

# REPORT

ANNUAL REPORT 2015/16



MARKET & STRATEGY

PROFITABLE  
GROWTH

INNOVATION

LIGHTWEIGHT  
CONSTRUCTION  
ON THE RISE





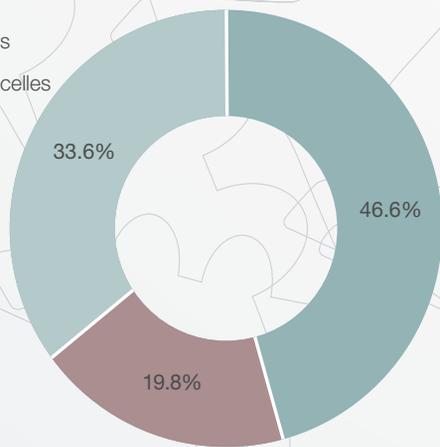
EUR million	2013/14	2014/15	2015/16
<b>Revenue</b>	547.4	528.9	587.5
<b>Earnings before interest, taxes and fair value measurement of derivative financial instruments and before non-recurring effects</b>	-	-	18.6
<b>Non-recurring effects</b>	-	-	(41.9)
<b>Earnings before interest, taxes and fair value measurement of derivative financial instruments</b>	41.9	(4.5)	(23.4)
<b>Total comprehensive income/loss for the year</b>	28.0	(32.2)	(11.5)
<b>Capital expenditures</b>	101.1	77.8	50.9
Purchase of property, plant and equipment	(58.8)	(42.8)	(26.3)
Purchase of intangible assets	(6.1)	(4.7)	(0.6)
Payments for addition to development costs	(36.4)	(30.3)	(24.0)
<b>Revenue</b>			
Production	416.1	471.4	525.9
Engineering and services	131.2	57.5	61.6
<b>Revenue by segment</b>			
Aerostructures	305.4	273.3	273.5
Engines & Nacelles	101.1	93.9	116.6
Interiors	140.9	161.7	197.4

EUR million	Feb. 28, 2014	Feb. 28, 2015	Feb. 29, 2016
<b>Equity ratio</b>	39.5 %	43.8 %	43.8 %
<b>Net financial debt</b>	150.7	102.6	171.9
<b>Total balance sheet</b>	569.3	718.2	699.2

Key share data		2014/15	2015/16
Trading volume	shares	29,312,752	23,188,628
Average daily trading volume	shares	172,428	93,503
Highest closing price over the year	EUR	9.55	8.49
Lowest closing price over the year	EUR	6.35	4.50
Closing price on the last trading day in February	EUR	8.50	5.23
Annual share price performance	%	-10.50	-38.40
Market capitalisation on the last trading day in February	EUR million	389.22	239.30

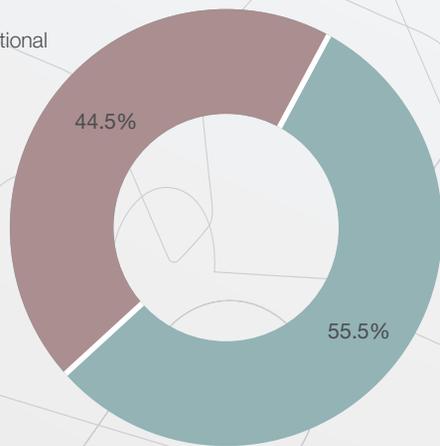
### REVENUE BY SEGMENT

- Aerostructures
- Engines & Nacelles
- Interiors

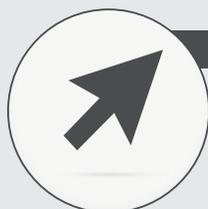


### SHAREHOLDER STRUCTURE

- FACC International
- Free float

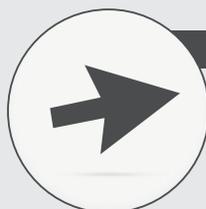


# KEY FACTS



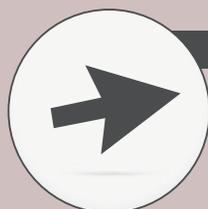
## REVENUE

In the 2015/16 financial year, FACC's revenue grew by 11.1% to EUR 587.5 million compared to the previous year.



## EARNINGS

Group's total earnings for the 2015/16 financial year amounted to EUR 18.6 million, thus exceeding the previous year's level significantly (without fraud case).



## ORDER BACKLOG

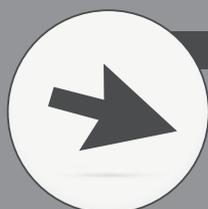
In the 2015/16 financial year, FACC Group's order backlog continued its sustainable and solid upward trend.



## CREW

Despite a slight decrease in the workforce to 3,062 FTE<sup>1</sup> FACC proved once again to be a stable employer in the year under review (2014/15: 3,109 FTE).

<sup>1</sup> FTE = Full Time Equivalents



## FRAUD CASE

Following a "Fake President Incident" FACC suffered a loss of EUR 50 million at year-end 2015. The company is currently making every effort to minimise the damage.

# CONTENT



## *Production* 22–27

With the development of new, user-friendlier overhead compartments for medium-haul aircraft, FACC is further consolidating its position in this area, while working on further innovative solutions.

## *Innovation* 28–29

In the area of lightweight design, FACC is spearheading the industry. To make sure that this remains so moving forward, FACC is constantly investigating the application of new materials and technologies.



## *News* 6–11

Fascinating innovations along with exciting new assignments and projects characterise the 2015/16 financial year.

## *Company profile* 12–15

Innovation, quality and service are core values that FACC offers its customers across the world.

## *Market & Strategy* 16–21

Six strategic focus areas serve FACC's overriding goal of achieving profitable growth.



## *Crew* 30–35

Those who demand full commitment must promote and motivate their workforce. FACC has put in place a set of measures to recruit the brightest minds and remain attractive as an employer.

## *Sustainability* 36–37

The sparing use of resources in the production area is based on a holistic concept at FACC.

## *Share & Investor Relations* 38–39

*Corporate Governance* 40–43

*Financial Report 2015/16* 44

Group Management Report	45
Consolidated Statement of Financial Position	53
Consolidated Statement of Comprehensive Income	54
Consolidated Statement of Cash Flows	55
Consolidated Statement of Changes in Equity	56
Notes to the Consolidated Financial Statements	58
Statement of All Legal Representatives	100
Auditor’s Report	100

*Glossary* 102

*Imprint/Service* 103



**LIGHT AND SHADOWS**

It is with mixed feelings that we present this annual report, as FACC’s results for the 2015/16 financial year are marked by light and shadows: for more than three quarters of the past financial year, the company’s operations developed very successfully – the order situation was excellent, both revenues and earnings increased and we were also able to improve our profitability as planned. Shortly before Christmas, we also succeeded in defining the framework conditions with a customer to reach agreement on contract amendments for a certain project, which in the media are better known as “re-negotiations”.

Then in January 2016, the “Fake President Incident” affair became public, to which FACC fell victim over Christmas and suddenly the world looked different for us. In addition to damages amounting to tens of millions, the negative effects of which we have been vehemently trying to minimise since then, this event also led to delays in the final contractual implementation of the agreement we had reached with our customer. This, in turn, had a corresponding negative impact on our results, which, however, along with our revenue, had significantly improved compared to the previous year thanks to the company’s operating development.

We therefore are optimistic about the future based on well-filled order books, growing worldwide demand and the industry-recognised expertise and quality of a company that, for over two decades, has set benchmarks as a producer of composite components for the exacting aviation industry.

Yours sincerely,  
Robert Machtlinger

## LIGHT, STRONG AND COMFORTABLE

# A BIN THAT CAN DO EVERYTHING



*FACC's new movable bins provide ten percent more stowage volume and facilitate loading and unloading.*

FACC's new movable bins, which will be installed in the Airbus A320 aircraft model in future, promise to provide about ten percent more stowage volume and to be more comfortable to load and unload. The key difference between these movable bins and the overhead stowage compartments used so far is a movable chute that descends when the door is opened, and which will replace conventional compartment doors. The luggage virtually travels towards passengers, making unloading easier.

During the development phase, the main challenge was to integrate the new bins with their increased holding capacity and loading weight into the design of an existing aircraft model. Besides, due to the increased complexity of the new components, special attention had to be paid to modules' lightness. FACC successfully achieved this balancing act in close cooperation with Airbus's Engineering and Industrial Design departments.

The first stowage bins have already been delivered to Airbus's production line in Hamburg. However, this does not mean that the development work has been completed, as movable bins will soon be offered to assorted airline customers in various configurations and, after retrofitting, will ensure that hand luggage can be more easily loaded and unloaded in existing A320 models as well.

More detailed information about the development and production of FACC's innovative new bins is available on page 22 and following.

## LONG-TERM CONTRACT AWARD

# FACC TAKES OFF WITH SHARKLETS

Winglets and sharklets are among the most future-oriented aerodynamic improvements that help aircraft become more fuel-efficient. They prevent the development of air vortices at the wingtips, thus improving not only the flying experience but also reducing fuel consumption by up to four percent. The sharklets developed by Airbus are used in the new A320neo family.

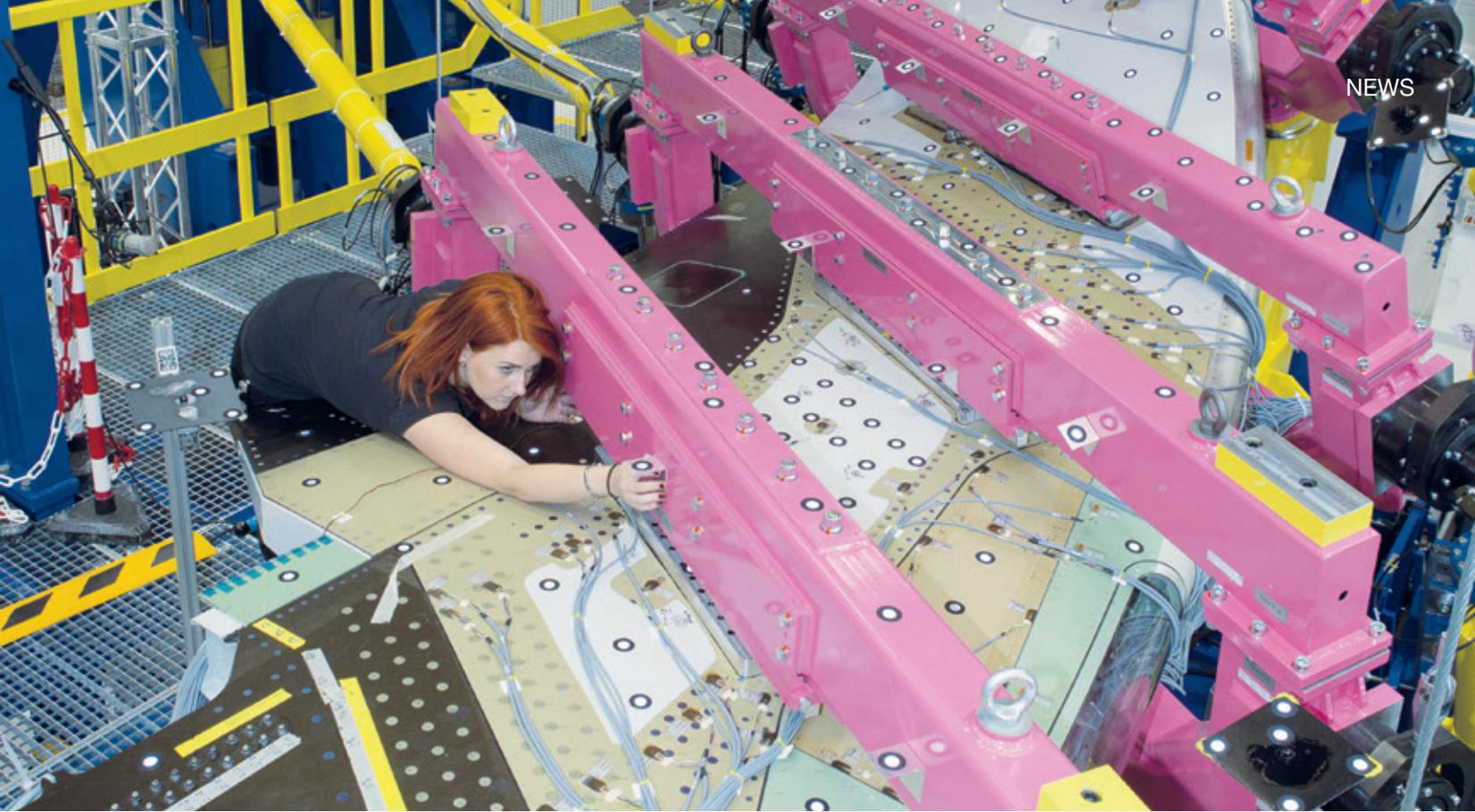
At the end of 2013, Airbus awarded a contract to FACC in its capacity as supplier for the manufacturing of high-tech products. 14 months later, the first components were delivered to Airbus. Up to the end of 2016, a total of 30 ship-sets per month are to roll off the production line and be delivered to all of the four production sites for the A320neo in Hamburg, Toulouse, the USA and China as well as the global maintenance-&-repair organisation, as all the existing jets of the A320 family will be gradually retrofitted with the latest sharklets.

As is often the case, the key to success for this project also lies in the comprehensive know-how of FACC's developer team, with the economical manufacturing concept also playing a crucial role.

For the manufacture of the new sharklets, which will contribute to FACC's economic success for the years to come, the company could rely on the hands-on experience of the existing winglet production plants in Ried.



*A reason to celebrate: official handover of first sharklets to Airbus representatives*



Using five yokes, components are subject to targeted stresses in CoLT's test rig.

## TESTING

# CONFIDENCE IS GOOD, CONTROL IS BETTER

Based on a new CoLT test rig, the winglets and wingtips manufactured by FACC for the Airbus A350 XWB aircraft family have been subject to thorough testing since 2014. These components, which undergo comprehensive static and dynamic stress testing for the type certification in the high-tech test rig, measure up to eight metres in length.

CoLT Prüf und Test GmbH is a subsidiary of FACC. With the new test rig for structural components, which also applies newly developed testing and measuring methods, CoLT sets new standards in measuring technology, proving to be a highly efficient partner also for external testing assignments.

With a base area of 15 x 8 metres (length x width), a height of 10 metres and a total weight of 125 tonnes, the size alone of CoLT's test rig is impressive. This test rig, which was specifically adapted to carry out certification tests for the A350 XWB aircraft family, encompasses, amongst others, a dummy wingbox featuring real characteristics, on which the composite winglet to be tested is assembled using a connection principle identical to the original. Using five "test yokes", components can be subject

to targeted and synchronised stresses, which can be measured by means of innovative contact-free sensors. Measurement data are then sent to an in-house Control Centre equipped with 20 screens.

With the development of this contact-free testing technology, CoLT's engineers ventured into uncharted territory and consequently allowed measurement data to be processed and analysed in real time. Data acquired by means of the test rig are integrated into simulation software, which compares actual findings from the test with data produced by the FEM-calculations. In turn, this comparison generates valuable information with regard to the degree of accuracy of the calculation along with data packages, which will make future development work more efficient.



In the Control Centre all measurement data are analysed in real time.



## ENGINES & NACELLES

# SAFE, QUIET, LIGHT

Following successful development work, in May 2015, FACC launched series production of four components for the new Rolls-Royce Trent XWB engines. With this exciting project, FACC continues its longstanding partnership with the British engine manufacturer, which celebrated its 15<sup>th</sup> anniversary in 2015.

These complex components will be produced for at least 1,600 engines in Ried. The first sets have already been delivered to Rolls-Royce's production line. Up to 2019, production rates will increase significantly, reaching 300 engine sets per year by then.

FACC was awarded this production contract back in 2012. The overall order volume amounts to USD 300 million.



*The division Engines & Nacelles supplies four high-tech components to Rolls-Royce's production line since mid-2015.*

### SAFER

Fan track liners cover the fan casing, forming a contact seal around the engine blades. This component prevents turbulence and consequently improves engine performance. It also absorbs the energy of impacting chunks of ice and hailstones.

### QUIETER

Thanks to the use of FACC acoustic liners on the Trent XWB engines, A350 XWB aircraft models achieve up to 60 percent greater noise reduction than their predecessors. Manufactured using composite technology, these liners weigh only slightly more than conventional liners. They absorb, however, considerably more noise and are therefore ideally suited for use in engines.

### LIGHTER

The last two components, which round off the engine order package supplied by FACC for Rolls-Royce, also guarantee less weight, while preserving stability. Both the bifurcation fairings and anti-fluid panels consist of complex composite formulations and, thanks to their special characteristics, achieve greater efficiency and environmental compatibility.

## FACC INTERIORS

# TRUE BEAUTY COMES FROM WITHIN

With the new mid-size Legacy 450 business jet, Embraer is once again setting new standards in terms of comfort. At the beginning of 2016, the first aircraft models of this new series were commissioned – FACC's exclusive cabin interiors on board. Almost the entire interior space of the new Legacy 450 comes from FACC, from the cockpit shell, interior panelling and the steps that lead to the interior of the aircraft, through to the floor, side panels and roof lining, including the interior panelling of the cargo compartment. FACC is also responsible for the elegant veneer covering the cabinets, which lends a sumptuous look combined with a solid and hard-wearing surface to the composite sandwich panels. FACC is collaborating with an experienced partner in manufac-



turing the superior joinery and cabinet work. The combination of attractive design and complex functionality is also apparent in the wiring as well as the water supply and drainage system, which are already integrated into the components supplied by FACC.

The Legacy 450 is available in seven different configurations. The ability to offer complex solutions in line with individual demands in small quantities is one of FACC Interiors' strengths, which requires considerable expertise and hands-on experience. In the end, it all comes to creating plastic surfaces with premium-quality look & feel, for which optical criteria as well as surface feel and robustness play a crucial role. FACC Interiors also excels in terms of customer service. For the Embraer assignment, the company set up on-site teams located in the USA and in Brazil, offering its customers assistance with all cabin interiors installation work.

*Luxury from nose to tail: thanks to FACC Interiors' design, passengers won't have to forgo comfort even at an altitude of 12,000 metres.*

## COMAC

# PREMIERE FOR THE C919

Development work for the C919 lasted seven years: at the end of 2014, the first airliner of the new COMAC series – which is comparable with the A320 and Boeing 737 aircraft models – rolled off the production line. Starting from 2019, this jet with a



capacity of up to 174 passengers and a flight range of 4,100 km will go into regular service. At its debut presentation in Shanghai on 2 November 2015, the C919 already attracted massive public interest.

FACC was responsible for the complete implementation of the interiors, ranging from the flight deck, entrance area through to the main cabin and AFT area up to the doors based on the designs of a design studio from Hamburg. Besides the interiors, FACC developed and produces also parts – winglets and spoilers – of the wing.

*"Curtain up!" for the new C919. The interior was manufactured almost entirely by FACC.*

## EDUCATION

# THE BRIGHTEST MINDS FOR THE FUTURE

When it comes to lightweight construction, energy efficiency in mobility is an important driving force. Political guidelines in terms of climate protection and the trend towards rising fuel prices constantly require new solutions to make mobility even more energy efficient. But also in other areas – such as wind power stations – lightweight construction plays an increasingly important role.

The University of Applied Sciences Upper Austria in Wels has taken this sustained trend into account by creating a new, unique, Austria-wide bachelor programme, which starting from the 2016/2017 academic year will offer 20 university places under the heading “lightweight construction and composite materials”. FACC will actively support this initiative by offering internship places and financial backing. This also serves FACC’s own interests, as the high-tech company is always looking for new, highly qualified experts. And this is what the new bachelor programme is meant to generate moving forward.



*In the course of six semesters, participants in the new bachelor programme are trained in close collaboration with Upper Austrian businesses to become experts in the area of lightweight design.*

Back in 2014, FACC initiated a degree course jointly with Ried’s Chamber of Commerce and Techno-Z specialising in the “processing of composite materials” at the University of Applied Sciences in Upper Austria. Ten highly specialised composite engineers have so far completed this degree course and now contribute to strengthening the Upper-Austrian economy. FACC bears 90 percent of the costs of this degree course and offers students the opportunity to prove their skills and gather practical experience through internships and summer jobs.

The fact that FACC is committed to promoting junior engineers is also linked to developments on the market. According to estimates by Ried’s Chamber of Commerce, there will be a total of 3,000 new jobs in the area of lightweight construction in Upper Austria alone by 2017. It is therefore a matter of great importance for companies to be seen as attractive employers and consequently secure a vital edge over the competition on the labour market as soon as possible.

## BUSINESS OSCAR 2015

## AND THE WINNER IS ...

It goes without saying that for a supplier of international corporations like FACC, an efficient, globally operating sales, production and maintenance network is imperative. The USA is one of the most important sales markets for the aviation industry and therefore also plays a crucial role for FACC. Following numerous orders for the newly developed Split Scimitar Winglets, the company decided it needed to set up a production plant in the USA.

In only three months, FACC brought a new plant on stream in Wichita, where 3,000 Boeing 737NG aircraft currently in service will be fitted with the last-generation winglets over the next few years.

Construction of this plant in record time demonstrates how flexibly FACC can react to rising demand. The company was not only rewarded for its efforts with growing revenues but also officially with the USABizAward of the Austrian Economic Chamber in the investment category. Congratulations!

## SPLIT SCIMITAR WINGLETS

# AERODYNAMICS TAKEN TO NEW HEIGHTS

Following the successful introduction of the Split Scimitar Winglets developed by Aviation Partners and manufactured by FACC as a retrofit for the Boeing 737–800 and 737–900ER aircraft models, these innovative winglets were granted approval for use in business jets in May 2015. This wingtip composed of two parts helps further reduce induced drag by two percent compared with conventional winglets, leading to improved fuel efficiency, higher flight range and better performance.

This increase in efficiency is achieved through an additional downward angled aerodynamic ventral strake as well as an upward angled winglet, whose shape is reminiscent of a scimitar. In addition, the substructure of the winglet has also been further strengthened.

Since the start of this programme in 2014, FACC has received a total of more than 1,600 orders and retrofit options for the new Split Scimitar Winglets. FACC is not only responsible for manufacturing these components in the Aerostructures plant in Ried but also for retrofitting the business jets with the new Split Scimitar Winglets via its global network of company locations and business partners.



