors in form of a dividend. In our view, this can be regarded as an attractive payout ratio, while at the same time providing sufficient liquidity for further growth by the company.

*How do you come to terms with capital markets' disclosure requirements? For most companies, higher transparency requirements mean a real paradigm shift ...*

**Walter Stephan:** Going public implies major changes in terms of corporate governance and information policy. We don't view this as a problem but rather as an opportunity: we regard transparency as something positive and useful for our business as I mentioned before. We have had quite an extensive reporting system in place for quite some time now. Especially Mr Androsch, the former owner, always required a high level of transparency; therefore the company is “well-trained” and has a good track record. However, we had and have to go through a re-learning process. While in the past, we were mainly required to report to a small number of company owners, who had an in-depth knowledge of our business model, now information must be made available for a wider audience. However, we are fully aware of these additional reporting requirements as demonstrated by the present annual report.

*Last but not least, from today's perspective, how do you regard the outlook for the 2015/16 financial year?*

**Walter Stephan:** To put it simply: “the super cycle continues.” Since the IPO, our guidance has not changed and we continue to be confident. ■

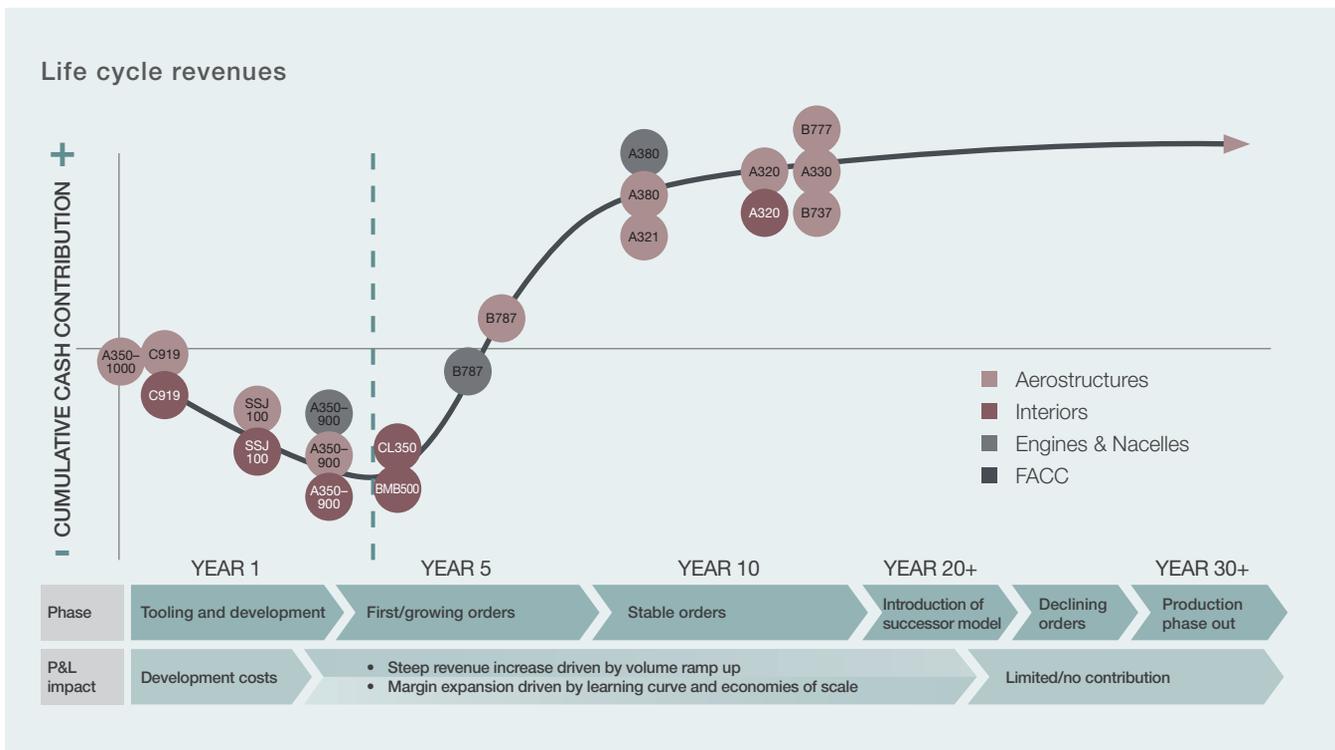
# DESTINATION FUTURE

FACC takes the right strategic steps for a successful future in a global and constantly growing aviation industry.

Over the past 25 years, FACC has developed into a leading partner of the aviation industry. Today, the company has an excellent reputation as Tier 1 supplier for composite materials across the sector. The basis for this position is the company's longstanding successful strategy, which is grounded firstly on the uncompromising quality of its products and processes and secondly on technological developments, innovation, cost efficiency and thereby competitiveness.



## EXTENSIVE PRODUCT PORTFOLIO POISED FOR SUSTAINABLE GROWTH





# Vision 2020

## CLEARLY DEFINED GUIDELINES

With its “Vision 2020”, FACC adopted a set of strategic guidelines in 2011, which has provided a consistent framework for the company’s further development and a basis to actively respond to global market conditions. Four core targets currently stand in the foreground:

- Positioning as leading Tier 1 supplier
- Creation of a global customer, development and production network
- Safeguarding the increase in shareholder value, high profitability and long-term growth with a revenue target of 1 EUR billion by 2020/21
- Technology, cost and quality leadership



# Market environment

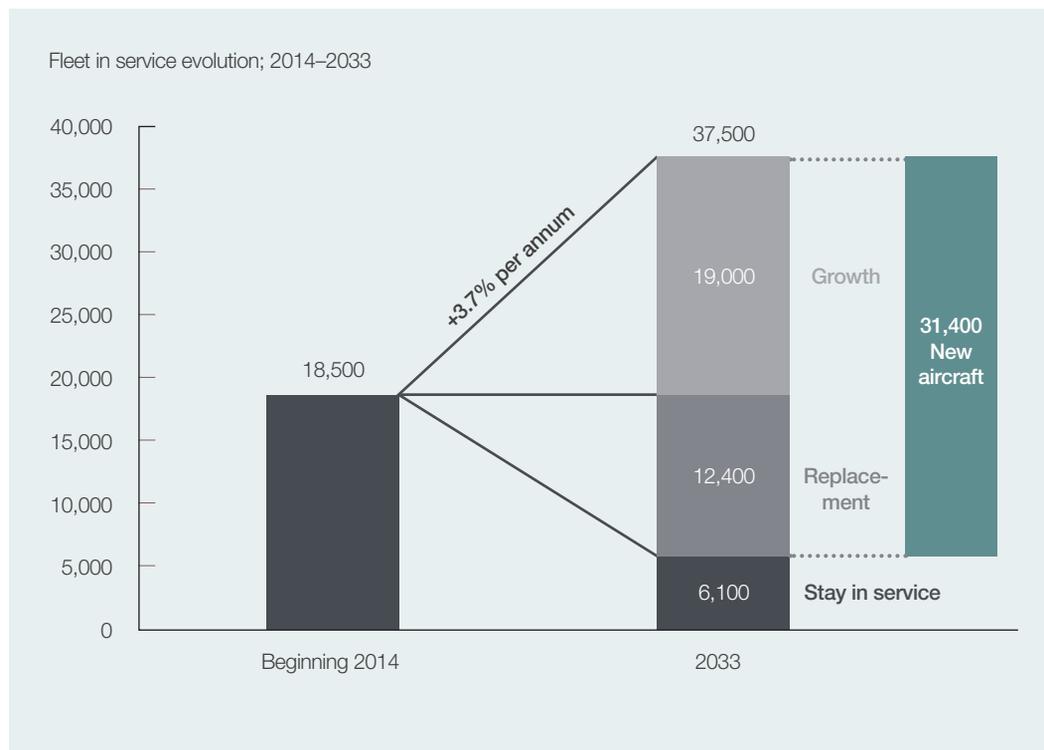
## GROWTH AND DISRUPTION

Economic researchers expect air traffic to grow at an annual average rate of five percent up to 2033. Besides, a number of additional growth drivers will contribute to boosting the industry in the years to come:

- According to the market analysis of the major aircraft manufacturers, passenger volumes will grow by five percent annually between 2015 and 2033.
- In 2014, the global fleet in service totalled 18,500 commercial aircraft. According to current estimates, it will grow to roughly 37,500 units by 2033.
- 12,400 airliners from the existing fleet will reach the end of their service life and be replaced by modern aircraft models by then.
- Hence, a total of 31,400 new airliners will be required over the next 19 years.

With a plus of up to twelve percent per year, the use of composite materials in aircraft production is expected to continue growing at an even faster rate moving forward. As a leading supplier of lightweight composite solutions, FACC should be in a position to benefit from this trend exceptionally well, as the company's growth targets will be supported by both industry trends over the long term.

## DEMAND FOR AROUND 31,400 NEW AIRCRAFT



Source: Airbus

EVER-RISING PROPORTION OF COMPOSITE STRUCTURES IN AIRCRAFT



These forecasts should not, however, hide the fact that the supplier industry is facing unparalleled challenges and undergoing disruptive changes. Against the backdrop of continuing globalisation and disproportionately strong increases in passenger volumes in the growth markets of the BRIC countries, new competitors – and to a considerable extent those with low-pay structures – are entering the market constantly, further exacerbating competition.

At the same time, aircraft manufacturers increasingly require suppliers to be willing to enter risk-sharing partnerships, while shifting an ever-rising share of overall value creation to the latter. This poses considerable demands in terms of both financial and intellectual capital. ■



# INTO THE FUTURE WITH SIX STRATEGIC ELEMENTS

FACC's strategy for future long-term success envisages six main elements, which will further consolidate the company's strong position moving forward.

### **1. Focus on three main segments**

In the Aerostructures, Engines & Nacelles and Interiors segments, FACC holds a leading position and is committed to consistently expanding and further developing its expertise. This contributes to strengthening the company's role as Tier 1 supplier for OEMs over the long term.

### **2. Investments**

A smart mix of investments into new technologies, infrastructure and efficiency guarantees FACC's long-term competitiveness. New technologies, production workflows and expertise are constantly transferred from the company's sites in Austria to all business locations and partner companies across the world.

### **3. Ongoing development of the product portfolio**

In order to further expand its current product portfolio, FACC is focusing on intensified innovation activities, making increased use of research and development resources. At the same time, the company is keeping the option open of acquiring enterprises with related fields of activity.

### **4. Expansion of market shares and tapping into growth markets**

FACC is increasingly consolidating its position as the development and manufacturing partner of its customers by actively taking part in new aircraft programmes. Besides, the company is embarking on the very promising growth markets of both Asia and the United Arab Emirates with a view to constantly gaining new market share.

### **5. Comprehensive solutions and increase in customer convenience**

As a supplier of innovative, cost-effective and high-quality comprehensive solutions, FACC offers significant advantages to OEMs. The company's business model encompasses a global network, which covers the entire process chain of modern supply production, from conception to long-term customer assistance. In this way, FACC offers its customers considerable convenience and added value.

### **6. Monitoring the market with regard to composite applications outside the company's core business**

With composite materials accounting for a rapidly increasing proportion of aircraft components, maintenance requirements in airline service are bound to change dramatically moving forward. For this reason, FACC intends to use its extensive know-how in the areas of component development and series production for activities in the field of maintenance, repair and overhaul (MRO). The company's mid-term objective is to offer airlines high-quality and efficient composite maintenance services.

Composite technology is also increasingly entering other industrial areas, first and foremost the aircraft manufacturing industry. FACC is monitoring this trend closely and is in a position to promptly enter new market segments according to demand. Potential synergies will be used to boost profitability. ■

# WINGLETS ALLOW FOR STEEPER CLIMBS



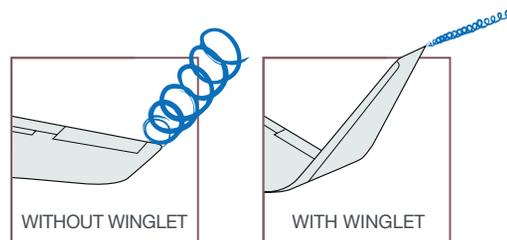
The ready-to-install components and systems provided by FACC for its customers are becoming increasingly complex and more elaborate. Based on its extensive expertise in developing and manufacturing high-value fibre composite components and systems, FACC constantly demonstrates its technological leadership, while making a significant contribution to improving aircraft aerodynamic performance, fuel efficiency and environmental friendliness. The high-tech winglets produced by FACC for numerous aircraft manufacturers demonstrate how complex components can help optimise all flight parameters.

## Inspired by nature

Winglets – the upswept extensions to aircraft wings – have been modelled upon the wingtips of certain bird species that help ensure optimal gliding performance. The former Chief Aerodynamicist at Boeing, Louis B. Gratzner, noticed this phenomenon when studying the aerodynamics of birds of prey. Based on such observations, he developed those blended winglets that have contributed to considerably improving the aerodynamics of numerous jets currently in service.

Winglets' functioning principle is very simple: they reduce wingtip vortices, thereby considerably lowering the entire aircraft drag. This allows for better fuel economy, more stability and an optimal gliding angle at lower cruise speeds.

*Blended winglets reduce both vortex and drag.*



Over the past decades, winglets' performance has been improved on an ongoing basis, with the development of the above-mentioned blended winglets, for which Louis B. Gratzler filed for a patent in 1994, marking a quantum leap forward. As opposed to conventional winglets, which stand at a sharp angle to the wing, the new blended winglets provide for a smooth transition between the wing and the wingtip. Thanks to this design, air vortex at the wingtips can be significantly reduced, lowering fuel consumption by up to five percent. For a Boeing 737-800, this translates into a reduction in carbon dioxide emissions of 1,900 tons per year, while increasing range by 300 km. Since the market launch of blended winglets, almost 19 billion litres of kerosene have been saved according to estimates of Aviation Partners Boeing, the company responsible for their distribution.

Blended winglets have also brought about a number of additional improvements: they reduce, for instance, the required take-off distance, as they allow for a steeper angle of attack when taking off, thereby minimising both community noise levels and environmental impact in the areas surrounding airports. ■

## High-tech winglets **BY FACC**

FACC has manufactured blended winglets for Aviation Partners Boeing since 2002. In the Upper Austrian town of Ried im Innkreis, the company currently produces high-tech winglets for a number of aircraft types – most notably for the Boeing 737 and 757 aircraft families as well as for Dassault Falcon and Beechcraft-Hawker business jets. FACC winglets are also on board the Airbus A320, A350 aircraft models as well as the Chinese Comac C919.

The longstanding cooperation with Aviation Partners Boeing demonstrates the high standing enjoyed by the company within the industry in terms of technological know-how and production quality. The manufacturing of winglets not only demands comprehensive expertise but also the utmost precision across all production steps. To this end, FACC deploys particularly lightweight carbon components as well as high-strength aluminium and titanium parts, allowing for maximum stability at minimum weight.



*Carbon fibre sheets provide the basis for stable winglets.*



*Prior to further processing, carbon fibre sheets undergo high-precision cutting operations.*



*In a clean room the carbon fibre outer skin is applied manually.*

For the manufacturing of winglets, carbon fibre sheets are pre-impregnated with phenolic resins and temporarily stored at a temperature of minus 18 degree Celsius until further processing. These so-called “prepregs” are purchased by FACC from third parties.

By means of CAD models, the geometry of the different material layers is defined. The carbon fibre prepregs form the basis for the creation of a winglet, which helps ensure the necessary component stability. In a so-called “clean room”, the carbon fibre outer skin as well as the rib and spar structure are laid up manually using a laser projection system, which directly projects the accurately defined design guidelines onto the component surface.

In a further production step, composite components are cured in an autoclave, a hermetically sealed pressure vessel. The components for the production of winglets are cured at a temperature of 180 degrees Celsius and a pressure of up to six bar for a total of six hours. This final process step is critical to the ultimate component quality. For this reason, both temperature and pressure inside the autoclave are monitored and controlled by computer systems at one-second intervals.



*Composite parts' curing process in the autoclave*

Precision and thorough testing guarantee high-quality blended winglets.

After the components have been cured in the autoclave, a CNC milling machine, which is accurate to a tenth of a millimetre, is used to perform high-precision milling operations and prepare the parts for the next manufacturing step. By means of non-destructive inspection (NDI) procedures the adhesion strength of the single prepreg sheets in the autoclave is subject to thorough testing, without however destroying the component. Depending on the component's special properties, non-destructive testing is carried out based on x-ray, scanning or thermographic testing methods.



A CNC milling machine ensures high-precision milling operations.



Inspection of the electrical system during "light on"



Ready for delivery: FACC paints winglets in 400 different liveries.

In a further step, the single parts are assembled using a synchronised manufacturing system for series production. For the assembly of the blended winglets of the Boeing 737, for instance, a total of twelve manufacturing steps are necessary. In a special assembly jig, the single components are attached together in line with design requirements. The focus here is on ensuring the correct aerodynamic shape of the blended winglets. In the remaining eleven manufacturing steps, all components are fixed together. One of the main design features accomplished during these process steps is the trailing edge of the wingtip made of finely polished aluminium, which gives the winglets their unique appearance. Finally, the aerodynamic profile of the blended winglets is checked via a coordinate measuring machine.

In the following process step, every single blended winglet undergoes final testing. During this so-called "light on" test, the electrical system and all other characteristics are subject to thorough scrutiny to ensure components' compliance with relevant functional guidelines. Last but not least, components are given the final go-ahead by the quality control for their use in aircraft wings and awarded an airworthiness certificate.

At the very end of the manufacturing process, components are painted in the corresponding airline livery. Currently, blended winglets are painted with around 400 different design motifs at FACC. ■

# Winglets, the next level!

## THE NEW WINGLET GENERATION IS EVEN MORE EFFICIENT

Thanks to its extensive development competence, FACC succeeded in further improving the aerodynamic performance of its blended winglets.

The positive experiences resulting from the longstanding cooperation between FACC and Aviation Partners Boeing provided the basis for the realisation of a joint project between the two companies in recent years. In fact, starting from 2002, FACC was not only entrusted with the manufacturing of the winglets for Aviation Partners Boeing but also with extensive development tasks.

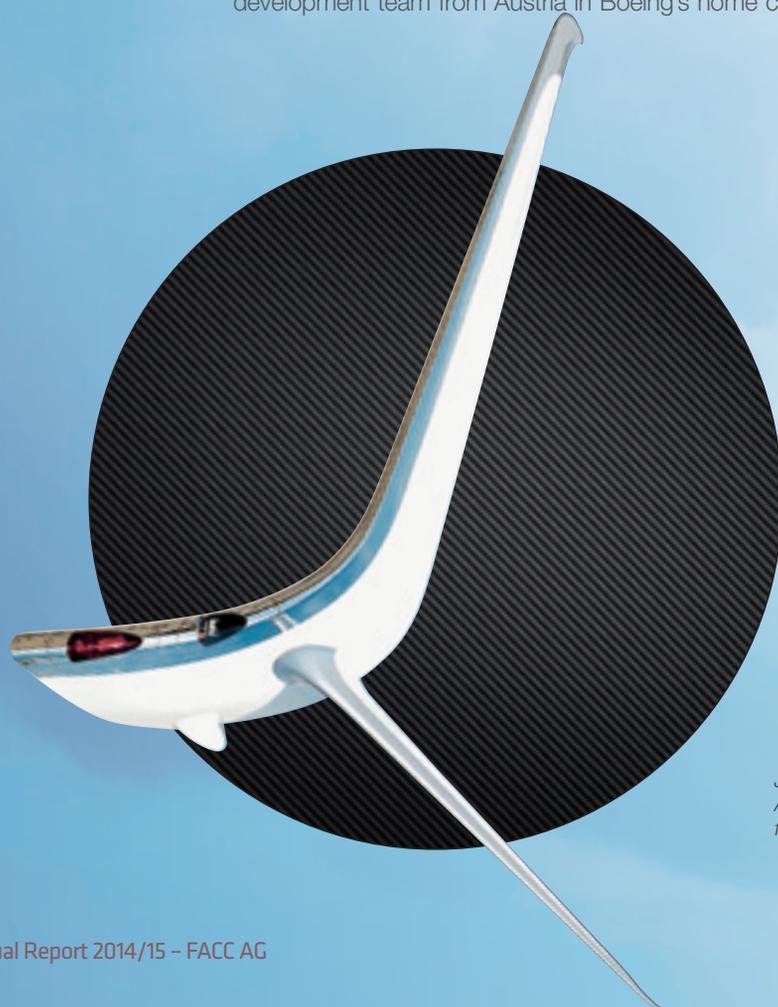
As of 2012, in a record time of only four months, FACC completed a prototype for the new and more efficient “split scimitar winglet” (SSW) for the Boeing 737 aircraft.

Following extensive testing of the new split scimitar winglet system over several months, FACC was awarded a contract for the development of split scimitar winglets that are suitable for series production. And only thirteen months after being awarded the contract, the company obtained approval certification from the US aviation agency. A key to success was the establishment of an in-house engineering centre with a dedicated development team from Austria in Boeing’s home city Seattle,

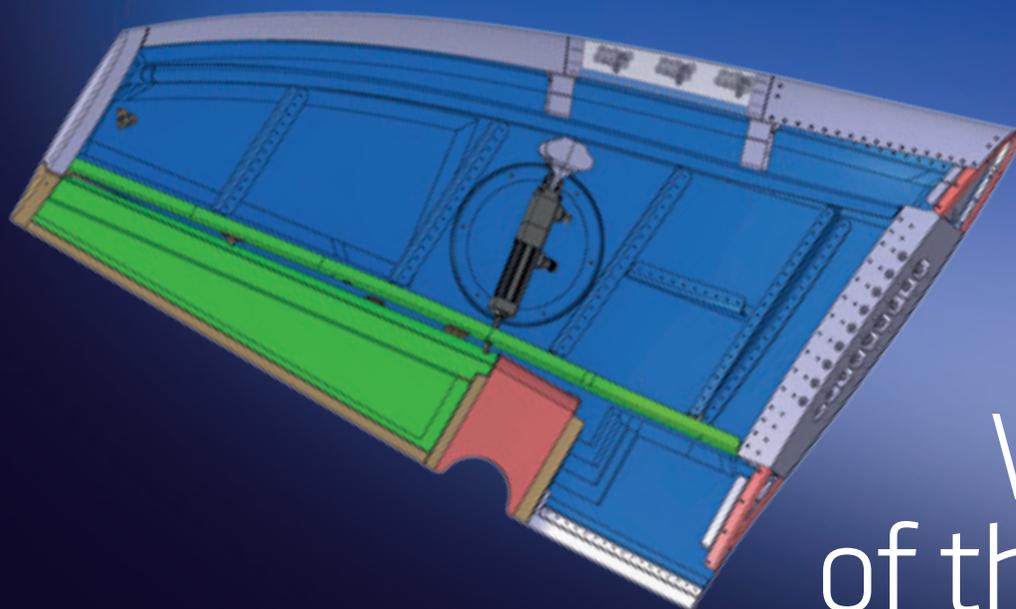
which made cooperation between the companies far more efficient.

The split scimitar winglet is designed in such a way as to include a downward angled ventral strake at the lower end of the blended wingtip. This aerodynamics-enhancing component helps to further reduce induced drag by two up to three percent.

Existing blended winglets can be currently retrofitted with the new split scimitar winglet configuration in a turn-around time of only ten days. Thus, the company is now in a position to retrofit the entire Boeing 737 fleet with the new SSW-system in a relatively time and cost-efficient manner. For the efficient performance of modification tasks on the Boeing machines, FACC established so-called centres of excellence both in Ried im Innkreis (Austria) and in Wichita (USA). Plant construction works in the US were also accomplished in record time, which earned the company the “USABizAward”, an award bestowed by the Austrian Federal Agency for Forcing Trade. ■



*Joint new development by FACC and Aviation Partners Boeing: winglets with ventral strake for even lower induced drag.*



# Winglets of the future

## FACC AT THE FOREFRONT OF DEVELOPMENT

By implementing the split scimitar winglets, development work in the area of aerodynamic performance is far from completed, as FACC is already working on the winglets of the future. Within the scope of the EU's 7<sup>th</sup> Framework Programme for Research and Technology "Clean Sky", FACC has been a partner in the SARISTU research project since September 2012. This project aims at achieving reductions in aircraft weight and operational costs as well as further optimised aerodynamic performance.

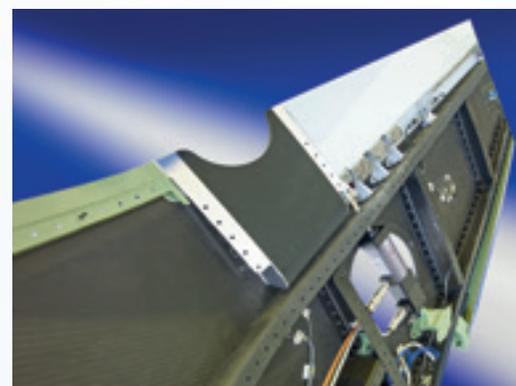
One programme module encompasses the development and implementation of the "Winglet Active Trailing Edge" (WATE). Here, the company focuses on integrating an active control flap into a blended winglet, which plays an instrumental role in adapting the shape of the wingtips to the respective flight status of the aircraft. In addition, such winglets bring about a wide range of additional advantages, such as improved aerodynamic performance, lower noise levels and a better load distribution along the wing.

FACC has been playing a leading role in this sub-project. However, development work initially posed two major challenges to FACC's project team. First of all, the installation of highly complex sensors and control electronics in a very narrow space proved particularly complex. Another challenge was to avoid the formation of a gap when flaps are deflected, as this would have had a detrimental effect on the overall winglets' aerodynamics. In the end, FACC's expert team succeeded in finding the right solution to both problems.

In the meantime, the single components have been manufactured and a wind tunnel and functional demonstrator are currently

under construction at FACC, laying the foundations for further improvements in winglets' performance moving forward.

In addition to the winglet project, FACC is also involved in the development of fuselage structures, so-called FRAMES with integrated electrical networks, which will help save assembly time and costs in the future. Besides, within the scope of this programme, FACC is also responsible for the structural design, the calculation and the manufacturing of more than 80 percent of all composite components along with the assembly of the entire system. ■



*Future technology: winglets' sensor-controlled movable structure is able to optimally adapt to each flight position.*

# Innovation leads to long-term success

Research and development efforts are strongly anchored in FACC's business model. They are a basic prerequisite for long-term and partnership-based customer relationships, as component suppliers are now not only required to deliver off-the-shelf products but also innovative solutions. In addition, innovations contribute to opening up new business fields, while safeguarding technological leadership.

Within the framework of a research initiative, FACC invested a total of around 51 EUR million in R&D activities in the 2014/15 financial year. These include the investigation of new composite materials, production technologies and methods of analysis as well as the development of airworthy prototypes and pilot series. R&D investments account for a considerable 9.3 percent of FACC's total revenues and underscore



the crucial role played by R&D activities within the company. This money is also well invested as proprietary developments contribute to rounding off FACC's product portfolio, while raising its attractiveness and further consolidating the company's relationships with its customers, who are closely involved in every single R&D project. This guarantees that new developments are able to meet market requirements with pinpoint accuracy. However, FACC also seeks to engage in collaborative partnerships with academia both in Austria and abroad.

Research findings can, to a large extent, be effectively applied to practice within a timeframe of fewer than three years. In this context, the company also carries out vital fundamental research activities, safeguarding FACC's technological leadership over the long term.

**New developments 2014/15**

In the 2014/15 financial year, FACC achieved considerable progress in all its three main R&D areas, i. e. in the development of prototypes, research into innovative composite materials and new production technologies.

Thanks to the development of a new winglet prototype, FACC is already anticipating the future of wingtips. The company has designed a component that is able to adapt to the respective flight status of a jet completely automatically, thereby contributing to further optimising its aerodynamic performance. Therefore, this new development marks a decisive step forward in the company's ongoing efforts to improve the split scimitar winglets, which FACC has been producing since 2014 (see also p. 35).

With regard to the development of composite materials, FACC received certification approval for a new breed of carbon fibre composites, use of which for the E-Jet E2 Embraer

aircraft family is currently under preparation.

And last but not least, the company succeeded in further increasing the level of automation in the processing of fibre-reinforced components. An automated tape-laying machine ensures the utmost precision and repeatability, while bringing about considerable cost savings.

**Prize and patent awards**

Thanks to its success in R&D, the company was awarded a number of prizes and patents in the 2014/15 financial year. A total of seven patent families were registered in the year under review, which included – among others – the new spoiler technology, a new breed of interior components along with innovative lightweight power-plant components. Such patents help extend FACC's customer portfolio, while reducing the company's dependency on single original equipment manufacturers (OEM).



*Fan with fan blades and intermediate annulus fillers*



*Rolls-Royce's next-generation jet engine*

Thanks to a constant stream of new components and systems, FACC ensures steady reductions in weight and fuel consumption for the international aviation industry.

The success of FACC's R&D activities was also demonstrated by a number of awards, bestowed on the company in the year under review (see box below).

In December 2014, FACC received the "Design Organisation" certificate of approval (DOA) from the European Aviation Safety Agency (EASA). As an approved Design Organisation, FACC is now authorised to independently develop and approve designs for the modification and repair of aircraft or their structural components within an officially defined framework.

**Future perspectives**

The research initiative started in the year under review will be continued in the year to come. It is based on organisational changes, which will strengthen the cross-divisional links between the engineering and product development units throughout the entire company. Furthermore, more intensive coordination with FACC's key customers with regard to all R&D activities is high on the agenda, with the main focus, however, still remaining on innovation. ■



*New materials for innovative solutions.*

# AWARD-WINNING PERFORMANCE!

## INNOVATION AWARDS FOR THE 2014/15 FINANCIAL YEAR

### USABIZAWARD

In February 2015, FACC received the "USABizAward" in the investments category, bestowed by the Austrian Federal Agency for Foreign Trade, for a new production plant in Wichita/USA. The plant was constructed in a record time of only three months.

Over the next years, more than 3,000 Boeing 737NG will be fitted with the fuel-saving split scimitar winglets here.

### INVENTUM AWARD

In November 2014, FACC won the Bronze Inventum Award conferred by the Austrian patent office for the development of an integral wing box for aircraft using the new "MARI" (Membrane Assisted Resin Infusion) manufacturing process. This makes FACC the first-ever manufacturer worldwide to have succeeded in producing the components of a wing box in a one-shot process and without using an autoclave.

### PEGASUS 2014

In June 2014, FACC received the second prize at the Pegasus awards ceremony, which represents the most important economic distinction in Upper Austria. This prize rewards the company's outstanding economic performance and the uniqueness of its product and service portfolio.

### NATIONAL PRIZE FOR INNOVATION

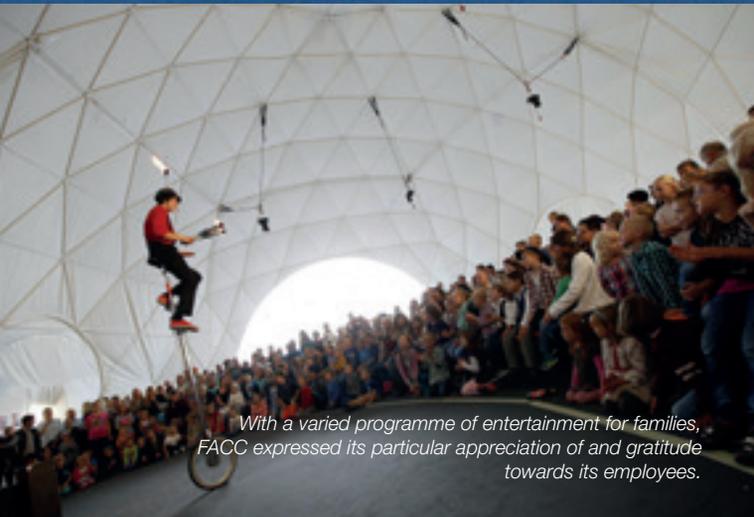
In March 2014, FACC was nominated for the Austrian National Prize for Innovation for developing an integral wing box for aircraft using the new infusion manufacturing process, which makes a significant contribution to cost, time and energy savings in the production of fibre-composite components.

### JEC EUROPEAN INNOVATION AWARD

In March 2014, the company's extraordinarily lightweight composite annulus filler for jet engines received the JEC European Innovation Award in the aeronautics category. Thanks to this component, FACC is contributing considerably to making jet engines much more environmentally friendly. This prize was presented to FACC along with its research partners Rolls-Royce and the University of Applied Sciences Rapperswil at the JEC Composites trade fair held in Paris.



# CELEBRATING A 25-YEAR LONG SUCCESS STORY



*With a varied programme of entertainment for families, FACC expressed its particular appreciation of and gratitude towards its employees.*



*From left to right: Mike Underwood (Boeing), Robert Braunsberger (FACC), Kent Fisher (Boeing), Jeff Luckey (Boeing), Mike Olszewski (FACC), Joe Clark (Aviation Partners), Walter Stephan (FACC), Martin Bögl (FACC)*

In 1989, FACC started off as an independent enterprise from the Innviertel (Upper Austria) and has been flying high ever since. Today, the company is a successful global player in the aviation industry and produces aircraft components for prominent customers such as Boeing, Airbus, Embraer, Bombardier, Rolls-Royce and Pratt & Whitney.

In September 2014, this success story was celebrated with a gala hosted by FACC for its customers and a party for roughly 2,800 Austrian employees at its premises in St. Martin under the motto “25 Years. Innovating. Together.”

The company currently employs over 3,000 staff members across the world – 2,800 in Austria alone – and reported total revenues of 381.8 EUR million in the 2014/15 financial year. FACC solutions contribute to reducing the weight, fuel consumption and emissions of both aircraft and jet engines, while at the same time optimising overall passenger comfort.

Many customers have relied on FACC for years. Boeing, for instance, has been a customer of the company from the very beginning. Vice-President European & Middle East Supplier Operations Performance Jeff Luckey said on the occasion of FACC’s anniversary celebration: “In the 25 years I have worked with FACC, the company has demonstrated its commitment to outstanding quality, innovative solutions and cooperative partnership. I look forward to many more years making aviation history together.” ■

Reinhold Mitterlehner, Austria’s Vice-Chancellor and Federal Minister of Science, Research and Economy, took also part in the celebration to personally congratulate the company on its 25<sup>th</sup> anniversary.

**25** YEARS FACC  
INNOVATING. TOGETHER.



From left to right: Fabiano Soares (Embraer), Marcio Souca (Embraer), Eveline Lindorfer (FACC), Raul Eloy S. Diniz (Embraer), Marcus Bizon (Embraer)



From left to right: Alexander Wiesner (FACC), Matthieu Gobert (Airbus), Peer Wiebe (Airbus), Andreas Ockel (Airbus), Gerhard Mörtenhuber (FACC)

In the aviation industry, high demands are placed in terms of human capital – the most sought-after skills are flexibility, personal commitment and more particularly sense of responsibility. At FACC, these values are actively promoted. Thus, over the years the company has recruited a “crew”, which has earned an excellent reputation in the industry and without which the company would never be able to deliver such a high level of quality. Measures such as employer branding, further education and vocational training as well as attractive fringe benefits for staff members demonstrate how much FACC appreciates its crew.

HIGHLY  
QUALIFIED AND  
APPRECIATED

For this reason not least, FACC enjoys an outstanding reputation in the labour market. The wide range of fringe benefits for staff members includes among others health programmes, flexible working time models for employed personnel, a summer nursery and staff participation programmes. The fact that these and other measures contribute to a positive working atmosphere is reflected by the many years of service of numerous staff members. In 2014, 151 employees, who had been employed by the company for over ten, 20 or even 30 years, received awards at the annual jubilee celebration. All together, they make up 1,930 years of service.

However, FACC's commitment in the area of human resources not only contributes to retaining current staff but also to attracting new top talents.

Under the motto "soar with us to new heights", the company actively promotes the individual strengths and potential of its staff. For this commitment, FACC won bronze at the "European Change Communication Awards" in the category "Employer Branding" in November 2014.

In addition, FACC offers its employees a wide range of development opportunities in an international context. In Austria alone, specialist personnel from 41 countries are currently employed at FACC, with female employees accounting for 30 percent of the total workforce. As a global player with more than 3,000 employees worldwide, FACC offers interesting fields of activities and good career opportunities. ■



*The FACC Leonardo Award honours outstanding team achievements.*

#### **First FACC Leonardo Award**

At FACC, personal success is recognised appropriately and team spirit is writ large. In November 2014, the company presented an in-house award for outstanding team achievements – the "FACC Leonardo Award" for the first time. Out of 32 projects submitted, the "A320 Synchronized Assembly Line" project team emerged as the winner. This new assembly line allowed the production of baggage compartments to be converted into synchronised flow manufacturing, increasing overall productivity by 16 percent. This success was achieved thanks to very dedicated team members, who dared to pioneer entirely new paths. ■

### Future experts

FACC ranks among the leading companies in Upper Austria and offers young people a wide range of attractive apprenticeship opportunities in the area of plastics technology, machining technology, design and information technology.

A total of 48 apprentices are currently employed at the company. After completing their apprenticeship training, they can attend the FACC Academy for further vocational training to qualify as technology experts or managers.

FACC has received numerous awards for its excellent apprenticeship training – such as the “ineo 2013–2016” presented by the Chamber of Commerce of Upper Austria. Within the framework of the State Prize “Most Outstanding Apprenticeship – Fit for Future 2013”, FACC was ranked second in the category “competence-oriented apprenticeship projects” for the social and charitable commitment of its apprentices among other factors.

Besides, since the beginning of 2015, FACC has been entitled to bear the Austrian national coat of arms as a state-approved training enterprise. This award is regarded as the highest distinction in Austria. ■



*Outstanding quality in vocational training: apprentices were also delighted about the recognition of FACC as a state-approved training enterprise at the beginning of 2015.*

### FACC Academy develops expertise

Only the support of staff with extraordinary levels of expertise will allow FACC to further consolidate its standing as a global player in innovation and technological progress. It goes without saying that peak performances require first-class professional qualifications and it is exactly for this purpose that the FACC Academy has been founded. The Academy has been designed to convey a wide range of specialist skills, ranging from the fundamentals of fibre composite technology to other special topics, along with project management and leadership skills.

For every job function within the company a detailed training matrix is defined, which determines which training sessions need to be carried out in a given timeframe. With the support of roughly 30 in-house experts, the FACC Academy offers more than 90 dif-

ferent internal training programmes as well as a wide range of external courses. In the year under review, a total of 6,323 employees attended 459 internal training programmes and 192 external courses were carried for 1,656 participants.

Selected training programmes will also soon be offered in an e-learning format. This will lead on the one hand to considerable savings in terms of trainer resources, while enhancing time efficiency for staff members. In future, employees will be able to complete selected training modules at their workstations via the SAP system.

A special focus of FACC’s further education measures is on targeted leadership development. Within the framework of the FACC Management Academy, managers have the opportunity to attend a corresponding vocational training programme, which comprises two modules: a “Leadership Basic” and a “Leadership Advanced” module. ■

Healthy employees are happier, more motivated and tend to perform better. Thus, investments in employees' health usually pay off very quickly for companies.

### A happy and healthy crew

With the "Happy & Healthy" programme, FACC has placed special emphasis on the health of its workforce. During a period of 19 months, 750 employees developed a total of 915 proposals to safeguard and promote the health of the FACC crew. To date almost 600 suggested measures have been implemented. These range from the optimisation of the workplace layout to the improvement of internal communication. Moreover, to make work easier for employees, several water dispensers have been installed and isotonic drinks are now being handed out free of charge.

The results of this programme were also taken into account for the extensive plant expansion measures that took place in 2014. A special emphasis was placed in this context on optimising both the work environment and workflows. The new assembly lines were designed in such a way as to allow greater exposure to natural light than required by law. In addition, both office and sanitary rooms were massively expanded, making modern and fully air-conditioned office facilities and large WC areas available to staff members.

Since the beginning of 2015, two occupational psychologists have been working at FACC. Their main task is to support employees whenever needed. Besides, they are responsible for monitoring the effectiveness of those measures that have already been put in place within the framework of the "Happy & Healthy" programme. With regard to the evaluation of psychological stress in the workplace, FACC has now become a highly sought-after best-practice example in the industry thanks to its pioneering role.

However, the company's "Happy & Healthy" programme is far from being concluded, as there are still lots of ideas that are worth implementing. ■



*FACC offers highly qualified engineers an exciting workplace.*

# OPTIMAL USE OF ENERGY

## ENERGY MANAGEMENT

Since FACC was founded in 1989, the development of the company has been marked by continued growth, which significantly gathered momentum between 2011 and 2014. However, the consumption of both energy and resources did not match this trend. Thanks to a wide range of measures, the development of energy consumption at FACC has been considerably flatter than the overall operating performance of the company.

In concrete terms, energy efficiency at FACC plants has increased at an annual rate of 10 percent over the past five years. This represents a peak value, which has been achieved through a set of measures such as energy monitoring, the deployment of control technology and the central monitoring of building technology. All five FACC plants are currently being heated by a geothermal district heating system, which is almost fully carbon-neutral. To this end, the production sites were equipped with heating systems that operate with low flow and return temperatures. Thanks to modern recovery systems, waste heat resulting from production processes is channelled back into the heating circuit, thus ensuring the optimal use of the energy consumed.



*FACC's corporate buildings and office facilities are designed to provide maximum energy efficiency.*

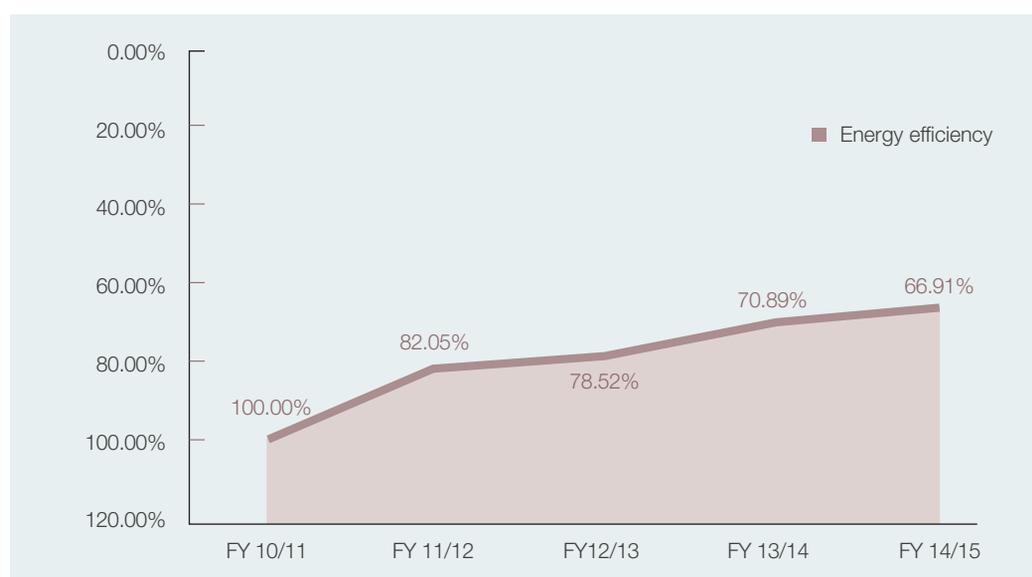


However, these measures constitute only a part of FACC's overall strategy for promoting energy efficiency. In addition, ongoing steps are taken to optimise control loops in building technology and plant utilisation. Moving forward, an even better usage of process heat and exhaust heat recovery systems is planned.

By investing in energy efficiency, FACC is not only committed to achieving a higher level of sustainability in environmental protection but is also laying the foundations for long-term competitiveness: against the backdrop of rising energy prices over the long term, the efficient use of energy has also become indispensable in economic terms.

In 2008, a total of 243 kilowatt hours was needed to generate an operating performance of 1 EUR thousand. In 2014, this figure was reduced to 184 kilowatt hours, thus demonstrating that the measures put in place by the company are proving effective in the long run and FACC's energy management is on the right track. ■

#### DEVELOPMENT OF ENERGY EFFICIENCY

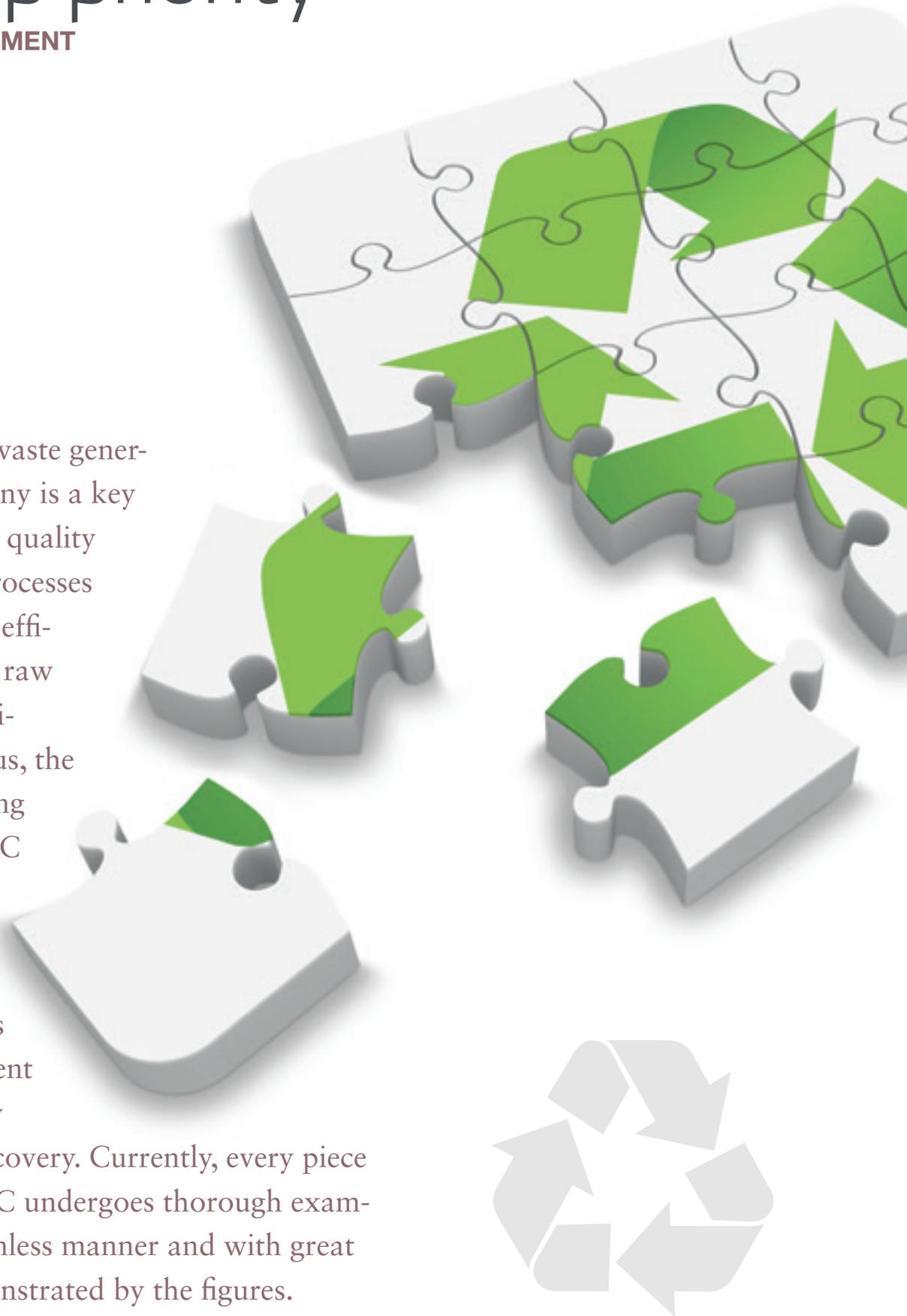


Since 2010, energy efficiency has continued to grow at FACC (here it is represented as the relationship of energy consumption to operating performance).

# Waste avoidance is a top priority

## WASTE MANAGEMENT

The amount of waste generated by a company is a key indicator for the quality of production processes as it shows how efficiently available raw materials are ultimately used. Thus, the overriding guiding principle at FACC is waste avoidance. The second pillar in the company's waste management is represented by recycling and recovery. Currently, every piece of waste at FACC undergoes thorough examination in a seamless manner and with great success, as demonstrated by the figures.



While in 2010 the proportion of recyclable waste at FACC amounted to twelve percent, in 2014 over 41 percent of residual material could be recycled. Nowadays, polystyrene, plastic films, cardboard packaging, tools, iron and aluminium are 100 percent sold and subsequently recycled. The same applies to waste wood, which can be recycled as resources to a great extent.

The proportion of waste material that can only be thermally recycled was reduced from roughly 80 percent in the 2010/11 financial year to less than 60 percent in the year under review thanks to effective recycling measures.

This result could also be achieved by phasing out landfilling. In the 2010/11 financial year, roughly nine percent of waste material generated by FACC was permanently stored in a landfill: this mainly included CFRP (carbon fibre reinforced plastic) and GFRP (glass fibre reinforced plastic) contaminated grit, CFRP/GFRP milling and polishing dust as well as scrap parts. Since 2014, grit waste material has been used for the production of

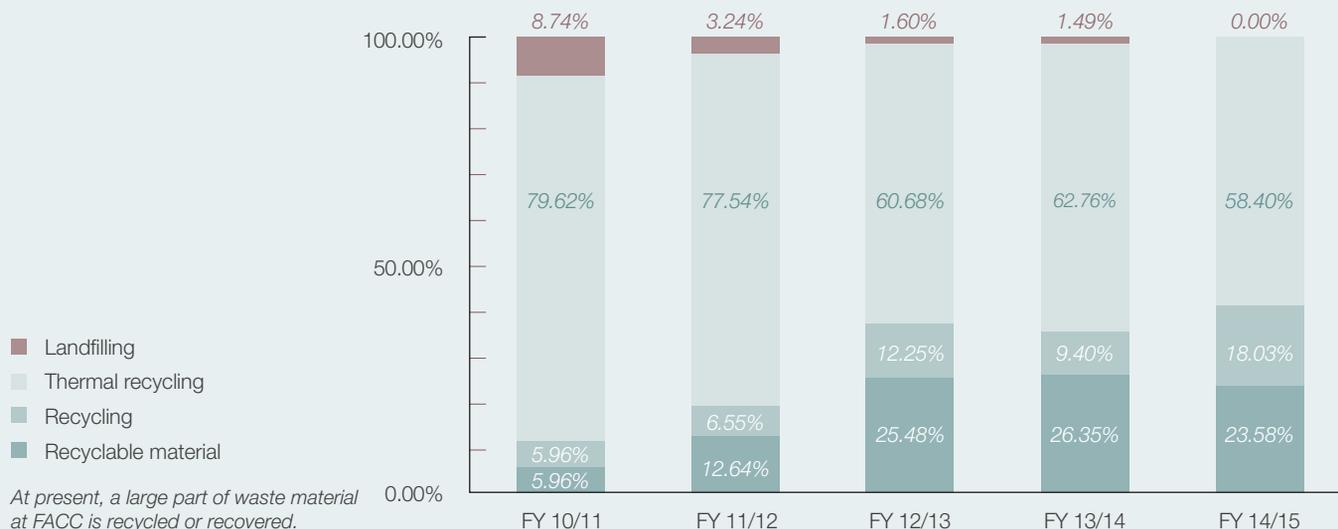
cement. Thus, to date landfilling has been completely phased out. This not only brings about considerable advantages for the environment but also a reduction in disposal costs of approximately 50 percent.

Further cost savings should be achieved moving forward via the in-house recycling of solvents. In 2014, a corresponding pilot project was launched. A recycling project for composite materials is also in the planning phase. And last but not least, end-of-life mobile phones should be soon donated to charitable institutions. ■



Through strict waste separation measures and the manufacture of granulates from production waste, raw materials are recycled in an efficient manner.

**WASTE MATERIAL BREAKDOWN**



# Investor Relations

## PERFORMANCE OF STOCK MARKETS

Global stock markets continued their upward trend during 2014. Supported by the continued expansionary monetary policy and low interest rates, both the US and German stock markets were able to reach new highs. The US stock index, the Dow Jones Industrial, gained 7.5% in 2014 and hit a new historical all-time high on December 26, 2014 at 18,103 points.

The European indices remained largely unchanged over the course of the year. The Eurostoxx 50, which comprises the continent's 50 companies with the highest market capitalisation, rose by only 1.2% over the course of 2014. The leading German share index, the DAX, succeeded in recording a new all-time high at 10,093 points on December 5, 2014. At the end of the year, the index closed at 9,806 points – up only 2.7% over the start of the year.

The Vienna Stock Exchange performed less well than the international markets in general. The ATX was trading at 2,160 points as of December 30, 2014 and was therefore 15.2% down on the level recorded at the end of the previous year.

## SUCCESSFUL IPO

Despite the challenging environment on the international financial markets, the initial public offering (IPO) of FACC AG was successfully accomplished in June 2014, marking an important step towards the independent development of the company and the financing of the further expansion of production capacities. The first trading day on the Vienna Stock Exchange on June 25, 2014 – the company is listed under the symbol FACC – was preceded by an extensive roadshow covering the major European and US financial centres.

The proceeds from the capital increase carried out within the framework of the IPO amounted to approximately 150 EUR million. The issue price was fixed at 9.5 EUR per share in the middle of the previously defined price range of 8 to 11 EUR. The IPO of FACC was supported by J.P. Morgan Cazenove, Morgan Stanley and Erste Group acting as joint global coordinators and joint book runners as well as by UBS acting as co-book runner. The selling majority shareholder Aviation Industry Corporation of China (AVIC) kept a 55% stake in the company. FACC employees have also made an investment in the company at the issue price and currently hold <1% of the share capital.



*The IPO inaugurated a new era for FACC. From left to right: Robert Machtlinger (FACC), Ruguang Geng (AVIC), Walter Stephan (FACC)*

**2014/15 FACC SHARE PRICE DEVELOPMENT**



Since the IPO, the performance of the FACC share has largely paralleled the overall performance of the ATX Prime and therefore of the blue chips trading on the Vienna Stock

Exchange. Based on an issue price of 9.5 EUR and a closing price of 8.5 EUR as of February 27, 2015, the company's share price fell by 10.5% by year-end 2014/15.



The FACC share has been listed on the Vienna Stock Exchange since 2014.

**Trading volume**

The average daily trading volume of FACC shares in the year under review (double counting excluding OTC) amounted to 172,428 shares. At the end of the 2014/15 financial year, market capitalisation totalled 389.2 EUR million, decreasing by 45.8 EUR million compared to the first trading day on June 25, 2014.

Turnover from over-the-counter dealings (double count) amounted to 83.5 EUR million in the 2014/15 financial year and accounted for 41.0% of total sales or 203.5 EUR million.

**Basic information about the FACC share**

ISIN	AT00000FACC2
Currency	EUR
Stock Exchange	Vienna (XETRA)
Market segment	Prime Market (official trading)
First day of trading	June 25, 2014
Issue price	EUR 9.5
Paying agent	Erste Group
Indices	ATX GP, ATX IGS, ATX Prime, WBI
Share class	ordinary shares
Ticker symbol	FACC
Reuters symbol	FACC.VI
Bloomberg symbol	FACC AV
Number of shares issued	45,790,000

**Key share data**

		2014/15 <sup>1</sup>
Trading volume	shares	29,312,752
Average daily trading volume	shares	172,428
Monetary turnover	EUR million	1.41
Highest closing price over the year	EUR	9.55
Lowest closing price over the year	EUR	6.35
Closing price on February 27	EUR	8.50
Annual share price performance	%	-10.50
Market capitalisation as of February 27	EUR million	389.22

<sup>1</sup> Period since initial listing on June 25, 2014

**INVESTOR RELATIONS**

To guarantee the equal treatment of all shareholders, the IR team of FACC aims to ensure that information about company developments of capital-market relevance is provided in a timely and transparent manner to all shareholders and interested parties at the same time. With a view to raising the FACC's profile on the capital market and promoting communication with interested investors on a one-on-one basis, the management participated in a number of roadshows and investor conferences in the year under review, keeping in direct contact with over 200 analysts and investors.

**EXTENSIVE ANALYST COVERAGE**

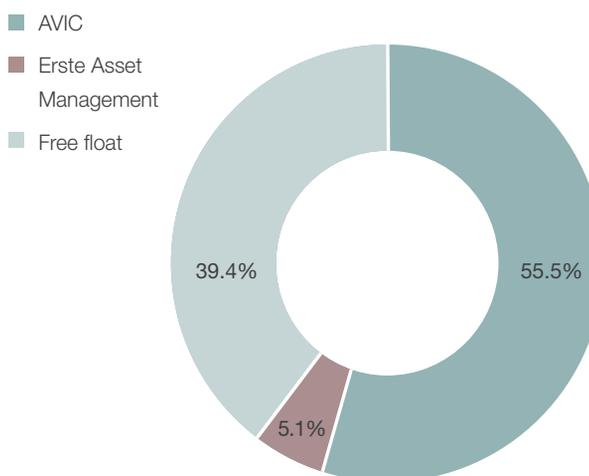
In the 2014/15 financial year, five financial institutions published analysis of the FACC share at regular intervals:

Erste Group	Franz Hörl
J.P. Morgan Cazenove	David H. Perry
Morgan Stanley	Lucie A. Carrier
UBS	Cristian Nedelcu
RCB	Daniel Damaska

**SHAREHOLDER STRUCTURE AND SHARE CAPITAL**

FACC AG's share capital amounts to 45,790,000 EUR and is divided into 45,790,000 shares. The Aviation Industry Corporation of China (AVIC) holds 55.5% of voting rights in FACC AG via FACC International. 5.1% of voting rights are held by Erste Asset Management. The remaining 39.4% of shares represent free float and are held by both international and Austrian investors. FACC AG did not hold any treasury shares as of the balance sheet date on February 28, 2015.

**Shareholder structure**



**DIVIDEND POLICY**

In future, FACC intends to distribute its dividends, which are expected to be within a range of 20 to 30% of Group profit after taxes pursuant to IFRS. For the 2014/15 financial year, no dividend will be paid.

**CONTACT DETAILS**

Manuel TAVERNE	
Director Investor Relations	
Telephone	+43 59 616 2819
E-mail	m.taverne@facc.com

**FINANCIAL CALENDAR 2015/16**

June 15, 2015	Ordinary Annual General Meeting
July 16, 2015	Quarterly financial report Q1
October 22, 2015	Semi-annual financial report
January 21, 2016	Quarterly financial report Q3

# Corporate Governance Report

The Austrian Code of Corporate Governance (ACCG) provides Austrian stock corporations with a framework for the management and control of enterprises. It covers the standards of good corporate management common in international business practice as well as the most important provisions of Austrian corporation law that are of relevance in this context. The Code aims to establish a system of management and control of companies and groups that is accountable and is geared to creating sustainable, long-term value. The Code is designed to increase the degree of transparency for all stakeholders of a company.

## DECLARATION OF COMMITMENT

FACC AG respects the Austrian Code of Corporate Governance and committed itself for the first time to compliance with the provisions contained in this Code in 2014, following the first listing of the company shares on the prime market of the Vienna Stock Exchange. The Supervisory Board has also unanimously resolved to fully adhere to the ACCG. The Code is available on the Internet at [www.corporate-governance.at](http://www.corporate-governance.at) in the currently valid version. In accordance with Rule 60 of the ACCG, FACC AG is required to prepare and publish a Corporate Governance

Report. This Corporate Governance Report is publicly available on the website of FACC AG ([www.facc.com](http://www.facc.com)) (C-Rule 61 ACCG).

## Deviation from C-Rules

**Rule 41:** FACC AG has a combined Nomination and Remuneration Committee, which performs the function of the Nomination Committee: this committee is referred to as the "Personnel and Remuneration Committee".

## CORPORATE BODIES OF FACC AG

### Management Board

The Management Board is responsible for managing the business operations of FACC AG in line with prevailing legal regulations, the Articles of Association and the internal rules of procedure. The distribution of responsibilities among the individual members of the Management Board is determined in accordance with the internal rules of procedure, which also regulate the mode of cooperation among the Management Board members. Furthermore, the Management Board is required to fully comply with the rules stipulated in the Austrian Code of Corporate Governance.



*Walter Stephan  
Chairman of the  
Management Board*

*Minfen Gu  
Member of the  
Management Board*

*Robert Machtlinger  
Member of the  
Management Board*

**Management Board****Walter STEPHAN (born 1954)**

Chairman of the Management Board

First appointed: 2014

Current mandate expires: 2019

Areas of responsibility: Sales & Marketing, Distribution, Research and Development, Engineering, Quality Management, Purchasing, Legal Affairs, Investor Relations  
 Supervisory Board mandates in other companies: POLYMER Competence Center Leoben GmbH, Techno-Z Ried Technologiezentrum GmbH (Chairman)

**Robert MACHTLINGER (born 1967)**

Member of the Management Board

First appointed: 2014

Current mandate expires: 2019

Areas of responsibility: Production, Quality, Logistics, Tooling & Industrial Engineering, Facility Management, Human Resources

Supervisory Board mandates in other companies: none

**Minfen GU (born 1965)**

Member of the Management Board

First appointed: 2014

Current mandate expires: 2019

Areas of responsibility: Accounting, Controlling, Treasury, Taxation, IT, Risk Management

Supervisory Board mandates in other companies: none

**Supervisory Board**

Current composition of the Supervisory Board. Mr Huang Hang retired from the Supervisory Board as of April 29, 2014.