*With Split Scimitar Winglets, induced drag can be improved by further 2 percent compared to conventional winglets.*

## WINGLETS

# “FACC GIVES YOU WINGLETS”

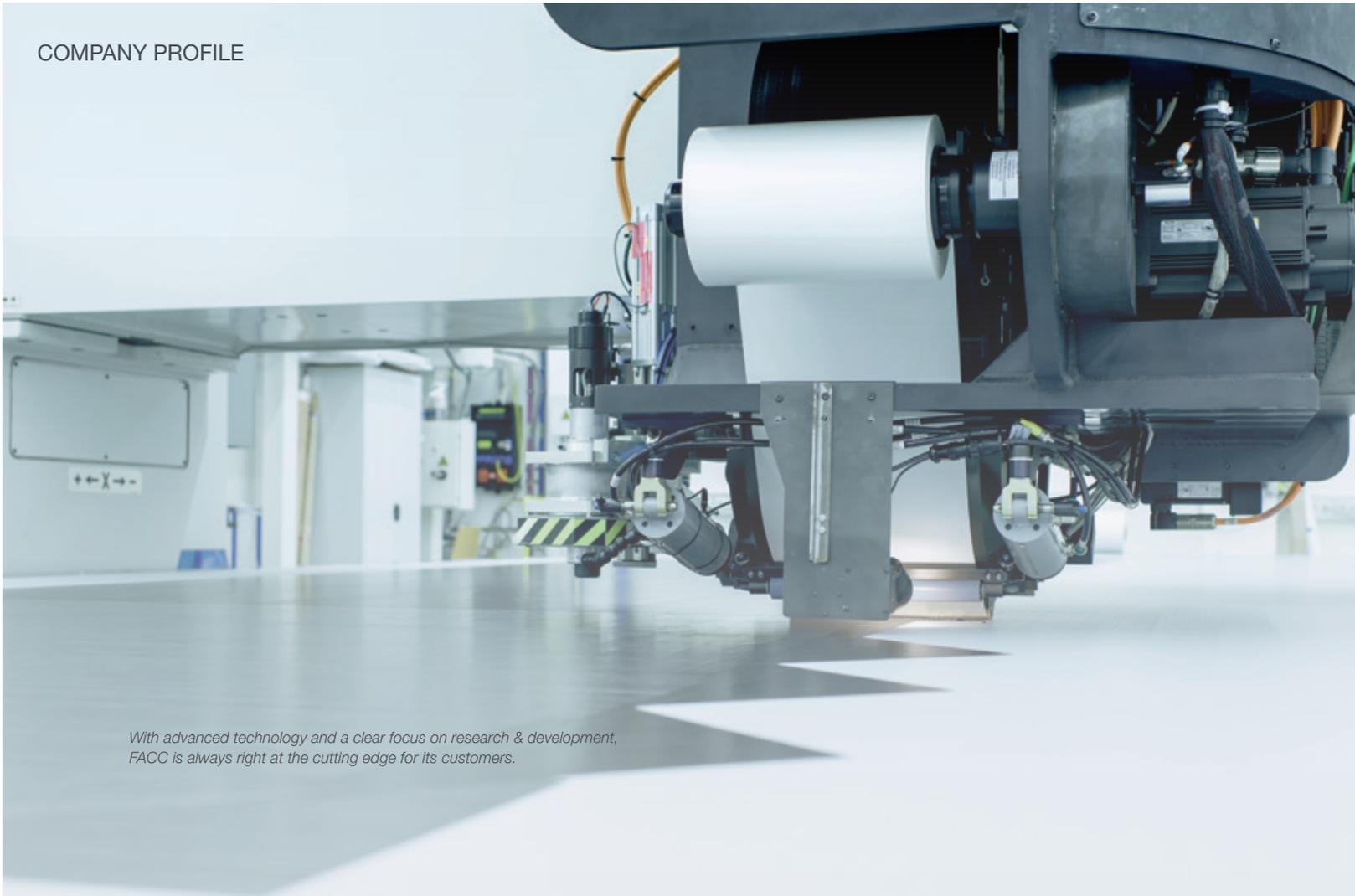
“Red Bull gives you wings”, is a well-known advertising slogan, which one hears quite often at the Red Bull Air Race events in addition to the roar of aircraft engines and which could be slightly edited for FACC recently. In fact, at the Red Bull Air Races in 2015, several racing aircraft were equipped for the first time with additional wingtips, i.e. with the winglets developed, manufactured and installed by FACC. Their main objective is to prevent wingtip vortices, thereby considerably lowering drag.

These ultralight components, which can withstand centrifugal forces of up to 14 G, were designed in only six weeks by the FACC team combining the Research & Development and Design & Simulation departments and have been produced using one-shot pre-preg technology, which was also developed in-house.

Pilots from Hungary and Austria saved two seconds for each minute of flying time with the winglets and these tiny amounts can easily make the difference between victory and defeat in the world’s fastest races.



*In only six weeks, the young FACC team was able to develop a high-tech component, which emerges “fresh from the oven” and can be applied to the wings of these flying bolides without requiring any further assembly.*



*With advanced technology and a clear focus on research & development, FACC is always right at the cutting edge for its customers.*



- Manufacturing/Engineering
- Engineering, Product & Onsite Support
- International Supply Chain Partner

- 1 FACC Montreal (Canada)
- 2 FACC Wichita (USA)
- 3 FACC AG (Austria)
- 4 FACC Slovakia (Slovakia)
- 5 Mubadala (Abu Dhabi)
- 6 BTC (China)
- 7 TAML (India)
- 8 FACC Shanghai (China)
- 9 Fesher (China)
- 10 FACC India (India)
- 11 ACM (Malaysia)

*As a partner for its customers, FACC has a global reach.*

# PILOT. PASSION. PARTNERSHIP.

*The combination of technological expertise, a global presence and a field of activity with considerable future prospects make FACC a sought-after partner to its customers, business partners and investors.*

## TECHNOLOGICAL EXPERTISE

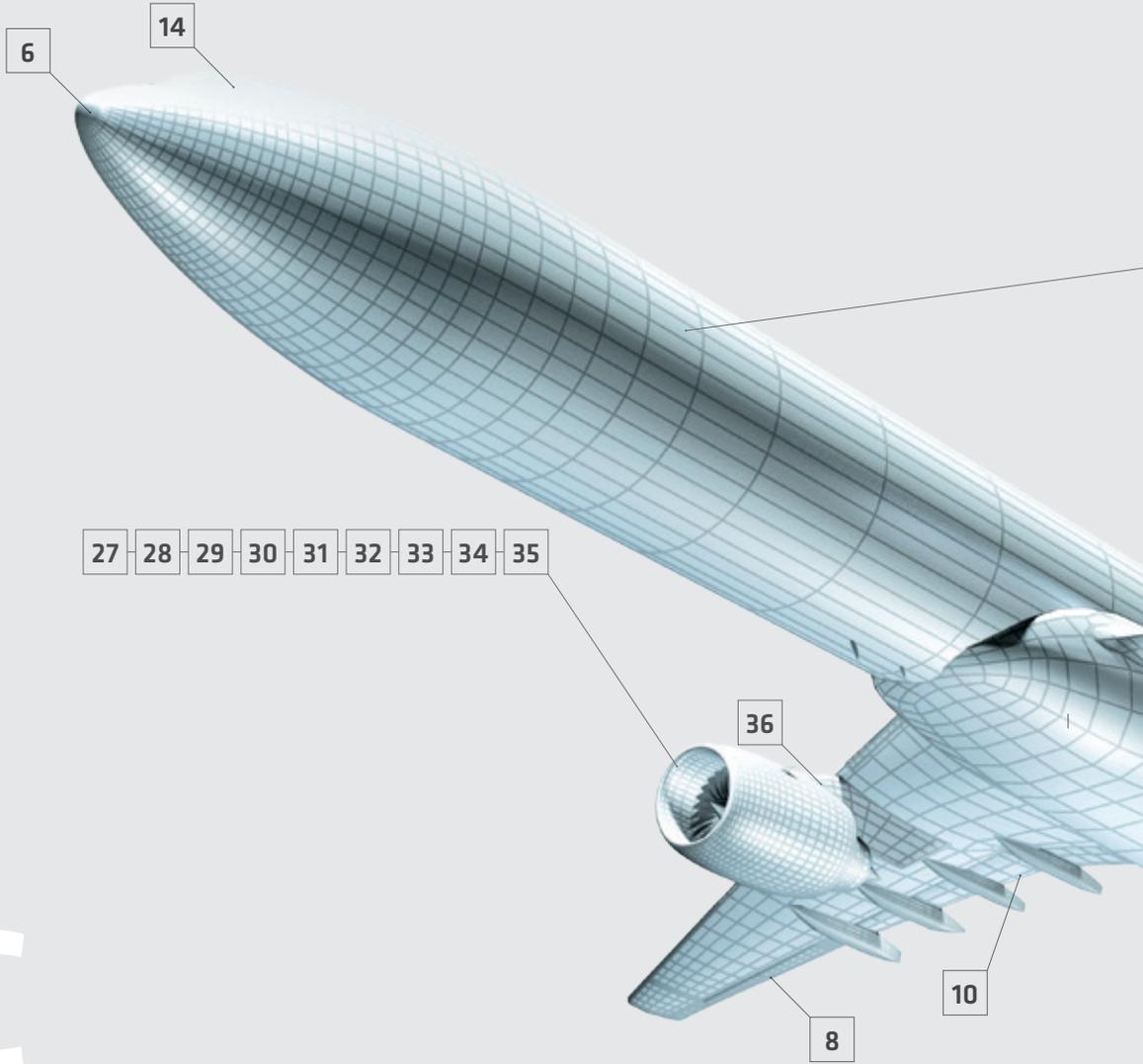
For over 25 years, FACC has been focusing on developing and manufacturing complex lightweight solutions for the aviation industry. These are based on fibre reinforced composite materials, so-called composites, which are cured using high temperatures and combine high stability and strength with low weight. In this way, FACC's products ensure top safety and reduced fuel consumption for almost all manufacturers' aircraft models. Every day, over 3,000 employees work on new, improved solutions, thus making a significant contribution to the ongoing technological development of the industry.

## GLOBAL PRESENCE

Proximity to its customers represents a key component of FACC's corporate strategy. Hardly any other sector can build upon such a global footprint as the aviation industry. Therefore, FACC operates numerous business sites in close proximity to large aircraft manufacturers such as Boeing or Airbus. The company also maintains company-owned business locations and has manufacturing partners in the dynamic Arabian and East-Asian emerging markets. These business locations along with cooperation partners form a dense network of production and service sites. In this way, FACC is able to offer its customers blanket provision of services in a rapid and standardised manner.

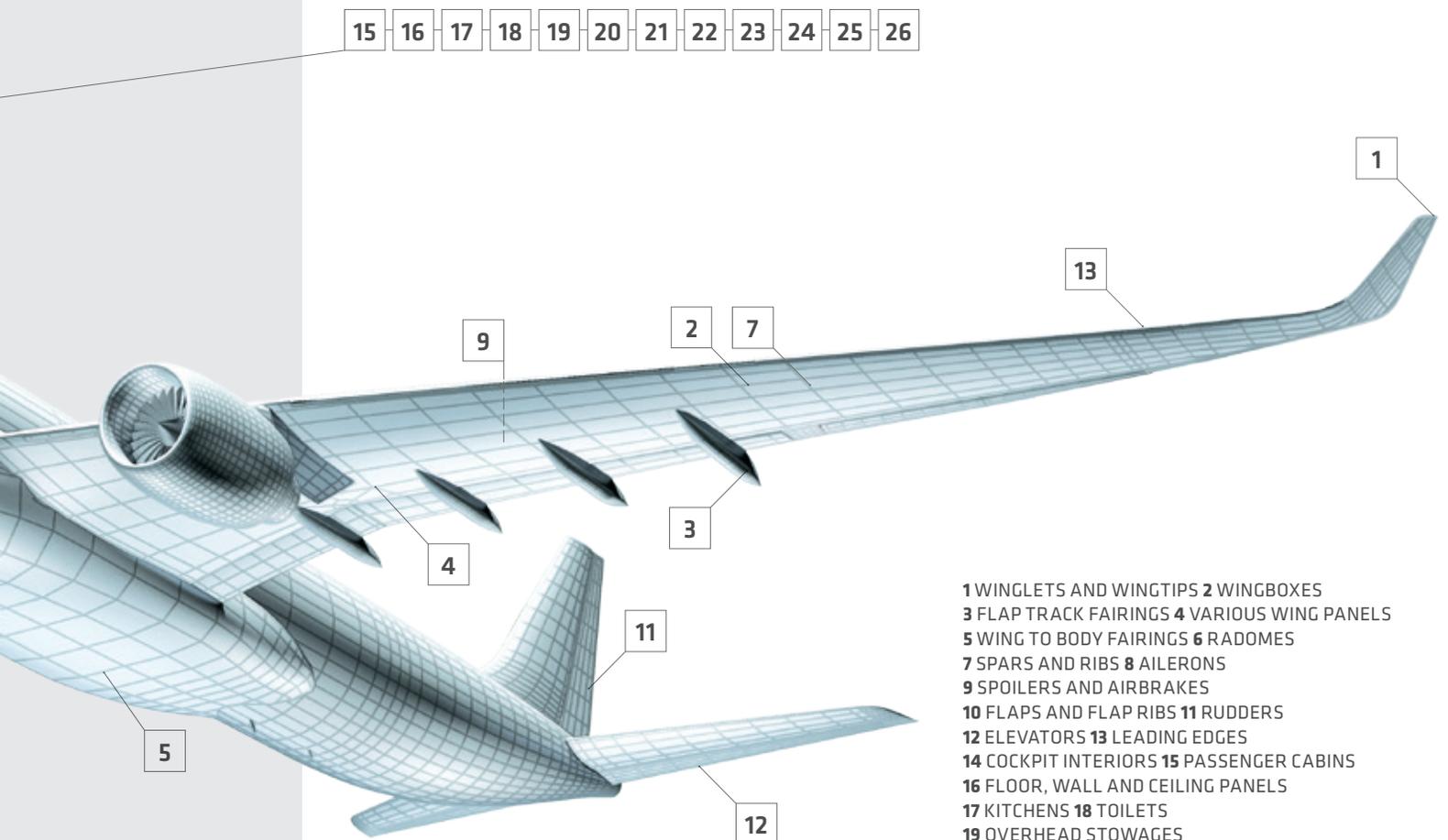
## FIELD OF ACTIVITY WITH FUTURE PROSPECTS

The replacement of metal parts with composite components is a sustained trend. Today, composite components account for roughly 50 percent of the total weight of a modern aircraft. Twenty years ago, they accounted for just about ten percent. However, not only the use of fibre reinforced material is showing a positive trend, also the production of aircraft itself is expected to grow over the long term. As a Tier 1 partner of the aviation industry, FACC will also continue to profit from these preconditions in the years to come.



# FACC IS ALWAYS ON BOARD

*With its three divisions, FACC covers almost all areas of a modern aircraft – ranging from the winglets to the cockpit linings, from structural components to inner linings. The company's products contribute to making aircraft quieter, more efficient, safer and more comfortable.*



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

- 1 WINGLETS AND WINGTIPS 2 WINGBOXES
- 3 FLAP TRACK FAIRINGS 4 VARIOUS WING PANELS
- 5 WING TO BODY FAIRINGS 6 RADOMES
- 7 SPARS AND RIBS 8 AILERONS
- 9 SPOILERS AND AIRBRAKES
- 10 FLAPS AND FLAP RIBS 11 RUDDERS
- 12 ELEVATORS 13 LEADING EDGES
- 14 COCKPIT INTERIORS 15 PASSENGER CABINS
- 16 FLOOR, WALL AND CEILING PANELS
- 17 KITCHENS 18 TOILETS
- 19 OVERHEAD STOWAGES
- 20 WINDOW WITH SHADES 21 DIVIDERS
- 22 CARGO COMPARTMENTS
- 23 DOOR & DOOR FRAME LININGS
- 24 COVE LIGHT PANELS
- 25 SMOKE DETECTOR PANELS 26 CABINETS
- 27 SPINNERS 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

### ENGINES & NACELLES

Engine inlets, fan cowls, blocker doors and solutions in the fan area and beyond make modern jets quieter and safer.

### INTERIORS

Cabin and cargo compartment linings for both commercial airlines and small business jets offer every possible comfort even at cruising altitude.

### AEROSTRUCTURES

Structural components for wings, empennage units and fairings ensure lightness, improved fuel economy and a high degree of safety.

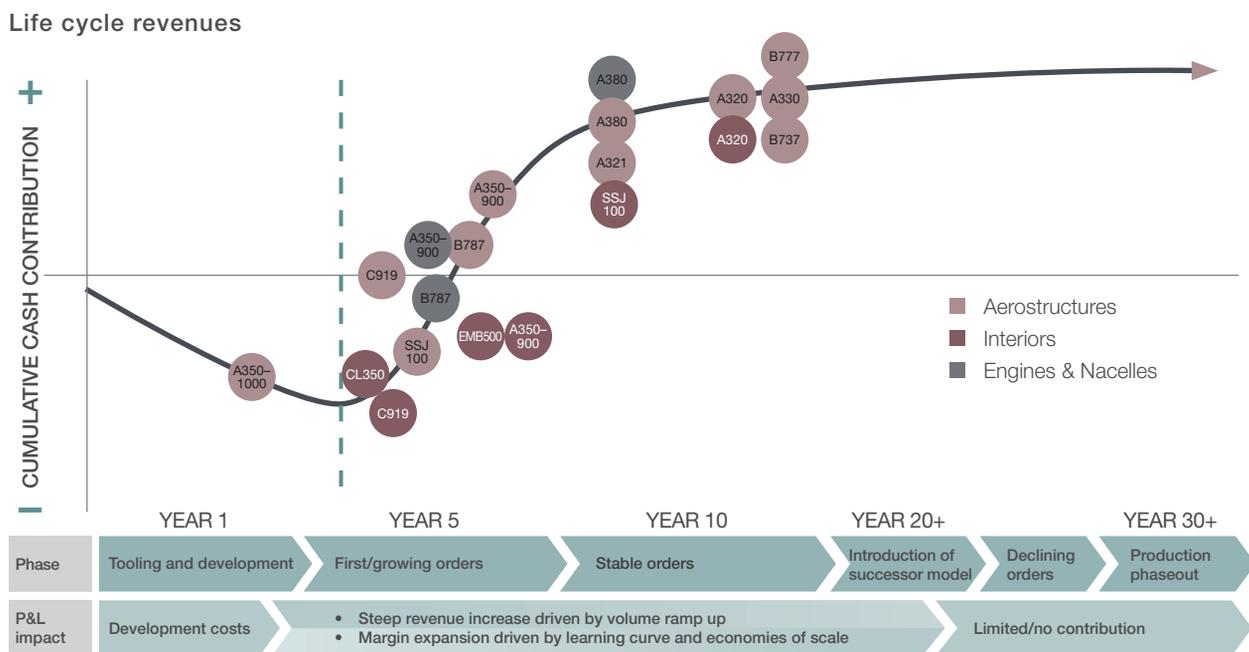
# GROWING AND BEARING FRUITS

*FACC concentrates on an ambitious strategy to remain sustainably successful in the global and constantly growing aviation industry. In addition to further growth, the focus on a constant increase in profitability is a key priority.*

Since the company was founded in 1989, 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 uncompromising quality of the company's products and processes, targeted technological developments and innovation as well as cost efficiency and thereby competitiveness.

In the last years in particular, FACC has made massive investments in the expansion of its plant and production capacities as well as in the development of new products, i.e. assignments. Following the start of production, these projects are increasingly bearing fruits: rising production revenues are accompanied by considerably lower expenditures compared to the development and start-up phase. Thus, the company is finally reaping the benefits of multi-year investments in research & development and efficient production plants. At the same time, the company continues to devote concerted efforts to strengthening its role as leading development partner of the aviation industry.

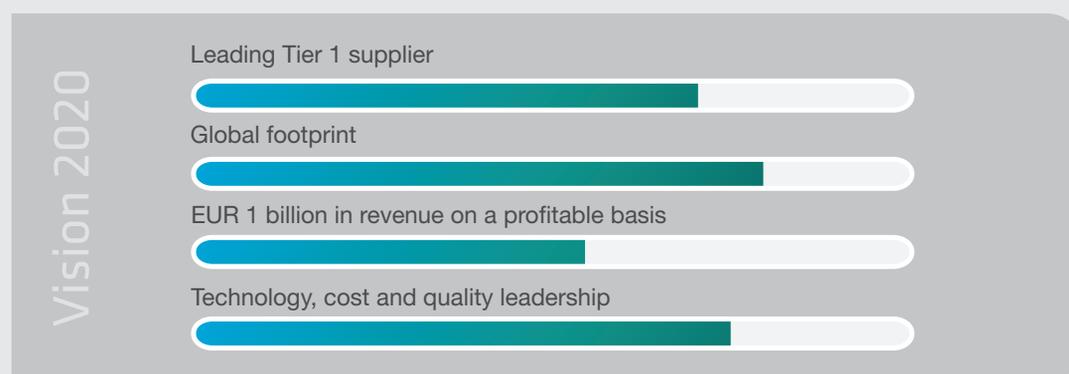
## SOLID BASIS: BROAD PORTFOLIO OF LONG-TERM PROJECTS



**AMBITIOUS GOALS: “VISION 2020”**

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, higher profitability and long-term growth with a revenue target of EUR 1 billion by financial year 2020/21
  - Technology, cost and quality leadership

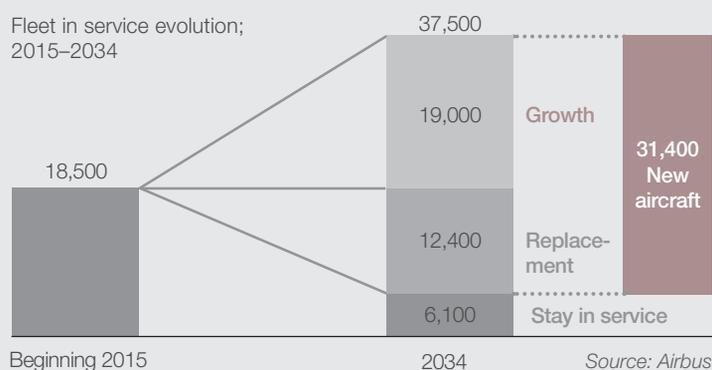


**MARKET ENVIRONMENT: GROWTH AND CHANGE**

Economic researchers expect passenger kilometres to grow at an annual average rate of 4.6 percent up to 2034. Besides, a number of additional growth drivers will contribute to boosting the industry in the years to come:

- According to the market analyses of the major aircraft manufacturers, passenger volumes will grow by 5 percent annually between 2015 and 2034.
- In 2015, the global fleet in service totalled 18,500 commercial aircraft. According to current estimates, it will grow to roughly 37,500 units by 2034.
- 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 aircraft will be required over the next 19 years.