**Ruguang GENG**

Chairman since 2009

First appointed: 2009

Current mandate expires: Annual General Meeting (AGM) resolving upon the 2014/15 financial year

Supervisory Board mandates in other companies: none

**Jun TANG**

Vice Chairman since 2011

First appointed: 2011

Current mandate expires: Annual General Meeting resolving upon the 2014/15 financial year

Supervisory Board mandates in other companies: none

**Yongsheng WANG**

First appointed: 2014

Current mandate expires: Annual General Meeting resolving upon the 2014/15 financial year

Supervisory Board mandates in other companies: none

**Yanzheng LEI**

First appointed: 2014

Current mandate expires: Annual General Meeting resolving upon the 2014/15 financial year

Supervisory Board mandates in other companies: none

**Weixi GONG**

First appointed: 2014

Current mandate expires: Annual General Meeting resolving upon the 2014/15 financial year

Supervisory Board mandates in other companies: none

**Xuejun WANG**

First appointed: 2014

Current mandate expires: Annual General Meeting resolving upon the 2014/15 financial year

Supervisory Board mandates in other companies: none

**Chunsheng YANG**

First appointed: 2014

Current mandate expires: Annual General Meeting resolving upon the 2014/15 financial year

Supervisory Board mandates in other companies: none

**Gregory B. PETERS**

First appointed: 2014

Current mandate expires: Annual General Meeting resolving upon the 2014/15 financial year

Supervisory Board mandates in other companies: none

**Supervisory Board members designated by the Works Council****Barbara HUBER**

First appointed: 2014

**Johann REDHAMMER**

First appointed: 2014

**Peter KROHE**

First appointed: 2014

**Ulrike REITER**

First appointed: 2014

**INDEPENDENCE OF SUPERVISORY BOARD MEMBERS**

The Supervisory Board has adopted the guidelines relating to the independence of its members pursuant to Appendix 1 of the Austrian Code of Corporate Governance. As a result, all members of the Supervisory Board have declared their independence of the company and its Management Board.

## NUMBER AND SIGNIFICANT MATTERS RAISED DURING MEETINGS OF THE SUPERVISORY BOARD AND THE COMMITTEES

During the 2014/15 financial year, the Supervisory Board of FACC AG fulfilled its responsibilities under the law and the Articles of Association, holding four plenary sessions, and one meeting of the Audit Committee.

In addition to ongoing reports on the current economic and financial situation of FACC AG, these meetings dealt in particular with issues relating to corporate strategic development. The Supervisory Board's meetings also focused on the IPO, the issuers' compliance rules, the budget for the 2015/16 financial year and mid-term planning as well as on the preliminary audit of the 2014/15 annual financial statements.

The Audit Committee dealt primarily with the preparation and review of the company's consolidated financial statements and the individual financial statements, the audit planning of the auditor for the 2014/15 financial year, the effectiveness and smooth functioning of both the internal control system and risk management as well as with specific accounting matters.

The Remuneration Committee met once in the 2014/15 financial year for the results of the goal-setting discussions.

## COOPERATION OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

The Management Board reports to the Supervisory Board on fundamental issues relating to the future business policies of both the company and the Group as a whole as well as the future development of assets and liabilities, financial position and profit or loss. In addition, the Management Board regularly informs the Supervisory Board about business performance and the current situation of both the company and the Group as a whole in comparison to forecasts, while taking future development into account.

## REMUNERATION REPORT

### Remuneration of the Management Board

Management Board members' variable remuneration components are linked to both financial performance criteria such as the operating result (EBIT) and individually agreed and partly non-financial performance indicators.

No maximum limit has been defined for these variable remuneration components.

In the 2014/15 financial year, variable remuneration components accounted for 69% of total remuneration of the members of the Management Board.

Remuneration of the active members of the FACC AG's Management Board in the 2014/15 financial year:

EURk	Fixed	Variable	Total
Walter STEPHAN	369	733	1,102
Robert MACHTLINGER	257	404	661
Minfen GU	266	374	640

A D&O insurance policy is currently in place, for which the premiums are paid by the company.

A defined-contribution pension scheme has been set up for two members of the Management Board, Robert Machtlinger and Minfen Gu. Total expenses amounted to 11 EURk in the 2014/15 financial year (2013/14: 5 EURk).

For the Chairman of the Management Board Walter Stephan a defined benefit pension scheme is in place. Within the framework of the pension arrangement concluded between FACC AG and Walter Stephan on February 3, 2015, it was agreed that FACC AG will finance the pension plan of the Chairman of the Management Board for the entire duration of his mandate with an annual payment of 170,000 EUR.

### Remuneration of the Supervisory Board

Total remuneration for the members of the Supervisory Board for the 2013/14 financial year, which was approved by the 2014 Annual General Meeting, amounted to 49,800 EUR and was distributed as follows:

- for the Chairman of the Supervisory Board: 8 EURk
- for the Vice Chairman of the Supervisory Board: 7 EURk
- for the members of the Supervisory Board: 35 EURk

## SUPERVISORY BOARD COMMITTEES

### Audit Committee

The Audit Committee carries out the tasks assigned to it pursuant to Section 92 Para. 4a of the Austrian Stock Corporation Act. Thus, the Audit Committee is mainly responsible for auditing the annual financial statements and preparing their adoption, evaluating the proposal made by the Management Board on the distribution of profits as well as reviewing the Management Report. The Audit Committee also examines the consolidated financial statements and the Group Management Report and makes a recommendation for the

selection of the auditor. Furthermore, the Audit Committee monitors the effectiveness of the internal control system, the internal auditing and the risk management system of the company. The Committee is required to submit a report to the Supervisory Board on its activities.

In the 2014/15 financial year, the Audit Committee met once.

### Members

- Yanzheng LEI (Chairman)
- Yongsheng WANG
- Weixi GONG
- Barbara HUBER

### Personnel and Remuneration Committee

The Supervisory Board has set up a Personnel Committee, which submits proposals to the Supervisory Board for filling new or vacant positions on the Management Board and also deals with issues relating to succession planning. Moreover, the Committee submits proposals to the Annual General Meeting for filling vacant positions on the Supervisory Board.

The Supervisory Board has set up a Remuneration Committee, which deals with the terms and conditions of employment contracts of Management Board members, ensures compliance with the C-Rules 27, 27a and 28 and also assesses the remuneration policy with respect to Management Board members at regular intervals.

In the 2014/15 financial year, this Committee met once.

### Members

- Ruguang GENG (Chairman)
- Jun TANG
- Yanzheng LEI
- Yongsheng WANG
- Weixi GONG

### Strategy Committee

The Supervisory Board has established a Strategy Committee. This Committee focuses on the corporate strategy and on monitoring related company-specific key performance indicators. Moreover, it both monitors the measures adopted by the Management Board to implement the corporate strategy on an ongoing basis and carries out an annual review thereof.

One meeting of the Strategy Committee was held in the 2014/15 financial year.

### Members

- Jun TANG (Chairman)
- Yanzheng LEI
- Yongsheng WANG
- Weixi GONG
- Ulrike REITER

## PROMOTION OF WOMEN ON THE MANAGEMENT BOARD, SUPERVISORY BOARD AND IN EXECUTIVE POSITIONS

The proportion of female employees within the FACC Group increased from 23.4% to 38.3% in the 2014/15 financial year. The percentage of female apprentices declined from 46.5% in the previous year to 36.2% in the year under review.

There are no explicit women's quotas in any of the subsidiaries of the FACC Group. The still relatively low proportion of women employed in the company compared to other economic sectors is mainly attributable to sector-specific factors.

FACC AG is committed to promoting equal opportunities at the workplace and strongly opposes any form of gender discrimination.

## POSITION OF THE SHAREHOLDERS

Each share grants shareholders one vote at the Annual General Meeting of FACC AG. Unless mandatory statutory provisions require otherwise, the Annual General Meeting shall pass resolutions by a simple majority of votes cast. Resolutions requiring equity majority are passed by a simple majority of the capital stock represented at the time when the resolution is adopted. None of the shares conveys special control rights.

## DIRECTOR DEALINGS

In the 2014/15 financial year, no share trading transactions concluded by individuals subject to reporting obligations were notified. Directors' dealings are published on the website of the Financial Market Authority (FMA).

# Report by the Supervisory Board of FACC AG

## FOR THE FINANCIAL YEAR 2014/15

The Supervisory Board of FACC AG met four times in the course of the year 2014/15, holding an intensive debate about the economic situation and the strategic development of the company as well as about major events, investments and measures. Both during these meetings and in informal discussions, the Supervisory Board was informed by the Management Board about major issues of the company's management, the course of business, and the position of the company. Besides, the Chairman of the Supervisory Board was in regular contact with the Chairman of the Management Board in order to discuss the strategy and the business development of the corporation. The results for the year 2014/15 were overshadowed by the high start-up costs of new projects and the failure to conclude successful negotiations concerning important programmes.

In all ordinary meetings of the Supervisory Board, current developments regarding the asset, financial and profit situation of the company were presented. Likewise, the quarterly results of the associated companies as well as major strategic projects were dealt with. Apart from its advisory function, the Supervisory Board monitored particularly the lawfulness and adequacy of business management.

The Supervisory Board executed its duties prescribed by the law and the articles of association, in compliance with the Austrian Corporate Governance Code. The committees formed according to the Corporate Governance Code convened as stipulated during the financial year 2014/15.

The financial statements including the Management Report, the consolidated financial statements and the Group Management Report of FACC AG were audited by PwC Oberösterreich Wirtschaftsprüfung und Steuerberatung GmbH, Hafenstraße 2a, 4020 Linz, in its capacity as the auditor of the financial statements and the consolidated financial statements. On the basis of this audit, the auditor confirmed that the corporate accounting, the financial statements and the consolidated financial statements comply with all legal requirements. Moreover, that the financial statements and the consolidated financial statements were prepared in accordance with generally accepted accounting principles

and provide a true and fair view of the asset, financial and profit situation of the company, and that the Management Report and the Group Management Report are consistent with the financial statements and the consolidated financial statements.

The Supervisory Board agrees with the result of this audit of the financial statements and the consolidated financial statements. In the meeting of the Audit Committee held on May 19, 2015, the financial and consolidated statements could be audited and their adoption and approval could be prepared.

The final result of the audit conducted by the Supervisory Board of the annual financial statements, the Management Report, the consolidated financial statements and the Group Management Report gave no reason for objection. In its meeting of May 19, 2015, the Supervisory Board approved the financial statements, which have consequently been adopted pursuant to Section 96 Para. 4 of the Austrian Stock Corporation Act (AktG).

After hearing the report by the Audit Committee and upon detailed discussion and examination, the Supervisory Board moreover declares its agreement with the consolidated financial statements prepared in accordance with Section 245 a UGB (Austrian Commercial Code) in line with the IFRS, the Group Management Report and the Corporate Governance report.

The Supervisory Board joins the proposal of the Management Board, not to pay a dividend for the financial year 2014/15.

The Supervisory Board expresses its thanks and appreciation to all employees of FACC AG for their strong commitment in the financial year 2014/15.

Ried im Innkreis, May 19, 2015

Ruguang Geng  
Chairman of the Supervisory Board

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# facc Financial Report 2014/15

# Group Management Report of the FACC Group for the 2014/15 Financial Year

## MARKET REPORT

### DEVELOPMENT OF THE MARKET

The global commercial aerospace sector is currently witnessing an unparalleled super cycle. As a result, the civil aviation industry closed the 2014 business year with record deliveries of 1,352 aircraft (2013: 1,274). In addition, new orders once again exceeded the very high level of the previous year. Airbus and Boeing jointly registered a total of 2,888 net new orders in 2014, which corresponds to an increase of 86 aeroplanes compared to 2013. Looking back, forecasts for the 2014 financial year proved correct.

From today's perspective, the global aviation market should continue to develop in a positive manner moving forward. These estimates are based on the following general growth trends:

- According to the market analysis of the major OEMs, passenger volumes will show an annual growth rate of 5% between 2015 and 2033.
- Based on current estimates, the existing fleet of 18,500 commercial aircraft (status 2014) will grow to roughly 37,500 units by 2033.
- 12,400 airliners from the existing fleet will reach the end of their service life and be replaced by modern aircraft models.
- Based on these estimates, a total of 31,400 new airliners will be required over the next 19 years.

In the next two decades as well, growth in the aviation industry will be mainly driven by the Asia/Pacific markets (+6.3% p. a.), China (+6.6% p. a.) and the Middle East (+7.4% p. a.). This growth will be mainly attributable to annual increases in GDP in the markets mentioned above but also to strongly rising demand from the local population for air travel, with these economic areas thus accounting for more than 50% of total future demand for new aircraft.

By bringing the Boeing 787 and, most recently, the Airbus A350 XWB aircraft types into service, a new breed of technologically advanced aircraft models has been launched onto the market. Thanks to these brand new, highly efficient aircraft models, airlines' overall operating costs can be considerably reduced, allowing airlines to operate cost-effectively. Despite the short-term decline in crude oil prices, factors such as environmental friendliness, reduction

of operating costs, fleet standardisation and commonality as well as passenger comfort are still of paramount importance. Thus, demand for new aircraft types will remain unabated moving forward. The so-called "firm order backlog" of both main aircraft manufacturers Airbus and Boeing will continue to grow. It currently amounts to 6,386 for Airbus and 5,789 for Boeing respectively. All in all, a total of 12,175 firm orders have been placed to date.

### CUSTOMERS

The long-term forecasts of both Airbus and Boeing show a similar picture, with Boeing's outlook, however, slightly exceeding the analysis of its competitor Airbus. With regard to both the A320 neo (new engine option) and the B737 MAX single-aisle aircraft types, the prospects are glowing: roughly 70% of the new 31,400 airliners required moving forward will be covered with these aircraft types. Thus, an increase in the monthly output rate of up to 50% for both aircraft models is planned and will be implemented over the years to come.

Aircraft development has made significant leaps forward over the past decade, following the commissioning of the A380, Boeing 787 and A350 XWB aircraft models, with FACC's main customers thus incurring considerable development and financing costs. As a result, these customers have decided to avoid major new developments in the near future and, instead, carry out ongoing improvements to existing aircraft, which are less risky in terms of technical requirements and more viable from a financial perspective. Both existing and tried and tested new technologies resulting from the new developments of the A380, the Boeing 787 and the A350, will be gradually migrated to the A320 neo, the Boeing 737 MAX and the Boeing 777X or the A330 neo (current engine option) aircraft types.

The steady increase in output rates for new aircraft models will continue moving forward. Especially the gradual ramp up of series production for the A350 XWB aircraft model until 2018 will lead to a further increase in the annual delivery rates.

## DEVELOPMENT OF THE FACC GROUP

In the 2014/15 financial year, the FACC Group generated revenues of 528.9 EUR million. This means a decline of 18.5 EUR million or 3.4% compared to the previous year's level. Product revenues increased from 416.0 EUR million to 471.4 EUR million (+13.3%), whereas revenues from the billing of development services fell from 131.4 EUR million to 57.5 EUR million in the period under review.

Earnings before interest, taxes and fair value measurement (EBIT) amounted to –4.5 EUR million in the 2014/15 financial year (2013/14: 41.9 EUR million).

This change in the earnings position is materially attributable to the fact that a higher amount was invoiced for development services in the **Aerostructures division** in the 2013/14 financial year, which had a very positive impact on earnings. In contrast, revenues generated from the product business could be maintained at a sustainably high level in the Aerostructures division. In the **Engines & Nacelles division**, the earnings contribution from engine programmes could be further increased. However, the B787 TRSL project within the nacelles programmes had a negative impact on the earnings performance of the division and consequently on overall group results. This is mainly attributable to significant changes in the scope of work and to product modifications, which led to a considerable increase in product costs. Negotiations started in previous quarters on potential price adjustments have not been concluded yet. Last but not least, the earnings situation of the **Interiors division** in the year under review was affected by numerous new projects, which were ramped up simultaneously, with production costs being negatively impacted by modifications required by the customers along with changes resulting from flight tests for new projects. Nevertheless, the earnings performance of these programmes developed as planned. In Q2, however, costs temporarily exceeded the planned figures due to external influences from the complex product supply chain.

Group earnings after taxes amounted to –9.6 EUR million in the period under review (2013/14: 28.9 EUR million).

The balance sheet total increased by 148.9 EUR million or 26.2% to 718.2 EUR million compared to the previous year.

Non-current assets increased particularly with regard to intangible assets and property, plant and equipment. In the period under review, investments were made in accordance with the investment budget and amounted to 77.8 EUR million (2013/14: 101.1 EUR million). Capitalised development

costs contained in investments amounted to 30.3 EUR million (2013/14: 36.4 EUR million) and were mainly driven by engineering services associated with the development of the Airbus A350 Winglet, Embraer Legacy 450/500 and Embraer E-Jet 190. The expansion of production capacity in the Interiors division was completed in the 2014/15 financial year with the commissioning of the new production line. Current assets reported a significant increase due to the growth in product revenues and the related change in receivables and inventories.

The FACC Group's equity reached a level of 314.9 EUR million at year-end 2014. This corresponds to an equity ratio of 43.8% (February 28, 2014: 39.5%).

Net debt amounted to 102.6 EUR million in the period under review (February 28, 2014: 150.7 EUR million). Net debt is defined as the difference between cash and cash equivalents and the sum of long-term promissory note loans, long-term bonds, non-current financial liabilities, short-term promissory note loans and current financial liabilities.

Cash and cash equivalents of FACC Group stood at 111.0 EUR million as of the balance sheet date (February 28, 2014: 51.0 EUR million).

Net cash flow from ongoing operating activities was materially affected by changes in the net working capital and by earnings before interest, taxes and fair-value measurement of derivative financial instruments.

Net cash outflows resulting from investing activities amounted to 77.8 EUR million and were mainly driven by the planned investments in the expansion of plant II as well as by investments in new aircraft programmes in the form of capitalised engineering services and investments in new tools.

Net cash flow from financing activities was materially affected by the net proceeds from the IPO – less transaction costs – totalling 138.4 EUR million. Besides, a dividend of 19.0 EUR million was paid out in the 2014/15 financial year.

As of the balance sheet date, free liquidity based on available credit lines (excluding cash and cash equivalents) stood at 67.0 EUR million (February 28, 2014: 72.0 EUR million).

## DEVELOPMENT OF THE BUSINESS SEGMENTS

### AEROSTRUCTURES SEGMENT

Revenues in the Aerostructures segment amounted to 273.3 EUR million in the 2014/15 financial year (2013/14: 305.4 EUR million). Revenues from product deliveries increased significantly from 203.9 EUR million to 242.4 EUR million according to plan. This corresponds to growth of 18.9% compared to the previous year. However, revenues from development activities fell from 101.6 EUR million to 30.8 EUR million in the period under review.

Earnings before interest, taxes and fair-value measurement (EBIT) in the Aerostructures segment stood at 25.0 EUR million in the 2014/15 financial year (2013/14: 41.1 EUR million).

This change in the earnings position is materially attributable to the fact that earnings were positively affected in the previous year by billing development services in the Aerostructures division. In contrast, the earnings contribution from the product business could be maintained at a sustainably high level.

#### Boeing

Product deliveries for Boeing developed as planned in the period under review. Particularly the B787 components, of which large numbers are already produced every month, continued to have a positive impact on revenues in the Boeing Aerostructures segment.

An important milestone was achieved when Aviation Partners Boeing obtained the Supplemental Type Certificate (STC) for the Boeing B737 NG Split Winglet from the American aviation agency. As a result, production of additional winglet components and related modifications is now in full swing at both company's locations in Ried and in Wichita (USA). By the end of February 2015, more than 300 aircraft models had been fitted with this new technology. Additional revenue streams will be generated from focusing continuously on the maintenance and repair of further structural components, with the recently awarded Design Organisation Approval (DOA) playing an important role in this regard.

#### Airbus

The proportion of revenues generated from series deliveries in the Airbus Aerostructures segment also developed as planned in the period under review after additional increases in the output rate for the A350 XWB project as well as for the A321 landing flap were achieved. Thanks to invest-

ments in the production line and in automation measures, the company succeeded in ramping up the monthly production volume within one year to meet the current delivery of 16 landing flap sets per month. By year-end 2015, deliveries will reach a total of 22 sets per month.

Shortly before the beginning of the summer 2014, FACC was awarded two major new orders by Airbus. These will allow FACC to start manufacturing sharklets and wing-to-body fairings for the Airbus A320 family from September 2015. After a ramp up phase of one year, FACC will deliver up to 30 sets per month of these components for serial production as well as for retrofit purposes (sharklets).

#### New Aerostructures business

The development of wing-to-body fairings for the Bombardier Global 7000/8000 business jet was completed with the first delivery of a complete set of such components in January 2015. At the same time, the company continued to ramp up production of wing-body-fairings for the Bombardier C-Series-100/-300 aircraft type. In April 2014, FACC also successfully delivered an extensive package of control surfaces for the SSJ100 to the Russian customer Sukhoi to carry out all test programmes required for final certification, followed by additional deliveries for the start of serial production.

Furthermore, the development of spoilers and winglets for the C919 programme of the Chinese customer COMAC was completed and, as a result, the manufacture and delivery of the first components for the flight test machines could be started.

Besides, new developments for the next generation of the Embraer E2 190/195 regional jet were successfully implemented in the year under review, with the first components including spoilers, ailerons and wingtips being delivered in June 2014. Last but not least, FACC succeeded in winning additional orders for the E2 175 aircraft model in February 2015.

#### International cooperation

FACC's strategic supply chain partner STRATA (United Arab Emirates) has been delivering the planned production volume of the flap track fairings for the Airbus A330 and A380 as well as the spoilers for the A330 since last year. This has not only contributed to a sustainable increase in the company's proportion of USD denominated supply components but also to supporting Airbus's efforts to meet its offset obligations.

In 2014, FACC also started production of the first serial components in cooperation with its supply chain partner FESHER in China. Over the next few years, additional projects will be relocated from Austria to China, both to secure FACC's attractive earnings profile in the long term, and also to free up capacities at the site in Austria to support future growth.

### ENGINES & NACELLES SEGMENT

Revenues in the Engines & Nacelles segment amounted to 93.9 EUR million in the 2014/15 financial year (2013/14: 101.1 EUR million). Revenues from product deliveries remained largely stable at 87.2 EUR million compared to 86.6 EUR million in the previous year. However, revenues from development activities declined from 13.9 EUR million to 7.3 EUR million.

The development of the **Nacelles segment** in the year under review was mainly influenced by the start of serial production in the A350 Translating Sleeve project, while high-volume production of the sister product for Boeing 787 developed according to plan. Positive developments, which are worth mentioning, include the slight increase in the output rate of the fan cowls for the Airbus A320 neo, which continued to record stable sales. Older programmes such as the GIV fan cowls are being gradually replaced by new products and therefore registered a considerable reduction. Both Airbus A380 Rear Secondary Structure and Outer Barrel programmes developed in a relatively stable manner: they were only subject to minor fluctuations in the short-term operational planning process.

In the year under review, the **Engines segment** reported a temporary decline in revenues due to a non-recurring special measure – the reduction of inventories at Rolls-Royce, one of the company's key customers. However, this decline could be largely compensated for by the overall positive business performance of the company's second key customer Pratt & Whitney Canada as well as by a number of new programmes at Rolls-Royce. These mainly include the A350-Trent XWB and PW800 Bypass Duct projects. The Boeing 787 Trent 1000 project performed well in line with expectations, whereas the Airbus A380 programmes were affected by the preferred selection of the engines produced by Pratt & Whitney instead of those manufactured by Rolls-Royce.

Earnings before interest, taxes and fair-value measurement (EBIT) in the Engines & Nacelles segment amounted to –22.6 EUR million in the 2014/15 financial year (2013/14: –5.5 EUR million).

In the Engines & Nacelles division, the earnings contribution from engine programmes could be further increased. However, the B787 TRSL project within the nacelles programmes had a negative impact on the earnings performance of the division and consequently on overall group results. This is mainly attributable to significant changes in the scope of work and to product modifications, which led to a considerable increase in product costs. Negotiations started in previous quarters on potential price adjustments have not been concluded yet.

In the new financial year, the further development of order volumes in the Engines & Nacelles segment will be positively affected by the steady increase in output rates for the Airbus A350 Translating Sleeves and Trent XWB Engine Components projects. In addition, the excellent order situation for the Airbus A320 neo Fan Cowls serial-production project provides a stable basis, which can be further supplemented through the new A320 neo Anchored Core and Karman Fairings projects. At the same time, the planned increase in output rates for the recent Pratt & Whitney projects, such as the PW800 Bypass Ducts programme, will ensure a good performance in the Engines segment moving forward and the proportion of more mature products for Rolls-Royce will also return to a customary level. Thus, a good basic capacity utilisation can be expected in this segment as well.

### INTERIORS SEGMENT

Revenues in the Interiors segment amounted to 161.7 EUR million in the 2014/15 financial year (2013/14: 140.9 EUR million), as the division was able to achieve a considerable increase in product deliveries compared to the previous year. This was particularly true for Q4. In the year under review, product revenues stood at 145.5 EUR million (2013/14: 125.1 EUR million). This increase was almost entirely attributable to the new SSJ100, A350, Legacy 500 and CL350 programmes, whereas revenues from existing series programmes such as the A320, A380 und Phenom 300 remained relatively stable. Revenues from development activities remained practically unchanged at 16.2 EUR million after 15.9 EUR million in the previous year.

Earnings before interest, taxes and fair-value measurement (EBIT) in the Interiors segment amounted to –6.9 EUR million in the 2014/15 financial year (2013/14: 6.3 EUR million).

The earnings situation of the Interiors division in the year under review was affected by numerous new projects, which were ramped up simultaneously, with production costs being negatively impacted by modifications required

by the customers along with changes resulting from flight tests for new projects. Nevertheless, the earnings performance of these programmes developed as planned. In Q2, however, costs temporarily exceeded the planned figures due to external influences from the complex product supply chain.

In the 2014/15 financial year, the Interiors segment focused on the start of production and serial delivery of the cabin interiors for the Legacy 500 and for both A350 orders (OHSC und PDL) as well as on the ramp up of the new CL350 cabin to fully meet the planned production volumes. In the engineering department, numerous changes required by customers were implemented in connection with the newly started production programmes. Along with the implementation of customer requests for series programmes, the company is also in the process of developing cabins and cabin modules for the following aeroplane programmes: C919, Global 7000/8000, Legacy 450 and the A320 family. The first delivery of these orders is scheduled for the next financial year. As a result of the growth and production starting for several new orders, the capacities of the Interiors plant were significantly expanded and commissioned in the first half of the 2014/15 financial year. Expansion measures included the enlargement of the assembly hall, the installation of a synchronised assembly line for the A320 family, the expansion of the press hall as well as the commissioning of a further composite press.

One particularly positive milestone was the order placed by Airbus for the development, qualification and production of new cabin modules for the A320 family. The new overhead storage compartments (OHSC) will have a higher storage capacity for hand luggage, can be lowered and will be attached to the aeroplane structure in the same way as those in the Airbus A320 "Enhanced Cabin". In the year under review, the FACC Group was also selected as supplier to retrofit the SWISS Airbus A320 fleet by Lufthansa Technik. In addition, the company succeeded in increasing the amounts ordered for several programmes. After several years of delays, the ARJ21 finally obtained the type certificate in December 2014. In the same way, Embraer was able to obtain the approval certificate for the Legacy 500 aircraft model for Brazil, the US and Europe in the last financial year. Thanks to these new projects, FACC succeeded in further consolidating its market position and considerably increasing its order book.

## RISK REPORT

FACC is exposed to unpredictable situations in its daily business operations, which may have potentially negative

effects. In order to be adequately prepared and be able to deal with any such situations appropriately, FACC has established a risk management system that covers the areas of management, finance, project management, customers, procurement and suppliers as well as production and product quality.

Within the framework of this risk management system, any occurring or potential risks are continuously monitored, assessed and reported by the respective operating units to the Management Board twice a year, once they have been reviewed by management. Exceptional events are reported immediately to the competent Vice President, who decides if the Management Board is to be notified straight away. The Management Board, in turn, reports to the Supervisory Board in its meetings. This ensures that significant risks are detected early on and corresponding measures to avoid or mitigate these risks are put in place.

According to the Management Board, potential risks currently identified are deemed manageable and controllable and, therefore, do not jeopardise the company's ability to continue as a going concern.

To support the timely identification and assessment of risks, effective internal risk control systems were introduced, which provide reliable results. Software tools for the execution of FMEA (Failure Mode and Effects Analysis) are well integrated and provide significant support for the risk minimisation process both in the product development phase and subsequently during ongoing production by adopting preventive measures.

### A. Management risks

Based on market observations and analyses, a multi-annual business plan is created, which defines the basic strategy of the company and is reviewed and approved by the Supervisory Board. The specific business objectives for each financial year are derived from this plan, which is updated on an annual basis. Short-term market changes pose the biggest risk here. Besides, operational success is also continually jeopardised by external factors, which can often scarcely be influenced. FACC's management is responsible for implementing policy consistently, while promptly responding to short-term changes in line with the defined corporate vision. This is to ensure that the company's strategic orientation along with the planned sales and profit targets are taken into due consideration.

#### A1. Business interruption risk

The company's production sites and plants are constantly maintained and serviced, thus limiting the risk of break-

downs or lengthy production downtimes to a minimum. The business interruption risk is also covered by business interruption insurance with an indemnity period of 18 months.

#### *A2. Financial risk*

In this case, risk management falls under the responsibility of the company's treasury in the finance and accounting department. The treasury department assesses and hedges financial risks in close cooperation with the operating business segments and the company's banks.

#### *A3. Interest rate risk*

The interest rate risk – the possible fluctuation in value of financial instruments due to changes in market interest rates or future cash flows – arises in connection with medium and long-term receivables and liabilities (especially bonds and loans). In this context, particular care is taken to minimise part of the interest rate risk through fixed interest rate loans.

#### *A4. Foreign currency risk*

Sales transactions in the aviation industry are almost exclusively carried out in US dollars. All transaction and currency translation risks are constantly monitored to hedge potential foreign currency risks. In order to reduce the USD risk, 90% of all purchases are currently carried out in USD, thus ensuring a so-called "natural hedging". Derivative financial instruments (forward foreign exchange contracts) are used to hedge the remaining open items. The use of derivative financial instruments clearly reduces the risk of exchange rate fluctuations. The risk management system of the company's treasury aims to hedge the expected USD-denominated cash flow for the following periods as follows: by up to 100% for the next twelve months, by up to 50% for the next 13–24 months and up to 25% for the next 25–36 months.

### **B. Project management**

FACC's project management is responsible for implementing the objectives defined by the management by way of projects. This entails numerous risks that need to be duly considered. With regard to projects, distinctions are made as to whether development responsibility has been assumed or not. Feasibility has to be assessed for each contract and associated risks identified, evaluated as well as closely monitored and analysed during the course of the project in order to initiate and implement appropriate measures, if deemed necessary. The major risks concern the availability of resources of any kind (manpower, equipment, materials, etc.) as well as external factors, which the project team encounters via the company's interfaces or via third parties.

### **C. Customer risk**

The company pursues a strict credit policy. The creditworthiness of existing customers is constantly monitored, and new customers undergo a credit assessment. In the event of potential defaults, bad debt allowances for trade receivables are recognised, following in-depth assessment of the risk.

### **D. Purchase and supplier risk**

The purchasing department regularly carries out risk assessments of the company's suppliers to identify potential threats and risks at an early stage. This is done in order to be able to set the priorities for the planning and the execution of audits and support the decision-making process when awarding new contracts. The selection of new suppliers requires the involvement of the "Procurement Quality Assurance" (PQA) department to make sure that the necessary qualifications and approvals are in place and that there are no identifiable risks. When new projects are launched, suppliers are subject to a mandatory first sample test to minimise product risk. The ongoing quality-compliant and timely delivery of materials and of semi-finished and finished products is assessed via SAP on a regular basis. This evaluation is also an integral part of the overall risk assessment. Deviations from the targeted component quality and delivery performance are systematically tracked, analysed, evaluated and benchmarked against defined goals. Noticeable variations are reported to the Management Board following the management reviews.

### **E. Product liability and quality risk**

The products designed and manufactured by the company are intended for installation in aircraft or engines. Defects or malfunctions of the manufactured products may, directly or indirectly, jeopardise the property, health or life of third parties. Long-term safety is therefore a top priority. The company is not in a position to reduce or exclude its liability towards customers, consumers or third parties by way of sales agreements. Each product developed and/or manufactured in-house, which is supposed to leave the company, is subject to thorough scrutiny with regard to its quality and functionality.

As to projects, for which FACC bears development responsibility, a higher risk exists due to the possibility of construction errors. These can, however, be effectively minimised by acting systematically. Regular controls at all stages of development are intended to mitigate risks early on. Besides, FACC operates an archive system with regard to quality records, which are either contractually stipulated or go beyond contractual obligations on a case-by-case basis. This is to demonstrate that products were manufactured and

services rendered according to defined criteria approved by both customers and the aviation authority/authorities.

Despite the product liability risk being appropriately hedged, the occurrence of any possible quality problems may negatively affect the company's assets and liabilities, financial position and profit and loss.

## RESEARCH, DEVELOPMENT AND INNOVATION

FACC is committed to constantly investing in research and development with a view to consolidating the company's relationships with its customers, while opening up new business fields. The main focus lies on proprietary developments, which allow the company to use the expertise acquired in this way for both existing and future customers.

In the 2014/15 financial year, FACC invested 2.7 EUR million or 0.5% of total revenues in the research and evaluation of new prototypes and production processes. The wide array of R&D activities ranged from applied fundamental research based on bench scale testing through to the development of airworthy prototypes and pilot series.

From a company's perspective, active research represents a basic prerequisite for safeguarding FACC's leading position as a dependable development partner for its customers. Since FACC is often required to work with proprietary customer patents and processes, proprietary developments help retain contracts and open up new business fields. To this end, the company's research and development activities are structured in three divisions and currently focus on the highly efficient processing of fibre composites, new material systems, analytical methods and the development of prototypes. Normally, FACC starts cooperating with its customers at an early stage, in order to ensure that developments are in line with market requirements. However, the company's research partner network also includes universities and technical colleges at both the national and international levels.

From a technological perspective, the completion of a prototype for the morphing winglet played a crucial role in the year under review. The company was able to design an actively controlled winglet that is able to adjust its shape to the respective flight status (cruise, take off and landing), thereby optimising both fuel economy and CO<sub>2</sub> emissions. In cooperation with all departments, a prototype was developed and constructed in less than two years, which is currently undergoing testing in the wind tunnel.

In the area of composite material development, FACC proved particularly successful in developing carbon fibre materials that comply with the certification requirements of the aviation authorities. These proprietary developments are currently being used in a new development project for wing components for the Embraer E-Jet E2 aircraft family. In order to continue successfully increasing the level of automation in the manufacturing of fibre composite components, FACC has developed and introduced additional design standards for components, which are now produced using an automated tape-laying system, thus ensuring the utmost precision and repeatability.

## PATENTS AND PRIZES

Over the past year, a total of seven patent families were registered, which included – among others – the new spoiler technology, a new breed of interior components along with innovative lightweight power-plant components.

This know-how helps FACC safeguard its market and technological leadership in the composite supply market, while guaranteeing the company's independence of OEM's proprietary processes, thereby allowing the company to produce components for a larger customer base.

In the reporting period, FACC received numerous national and international awards for its research activities:

- Annulus filler for engines – JEC Award
- Wing technology – Innovation Prize of the State of Upper Austria
- Wing technology – nomination for the Austrian National Prize for Innovation

FACC also participated in numerous national and international research programmes:

- CleanSky®, FP7 and Horizon 2020 of the European Union
- TAKE OFF and FrontRunner programmes of the Austrian Research Promotion Agency (FFG)
- Basic programmes of the FFG
- CD laboratories of the Christian-Doppler Research Association (CDG)

## OUTLOOK

Despite challenging framework conditions, FACC will continue its research initiative in the 2015/16 financial year. The cross-divisional links between the engineering and product development units in all the divisions will be further strengthened through organisational changes and fine-tun-

ing measures. At the same time, annual coordination activities with regard to technological agreements with key customers, which were started in the past year, will be further intensified moving forward.

## EMPLOYEES

The dynamic growth in the number of employees over the last few years has continued throughout the 2014/15 financial year, with an increase in total headcount of 4.6% to 3,109 employees (FTE).

	As at February 28, 2014		As at February 28, 2015	
	Blue collars	White collars	Blue collars	White collars
<b>FACC AG</b>	–	3	–	11
<b>FACC Operations GmbH</b>	1,687	1,276	1,864	1,234
Aerostructures segment	715	379	774	334
Engines & Nacelles segment	414	134	426	124
Interiors segment	414	238	482	256
Other business segments	59	271	87	286
Central Services	85	255	95	234
<b>Total</b>		2,966		3,109

In order to increase the company's attractiveness as an employer as well as improve staff retention, FACC also continued consistently implementing its extensive employer-branding strategy in the year under review. Starting from the 2014/15 financial year, the company has – for the first time – made extensive use of social media platforms to increase its attractiveness as an employer. As a special acknowledgement of the company's consistent implementation of its employer branding strategy, FACC won bronze at the "European Change Communication Awards" in November 2014.

As in previous years, further education and vocational training for staff members were a focus of personnel management measures in the year under review. In particular, a special emphasis was placed on the development of employees' management skills. Therefore, extensive management training programmes were implemented within the scope of the FACC Academy, which bundles all Group's vocational training measures under the same roof.

In addition to leadership training, the further education of new staff members has always been a top priority at FACC with the objective of guaranteeing that employees' skills and qualifications meet the high requirements of the aviation industry. A total of 459 internal training courses with 6,323 participants and 192 external courses with 1,656 participants were held in the 2014/15 financial year.

In Austria, a total of 2,744 FTE were working for the company as of February 28, 2015. This corresponds to 90% of the entire workforce.

The proportion of agency staff was considerably reduced compared to the previous year. At the end of the 2014/15 financial year, a total of 29 agency employees were working for the Group, a decline of 64% compared to the previous year.

Apart from specialist training, FACC regards the development of a corporate culture as crucial to corporate success. With a view to anchoring FACC's core values such as "performance", "success", "appreciation" and "team spirit" within the company in the long term, the "FACC Leonardo Award" was presented for the first time in the year under review. This prize rewards outstanding team achievements aimed at implementing the company's corporate values. Following a multi-level selection process, this prize was awarded for the first time to the "A320 Synchronized Assembly Line" project team in December 2014. This new, award-winning assembly line allows the production of baggage compartments to be converted into synchronised flow manufacturing, while increasing overall productivity. This success was achieved thanks to the implementation of FACC's core values by very dedicated team members, who dared to pioneer entirely new paths.

During the financial year, the "Happy & Healthy" project continued to be driven forward at FACC. Out of over 700 improvement measures, almost 600 proposals were implemented as of February 28, 2015. The remaining measures will be implemented in the course of the current financial year. In January 2015, the company also started a cooperation programme with the occupational medicine service (AMD). Within the framework of this cooperation, two occupational psychologists were entrusted with the task of monitoring the effectiveness of the adopted measures on an ongoing basis, while acting as first points of contact.

Last but not least, special emphasis continues to be placed on apprentice training at FACC. A total of 48 apprentices were working for the company in the 2014/15 financial year. The high quality of the company's apprentice training was subject to external evaluations and further confirmed by a number of awards such as the "ineo 2013–2016" presented by the Chamber of Commerce of Upper Austria. Besides, FACC was ranked second in the category "competence-oriented apprenticeship projects" within the framework of the State Prize "Most Outstanding Apprenticeship – Fit for Future 2013". Last but not least, since January 2015, FACC has been entitled to bear the Austrian national coat of arms as a state-approved training enterprise.

## REPORT ON BRANCHES

FACC AG does not operate any branches.

## EVENTS AFTER THE BALANCE SHEET DATE

In connection with the promissory note loans 2012 to 2015, 2012 to 2017 and 2012 to 2019 (floating rate from 6m EURIBOR + 1.2 percentage points to 6m EURIBOR + 2.25 percentage points or a fixed interest rate of 2.82% to 3.7%), a covenant was agreed upon under which the FACC Group, in its capacity as the issuer of the promissory note (borrower), is obligated to meet a specific equity ratio. As at February 28, 2015, this equity ratio as defined in the covenant agreement was slightly undershot. As a consequence, the Group classified the liability arising from the promissory note loans as current. After the end of the reporting period, an agreement was reached with the principal creditors of the promissory note loans not to call in the promissory note loans. After the end of the reporting period, FACC AG issued a letter of comfort in favour of the creditors of the promissory note loans.

## DISCLOSURES PURSUANT TO SEC. 243A OF THE AUSTRIAN COMPANY CODE (UGB)

### REPORT ON THE KEY FEATURES OF THE GROUP'S INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS WITH REGARD TO ACCOUNTING PROCEDURES

Pursuant to Sec. 243a Para. 2 of the Austrian Company Code (UGB), FACC AG is required to describe the key features of the internal control and risk management system with regard to the accounting process. Pursuant to Sec. 82 of the Austrian Stock Corporations Act (AktG), the Management Board of FACC AG has to ensure the establishment

of an accounting and internal control system that complies with the company's requirements. Thus, the Management Board of FACC AG bears full responsibility for the implementation of an adequate internal control and risk management system with regard to the accounting process.

The key features of the risk management and internal control systems are laid down in the FACC's quality manual. This manual describes and identifies key finance and controlling processes and their associated risks.

The accounting-related internal control system is designed to guarantee timely, uniform and correct recording of all business processes and transactions, while ensuring that well-founded statements about the FACC's current business situation can be made at all times.

A comprehensive set of measures and rules includes, amongst others, the separation of functions, the dual control principle, rules governing authorised signatories, joint signatory powers for authorising payments only, which are restricted to a small number of persons, as well as system-supported checks by the software in use (SAP).

For more than ten years, FACC has used SAP in almost all areas across the company. The regularity of the SAP systems has been achieved in all relevant business processes.

In the course of monthly reporting to the Management Board and the second-level management, a comparison was made between actual and budgeted figures. During its quarterly meetings, the Supervisory Board of FACC AG was informed about business performance and forecasts regarding the Group's further course of business. In its meetings, the Audit Committee dealt, amongst others, with topics such as the internal control system, risk management and measures to mitigate internal control risks.

Within the framework of the budgeting process, budget costs are planned for each individual cost centre. Every cost centre manager is responsible for keeping in line with the budgeted costs and planned investments. All investment plans are subject to prior approval by the Management Board. Investments running over budget are also subject to prior approval by the Supervisory Board.

With regard to IT security, measures relating to authorisation concepts, separation of functions and system security were designed and implemented.

**DISCLOSURES ON CAPITAL, SHARE, VOTING, AND CONTROL RIGHTS AS WELL AS ASSOCIATED OBLIGATIONS**

FACC AG's share capital amounted to 45,790,000 EUR as of February 28, 2015 and is divided into 45,790,000 no-par value bearer shares. All the company's shares have been admitted to trading on the prime market segment of the Vienna stock exchange.

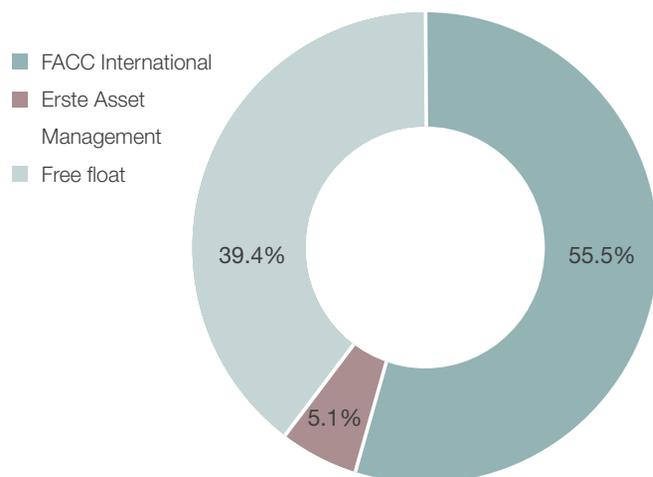
Every share entitles the bearer to one vote.

As of February 28, 2015, FACC International Company Ltd. (Hong Kong) held, either directly or indirectly, 55.5% of the shares of FACC AG. 5.1% of the shares (2,318,000) are held by the investment management companies associated with Erste Asset Management GmbH. As of the balance sheet date, the company's Management Board was unaware of any shareholders who held more than 10% of the company's share capital.

The remaining 39.4% of FACC shares represent free float.

There are no shares with special control rights.

No employee participation programme is currently in place, which shall not entitle the bearers of FACC shares to exercise their voting rights directly.



**Authorised capital**

At the extraordinary general meeting on June 23, 2014, authorised capital was approved. Accordingly, the Management Board is authorised, subject to prior approval by the Supervisory Board and within five years of the date on which the authorised capital was entered in the commercial register, to increase the company's share capital by up to a nominal figure of 19,895,000 EUR by issuing up to 19,895,000 new shares against contributions in cash or in

kind. New shares can also be issued excluding shareholders' subscription rights.

Besides, the Management Board is authorised, subject to prior approval by the Supervisory Board and within five years of the date on which the authorised capital was entered in the commercial register, to increase the share capital by up to a nominal figure of 3,000,000 EUR by issuing up to 3,000,000 new shares in order to grant share options to employees, executives and members of the Management Board of the company or of one of its affiliated companies. New shares can also be issued excluding shareholders' subscription rights.

**Conditional capital**

At the extraordinary general meeting on June 23, 2014, the share capital was conditionally increased by up to 15,000,000 EUR by issuing up to 15,000,000 new no-par value bearer shares (conditional capital). This conditional capital serves to grant subscription or conversion rights to creditors of convertible bonds and to prepare the merger of several companies. The amount of capital issued and the conversion ratio are to be established in compliance with the provisions set forth in the convertible bonds. The issue amount of the shares shall not be less than the pro-rata amount of the share capital.

**Legal provisions for the appointment of members of the Management Board and Supervisory Board**

As long as FACC International Company Ltd. (Hong Kong) holds a stake in FACC AG of at least 25% of the company's share capital, it will have the right to appoint up to one third of all Supervisory Board members.

The articles of association include no regulations that exceed the legal provisions for the appointment of members of the Management Board and Supervisory Board or the amendment of the articles of association.

**Other disclosures**

As of February 28, 2015, FACC AG did not hold any treasury shares.

FACC is unaware of any restrictions regarding the voting rights of FACC shares and any transfer thereof, including any restrictions resulting from agreements between shareholders.

No special compensation agreements exist between FACC AG and the members of the Management and Supervisory Board in the case of a public take-over bid.

Agreements regarding promissory note loans include change-of-control clauses. Lenders shall be entitled to terminate the agreement when:

- a. The Aviation Industry Corporation of China (AVIC) holds, either directly or indirectly, less than 50% plus one share of the borrower, or
- b. The Aviation Industry Corporation of China (AVIC) is not entitled, either directly or indirectly, to appoint the majority of the members of the management or of the Supervisory Board of the borrowers.

## OUTLOOK

### MARKET

The overall market environment in the aviation industry remained consistently positive in the year under review, with the “super cycle” continuing unabated. For the second year in a row, both Airbus and Boeing reached record highs in the delivery of large aircraft, producing a total of 1,352 airliners in 2014 (2013: 1,274). In addition, new orders once again exceeded the very high levels of the previous year. Airbus and Boeing jointly registered a total of 2,888 net new orders in 2014, which corresponds to an increase of 86 aeroplanes compared to 2013. Looking back, forecasts for the 2014 financial year proved correct.

This growth trend is expected to continue moving forward. According to the market analysis of the major OEMs, passenger volumes will show a constant annual growth rate of more than 5%. Over the next few years, the current fleet of 18,500 large commercial aircraft (status 2014) will almost double to roughly 37,500 units by 2033. At the same time, 12,400 airliners from the existing fleet will reach the end of their service life and be replaced by modern aircraft models. Based on these estimates, a total of 31,400 new airliners will be required over the next 19 years.

### THE FACC GROUP

Major milestones in the year under review included the successful and timely award of the type-certificate for the Airbus A350 XWB aircraft in September 2014 and the resulting first delivery of the new Airbus A350 XWB to the launch customer Qatar Airlines in December 2014. Now that the company has succeeded in obtaining the type-certificate from the European and American aviation authorities, serial production should also be ramped up as planned moving forward, gradually leading to an additional increase in delivery rates until 2018. In addition to the successful certification of the Airbus A350 XWB, type-certificates for the Boeing B787-9 aircraft as well as the Bombardier Challenger

350 and Embraer Legacy 500 business jets were obtained in 2014.

Thus, the investments made by FACC in the A350 XWB, B787-9, Legacy 450/500, Bombardier CL 350 and Global 7000/8000 projects are proving their worth. As a system supplier, FACC will profit significantly from the serial ramp up of these projects. In addition to increasing revenues, this will also ensure a high degree of capacity utilisation at the company's plants. From a current perspective, repayment of development costs incurred by the company will be realised as planned. As a result, the main objective of the “FACC Vision 2020” programme to achieve constant average double-digit growth in sales over the mid-term is likely to be met from today's perspective. In its planning for the current financial year, FACC assumes that growth will be in the single digit percentage range. The company will only reach a sustainable double-digit growth rate after the further ramp up of series production for the above-mentioned new projects. In the near future, revenues from development services will fail to match the levels recorded in the 2012/13 and 2013/14 financial years, as no major development projects such as the A380, B787 or the A350 aircraft models are currently in the pipeline. Both Airbus and Boeing have decided to avoid major new developments in the near future and, instead, carry out ongoing improvements to existing aircraft, which are less risky in terms of technical requirements and more viable from a financial perspective.

Meeting the earnings targets for the 2015/16 financial year will largely depend on the successful implementation of efficiency measures in connection with the above-mentioned increase in output rates for new projects as well as the completion of customer negotiations currently underway.

In the year under review, FACC's order backlog could be once again increased compared to the previous year and now amounts to a multiple of the production volume recorded in the 2014/15 financial year.

Following the successful commissioning of FACC's site in Wichita (USA) and the related modification activities with regard to the B737 winglets, valuable experience was acquired in the MRO area (maintenance, repair and overhaul) as well as in terms of direct collaboration with the airlines as end-consumers. Since composite materials account for an ever-increasing proportion of new aircraft components, the MRO market, and more specifically the maintenance of composite systems, represents a fast growing business field. Based on its extensive experience in the development and manufacture of composite systems, moving forward, FACC is pursuing the ultimate objective of increasingly

providing repair and maintenance services to airlines in addition to its core business. Based on the estimated development of this business area over the next 3 to 5 years, the expected revenue stream is likely to amount to up to 5% of the Group's current product turnover.

As part of the „FACC Vision 2020“ programme, a number of dedicated „Operational Excellence“ projects were launched with a view to improving efficiency and boosting profitability. These projects aim to increase the degree of automation in production, raise productivity and reduce processing costs as well as to boost margins by outsourcing simple composite parts to supply chain partners. A significant step towards reducing costs through optimisation and automation was taken in the year under review by completing the automation of the interior components' production line for the new Airbus A320. In the 2015/16 financial year as well, particular emphasis will be placed on the implementation of automation projects aimed at considerably reducing personnel costs and related product expenses. However, the main objective of the company's „Operational Excellence“ activities will generally remain the improvement of the overall productivity depending on the respective product mix.

The company will also continue to press ahead with outsourcing defined product families to strategic supply chain partners in growth markets (UAE, India, China). Thanks to the qualification of the plant, planned by FACC in China in the 2014/15 financial year, the outsourcing of significant product families from the Interiors, Engine, Composite as well as Aerostructures segments will be implemented over the coming quarters. Along with these relocations, the company also plans to reduce manufacturing costs, further decrease USD exposure, release FACC production space for the manufacturing of high-tech products and further expand its global manufacturing network.

Moving forward, the FACC Group will continue to optimise its business activities, ranging from development, manufacturing through to global supply chain management, while further expanding its role as a preferred partner of the aviation industry. This will further support the implementation of the „FACC Vision 2020“ strategy, especially when it comes to consolidating and expanding the company's standing as a Tier 1 supplier of customers such as Airbus, Boeing, Bombardier, Embraer and all renowned engine manufacturers.

Ried im Innkreis, May 18, 2015



Walter Stephan  
Chairman of the Management Board



Minfen Gu  
Member of the Management Board



Robert Machtlinger  
Member of the Management Board

# Consolidated Statement of Financial Position

	Note	February 28, 2014 EUR'000	February 28, 2015 EUR'000
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Intangible assets	5	126,307	151,659
Property, plant and equipment	6	129,862	158,251
Other non-current financial assets	7	1,730	469
Non-current receivables	9	16,676	24,597
		274,575	334,976
<b>CURRENT ASSETS</b>			
Inventories	8	81,049	98,858
Trade receivables	9	100,111	91,707
Receivables from construction contracts	9	25,144	28,920
Other receivables and deferred items	9	19,027	17,507
Receivables from affiliated companies	9	14,812	35,322
Derivative financial instruments	14	3,590	–
Cash and cash equivalents	10	51,012	110,955
		294,745	383,269
<b>TOTAL ASSETS</b>		569,320	718,245
<b>EQUITY</b>			
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT</b>			
Share capital	11	35	45,790
Capital reserve	11	125,006	220,535
Currency translation reserve	11	(127)	(170)
Other reserves	11	(1,434)	(24,014)
Retained earnings		101,353	72,759
		224,833	314,900
Non-controlling interests		(5)	8
<b>TOTAL EQUITY</b>		224,828	314,908
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Promissory note loans	12	45,000	–
Bonds	12	88,893	89,067
Other financial liabilities	13	57,028	66,268
Derivative financial instruments	14	9,953	10,340
Investment grants	15	9,776	11,223
Employee benefit obligations	16	7,581	10,926
Deferred taxes	30	20,128	4,589
		238,359	192,413
<b>CURRENT LIABILITIES</b>			
Trade payables	17	55,694	72,087
Other liabilities and deferred income	18	23,553	25,007
Other financial liabilities	13	10,817	13,173
Promissory note loans	12	–	45,000
Derivative financial instruments	14	–	48,199
Other provisions	19	10,476	6,642
Investment grants	15	838	768
Income tax liabilities		4,755	49
		106,133	210,924
<b>TOTAL LIABILITIES</b>		344,492	403,337
<b>TOTAL EQUITY AND LIABILITIES</b>		569,320	718,245

The Notes on pages 76 to 120 are an integral part of these consolidated financial statements.

# Consolidated Statement of Comprehensive Income

	Note	2013/14	2014/15
		EUR'000	EUR'000
<b>REVENUE</b>	4	547,382	528,914
Changes in inventories	20	(8,186)	2,755
Own work capitalised	21	9,758	18,762
Cost of materials and purchased services	22	(308,959)	(330,193)
Staff costs	23	(142,572)	(162,259)
Depreciation and amortisation	25	(18,042)	(23,299)
Other operating income and expenses	26	(37,450)	(39,192)
<b>Earnings before interest, taxes and fair value measurement of derivative financial instruments</b>		41,931	(4,512)
Finance costs	27	(7,494)	(10,280)
Interest income from financial instruments	28	281	623
Fair value measurement of derivative financial instruments	29	1,781	(387)
<b>Profit/loss before taxes</b>		36,499	(14,557)
Income taxes	30	(7,639)	4,976
<b>Profit/loss after taxes</b>		28,860	(9,581)
<b>ITEMS SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS</b>			
Currency translation differences from consolidation		(52)	(43)
Fair value measurement of securities (net of tax)		10	31
Cash flow hedges (net of tax)	11	(625)	(19,779)
<b>ITEMS SUBSEQUENTLY NOT RECLASSIFIED TO PROFIT OR LOSS</b>			
Revaluation effects of pensions and termination benefits (net of tax)	16	(210)	(2,832)
<b>Other comprehensive loss for the year</b>		(877)	(22,623)
<b>Total comprehensive income/loss for the year</b>		27,983	(32,204)
<b>PROFIT/LOSS AFTER TAXES</b>			
<b>ATTRIBUTABLE TO:</b>			
Equity holders of the parent		28,880	(9,594)
Non-controlling equity holders		(20)	13
<b>TOTAL COMPREHENSIVE INCOME/LOSS FOR THE YEAR</b>			
<b>ATTRIBUTABLE TO:</b>			
Equity holders of the parent		28,003	(32,217)
Non-controlling equity holders		(20)	13
<b>Earnings per share with regard to profit/loss after taxes attributable to the equity holders of the parent during the year (in EUR per share)<sup>1</sup></b>			
Undiluted	35	–	(0.22)

<sup>1</sup> In the previous year FACC AG had the legal form of a "GmbH" (limited company), hence no figure for the previous year. The Notes on pages 76 to 120 are an integral part of these consolidated financial statements.

# Consolidated Statement of Cash Flows

	2013/14	2014/15
	EUR'000	EUR'000
<b>OPERATING ACTIVITIES</b>		
Earnings before interest, taxes and fair value measurement of derivative financial instruments	41,931	(4,512)
Fair value measurement of derivative financial instruments <sup>1</sup>	1,781	(387)
	43,712	(4,899)
Plus/minus		
Release of/accrual of investment grants	1,587	1,378
Depreciation and amortisation	18,042	23,299
Losses/(gains) on disposal of non-current assets	17,568	783
Changes in financial instruments <sup>1</sup>	(543)	52,176
Cash flow hedges	(833)	(26,384)
Change in non-current receivables	4,202	(7,921)
Change in employee benefit obligations, non-current	695	4,646
Revaluation effects of pensions and termination benefits	(280)	(3,776)
Valuation effects from currency translation differences	1,464	(9,533)
	85,614	29,769
Changes in net current assets		
Change in inventories	(24,683)	(17,809)
Changes in receivables and deferred items	(25,989)	(14,361)
Change in trade payables	241	16,393
Change in current provisions	(3,420)	(3,834)
Change in other current liabilities	6,663	1,332
<b>Cash generated from operations</b>	<b>38,426</b>	<b>11,490</b>
Interest received	281	623
Tax paid	(166)	(4,755)
<b>Net cash generated from operating activities</b>	<b>38,541</b>	<b>7,358</b>
<b>INVESTMENT ACTIVITIES</b>		
Purchase of non-current financial assets	(173)	–
Acquisition of subsidiaries, net of cash acquired	391	–
Purchase of property, plant and equipment	(58,848)	(42,796)
Purchase of intangible assets	(6,056)	(4,745)
Payments for addition to development costs	(36,374)	(30,274)
<b>Net cash used in investing activities</b>	<b>(101,060)</b>	<b>(77,815)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from financial loans and bonds	132,568	15,203
Repayments of financial loans and bonds	(45,337)	(3,433)
Payments of interest on financial loans and bonds	(7,494)	(10,280)
Equity contribution	–	138,377
Payment of dividend	(1,700)	(19,000)
<b>Net cash generated from/(used in) financing activities</b>	<b>78,037</b>	<b>120,867</b>
<b>Net change in cash and cash equivalents</b>	<b>15,518</b>	<b>50,410</b>
Cash and cash equivalents at the beginning of the period	36,958	51,012
Valuation effects from currency translation differences	(1,464)	9,533
<b>Cash and cash equivalents at the end of the period</b>	<b>51,012</b>	<b>110,955</b>

<sup>1</sup> Includes changes in financial instruments not considered part of net current assets

The Notes on pages 76 to 120 are an integral part of these consolidated financial statements.

# Consolidated Statement of Changes in Equity

## Fiscal year 2013/14

	Share capital EUR'000	Capital reserve EUR'000	Currency translation reserve EUR'000
<b>Balance as at March 1, 2013 (adjusted)</b>	35	144,006	(75)
Profit after taxes	-	-	-
<b>Other comprehensive loss</b>			
Currency translation differences from consolidation	-	-	(52)
Fair value measurement of securities (net of tax)	-	-	-
Revaluation effects of pension and termination benefits (net of tax)	-	-	-
Cash flow hedges (net of tax)	-	-	-
<b>Total other comprehensive loss</b>	-	-	(52)
<b>Total comprehensive income</b>	-	-	(52)
Reclassification from capital reserve to retained earnings	-	(19,000)	-
Dividends paid	-	-	-
Initial consolidation of subsidiaries	-	-	-
Other changes	-	-	-
<b>Balance as at February 28, 2014</b>	35	125,006	(127)

## Fiscal year 2014/15

	Share capital EUR'000	Capital reserve EUR'000	Currency translation reserve EUR'000
<b>Balance as at March 1, 2014</b>	35	125,006	(127)
Loss after taxes	-	-	-
<b>Other comprehensive loss</b>			
Currency translation differences from consolidation	-	-	(43)
Fair value measurement of securities (net of tax)	-	-	-
Revaluation effects of pensions and termination benefits (net of tax)	-	-	-
Cash flow hedges (net of tax)	-	-	-
<b>Total other comprehensive loss</b>	-	-	(43)
<b>Total comprehensive loss</b>	-	-	(43)
Reclassification from capital reserve to retained earnings	-	-	-
Dividends paid	-	-	-
Initial consolidation of subsidiaries	-	-	-
Other changes	-	-	-
Share capital increase from capital reserve	29,965	(29,965)	-
Capital increase from IPO	15,790	125,494	-
<b>Balance as at February 28, 2015</b>	45,790	220,535	(170)

The Notes on pages 76 to 120 are an integral part of these consolidated financial statements.