**DEMAND FOR AROUND 31,400 NEW AIRCRAFT**



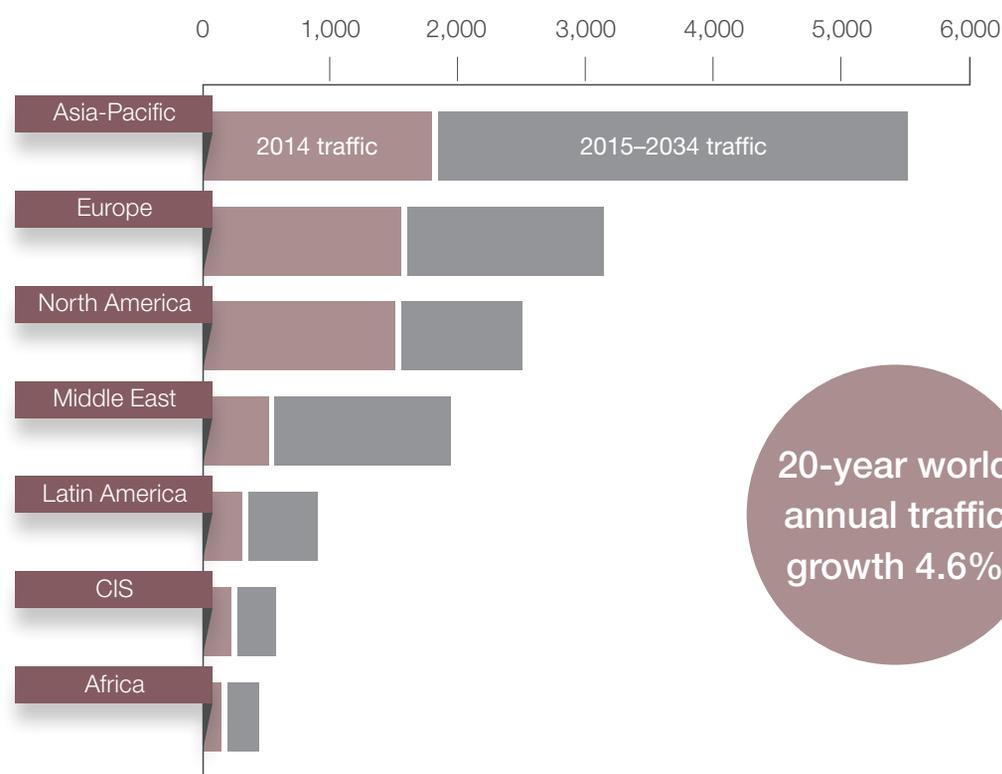
**WORLD FLEET FORECAST**

With a plus of up to 12 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. Based on a wide range of R&D activities, FACC is laying the foundations to concretely leverage the currently existing potential moving forward.

World fleet forecast	2014	2034
RPK (trillion)	6.2	15.2
Passenger aircraft fleet	17,354	37,500
New passenger aircraft deliveries		31,400
Dedicated freighters	1,633	2,687
New freighter aircraft deliveries		804

Source: Airbus/Boeing

**RPK TRAFFIC BY AIRLINE DOMICILE (BILLIONS)**



20-year world annual traffic growth 4.6%

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.

# EVER-RISING PROPORTION OF COMPOSITE STRUCTURES IN AIRCRAFT



AIRBUS A350 XWB



BOEING 787



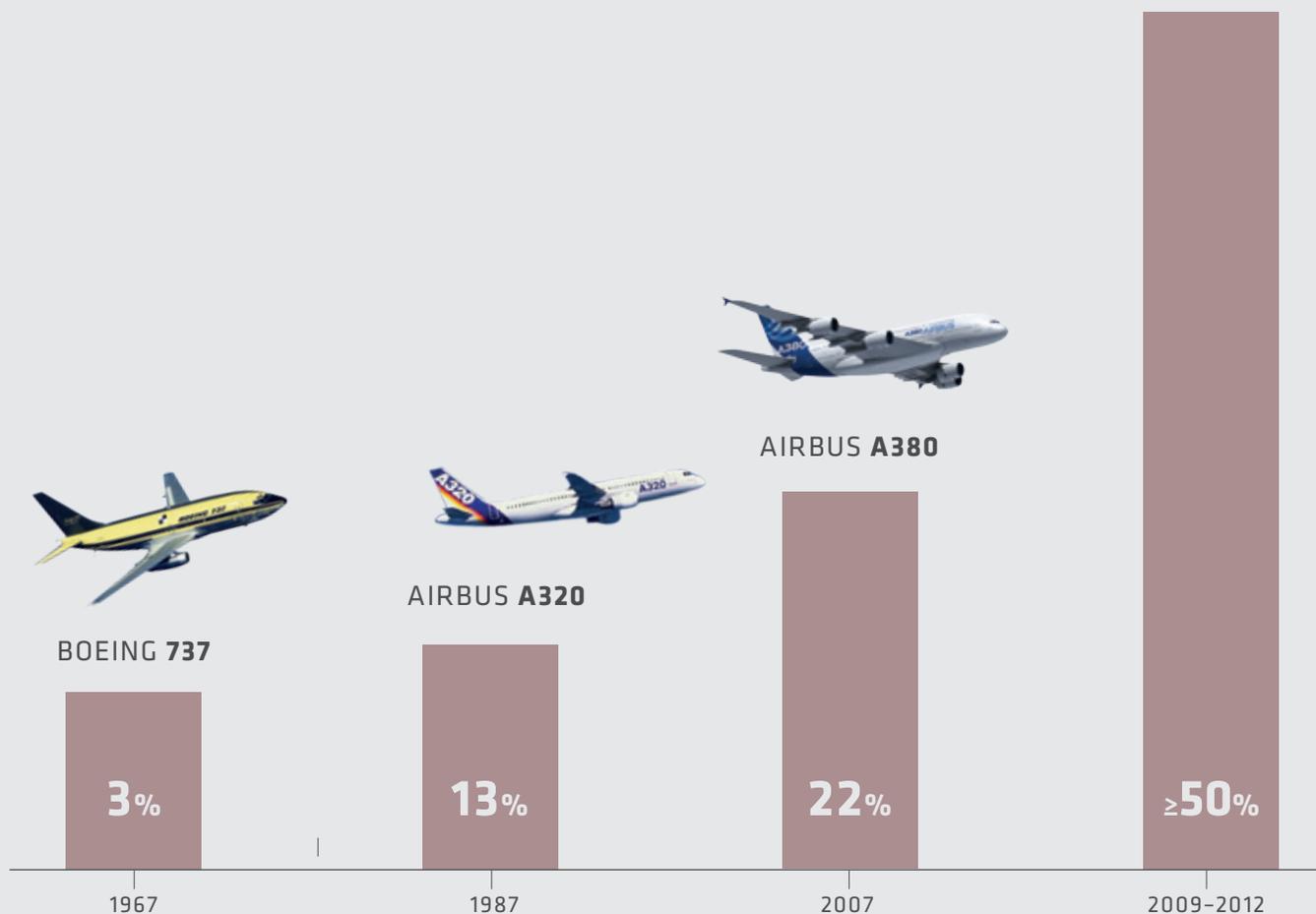
AIRBUS A380



BOEING 737



AIRBUS A320





## PROFITABLE GROWTH: SIX ELEMENTS, ONE STRATEGY

*FACC's strategy for future long-term success envisages six main elements, which will further consolidate the company's strong position moving forward. They support the two main objectives that FACC strives to achieve: growth and profitability.*



## INNOVATION & CUSTOMER CONVENIENCE

### 01. Ongoing development of the product portfolio

In order to further expand its current product portfolio, FACC is focusing on intensified innovation activities. The main thrusts include the further development of existing components as well as the development of new manufacturing technologies. This naturally requires the ongoing use of extensive research and development resources. At the same time, the company is keeping the option open of acquiring enterprises with related fields of activity.

### 02. Comprehensive solutions and increase in customer convenience

As a supplier of innovative, cost-effective and high-quality comprehensive solutions, FACC offers significant advantages to Original Equipment Manufacturers (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 tailor-made convenience and added value.

## EXPERTISE & STABILITY

### 03. Focus on three main segments

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

### 04. Profitability based on investments

A smart mix of investments into new technologies, infrastructure and efficiency-enhancing measures guarantees FACC's long-term competitiveness and earning power. 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.

## GROWTH & DIVERSIFICATION

### 05. Expansion of market share 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 shares.

### 06. 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 medium-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 vehicle manufacturing industry. FACC is monitoring these trends closely to leverage innovation emerging from non-aviation areas for FACC's core business. Synergies achieved in this way will be used to boost competitiveness and earning power.

# MORE COMFORT WITH LESS PHYSICAL EFFORT

*Thanks to its ability to offer innovative lightweight design solutions at competitive prices, FACC was once again awarded an exciting contract in the year under review. Since last year, FACC has been manufacturing new overhead stowage compartments (OHSC) developed specifically for Airbus – so-called pivoting OHSC – with 10 percent more stowage space and easier handling for both passengers and flight crew. This new generation of movable bins manufactured by FACC outperforms in terms of space utilisation and visual appearance.*

There are hardly any passengers who are aware of the great demands placed on aircraft overhead stowage compartments. For them, it is important that their luggage is securely stowed, that fresh air flows from the air-conditioning system and that the reading light allows them to lean back and read their newspapers or their books.

And yet, this small stowage represents a high-tech component that fulfils a wide range of functions and features when space is at a premium. From the passengers' perspective,

stowage capacity and easy handling are key, from the crew's perspective, security is king and from the airlines' perspective, it all comes down to weight, robustness and a design that can be integrated into existing aircraft models.

Movable bins manufactured by FACC have successfully fulfilled all these different requirements on board of the A380 aircraft since 2005. Within a timeframe of only two years, the FACC team in collaboration with Airbus engineers succeeded in developing a new generation of overhead compartments even for single-aisle aircraft. As



*Simple, comfortable and safe: FACC's new pOHSC generation of stowage offers a wide array of advantages.*

opposed to the fixed bins, which have been in service until now, these pivoting overhead stowage compartments (pOHSC) provide 10 percent more stowage volume.

#### **COMFORTABLE AND SAFE**

Unlike conventional fixed bins, movable bins are not equipped with a hinged door but with a movable chute, which descends when opened, making them easier to load and unload. In twin-aisle aircraft – such as the A350 XWB and A380 airliners – movable bins have been in use for quite a long time, while in narrow-body aircraft such as the A320, this system is not very common yet. Until now single-aisle aircraft have mainly been equipped with fixed bins due to a lack of space. Another disadvantage of movable bins to date was that they could only be operated with pure muscle power or mechanical power assistance.

With the new movable bins, engineers at FACC and Airbus succeeded in bringing a solution to series-production readiness that counters both disadvantages. On the one hand, leverage was optimised in order to considerably reduce the physical effort needed to close these compartments. At the same time, a material mix was selected for manufacturing the bins, which guarantees the same level of stability, while requiring less ribbing. This creates noticeably more space for luggage, reading lights, the fresh air supply and oxygen masks.

Mechanical elements were designed in such a way that the bins do not open independently even if they are subject to loads of up to nine times the gravitational force of the earth. Thus, passengers can stow their luggage into these new compartments not only easily but also safely.

#### **ATTRACTIVE AND PRACTICAL**

In addition to all these benefits, the new movable bins by FACC also look attractive. And this is a must as they represent a central optical design feature of passenger cabins and, together with the side and ceiling panels, determine the overall impression of aircraft interiors. Thanks to the movable chute, the cabin appears considerably larger. Besides, there is an additional advantage: the lowering mechanism helps the crew recognise at a glance whether luggage has been left in the compartment.

The new pOHSC system has been specifically designed for single-aisle aircraft such as the A320 airliner. Since November 2015, Airbus has been using the new movable bins as an alternative for the new aircraft models of the A320 family. However, they are also ideally suited as a retrofit option for existing jets.

### IN DEMAND FOR OVER 25 YEARS

The new series of movable bins represents only an interim highlight for a product group that FACC has been successfully producing for a quarter of a century. Shortly after its foundation, the company started producing the first overhead stowage compartments for one of the most successful and most manufactured civil aircraft series, the A320 family. As a follow-up programme to the first overhead bins, the enhanced cabin was brought onto the market more than ten years ago, which still focused on fixed bins as the norm. An estimated 5,000 airliners have been equipped with this enhancement since then.

Today, customers can choose between the enhanced cabin and the new pOHSC system for the A320 aircraft model. The latter has proved to be a success story. Since the introduction of the new movable bin system in November 2015, a total of seven airliners of the Airbus customer Delta Air Lines have been equipped with them. And more and more customers are following suit, opting for this new version with a ten percent higher stowage volume. For the next three years, FACC expects to equip a further 500 airliners with the new pOHSC system.

### DELIVERED ACROSS THE WORLD

Not only the new overhead compartments for the A320 aircraft family are produced by FACC. FACC has manufactured both fixed and movable bins for the A380 aircraft type since 2005. For the A350 XWB aircraft model, which has been produced since mid-2015, FACC has also fitted roughly 50 airliners with movable bins to date.

While the overhead compartments for the A320 aircraft family are delivered to Airbus directly from FACC's production plant, for the A350 XWB and the A380 aircraft types, FACC acts as a Tier 2 supplier. In this case, the components are first delivered to a Tier 1 supplier, who consequently assembles other additional components.

### INNOVATION AT THE TOUCH OF A BUTTON

But that's not all: FACC is already working on the next development for movable bins. Within the framework of a research-funding project, the FACC team developed a solution in less than a year, which not only further increases stowage volume but also reduces overhead compartments' weight.

Moving forward, FACC's fully automatic OneTouch bins will bring a 30 percent increase in the possible stowage volume combined with a weight reduction of 10 percent compared to conventional overhead compartments. OneTouch bins open and close at the touch of a button. They are not only lighter than previous systems, despite the motor and the controls, they are also easy to connect to the airframe of existing aircraft and adapt readily to the contours of the fuselage, which is conical in places.

A prototype of the OneTouch bin has already been successfully tested. Thus, FACC is in the starting blocks for future assignments and sees considerable potential for this solution. Even if the original concept was developed for small aircraft, it can be easily adapted to larger aircraft as well.

### QUALITY PREVAILS

Passengers are therefore likely to have the pleasure of encountering a bin manufactured by FACC, offering substantial stowage volume and ease of use, when stowing their luggage in future, too. Passenger cabins are usually completely refurbished and equipped with new modules every ten years. After all, aircraft interiors not only have to convey a modern impression but also need to be state-of-the-art from a functional perspective. Thus, passenger cabins will also offer attractive growth opportunities moving forward, as the company has already built a solid reputation in this area based on quality and continuity for quite some time. This is a win-win situation for all parties involved: the manufacturer, the airlines, the crew and, last but not least, the passengers, who can lean back and relax knowing that their luggage is safely stowed.

## THE HISTORY OF AN INNOVATION

# FROM THE IDEA TO THE PRODUCT

### 1. FACC OFFERS MORE

Before the first exemplars of the new movable bins for the A320 aircraft model could roll off the production line in FACC's Upper Austrian plant at Ort im Innkreis, the project underwent different phases, preceded by a complex bid process. FACC won the Airbus contract thanks to its in-depth expertise in lightweight design as well as its competitive component prices and production costs.



### 2. TEAMWORK DEVELOPMENT

Close collaboration between FACC's different divisions already played a central role during the development phase. All units, from statics, material and process technology, through to construction and design made their contribution, while ensuring that materials, processes, characteristics and design are perfectly coordinated for the new product.



### 3. SUBJECT TO THOROUGH SCRUTINY

A special highlight during each new development is the creation of a prototype, on which tests are carried out to verify whether components created on the computer can withstand real stresses. However, it is not only stress tests that are carried out on prototypes. The fulfilment of all customer requirements along with a number of criteria for receiving approval from the authorities are also subject to thorough scrutiny. Some of the parameters tested include fire resistance, structural safety and the absence of toxic gases in the event of fire. Ultimately, each component has to stand the test of time during the entire service life of an aircraft, which includes around 80,000 take-offs and landings.



1. For the A320 aircraft family, FACC manufactures roughly 70 overhead compartments a day. ■ 2. The new clocked flow assembly line consists of perfectly synchronised processing steps. ■ 3. The air outlet, which supplies the passenger cabin with fresh air, is positioned on top of the overhead compartments.

#### 4. READY FOR TAKE-OFF

If a prototype meets all expectations, production can start. The manufacturing tools needed for series production are then manufactured and brought into service, assembly equipment is put in place and a complex logistics concept implemented, which clearly defines what is delivered where, when and from whom. In a second step, a first sample is created, and once it has passed acceptance testing carried out by the customer, series production is given the go-ahead.

#### 5. MANUFACTURED AT MINUTE INTERVALS

25 to 30 overhead stowage compartments, each two metres in length, are installed in an A320 aircraft. Based on the current order situation, this means that FACC is required to deliver a total of 70 overhead compartments, including an increasing number of movable bins, on a daily basis. This high output rate is possible thanks to a clocked flow assembly line, where every single component goes through perfectly synchronised processing steps. Back in 2014, FACC started the conversion of the production process and the adaptation of both design and logistics to this far more efficient system. Today, every 20 minutes, a finished component rolls off the production line in the company's plant at Ort im Innkreis.

#### 6. A COMPLEX PRODUCTION CHAIN

The raw materials for the overhead compartments consist of a phenolic fibreglass fabric and honeycomb cores. In a first step, the raw materials are cut in the cleanroom and placed on precisely defined moulds, into which they are subsequently pressed. In the autoclave, a hermetically sealed pressure tank, the components are subsequently hardened under strictly controlled pressure and temperature conditions. In a further step, computer-controlled milling machines drill holes in the overhead bins in line with the corresponding configuration. On the assembly line, different add-on

components are then attached in many single processing steps.

#### 7. A WIDE RANGE OF CONFIGURATIONS PRODUCED IN SERIES

Due to extensive customer-specific adjustments, overhead compartments are manufactured in thousands of configurations. Thus, the company is able to supply each airline with an optimal solution. However, not only airlines have special requests, each single aircraft type and even each single part of the aircraft requires a specific configuration. The rear side of the overhead compartments, for instance, has to be adjusted in such a way as to allow space for the air-conditioning ducts, oxygen lines and cable brackets. This makes customising the bins extremely labour- and time-intensive.

#### 8. QUALITY GUARANTEED

Following seamless quality controls and functional reviews, components are packed and delivered in transport containers. Containers are loaded in the ideal sequence to match customers' subsequent processing steps. The bolts, which are needed for further assembly, are also included in the shipment. After the containers have been loaded, it takes only one day for the bins to reach customers' assembly lines.





5



6

4. Assembly of the last components. ■ 5. Thorough examination of the surface before the bins are delivered. ■ 6. The finished overhead compartments are ready for packing and shipment.



## 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 EUR 2.5 million in R&D activities in the 2015/16 financial year. The initiative includes the investigation of new composite materials, production technologies and methods of analysis as well as the development of airworthy prototypes and pilot series. 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 2015/16

In the 2015/16 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.

In the prototype development field, the company was able to set new standards in the area of winglets and engines. A radically

lightweight winglet for racing was developed and a fire-resistant bypass duct made of carbon fibre presented in the year under review. In both areas, FACC is spearheading technological developments, from racing to serial production.

With regard to the development of composite materials, FACC was able to create a prototype for a low-cost engine component, which halves production times thanks to the use of new materials and improved mechanical characteristics. The constant review and further development of materials are the basis for such successes.



Lightweight winglet for racing

In manufacturing, the company was able to successfully meet the challenges posed by high-volume production. A fully automated production line for high-volume production in the area of raw material production will be installed over the next business year. The launch of a new, high-precision robotic system for the pre-assembly of outboard flaps was started. In addition, an Industry 4.0 basic concept was developed with the aim of considerably improving production efficiency.

**AWARDS AND PATENT**

In the year under review, the company's successes in the R&D area translated into nine patent families. In this regard, new manufacturing methods for engine and interior components that improve fire resistance as well as new product developments in the area of spoilers, winglets and engine components are particularly worth mentioning.

**FUTURE PERSPECTIVES**

The research initiative started in the year under review will be continued in the years to come. A technology roadmap was agreed with the main customers, as was well a semi-annual technology summit. Both are aimed at bringing FACC's research approach in line with market requirements. The focus of developments currently lies on production methods for improved process stability and the reduction of production costs.

# AWARD-WINNING PERFORMANCE!

## *Innovation awards*

**USABIZAWARD**

In February 2015, FACC received the "USABizAward", 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.

**STANDORT CORONA**

The fact that FACC, thanks to its role as growth engine for the entire Upper Austrian region, bears great social responsibility was honoured with the "Standort-Corona" award in silver in March 2016. The "Standort-Corona" is awarded by the Upper Austrian Industrial Federation to companies that are able to preserve jobs or create new ones over a three-year period. This award is well-deserved, as demonstrated by the figures: between 2013 and 2015, the company invested a total of EUR 220 million in the expansion of the Upper Austrian sites, while taking on board 500 new employees and apprentices. The technology centre at the St. Martin site which was launched in 2013 serves as a hub of FACC's worldwide development activities, offering attractive opportunities to employees in Upper Austria also in the future.



# EXPERTISE AT A PREMIUM

*It's no surprise that vocational training and further education is at a premium at FACC. After all, technologies are developing constantly – and as a consequence so are the demands made not just on products and solutions, but also on the workforce. With its further education initiatives FACC safeguards know-how and long-term success.*

But there is much more at stake than just keeping employees abreast with the latest technology. FACC is the biggest employer in the Innviertel and is always on the look-out for the brightest minds in the region – and beyond – but it also faces stiff competition. The company therefore offers its employees a wide range of personal and professional development opportunities and as a result has earned an international reputation as an attractive employer. Technology and business prizes, remarkable careers within the company, an international workforce and FACC's business success prove that the Group is on the right track with its human resources strategy.

## FACC AS A JOB MOTOR

By the same token, FACC also plays an important role on the Upper Austrian labour market. Between February 2014 and 2016 the company created 361 new jobs, the majority of them in production. And the expansion is continuing: Thanks to healthy order books FACC expects to hire a further 200 employees by 2017 to support the production process. FACC is thus a real job engine for the region. In Austria alone, the company currently employs 2,750 people. These include almost 50 highly committed apprentices, who are offered a wide range

of attractive opportunities in the FACC Future Team.

## FROM APPRENTICE TO EXPERT

People who start at the bottom at the Upper Austrian aviation supplier can climb to the very top of the career ladder. FACC offers young dedicated talents highly specialised training in composites technology or machining, design and information technology. Already during their training, apprentices at the company have the very latest technologies and equipment at their disposal. With an innovative spirit and dedication this gives them the opportunity to develop into the experts of the future at FACC.

## A WORTHWHILE INVESTMENT

The high quality of training at FACC is proved by the excellent results achieved by the company's apprentices in 2015 in the apprentice competition of the Upper Austrian Chamber of Commerce for commercial and technical professions. From among 736 apprentices from 91 Upper Austrian companies, including voestalpine and Lenzing, members of the FACC Future Team took top places in the categories "Plastics Technology", "Design/Toolmaking" and "Women in Engineering".



High technology fascination: FACC offers young talents sound vocational training in one of the most state-of-the-art production plants of the country.



Learning from one another forms a basic pillar of apprentice training at FACC.



In order to increase the number of women employed at the company, every year FACC organises the "Girls' Day", allowing young girls to test their technical skills.