Other reserves							
Available-for-sale securities EUR'000	Hedging reserve EUR'000	Reserve IAS 19 EUR'000	Retained earnings EUR'000	Equity attributable to equity holders of the parent EUR'000	Non-controlling interests EUR'000	Total equity EUR'000	
(55)	625	(1,179)	55,188	198,545	–	198,545	
–	–	–	28,880	28,880	(20)	28,860	
–	–	–	–	(52)	–	(52)	
10	–	–	–	10	–	10	
–	–	(210)	–	(210)	–	(210)	
–	(625)	–	–	(625)	–	(625)	
10	(625)	(210)	–	(877)	–	(877)	
10	(625)	(210)	28,880	28,003	(20)	27,983	
–	–	–	19,000	–	–	–	
–	–	–	(1,700)	(1,700)	–	(1,700)	
–	–	–	–	–	15	15	
–	–	–	(15)	(15)	–	(15)	
(45)	(0)	(1,389)	101,353	224,833	(5)	224,828	

Other reserves							
Available-for-sale securities EUR'000	Hedging reserve EUR'000	Reserve IAS 19 EUR'000	Retained earnings EUR'000	Equity attributable to equity holders of the parent EUR'000	Non-controlling interests EUR'000	Total equity EUR'000	
(45)	–	(1,389)	101,353	224,833	(5)	224,828	
–	–	–	(9,594)	(9,594)	13	(9,581)	
–	–	–	–	(43)	–	(43)	
31	–	–	–	31	–	31	
–	–	(2,832)	–	(2,832)	–	(2,832)	
–	(19,779)	–	–	(19,779)	–	(19,779)	
31	(19,779)	(2,832)	–	(22,623)	–	(22,263)	
31	(19,779)	(2,832)	(9,594)	(32,217)	13	(32,204)	
–	–	–	–	–	–	–	
–	–	–	(19,000)	(19,000)	–	(19,000)	
–	–	–	–	–	–	–	
–	–	–	–	–	–	–	
–	–	–	–	141,284	–	141,284	
(14)	(19,779)	(4,221)	72,759	314,900	8	314,908	

# Notes

## TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT FEBRUARY 28, 2015

### 1 GENERAL

In the following, the notes are presented for the two reporting periods ended February 28, 2014 and February 28, 2015.

The FACC Group, domiciled in Ried im Innkreis, is a group incorporated in Austria for the development, production and servicing of aircraft components. The principal activities of the FACC Group are the manufacturing of structural components, such as engine cowlings, wing claddings or control surfaces, as well as interiors for modern commercial aircraft. The components are manufactured using mainly composites. In the components made of such composites, the Group also integrates metallic components of titanium, high-alloy steel and other metals, and supplies these components to the aircraft final assembly lines ready for fitting.

Since June 25, 2014 FACC AG has been listed on the Vienna Stock Exchange in the Prime Market segment (official trading).

#### *Structural processes of the Group under company law*

In the first three months of the fiscal year 2014/15, the Group was subject to structural processes under company law in preparation for the planned IPO. This was made in order to generate a corporate structure that is typical in the market:

- Aero Vision Holding GmbH (AVH) was merged, by way of universal succession, with FACC AG (formerly Aerospace Innovation Investment GmbH) on February 28, 2014.
- Aerospace Innovation Investment GmbH was converted into an "Aktiengesellschaft" (stock corporation under Austrian law) by simultaneously changing the company's name into FACC AG.
- The former FACC AG was converted into a "GmbH" (limited liability company under Austrian law) by simultaneously changing the company's name into FACC Operations GmbH.

Except for the merger of Aero Vision Holding GmbH (AVH) with FACC AG (formerly Aerospace Innovation Investment GmbH) by way of universal succession, there has been no change in the scope of consolidation of the FACC Group as at February 28, 2015 compared to the scope of con-

solidation of the consolidated financial statements as at February 28, 2014.

FACC AG is included in the scope of consolidation of FACC International Company Ltd. with its office in Hong Kong (Room 2302, 23<sup>rd</sup> floor, Caroline Centre Lee Gardens Two, 28 Yun Ping Road, HKG), company register number 1394811.

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the reporting periods presented.

#### (a) Basis of preparation

The consolidated financial statements as at February 28, 2015 have been prepared in accordance with the International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) as adopted by the European Union and the statutory provisions of Section 245a of the Austrian Commercial Code (UGB).

The consolidated financial statements have been prepared under the historical cost convention, with the exception of financial assets and financial liabilities (including derivative instruments) that were measured at fair value. Assets and liabilities are categorised either as current and non-current assets and liabilities, with their terms being disclosed in the notes to the consolidated financial statements. The consolidated statement of comprehensive income is prepared using the total expenditure format.

The preparation of the consolidated financial statements in conformity with IFRS requires the use of accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 2 (b).

For the purpose of clarity, amounts are rounded and – where stated – reported in euro thousand.

#### *New and amended standards that have been applied for the first time in the fiscal year*

The following new and amended standards and interpreta-

tions have been adopted for the first time in the fiscal year 2014/15 but had no material impact on the consolidated financial statements:

IFRS 10, "Consolidated financial statements", builds on the principles with regard to the demarcation of full consolidation previously laid down in IAS 27, "Consolidated and separate financial statements", and SIC 12, "Consolidation – Special Purpose Entities". IFRS 10 focuses on the introduction of a uniform single consolidation model applicable to all entities that substitutes the principles as set forth in IAS 27 and SIC 12. This model is based on the concept of control, i. e. the parent company exercising control over the subsidiary. The standard provides additional guidance to assist in determining whether control is deemed to exist where this is difficult to assess. The impacts of the standard are immaterial, since no changes with regard to the consolidated group have occurred for the Group in the initial application of this standard.

IFRS 12, "Disclosure of interests in other entities", is part of the consolidation package published by the IASB in 2011 and includes the disclosure requirements of IFRS 10 "Consolidated financial statements", IFRS 11 "Joint arrangements", IAS 28 "Investments in associates and joint ventures" as well as unconsolidated "structured entities" in one single standard. The impacts of the standard are immaterial.

Amendments to IAS 32, "Financial instruments: Presentation": The amendment clarifies that in order to offset financial assets with financial liabilities, an unconditional and legally enforceable right of set-off must not be contingent on the occurrence of a future event and must also exist in the event of insolvency of one of the counterparties. Moreover, examples for criteria are presented under which a gross settlement of a financial asset and a financial liability still results in a set-off.

Amendment to IAS 36, "Impairment of assets", with regard to recoverable amount disclosures for non-financial assets. This amendment removes some of the disclosure requirements, included in IAS 36 due to the publication of IFRS 13, with regard to the recoverable amount of cash generating units to which a material goodwill or significant intangible assets with indefinite useful lives was allocated.

Amendment to IAS 39, "Financial instruments: Recognition and measurement", regarding the novation of derivatives and the continuation of hedge accounting: The amendment responds to new legal and/or regulatory requirements with regard to over-the-counter derivatives and the novation to

central counterparties. Under the previous provisions of IAS 39, a novation from derivatives to central counterparties would have resulted in a need to discontinue hedge accounting. This is now no longer the case, provided that the novation of a hedging derivative to a central counterparty meets certain criteria.

IFRIC 12, "Levies": The interpretation provides guidance on the recognition of obligations to pay levies imposed by a public authority that do not classify as levies within the meaning of IAS 12 "Income taxes". IFRIC 21 identifies the "obligating event" when a liability should be recognised that gives rise to the payment of a levy. The Group is currently not subject to significant levies, so the impact of this interpretation on the Group is not material.

Other standards, amendments and interpretations which are effective for the fiscal year 2014/15 are not material for the Group.

*Standards, interpretations and amendments to published standards which are not yet effective and have not been applied by the Group in preparing these consolidated financial statements*

New standards and amendments to standards and interpretations will be effective in subsequent fiscal years. Such standards were not applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except for the standards set out below:

IFRS 9, "Financial instruments", addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9, developed in several phases, was issued in July 2014 by the IASB. It replaces the parts of IAS 39, "Financial instruments: Recognition and measurement", that relate to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through profit or loss. The classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit loss model that replaces the incurred loss impairment model used in IAS 39. With regard to the classification and measurement of financial liabilities, IFRS 9 only introduces amendments for liabilities designated at fair value through profit or loss. Under IFRS

9, changes in own credit risk with regard to these liabilities are now to be recognised in other comprehensive income. Further, IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the “hedged ratio” to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. According to the IASB, IFRS 9 is effective for reporting periods beginning on or after January 1, 2018. The standard has not yet been endorsed by the European Union. The Group is yet to assess the full impacts of IFRS 9.

IFRS 15, “Revenue from contracts with customers”, deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue. Under IFRS 15 revenue is to be recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The new standard on revenue recognition replaces the previous provisions of IAS 18 “Revenue” and IAS 11 “Construction contracts” and related interpretations. The IASB determined the standard to be effective for reporting periods beginning on or after January 1, 2017. IFRS 15 has not yet been adopted in the European Union. The Group is assessing the full impacts of IFRS 15.

There are no other standards or interpretations that are not yet effective that would be expected to have a material impact on the Group.

**(b) Use of assumptions and estimates**

Assumptions and estimates were made in the preparation of the consolidated financial statements which had an effect on the amount of the reported assets, liabilities, income and expenses. These may lead to significant adjustments to assets and liabilities in subsequent fiscal years.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events, that are believed to be reasonable under the circumstances. The resulting accounting estimates may not necessarily be equal to the actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are discussed below.

**(i) Employee benefit obligations**

Employee benefit obligations mainly comprise pension obligations and provisions for termination benefits. Employee benefit obligations are calculated based on the present value of the estimated future cash outflows using interest rates determined by reference to market yields at the end of the reporting period based on high quality corporate bonds with the same currency and a term corresponding to the estimated term of benefit obligations.

Management appointed independent actuaries to carry out a full valuation to determine the expected employee benefit obligations that are required to be disclosed and recognised in the financial statements in accordance with the IFRS requirements.

The actuaries use assumptions and estimates and evaluate and update these assumptions at least on an annual basis. Judgement is required in establishing the principal actuarial assumptions to determine the present value of defined benefit obligations and service costs. Changes to the principal actuarial assumptions can significantly affect the present value of plan obligations and service costs in future periods. The discount rate is a potential volatile parameter. Increasing the discount rate by 0.25 percentage points would result in a decrease in the present value of defined benefit obligations of 400 EURk and decrease the service cost by 13 EURk. Decreasing the discount rate by 0.25 percentage points would result in an increase in the defined benefit obligations of 421 EURk and increase the service cost by 14 EURk. Reference is also made to Note 16.

*(ii) Deferred taxes*

Change in taxable profits, within the planning period specified for the accounting and measurement of deferred taxes, may result in changes to the deferred taxes recognised for losses carried forward. The unrecognised deferred taxes for losses carried forward amount to 277 EURk (February 28, 2014) and 343 EURk (February 28, 2015).

Should the estimated taxable profits change by +/-10%, this would affect the assessment of losses carried forward only slightly. The tax loss may be carried forward indefinitely. Reference is made to Note 30 “Income taxes”.

*(iii) Scheduled amortisation of development costs*

The calculation for amortisation of capitalised development costs is based on the number of shipsets to be supplied. This number of shipsets is an assumption based on a defined assessment procedure (refer to Note 2 (d) (iii) “Research and development costs”). Increasing the estimated number of shipsets by 10% would result in a decrease in

amortisation of 312 EURk (February 28, 2014) and 501 EURk (February 28, 2015). Decreasing the estimated number of shipsets by 10% would result in an increase in amortisation of 383 EURk (February 28, 2014) and 613 EURk (February 28, 2015).

*(iv) Receivables from construction contracts*

Under IAS 11, a construction contract is a contract specifically negotiated for the construction (development) of an asset. Contract costs are recognised as expenses in the period in which they are incurred. As the outcome of a construction contract can frequently not be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable from the customer. Based on this assessment, partial profit realisation is not applied by management.

*(v) Impairment assessment of goodwill*

Assumptions are required in the assessment of impairment, particularly when assessing: (1) whether an event has occurred that may indicate that the respective assets may not be recoverable; (2) whether the carrying amount of an asset can be achieved by the recoverable amount based on the present value of future cash flows; and (3) whether there are appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate.

Should the discount rate change by +50 basis points at the end of the reporting period, an additional impairment adjustment would not be required. As discount rate, the Group uses the weighted average cost of capital (WACC), which was 8.2% as at February 28, 2015 and 8.54% as at February 28, 2014.

*(vi) Useful lives of property, plant and equipment*

The useful life of the Group's property, plant and equipment is defined as the period over which it is expected to be available for use by the Group. The estimation of the useful life is a matter of judgement based on management's experience. Periodic reviews by management could result in a change in depreciable lives and therefore affect the depreciation expense in future periods.

*(vii) Derivative financial instruments*

All derivatives are recognised at their fair value. Gains and losses resulting from changes in fair value are accounted for depending on the use of the derivatives and whether they are designated and qualify for hedge accounting under IAS 39. Where derivative financial instruments entered into by the Group qualify for cash flow hedge accounting, the movement in their fair value is recorded under the caption

of hedging reserve in equity. Where derivative financial instruments entered into by the Group do not qualify for hedge accounting, or hedge accounting is not applied, the movement in their fair value is recorded in the consolidated statement of comprehensive income through profit or loss. The sensitivity analysis with regard to derivative financial instruments is presented in Note 3 (2) (a) below.

**(c) Consolidation**

The financial statements of subsidiaries included in the consolidated financial statements were prepared as at the end of the reporting period applicable throughout the Group, i. e. as at February 28, 2014 and February 28, 2015, and in accordance with IFRS as adopted by the EU. The financial statements of FACC AG (formerly Aerospace Innovation Investment GmbH) and its subsidiaries are included in the consolidated financial statements taking into account the uniform recognition and measurement principles of the Group.

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Subsidiaries are de-consolidated as at the date that control ceases. The consolidated statement of comprehensive income includes revenue and expenses up to the date of de-consolidation.

Under full consolidation, all group companies are included in the consolidated financial statements.

(i) Consolidated group

The consolidated group is determined according to the principles of IFRS 10. The Group has the following subsidiaries:

Company	Place of incorporation	Issued and fully paid share capital	Direct shareholding	Principal activities
FACC Operations GmbH	Ried im Innkreis, Austria	EUR 80,000	100%	Development & production of aircraft complements
FACC Solutions (Canada) Inc.	Montreal, Canada	CAD 10,000	100%	Customer service
FACC Solutions Inc.	Wichita, Kansas, USA	USD 10,000	100%	Customer service
FACC Solutions s.r.o.	Bratislava, Slovakia	EUR 6,639	100%	Design & Engineering
FACC (Shanghai) Co., Ltd	Shanghai, China	RMB 2,000,000	100%	Design & Engineering
ITS GmbH	Steinebach, Germany	EUR 25,000	100%	Design & Engineering
ITS digitech Pvt. Ltd.	Bhau Patil Marg, India	INR 800,000	100%	Design & Engineering
CoLT Prüf und Test GmbH (formerly etc Prüf- und Test GmbH)	St. Martin, Austria	EUR 35,000	91%	Design & Engineering

Non-controlling interests with regard to the subsidiary CoLT Prüf und Test GmbH (formerly etc Prüf und Test GmbH) are not considered material.

Assets and liabilities of subsidiaries are fully available to the Group.

(ii) Changes in the consolidated group

Except for the merger of Aero Vision Holding GmbH (AVH) with FACC AG (formerly Aerospace Innovation Investment GmbH) by way of universal succession, there has been no change in the consolidated group of the FACC Group as at February 28, 2015 compared to the consolidated group of the consolidated financial statements as at February 28, 2014.

(iii) Consolidation methods

The Group applies the acquisition method to account for business combinations. The consideration transferred for acquisition of the subsidiary is the fair values of the assets transferred, equity instruments issued and the liabilities assumed or incurred at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Expenses related to the acquisition of a company are recognised through profit or loss in the periods in which they are incurred.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Inter-company transactions, balances, and material unrealised income and expenses on transactions between group companies are eliminated.

Accounting policies of subsidiaries have been changed, where necessary, to ensure consistency with the policies adopted by the Group.

Transactions with non-controlling interests are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iv) Currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in euros ("EUR"), which is the functional currency of the FACC Group and the Group's presentation currency.

With regard to the currency translation of financial statements of subsidiaries presented in foreign currencies, the rates as at the end of the reporting period were applied to items in the consolidated statement of financial position, and average rates for the reporting period were applied to items in the consolidated statement of comprehensive income. Differences in these currency translations are recognised as part of other comprehensive income in equity.

Exchange rate differences arising from the translation of transactions and monetary items in the consolidated statement of financial position denominated in foreign currencies are recognised in profit or loss at the rates applicable at the

time of the transaction or valuation. Foreign currency translation in relation to foreign currency derivatives is set out in Section (q).

The exchange rates used in the currency translation are as follows:

	Year-end rate February 28, 2014	Average rate
1 EUR / CAD FY 2013/14	1.5330	1.3957
1 EUR / USD FY 2013/14	1.3757	1.3332
1 EUR / RMB FY 2013/14	8.4882	8.1601

	Year-end rate February 28, 2015	Average rate
1 EUR / CAD FY 2014/15	1.3995	1.4520
1 EUR / USD FY 2014/15	1.1240	1.2937
1 EUR / RMB FY 2014/15	7.0485	8.0068

#### (d) Intangible assets

##### (i) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's share in the fair value of the identifiable net assets acquired. If the consideration transferred is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the consolidated statement of comprehensive income affecting profit or loss.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units (CGUs), or groups of CGUs, that are expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

A CGU or group of CGUs to which the goodwill was allocated is reviewed for impairment annually at the end of the reporting period or more frequently if events indicate a potential impairment. In doing so, the carrying amount of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. If the carrying amount of the CGU exceeds the recoverable amount, the difference is recognised immediately as an impairment loss in profit or loss. Any impairment recognised for the goodwill is not reversed in subsequent periods.

##### (ii) Software and delivery rights

Purchased intangible assets are measured at acquisition cost in the consolidated statement of financial position, and are generally amortised on a straight-line basis over their re-

spective useful life (3 to 10 years). Delivery rights are amortised on the basis of the shipsets supplied or outstanding.

##### (iii) Research and development costs

An intangible asset arising from development is to be only recognised when all of the following criteria are met:

- It is technically feasible to complete the intangible asset so that it will be available for use or sale;
- It is intended to complete the intangible asset as well as to use or sell it;
- It is possible to use or sell the intangible asset;
- It can be demonstrated how the intangible asset will generate probable future economic benefits. There is proof that, among other things, a market exists for the products of the intangible asset or the intangible asset as such or, if it is intended for internal use, the benefit of the intangible asset;
- Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available;
- The expenditure attributable to the intangible asset during its development can be reliably measured.

The Group capitalises the development costs in accordance with IAS 38, based on project-related costs. All eligible development costs for each project are capitalised. The capitalised development costs are treated as "construction in process". Amortisation starts when series production is ready, based on shipsets supplied, with reference to the sales framework, as determined by the management. The sales framework is determined based on the Airline Monitor (= market forecast by third parties), as used throughout the aviation industry, and current customer forecasts. This sales framework is re-assessed at the end of each reporting period. Depending on the status of the project (new project or ongoing project with residual terms) the planning horizon of

the sales framework is a maximum of 20 years. This amortisation method ensures that changes in the order volume have a direct effect on the development costs. The costs of research projects are immediately recognised as an expense as and when incurred.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets (which are assets that necessarily take a substantial period of time to get ready for their intended use or sale) are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed as and when incurred.

**(e) Property, plant and equipment**

Items of property, plant and equipment are measured at acquisition or production costs, less scheduled depreciation and write-downs.

The production costs of property, plant and equipment comprise direct costs and reasonable parts of the overhead costs.

Property, plant and equipment subject to depreciation are depreciated on a straight-line basis over the estimated useful life of the respective asset. Depreciation is charged over the following useful lives assumed unchanged across all years presented:

	Useful life in years	
	From	To
Buildings	10	50
Leasehold improvements <sup>1</sup>	10	20
Technical equipment and machinery	4	8
Fixtures and fittings	3	10
Vehicles	5	8

<sup>1</sup> Or over the lease terms, whichever is shorter

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are recognised within “Other operating income and expenses” in the consolidated statement of comprehensive income.

**(f) Assets from rental and leasing contracts**

The Group leases assets as a lessee. Leases in which all significant risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease’s commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. In the same amount, a leasing liability is recognised under non-current liabilities. The interest element of the finance cost is charged to the consolidated statement of comprehensive income over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

**(g) Other non-current financial assets**

This item comprises securities and investments. Regular purchases and sales of financial assets are recognised on the settlement date.

All securities are classified as “available for sale”, and are initially measured at cost at the time of acquisition and subsequently carried at fair value. The changes in value are recognised as part of equity in other comprehensive income. In case of impairment or when the security is sold, these changes are recognised in the consolidated statement of comprehensive income. The fair value of the securities is based on the share price at the end of the reporting period.

**(h) Impairment of intangible assets (development costs, software and delivery rights) and property, plant and equipment**

Intangible assets with an indefinite useful life as well as intangible assets not ready for use are not subject to amortisation but are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events indicate that the carrying amount of the asset may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. For purposes of assessing impairment, assets are grouped at the lowest cash flow generating levels which are largely independent from the cash flows of other assets or groups of assets (CGU). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

**(i) Inventories**

Inventories are stated at the lower of acquisition or production costs and net realisable value at the end of the reporting period.

Acquisition costs include all costs incurred in bringing the asset to the condition required and moving it to the specific location. Production costs include all direct costs and also reasonable parts of the production-related overheads, based on normal operating capacity. Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets (which are assets that necessarily take a substantial period of time to get ready for their intended use or sale) are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they occur. The costs per unit are determined according to the moving average price method.

The net realisable value is the estimated selling price for the assets, less expected future costs of completion and sale, determined on the basis of experience. Price reductions in the replacement costs are generally considered when determining the net realisable value.

#### **(j) Receivables and other assets**

Trade receivables, other receivables and other assets are initially recognised at fair value or acquisition cost and subsequently carried at amortised cost, less any valuation adjustments (in case of impairment). Foreign currency receivables are valued at the year-end exchange rate.

#### **(k) Cash and cash equivalents**

Cash and cash equivalents comprise cash (cash in hand), cheques received and deposits held at call with financial institutions with original maturities of three months or less. This is in accordance with the definition of cash and cash equivalents in the consolidated statement of cash flows.

#### **(l) Employee benefits**

##### *(i) Pension obligations*

Based on an individual commitment as a result of an executive employee joining FACC AG (formerly Aerospace Innovation Investment GmbH) on June 1, 2014, the Group is obligated to pay a pension to this executive employee when he retires. This defined benefit obligation is measured by a qualified and independent actuary at the end of each reporting period.

The liability recognised in the consolidated statement of financial position as at February 28, 2015 in respect of defined benefit pension plans is the present value of the defined benefit obligation (DBO) at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by an independent actuary

using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

The current service cost, recognised in the consolidated statement of comprehensive income under "Staff costs" (except where included in the cost of an asset), reflects the increase in the defined benefit obligation resulting from employee service, benefit changes curtailments and settlements in the reporting period 2014/15. Past-service costs are recognised immediately in income. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. Both are calculated at the beginning of the reporting period taking into account any changes that arose due to contribution and benefit payments made with regard to the net balance in the course of the reporting period. The net interest cost is included in "Staff costs" in the consolidated statement of comprehensive income.

Actuarial gains and losses ("revaluation effects") arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

##### *(ii) Defined contribution plans*

The Group pays monthly contributions into an industry-wide pension fund for all executives. These contributions are invested in an employee account, and paid out or passed on to the employee as an entitlement upon retirement. The Group is exclusively obligated to make those contributions that were recorded as expenditure in the same reporting period in which they were incurred (defined contribution obligation).

##### *(iii) Termination benefits*

Statutory provisions require the Group to pay a one-off termination benefit to an employee whose employment commenced up to and until December 31, 2002 when employment is terminated by the Group or when an employee retires. This termination benefit depends on the number of years of service and the remuneration at the time of severance or retirement and amounts to between two to twelve monthly salaries. A provision is made for this obligation.

This provision is calculated in accordance with IAS 19 using the projected unit credit method. The present value of future payments is accumulated according to actuarial calculations over the estimated period of employment of the employees. The calculation is done at the end of the respective reporting period, based on the expert opinion of an actuary.

Actuarial gains and losses (“revaluation effects”) arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

In addition, provisions for termination benefits are made due to contractual termination benefit obligations vis-à-vis the managing directors of FACC AG (formerly Aerospace Innovation Investment GmbH). The calculation basis for these contractual termination benefit obligations is the amount that would have to be paid at the end of the reporting period if the managing director leaves the Company.

*(iv) Defined contribution plans (staff provision fund; Mitarbeiterversorgungskasse)*

For all employee/employer relationships which started in Austria after December 31, 2002, the Group makes a monthly contribution of 1.53% of the remuneration to a corporate staff provision fund, which deposits the contributions into an account of the employee. The amount is paid out to the employee or the employee is entitled to this amount upon termination of employment. The Group is exclusively obligated to pay those contributions that were recorded as expenditure in the same reporting period in which they were incurred (defined contribution obligation).

*(v) Other non-current employee obligations*

Based on collective agreements, the Group is obligated to pay employees anniversary bonuses equivalent to one month’s salary or wage (excluding fringe benefits and bonuses) upon completion of 25 years of service. A provision was made for this obligation.

This provision is measured according to the methods and assumptions applied for the measurement of termination benefit obligations. However, actuarial gains and losses (“revaluation effects”) are recognised through profit or loss.

**(m) Other provisions**

Other provisions are recorded if the Group has a present legal or constructive obligation towards a third party as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation. The provisions are recorded at the value determined according to

best estimates made at the time the consolidated financial statements are prepared. A provision is not recognised if the amount cannot be reasonably assessed (in exceptional cases).

**(n) Taxes**

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised directly in equity or in other comprehensive income. In this case, tax is also recognised in other comprehensive income or in equity, respectively.

Pursuant to the provisions stipulated in Section 9 of the Austrian Corporate Income Tax Act (KStG), a group and tax compensation agreement dated February 13/15, 2012 was entered into between Aerospace Innovation Investment GmbH (now FACC AG) as group parent and Aero Vision Holding GmbH (which was merged with FACC AG (formerly Aerospace Innovation Investment GmbH) on February 28, 2014) as well as FACC AG (now FACC Operations GmbH) as group members. This agreement is effective for the first time in the fiscal year 2012. The group and tax compensation agreement was lodged with the competent tax authority by group tax application dated February 27, 2012. If the group parent as well as the group member generate revenue, the positive tax compensation to be paid by the group member amounts to 25% of the calculated tax income. If a group premium is generated due to the losses of the group parent or the group member (irrespective of the loss having arisen prior to or during the existence of the group of companies), this premium is allocated according to the “costs-by-cause” principle. The positive tax compensation to be paid and the negative tax compensation to be received by the group member is calculated on the basis of the prorated tax charge/group premium plus any minimum tax that would have to be paid if no group had been set up (and that has to be paid by the group parent if the group of companies still exists).

A VAT group within the meaning of Section 2 Para. 2 No. 2 of the Value Added Tax Act (UStG) is in place between FACC AG (formerly Aerospace Innovation Investment GmbH) and FACC Operations GmbH (formerly FACC AG) as of June 2014.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements prepared in accordance with the IFRSs. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill;

deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax liabilities are provided on taxable temporary differences arising on investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same or different taxable entities where there is an intention to settle the balances on a net basis.

#### **(o) Borrowings**

The Group's borrowings are initially measured at fair value, net of transaction costs incurred, and are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised through profit or loss over the period of the borrowings using the effective interest method.

#### **(p) Trade and other payables**

Trade and other payables are initially measured at fair value or at cost and are subsequently measured at amortised cost.

#### **(q) Derivative financial instruments**

The Group uses derivative financial instruments to hedge risk exposures with regard to foreign currency and interest rate risks. The Group's policy is not to utilise derivative financial instruments for trading or speculative purposes. Derivative financial instruments are initially measured at fair value on the contract date, and are carried at amortised cost at the end of the subsequent reporting periods. Changes in fair value are recognised based on whether certain qualifying criteria under IAS 39 are satisfied in order to apply hedge accounting.

#### *(i) Cash flow hedges*

Derivatives designated as hedging instruments to hedge against the variability of cash flows attributable to highly probable forecast transactions qualify as cash flow hedges. The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The Group enters into forward foreign exchange contracts to hedge the foreign currency risk associated with certain forecast foreign currency revenue. The effective portion of changes in the fair value of these derivatives is recognised in other comprehensive income and recognised in the hedging reserve (currency hedges) as part of other reserves. Gains and losses relating to the ineffective portion are immediately recognised through profit or loss.

Amounts accumulated in the hedging reserve are reclassified to the consolidated statement of comprehensive income in the period when the hedged item affects profit or loss (for example, when the forecast revenue transaction takes place).

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in the hedging reserve at that time remains in equity and is recognised when the forecast transaction is ultimately recognised through profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated statement of comprehensive income.

#### *(ii) Derivatives not qualified for hedge accounting*

As regards derivatives that do not qualify for cash flow hedge accounting under IAS 39 (such as structured currency options and interest rate swaps, or where the rules of hedge accounting are not applied), changes in fair value are recognised in the consolidated statement of comprehensive income under "Fair value measurement of derivative financial instruments" or – if they relate to recognised foreign currency trade receivables and payables – in "Other operating income and expenses". Interest income and expenses resulting from interest rate derivatives are included within the line item "Interest income from financial instruments" in the consolidated statement of comprehensive income.

**(r) Foreign currency measurement**

Foreign currency translation of receivables, cash and cash equivalents and payables is carried out at the rate prevailing at the end of the reporting period. Gains and losses are recognised in profit or loss.

**(s) Government grants**

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and the Group will comply with the applicable conditions.

Government grants relating to costs are recognised over the period in which the relating costs are incurred.

Government grants relating to property, plant and equipment are included in non-current/current liabilities as deferred item and are credited to profit or loss on a straight-line basis over the expected useful lives of the related assets.

**(t) Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets (which are assets that necessarily take a substantial period of time to get ready for their intended use or sale) are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Other borrowing costs are recognised as an expense in the period in which they are incurred.

**(u) Revenue recognition**

Revenue comprises the fair value of the consideration received or to be received for the sales of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating inter-group sales.

The Group generates revenue by sale of goods (shipsets) to its customers. Sales of goods within the underlying supply agreements are recognised when the Group or a group company has delivered the products to the customer after any risks have been transferred to the customer according to the agreed terms and conditions.

In addition, the Group earns revenue from the provision of engineering services and the rendering of services to third parties relating to producing shipsets. These services include: selling technology and research results, as well as carrying out training programmes for third parties. This revenue is recognised over the period of service rendered to the relevant third party.

The Group's revenue is partly generated by construction contracts. The recognition of this revenue is explained under Note 2 (b) (iv).

**3 FINANCIAL RISK MANAGEMENT**

**1) Principles of financial risk management**

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures. It is the Group's policy to basically not enter into derivative transactions for speculative purposes.

Risk management is carried out by a central treasury department (Group treasury). Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units.

The Group's industry-specific risk lies in the changes in manufacturers' aircraft delivery plans to the end customers. The risk arising from the changes in future aircraft deliveries has an effect on the future revenue of the Group, since the deliveries of components manufactured by the Group follow this trend. The risk may lie in a reduction or the postponement of aircraft deliveries. This has the effect that the development costs cannot be recovered over the calculated period. This risk is counteracted through diversification within the sector, on the one hand, by maintaining supply agreements with both market dominating commercial aircraft suppliers and, on the other hand, by entering into supply agreements with the business jet sector in addition to the wide-body passenger aircraft. There is also geographic diversification through conclusion of supply agreements with the American/European markets and also in the Asian region. The Group is also a development partner for improvements to existing aircraft types, generating supply agreements for refurbishment of such aircraft.

**2) Financial risk factors**

*a) Market risk*

This includes especially the exchange and interest rate risks, as explained in more detail below. Apart from the two risk groups described below, there are no other significant price risks.

**Foreign exchange risk** – The Group is exposed to foreign exchange risk arising from cash flows from operating business, carried out mainly in USD. Consequently, the USD/EUR exchange rate affects the Group's profit or future cash flows to the extent to which the Group does not use financial instruments to hedge its current and future net foreign currency position. The Group treasury's hedging strategies are designed to control and minimise the influence of exchange rate fluctuations on these profit or future cash flows. The Management Board approves the strategies and reports to the Supervisory Board on a regular basis. This is an ongoing process. The goal is to minimise the inherent risk in market fluctuations by pursuing the right strategy.

The Group treasury's risk management policy is to hedge anticipated USD cash flows (arising from revenue and purchases of raw materials) for the following periods as described below: 100% hedging for the next twelve months, 50% hedging for 13 to 24 months, and 25% hedging for 25 to 36 months. These USD cash flows qualify as "highly probable" forecast transactions with regard to hedge accounting purposes; the Group therefore applies hedge accounting for the forward foreign exchange contracts in accordance with the rules of hedge accounting.

A change in exchange rates with respect to all currencies as at February 28, 2014 and February 28, 2015 would basically impact the Group only with regard to the USD, on the one hand due to the effects from the measurement at the end of the reporting period of USD items in the consolidated financial statements, and on the other hand due to the effect from the change in fair values of the derivative financial instruments in connection with currency hedges.

A change in the EUR/USD exchange rate as at February 28, 2014 and February 28, 2015 by +5% (average exchange rate at the end of the reporting period: 1.3757 and 1.1240, respectively) would result in a decrease in profit/loss (after taxes) and equity by 4,437 EURk and 4,607 EURk due to the measurement at the end of the reporting period, as well as an increase in total comprehensive income/loss and equity by 2,250 EURk and 19,475 EURk due to the change in fair values of derivative financial instruments in connection with currency hedges.

A change in the EUR/USD exchange rate as at February 28, 2014 and February 28, 2015 by -5% (average exchange rate at the end of the reporting period: 1.3757 and 1.1240, respectively) would result in an increase of the profit/loss (after taxes) and equity by 4,903 EURk and 5,092 EURk due to the measurement at the end of the reporting period, as well as a decrease in total compre-

hensive income/loss and equity by 4,288 EURk and 8,982 EURk due to the change in fair values of derivative financial instruments in connection with currency hedges.

**Interest rate risk** – Risks from interest rate changes arise almost exclusively from non-current borrowings. A list of all the significant interest-bearing liabilities and the residual terms, together with information on existing interest rate swap transactions, is included in Notes (12), (13) and (14).

In the context of whether an item bears fixed or variable interest rates, the Group assesses the risk of interest rate changes in the light of changes in cash flows of future interest payments. In close cooperation with market specialists from the banking sector, Group treasury routinely checks for every interest-bearing item whether a hedging instrument should be used. Strategies are presented to and approved by the Management Board.

If the market interest rate level had been higher/lower by 50 basis points as at February 28, 2014 and February 28, 2015, the profit/loss (after taxes) and equity would have been lowered/increased by 48 EURk and 247 EURk. The calculation was based on the financial assets and liabilities bearing variable interest rates.

#### *b) Liquidity risk*

It is a key element of FACC's business policy to, at all times, ensure adequate availability of cash and cash equivalents as liquidity reserve to be able to meet current and future obligations. This is assured by the reported total amount of cash and cash equivalents and extensive unused credit facilities (72,000 EURk as at February 28, 2014 and 67,000 EURk as at February 28, 2015). Working capital is constantly monitored and reported to the Management Board. Timely financing is a top priority in financing considerations. Surplus cash and cash equivalents are invested in non-speculative, highly liquid financial instruments as required. These include mainly money market certificates, call money, securities and other money market papers that generally mature in less than three months. Refer to Note 3 (5) for a maturity analysis of the financial assets and liabilities. Reference is also made to Note 12 with regard to the covenant agreement.

#### *c) Credit risk*

The Group operates within the airline industry and has two key customers. Consequently, the Group faces a concentration of credit risk in respect to the limited number of aircraft manufacturers.

Non-compliance by contractual partners is a credit risk to the Group. The Group has introduced guidelines to limit

credit risks. Products and services are sold to customers with a history of appropriate creditworthiness taking into account the financial situation, past experience as well as other factors. The creditworthiness of new customers is assessed with regard to the default risk. The creditworthiness of existing customers is also regularly monitored. Claims against customers are insured against default should they exceed certain limits. Credit risks also arise from cash and cash equivalents, derivative financial instruments and deposits with banks and other financial institutions. Such transactions are only carried out with reputable and credit-worthy banks and financial institutions.

The maximum credit risk is limited to the carrying amount of each financial asset in the consolidated statement of financial position.

No significant receivables had to be written off during the relevant fiscal years.

The contract volume of the foreign currency derivatives is shown below, broken down according to maturity:

	Residual term			Total USD'000
	Up to 1 year USD'000	1 to 5 years USD'000	More than 5 years USD'000	
<b>Balance as at February 28, 2014</b>				
<b>Currency hedging agreements</b>				
Forward foreign exchange contracts – USD	155,000	–	–	155,000
<b>Balance as at February 28, 2015</b>				
<b>Currency hedging agreements</b>				
Forward foreign exchange contracts – USD	290,000	135,000	–	425,000

With regard to payments from cash flow hedges, the contractual due dates, i. e. the time when the underlying transactions are recognised through profit or loss, essentially correspond to the maturity of the above currency hedging agreements.

The contract volume of the derivative financial instruments for interest rate hedging are as follows:

	Residual term			Total EUR'000
	Up to 1 year EUR'000	1 to 5 years EUR'000	More than 5 years EUR'000	
<b>Balance as at February 28, 2014</b>				
Interest rate swaps	–	20,000	–	20,000
<b>Balance as at February 28, 2015</b>				
Interest rate swaps	–	20,000	–	20,000

The fair values of derivative financial instruments for foreign currency and interest rate hedging are as follows:

	Volume USD'000	Volume EUR'000	Fair value EUR'000
<b>Balance as at February 28, 2014</b>			
Forward foreign exchange contracts – USD	155,000	–	3,590
Interest rate swaps	–	20,000	(9,953)
<b>Balance as at February 28, 2015</b>			
Forward foreign exchange contracts – USD	425,000	–	(48,199)
Interest rate swaps	–	20,000	(10,340)

### 3) Contract volumes of derivative financial instruments and associated fair values

The notional amounts of certain types of derivative financial instruments serve as a basis for comparison with instruments recognised in the consolidated statement of financial position but do not necessarily indicate the current fair value of the instrument and, therefore, do not indicate the Group's exposure to credit risk or price risk. Depending on the individual conditions, the derivative financial instruments have a favourable (assets) or unfavourable (liabilities) effect as a result of fluctuations in market interest rates or foreign exchange rates. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable, and thus the aggregate fair values of derivative financial assets and liabilities can be subject to considerable temporal fluctuation.

#### 4) Carrying amounts and fair values of financial instruments

Original financial instruments mainly include other non-current financial assets, trade receivables, bank balances, bonds, financial liabilities and trade payables.

Purchases and disposals of all the financial instruments are reported as at the completion date.

The current and non-current financial assets and liabilities are classified or categorised in accordance with IAS 39 as follows:

	Category IAS 39 <sup>1</sup>	Carrying amount as at February 28, 2014 EUR'000	Fair value as at February 28, 2014 EUR'000	Carrying amount as at February 28, 2015 EUR'000	Fair value as at February 28, 2015 EUR'000
<b>Assets</b>					
<b>Measurement at (amortised) cost</b>					
Non-current receivables	LaR	16,676	16,676	24,597	24,597
Trade receivables	LaR	100,111	100,111	91,707	91,707
Receivables from construction contracts	LaR	25,144	25,144	28,920	28,920
Receivables from affiliated companies	LaR	14,812	14,812	35,322	35,322
Cash and cash equivalents	LaR	51,012	51,012	110,955	110,955
<b>Measurement at fair value</b>					
Book-entry securities (not listed)	AfS	1,346	1,346	44	44
Securities (listed)	AfS	384	384	425	425
Derivatives with positive fair value (interest rate swaps)	AtFVtP&L	–	–	–	–
Derivatives with positive fair value forward foreign exchange contracts)	–	3,590	3,590	–	–
<b>Total financial assets</b>		<b>213,075</b>	<b>213,075</b>	<b>291,970</b>	<b>291,970</b>
<b>Liabilities</b>					
<b>Measurement at (amortised) cost</b>					
Promissory note loans	FLAC	45,000	45,000	45,000	45,000
Bonds	FLAC	88,893	92,691	89,067	97,486
Bank borrowings	FLAC	67,845	67,845	79,441	79,441
Trade payables	FLAC	55,694	55,694	72,087	72,087
<b>Measurement at fair value</b>					
Derivatives with negative fair value (interest rate swaps)	AtFVtP&L	9,953	9,953	10,340	10,340
Derivatives with negative fair value (forward foreign exchange contracts)	–	–	–	48,199	48,199
<b>Total financial liabilities</b>		<b>267,385</b>	<b>271,183</b>	<b>344,134</b>	<b>352,553</b>

<sup>1</sup> LaR (Loans and Receivables)

AfS (Available for Sale)

AtFVtP&L (At Fair Value through Profit and Loss)

FLAC (Financial Liabilities at Amortised Cost)

The fair value of a financial instrument is the price at which a party would take over the rights and/or duties under this financial instrument from another party. The fair values were determined based on the market information available at the end of the reporting period and the measurement methods described below. The fair values of financial instruments reported in the financial statements may differ from the values to be realised on the market at a future date due to varying factors.

At the time of acquisition, the financial instruments are generally measured at cost corresponding to the acquisition-date fair value. Financial instruments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of the ownership.

Trade receivables, other receivables and cash and cash equivalents generally have short residual terms. For this reason, their carrying amounts at the end of the reporting period approximate their fair values. If no market prices are available, the fair value of non-current financial assets corresponds to the present values of the associated payments, allowing for the current market parameters in each case.

The fair value of available-for-sale securities was estimated based on their quoted market price at the end of the reporting period.

Trade payables and other current financial liabilities generally have short residual terms; the carrying amounts therefore approximate the fair values.

The fair value of bonds corresponds to the market value at the end of the reporting period. For variable-interest loans, the carrying amount is the fair value. For fixed-interest bank borrowings (including promissory note loans), the fair value was calculated by discounting the cash flows using the market interest rate.

The fair value of the financial instruments on the assets and the liabilities sides is the estimated amount the Group

would have to pay or would receive if the transactions were settled on February 28, 2014 and February 28, 2015.

With regard to financial instruments measured at fair value, a differentiation is to be made according to the following three categories.

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The allocation of the financial instruments measured at fair value to the three measurement categories at the end of the reporting period is as follows:

	Level 1 EUR'000	Level 2 EUR'000	Level 3 EUR'000	Total EUR'000
<b>Balance as at February 28, 2014</b>				
<b>Assets</b>				
<b>Non-current assets</b>				
Non-current financial assets	384	1,346	–	1,730
Derivative financial instruments	–	–	–	–
<b>Current assets</b>				
Derivative financial instruments	–	3,590	–	3,590
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Derivative financial instruments	–	9,953	–	9,953
<b>Current liabilities</b>				
Derivative financial instruments	–	–	–	–
<b>Balance as at February 28, 2015</b>				
<b>Assets</b>				
<b>Non-current assets</b>				
Non-current financial assets	425	44	–	469
Derivative financial instruments	–	–	–	–
<b>Current assets</b>				
Derivative financial instruments	–	–	–	–
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Derivative financial instruments	–	19,853	–	19,853
<b>Current liabilities</b>				
Derivative financial instruments	–	38,686	–	38,686

### 5) Residual terms and cash flow analysis of financial liabilities

The residual terms of the financial liabilities are as follows:

	Category IAS 39 <sup>1</sup>	Carrying amount as at February 28, 2014 EUR'000	Residual term			
			Year 1 EUR'000	Year 2 EUR'000	Years 3 to 5 EUR'000	In more than 5 years EUR'000
<b>Liabilities</b>						
<b>Measurement at (amortised) cost</b>						
Bonds	FLAC	88,893	–	–	–	88,893
Promissory note loans	FLAC	45,000	–	3,000	8,000	34,000
Bank borrowings	FLAC	67,845	10,817	5,223	22,680	29,125
Trade payables	FLAC	55,694	55,694	–	–	–
<b>Measurement at fair value</b>						
Derivatives with negative fair value (interest rate swaps)	AtFVtP&L	9,953	–	–	9,953	–
Derivatives with negative fair value (forward foreign exchange contracts)	–	–	–	–	–	–
<b>Total financial liabilities</b>		<b>267,385</b>	<b>66,511</b>	<b>8,223</b>	<b>40,633</b>	<b>152,018</b>

<sup>1</sup> FLAC (Financial Liabilities at Amortised Cost)  
AtFVtP&L (At Fair Value through Profit and Loss)

	Category IAS 39 <sup>1</sup>	Carrying amount as at February 28, 2015 EUR'000	Residual term			
			Year 1 EUR'000	Year 2 EUR'000	Years 3 to 5 EUR'000	In more than 5 years EUR'000
<b>Liabilities</b>						
<b>Measurement at (amortised) cost</b>						
Bonds	FLAC	89,067	–	–	–	89,067
Promissory note loans	FLAC	45,000	45,000	–	–	–
Bank borrowings	FLAC	79,441	13,173	9,920	20,344	36,004
Trade payables	FLAC	72,087	72,087	–	–	–
<b>Measurement at fair value</b>						
Derivatives with negative fair value (interest rate swaps)	AtFVtP&L	10,340	–	10,340	–	–
Derivatives with negative fair value (forward foreign exchange contracts)	–	48,199	38,686	9,513	–	–
<b>Total financial liabilities</b>		<b>344,134</b>	<b>168,946</b>	<b>29,773</b>	<b>20,344</b>	<b>125,071</b>

<sup>1</sup> FLAC (Financial Liabilities at Amortised Cost)  
AtFVtP&L (At Fair Value through Profit and Loss)

The following contractually agreed payment obligations (interest payments and redemptions) arise in the subsequent years from the financial liabilities as at February 28, 2014:

	Category IAS 39 <sup>1</sup>	Carrying amount as at February 28, 2014 EUR'000	Fixed interest EUR'000
<b>Liabilities</b>			
<b>Measurement at (amortised) cost</b>			
Promissory note loans	FLAC	45,000	(626)
Bonds	FLAC	88,893	(3,600)
Bank borrowings	FLAC	67,845	(198)
Trade payables	FLAC	55,694	–
<b>Measurement at fair value</b>			
Derivatives with negative fair value (interest rate swaps) <sup>2</sup>	AtFVtP&L	9,953	–
Derivatives with negative fair value (forward foreign exchange contracts) <sup>3</sup>	–	–	–
Derivatives with negative fair value (structured currency options) <sup>3</sup>	AtFVtP&L	–	–
<b>Total financial liabilities</b>		<b>267,385</b>	<b>(4,424)</b>

<sup>1</sup> FLAC (Financial Liabilities at Amortised Cost)  
AtFVtP&L (At Fair Value through Profit and Loss)

<sup>2</sup> Due to the high volatility of the current interest rate environment, a reasonable presentation of the interest payments based on an assessment of the interest rate development up to the maturity of the interest derivative (in 2016) cannot be presented. Therefore, no presentation is given for the following fiscal years.

<sup>3</sup> Due to the high volatility of the currency market (EUR/USD), a reasonable presentation of future cash flows from foreign currency derivatives under the fictitious assumption of settlement at the maturity date cannot be presented. Therefore, no presentation is given for the following fiscal year.

The interest payments were calculated based on the last interest rates as determined on or before the end of the reporting period. Planned figures for future new liabilities are not included. Financial liabilities that can be repaid at any time are always allocated to the earliest maturity interval.

The following contractually agreed payment obligations (interest payments and redemptions) arise in the subsequent years from the financial liabilities as at February 28, 2015:

	Category IAS 39 <sup>1</sup>	Carrying amount as at February 28, 2015 EUR'000	Fixed interest EUR'000
<b>Liabilities</b>			
<b>Measurement at (amortised) cost</b>			
Promissory note loans <sup>2</sup>	FLAC	45,000	(626)
Bonds	FLAC	89,067	(3,600)
Bank borrowings	FLAC	79,441	(989)
Trade payables	FLAC	72,087	–
<b>Measurement at fair value</b>			
Derivatives with negative fair value (interest rate swaps) <sup>3</sup>	AtFVtP&L	10,340	–
Derivatives with negative fair value (forward foreign exchange contracts)	–	48,199	–
<b>Total financial liabilities</b>		<b>344,134</b>	<b>(5,215)</b>

<sup>1</sup> FLAC (Financial Liabilities at Amortised Cost)  
AtFVtP&L (At Fair Value through Profit and Loss)

<sup>2</sup> For information on the covenant agreement, please refer to Note 12.

<sup>3</sup> Due to the partially high volatility of the interest rate environment, a reasonable presentation of the interest payments based on an assessment of the interest rate development up to the maturity of the interest derivative (in 2016) cannot be presented. Therefore, no presentation is given for the following fiscal years.

The interest payments were calculated based on the last interest rates as determined on or before the end of the reporting period. Planned figures for future new liabilities are not included. Financial liabilities that can be repaid at any time are always allocated to the earliest maturity interval.

Fiscal year 2014/15			Fiscal years 2015/16 to 2018/19			Fiscal year 2019/20 ff.		
	Variable interest EUR'000	Redemption EUR'000	Fixed interest EUR'000	Variable interest EUR'000	Redemption EUR'000	Fixed interest EUR'000	Variable interest EUR'000	Redemption EUR'000
	(569)	-	(2,049)	(1,952)	(11,000)	(216)	(166)	(34,000)
	-	-	(14,400)	-	-	(4,760)	-	(90,000)
	(936)	(10,817)	(567)	(3,425)	(27,903)	-	(9,539)	(29,125)
	-	(55,694)	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	(1,505)	(66,511)	(17,016)	(5,377)	(38,903)	(4,976)	(9,705)	(153,125)

Fiscal year 2015/16			Fiscal years 2016/17 to 2019/20			Fiscal year 2020/21 ff.		
	Variable interest EUR'000	Redemption EUR'000	Fixed interest EUR'000	Variable interest EUR'000	Redemption EUR'000	Fixed interest EUR'000	Variable interest EUR'000	Redemption EUR'000
	(560)	(45,000)	-	-	-	-	-	-
	-	-	(14,400)	-	-	(1,160)	-	(90,000)
	(548)	(13,173)	(3,448)	(1,882)	(30,264)	(7,807)	(4,333)	(36,004)
	-	(72,087)	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	(38,686)	-	-	(9,513)	-	-	-
	(1,108)	(168,946)	(17,848)	(1,882)	(39,777)	(8,967)	(4,333)	(126,004)

The Group has access to the following credit facilities:

	Balance as at February 28, 2014 EUR'000	Balance as at February 28, 2015 EUR'000
Total credit facilities agreed	72,000	67,000
Total credit facilities unused	72,000	67,000

#### 6) Net result from financial instruments

The net result from the Group's financial instruments according to classes or measurement categories pursuant to

IAS 39 comprises net gains and losses, total interest income and expenses and impairment losses, and is as follows:

	2013/14				
	From subsequent measurement				
	From interest EUR'000	At fair value EUR'000	Change in value EUR'000	From disposal EUR'000	Total EUR'000
Loans and receivables	67	–	887	–	954
Financial assets available for sale	–	(13)	–	–	(13)
Financial assets measured at fair value through profit or loss	(2,104)	1,781	–	–	(323)
Financial assets measured at amortised cost	(4,847)	–	–	–	(4,847)
<b>Total</b>	<b>(6,884)</b>	<b>1,768</b>	<b>887</b>	<b>–</b>	<b>(4,229)</b>

	2014/15				
	From subsequent measurement				
	From interest EUR'000	At fair value EUR'000	Change in value EUR'000	From disposal EUR'000	Total EUR'000
Loans and receivables	613	–	87	–	700
Financial assets available for sale	10	31	–	–	41
Financial assets measured at fair value through profit or loss	(3,453)	(387)	–	–	(3,840)
Financial assets measured at amortised cost	(6,438)	–	–	–	(6,438)
<b>Total</b>	<b>(9,268)</b>	<b>(356)</b>	<b>87</b>	<b>–</b>	<b>(9,537)</b>

The change in the provision for impaired loans and receivables is shown under "Other operating income and expenses". The subsequent measurement at fair value of the financial assets available for sale is shown in other comprehensive income under "Fair value measurement of

securities". The remaining components of the net result are mainly included in "Finance costs", "Interest income from financial instruments" and in "Fair value measurement of derivative financial instruments".

## 4 SEGMENT REPORTING

	Segments			
	Aerostructures EUR'000	Engines & Nacelles EUR'000	Interiors EUR'000	Total EUR'000
<b>For the fiscal year ended February 28, 2014</b>				
<b>Information on profitability</b>				
Revenue	305,423	101,092	140,867	547,382
Earnings before interest, taxes and fair value measurement of derivative financial instruments	41,117	(5,458)	6,271	41,931
Depreciation and amortisation	8,421	5,714	3,907	18,042
Earnings before interest, taxes, fair value measurement of derivative financial instruments, depreciation and amortisation	49,539	256	10,178	59,973
<b>Information on assets</b>				
Assets	282,485	134,290	152,544	569,320
Capital expenditure in the fiscal year	61,667	8,137	31,256	101,060

	Segments			
	Aerostructures EUR'000	Engines & Nacelles EUR'000	Interiors EUR'000	Total EUR'000
<b>For the fiscal year ended February 28, 2015</b>				
<b>Information on profitability</b>				
Revenue	273,269	93,897	161,748	528,914
Earnings before interest, taxes and fair value measurement of derivative financial instruments	25,045	(22,612)	(6,945)	(4,512)
Depreciation and amortisation	10,480	6,296	6,523	23,299
Earnings before interest, taxes, fair value measurement of derivative financial instruments, depreciation and amortisation	35,525	(16,316)	(422)	18,787
<b>Information on assets</b>				
Assets	371,606	137,354	209,285	718,245
Capital expenditure in the fiscal year	46,313	3,998	27,504	77,815

The Group manufactures components for the aviation industry, mainly for civil aircraft and helicopters. The product range includes “structural components” (claddings for body and control surfaces, engine cowlings and composite parts for engines, wing parts and wingtips) as well as components for the interiors of aircraft (such as baggage compartments, interiors, service units, etc.).

Segment reporting is consistent with the internal management and reporting of FACC. Due to the product's different applications, three operating segments were created. The “FACC Aerostructures” segment covers development, manufacture and sales of structural components, the “FACC Interiors” segment handles the development, manufacture and sales of interiors, and the “FACC Engines & Nacelles” segment is responsible for the manufacture and sales of engine components. After conclusion of the customer agreements and order processing, the individual orders are manufactured in the four plants. Apart from these three operating segments, the Company as a whole includes

the central services of finances and controlling, personnel, quality management, purchasing and IT (including engineering services). In the form of a matrix organisation, these central services support the operating segments in the completion of their tasks.

The business area managers report to the Management Board (“chief operating decision maker”) in separate monthly management review meetings in the course of which the current order position, revenue, profit contributions of individual projects, schedules and milestones, project and development risks, calculation and compilation of offers, required capital expenditure and other operating topics of importance are discussed and – if necessary – followed up by immediate decisions.

The segmented assets as well as expenses and income are assigned to the three segments by means of a defined procedure. The entire segment revenue represents external revenue from third parties.

Internal reporting within the segments is essentially based on information on profitability. In the course of segment accounting, the profitability is calculated on project level by way of direct costing and then aggregated into segments. Expenses and income that cannot be directly assigned on project level are attributed to the segments using defined criteria.

Apart from the depreciation, amortisation and impairment, there was no other significant non-cash effective expenditure in the individual segments.

The segment assets comprise that part of the current and non-current assets used in the operating activities of the segment. This includes primarily intangible assets, property, plant and equipment, cash and cash equivalents, inventories and trade receivables. Debt was not assigned to segments, since this is not considered in internal control and reporting either.

## Revenue

	Austria EUR'000	USA EUR'000	Canada EUR'000	Germany EUR'000	Other countries EUR'000	Total EUR'000
<b>Value as at February 28, 2014</b>						
Revenue	1,373	184,224	51,084	200,809	109,892	547,382

### Value as at February 28, 2015

Revenue	2,128	177,905	55,788	199,787	93,306	528,914
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As regards revenue, segmentation into geographical areas is based on the customer's corporate seat. The majority of segment assets are located in Austria.

For the fiscal year ended February 28, 2014, the Group generated revenue from two external customers which both exceeded 10% of the total revenue; this excess amounted to 160,586 EURk and 59,908 EURk, respectively.

generated revenue from two external customers which both exceeded 10% of the total revenue; this excess amounted to 158,964 EURk and 78,662 EURk, respectively.

Revenue from external customers is derived from the production of shipsets as well as from providing engineering and other services in connection with the production of shipsets. Revenue is broken down as follows:

	Balance as at February 28, 2014 EUR'000	Balance as at February 28, 2015 EUR'000
Production	416,150	471,374
Engineering and services	131,233	57,540
<b>Total revenue</b>	<b>547,383</b>	<b>528,914</b>

## 5 INTANGIBLE ASSETS

For the two fiscal years ended February 28, 2014 and February 28, 2015	Goodwill EUR'000	Software EUR'000	Delivery rights EUR'000	Development costs EUR'000	Other EUR'000	Total EUR'000
<b>Acquisition costs</b>						
<b>Balance as at February 28, 2013</b>	17,203	14,794	28,376	92,142	–	152,515
Additions	–	2,982	3,073	36,374	1	42,430
From initial consolidation	1,392	60	(1)	–	–	1,451
Reclassification to current assets	–	–	(6,117)	(10,407)	–	(16,524)
Disposals	–	(47)	–	–	–	(47)
<b>Balance as at February 28, 2014</b>	18,595	17,789	25,331	118,109	1	179,825
Additions	–	957	3,788	30,274	–	35,019
From consolidation	–	6	–	–	–	6
Reclassification to current assets	–	–	–	–	–	–
Disposals	–	–	–	(323)	(1)	(324)
<b>Balance as at February 28, 2015</b>	<b>18,595</b>	<b>18,752</b>	<b>29,119</b>	<b>148,060</b>	<b>–</b>	<b>214,526</b>
<b>Accumulated scheduled amortisation and write-downs</b>						
<b>Balance as at February 28, 2013</b>	–	10,101	11,612	27,089	–	48,802
Scheduled amortisation	–	2,181	1,400	3,437	–	7,018
Write-downs	–	–	–	–	–	–
Reclassification to current assets	–	–	–	(2,271)	–	(2,271)
Disposals	–	(31)	–	–	–	(31)
<b>Balance as at February 28, 2014</b>	–	12,251	13,012	28,255	–	53,518
Scheduled amortisation	–	2,551	1,333	5,516	–	9,400
Write-downs	–	–	–	–	–	–
Reclassification to current assets	–	–	–	–	–	–
Disposals	–	–	–	(51)	–	(51)
<b>Balance as at February 28, 2015</b>	<b>–</b>	<b>14,802</b>	<b>14,345</b>	<b>33,720</b>	<b>–</b>	<b>62,867</b>
<b>Carrying amounts as at February 28, 2014</b>	18,595	5,538	12,319	89,854	1	126,307
<b>Carrying amounts as at February 28, 2015</b>	<b>18,595</b>	<b>3,950</b>	<b>14,774</b>	<b>114,340</b>	<b>–</b>	<b>151,659</b>

Delivery rights are considerations paid for acquiring the right to supply certain aircraft components to the customer.

With respect to goodwill, reference is made to Note 33.

Research expenses of 3,437 EURk (February 28, 2014) and 2,765 EURk (February 28, 2015), respectively, were recognised through profit or loss.