The yearly FACC apprentices' charity project was also crowned with success in 2015. In 1,300 hours the apprentices designed and manufactured a bar made of carbon that was raffled among FACC staff. The proceeds amounting to EUR 4,500 were donated to the Innviertel child protection centre, which has been helping child victims of abuse and violence for 15 years.

**STATE AWARD**

But it was not just the apprentices who put in an award-winning performance. In October 2014, FACC itself also received recognition for outstanding performance when the Federal Ministry of Science, Research and Economics awarded the company its State Approved Training Company certificate. This award is given to companies for excellence in the field of apprentice training.

**FACC GOES FURTHER**

Even after they have successfully completed an apprenticeship, training is far from over for young people working at FACC. In keeping with the principle of lifelong learning, FACC offers young workers who have completed their apprenticeship further vocational training and educational opportunities. There are some 90 training programmes ranging from the basics of fibre composite technology to project management, language courses and development programmes for managers. In addition to in-house training programmes offered within the framework of the FACC Academy, there is also a wide range of external courses. Collaboration partners here last year included the Vienna University of Technology and the Joanneum University of Applied Sciences, where two members of FACC staff teach on the aviation course. FACC has cultivated relationships with external education institutions for years, both for the purpose of training existing employees and recruiting future workers. Close cooperation with the scientific community is extremely important for a company in which research and development plays such a crucial role but also with regard to innovation.



*Successfully completed: the Six Sigma training programme is only one of the numerous further education initiatives offered to employees at FACC.*

With a total of 664 training programmes attended by 7,900 employees, the FACC Academy registered a record number of participants in the previous business year. These figures underline the high level of commitment on the part of FACC employees to further training. The company places a particular focus on targeted leadership development. It therefore set up the FACC Management Academy, at which managers complete a programme comprising the modules Leadership Basic and Leadership Advanced.

Excellently trained employees also deliver excellent performance, something which FACC explicitly recognises – for example with the FACC Leonardo Award, which was introduced in 2014 for outstanding team achievements. In the first year, the award was given to the team A320 Synchronized Assembly Line, one of 32 projects that were submitted and which impressed the judges with its new assembly line. In 2015, the Leonardo went to the Aerostructures Productivity team, which had developed a best practise tool for monitoring and controlling key production indicators.

#### **TRAINING AT THE TOUCH OF A BUTTON**

FACC leaves nothing to chance where vocational training and further education are concerned. It defines in advance which training programmes are to be completed by which employees within a given timeframe according to

the needs of the company. The in-house training programme comprises more than 90 specialist training courses conducted by 40 internal trainers. Further training carried out by external trainers – such as the Six Sigma programme – as well as a large number of language courses and intercultural training courses round off the offering of the FACC Academy. Based on internal expertise and the extensive training experience of the FACC training centre a modular training concept has been developed.

To make the most of employees' limited time, FACC will in future also offer selected training programmes in an e-learning format. In future, employees will be able to complete training modules at their workstations via the SAP system. In this way both new and current members of staff will be able to grow into their future roles at the company.

#### **KEEPING A BALANCE**

Reconciling family life and work obligations often presents major challenges for employees with children. FACC helps its staff overcome these obstacles by implementing flexible working time and home office models. Last summer, in cooperation with the municipal kindergarten in St. Martin im Innkreis the company organised childcare places for employees' children during the summer period, when kindergartens in the surrounding area are normally closed. The summer kindergarten project proved so successful that it will be offered again this summer and on a regular basis in future.

## EMPLOYER BRANDING

With employees from 37 nations, FACC boasts a formidably international team. Innovative technology in administration and production, excellent opportunities for advancement and the international environment make FACC an attractive employer.

With its extensive activities in the area of human resources FACC not only seeks to retain its existing staff but also to attract new top talents. Thus, FACC has for many years sought to cultivate strong relationships with the universities of applied sciences, secondary colleges for business administration and technical colleges in the surrounding area. Together with other regional industrial companies, FACC recently initiated a new Bachelor programme at the University of Applied Sciences Upper Austria in Wels, which will begin in autumn 2016 (further information on page 10). At the technical college in Ried, the company also supports a class with lectures and job application training.

The trend towards more “women in technology” is demonstrated by the yearly keen participation in Girls’ Day at FACC, at which young women can get a taste of work in the production process. After all, women now account for almost half FACC apprentices. And the company looks forward to getting even more women interested in the world of technology in future.

FACC is always on the ball for and with its employees and is actively preparing for the challenges of the future. For a location in the heart of Europe in particular, people with their know-how, experience and dedication are the most valuable resource for long-term value creation and business success.



Vivien Lingel has been the team leader of the Material & Process Engineering department at FACC’s location in St. Martin im Innkreis since 2012. Actually, the 35-year-old comes from Verden in Germany, not far from Bremen. She left her home to pursue a career at FACC, but today she feels pretty much at home in Upper Austria.

*Today you are the team leader in the Material & Process Engineering department in St. Martin im Innkreis. What is it in particular that interests you about this job?*

First of all, the work field itself. In our area, we work very close to the origins of what our business is based on. It is in our department that the prerequisites for products and manufacturing solutions are defined and we also prepare and carry out their implementation in production. On the other hand, I love working with people and I can use my social skills in my team.

*You are a woman working in a male-dominated industry. How do you and your staff deal with that?*

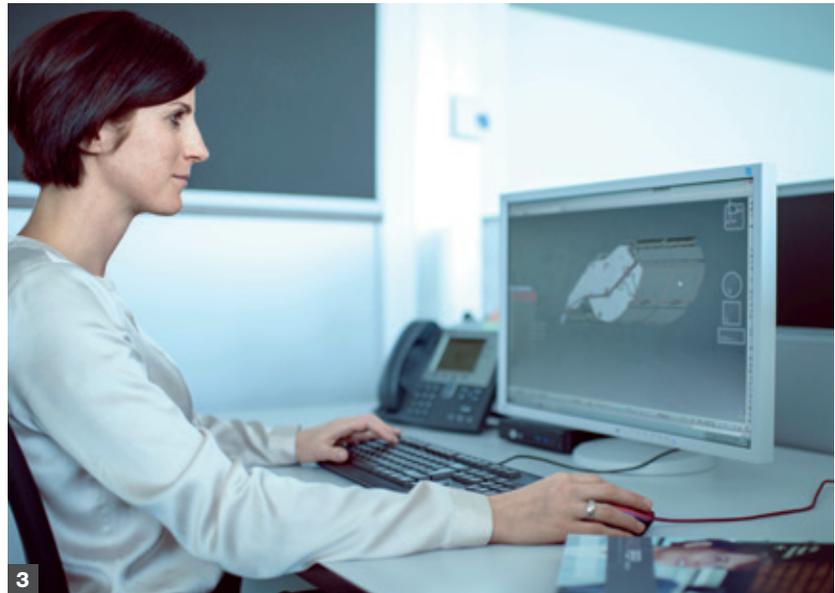
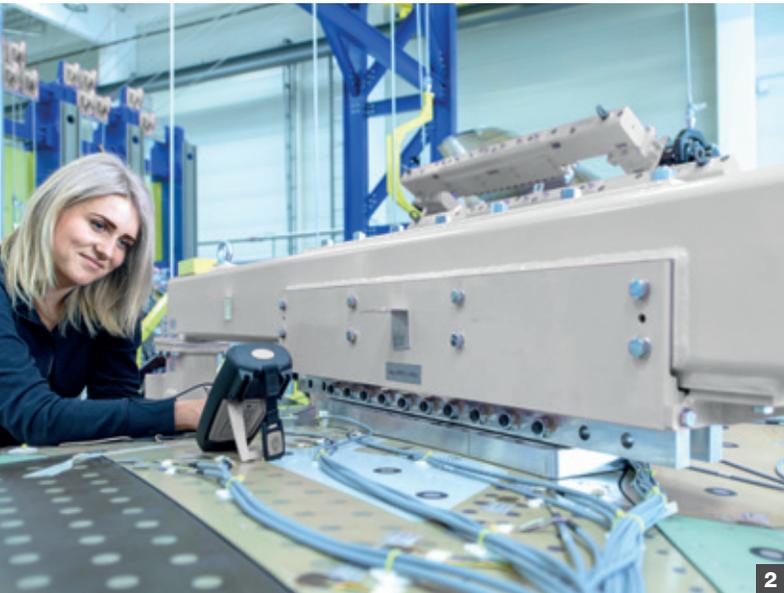
Although what you say is basically correct, this difference doesn’t play a major role at FACC. Women now account for almost 30 percent of the workforce at our company. Both development and production are largely automated and so physical strength scarcely plays a role here. The “little grey cells” are what counts and of course in that respect we’re every bit as good as our male colleagues.

*What do you appreciate about your profession and about FACC as a company?*

I find the industry very exciting in itself because high tech has always interested me. At FACC, I particularly appreciate the team spirit within the company. When I face a task, I like to consult my colleagues and co-workers, often from other locations as well. In this way, I have already built up a good network within the company.

# PASSION AND DEDICATION

*The passion and motivation of the company's employees play an essential role for FACC's corporate success. To this end, the company has put in place a comprehensive set of measures to maintain a very high level of skills in the workforce and elevate the spirit.*





6



7



8



9



10

- 1) A320 clocked flow assembly line: Eva Schasching
- 2) Winglet testing: Bettina Iglseder
- 3) Engineering: Elisabeth Höller
- 4) Reception: Sylvia Kettl
- 5) Meeting: Victoria Gadermayr, Alexander Wiesner, Margit Fuchs, Sven Maushammer and Gerald Lindlbauer (from left to right)
- 6) Assembly of translating sleeves: Thomas Maier
- 7) Assembly of A350 XWB winglet: Alois Weishäupl
- 8) Tape layer, cleanroom: Mario Stjepanovic
- 9) Apprentice and trainer: Tamara Poschauko and Stefan Schuller
- 10) Programme management: Lukas Herzele, Alejandro Pena Ramos and Thomas Kraus (from left to right)

ENERGY MANAGEMENT

# OPTIMAL USE OF ENERGY

*Since FACC was founded in 1989, the development of the company has been marked by continued growth, which significantly gathered momentum between 2011 and 2015. 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 increased at an annual rate of 10 percent between 2010 and 2014, and by 6.7 percent in 2015. These are peak values, which have 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.

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.

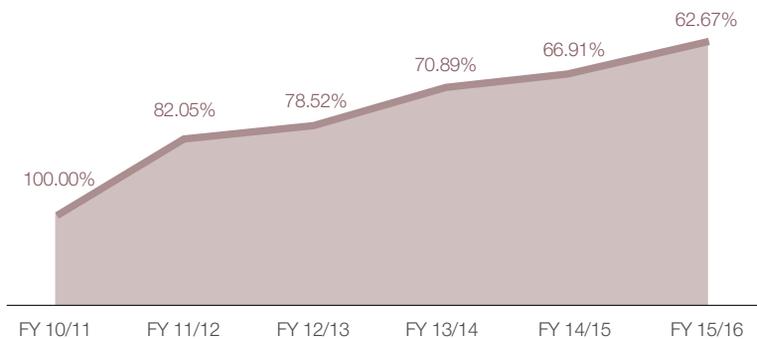
By investing in energy efficiency, FACC is not only committed to achieving a higher level of sustainability in environmental protection, against the backdrop of rising energy prices over the long term, the efficient use of energy has also become indispensable in economic terms, thus laying the foundations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

**ENERGY STRATEGY:  
UPDATE 2015**

In addition to an optimised, sustainable energy purchasing strategy, the use of control technology and the central monitoring of building technology, FACC is focusing on consistent energy monitoring across all of the company's production plants. The recovery of waste heat from ongoing production processes plays a crucial role in this regard.

Energy efficiency measures, which were documented by the monitoring centre, led to annual energy savings of 2.6 million kilowatt hours. Along with additional measures in the area of energy monitoring and system optimization, FACC was able to increase its energy efficiency by an impressive 6.7 percent.

**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 MANAGEMENT

# WASTE AVOIDANCE IS A TOP PRIORITY

*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 regarding its recyclability 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 12 percent, in 2015 almost 49 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 raw material to a great extent.

The proportion of waste material that can only be thermally recycled was reduced from roughly 80 percent in the financial year 2010/11 to approximately 51 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 9 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.

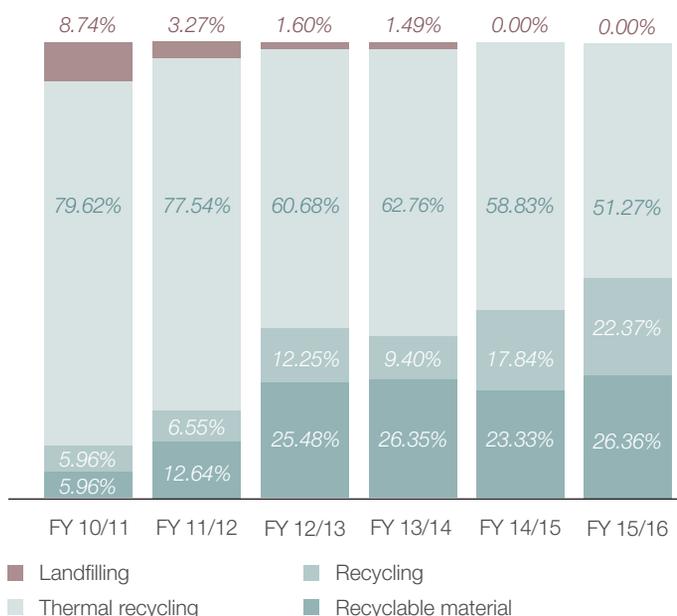
This not only brings about considerable advantages for the environment but also a reduction in disposal costs of approximately 50 percent.

Further cost savings should be achieved moving forward via the in-house recycling of solvents. In 2014, a corresponding pilot project was launched, which in the meantime has been extensively tested. A recycling project for composite materials is also in the preparation phase. Numerous options in terms of economic feasibility are currently subject to thorough scrutiny. And last but not least, end-of-life mobile phones are being donated to charitable institutions.

### WASTE MANAGEMENT STRATEGY: UPDATE 2015

FACC's overriding principle governing waste management is the motto "waste avoidance before waste recycling". The company seeks to keep waste quantities and the harmful substances contained therein to a minimum. All waste fractions are examined to check their potential reusability as by-product. As a result, thanks to the use of grit waste material for the production of cement, this waste no longer has to go to landfills. In addition, FACC was able to increase the proportion of reusable and recyclable waste to 48.73 percent in 2015.

### WASTE MATERIAL BREAKDOWN



At present, a large part of waste material at FACC is recycled or recovered.

# SHARE & INVESTOR RELATIONS

## PERFORMANCE OF STOCK MARKET

In 2015, the European Central Bank's monetary policy, in particular, prompted a pick-up in market activity. The ECB's bond-buying programme pumped fresh money into the markets, driving stock markets to new highs in some cases. In addition, the weak euro and persistently low oil prices gave a substantial boost to corporate revenues, especially those of export-oriented companies. In 2014, the DAX exceeded the 10,000-point mark for the first time; 2015 saw another record, with the DAX topping 12,000 points in April for the first time.

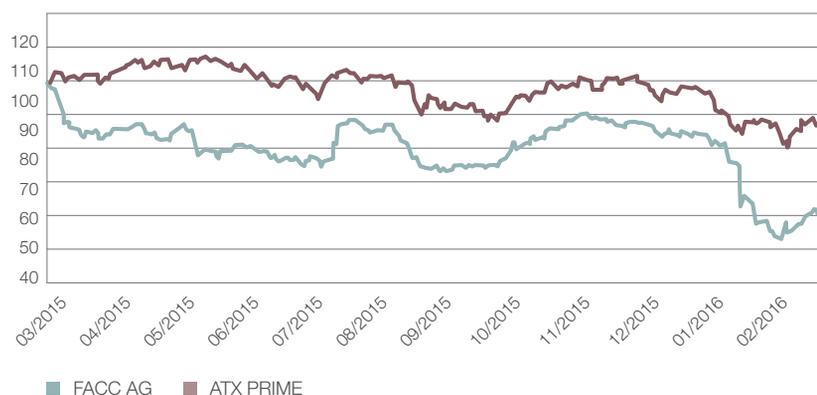
However, this momentum was lost in the second half of the year and the market became considerably more volatile. Nevertheless, weakening economic growth in China, for instance, did not produce the strong negative effects that had been feared. The DAX closed the year on 10,743 points. The Stoxx Europe TMI Aerospace & Defense Index, which includes the stocks of Airbus Group, Safran and Rolls-Royce, rose by 14% in 2015.

In an extremely tense environment, the Vienna Stock Exchange can look back on a solid year in 2015. The ATX, the Austrian leading index, gained 10%, and the upward trend in equities traded continued for the second year in a row. In 2015, trading volumes exceeded the previous year's level by 24%. The outlook for stocks for the current year remains also positive. The ECB's monetary policy incentives together with the favourable euro-dollar exchange rate and the optimistic economic outlook in the view of the analysts should generate continuing tailwinds for Austrian shares throughout 2016.

## 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

## THE FACC SHARE



In the 2015/16 business year, the performance of the FACC share was adversely affected by the generally weak market environment of the aerospace industry and the negative news flow from individual competitors. Unlike them, FACC was able to steadily improve its earnings situation in the course of the year, which was largely reflected in a solid share price performance.

At the end of the business year under review, however, the share price suffered a sharp fall in connection with the cyber fraud, which was discovered on 19 January 2016 and immediately communicated to the general public.

Based on a closing price of EUR 5.23 as of the end of February 2016, the company's share price fell by a total of 38.4% in the course of the 2015/16 financial year.

## TRADING VOLUME

The average daily trading volume of FACC shares in the year under review (double counting excluding OTC) amounted to 93,503 shares. At the end of the 2015/16 financial year, market capitalisation totalled EUR 239.3 million.

## KEY SHARE DATA

		2014/15	2015/16
Trading volume	shares	29,312,752	<b>23,188,628</b>
Average daily trading volume	shares	172,428	<b>93,503</b>
Highest closing price over the year	EUR	9.55	<b>8.49</b>
Lowest closing price over the year	EUR	6.35	<b>4.50</b>
Closing price on the last trading day in February	EUR	8.50	<b>5.23</b>
Annual share price performance	%	-10.50	<b>-38.40</b>
Market capitalisation on the last trading day in February	EUR million	389.22	<b>239.30</b>

## INVESTOR RELATIONS

The open information exchange with all players of the capital market is a key element of IR work at FACC and was further intensified over the past year.

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 150 analysts and investors.

## EXTENSIVE ANALYSTS' COVERAGE

In the 2015/16 financial year, five financial institutions published analyses of the FACC share at regular intervals:

Erste Group

J.P. Morgan Cazenove

Morgan Stanley

UBS

RCB

## SHAREHOLDER STRUCTURE AND SHARE CAPITAL

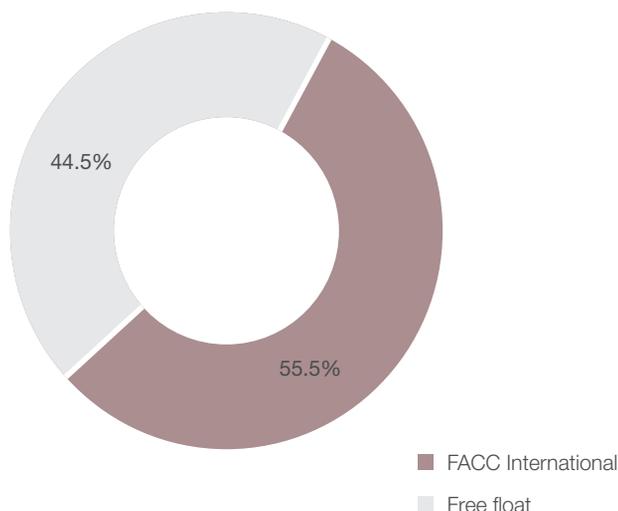
FACC AG's share capital amounts to EUR 45,790,000 and is divided into 45,790,000 shares. The Aviation Industry Corporation of China (AVIC) holds 55.5% of voting rights in FACC AG via FACC International. The remaining 44.5% of shares represent free float and are held by both international and Austrian investors.

FACC AG did not hold any treasury shares as of the balance sheet date on February 29, 2016.

On 21 July 2015, FACC AG was informed by means of a voting rights notification that ERSTE Asset Management GmbH as well as its subsidiaries RINGTURM Kapitalanlagenges.m.b.H and ERSTE SPARINVEST Kapitalanlagenges.m.b.H. had jointly fallen below the voting rights threshold of 5%.

On 16 December 2015, FACC AG was informed by means of a voting rights notification that ERSTE Asset Management GmbH as well as its subsidiaries RINGTURM Kapitalanlagenges.m.b.H and ERSTE SPARINVEST Kapitalanlagenges.m.b.H. had jointly fallen below the voting rights threshold of 4%.

## SHAREHOLDER STRUCTURE



## DIVIDEND POLICY

In future, FACC intends to distribute its dividends, which are expected to be within a range of 20–30% of Group profit after taxes pursuant to IFRS.

In view of the company's weak earnings situation, the Management Board will propose to the Annual General Meeting that no dividend is paid for the 2015/16 financial year.

## CONTACT DETAILS

Manuel TAVERNE

Director Investor Relations

Telephone +43 59 616 2819

Mobile +43/664/80119 2819

E-mail m.taverne@facc.com

## FINANCIAL CALENDAR 2016/17

May 25, 2016	publication of the annual financial report and of the annual report 2015/16
July 13, 2016	quarterly financial report Q1 2016/17
July 15, 2016	ordinary Annual General Meeting
October 20, 2016	semi-annual financial report 2016/17
January 24, 2017	quarterly financial report Q3 2016/17

# 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 (ACCG) 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 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 Corpo-

rate 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 of the 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

**Robert Machtlinger**  
Member of the  
Management Board

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

Chairman of the Management Board

First appointed: 2014

Current mandate expires: 2019

Areas of responsibility: Sales & Marketing, Distribution, Research & 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 (1967)**

Member of the Management Board

First appointed: 2014

Current mandate expires: 2019

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

Supervisory Board mandates in other companies: none

Members of the Management Board who resigned from the Board in the 2015/16 financial year:

**Minfen GU (1965)**

Member of the Management Board

First appointed: 2014

The Supervisory Board revoked the appointment of Minfen Gu to the Management Board of FACC AG as of 2 February 2016.

**Supervisory Board****Ruguang GENG (1957)**

Chairman since 2009

First appointed: 2014

Current mandate expires: Annual General Meeting resolving upon the 2017/18 financial year

Supervisory Board mandates in other companies: none

**Jun TANG (1960)**

Vice Chairman since 2011

First appointed: 2014

Current mandate expires: Annual General Meeting resolving upon the 2017/18 financial year

Supervisory Board mandates in other companies: none

**Yongsheng WANG (1963)**

First appointed: 2014

Current mandate expires: Annual General Meeting resolving upon the 2017/18 financial year

Supervisory Board mandates in other companies: none

By a resolution of 2 February 2016, the Supervisory Board delegated Yongsheng Wang as a member of the Management Board to perform a support function until 30 November 2016 pursuant to Section 90 para. 2 of the Austrian Stock Corporation Act. After this period Yongsheng Wang will be a member of the Supervisory Board again.

**Yanzheng LEI (1965)**

First appointed: 2014

Current mandate expires: Annual General Meeting resolving upon the 2017/18 financial year

Supervisory Board mandates in other companies: none

**Weixi GONG (1962)**

First appointed: 2014

Current mandate expires: Annual General Meeting resolving upon the 2017/18 financial year

Supervisory Board mandates in other companies: none

**Xuejun WANG (1972)**

First appointed: 2014

Current mandate expires: Annual General Meeting resolving upon the 2017/18 financial year

Supervisory Board mandates in other companies: none

**Chunsheng YANG (1955)**

First appointed: 2014

Current mandate expires: Annual General Meeting resolving upon the 2017/18 financial year

Supervisory Board mandates in other companies: none

**Gregory B. PETERS (1947)**

First appointed: 2014

Current mandate expires: Annual General Meeting resolving upon the 2017/18 financial year

Supervisory Board mandates in other companies: none

**Supervisory Board members designated by the Works Council****Barbara HUBER (1965)**

First appointed: 2014

**Birol MUTLU (1981)**

First appointed: 2015

**Peter KROHE (1959)**

First appointed: 2014

**Ulrike REITER (1960)**

First appointed: 2014

Members of the Supervisory Board who resigned from the Board in the 2015/16 financial year:

Johann REDHAMMER (1985), a member of the Supervisory Board designated by the Works Council, resigned from the Supervisory Board in the 2015/16 financial year.

The FACC International Company Limited has not made use of its right in accordance with Section 11.2 of the Articles of Association of FACC AG to appoint up to one third of all Supervisory Board members, as long as it owns at least 25% of the share capital.

The eight shareholder representatives, currently serving on the Supervisory Board, were elected in the Annual General Meeting of 23 June 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 (Rule 53 of the ACCG).

Gregory B. Peters and Weixi Gong are the members of the Supervisory Board, who do not represent the interests of shareholders with an equity interest of more than 10% (Rule 54 of the ACCG).

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

During the 2015/16 financial year, the Supervisory Board of FACC AG fulfilled its responsibilities under the law and the Articles of Association, holding four ordinary sessions, and two extraordinary meetings. In addition to ongoing reports on the current economic and financial situation of FACC AG, the ordinary meetings dealt in particular with issues relating to corporate strategic development.

The Audit Committee held two ordinary meetings and one extraordinary meeting and 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 2015/16 financial year, the effectiveness and smooth functioning of both the internal control system and risk management as well as with specific accounting matters.

The Personnel and Remuneration Committee met three times in the 2015/16 financial year for the evaluation and discussion of a new remuneration system for executives.

The Strategic Committee held three meetings dealing with corporate strategy and the monitoring of company-specific key performance indicators.

In connection with the "Fake President Incident", two extraordinary Supervisory Board meetings and one extraordinary Audit Committee meeting were held in the 2015/16 financial year. Since these meetings were convened at short notice, they were held in the form of a telephone or video-conference and served primarily to collect information on the status of corresponding forensic investigations as well as resolving upon the necessary authorisations needed for further investigations. The Supervisory Board was therefore kept abreast about the current status of the forensic investigations and the situation of the company.

## 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 2015/16 financial year, variable remuneration components accounted for 0% of total remuneration of the members of the Management Board.

Remuneration of the active members of the FACC AG's Management Board in the 2015/16 financial year:

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 TEUR 16 in the 2015/16 financial year (2014/15: TEUR 11).

TEUR	Fixed	Variable	Total
Walter STEPHAN	401	0	401
Robert MACHTLINGER	326	0	326
Minfen GU <sup>1</sup>	275	0	275

<sup>1</sup> retired from the Management Board as of 2 February 2016

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 EUR 170,000.

No stock option programme has been set up for members of the Management Board or for the company's executives.

Following the early termination of the Management Board's contracts by the Supervisory Board, members will have certain entitlements with regard to basic salaries. Upon scheduled termination of a contract, Management Board members are entitled to severance payments depending on the length of their service and in accordance with statutory regulations.

### Remuneration of the Supervisory Board

Total remuneration for the members of the Supervisory Board for the 2014/15 financial year, which was approved by the Annual General Meeting held on 15 June 2015, amounted to EUR 114,720 and was distributed as follows:

- for the Chairman of the Supervisory Board: 10,000 EUR
- for the Vice Chairman of the Supervisory Board: 8,800 EUR
- for independent members of the Supervisory Board: 15,100 EUR
- for members of the Supervisory Board: 7,600 EUR
- for Yongsheng Wang: 17,600 EUR

### SUPERVISORY BOARD COMMITTEES IN THE 2015/16 FINANCIAL YEAR

#### 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 2015/16 financial year, the Audit Committee met three times.

#### Members

- Yanzheng LEI (Chairman)
- Yongsheng WANG (financial expert)<sup>1</sup>
- 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 2015/16 financial year, this Committee met three times.

#### Members

- Ruguang GENG (Chairman)
- Jun TANG
- Yanzheng LEI
- Yongsheng WANG<sup>1</sup>
- 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.

Three meetings of the Strategy Committee were held in the 2015/16 financial year.

#### Members

- Jun TANG (Chairman)
- Yanzheng LEI
- Yongsheng WANG<sup>1</sup>
- 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 decreased from 38.3% to 22% in the 2015/16 financial year. The percentage of female apprentices remained almost constant at 35% 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.

### DIRECTORS' DEALINGS

In the 2015/16 financial year, a total of six share trading transactions concluded by individuals of FACC AG subject to reporting obligations were published on the website of the Financial Market Authority (FMA).

<sup>1</sup> By a resolution of 2 February 2016, the Supervisory Board delegated Yongsheng Wang as a member of the Management Board to perform a support function until 30 November 2016 pursuant to Section 90 para. 2 of the Austrian Stock Corporation Act. After this period Yongsheng Wang will be a member of the Supervisory Board again.

Group Management Report	page 45
Consolidated Statement of Financial Position	page 53
Consolidated Statement of Comprehensive Income	page 54
Consolidated Statement of Cash Flows	page 55
Consolidated Statement of Changes in Equity	page 56
Notes to the Consolidated Financial Statements	page 58
Statement of All Legal Representatives	page 100
Auditor's Report	page 100

# facc Financial Report 2015/16

# Group Management Report of the FACC Group for the 2015/2016 Financial Year

## 1. MACRO-ECONOMIC CONDITIONS

As in the previous year, the global economy recorded a growth of 2.4% in 2015, with the overall economic performance differing from region to region. Global economic growth in 2015 was driven more by industrialised countries than by emerging economies. In China, the world's second-largest economy, economic changes led to falling imports and weaker demand for raw materials. Economic growth slowed in 2015 and, at 6.9%, dipped below the 7% mark for the first time, also impacting other emerging markets.

Conversely, the US economy grew at the same rate as in the previous year, thanks to persistent private consumption and rising public expenditure and investments generating growth of 2.4% in 2015.

Growth began picking up again in the eurozone as well, with the economy expanding by 1.5% compared with 0.9% in 2014. This trend was favoured by low oil prices, the European Central Bank's expansionary monetary policy and the decline of the euro against other currencies, notably the dollar.

The downward trend in commodity prices is reflected in the price trend for crude oil. The combined effect of persistently high production volumes and lower economic growth in the emerging markets was to push down oil prices, at times quite dramatically, with the price of a barrel of Brent crude averaging USD 52 in the year under review.

(Source: EIA, January 2016)

### 1.1. INDUSTRY-SPECIFIC CONDITIONS IN THE AVIATION INDUSTRY

Thanks to rising passenger numbers and low fuel costs, 2015 is regarded as a very good year for the aviation industry. Global passenger traffic increased by 6.5% and freight traffic by 2.2%. The three most important regions for passenger traffic all performed well, with passenger traffic growing by 8.2% in Asia, 5.0% in Europe, and 3.2% in North America (source: IATA, February 2016).

Rising passenger numbers are prompting airlines to expand their fleets, with the global fleet growing by 4.5% in 2015 (source: Ascend) and the number of flying hours increasing by 6.6% (2014: 6.8%).

According to IATA, the international aviation industry showed record profits in 2015, thanks to lower kerosene prices and an improved utilisation rate of almost 80%. Towards the end of the year, the airlines could reckon with revenues of USD 710 billion, with profits amounting to USD 33 billion. This corresponds to a doubling of their profit margin to 4.6% (source: IATA, December 2015).

Airbus and Boeing delivered a total of 1,397 aircraft in 2015 compared with 1,350 in the previous year. This equates to a rise of 3.5%. The order backlog for aircraft seating 100 or more passengers rose from 12,800 in 2014 to 13,400 at year-end 2015 (source: Ascend Online). Assuming unchanged production rates, this corresponds to a workload of nine years.

Data from recent years as well as key figures in 2015 underpin the continued positive development of the aviation industry in general. From today's perspective, the global aviation market should continue to develop in a positive manner also moving forward. These estimates are based on the following general growth trends:

- According to the market analyses 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 April 2016) will grow to roughly 37,500 units by 2033.
- 12,400 airliners from the existing fleets 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, the main growth markets in the aviation industry will continue to be the Asia/Pacific markets (+6.3% p.a.), China (+6.6% p.a.) and the Middle East (+7.4% p.a.). On the one hand, this growth will be mainly achieved through annual increases in GDP in the markets mentioned above, and on the other, demand from the local population for air travel will show strong growth, with these economic areas thus accounting for more than 50% of total future demand for new aircraft.

465 business jets were delivered in the first nine months of 2015, up 1.3% on the same period of the previous year (source: GAMA, October 2015).

### 1.2. OVERALL ASSESSMENT OF THE BUSINESS ENVIRONMENT

As in 2014, the global economy grew by 2.4% in the year under review, with growth being increasingly driven by industrialised countries rather than emerging economies.

In the opinion of the International Monetary Fund (IMF), dramatically lower commodity prices represent one of the biggest risks to the global economy. Although countries like Germany are benefiting from these lower prices, from a global perspective, however, there are numerous countries that are on the losing end – especially energy exporters such as Canada and Norway.

The aviation industry has been on a growth path for some years now and is growing faster than the global economy. Global passenger traffic increased by 6.5% in 2015 – the sixth year in succession, in which the growth rate has exceeded 5%. Therefore, from today's perspective, the long-term growth forecasts for the aviation industry of 5% per year on average also seem realistic for the future.

## 2. DEVELOPMENT OF THE FACC GROUP

In the 2015/16 financial year, the FACC Group generated revenues of EUR 587.5 million. This means an increase of EUR 58.6 million or 11.1% compared to the previous year. Product revenues increased by 11.6% to EUR 525.9 million.

Revenues from the billing of development services rose by 7.1% to EUR 61.6 million in the period under review.

In the period under review, fraudulent activities originated outside the company (Fake President Incident) and led to an illicit outflow of EUR 52.8 million of liquid funds from the company. Thanks to countermeasures, which were put in place straight away, a sum of EUR 10.9 million deposited on recipient accounts was frozen. This amount was recorded as non-current receivables in the balance sheet. As a result, the remaining amount of EUR 41.9 million (one-off effect) was recognised as a loss under various expenses. It can be assumed that the sums on frozen bank accounts will not be recovered over the short term.

Including this loss, earnings before interest, taxes and fair value measurement of derivative financial instruments (EBIT) totalled EUR -23.4 million in the 2015/16 financial year (2014/15: EUR -4.5 million). Adjusted for this one-off effect, EBIT amounted to EUR 18.6 million in the 2015/16 financial year.

Group loss after taxes amounted to EUR -21.9 million in the period under review (2014/15: EUR -9.6 million).

The balance sheet total decreased by EUR 19.1 million to EUR 699.2 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 EUR 50.9 million (2014/15: EUR 77.8 million). Capitalised development costs contained in investments amounted to EUR 24.0 million (2014/15: EUR 30.3 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, A320 new cabin interiors as well as A350 interiors.

Current assets of FACC Group fell by EUR 49.9 million in the year under review. Trade receivables and inventories registered a significant increase due to the growth in product revenues. Receivables from affiliated companies dropped by EUR 16.3 million. The loss incurred by the Group as a result of the cyber fraud also led to an outflow of liquid funds totalling EUR 52.8 million.

FACC Group's equity reached a level of EUR 304.4 million at the end of the 2015/16 financial year. This corresponds to an equity ratio of 43.5% (28 February 2015: 43.8%).

Net debt amounted to EUR 171.9 million in the period under review financial year (28 February 2015: EUR 102.6 million).

Cash and cash equivalents of FACC Group stood at EUR 56.2 million as of the balance sheet date (28 February 2015: EUR 111.0 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 EUR 50.8 million and were mainly driven by the planned investments in the expansion of Plant II and III as well as by investments in new aircraft programmes in the form of capitalised engineering services and investments in new tools.

Based on available credit lines (excluding cash and cash equivalents), free liquidity stood at EUR 66.2 million as of the balance sheet date (28 February 2015: EUR 67.0 million).

### 3. DEVELOPMENT OF THE BUSINESS SEGMENTS

#### 3.1. AEROSTRUCTURES SEGMENT

Revenue in the Aerostructures segment amounted to EUR 273.5 million in the 2015/16 financial year (2014/15: EUR 273.3 million). Revenues from product deliveries remained almost at the previous year's level, totalling EUR 234.4 million compared to EUR 242.5 million in the 2014/15 financial year. This corresponds to a decline of 3.3% compared to the previous year. In contrast, revenues from development activities increased by 27.3% from EUR 30.8 million to EUR 39.2 million in the period under review.

Earnings before interest, taxes and fair value measurement of derivative financial instruments (EBIT) in the Aerostructures segment stood at EUR 13.3 million in the 2015/16 financial year (2014/15: EUR 25.0 million).

This change in the earnings position is mainly based on the fact that division earnings in the year under review were reduced by EUR 19.5 million as a result of the Fake President Incident. Excluding the effects of the Fake President Incident, operating EBIT would have totalled EUR 32.9 million, thus considerably exceeding the previous year's level. The earnings contribution from the product business could be maintained at a sustainably high level.

#### 3.2. ENGINES & NACELLES SEGMENT

Revenue in the Engines & Nacelles segment amounted to EUR 116.6 million in the 2015/16 financial year (2014/15: EUR 93.9 million). Revenues from product deliveries increased by 24.1% from EUR 87.2 million in the previous year to EUR 108.2 million in the year under review. Revenues from development activities also grew by 15.1% from EUR 7.3 million to EUR 8.4 million in the 2015/16 financial year.

The development of the Nacelles segment in the year under review continued to be mainly influenced by the ramp-up of serial production of the A350 Translating Sleeve project, while the sister product for Boeing 787 is already being produced in large quantities. Positive developments which are worth mentioning include the slight increase in the output rate of the fan cowls for the Airbus A320ceo, 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 Inlet Outer Barrel programmes developed in a relatively stable manner: they were only subject to minor fluctuations in the short-term operational planning process.

The Engine Composites segment continued to develop in a positive manner after it had reported a significant decline in output volumes in the previous year due to the one-off reduction of inventories at Rolls-Royce, the key customer of the company. Also in the Engine Composites area, the A350 Trent XWB and PW800 Bypass Duct projects made a pivotal contribution to the development of the business according to plan. 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 of derivative financial instruments (EBIT) in the Engines & Nacelles segment amounted to EUR –13.3 million in the 2015/16 financial year (2014/15: EUR –22.6 million).

In the year under review, division earnings were reduced by EUR 8.2 million as a result of the Fake President Incident. Excluding the effects of the Fake President Incident, operating EBIT would have totalled EUR –5.1 million, thus considerably exceeding the previous year's level.

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 the fact that the negotiations of amendments to certain contracts with customers could not be concluded, as had also been the case in the previous year.

### 3.3. INTERIORS SEGMENT

Revenue in the Interiors segment amounted to EUR 197.4 million in the 2015/16 financial year (2014/15: EUR 161.7 million), as the division was able to achieve a considerable increase in product deliveries compared to the previous year. In the year under review, product revenue stood at EUR 183.3 million (2014/15: EUR 145.6 million). This increase of 20.5% is almost entirely attributable to the new A350, Legacy 500 and CL350 programmes, whereas revenues from existing series programmes such as the A320, A380 and Phenom 300 remained relatively stable. Revenues from development activities declined to EUR 14.1 million after EUR 16.2 million in the previous year.

The earnings situation of the Interiors division in the year under review was influenced by the ramp-up of the new A350 projects. Additional costs in the production area were mainly due to the increase in the number of employees, which became necessary in order to cope with the significant ramp-up of series production for the A350 projects. Conversely, production costs in the business jet manufacturing area were reduced, as planned, compared to the previous year. The earnings performance of the programmes was largely in line with planning figures, although the stabilisation measures with regard to the ramp-up of the A350 projects progressed less rapidly than originally planned.

Earnings before interest, taxes and fair value measurement of derivative financial instruments (EBIT) in the Interiors segment amounted to EUR –23.4 million in the 2015/16 financial year (2014/15: EUR –6.9 million).

In the year under review, division earnings were reduced by EUR 14.2 million as a result of the Fake President Incident. Excluding the effects of the Fake President Incident, operating EBIT would have totalled EUR –9.2 million, remaining below the previous year's level.

## 4. RISK REPORT

FACC is occasionally 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 Group-wide risk management system.

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 responsible risk owner or risk management director, 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.

### 4.1. MANAGEMENT RISKS

Based on market observations and analyses, a six-year 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 strategy. This is to ensure that the company's strategic orientation along with the planned sales and profit targets are taken into due consideration.

#### 4.1.1. Business interruption risk

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

#### 4.1.2. 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.

#### 4.1.3. 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.

#### 4.1.4. Foreign currency risk

Sales transactions in the aviation industry are almost exclusively carried out in US dollars. All transaction and currency transla-

tion risks are constantly monitored to hedge potential foreign currency risks. In order to reduce the US dollar risk, 90% of all purchases are currently carried out in US dollar, 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 future periods.

### 4.2. 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 by FACC. 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.

### 4.3. 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.

### 4.4. 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.

### 4.5. 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 therefore 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. This 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, while keeping in line with the guidelines 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.

## 5. 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 2015/16 financial year, FACC invested EUR 2.3 million or 0.4% of total revenue 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 the company’s perspective, active research represents a basic prerequisite for safeguarding FACC’s leading position as a dependable development partner and system supplier 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. With the help of a strong network of customers, subcontractors and scientific partners, FACC develops new technologies to be applied in future serial production contracts.

From a developmental perspective, the year under review achieved very positive results. The winglet developed by FACC for the Airbus A350 programme passed final testing. In the Engines segment, a new procedure for protecting components against fire was developed, which is now ready for series production and is currently being included in the company’s production process. The development of new prototypes with a widely extended range of functions was also continued in the year under review.

At present, the company’s long-term development objectives increasingly focus on automation and the improvement of production processes. In the year under review, new manufacturing processes for high-production volumes were developed, which will continue to guarantee a high capacity utilisation of existing production plants moving forward. Besides, within the framework of an Industry 4.0 initiative, the research & development team is working jointly with the production planning and manufacturing units on a virtual factory concept aimed at optimising material flows and further reducing production times.

## 5.1. PATENTS & PRIZES

FACC strives for the highest degree of independence possible in its process portfolio with a view to safeguarding its technological leadership in the composite area. At the same time, the company seeks to gradually expand its component portfolio to tap into new sales opportunities. Both growth areas are flanked by an extended patent strategy, whose main objective is to guarantee maximum protection of intellectual property.

Over the past year, a total of nine patent families were registered, which included – among others – new manufacturing technologies, a new breed of interior components with a special focus on acoustic and heat insulation as well as sound-absorbing and fire-resistant engine components. The R&D team won the Innovation Prize of the State of Upper Austria for the active winglets.

## 5.2. OUTLOOK

Despite challenging framework conditions, FACC will continue its technology offensive in the 2016/17 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-tuning measures. At the same time, annual coordination activities with regard to technological agreements with the key customer of the company, which were started in the past year, will be further intensified moving forward.

## 6. EMPLOYEES

Despite rising revenues, the number of employees was slightly reduced in the year under review. As of 29 February 2016, total headcount amounted to 3,062 employees (FTE). The number of white collars was reduced by 17.1% due to lower development activities, whereas the number of blue collars in the production area was increased by 9%.

In Austria, a total of 2,786 FTE were working for the company as of 29 February 2016. This corresponds to 90% of the entire workforce.

In order to increase the company's attractiveness as an employer as well as improve staff retention, FACC also continued to consistently implement its extensive employer-branding strategy in the year under review. Since the 2014/15 financial year, the company has 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 silver at the "European Change Communication Awards" in November 2015.

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 664 training courses with 7,200 participants were held in the 2015/16 financial year.

Apart from specialist training, FACC regards the further development and strengthening 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 in the year under review for the second year in a row, after its premiere in the previous year. This prize rewards outstanding team achievements aimed at implementing the company's corporate values. Following a multi-level selection process, this prize was awarded once again in December 2015. Thanks to the development and introduction of a procedure tailored to FACC's specific requirements aimed at constantly monitoring ongoing productivity increases, efficiency improvements could be implemented in a timely manner and on a project-by-project basis.

Last but not least, special emphasis continues to be placed on apprentice training at FACC. A total of 46 apprentices were working for the company in the 2015/16 financial year. The high quality of FACC's apprentice training was also confirmed by the excellent results achieved by the company's apprentices in the apprentice competition organised by the Chamber of Commerce of Upper Austria for commercial and technical professions in 2015. Out of 736 apprentices from 91 Upper-Austrian companies, including voestalpine and Lenzing, members of the FACC Future Teams secured top positions in the categories "plastics technology", "designer and tool-making technology" and "women in engineering".

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.

## 7. ENVIRONMENT

Since FACC was founded in 1989, the development of the company has been marked by continued growth, which significantly gathered momentum between 2011 and 2015. 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 increased at an annual rate of 10% between 2010 and 2014 and by 7% in 2015. These are peak values, which have been achieved through a set of measures such as energy monitoring, the deployment of control technology and the central monitoring of building technology.

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 to check the potential recyclability of materials. While in 2010 the proportion of recyclable waste at FACC amounted to 12%, in 2015 almost 49% of residual material could be recycled. Nowadays, polystyrene, plastic films, cardboard packaging, tools, iron and aluminium are 100% sold and subsequently recycled. The same applies to waste wood, which can be recycled as raw material to a great extent.

## 8. REPORT ON BRANCHES

FACC AG does not operate any branches.

## 9. EVENTS AFTER THE BALANCE SHEET DATE

No material events have occurred after the balance sheet date.

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

### 10.1. 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 Commercial 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 AG's risk management 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 company'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).

In connection with the "Fake President Incident", FACC AG's Management Board put countermeasures in place as soon as the fraud was discovered. In addition to evaluating possible compensation claims within the framework of the company's D&O insurance, the focus mainly lay on the review of established procedures and methods associated with the company's risk management process and the internal control system.