## 6 PROPERTY, PLANT AND EQUIPMENT

For the two fiscal years ended February 28, 2014 and February 28, 2015	Land and buildings EUR'000	Technical equipment EUR'000	Factory and office equipment EUR'000	Construction in process EUR'000	Total EUR'000
<b>Acquisition costs</b>					
<b>Balance as at February 28, 2013</b>	60,973	102,592	15,409	20,223	199,197
Additions	22,086	15,662	5,086	16,014	58,848
From consolidation	–	(271)	25	–	(246)
Transfers	23	13,416	229	(13,668)	–
Reclassification to current assets	–	(3,730)	–	–	(3,730)
Disposals	(54)	(8,672)	(1,548)	–	(10,274)
<b>Balance as at February 28, 2014</b>	83,028	118,997	19,201	22,569	243,795
Additions	13,858	12,361	3,603	12,974	42,796
From (initial) consolidation	–	–	5	–	5
Transfers	4,014	16,862	199	(21,075)	–
Reclassification to current assets	–	–	–	–	–
Disposals	(75)	(221)	(590)	(403)	(1,289)
<b>Balance as at February 28, 2015</b>	<b>100,825</b>	<b>147,999</b>	<b>22,418</b>	<b>14,065</b>	<b>285,307</b>
<b>Accumulated depreciation</b>					
<b>Balance as at February 28, 2013</b>	16,001	79,946	11,721	–	107,668
Accumulated depreciation	2,021	7,496	1,507	–	11,024
Disposals	–	(4,206)	(551)	–	(4,756)
<b>Balance as at February 28, 2014</b>	18,022	83,236	12,677	–	113,934
Accumulated depreciation	2,471	9,135	2,292	–	13,899
Disposals	–	(209)	(567)	–	(776)
<b>Balance as at February 28, 2015</b>	<b>20,492</b>	<b>92,162</b>	<b>14,401</b>	<b>–</b>	<b>127,056</b>
<b>Carrying amounts as at February 28, 2014</b>	65,007	35,761	6,524	22,569	129,862
<b>Carrying amounts as at February 28, 2015</b>	<b>80,332</b>	<b>55,837</b>	<b>8,017</b>	<b>14,065</b>	<b>158,251</b>

Certain land and buildings serve as collateral for bank borrowings (see Note 13 “Financial liabilities”). The Group holds only freehold land.

Group finance lease agreements are related to land and buildings at acquisition costs in the amount of 20,632 EURk. At the end of the fiscal year 2014/15, accumulated depreciation was recognised in the amount of 555 EURk, resulting in a net carrying amount of the respective assets of 20,077 EURk.

## 7 OTHER NON-CURRENT FINANCIAL LIABILITIES

	Securities EUR'000	Book-entry securities EUR'000	Total EUR'000
<b>Fair value as at March 1, 2013</b>	371	1,167	1,538
Additions	–	179	179
Unrealised changes in fair value	13	–	13
<b>Fair value as at February 28, 2014</b>	384	1,346	1,730
Additions	–	–	–
Pension re-insurance (plan asset) DBO as at March 1, 2013 <sup>1</sup>	–	(1,302)	(1,302)
Unrealised changes in fair value	41	–	41
<b>Fair value as at February 28, 2015</b>	<b>425</b>	<b>44</b>	<b>469</b>

<sup>1</sup> The pension re-insurance (plan asset) was offset against the provision for pension obligations in the fiscal year 2014/15 (refer to Note 16 (a)).

**Securities (listed)**

Available-for-sale securities serve to cover the provision for pension obligations in accordance with the provisions of Sections 14 and 116 of the Austrian Income Tax Act (EStG). The carrying amount corresponds to the market value at the respective end of the reporting period (February 28, 2014 and February 28, 2015).

**Book-entry securities (unlisted)**

Book-entry securities (listed) with regard to the Group's shares in Techno-Z Ried Technologiezentrum GmbH, Ried im Innkreis, were shown under other non-current financial assets in the consolidated statement of financial position as at February 28, 2015. The pension re-insurance recognised in the fiscal year 2013/14 as unlisted book-entry security was offset against the provision for pension obligations in the fiscal year 2014/15 (refer to Note 16 (a)).

	Share	Carrying amount as at February 28, 2014 EUR'000	Carrying amount as at February 28, 2015 EUR'000
Techno-Z Ried Technologiezentrum GmbH, Ried im Innkreis	3.14%	44	44
Pension re-insurance		1,302	–
<b>Balance</b>		<b>1,346</b>	<b>44</b>

All non-current financial assets are denominated in EUR.

## 8 INVENTORIES

Carrying amount	As at February 28, 2014 EUR'000	As at February 28, 2015 EUR'000
Raw materials and consumables	47,320	62,374
Unfinished goods	29,051	32,233
Finished goods	4,678	4,251
<b>Balance (net of valuation adjustments)</b>	<b>81,049</b>	<b>98,858</b>

Based on a detailed inventory analysis, valuation adjustments of inventories were made for slow-moving inventory and due to lower net selling prices in the amount of 4,830 EURk (February 28, 2014) and 3,657 EURk (February 28,

2015). The valuation adjustments of inventories in the amount of 1,087 EURk (February 28, 2014) and 1,174 EURk (February 28, 2015) were recognised through profit or loss.

**9 TRADE RECEIVABLES, RECEIVABLES FROM CONSTRUCTION CONTRACTS, OTHER RECEIVABLES AND DEFERRED ITEMS, RECEIVABLES FROM AFFILIATED COMPANIES AND NON-CURRENT RECEIVABLES**

	As at February 28, 2014 EUR'000	As at February 28, 2015 EUR'000
<b>Carrying amount</b>		
Trade receivables	100,111	91,707
Receivables from construction contracts (= costs incurred)	25,144	28,920
<b>Receivables from customers</b>	<b>125,255</b>	<b>120,627</b>
Other receivables	16,784	15,289
Accruals and deferrals	2,243	2,218
Receivables from affiliated companies	14,812	35,322
<b>Balance</b>	<b>159,094</b>	<b>173,456</b>

The FACC Group applies the zero profit method to account for construction contracts in accordance with IAS 11, as the outcome of a construction contract can frequently not be estimated reliably due to the individual specifications of such contracts. Contract revenue is therefore only recognised

to the extent of contract costs incurred being likely to be recoverable from the customer. In the fiscal year 2014/15, construction costs incurred (= contract revenue) were recognised in the amount of 24,512 EURk.

At the end of the reporting period, the following construction contracts were recognised under assets as amounts to be received from the customer:

	As at February 28, 2014 EUR'000	As at February 28, 2015 EUR'000
<b>Carrying amount</b>		
Total costs incurred	25,144	28,920
Less partial settlement	–	–
<b>Receivables from construction contracts</b>	<b>25,144</b>	<b>28,920</b>

Receivables from construction contracts in progress correspond to the carrying amount of receivables from construction contracts reported in the consolidated statement of financial position, since no partial settlements were carried out. Retained amounts for partial settlements do not exist either.

Prepayments made by customers in connection with construction contracts, which are not yet offset by services rendered, were recognised as trade payables showing a carrying amount of 3,750 EURk (previous year: 3,113 EURk).

	Balance as at February 28, 2014 EUR'000	Balance as at February 28, 2015 EUR'000
Trade receivables and receivables from construction contracts	126,639	121,838
Less valuation adjustments for trade receivables	(1,384)	(1,211)
Trade receivables, net	125,255	120,627
Other receivables	16,784	15,289
Accruals and deferrals	2,243	2,218
Receivables from affiliated companies	14,812	35,322
<b>Balance</b>	<b>159,094</b>	<b>173,456</b>

The majority of the Group's revenue is based on payment terms between 30 and 120 days calculated from date of invoice.

As at February 28, 2014 and February 28, 2015, trade receivables of 33,688 EURk and 33,065 EURk were past due

but not impaired. These receivables relate to a number of independent customers for whom there is no recent history of default. At the end of the reporting period, there are no indications that the debtors will not meet their obligations.

Trade receivables (past due but not impaired)	Total EUR'000	0 to 30 days EUR'000	31 to 60 days EUR'000	61 to 90 days EUR'000	91 to 120 days EUR'000	More than 120 days EUR'000
Balance as at February 28, 2014	33,688	17,436	1,702	2,010	796	11,744
Balance as at February 28, 2015	<b>33,065</b>	<b>14,029</b>	<b>4,735</b>	<b>1,870</b>	<b>2,789</b>	<b>9,642</b>

In connection with the trade receivables from four customers, the Group has a cession agreement without recourse

with a financial institution. The ceded amount reduces the FACC Group's trade receivables.

Movements in the valuation adjustments of trade receivables have developed as follows:

	Balance as at February 28, 2014 EUR'000	Balance as at February 28, 2015 EUR'000
<b>Valuation adjustment of trade receivables at the beginning of the period</b>	1,901	<b>1,498</b>
Utilisation	–	–
(Reversal)/addition	(517)	(287)
<b>Valuation adjustment of trade receivables at the end of the period</b>	1,384	<b>1,211</b>

The valuation adjustments of trade receivables comprise many individual items of which no single item is considered significant on its own.

Other receivables include:

Carrying amount	As at February 28, 2014 EUR'000	As at February 28, 2015 EUR'000
Credit balance with tax authority	13,958	<b>11,116</b>
Other	2,826	<b>4,173</b>
<b>Balance</b>	16,784	<b>15,289</b>

Other receivables do not show significant amounts of overdue receivables. Furthermore, no valuation adjustments in a significant amount were made for these receivables. The increase in the credit balance with tax authority mainly results from research promotion loans.

All receivables and other assets have residual terms of less than one year.

Receivables from affiliated companies include:

The Group shows receivables from the direct holding company of FACC International Co., Ltd. as well as from the affiliated companies Future Aviation International Investment Co. Ltd. (formerly FACC Holding Company Limited), Fesher Aviation Component (Zhenjiang) Co. Ltd., Shanghai Aircraft Manufacturing Co. Ltd. and Aerospace Innovation Investment GmbH under receivables from affiliated companies in the consolidated statement of financial position.

These companies are holding companies which are not included in the scope of consolidation of the Group since they are superordinated companies.

With regard to receivables from affiliated companies, 13,800 EURk are past due between 31 and 60 days. No valuation adjustments in a significant amount were made for these receivables.

These receivables have residual terms of less than one year.

Non-current receivables include:

	As at February 28, 2014 EUR'000	As at February 28, 2015 EUR'000
<b>Carrying amount</b>		
Non-current trade receivables	8,913	16,340
Prepayments and deposits	7,763	8,257
<b>Balance</b>	<b>16,676</b>	<b>24,597</b>

With the exception of the receivables stated below, all trade receivables and receivables from affiliated companies – as in the previous year – have residual terms of less than one year:

Receivables from the customer Goodrich Aerospace, Chula Vista, USA, with a notional amount of 3,361 EURk (which corresponds to a present value of 3,278 EURk) and an annual redemption plan (starting on January 15, 2015 and ending on January 15, 2019), and another receivable with a notional amount of 5,228 EURk (which corresponds to a present value of 4,681 EURk) and a long-term redemption plan that depends on units delivered per year starting on March 1, 2014 and ending on the date when 1,108 units will have been delivered.

Four receivables from the customer Bombardier Aerospace, Montreal, Canada, with a notional amount of 4,446 EURk (which corresponds to a present value of 4,411 EURk) due on March 31, 2016, as well as with a notional amount of 464 EURk (which corresponds to a present value of 460 EURk) due on March 15, 2016, as well as with a notional amount of 1,557 EURk (which corresponds to a present value of 1,538 EURk) due on September 30, 2016, and with a notional amount of 2,001 EURk (which corresponds to a present value of 1,974 EURk) due on December 31, 2016.

The carrying amounts of the Group's trade receivables, receivables from construction contracts and other receivables are denominated in the following currencies:

	Balance as at February 28, 2014 EUR'000	Balance as at February 28, 2015 EUR'000
GBP	319	177
USD	109,563	123,119
EUR	49,212	50,160
	<b>159,094</b>	<b>173,456</b>

## 10 CASH AND CASH EQUIVALENTS

	As at February 28, 2014 EUR'000	As at February 28, 2015 EUR'000
<b>Carrying amount</b>		
Bank balances <sup>1</sup>	49,599	107,677
Cash in hand <sup>1</sup>	17	20
Cheques received <sup>1</sup>	1,396	3,258
<b>Balance</b>	<b>51,012</b>	<b>110,955</b>

<sup>1</sup> Of which bank balances, cash in hand and cheques received denominated in USD in the amount of 43,150 EURk (February 28, 2014) and 46,943 EURk (February 28, 2015).

## 11 EQUITY AND CAPITAL MANAGEMENT

### (a) Share capital

The share capital of FACC AG (formerly Aerospace Innovation Investment GmbH) amounts to 45,790 EURk and is fully paid in. The share capital is divided into 45,790,000 no-par shares with a value of 1 EUR per share. Changes in the share capital in the reporting period resulted from the transactions as presented below:

At the ordinary general meeting dated May 6, 2014, the share capital of Aerospace Innovation Investment GmbH (now FACC AG) was increased from 35 EURk by 29,965 EURk to 30,000 EURk by way of a capital increase from company funds by conversion of a corresponding amount of the unappropriated capital reserve reported in the consolidated financial statements as at February 28, 2014.

At the extraordinary annual general meeting dated June 23, 2014, the following resolutions were passed:

The Company's share capital of 30,000 EURk is increased by 15,790 EURk to 45,790 EURk by way of cash contributions to be paid immediately in full through the issue of 15,790,000 new bearer shares without a nominal value upon the sole shareholder waiving its subscription right. The capital increase is carried out in connection with the IPO of the Company.

For a period of up to five years, the Management Board is authorised to increase the Company's share capital, subject

to the approval of the Supervisory Board, by up to 19,895 EURk new non-par bearer shares against contribution in cash or in kind, also excluding the subscription right.

For a period of up to five years, the Management Board is authorised, subject to the approval of the Supervisory Board, to make a contingent capital increase of up to 3,000 EURk by issuing up to 3,000,000 new non-par bearer shares against cash contribution in order to grant share options to employees, executive employees and members of the Management Board of the Company or to one of its affiliated companies.

The share capital of the Company may be increased by up to 15,000 EURk through the issue of up to 15,000,000 new non-par value bearer shares to be issued to creditors of convertible bonds. This conditional capital serves to grant subscription or conversion rights to creditors of convertible bonds and to prepare the merger of several companies.

The shares from the capital increase dated June 23, 2014 were issued in the course of the IPO dated June 25, 2014.

#### (b) Capital reserve

The capital reserve amounts to 220,535 EURk. In the first half of the fiscal year 2014/15, unappropriated capital reserves in the amount of 29,965 EURk were converted into

share capital (resolution of the ordinary general meeting dated May 6, 2014).

An amount of 125,494 EURk arising from the IPO was allocated to the capital reserve. Costs of acquiring capital incurred by the Company in connection with its initial listing in the amount of 11,628 EURk were offset against the capital reserve, taking into account tax effects in the amount of 2,907 EURk.

#### (c) Reserves for cash flow hedges

The reserve for cash flow hedges results from changes in the fair value of currency hedging instruments that have to be recognised directly in equity pursuant to IAS 39 (cash flow hedges). The effective portion of the changes in the fair value was entered in the hedging reserve with no effect on profit/loss. These changes in equity are presented net of taxes in other comprehensive income in the consolidated statement of comprehensive income. The non-effective portion of the changes in the fair value in the amount of nil EURk (February 28, 2014) and nil EURk (February 28, 2015) was recognised in the consolidated statement of comprehensive income. The reserve for cash flow hedges is reversed when the underlying hedged items affect the consolidated statement of comprehensive income through profit or loss by reversing the corresponding amount in other comprehensive income, thus affecting profit or loss.

Changes in the fair value of forward foreign exchange contracts used for hedge accounting purposes are as follows:

	EUR'000
<b>Balance as at March 1, 2013</b>	625
Reclassification to the consolidated statement of comprehensive income, net	(540)
Other changes – recognised through profit or loss	(85)
Change in fair values of hedging instruments, net	–
<b>Balance as at February 28, 2014</b>	–
Reclassification to the consolidated statement of comprehensive income, net	–
Change in fair values of hedging instruments, net	(19,779)
<b>Balance as at February 28, 2015</b>	<b>(19,779)</b>

#### (d) Revaluation effects of pensions and termination benefits

Actuarial gains and losses associated with pension and termination obligations for previous years as well as the current fiscal year are recognised in equity as other reserves for revaluation effects of pensions and termination benefits.

### (e) Dividends

In the reporting period, a dividend was paid in the amount of 19,000 EURk (previous year: 1,700 EURk) to the shareholders.

### (f) Capital management

It is the goal of capital management to maintain a strong capital base to meet the specific corporate risks (growth

and development risk) by creating a balanced capital structure. Management considers capital to be only the equity as shown in the consolidated statement of financial position in accordance with IFRSs. The target is to achieve an equity ratio of at least 30%. As at the end of the reporting period, the equity ratio (i. e. the ratio of equity to total assets) was 40% (February 28, 2014) and 44% (February 28, 2015).

## 12 BONDS AND PROMISSORY NOTE LOANS

The following table shows the bonds and promissory note loans issued by the Group:

	Nominal value EUR'000	Carrying amount as at February 28, 2014 EUR'000	Carrying amount as at February 28, 2015 EUR'000
Promissory note loan 2012 to 2015	3,000	3,000	3,000
Promissory note loan 2012 to 2017	8,000	8,000	8,000
Promissory note loan 2012 to 2019	34,000	34,000	34,000
FACC bond 2013-20 (ISIN AT0000A10J83)	90,000	88,893	89,067
<b>Balance</b>	<b>135,000</b>	<b>133,893</b>	<b>134,067</b>

In connection with the promissory note loans 2012 to 2015, 2012 to 2017 and 2012 to 2019 (floating rate from 6m EURIBOR + 1.2 percentage points to 6m EURIBOR + 2.25 percentage points or a fixed interest rate of 2.82% to 3.7%), a covenant was agreed upon under which the FACC Group, in its capacity as the issuer of the promissory note (borrower), is obligated to meet a specific equity ratio. As at February 28, 2015, this equity ratio as defined in the covenant agreement was slightly undershot. As a consequence, the Group classified the liability arising from the promissory note loans as current. After the end of the reporting period, an agreement was reached with the principal creditors of the promissory note loans not to call in the promissory

note loans. After the end of the reporting period, FACC AG issued a letter of comfort in favour of the creditors of the promissory note loans.

With respect to the bond 2013 to 2020, the FACC Group as the issuer gave assurances regarding a certain amount of dividend in relation to the net income for the year and in relation to a certain equity ratio.

If these assurances are not met, the bond may fall due. At the end of the reporting period, i. e. February 28, 2015, there was no breach of the covenant by the Group.

## 13 FINANCIAL LIABILITIES

	Balance as at February 28, 2014		
	Non-current EUR'000	Current EUR'000	Total EUR'000
<b>Bank borrowings</b>			
Investkredit AG, ERP A380	962	1,071	2,033
RLB OÖ/Oberbank, loan with AWS guaranty	3,160	395	3,555
RLB OÖ/Oberbank, loan with security transfer	5,062	632	5,694
Investkredit AG, ERP loan	3,464	1,367	4,831
UniCredit BA, ERP loan with AWS guaranty	3,035	–	3,035
OB FFG loan	1,738	–	1,738
Erste ERP loan	6,598	–	6,598
RLB ERP loan	5,938	–	5,938
Leasing UniCredit Plant 5	20,019	433	20,452
Leasing Raiffeisen Impuls Plant 2	7,052	82	7,134
Accrual, interest and expenses	–	5,298	5,298
Other	–	1,539	1,539
<b>Balance</b>	<b>57,028</b>	<b>10,817</b>	<b>67,845</b>

The interest rates of the financial liabilities vary from 0.5% to 3.7%.

	Balance as at February 28, 2015		
	Non-current EUR'000	Current EUR'000	Total EUR'000
<b>Bank borrowings</b>			
Investkredit AG, ERP A380	–	1,034	1,034
RLB OÖ/Oberbank, loan with AWS guaranty	2,765	395	3,160
RLB OÖ/Oberbank, loan with security transfer	4,430	632	5,062
Investkredit AG, ERP loan	1,579	1,667	3,246
UniCredit BA, ERP loan with AWS guaranty	2,034	1,060	3,094
OB FFG loan	1,462	293	1,755
Erste ERP loan	6,743	–	6,743
RLB ERP loan	6,068	–	6,068
OB FFG loan	2,433	–	2,433
Sparkasse FFG loan	328	–	328
Leasing UniCredit Plant 5	19,486	483	19,969
Raiffeisen Impuls Plant 2	6,965	85	7,050
Raiffeisen Impuls Plant 2 – addition	7,921	227	8,148
RLB GBP ÖB	–	1,388	1,388
Raiffeisen Impuls Plant 2 – addition press hangar	1,254	39	1,293
Accrual, interest and expenses	–	3,684	3,684
Other	2,800	2,186	4,986
<b>Balance</b>	<b>66,268</b>	<b>13,173</b>	<b>79,441</b>

The interest rates of the financial liabilities vary from 0.5% to 4.8%.

Certain bank borrowings are secured by liens on Company properties, by AWS (Austrian Credit Agency) guarantees, federal guarantees for loans within the framework of support agreements by the Forschungsförderungsgesellschaft (Austrian Research Promotion Agency) and transfers of titles on machines by way of security. The export loan under the Austrian Kontrollbank's procedure is secured by export

receivables in the amount of 120% of the framework made available. Certain conditions must be complied with in order to claim the favourable interest rates on research promotion loans. The collaterals for certain bank borrowings in connection with land and buildings amounted to 22,519 EURk as at February 28, 2014 and 15,966 EURk as at February 28, 2015.

Interest rate risks and the contractually defined interest rate adjustment dates related to financial liabilities at the end of the reporting period are as follows:

Carrying amount	Balance as at February 28, 2014 EUR'000	Balance as at February 28, 2015 EUR'000
6 months or less	10,789	11,796
6 to 12 months	55,085	47,469
<b>Balance</b>	<b>65,874</b>	<b>59,265</b>

The carrying amounts and fair values of non-current financial liabilities bearing fixed interests are:

	Balance as at February 28, 2014 carrying amount EUR'000	Balance as at February 28, 2014 fair value EUR'000	Balance as at February 28, 2015 carrying amount EUR'000	Balance as at February 28, 2015 fair value EUR'000
Investkredit AG, ERP loan	2,033	2,033	–	–
Investkredit AG, ERP loan	4,831	4,831	3,246	3,246
BACA ERP loan	3,035	3,035	3,095	3,095
Oberbank FFG loan	1,738	1,738	1,754	1,754
Erste Bank ERP loan	6,598	6,598	6,743	6,743
RLB ERP loan	5,938	5,938	6,068	6,068
OB FFG loan (new loan 2014/15)	–	–	2,433	2,433
Sparkasse FFG loan (new loan 2014/15)	–	–	328	328
OB FFG loan (new loan 2014/15)	–	–	2,800	2,800
Raiffeisen Impuls Plant 2 and additions	–	–	16,491	16,491
Borrower's note 5Y 18/07/2017	2,500	2,500	–	–
Borrower's note 7Y 18/07/2019	15,000	15,000	–	–
Bond 2013-20	88,893	92,691	89,067	97,486
<b>Balance</b>	<b>130,566</b>	<b>134,364</b>	<b>132,025</b>	<b>140,444</b>

The carrying amounts of current borrowings approximate the fair value, since the impacts of discounts are immaterial. The fair values of non-current borrowings bearing fixed

interest are based on discounted cash flows calculated according to the market interest rates.

## Finance lease liabilities

### Finance lease liabilities – minimum lease payments

	Balance as at February 28, 2014 EUR'000	Balance as at February 28, 2015 EUR'000
No later than 1 year	978	972
Later than 1 year and no later than 5 years	3,855	3,831
Later than 5 years	22,270	21,443
Future finance charges on finance lease liabilities	(6,651)	(6,277)
<b>Present value of finance lease liabilities</b>	<b>20,452</b>	<b>19,969</b>

The maturity of finance lease liabilities is as follows:

	Balance as at February 28, 2014 EUR'000	Balance as at February 28, 2015 EUR'000
No later than 1 year	960	932
Later than 1 year and no later than 5 years	3,567	3,462
Later than 5 years	15,925	15,575
<b>Total current</b>	<b>20,452</b>	<b>19,969</b>

## 14 DERIVATIVE FINANCIAL INSTRUMENTS

The notional amounts of derivative financial instruments are as follows:

	Balance as at February 28, 2014 USD'000	Balance as at February 28, 2015 USD'000
<b>Forward foreign exchange contracts</b>		
Forward foreign exchange contracts	155,000	425,000
<b>Total current</b>	<b>155,000</b>	<b>425,000</b>

	Balance as at February 28, 2014 EUR'000	Balance as at February 28, 2015 EUR'000
<b>Interest rate swaps</b>		
Interest rate swaps	20,000	20,000
<b>Total</b>	<b>20,000</b>	<b>20,000</b>
Less non-current portion	20,000	20,000
Interest rate swaps	–	–
<b>Current portion</b>	<b>–</b>	<b>–</b>

The full fair value of a derivative financial instrument is classified as a non-current asset or liability if the residual term exceeds twelve months. If the residual term is less than twelve months, it is classified as a current asset or liability.

A positive fair value is shown on the assets side under the item "Derivative financial instruments". A negative fair value is reported under the item "Derivative financial instruments" on the liabilities side.

The maximum credit risk exposure at the end of the reporting period corresponds to the fair value of the derivative assets recognised in the consolidated statement of financial position.

#### (a) Forward foreign exchange contracts

Forward foreign exchange contracts were concluded to hedge against the foreign exchange risk. The forward foreign exchange contracts that qualify for hedge accounting are shown as cash flow hedge in accordance with IAS 39. Forward foreign exchange contracts not shown as cash flow hedges are shown as stand-alone derivatives.

The hedged transactions denominated in foreign currency are expected to occur during the hedged periods. Gains and losses recognised in the hedging reserve in equity on forward foreign exchange contracts with no effect on profit or loss are recognised in the consolidated statement of comprehensive income in the period or periods during which the hedged forecast transaction affects the consolidated statement of comprehensive income. This is generally within a period of maximum 36 months from the end of the reporting period unless the gain or loss is included in the initial amount recognised for the purchase of fixed assets.

#### (b) Interest rate swaps

To hedge against the interest rate risk of the interest-bearing financial liabilities, interest rate swap contracts were concluded which are entered in the consolidated statement of financial position as a stand-alone derivative and not as hedge accounting in accordance with IAS 39.

## 15 INVESTMENT GRANTS

Non-current and current investment grants amount to 10,612 EURk (February 28, 2014) and 11,991 EURk (February 28, 2015). As a rule, the significant part of the investment grants is subject to conditions defined by the granting authority that have to be fulfilled for a period of three to five years upon acceptance of the final settlement. This essentially entails a minimum number of employees that must be retained, as well as the obligation not to move the supported assets from the project location or sell them. The other investment grants relate to subsidies for development projects and are released over the term of the projects.

## 16 EMPLOYEE BENEFIT OBLIGATIONS

	Balance as at February 28, 2014 EUR'000	Balance as at February 28, 2015 EUR'000
<b>Obligations recognised in the consolidated statement of financial position for</b>		
Pension obligations (a)	2,114	2,929
Provision for termination benefits (b)	4,598	6,898
Provision for anniversary bonuses (c)	838	1,089
Provision for early retirement benefits	31	10
	7,581	10,926
<b>Expenses shown in the consolidated statement of comprehensive income</b>		
Pension obligations	229	2,288
Termination benefits	384	2,025
Anniversary bonuses	72	302
Early retirement benefits	(40)	(21)
	645	4,594

In the fiscal year 2014/15, the provision for pension obligations was offset against existing plan assets from a pension re-insurance.

**(a) Pension obligations**

The amounts recognised in the consolidated statement of financial position as at February 28, 2014 are as follows:

	2013/14 EUR'000
Present value of the pension obligations as at March 1	1,885
Service costs	142
Interest expense	61
Revaluation effects	26
Reversal due to retirement of beneficiaries	–
<b>Present value of the pension obligations at the end of the period (DBO)</b>	<b>2,114</b>

In the fiscal year 2014/15, the provision for pension obligations was offset against plan assets (pension re-insurance). The amounts recognised in the consolidated statement of financial position as at February 28, 2015 are as follows:

	2014/15 EUR'000
Present value of the pension obligations as at March 1, gross	2,114
Service cost	–
Interest expense	71
Revaluation effects (recognised in other comprehensive income, net of deferred taxes)	2,133
Reversal due to retirement of beneficiaries	–
Present value of the pension obligations at the end of the period (DBO), gross	4,318
Present value of plan asset (pension re-insurance)	(1,389)
<b>Net liability (provision) as at February 28, 2015</b>	<b>2,929</b>

The amounts recognised in the consolidated statement of comprehensive income are as follows:

	2013/14 EUR'000	2014/15 EUR'000
Service costs	142	–
Interest expense	61	71
Revaluation effects (recognised in other comprehensive income, net of deferred taxes)	26	2,217
Past service cost	–	–
<b>Total</b>	<b>229</b>	<b>2,288</b>

The principal actuarial assumptions used were as follows:

	2013/14 EUR'000	2014/15 EUR'000
Interest rate	3.30%	1.50%
Pension and salary increases	2.00%	2.00%
Staff turnover – employees	none	none
Pensionable age – men	60 years	60 years
Life expectancy <sup>1</sup>	AVÖ 2008-P	AVÖ 2008-P

<sup>1</sup> Assumptions regarding future life expectancy are set based on actuarial advice in accordance with published statistics and experience in each territory. Mortality assumptions are based on the post-retirement mortality tables in Austria (published by the Austrian Actuarial Association).

All expenses associated with pensions are shown under “Staff costs” in the consolidated statement of comprehensive income.

**(b) Provision for termination benefits**

	2013/14 EUR'000	2014/15 EUR'000
Present value of provision for termination benefit obligations at the beginning of the period	4,146	4,598
Other termination benefits	50	539
Service cost	249	258
Interest expense	135	150
Revaluation effects (recognised in other comprehensive income, net of deferred taxes)	253	1,563
Termination benefits paid	(235)	(210)
Present value of provision for termination benefit obligations at the end of the period (DBO)	4,598	6,898

The calculations as at February 28, 2014 and February 28, 2015 are based on the following assumptions:

	Balance as at February 28, 2014	Balance as at February 28, 2015
Interest rate	3.30%	2.30%
Pension and salary increases	2.00%	2.00%
Staff turnover – employees	12.60%	2.76%
Staff turnover – workers	12.30%	4.43%
Pensionable age – women	60 years	60 years
Pensionable age – men	65 years	65 years
Life expectancy	AVÖ 2008-P	AVÖ 2008-P

The statutory transitional provisions regarding the pensionable age were taken into account.

costs” in the consolidated statement of comprehensive income.

All expenses associated with termination benefits with the exception of the revaluation effects are shown under “Staff

**(c) Provisions for anniversary bonuses**

	2013/14 EUR'000	2014/15 EUR'000
Present value of provision for anniversary bonuses at the beginning of the period	710	787
Service costs	120	134
Interest expense	23	26
Actuarial gain/loss for the period	(47)	112
Anniversary bonuses paid	(19)	(39)
Present value of provision for anniversary bonuses at the end of the period	787	1,020
Non-wage labour costs	51	69
<b>Recognised provision for anniversary bonuses</b>	<b>838</b>	<b>1,089</b>

All expenses associated with anniversary bonuses are shown under the item “Staff costs” in the consolidated statement of comprehensive income.