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 is made between actual and budgeted figures. During its quarterly meetings, the Supervisory Board of FACC AG is 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.

### 10.2. DISCLOSURES ON CAPITAL, SHARE, VOTING, AND CONTROL RIGHTS AS WELL AS ASSOCIATED OBLIGATIONS

FACC AG's share capital amounted to EUR 45,790,000 as of 29 February 2016 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 FACC AG's share entitles the bearer to one vote at the Annual General Meeting.

As of 29 February 2016, FACC International Company Ltd. (Hong Kong) held, either directly or indirectly, 55.5% of the shares of FACC AG. As of the balance sheet date 29 February 2016, the company's Management Board was unaware of any other shareholders, who held more than 10% of the company's share capital.

45.5% of FACC shares represent free float.

There are no shares with special control rights.

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

### 10.3. AUTHORISED CAPITAL

At the extraordinary general meeting on 23 June 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 EUR 19,895,000.00 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.

At the extraordinary general meeting on 23 June 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 share capital by up to a nominal figure of EUR 3,000,000.00 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.

### 10.4. CONDITIONAL CAPITAL

At the extraordinary general meeting on 23 June 2014, the share capital was conditionally increased by up to EUR 15,000,000 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 compli-

ance 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.

### 10.5. LEGAL PROVISIONS FOR THE APPOINTMENT OF MEMBERS OF THE MANAGEMENT BOARD AND THE 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.

Beyond that, 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.

### 10.6. OTHER DISCLOSURES

As of 29 February 2016, 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 if:

- 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.

## 11. OUTLOOK

### 11.1. MARKET

The overall market environment in the aviation industry remains consistently positive. Once again, delivery rates were further increased in the year under review, whereas new orders did not fully match the previous year's levels. Despite a slight easing of the situation, total order backlog for aircraft corresponds to a production workload of roughly nine years.

This growth trend is expected to continue moving forward. According to the market analyses of the major OEMs, passenger volumes will show a constant annual growth rate of roughly 5%. Over the next two decades, the global aircraft fleet, which currently amounts to 18,500 commercial aircraft (source: Airbus Global Market Forecast, April 2016), will more than double to roughly 37,500 units by 2034. 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 20 years.

### 11.2. THE FACC GROUP

The products developed over the last few years are increasingly starting serial production. Sales volumes of the A350 projects will more than double over the next two to three years, becoming a major driver of the company's overall business development. In addition to the series production of the A350 projects, current forecasts envisage a further increase in demand also for both the B787 and A320 programmes over the next year or two.

Thanks to FACC's balanced and modern product and customer portfolio, the company can profit from the general growth trend currently underway in almost all aircraft families. Development work on the large projects of the past ten to twelve years, particularly for the A380, A350, B787 aircraft models, are basically completed. The main focus currently lies on the optimal industrialisation of these projects as well as on ongoing improvement projects.

The investments made by the FACC Group in the A350 XWB, B787, Legacy 450/500, Bombardier CL 350 and Global 7000/8000 new projects are showing sustainable effects. 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. Thus, the accomplishment of "FACC Vision 2020" of achieving constant growth seems to be realistic from today's perspective. In its planning for the current financial year, FACC assumes that revenue growth will be in the double digit percentage range in the 2016/17 financial year.

In the near future, revenues from development services will fail to match the levels recorded in the 2011/12 and 2012/13 financial years. As mentioned before, 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.

Following the successful commissioning of FACC's new site in Wichita (USA) and the related modification activities with regard to the winglets for the B737 project, 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.

As part of the "FACC Vision 2020", 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 products' processing costs as well as to boost margins by outsourcing the production of simple composite parts. These projects are having an impact. The increasing automation of processes will also take centre stage in the 2016/17 financial year with a view to further enhancing FACC's overall ef-

iciency. The main objective of these activities will continue to be a general increase in the overall productivity of 7 to 10% 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 and China). Thanks to the qualification of the plant, planned by FACC in China in the 2014 financial year, the outsourcing of significant product families from the Interiors, Engine Composites as well as Aerostructures segments will be further stepped up. Along with these relocations, the company also plans to further decrease US dollar 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 strengthen 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. 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, is and will continue to be a top priority.

Ried im Innkreis, 20 May 2016

Walter Stephan m. p.  
Chairman of the Management Board

Robert Machtlinger m. p.  
Member of the Management Board

Yongsheng Wang  
Member of the Management Board

# Consolidated Statement of Financial Position

	Note	February 28, 2015	February 29, 2016
		EUR'000	EUR'000
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Intangible assets	5	151,659	166,067
Property, plant and equipment	6	158,251	168,748
Other non-current financial assets	7	469	451
Non-current receivables	9	24,597	30,232
Deferred tax assets	30	–	241
		334,976	365,739
<b>CURRENT ASSETS</b>			
Inventories	8	98,858	107,823
Trade receivables	9	91,707	106,384
Receivables from construction contracts	9	28,920	28,633
Other receivables and deferred items	9	17,507	15,337
Receivables from related companies	9	35,322	19,060
Derivative financial instruments	14	–	–
Cash and cash equivalents	10	110,955	56,215
		383,269	333,451
<b>TOTAL ASSETS</b>		718,245	699,190
<b>EQUITY</b>			
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT</b>			
Share capital	11	45,790	45,790
Capital reserve	11	220,535	221,459
Currency translation reserve	11	(170)	(250)
Other reserves	11	(24,014)	(13,476)
Retained earnings		72,759	50,842
		314,900	304,365
Non-controlling interests		8	17
<b>TOTAL EQUITY</b>		314,908	304,381
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Promissory note loans	12	–	42,000
Bonds	12	89,067	89,242
Other financial liabilities	13	66,268	75,213
Derivative financial instruments	14	10,340	–
Investment grants	15	11,223	12,385
Employee benefit obligations	16	10,926	10,759
Deferred taxes	30	4,589	–
		192,413	229,600
<b>CURRENT LIABILITIES</b>			
Trade payables	17	72,087	72,679
Payables to related companies	18	–	425
Other liabilities and deferred income	18	25,007	25,526
Other financial liabilities	13	13,173	21,634
Promissory note loans	12	45,000	–
Derivative financial instruments	14	48,199	33,476
Other provisions	19	6,642	10,393
Investment grants	15	768	904
Income tax liabilities		49	171
		210,924	165,209
<b>TOTAL LIABILITIES</b>		403,337	394,809
<b>TOTAL EQUITY AND LIABILITIES</b>		718,245	699,190

The Notes on pages 58 to 99 are an integral part of these consolidated financial statements.

# Consolidated Statement of Comprehensive Income

	Note	2014/15	2015/16
		EUR'000	EUR'000
<b>REVENUE</b>	4	528,914	<b>587,541</b>
Changes in inventories	20	2,755	<b>4,424</b>
Own work capitalised	21	18,762	<b>18,784</b>
Cost of materials and purchased services	22	(330,193)	<b>(373,894)</b>
Staff costs	23	(162,259)	<b>(158,510)</b>
Depreciation and amortisation	25	(23,299)	<b>(25,911)</b>
Other operating income and expenses	26	(39,192)	<b>(75,822)</b>
<b>Earnings before interest, taxes and fair value measurement of derivative financial instruments</b>		(4,512)	<b>(23,388)</b>
Finance costs	27	(10,280)	<b>(12,562)</b>
Interest income from financial instruments	28	623	<b>444</b>
Fair value measurement of derivative financial instruments	29	(387)	<b>5,242</b>
<b>Loss before taxes</b>		(14,557)	<b>(30,264)</b>
Income taxes	30	4,976	<b>8,357</b>
<b>Loss after taxes</b>		(9,581)	<b>(21,908)</b>
<b>ITEMS SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS</b>			
Currency translation differences from consolidation		(43)	<b>(78)</b>
Fair value measurement of securities (net of tax)		31	<b>(13)</b>
Cash flow hedges (net of tax)	11	(19,779)	<b>10,052</b>
<b>ITEMS SUBSEQUENTLY NOT RECLASSIFIED TO PROFIT OR LOSS</b>			
Revaluation effects of pensions and termination benefits (net of tax)	16	(2,832)	<b>499</b>
<b>Other comprehensive loss/income for the year</b>		(22,623)	<b>10,460</b>
<b>Total comprehensive loss for the year</b>		(32,204)	<b>(11,448)</b>
<b>LOSS AFTER TAXES</b>			
<b>ATTRIBUTABLE TO:</b>			
Equity holders of the parent		(9,594)	<b>(21,917)</b>
Non-controlling equity holders		13	<b>9</b>
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>			
<b>ATTRIBUTABLE TO:</b>			
Equity holders of the parent		(32,217)	<b>(11,457)</b>
Non-controlling equity holders		13	<b>9</b>
<b>Earnings per share with regard to loss after taxes attributable to the equity holders of the parent during the year (in EUR per share)</b>			
Basic	35	(0.22)	<b>(0.48)</b>

The Notes on pages 58 to 99 are an integral part of these consolidated financial statements.

# Consolidated Statement of Cash Flows

	2014/15	2015/16
	EUR'000	EUR'000
<b>OPERATING ACTIVITIES</b>		
Earnings before interest, taxes and fair value measurement of derivative financial instruments	(4,512)	(23,388)
Fair value measurement of derivative financial instruments <sup>1</sup>	(387)	5,242
	(4,899)	(18,146)
Plus/minus		
Release of/accrual of investment grants	1,378	1,332
Depreciation and amortisation	23,299	25,911
Losses/(gains) on disposal of non-current assets	783	-
Changes in financial instruments <sup>1</sup>	52,176	(25,063)
Cash flow hedge	(26,384)	13,403
Change in non-current receivables	(7,921)	(5,634)
Change in employee benefit obligations, non-current	4,646	(167)
Revaluation effects of pensions and termination benefits	(3,776)	665
Deconsolidation effects	-	(2,334)
Valuation effects from currency translation differences	(9,533)	(1,534)
	29,769	(11,567)
Changes in net current assets		
Change in inventories	(17,809)	(9,069)
Changes in receivables and deferred items	(14,361)	3,223
Change in trade payables	16,393	730
Change in current provisions	(3,834)	5,627
Change in other current liabilities	1,332	1,307
<b>Cash generated from operations</b>	11,490	(9,749)
Interest received	623	444
Tax paid	(4,755)	(2)
<b>Net cash generated from operating activities</b>	7,358	(9,308)
<b>INVESTMENT ACTIVITIES</b>		
Purchase of property, plant and equipment	(42,796)	(26,296)
Purchase of intangible assets	(4,745)	(586)
Payments for addition to development costs	(30,274)	(23,983)
<b>Net cash used in investing activities</b>	(77,815)	(50,865)
<b>FINANCING ACTIVITIES</b>		
Proceeds from financial loans and bonds	15,203	26,190
Repayments of financial loans and bonds	(3,433)	(9,722)
Payments of interest on financial loans and bonds	(10,280)	(12,562)
Equity contribution	138,377	-
Payment of dividends	(19,000)	-
<b>Net cash generated from/(used in) financing activities</b>	120,867	3,906
<b>Net change in cash and cash equivalents</b>	50,410	(56,266)
Cash and cash equivalents at the beginning of the period	51,012	110,955
Change resulting from consolidation effects (deconsolidation)	-	(8)
Valuation effects from currency translation differences	9,533	1,534
<b>Cash and cash equivalents at the end of the period</b>	110,955	56,215

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

The Notes on pages 58 to 99 are an integral part of these consolidated financial statements.

# Consolidated Statement of Changes in Equity

## 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 pension 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)

## Fiscal year 2015/16

	Share capital EUR'000	Capital reserve EUR'000	Currency translation reserve EUR'000
<b>Balance as at March 1, 2015</b>	45,790	220,535	(170)
Loss after taxes	-	-	-
<b>Other comprehensive loss</b>			
Currency translation differences from consolidation	-	-	(80)
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>	-	-	(80)
<b>Total comprehensive loss</b>	-	-	(80)
Reclassification from capital reserve to retained earnings	-	-	-
Dividends paid	-	-	-
Initial consolidation of subsidiaries	-	-	-
Other changes	-	924	-
Share capital increase from capital reserve	-	-	-
Capital increase from IPO	-	-	-
<b>Balance as at February 29, 2016</b>	45,790	221,459	(250)

The Notes on pages 58 to 99 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
(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)	-	(22,623)
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

## 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
(14)	(19,779)	(4,221)	72,759	314,900	8	314,908
-	-	-	(21,917)	(21,917)	9	(21,908)
-	-	-	-	(80)	-	(80)
(13)	-	-	-	(13)	-	(13)
-	-	499	-	499	-	499
-	10,052	-	-	10,052	-	10,052
(13)	10,052	499	-	10,458	-	10,458
(13)	10,052	499	(21,917)	(11,459)	9	(11,450)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	924	-	924
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(27)	(9,727)	(3,722)	50,842	304,365	17	304,381

# Notes

## TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 29 FEBRUARY 2016

### 1 GENERAL

In the following, the notes are presented for the two reporting periods ended 28 February 2015 and 29 February 2016.

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

Except for the deconsolidation of the previously fully consolidated subsidiary ITS GmbH, there has been no change in the scope of consolidation of the FACC Group as at 29 February 2016 compared to the scope of consolidation of the consolidated financial statements as at 28 February 2015.

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 29 February 2016 have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the interpretations of the 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 financial instruments) that were measured at fair value. Assets and liabilities are categorised either as current or 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/or amended standards and interpretations have been adopted for the first time in the fiscal year 2015/16 but had no material impact on the consolidated financial statements:

#### Standards/interpretations

Annual improvements to IFRS 2011–2013

#### Effective date in the EU

1 January 2015

#### Endorsement status

Endorsed in December 2014

*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*

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. There is now a new expected credit loss model that replaces the incurred loss 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 uses for risk management purposes. Concurrent 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 1 January 2018. The standard has not yet been endorsed by the European Union. The Group is currently assessing the full impact of IFRS 9. From a current perspective, the Group estimates that IFRS 9 will primarily affect the categorisation of financial assets as well as their measurement. The transition to the expected credit loss model will result in a tendency to record value adjustments of receivables earlier. IFRS 7, 'Financial instruments: Disclosures', which has been changed due to IFRS 9, will lead to changes in and/or extensions to disclosures in the notes.

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 1 January 2018. IFRS 15 has not yet been endorsed by the European Union. The FACC Group is currently assessing the full impact of IFRS 15. An adjustment of internal processes in relation to the first-time adoption of IFRS 15 is to be expected. Furthermore, changes in and/or extensions to disclosures in the notes with regard to revenue recognition will have to be made.

IFRS 16 'Leases' specifies how to recognise, measure and present leases as well as how to disclose leases in the notes. IFRS 16 provides a single lessee accounting model, requiring lessees to recognise rights of use arising from the lease on the assets side as well as lease obligations on the liabilities side of the statement of financial position. Simplified rules apply to leases with terms of less than twelve months as well as for low-value assets. The approach to lessor accounting remains substantially unchanged under IFRS 16. The FACC Group is currently assessing the impact of IFRS 16 on the Group. From a current perspective, it is expected that IFRS 16 will lead to a more detailed accounting of rights of use and lease obligations arising from the leases thus far classified as operating leases. Furthermore, extended disclosures in the notes in accordance with the requirements under IFRS 16 will have to be made.

There are no other standards or interpretations that are not yet effective and 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.

Assumptions and estimates 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. Judgment 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 144 EURk and decrease the service cost by 9 EURk. Decreasing the discount rate by 0.25 percentage points would result in an increase in the defined benefit obligations of 153 EURk and increase the service cost by 9 EURk. Reference is also made to Note 16.

##### *(ii) Non-current receivables*

In the reporting period, an externally controlled fraud incident ("Fake President Incident") resulted in an illegal outflow of the Group's liquid funds in the amount of 52,847 EURk. Immediately adopted measures led to the freezing of 10,860 EURk in receiving accounts. This amount has been recognised as non-current receivable, as the subsidiary FACC Operations GmbH considers itself to be the lawful owner of the money and – based on a legal opinion obtained – assumes that the money will be reimbursed. It is expected that the amounts frozen in receiving accounts will not be reimbursed in the short term.

##### *(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 501 EURk (28 February 2015) and 613 EURk (29 February 2016). Decreasing the estimated number of shipsets by 10% would result in an increase in amortisation of 613 EURk (28 February 2015) and 751 EURk (29 February 2016).

##### *(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 and other non-current assets*

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 7.55% as at 29 February 2016 and 8.2% as at 28 February 2015.

Should the EUR/USD exchange rate used in the measurement model change by +/-5 cents, no impairment would be required in the Engines & Nacelles and Aerostructures divisions; an impairment in the amount of 13,208 EURk would be required in the Interiors division. The EUR/USD exchange rates used in

the measurement model ranged between 1.2250 EUR/USD and 1.1800 EUR/USD in the planning periods. Should the expected average EBIT margin change by 2.0%, no impairment would be required in the Engines & Nacelles and Aerostructures divisions; an impairment in the amount of 28,926 EURk would be required in the Interiors division. Reference is also made to Note 33.

*(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(b)(i) 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 28 February 2015 and 29 February 2016, and in accordance with IFRS as adopted by the EU. The financial statements of FACC AG 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	127,000,000 EUR <sup>1</sup>	100%	Development & production of aircraft components
FACC Solutions (Canada) Inc.	Montreal, Canada	10,000 CAD	100%	Customer service
FACC Solutions Inc.	Wichita, Kansas, USA	10,000 USD	100%	Customer service
FACC Solutions s.r.o.	Bratislava, Slovakia	6,639 EUR	100%	Design & Engineering
FACC (Shanghai) Co., Ltd	Shanghai, China	2,000,000 RMB	100%	Design & Engineering
ITS digitech Pvt. Ltd.	Bhau Patil Marg, India	20,193,002 INR	100%	Design & Engineering
CoLT Prüf und Test GmbH	St. Martin, Austria	35,000 EUR	91%	Design & Engineering

<sup>1</sup> of which shareholder contribution for the ordinary capital increase (not yet registered): 47,000,000 EUR

Non-controlling interests with regard to the subsidiary CoLT 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 deconsolidation of the previously fully consolidated subsidiary ITS GmbH, there has been no change in the consolidated group of the FACC Group as at 29 February 2016 compared to the consolidated group of the consolidated financial statements as at 28 February 2015. Insolvency proceedings regarding the assets of ITS GmbH were initiated in the second quarter of 2015, resulting in the loss of control and deconsolidation as at 31 August 2015. ITS GmbH is an engineering office domiciled in Steinebach, Germany (most recent number of staff: 19). The deconsolidation of ITS GmbH does not have a material impact on the Group's assets and liabilities, financial situation and results of operations.

(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. Acquisition-related costs are expensed as 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 of 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, 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

	Year-end rate February 29, 2016	Average rate
1 EUR/CAD FY 2015/16	1.4767	1.4388
1 EUR/USD FY 2015/16	1.0888	1.1014
1 EUR/RMB FY 2015/16	7.1351	6.9799
1 EUR/INR FY 2015/16	74.3825	71.6992

**(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 internally at the 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, including 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 respective useful life (three to ten 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 on-going 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 production 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>	33	50
Technical equipment and machinery	3	33
Fixtures and fittings	5	14
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 amounts of property, plant and equipment 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 a significant part of the 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 items 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 (goodwill, 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 in the course of an impairment test at the segment level. 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 production 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 value 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 on 1 June 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 29 February 2016 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 the reporting period 2015/16. Past-service costs are recognised immediately in profit or loss. 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 31 December 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. 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 left the company.

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

For all employee/employer relationships which started in Austria after 31 December 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 projected unit credit method 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). This liability is recognised as contingent liability.

**(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 13/15 February 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 on 28 February 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 27 February 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 UStG is in place between FACC AG and FACC Operations GmbH 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 IFRS. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for, both at initial recognition and thereafter, 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 those 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 items 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 acquisition or production 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 and 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

#### (a) 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.

#### (b) Financial risk factors

##### (i) 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 profits 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 28 February 2015 and 29 February 2016 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 28 February 2015 and 29 February 2016 by +5% (average exchange rate at the end of the reporting period: 1.1240 and 1.088, respectively) would result in a decrease in profit/loss (after taxes) and equity by 4,607 EURk and 4,053 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 19,475 EURk and 10,992 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 28 February 2015 and 29 February 2016 by –5% (average exchange rate at the end of the reporting period: 1.1240 and 1.088, respectively) would result in an increase of the profit/loss (after taxes) and equity by 5,092 EURk and 4,480 EURk due to the measurement at the end of the reporting period, as well as a decrease in total comprehensive income/loss and equity by 8,982 EURk and 11,967 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 risks 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 28 February 2015 and 29 February 2016, the profit/loss (after taxes) and equity would have been lowered/increased by 247 EURk and 256 EURk. The calculation was based on the financial assets and liabilities bearing variable interest rates.

##### (ii) 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 (67,000 EURk as at 28 February 2015 and 66,162 EURk as at 29 February 2016). 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(e) for a maturity analysis of the financial liabilities. Reference is also made to Note 12 with regard to the covenant agreement.

*(iii) 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 creditworthy 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.

**(c) 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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, 2015</b>				
<b>CURRENCY HEDGING AGREEMENTS</b>				
Forward foreign exchange contracts – USD	290,000	135,000	–	425,000
<b>BALANCE AS AT FEBRUARY 29, 2016</b>				
<b>CURRENCY HEDGING AGREEMENTS</b>				
Forward foreign exchange contracts – USD	255,000	80,000	–	335,000

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 is 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, 2015</b>				
Interest rate swaps	–	20,000	–	20,000
<b>BALANCE AS AT FEBRUARY 29, 2016</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, 2015</b>			
Forward foreign exchange contracts – USD	425,000	–	(48,199)
Interest rate swaps	–	20,000	(10,340)
<b>BALANCE AS AT FEBRUARY 29, 2016</b>			
Forward foreign exchange contracts – USD	335,000	–	(28,378)
Interest rate swaps	–	20,000	(5,098)

### (d) 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.

At the time of acquisition, the financial instruments are generally measured at cost corresponding to the acquisition-date fair value. Financial assets 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. Financial liabilities are derecognised when the payment obligation has expired.

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, 2015 EUR'000	Fair value as at February 28, 2015 EUR'000	Carrying amount as at February 29, 2016 EUR'000	Fair value as at February 29, 2016 EUR'000
<b>ASSETS</b>					
<b>Measurement at (amortised) cost</b>					
Non-current receivables	LaR	24,597	24,597	30,232	30,232
Trade receivables	LaR	91,707	91,707	106,383	106,383
Receivables from construction contracts	LaR	28,920	28,920	28,633	28,633
Receivables from related companies	LaR	35,322	35,322	19,060	19,060
Cash and cash equivalents	LaR	110,955	110,955	56,215	56,215
<b>Measurement at fair value</b>					
Book-entry securities (not listed)	AfS	44	44	44	44
Securities (listed)	AfS	425	425	407	407
Derivatives with positive fair value (interest rate swaps)	AtFVtP&L	-	-	-	-
Derivatives with positive fair value (forward foreign exchange contracts)	-	-	-	-	-
<b>Total financial assets</b>		291,970	291,970	240,974	240,974
<b>LIABILITIES</b>					
<b>Measurement at (amortised) cost</b>					
Promissory note loans	FLAC	45,000	45,000	42,000	42,000
Bonds	FLAC	89,067	97,486	89,242	90,220
Bank borrowings	FLAC	79,441	79,441	96,848	96,848
Trade payables	FLAC	72,087	72,087	72,679	72,679
Payables to related companies (Group financing)	FLAC	-	-	425	425
<b>Measurement at fair value</b>					
Derivatives with negative fair value (interest rate swaps)	AtFVtP&L	10,340	10,340	5,098	5,098
Derivatives with negative fair value (forward foreign exchange contracts)	-	48,199	48,199	28,378	28,378
<b>Total financial liabilities</b>		344,134	352,553	334,670	335,648

<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 in the market at a future date due to varying factors.

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 values of non-current financial assets correspond 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 non-current 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 derivative 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 28 February 2015 and 29 February 2016.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- 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). An allocation to level 3 is already made if an unobservable input exists in the course of the measurement that exerts a significant influence on the measurement.

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, 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	–	10,340	–	10,340
<b>Current liabilities</b>				
Derivative financial instruments	–	48,199	–	48,199
<b>BALANCE AS AT FEBRUARY 29, 2016</b>				
<b>ASSETS</b>				
<b>Non-current assets</b>				
Non-current financial assets	407	–	44	451
Derivative financial instruments	–	–	–	–
<b>Current assets</b>				
Derivative financial instruments	–	–	–	–
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Derivative financial instruments	–	–	–	–
<b>Current liabilities</b>				
Derivative financial instruments	–	33,476	–	33,476

**(e) 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, 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

	Category IAS 39 <sup>1</sup>	Carrying amount as at February 29, 2016 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	89,242	-	-	89,242	-
Promissory note loans	FLAC	42,000	-	8,000	34,000	-
Bank borrowings	FLAC	96,848	21,634	8,903	32,533	33,778
Trade payables	FLAC	72,679	72,679	-	-	-
Payables to related companies (Group financing)	FLAC	425	425	-	-	-
<b>Measurement at fair value</b>						
Derivatives with negative fair value (interest rate swaps)	AtFVtP&L	5,098	5,098	-	-	-
Derivatives with negative fair value (forward foreign exchange contracts)	-	28,378	24,430	3,948	-	-
<b>Total financial liabilities</b>		<b>334,670</b>	<b>124,266</b>	<b>20,851</b>	<b>155,775</b>	<b>33,778</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

LIABILITIES	Category IAS 39 <sup>1</sup>	Carrying amount as at February 28, 2015 EUR'000	Fixed interest EUR'000
<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> FFLAC 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 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.

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 29 February 2016:

LIABILITIES	Category IAS 39 <sup>1</sup>	Carrying amount as at February 29, 2016 EUR'000	Fixed interest EUR'000
<b>Measurement at (amortised) cost</b>			
Promissory note loans <sup>2</sup>	FLAC	42,000	(634)
Bonds	FLAC	89,242	(3,600)
Bank borrowings	FLAC	96,848	(1,118)
Trade payables	FLAC	72,679	–
Payables to related companies (Group financing)	FLAC	425	–
<b>Measurement at fair value</b>			
Derivatives with negative fair value (interest rate swaps) <sup>3</sup>	AtFVtP&L	5,098	–
Derivatives with negative fair value (forward foreign exchange contracts)	–	28,378	–
<b>Total financial liabilities</b>		<b>334,670</b>	<b>(5,353)</b>

<sup>1</sup> FFLAC 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 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.

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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)

Fiscal year 2016/17		Fiscal years 2017/18 to 2020/21				Fiscal year 2021/22 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
(515)	-	(1,369)	(1,044)	(42,000)	-	-	-
-	-	(11,950)	-	(90,000)	-	-	-
(503)	(21,634)	(3,555)	(1,732)	(41,436)	(7,106)	(3,930)	(33,778)
-	(72,679)	-	-	-	-	-	-
-	(425)	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	(24,430)	-	-	(3,948)	-	-	-
(1,018)	(119,168)	(16,874)	(2,776)	(177,384)	(7,106)	(3,930)	(33,778)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Group has access to the following credit facilities:

	February 28, 2015 EUR'000	February 29, 2016 EUR'000
<b>Total credit facilities agreed</b>	67,000	72,000
<b>Total credit facilities unused</b>	67,000	66,162

### (f) 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:

	Fiscal year 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 liabilities measured at fair value through profit or loss	(3,453)	(387)	–	–	(3,840)
Financial liabilities measured at amortised cost	(6,438)	–	–	–	(6,438)
<b>Total</b>	(9,268)	(356)	87	–	(9,537)

	Fiscal year 2015/16				
	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	413	–	(296)	–	117
Financial assets available for sale	10	13	–	–	23
Financial liabilities measured at fair value through profit or loss	(5,472)	5,242	–	–	(230)
Financial liabilities measured at amortised cost	(6,585)	–	–	–	(6,585)
<b>Total</b>	(11,633)	5,255	(296)	–	(6,674)

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

Fiscal year 2014/15	Segments			Total EUR'000
	Aerostructures EUR'000	Engines & Nacelles EUR'000	Interiors EUR'000	
<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	35,526	(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

Fiscal year 2015/16	Segments			Total EUR'000
	Aerostructures EUR'000	Engines & Nacelles EUR'000	Interiors EUR'000	
<b>Information on profitability</b>				
Revenue	273,532	116,613	197,396	587,541
Earnings before interest, taxes and fair value measurement of derivative financial instruments	13,345	(13,285)	(23,448)	(23,387)
Depreciation and amortisation	11,903	5,090	8,918	25,911
Earnings before interest, taxes, fair value measurement of derivative financial instruments, depreciation and amortisation	25,248	(8,195)	(14,529)	2,524
<b>Information on assets</b>				
Assets	334,101	143,502	221,587	699,190
Capital expenditure in the fiscal year	30,407	5,432	15,025	50,864

In the reporting period, an externally controlled fraud incident (Fake President Incident) resulted in an illegal outflow of the Group's liquid funds in the amount of 52,847 EURk. Immediately adopted measures led to the freezing of 10,860 EURk in receiving accounts. This amount has been recognised as non-current receivable, as the subsidiary FACC Operations GmbH considers

itself to be the lawful owner of the money and – based on a legal opinion obtained – assumes that the money will be reimbursed. Miscellaneous expenses thus include an amount of 41,987 EURk resulting from the fraud incident which has been allocated to the segments on a prorated basis based on revenue.

Profitability without taking into account the fraud incident (Fake President Incident) is as follows:

Fiscal year 2015/16	Segments			Total EUR'000
	Aerostructures EUR'000	Engines & Nacelles EUR'000	Interiors EUR'000	
<b>Profitability without taking into account Fake President Incident</b>				
Revenue	273,532	116,613	197,396	587,541
Earnings before interest, taxes and fair value measurement of derivative financial instruments	32,877	(5,057)	(9,221)	18,599
Depreciation and amortisation	11,903	5,090	8,918	25,911
Earnings before interest, taxes, fair value measurement of derivative financial instruments, depreciation and amortisation	44,780	33	(303)	44,510

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 five 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, sched-

ules 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.

	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, 2015</b>						
Revenue	2,128	177,905	55,788	199,787	93,306	528,914
<b>VALUE AS AT FEBRUARY 29, 2016</b>						
Revenue	2,640	169,752	66,743	239,114	109,292	587,541

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 28 February 2015, the Group 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.

For the fiscal year ended 29 February 2016, the Group generated revenue from two external customers which both exceeded 10% of the total revenue; this excess amounted to 191,010 EURk and 70,775 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:

	February 28, 2015 EUR'000	February 29, 2016 EUR'000
Production	471,374	525,907
Engineering and services	57,540	61,634
<b>Total revenue</b>	528,914	587,541

## 5 INTANGIBLE ASSETS

Fiscal years 2014/15 and 2015/16	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 March 1, 2014</b>	18,595	17,789	25,331	118,109	1	179,825
Additions	–	957	3,788	30,274	–	35,019
From initial consolidation	–	6	–	–	–	6
Reclassification to current assets	–	–	–	–	–	–
Disposals	–	–	–	(323)	(1)	(324)
<b>Balance as at February 28, 2015</b>	18,595	18,752	29,119	148,060	–	214,526
Additions	–	530	55	23,983	–	24,568
From consolidation	–	2	–	–	–	2
From deconsolidation	–	(93)	–	–	–	(93)
Disposals	–	–	–	–	–	–
<b>Balance as at February 29, 2016</b>	<b>18,595</b>	<b>19,191</b>	<b>29,174</b>	<b>172,043</b>	<b>–</b>	<b>239,003</b>
<b>Accumulated scheduled amortisation and write-downs</b>						
<b>Balance as at March 1, 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>	–	14,802	14,345	33,720	–	62,867
Scheduled amortisation	–	2,192	1,126	6,751	–	10,069
Write-downs	–	–	–	–	–	–
Reclassification to current assets	–	–	–	–	–	–
Disposals	–	–	–	–	–	–
<b>Balance as at February 29, 2016</b>	<b>–</b>	<b>16,994</b>	<b>15,471</b>	<b>40,471</b>	<b>–</b>	<b>72,936</b>
<b>Carrying amounts as at February 28, 2015</b>	18,595	3,950	14,774	114,340	–	151,659
<b>Carrying amounts as at February 29, 2016</b>	<b>18,595</b>	<b>2,197</b>	<b>13,703</b>	<b>131,572</b>	<b>–</b>	<b>166,067</b>

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

Research expenses of 2,765 EURk (28 February 2015) and 2,317 EURk (29 February 2016), respectively, were recognised through profit or loss.

With respect to the impairment test for goodwill and other non-current assets (particularly development costs), reference is made to Note 33.

## 6 PROPERTY, PLANT AND EQUIPMENT

Fiscal years 2014/15 and 2015/16	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 March 1, 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>	100,825	147,999	22,418	14,065	285,307
Additions	540	6,944	2,196	16,616	26,296
From consolidation	–	–	48	–	48
Transfers	162	7,773	264	(8,199)	–
From deconsolidation	–	–	(5)	–	(5)
Disposals	–	–	(323)	–	(323)
<b>Balance as at February 29, 2016</b>	<b>101,527</b>	<b>162,716</b>	<b>24,598</b>	<b>22,482</b>	<b>311,323</b>
<b>Accumulated depreciation</b>					
<b>Balance as at March 1, 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>	20,492	92,162	14,401	–	127,056
Accumulated depreciation	2,843	10,855	2,144	–	15,841
Disposals	–	–	(323)	–	(323)
<b>Balance as at February 29, 2016</b>	<b>23,335</b>	<b>103,017</b>	<b>16,222</b>	<b>–</b>	<b>142,574</b>
<b>Carrying amounts as at February 28, 2015</b>	80,332	55,837	8,017	14,065	158,251
<b>Carrying amounts as at February 29, 2016</b>	<b>78,192</b>	<b>59,699</b>	<b>8,376</b>	<b>22,482</b>	<b>168,748</b>

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

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 2015/16, accumulated depreciation was recognised in the amount of 999 EURk, resulting in a net carrying amount of the respective assets of 19,633 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, 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>	425	44	469
Additions	–	–	–
Unrealised changes in fair value	(17)	–	(17)
<b>Fair value as at February 29, 2016</b>	<b>407</b>	<b>44</b>	<b>451</b>

<sup>1</sup> The pension re-insurance (plan asset) was offset against the provision for pension obligations in the fiscal year 2014/15. The pension re-insurance (plan asset) offset against the provision for pensions in the fiscal year 2015/16 has a carrying amount of 1,635 EURk (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 (28 February 2015 and 29 February 2016).

**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 29 February 2016.

	Share	Carrying amount as at February 28, 2015 EUR'000	Carrying amount as at February 29, 2016 EUR'000
Techno-Z Ried Technologiezentrum GmbH, Ried im Innkreis	3.14%	44	44
<b>Balance</b>		44	44

All non-current financial assets are denominated in EUR.

**8 INVENTORIES**

Carrying amount	February 28, 2015 EUR'000	February 29, 2016 EUR'000
Raw materials and consumables	62,374	66,969
Unfinished goods	32,233	34,858
Finished goods	4,251	5,996
<b>Balance (net of valuation adjustments)</b>	98,858	107,823

Based on a detailed inventory analysis, value adjustments of inventories were made for slow-moving inventory and due to lower net selling prices in the amount of 3,657 EURk (28 February 2015) and

4,128 EURk (29 February 2016). The value adjustments of inventories in the amount of 1,174 EURk (28 February 2015) and 471 EURk (29 February 2016) were recognised through profit or loss.

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

Carrying amount	February 28, 2015 EUR'000	February 29, 2016 EUR'000
Trade receivables	91,707	106,384
Receivables from construction contracts (= costs incurred)	28,920	28,633
<b>Receivables from customers</b>	120,627	135,017
Other receivables	15,289	14,037
Accruals and deferrals	2,218	1,300
Receivables from related companies	35,322	19,060
<b>Balance</b>	173,456	169,414

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 2015/16, construction costs incurred (= contract revenue) were recognised in the amount of 21,681 EURk.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

<b>Carrying amount</b>	February 28, 2015 EUR'000	February 29, 2016 EUR'000
Total costs incurred	28,920	28,633
Less partial settlement	–	–
<b>Receivables from construction contracts</b>	<b>28,920</b>	<b>28,633</b>

Receivables from construction contracts 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 4,023 EURk (28 February 2015: 3,750 EURk).

	February 28, 2015 EUR'000	February 29, 2016 EUR'000
Trade receivables and receivables from construction contracts	121,838	136,415
Less value adjustments for trade receivables	(1,211)	(1,399)
Trade receivables, net	120,627	135,016
Other receivables	15,289	14,037
Accruals and deferrals	2,218	1,300
Receivables from related companies	35,322	19,060
<b>Balance</b>	<b>173,456</b>	<b>169,413</b>

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

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.

As at 28 February 2015 and 29 February 2016, trade receivables of 33,065 EURk and 48,827 EURk were past due but not impaired.

<b>Trade receivables (past due but not impaired)</b>	<b>Total EUR'000</b>	<b>1 to 30 days EUR'000</b>	<b>31 to 60 days EUR'000</b>	<b>61 to 90 days EUR'000</b>	<b>91 to 120 days EUR'000</b>	<b>More than 120 days EUR'000</b>
Balance as at February 28, 2015	33,065	14,029	4,735	1,870	2,789	9,642
<b>Balance as at February 29, 2016</b>	<b>48,827</b>	<b>16,016</b>	<b>1,892</b>	<b>7,352</b>	<b>3,593</b>	<b>19,974</b>

In connection with the trade receivables from six 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 value adjustments of trade receivables have developed as follows:

	February 28, 2015 EUR'000	February 29, 2016 EUR'000
<b>Valuation adjustment of trade receivables at the beginning of the period</b>	<b>1,498</b>	<b>1,211</b>
Utilisation	–	–
(Reversal)/addition	(287)	188
<b>Valuation adjustment of trade receivables at the end of the period</b>	<b>1,211</b>	<b>1,399</b>

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

Other receivables include:

Carrying amount	February 28, 2015 EUR'000	February 29, 2016 EUR'000
Credit balance with tax authority	11,116	<b>12,156</b>
Other	4,173	<b>2,998</b>
<b>Balance</b>	<b>15,289</b>	<b>15,154</b>

Other receivables do not show significant amounts of overdue receivables. Furthermore, no value adjustments in a significant amount were made for these receivables.

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

Receivables from related companies include:

The Group shows receivables from the direct holding company of FACC International Co Ltd. as well as from the related companies Future Aviation International Investment Co. Ltd., Fesher Aviation Component (Zhenjiang) Co. Ltd., Shanghai Aircraft Manufacturing

Co. Ltd. and Aerospace Innovation Investment GmbH under receivables from related companies in the consolidated statement of financial position.

With regard to receivables from related companies, 12,473 EURk are overdue by more than 120 days. No value adjustments in a significant amount were made for these receivables. With regard to receivables from related companies overdue, the Group received payments in the amount of 9,037 EURk after the end of the fiscal year 2015/16.

These receivables have residual terms of less than one year.

Non-current receivables include:

Carrying amount	February 28, 2015 EUR'000	February 29, 2016 EUR'000
Non-current trade receivables	16,340	<b>11,087</b>
Receivables arising from Fake President Incident	–	<b>10,860</b>
Prepayments and deposits	8,257	<b>8,285</b>
<b>Balance</b>	<b>24,597</b>	<b>30,232</b>

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

Receivables from the customer Goodrich, Chula Vista, USA, with a notional amount of 4,632 EURk (which corresponds to a present value of 4,568 EURk) and an annual redemption plan (starting on 15 January 2015 and ending on 15 January 2019), and another receivable with a notional amount of 5,447 EURk (which corresponds to a present value of 5,001 EURk) and a long-term redemption plan that depends on units delivered per year starting on 1 March 2014 and ending on the date when 1,108 units will have been delivered. Under a development project, a receivable from a customer in the amount of 1,518 EURk was recognised

as non-current because the payment agreement specifies a long-term redemption plan depending on the number of units delivered per year starting on 1 March 2015.

In the reporting period, an externally controlled fraud incident ("Fake President Incident") resulted in an illegal outflow of the Group's liquid funds in the amount of 52,847 EURk. Immediately adopted measures led to the freezing of 10,860 EURk in receiving accounts. This amount has been recognised as non-current receivable, as the subsidiary FACC Operations GmbH considers itself to be the lawful owner of the money and – based on a legal opinion obtained – assumes that the money will be reimbursed. It is expected that the amounts frozen in receiving accounts will not be reimbursed in the short term.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	February 28, 2015 EUR'000	February 29, 2016 EUR'000
GBP	177	191
USD	123,119	127,533
EUR	50,160	41,689
	173,456	169,413

### 10 CASH AND CASH EQUIVALENTS

Carrying amount	February 28, 2015 EUR'000	February 29, 2016 EUR'000
Bank balances <sup>1</sup>	107,677	56,032
Cash in hand <sup>1</sup>	20	28
Cheques received <sup>1</sup>	3,258	155
<b>Balance</b>	110,955	56,215

<sup>1</sup> of which bank balances, cash in hand and cheques received denominated in USD in the amount of 46,943 EURk (28 February 2015) and 45,349 EURk (29 February 2016)

### 11 EQUITY AND CAPITAL MANAGEMENT

#### (a) Share capital

The share capital of FACC AG 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.

#### (b) Capital reserve

The capital reserve amounts to 221,459 EURk (28 February 2015: 220,535 EURk). An amount of 924 EURk arising from the reversal of a provision resulting from costs that did not affect profit or loss in relation to the IPO was allocated to the capital reserve, as at the time, the IPO costs were offset directly against equity.

#### (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 (28 February 2015) and nil EURk (29 February 2016) 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, 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>	(19,779)
Reclassification to the consolidated statement of comprehensive income, net	19,779
Change in fair values of hedging instruments, net	10,052
<b>Balance as at February 29, 2016</b>	<b>10,052</b>

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

Actuarial gains and losses associated with termination and pension 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 (IAS 19 reserve).

**(e) Dividends**

In the reporting period, a dividend was paid in the amount of nil EURk (previous year: 19,000 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 IFRS. 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 44% (28 February 2015) and 44% (29 February 2016).

## 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, 2015 EUR'000	Carrying amount as at February 29, 2016 EUR'000
Promissory note loan 2012 to 2015	3,000	3,000	–
Promissory note loan 2012 to 2017	8,000	8,000	<b>8,000</b>
Promissory note loan 2012 to 2019	34,000	34,000	<b>34,000</b>
FACC bond 2013-20 (ISIN AT0000A10J83)	90,000	89,067	<b>89,242</b>
<b>Balance</b>	<b>135,000</b>	<b>134,067</b>	<b>131,242</b>

In connection with the promissory note loans 2012 to 2015, 2012 to 2017 and 2012 to 2019 (variable interest rate between 6M Euribor +1.2 percentage points and 6M Euribor +2.25 percentage points and/or fixed interest rate between 2.82% and 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 28 February 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. At the end of the reporting period (29 February 2016), there was no breach of the covenant by the Group.

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 (29 February 2016), there was no breach of the covenant by the Group.

## 13 FINANCIAL LIABILITIES

	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 guarantee	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 guarantee	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>

	February 29, 2016		
	Non-current EUR'000	Current EUR'000	Total EUR'000
<b>Bank borrowings</b>			
RLB OÖ/Oberbank, loan with AWS guarantee	2,370	395	2,765
RLB OÖ/Oberbank, loan with security transfer	3,798	632	4,430
Investkredit AG, ERP loan	–	1,667	1,667
UniCredit BA, ERP loan with AWS guarantee	1,060	1,060	2,120
OB, FFG loan	877	585	1,462
Erste, ERP loan	4,667	2,333	7,000
RLB, ERP loan	4,200	2,100	6,300
OB, FFG loan	2,105	421	2,526
Sparkasse, FFG loan	281	56	337
Leasing UniCredit Plant 5	18,996	490	19,486
Raiffeisen Impuls Plant 2	6,879	87	6,965
Raiffeisen Impuls Plant 2 – addition	7,847	156	8,003
Raiffeisen Impuls Plant 2 – addition press hangar	1,244	25	1,269
OB, ERP loan	5,900	–	5,900
UniCredit, ERP loan	7,500	–	7,500
RBI, ERP loan	4,200	–	4,200
RLB, FFG loan	1,832	–	1,832
Sparkasse, FFG loan	450	–	450
Export loan KRR	–	5,000	5,000
Operating resources accounts	–	1,095	1,095
Accrual, interest and expenses	(924)	5,532	4,608
OB, ERP loan, CoLT	1,932	–	1,932
<b>Balance</b>	<b>75,213</b>	<b>21,634</b>	<b>96,847</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 proced-

ure 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 15,966 EURk as at 28 February 2015 and 15,966 EURk as at 29 February 2016.