*Defined contribution plans (pension fund)*

Contributions in the amount of 97 EURk (February 28, 2014) and 117 EURk (February 28, 2015) were made to the multi-employer pension fund for the respective fiscal years.

*Defined contribution plans (staff provision fund – new Austrian severance payment scheme, “Abfertigung neu”)*

Contributions in the amount of 1,277 EURk (February 28, 2014) and 1,523 EURk (February 28, 2015) were made to the staff provision fund in the respective fiscal years.

**17 TRADE PAYABLES**

The age analysis of trade payables as at February 28, 2014 and February 28, 2015 is as follows:

	Balance as at February 28, 2014 EUR'000	Balance as at February 28, 2015 EUR'000
Within 90 days	55,639	71,681
Over 90 days and within 360 days	55	406
	55,694	72,087

**18 OTHER LIABILITIES AND DEFERRED INCOME**

	Carrying amount as at February 28, 2014 EUR'000	Carrying amount as at February 28, 2015 EUR'000
Social security payables	2,987	3,295
Other liabilities	1,546	2,290
Liabilities towards employees	17,709	18,376
Accruals and deferrals	1,311	1,046
<b>Balance</b>	<b>23,553</b>	<b>25,007</b>

**19 OTHER PROVISIONS**

	Employees EUR'000	Warranties EUR'000	Other EUR'000	Total EUR'000
<b>Balance as at March 1, 2013</b>	82	4,184	9,630	13,896
Utilisation	(82)	(74)	(8,055)	(8,211)
Reversal	–	(4,141)	(683)	(4,824)
New provisions	107	1,657	7,851	9,615
<b>Balance as at February 28, 2014</b>	<b>107</b>	<b>1,626</b>	<b>8,743</b>	<b>10,476</b>
<b>Of which current</b>	<b>107</b>	<b>1,626</b>	<b>8,743</b>	<b>10,476</b>
<b>Of which non-current</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

The best estimate of possible warranty obligations in the amount of 2,630 EURk from the previous year was subjected to a review that is carried out periodically. Such review revealed that the trends assumed in previous years regarding the development of Group warranties did not prevail. A provision is thus only made for specific obligations.

Other provisions include a provision for follow-up costs in relation to several development projects in the amount of 3,431 EURk, a provision for outstanding travel expenses in the amount of 119 EURk, a provision for additional electricity costs in the amount of 144 EURk, and a provision for legal disputes in the amount of 621 EURk.

	Employees EUR'000	Warranties EUR'000	Other EUR'000	Total EUR'000
Balance as at March 1, 2014	107	1,626	8,743	10,476
Utilisation	(107)	(472)	(8,192)	(8,771)
Reversal	–	(821)	(588)	(1,409)
New provisions	51	1,106	5,189	6,346
Balance as at February 28, 2015	51	1,439	5,152	6,642
of which current	51	1,439	5,152	6,642
of which non-current	–	–	–	–

With regard to warranties, a provision is only made for specific obligations.

1,082 EURk, a provision for outstanding travel expenses in the amount of 167 EURk, and a provision for legal disputes in the amount of 593 EURk.

Other provisions include a provision for follow-up costs in relation to several development projects in the amount of

## 20 CHANGES IN INVENTORIES

	2013/14 EUR'000	2014/15 EUR'000
Finished goods	(14,718)	(427)
Unfinished goods	6,532	3,182
<b>Total</b>	<b>(8,186)</b>	<b>2,755</b>

## 21 OWN WORK CAPITALISED

	2013/14 EUR'000	2014/15 EUR'000
Capitalisation of development costs	9,557	18,508
Other	201	254
<b>Balance</b>	<b>9,758</b>	<b>18,762</b>

## 22 COST OF MATERIALS AND PURCHASED SERVICES

	2013/14 EUR'000	2014/15 EUR'000
Cost of materials	285,276	315,793
Cost of purchased services	23,683	14,400
<b>Total</b>	<b>308,959</b>	<b>330,193</b>

## 23 STAFF COSTS

	2013/14 EUR'000	2014/15 EUR'000
Wages and salaries	110,051	124,756
Expenses for statutory social contributions and benefits	27,536	31,887
Expenses for termination benefits and contributions to staff provision funds	2,061	2,209
Expenses for pensions	288	189
Other social expenses	2,636	3,218
<b>Total (including remuneration of the Management Board)</b>	<b>142,572</b>	<b>162,259</b>

Expenses for termination benefits and contributions to staff provision funds include contributions to staff provision funds in the amount of 1,277 EURk (February 28, 2014) and 1,523 EURk (February 28, 2015).

The number of staff employed by the Group is 3,109 persons (1,864 workers and 1,245 employees) as at February 28, 2015 compared to 2,966 persons (1,687 workers and 1,279 employees) as at February 28, 2014.

## 24 REMUNERATION OF MANAGEMENT IN KEY POSITIONS

The remuneration of each member of the Supervisory and Management Board of the Company for the period ended February 28, 2014 is set out below:

Name	Fee EUR'000	Salary EUR'000	Discretionary bonus EUR'000	Termination benefits EUR'000	Employer's contribution to retirement scheme EUR'000	Total EUR'000
<b>Supervisory Board</b>						
Geng Ruguang	11	–	–	–	–	11
Meng Xiangkai	8	–	–	–	–	8
Huang Hang	6	–	–	–	–	6
Yi Xiaosu (until April 20, 2013)	2	–	–	–	–	2
Peters Gregory B.	5	–	–	–	–	5
Tang Jun	7	–	–	–	–	7
Wang Yongsheng	4	–	–	–	–	4
Xu Chunlin (until February 21, 2014)	7	–	–	–	–	7
Gong Weixi (since April 20, 2013)	5	–	–	–	–	5
Zhao Huimin (since June 19, 2013)	3	–	–	–	–	3
<b>Management Board</b>						
Stephan Walter	–	254	325	198	495	1,272
Gu Minfen	–	225	243	18	–	486
Machtlinger Robert	–	239	250	58	5	552
	<b>58</b>	<b>718</b>	<b>818</b>	<b>274</b>	<b>500</b>	<b>2,368</b>

In this fiscal year, additional termination benefits were promised to the members of the Management Board in the amount of 275 EURk.

The remuneration of the members of the Management Board of FACC AG (formerly Aerospace Innovation Investment GmbH) and of the Supervisory Board of FACC AG (formerly Aerospace Innovation Investment GmbH), who

also serve on the Management Board and Supervisory Board of FACC Operations GmbH (formerly FACC AG), is set out below as at February 28, 2015:

Name	Fee EUR'000	Salary EUR'000	Discretionary bonus EUR'000	Termination benefits EUR'000	Employer's contribution to retirement scheme EUR'000	Total EUR'000
<b>Supervisory Board</b>						
Geng Ruguang	8	–	–	–	–	8
Meng Xiangkai (until June 28, 2014)	1	–	–	–	–	1
Huang Hang (until April 29, 2014)	–	–	–	–	–	–
Peters Gregory B.	6	–	–	–	–	6
Tang Jun	7	–	–	–	–	7
Wang Yongsheng	7	–	–	–	–	7
Xu Chunlin (until February 21, 2014)	–	–	–	–	–	–
Gong Weixi	6	–	–	–	–	6
Zhao Huimin (until June 28, 2014)	–	–	–	–	–	–
Lei Yanzheng (since April 29, 2014)	5	–	–	–	–	5
Wang Xueljun (since June 28, 2014)	5	–	–	–	–	5
Yang Chunsheng (since June 28, 2014)	5	–	–	–	–	5
<b>Management Board</b>						
Stephan Walter	–	369	733	98	2,288 <sup>1</sup>	3,488
Gu Minfen	–	266	374	58	4	702
Machtlinger Robert	–	257	404	110	7	778
	50	892	1,511	266	2,299	5,018

<sup>1</sup> Of which 2,217 EURk actuarial losses – due to revaluation effects in connection with pension obligations – recognised in other comprehensive income

In addition, Mr Wang Yongsheng in his capacity as managing director from March 7, 2014 to March 21, 2014 and Mr Xu Chunlin in his capacity as managing director until March 7, 2014 received remuneration for their activities as

managing directors in the fiscal year 2014/15. The remuneration was passed on to Aerospace Innovation Investment GmbH (now FACC AG) in the fiscal year 2014/15.

## 25 AMORTISATION AND DEPRECIATION

	2013/14 EUR'000	2014/15 EUR'000
Of intangible assets	7,018	9,400
Of property, plant and equipment	11,024	13,899
<b>Total</b>	<b>18,042</b>	<b>23,299</b>

## 26 OTHER OPERATING INCOME AND EXPENSES

	2013/14 EUR'000	2014/15 EUR'000
Maintenance, servicing and third-party repairs	7,091	7,657
Shipping costs	8,486	11,282
Material testing and certification costs, technical support	3,726	4,528
Rents, leases and building rights costs	5,103	6,879
Travel expenses	4,108	3,805
Allowances, grants and other income	(21,053)	(16,537)
Miscellaneous expenses	29,989	21,578
<b>Total</b>	<b>37,450</b>	<b>39,192</b>

Miscellaneous expenses include, among other things, exchange rate differences amounting to 1,869 EURk (previous year: 11,155 EURk), storage costs amounting to 3,886

EURk (previous year: 3,172k EUR) as well as insurance expenses of 953 EURk (previous year: 1,152 EURk).

The expenses for the Group auditor relating to the relevant fiscal years are as follows:

	2013/14 EUR'000	2014/15 EUR'000
Audit of the consolidated financial statements and the financial statements	104	135
Other consultancy services	45	45
Tax consulting services	24	17
<b>Total</b>	<b>173</b>	<b>197</b>

Assurance services rendered by the auditor in the course of the IPO were charged in the amount of 1,436 EURk.

## 27 FINANCE COSTS

	2013/14 EUR'000	2014/15 EUR'000
Interest and bank charges	4,874	6,516
Interest expense – bonds	2,620	3,764
<b>Total</b>	<b>7,494</b>	<b>10,280</b>

## 28 INTEREST INCOME FROM FINANCIAL INSTRUMENTS

	2013/14 EUR'000	2014/15 EUR'000
Bank interest	271	360
Income from interest rate swaps	–	–
Income from securities	10	10
Other interest	–	253
<b>Total</b>	<b>281</b>	<b>623</b>

## 29 FAIR VALUE MEASUREMENT OF DERIVATIVE FINANCIAL INSTRUMENTS

The recognition of changes in the fair values of derivative financial instruments in the consolidated statement of comprehensive income is as follows:

	Volume USD'000	Volume EUR'000	Fair value EUR'000	Recognised in "Fair value measurement of derivative financial instruments" EUR'000	Recognised in "Cash flow hedges (net of tax)" EUR'000	Recognised in "Other operating income and expenses" EUR'000
<b>Balance as at February 28, 2014</b>						
Forward foreign exchange contracts – USD	155,000	–	3,590	–	(720)	238
Structured currency options – USD	–	–	–	–	–	–
Interest rate swaps	–	20,000	(9,953)	1,781	–	–
<b>Balance as at February 28, 2015</b>						
Forward foreign exchange contracts – USD	425,000	–	(48,199)	–	(26,372)	(25,417)
Structured currency options – USD	–	–	–	–	–	–
Interest rate swaps	–	20,000	(10,340)	(387)	–	–

## 30 INCOME TAXES

	2013/14 EUR'000	2014/15 EUR'000
Corporate income tax, current	166	115
Tax compensation from group taxation	–	–
Foreign withholding tax	–	–
Deferred taxes	7,525	(5,101)
	7,691	(4,987)
Tax expenses, previous years	(52)	10
<b>Total</b>	<b>7,639</b>	<b>(4,976)</b>

The income tax on the Group's profit/loss before taxes differs from the calculated income tax expense that would arise if the results of the fiscal years were subjected to a tax rate of 25%. This is broken down as follows:

	2013/14 EUR'000	2014/15 EUR'000
Profit/loss before taxes	36,499	(14,556)
Calculated income tax expense 25%	9,125	(3,639)
<b>Tax effects from:</b>		
Deviating foreign tax rates	(56)	(45)
Tax free income	(1,630)	(839)
Expenses not deductible for tax purposes	337	82
Utilisation of previously unrecognised tax losses	–	–
Tax losses for which no deferred income tax asset was recognised	553	343
Other effects/valuation adjustments – deferred taxes	87	(218)
Capitalised deferred taxes	(358)	–
Impairment of goodwill	(375)	–
Adjustment in respect of prior years	(51)	(664)
Minimum corporate income tax and withholding taxes	8	4
<b>Recognised income tax expense</b>	<b>7,639</b>	<b>(4,976)</b>

The deferred taxes changed as follows:

	Balance as at March 1, 2013 (adjusted) EUR'000	Changes in the consolidated statement of comprehensive income EUR'000	Changes in other comprehensive income EUR'000	Balance as at February 28, 2014 EUR'000
<b>Deferred taxes</b>				
Financial assets	(2)	(49)	(3)	(54)
Other receivables and assets	76	57	–	132
Investment grants	1,547	(772)	–	775
Obligations towards employees	247	483	–	730
Derivative financial instruments	(1,016)	(60)	180	(896)
Provisions	1,664	(1,338)	73	399
Liabilities	(359)	7,006	–	6,647
Tax-loss carryforwards	–	358	–	358
Intangible assets (development costs)	(16,256)	(6,229)	–	(22,485)
Property, plant and equipment	144	(6,702)	–	(6,558)
Inventories	–	(274)	–	(274)
Trade receivables (mainly differences from USD valuation)	852	(86)	–	766
Other	251	82	–	333
	(12,852)	(7,524)	250	(20,128)

	Balance as at March 1, 2014 EUR'000	Changes in the consolidated statement of comprehensive income EUR'000	Changes in other compre- hensive income EUR'000	Balance as at February 28, 2015 EUR'000
<b>Deferred taxes</b>				
Financial assets	(54)	411	(10)	347
Other receivables and assets	132	(36)	-	96
Investment grants	774	511	-	1,285
Obligations towards employees	730	(367)	944	1,307
Derivative financial instruments	(897)	6,351	6,596	12,050
Provisions	399	(48)	-	351
Liabilities	6,647	4,706	-	11,353
Tax-loss carryforwards	358	13,531	-	13,889
Intangible assets (development costs)	(22,485)	(6,130)	-	(28,615)
Property, plant and equipment	(6,558)	(2,409)	-	(8,967)
Inventories	-	-	-	-
Trade receivables (mainly differences from USD valuation)	766	(6,484)	-	(5,718)
Bonds	(274)	168	-	(106)
Other	333	(2,194)	-	(1,861)
	(20,128)	8,010	7,530	(4,589)

Deferred income tax assets and liabilities are offset and recognised in the consolidated statement of financial position as an asset or a liability when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority.

As at February 28, 2014 and February 28, 2015, deferred income tax liabilities in the amount of 20,129 EURk and 4,589 EURk are shown in the consolidated statement of financial position.

Within the next twelve months, deferred income tax assets in the amount of 2,908 EURk and 16,997 EURk are expected to be realised and deferred income tax liabilities amount-

ing to 4,861 EURk and 12,216 EURk are expected to be settled as at February 28, 2014 and February 28, 2015, respectively.

Deferred income tax assets on loss carryforwards are recognised to the extent that their utilisation seems likely. The Group assesses the probability based on available planning data.

The Group did not recognise deferred income tax assets of 278 EURk as at February 28, 2014 and of 343 EURk as at February 28, 2015 in respect of losses amounting to 1,114 EURk and 1,373 EURk, respectively, that can be carried forward against future taxable income in the country of origin of the subsidiary involved.

The income tax amount that is directly attributed to other comprehensive income consists of the following items:

	2013/2014			2014/2015		
	Gross EUR'000	Tax EUR'000	Net EUR'000	Gross EUR'000	Tax EUR'000	Net EUR'000
Revaluation effects pensions and termination benefits	(280)	70	(210)	(3,776)	994	(2,832)
Fair value measurement of securities	13	(3)	10	41	(10)	31
Cash flow hedge	(732)	183	(549)	(26,375)	6,596	(19,779)
<b>Total</b>	<b>(999)</b>	<b>250</b>	<b>(749)</b>	<b>(30,110)</b>	<b>7,530</b>	<b>(22,580)</b>

### 31 COMMITMENTS TO ACQUIRE ASSETS

	Balance as at February 28, 2014 EUR'000	Balance as at February 28, 2015 EUR'000
Property, plant and equipment		
Authorised but without contractual obligation	37,345	35,892
Contractual obligation, not yet incurred	11,025	8,373
	48,370	44,265

### 32 RENTAL AND LEASING COMMITMENTS

The total of future accumulated minimum lease payments from operating leases in connection with property, plant and equipment amount to:

	Balance as at February 28, 2014 EUR'000	Balance as at February 28, 2015 EUR'000
No later than 1 year	3,894	4,291
No later than 1 year and no later than 5 years	10,016	11,193
No later than 5 years	6,698	6,945
<b>Total</b>	<b>20,608</b>	<b>22,429</b>

### 33 IMPAIRMENT TESTS FOR GOODWILL

The following is a summary of goodwill allocation by segments:

2014/15	Opening	Additions	Disposals	Impairment	Closing
Aerostructures	10,211	-	-	-	10,211
Engines & Nacelles	3,054	-	-	-	3,054
Interiors	5,330	-	-	-	5,330
<b>Total</b>	<b>18,595</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18,595</b>

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on the multi-annual plan approved by management. Cash flows beyond this multi-annual period

are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate of the business in which the CGU operates.

Assumptions used for the value-in-use calculations in 2014/15:

	Aerostructures	Engines & Nacelles	Interiors
Growth rate <sup>1</sup>	1.5%	1.5%	1.5%
Discount rate <sup>2</sup>	8.2%	8.2%	8.2%

<sup>1</sup> Weighted average growth rate used to extrapolate cash flows beyond the planning period

<sup>2</sup> Pre-tax discount rate applied to the cash flows

Assumptions used for the value-in-use calculations in 2013/14:

	Aerostructures	Interiors
Growth rate <sup>1</sup>	1.5%	1.5%
Discount rate <sup>2</sup>	8.76%	8.76%

<sup>1</sup> Weighted average growth rate used to extrapolate cash flows beyond the planning period

<sup>2</sup> Pre-tax discount rate applied to the cash flows

These assumptions have been used for the analysis of each CGU within the operating segment.

Management determined budgeted gross margin based on past performance and its expectations of market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segments.

### 34 RELATED-PARTY TRANSACTIONS

The group companies entered into and executed several transactions with associates of the consolidated group as part of ordinary business operations. The transactions were fully consolidated.

#### **Related-party transactions outside of the consolidated group for the period March 1, 2013 to February 28, 2014**

With the related company Shanghai Aircraft Manufacturing Co., Ltd. revenue was generated in the amount of 15,503 EURk (previous year: 10,350 EURk). Receivables in the amount of 14,201 EURk (previous year: 6,709 EURk) are shown in the consolidated statement of financial position.

With the related company Fesher Aviation Component (Zhenjiang) Co., Ltd. revenue was generated in the amount of 1,218 EURk (previous year: 462 EURk). Receivables in the amount of 11,372 EURk (previous year: 11,183 EURk) are shown in the consolidated statement of financial position.

With the related company Future Aviation International Investment Co. Ltd. revenue was generated in the amount of 2,800 EURk (previous year: nil EURk). Receivables in the amount of 2,800 EURk (previous year: nil EURk) are shown in the consolidated statement of financial position.

With the related company Comac Shanghai Aircraft revenue was generated in the amount of nil EURk (previous year: 2,838 EURk). Receivables in the amount of nil EURk (previous year: 4,511 EURk) are shown in the consolidated statement of financial position.

With the related company FACC International Company Limited revenue was generated in the amount of 900 EURk (previous year: 690 EURk). Receivables in the amount of 900 EURk (previous year: 690 EURk) are shown in the consolidated statement of financial position.

#### **Related-party transactions outside of the consolidated group for the period March 1, 2014 to February 28, 2015**

With the related company Shanghai Aircraft Manufacturing Co., Ltd. revenue was generated in the amount of 9,655 EURk (previous year: 15,503 EURk). Receivables in the amount of 17,316 EURk (previous year: 14,201 EURk) are shown in the consolidated statement of financial position.

With the related company Fesher Aviation Component (Zhenjiang) Co., Ltd. revenue was generated in the amount of 3,329 EURk (previous year: 1,218 EURk). Receivables in the amount of 12,739 EURk (previous year: 11,372 EURk) are shown in the consolidated statement of financial position.

With the related company Future Aviation International Investment Co. Ltd. revenue was generated in the amount of nil EURk (previous year: 2,800 EURk). Receivables in the amount of 2,800 EURk (previous year: 2,800 EURk) are shown in the consolidated statement of financial position.

A dividend was paid in the amount of 19,000 EURk (previous year: 1,700 EURk) to FACC International Company Limited. With the related company FACC International Company Limited costs were offset in the amount of 1,811 EURk (previous year: 900 EURk). Receivables in the amount of 1,811 EURk (previous year: 900 EURk) are shown in the consolidated statement of financial position. 1,811 EURk relates to the prorated costs arising from the IPO that are to be allocated to the majority shareholder FACC International Company Limited in connection with the sale of shares in the course of the IPO. The Management Board of FACC AG, after consulting a legal advisor, decided to recognise a receivable from FACC International Company Limited. The majority shareholder FACC International Company Limited has a divergent legal opinion. The Management Board of FACC AG assumes that the receivable is recoverable based on this legal interpretation and that the legal interpretation will be enforceable.

With the related company Aerospace Innovation Investment GmbH costs were offset in the amount of 166 EURk (previous year: nil EURk). Receivables in the amount of 656 EURk (previous year: nil EURk) are shown in the consolidated statement of financial position.

**Remuneration** – Total remuneration of members of the Management Board amounted to 2,310 EURk (February 28, 2014) and 4,968<sup>1</sup> EURk (February 28, 2015). No loans or advances were granted to members of the Management Board.

Key management compensation

	Balance as at February 28, 2014 EUR'000	Balance as at February 28, 2015 EUR'000
Salaries and other short-term employee benefits	1,536	2,403
Retirement scheme contributions	500	2,299 <sup>1</sup>
Allocation to provision for termination benefits	274	266
	2,310	4,968

<sup>1</sup> Of which 2,217 EURk actuarial losses – due to revaluation effects in connection with pension obligations – recognised in other comprehensive income

### 35 EARNINGS PER SHARE

Basic earnings per share are determined in accordance with IAS 33 by dividing the profit or loss for the year by the number of shares issued.

	Balance as at February 28, 2015 EUR'000
Profit/loss after taxes attributable to the equity holders	(9,594)
Average number of shares in issue (number of shares)	43 million shares
Basic earnings per share	(0.22)

### 36 EVENTS AFTER THE REPORTING PERIOD

With regard to the negotiations held with creditors of the promissory note loans that resulted from the equity ratio

defined in the covenant agreement having been slightly undershot, reference is made to Note 12.

### 37 MANAGEMENT BOARD AND SUPERVISORY BOARD

Members of the Management Board in the reporting period were:

Stephan Walter (since May 21, 2014)  
Gu Minfen (since May 21, 2014)  
Machtlinger Robert (since May 21, 2014)

Wang Yongsheng (managing director from March 7, 2014 to May 21, 2014)  
Xu Chunlin (managing director until March 7, 2014)

Members of the Supervisory Board in the reporting period were:

Geng Ruguang, chairman  
Tang Jun, deputy chairman  
Huang Hang (until May 23, 2014)  
Gong Weixi (since May 21, 2014)  
Huber Barbara (since May 23, 2014)  
Krohe Peter (since May 23, 2014)  
Lei Yanzheng (since May 21, 2014)

Peters Gregory B. (since May 21, 2014)  
Redhammer Johann (since May 23, 2014)  
Reiter Ulrike (since May 23, 2014)  
Wang Yongsheng (since May 21, 2014)  
Wang Xuejun (since June 25, 2014)  
Yang Chunsheng (since June 25, 2014)

The Management Board

Ried im Innkreis, May 18, 2015



Walter Stephan  
Chairman of the Management Board



Minfen Gu  
Member of the Management Board



Robert Machtlinger  
Member of the Management Board

# Statement of All Legal Representatives

## ACCORDING TO SECTION 82 PARA. 4 NO. 3 STOCK EXCHANGE ACT

We confirm to the best of our knowledge that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group as required by the applicable accounting standards.

In addition, we confirm, that the group management report gives a true and fair view of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties the Group faces.

Ried im Innkreis, May 18, 2015

The Management Board



Walter Stephan  
Chairman of the Management Board



Minfen Gu  
Member of the Management Board



Robert Machtlinger  
Member of the Management Board

## Auditor's Report

### REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of FACC AG (formerly Aerospace Innovation Investment GmbH), Ried im Innkreis, for the fiscal year from March 1, 2014 to February 28, 2015. These consolidated financial statements comprise the consolidated balance sheet as of February 28, 2015, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the fiscal year ended February 28, 2015, and the notes to the consolidated financial statements.

#### Management's responsibility for the consolidated financial statements and for the accounting system

The Company's management is responsible for the group accounting system and for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of con-

solidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable in the circumstances.

#### Auditor's responsibility and description of type and scope of the statutory audit

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing as well as in accordance with International Standards on Auditing (ISA) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with professional guidelines and that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected de-

pend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

### Opinion

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as of February 28, 2015 and of its financial performance and its cash flows for the fiscal year from March 1, 2014 to February 28, 2015 in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

### COMMENTS ON THE MANAGEMENT REPORT FOR THE GROUP

Pursuant to statutory provisions, the management report for the Group is to be audited as to whether it is consistent with the consolidated financial statements and as to whether

the other disclosures are not misleading with respect to the Company's position. The auditor's report also has to contain a statement as to whether the management report for the Group is consistent with the consolidated financial statements and whether the disclosures pursuant to Section 243a UGB are appropriate.

In our opinion, the management report for the Group is consistent with the consolidated financial statements. The disclosures pursuant to Section 243a UGB are appropriate.

Linz, May 18, 2015

PwC Oberösterreich  
Wirtschaftsprüfung und Steuerberatung GmbH

signed:

Friedrich Baumgartner  
Austrian Certified Public Accountant

Disclosure, publication and duplication of the consolidated financial statements together with the auditor's report according to Section 281 (2) UGB in a form not in accordance with statutory requirements and differing from the version audited by us is not permitted. Reference to our audit may not be made without prior written permission from us.

## TECHNOLOGY

<b>Annulus filler</b>	An annulus filler is provided for mounting to a rotor disc of a gas turbine engine and for bridging the gap between two adjacent blades attached to the rotor disc.
<b>Assembly jig</b>	A device/tool used for the assembly of components
<b>Autoclave</b>	Hermetically sealed pressure vessel for the curing of parts
<b>Automated tape laying</b>	Automated deposition of composite pre-impregnated tapes to produce components
<b>AVIC</b>	Aviation Industry Corporation of China
<b>Blended winglet</b>	Blended winglets are wingtip devices that improve airplane performance by reducing drag up to 5%.
<b>Clean room</b>	A clean room is an environment used for the layup of composite material, with a low level of environmental pollutants.
<b>CMM</b>	Coordinate measuring machine
<b>CNC</b>	Computer-aided milling method allowing for 3D milling
<b>EASA</b>	European Aviation Safety Agency
<b>MARI manufacturing process</b>	Membrane assisted resin infusion – for the curing and adhesion of single components in a one-shot process
<b>MRO</b>	Maintenance, repair and overhaul
<b>NDI</b>	Non-destructive testing (NDT) is a wide group of analysis techniques to evaluate the properties of a material, component or system without causing damage.
<b>OEM</b>	Original equipment manufacturer
<b>One-shot process</b>	Manufacturing process in one step
<b>Pilot series</b>	Products that are manufactured in the introduction phase of serial production for final testing purposes
<b>Prepregs</b>	Composite fibre sheets pre-impregnated with phenolic resins forming the basis for the creation of components
<b>Skin</b>	Outer skin – of an aircraft, for example
<b>Spar &amp; rib</b>	Spar and rib structure of a component
<b>Split scimitar winglet</b>	Evolution of blended winglet with an additional ventral strake to reduce the drag of the aircraft another 2 to 3%
<b>WATE</b>	Winglet Active Trailing Edge – research project for the development of winglets with active control units adapting the shape of the wingtips to the respective flight status of the aircraft
<b>Winglet</b>	Parts attached to the wingtips of aircraft wings aiming to reduce the aircraft's drag

## FINANCIALS

<b>CAD</b>	Canadian Dollar
<b>CGU</b>	Cash Generating Unit
<b>D&amp;O insurance</b>	Directors and officers insurance – a liability insurance payable to the directors and officers of a company
<b>Deferred taxes</b>	Balance sheet item to show fiscal valuation differences. In the case of temporary discrepancies between the group balance sheet and the fiscal balance sheet, both deferred tax assets and deferred tax liabilities are recognised. As a result, tax expenses are reported in accordance with the group financial result.
<b>EBIT</b>	Earnings before interest and taxes
<b>Equity ratio</b>	Equity/balance sheet total in %
<b>FTE</b>	Full-time equivalents of employees
<b>GBP</b>	Great Britain Pound
<b>IAS</b>	International Accounting Standards
<b>IFRS</b>	International Financial Reporting Standards, including International Accounting Standards (IAS)
<b>INR</b>	Indian Rupee
<b>Investments</b>	Additions to intangible assets, property, plant and equipment
<b>ISIN</b>	International Securities Identification Number for shares
<b>Net working capital</b>	Current assets (excluding cash, cash equivalents and interest-bearing receivables) less short-term liabilities (excluding financial liabilities)
<b>OTC</b>	Over-the-counter trading
<b>RMB</b>	Renminbi/Yuan – Chinese currency
<b>TEUR</b>	Euro thousands
<b>USD</b>	United States Dollar

**FINANCIAL CALENDAR 2015/16**

May 21, 2015	Annual financial report and annual report 2014/15
June 15, 2015	Ordinary Annual General Meeting (AGM)
July 16, 2015	Quarterly financial report Q1 2015/16
October 22, 2015	Semi-annual financial report 2015/16
January 21, 2016	Quarterly financial report Q3 2015/16

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**NOTE**

This report was prepared and the data contained therein verified with the utmost care. However, rounding and typesetting errors as well as misprints cannot be entirely ruled out. Where rounded amounts and percentages are aggregated, rounding differences may occur due to the use of automated calculation aids. This annual report contains forward-looking assessments and statements, which were compiled on the basis of information available to the Group at the time the report was prepared. Such forward-looking statements are usually introduced with terms such as “expect”, “plan”, “anticipate”, “estimate” etc. We would draw your attention to the fact that various factors could cause actual conditions and results to deviate from the expectations outlined in this report. This report is also available in German. In cases of doubt, the German version shall prevail.

Editorial deadline: May 18, 2015

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