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

Carrying amount	February 28, 2015 EUR'000	February 29, 2016 EUR'000
6 months or less	11,796	13,290
6 to 12 months	47,469	43,986
<b>Balance</b>	<b>59,265</b>	<b>57,276</b>

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

	2014/2015 carrying amount EUR'000	2014/2015 fair value EUR'000	2015/2016 carrying amount EUR'000	2015/2016 fair value EUR'000
Investkredit AG, ERP loan	3,246	3,246	-	-
BACA ERP loan	3,095	3,095	2,064	2,064
Oberbank FFG loan	1,754	1,754	1,462	1,462
Erste Bank ERP loan	6,743	6,743	6,810	6,810
RLB ERP loan	6,068	6,068	6,129	6,129
OB FFG loan	2,433	2,433	2,455	2,455
Sparkasse FFG loan	328	328	330	330
OB FFG loan	2,800	2,800	1,932	1,932
OB ERP loan (new loan 2015/16)	-	-	5,653	5,653
UniCredit ERP loan (new loan 2015/16)	-	-	7,186	7,186
RBI ERP loan (new loan 2015/16)	-	-	4,024	4,024
RLB FFG loan (new loan 2015/16)	-	-	1,802	1,802
Sparkasse FFG loan (new loan 2015/16)	-	-	449	449
Raiffeisen Impuls Plant 2 and additions	16,491	16,491	16,238	16,238
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	89,068	97,486	89,242	90,220
<b>Balance</b>	<b>132,026</b>	<b>140,444</b>	<b>163,276</b>	<b>164,254</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 (fair value level 2).

**Finance lease liabilities**
**Finance lease liabilities – minimum lease payments**

	February 28, 2015 EUR'000	February 29, 2016 EUR'000
No later than 1 year	972	967
Later than 1 year and no later than 5 years	3,831	4,140
Later than 5 years	21,443	20,229
Future finance charges on finance lease liabilities	(6,277)	(5,849)
<b>Present value of finance lease liabilities</b>	<b>19,969</b>	<b>19,487</b>

The maturity of finance lease liabilities is as follows:

	February 28, 2015 EUR'000	February 29, 2016 EUR'000
No later than 1 year	932	905
Later than 1 year and no later than 5 years	3,462	4,140
Later than 5 years	15,575	14,442
<b>Total</b>	<b>19,969</b>	<b>19,487</b>

**14 DERIVATIVE FINANCIAL INSTRUMENTS**

The notional amounts of derivative financial instruments are as follows:

	February 28, 2015 USD'000	February 29, 2016 USD'000
<b>Forward foreign exchange contracts</b>		
Forward foreign exchange contracts	425,000	335,000
<b>Total current</b>	<b>425,000</b>	<b>335,000</b>
	February 28, 2015 EUR'000	February 29, 2016 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		
Interest rate swaps	20,000	–
<b>Current portion</b>	<b>–</b>	<b>20,000</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 11,991 EURk (28 February 2015) and 13,289 EURk (29 February 2016). 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**

	February 28, 2015 EUR'000	February 29, 2016 EUR'000
<b>Obligations recognised in the consolidated statement of financial position for</b>		
Pension obligations (a)	2,929	2,008
Provision for termination benefits (b)	6,898	7,288
Provision for anniversary bonuses (c)	1,089	1,463
Provision for early retirement benefits	10	-
	10,926	10,759
	2014/15 EUR'000	2015/16 EUR'000
<b>Expenses shown in the consolidated statement of comprehensive income</b>		
Pension obligations	2,288	(674)
Termination benefits	2,025	618
Anniversary bonuses	302	443
Early retirement benefits	(21)	(10)
	4,594	377

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 28 February 2015 are as follows:

	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
Fair value of plan asset (pension re-insurance)	(1,389)
Net liability (provision) as at February 28, 2015	2,929

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The amounts recognised in the consolidated statement of financial position as at 29 February 2016 are as follows:

	EUR'000
Present value of the pension obligations as at March 1, gross	4,318
Service cost	–
Interest expense	65
Revaluation effects (recognised in other comprehensive income, net of deferred taxes)	(739)
Reversal due to retirement of beneficiaries	–
Present value of the pension obligations at the end of the period (DBO), gross	3,643
Fair value of plan asset (pension re-insurance)	(1,635)
<b>Net liability (provision) as at February 29, 2016</b>	<b>2,008</b>

The amounts recognised in the consolidated statement of comprehensive income are as follows:

	2014/15 EUR'000	2015/16 EUR'000
Service costs	–	–
Interest expense	71	65
Revaluation effects (recognised in other comprehensive income, net of deferred taxes)	2,217	(739)
Past service cost	–	–
<b>Total</b>	<b>2,288</b>	<b>(674)</b>

The principal actuarial assumptions used were as follows:

	2014/15	2015/16
Interest rate	1.50%	2.00%
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 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

	2014/15 EUR'000	2015/16 EUR'000
Present value of provision for termination benefit obligations at the beginning of the period	4,598	6,358
Other termination benefits	539	577
Service cost	258	342
Interest expense	150	145
Revaluation effects (recognised in other comprehensive income, net of deferred taxes)	1,563	73
Termination benefits paid	(210)	(207)
Present value of provision for termination benefit obligations at the end of the period (DBO)	6,898	7,288

The calculations as at 28 February 2015 and 29 February 2016 are based on the following assumptions:

	February 28, 2015	February 29, 2016
Interest rate	2.30%	2.00%
Pension and salary increases	2.00%	2.00%
Staff turnover – employees	2.76%	4.00%
Staff turnover – workers	4.43%	2.70%
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.

All expenses associated with termination benefits with the exception of the revaluation effects are shown under “Staff costs” in the consolidated statement of comprehensive income.

### (c) Provisions for anniversary bonuses

	2014/15 EUR'000	2015/16 EUR'000
Present value of provision for anniversary bonuses at the beginning of the period	787	1,020
Service costs	134	480
Interest expense	26	23
Actuarial gain/loss for the period	112	(45)
Anniversary bonuses paid	(39)	(15)
Present value of provision for anniversary bonuses at the end of the period	1,020	1,463
Non-wage labour costs	69	–
<b>Recognised provision for anniversary bonuses</b>	<b>1,089</b>	<b>1,463</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 117 EURk (28 February 2015) and 131 EURk (29 February 2016) 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 1,523 EURk (28 February 2015) and 1,524 EURk (29 February 2016) were made to the staff provision fund in the respective fiscal years.

## 17 TRADE PAYABLES

The maturity analysis of trade payables as at 28 February 2015 and 29 February 2016 is as follows:

	February 28, 2015 EUR'000	February 29, 2016 EUR'000
Within 90 days	71,681	72,667
Over 90 days and within 360 days	406	12
	72,087	72,679

18 OTHER LIABILITIES AND DEFERRED INCOME, PAYABLES TO RELATED COMPANIES

	Carrying amount as at February 28, 2015 EUR'000	Carrying amount as at February 29, 2016 EUR'000
Social security payables	3,295	<b>3,436</b>
Other liabilities	2,290	<b>1,851</b>
Liabilities towards employees	18,376	<b>18,754</b>
Accruals and deferrals	1,046	<b>1,485</b>
<b>Balance</b>	25,007	<b>25,526</b>

Payables to related companies mainly consist of trade payables.

19 OTHER PROVISIONS

	Employees EUR'000	Warranties EUR'000	Other EUR'000	Total EUR'000
<b>Balance as at March 1, 2014</b>	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
<b>Balance as at February 28, 2015</b>	51	1,439	5,152	6,642
<b>of which current</b>	51	1,439	5,152	6,642
<b>of which non-current</b>	–	–	–	–

With regard to warranties, a provision is only made for specific obligations.

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 1,082 EURk,

	Employees EUR'000	Warranties EUR'000	Other EUR'000	Total EUR'000
<b>Balance as at March 1, 2015</b>	51	1,439	5,152	6,642
Utilisation	(51)	(9)	(1,742)	(1,802)
Reversal	–	(1,336)	(3,250)	(4,586)
New provisions	42	2,803	7,294	10,139
<b>Balance as at February 29, 2016</b>	42	<b>2,897</b>	<b>7,454</b>	<b>10,393</b>
<b>of which current</b>	42	<b>2,897</b>	<b>7,454</b>	<b>10,393</b>
<b>of which non-current</b>	–	–	–	–

With regard to warranties, a provision is only made for specific obligations.

in the amount of 3,876 EURk, a provision for outstanding shipping costs in the amount of 281 EURk and a provision for legal disputes in the amount of 713 EURk.

Other provisions include a provision for follow-up costs (outstanding incoming invoices) in relation to several development projects

## 20 CHANGES IN INVENTORIES

	2014/15 EUR'000	2015/16 EUR'000
Finished goods	(427)	1,799
Unfinished goods	3,182	2,625
<b>Total</b>	2,755	4,424

## 21 OWN WORK CAPITALISED

	2014/15 EUR'000	2015/16 EUR'000
Capitalisation of development costs	18,508	18,455
Other	254	329
<b>Total</b>	18,762	18,784

## 22 COST OF MATERIALS AND PURCHASED SERVICES

	2014/15 EUR'000	2015/16 EUR'000
Cost of materials	315,793	353,619
Cost of purchased services	14,400	20,275
<b>Total</b>	330,193	373,894

## 23 STAFF COSTS

	2014/15 EUR'000	2015/16 EUR'000
Wages and salaries	124,756	122,186
Expenses for statutory social contributions and benefits	31,887	31,604
Expenses for termination benefits and contributions to staff provision funds	2,209	2,166
Expenses for pensions	189	119
Other social expenses	3,218	2,434
<b>Total (including remuneration of the Management Board)</b>	162,259	158,509

Expenses for termination benefits and contributions to staff provision funds include contributions to staff provision funds in the amount of 1,523 EURk (28 February 2015) and 1,524 EURk (29 February 2016).

The number of staff employed by the Group is 3,062 persons (2,030 workers and 1,032 employees) as at 29 February 2016 compared to 3,109 persons (1,864 workers and 1,245 employees) as at 28 February 2015.

24 REMUNERATION OF MANAGEMENT IN KEY POSITIONS

The remuneration as at 28 February 2015 of the members of the Management Board of FACC AG and of the Supervisory Board of FACC AG who also serve on the management board and supervisory board of FACC Operations GmbH 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>						
Ruguang Geng	8	-	-	-	-	8
Xiangkai Meng (until 28 June 2014)	1	-	-	-	-	1
Hang Huang (until 29 April 2014)	-	-	-	-	-	-
Greg Peters	6	-	-	-	-	6
Jun Tang	7	-	-	-	-	7
Yongsheng Wang	7	-	-	-	-	7
Chunlin Xu (until 21 February 2014)	-	-	-	-	-	-
Weixi Gong	6	-	-	-	-	6
Huimin Zhao (until 28 June 2014)	-	-	-	-	-	-
Yanzheng Lei (since 29 April 2014)	5	-	-	-	-	5
Xueljun Wang (since 28 June 2014)	5	-	-	-	-	5
Chunsheng Yang (since 28 June 2014)	5	-	-	-	-	5
<b>Management Board</b>						
Walter Stephan	-	369	733	98	2,288 <sup>1</sup>	3,488
Minfen Gu	-	266	374	58	4	702
Robert Machtlinger	-	257	404	110	7	778
	<b>50</b>	<b>892</b>	<b>1,511</b>	<b>266</b>	<b>2,299</b>	<b>5,018</b>

<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, Wang Yongsheng in his capacity as managing director from 7 March 2014 to 21 March 2014 and Xu Chunlin in his capacity as managing director until 7 March 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.

The remuneration as at 29 February 2016 of the members of the Management Board and the Supervisory Board 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>						
Ruguang Geng	17	–	–	–	–	17
Greg Peters	23	–	–	–	–	23
Jun Tang	15	–	–	–	–	15
Yongsheng Wang (until 2 February 2016)	20	–	–	–	–	20
Weixi Gong	25	–	–	–	–	25
Yanzheng Lei	15	–	–	–	–	15
Xueljun Wang	12	–	–	–	–	12
Chunsheng Yang	12	–	–	–	–	12
Xiangkai Meng (until 28 June 2014)	1	–	–	–	–	1
<b>Management Board</b>						
Walter Stephan	–	401	–	66	(674) <sup>1</sup>	(207)
Minfen Gu (until 2 February 2016)	–	275	–	46	8	329
Robert Machtlinger	–	326	–	46	8	380
Yongsheng Wang (since 2 February 2016)	–	–	–	–	–	–
	<b>140</b>	<b>1,002</b>	<b>–</b>	<b>158</b>	<b>(658)</b>	<b>642</b>

<sup>1</sup> of which 795 EURk actuarial gains (previous year: 2,217 EURk actuarial losses) – due to revaluation effects in connection with pension obligations – recognised in other comprehensive income

## 25 AMORTISATION AND DEPRECIATION

	2014/15 EUR'000	2015/16 EUR'000
Amortisation of intangible assets	9,400	10,069
Depreciation of property, plant and equipment	13,899	15,842
<b>Total</b>	<b>23,299</b>	<b>25,911</b>

## 26 OTHER OPERATING INCOME AND EXPENSES

	2014/15 EUR'000	2015/16 EUR'000
Maintenance, servicing and third-party repairs	7,657	7,922
Shipping costs	11,282	8,802
Material testing and certification costs, technical support	4,528	5,391
Rents, leases and building rights costs	6,879	7,451
Travel expenses	3,805	3,093
Allowances, grants and other income	(16,537)	(12,728)
Miscellaneous expenses (Fake President Incident)	–	41,987
Miscellaneous expenses	21,578	13,903
<b>Total</b>	<b>39,192</b>	<b>75,821</b>

In the reporting period, an externally controlled fraud incident (“Fake President Incident”) resulted in an illegal outflow of the Group’s liquid funds in the amount of 52,847 EURk. Immediately adopted measures led to the freezing of 10,860 EURk in receiving accounts. This amount has been recognised as non-current receivable, as the subsidiary FACC Operations GmbH considers

itself to be the lawful owner of the money and – based on a legal opinion obtained – assumes that the money will be reimbursed.

Miscellaneous expenses thus include an amount of 41,987 EURk resulting from the fraud incident.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The expenses for the Group auditor relating to the relevant fiscal years are as follows:

	2014/15 EUR'000	2015/16 EUR'000
Audit of the consolidated financial statements and the financial statements	135	174
Other assurance services	–	1
Audit-related consulting services	45	52
Tax consulting services	17	5
<b>Total</b>	197	232

### 27 FINANCE COSTS

	2014/15 EUR'000	2015/16 EUR'000
Interest and bank charges	6,516	8,777
Interest expense – bonds	3,764	3,785
<b>Total</b>	10,280	12,562

### 28 INTEREST INCOME FROM FINANCIAL INSTRUMENTS

	2014/15 EUR'000	2015/16 EUR'000
Bank interest	360	305
Income from interest rate swaps	–	–
Income from securities	10	10
Other interest	253	129
<b>Total</b>	623	444

### 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, 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)	–	–
<b>Balance as at February 29, 2016</b>						
Forward foreign exchange contracts – USD	335,000	–	(28,378)	–	13,403	6,418
Structured currency options – USD	–	–	–	–	–	–
Interest rate swaps	–	20,000	(5,098)	5,242	–	–

## 30 INCOME TAXES

	2014/15 EUR'000	2015/16 EUR'000
Corporate income tax, current	115	(175)
Tax compensation from group taxation	-	-
Foreign withholding tax	-	-
Deferred taxes	(5,101)	(8,342)
	(4,987)	(8,517)
Tax expenses, previous years	10	160
<b>Total</b>	(4,976)	(8,357)

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:

	2014/15 EUR'000	2015/16 EUR'000
Loss before taxes	(14,556)	(30,264)
Calculated income tax expense 25%	(3,639)	(7,566)
<b>Tax effects from:</b>		
Deviating foreign tax rates	(45)	(191)
Tax free income	(839)	(677)
Expenses not deductible for tax purposes	82	186
Utilisation of previously unrecognised tax losses	-	-
Tax losses for which no deferred income tax asset was recognised	343	103
Other effects/valuation adjustments – deferred taxes	(218)	(379)
Capitalised deferred taxes	-	-
Impairment of goodwill	-	-
Adjustment in respect of prior years	(664)	160
Minimum corporate income tax and withholding taxes	4	7
<b>Recognised income tax expense</b>	(4,976)	(8,357)

The deferred taxes changed as follows:

	March 1, 2014 EUR'000	Changes in the consolidated state- ment of compre- hensive income EUR'000	Changes in other comprehensive income EUR'000	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)

	March 1, 2015 EUR'000	Changes in the consolidated statement of comprehensive income EUR'000	Changes in other comprehensive income EUR'000	February 29, 2016 EUR'000
<b>Deferred taxes</b>				
Financial assets	347	62	4	413
Other receivables and assets	96	8	-	104
Investment grants	1,285	(103)	-	1,182
Obligations towards employees	1,307	(215)	(184)	908
Derivative financial instruments	12,050	(1,604)	(3,351)	7,095
Provisions	351	(629)	19	(259)
Liabilities	11,353	(494)	-	10,859
Tax-loss carryforwards	13,889	13,634	-	27,523
Intangible assets (development costs)	(28,615)	(4,313)	-	(32,928)
Property, plant and equipment	(8,967)	170	-	(8,797)
Inventories	-	-	-	-
Trade receivables (mainly differences from USD valuation)	(5,718)	1,396	-	(4,322)
Bonds	(106)	20	-	(86)
Other	(1,861)	410	-	(1,452)
	(4,589)	8,342	(3,512)	241

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 28 February 2015, deferred income tax liabilities in the amount of 4,589 EURk were shown in the consolidated statement of financial position. As at 29 February 2016, deferred income tax assets in the amount of 241 EURk were shown in the consolidated statement of financial position.

Within the next twelve months, deferred income tax assets in the amount of 16,997 EURk and 12,243 EURk are expected to be

realised and deferred income tax liabilities amounting to 12,216 EURk and 13,271 EURk are expected to be settled as at 28 February 2015 and 29 February 2016, 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 343 EURk as at 28 February 2015 and 131 EURk as at 29 February 2016 in respect of losses amounting to 1,373 EURk and 522 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:

	2014/15			2015/16		
	Gross EUR'000	Tax EUR'000	Net EUR'000	Gross EUR'000	Tax EUR'000	Net EUR'000
Revaluation effects pensions and termination benefits	(3,776)	944	(2,832)	665	(166)	499
Fair value measurement of securities	41	(10)	31	(18)	5	(13)
Cash flow hedge	(26,375)	6,596	(19,779)	13,403	(3,351)	10,052
<b>Total</b>	(30,110)	7,530	(22,580)	14,050	(3,512)	10,538

**31 COMMITMENTS TO ACQUIRE ASSETS**

	February 28, 2015 EUR'000	February 29, 2016 EUR'000
Property, plant and equipment		
Authorised but without contractual obligation	35,892	30,701
Contractual obligation, not yet incurred	8,373	5,715
	44,265	36,416

**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:

	February 28, 2015 EUR'000	February 29, 2016 EUR'000
No later than 1 year	4,291	3,665
Later than 1 year and no later than 5 years	11,193	10,117
Later than 5 years	6,945	5,422
<b>Total</b>	<b>22,429</b>	<b>19,204</b>

**33 IMPAIRMENT TESTS FOR GOODWILL AND OTHER NON-CURRENT ASSETS (PARTICULARLY DEVELOPMENT COSTS)**

The following is a summary of goodwill allocation at the segment level:

2015/16	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-year plan approved by management. Cash flows beyond this multi-year 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.

The underlying budgets include the planned costs and returns per item and quantity based on external data (Airline Monitor, customer forecasts, etc.), and foreign exchange rate forecasts (EUR/USD) of 1.18 to 1.23 (previous year: EUR/USD 1.35). The planning period with regard to the future cash flows depends on the terms and conditions of the respective customer contracts.

Key assumptions used for the value-in-use calculations in 2015/16:

	Aerostructures	Engines & Nacelles	Interiors
Growth rate <sup>1</sup>	1.5%	1.5%	1.5%
Discount rate <sup>2</sup>	10.07%	10.07%	10.07%
Average revenue growth p.a. in the planning period	11.80%	11.93%	5.46%

<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

Revenue development (EBIT margin) extrapolated from the multi-year plan adopted by the Management Board is considered as key assumption. The Management Board assumes that standard market margin levels will be maintained and/or achieved in the Aerostructures as well as Engines & Nacelles segments (average standard market EBIT margin 7% – 15%). In the Interiors segment, the Management Board assumes that the standard market margin level will be reached in the course of the planning period (average standard market EBIT margin Interiors 6% – 18%).

Key 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>	10.9%	10.9%	10.9%

<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

In the planning period, an average revenue growth of 9.8% at the Group level was taken into account.

Management determined budgeted gross margin based on past performance and its expectations of market development.

For material assumptions in sensitivity analyses, reference is made to Note 2(b)(v).

Due to the long-term nature of the underlying transaction (contractual terms of up to 15 years) as well as the resulting longer industrialisation phases (period between five and seven years to achieve target margins), management has determined the planning period to be six years. It is expected that a steady state of the revenue situation for calculating perpetual annuity will only be achieved after six years.

### 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 1 March 2014 to 28 February 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 17,315 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.

The related company FACC International Company Limited was charged costs 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 does not share this legal interpretation. The Management Board of FACC AG assumes that the receivable is recoverable based on this legal interpretation and that the legal interpretation will be accepted.

The related company Aerospace Innovation Investment GmbH was charged costs 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.

#### Related-party transactions outside of the consolidated group for the period 1 March 2015 to 29 February 2016

With the related company Shanghai Aircraft Manufacturing Co., Ltd. revenue was generated in the amount of 1,172 EURk (previous year: 9,655 EURk). Receivables in the amount of 5,622 EURk (previous year: 17,315 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 2,122 EURk (previous year: 3,329 EURk). Receivables in the amount of 10,469 EURk (previous year: 12,739 EURk) and payables in the amount of 234 EURk (previous year: nil 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: nil EURk). Receivables in the amount of 2,800 EURk (previous year: 2,800 EURk) are shown in the consolidated statement of financial position.

In the reporting period, a dividend was paid in the amount of nil EURk (previous year: 19,000 EURk) to FACC International Company Limited.

The related company FACC International Company Limited was charged costs in the amount of nil EURk (previous year: 1,811 EURk). Receivables in the amount of 168 EURk (previous year: 1,811 EURk) are shown in the consolidated statement of financial position.

The related company Aerospace Innovation Investment GmbH was charged costs in the amount of nil EURk (previous year: 166 EURk). Receivables in the amount of nil EURk (previous year: 656 EURk) and payables in the amount of 34 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 4,968 EURk<sup>1</sup> (28 February 2015 and 502 EURk (29 February 2016). No loans or advances were granted to members of the Management Board.

## Key management compensation

	February 28, 2015 EUR'000	February 29, 2016 EUR'000
Salaries and other short-term employee benefits	2,403	1,002
Retirement scheme contributions	2,299 <sup>1</sup>	(658) <sup>1</sup>
Allocation to provision for termination benefits	266	158
	4,968	502

<sup>1</sup> of which 795 EURk actuarial gains (previous year: 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.

	February 29, 2016
Loss after taxes attributable to the equity holders (in EURk)	(21,917)
Average number of shares in issue (number of shares)	45,790,000
Basic earnings per share (in EUR)	(0.48)

**36 EVENTS AFTER THE REPORTING PERIOD**

No material events occurred after the end of the reporting period.

**37 MANAGEMENT BOARD AND SUPERVISORY BOARD**

Members of the Management Board in the reporting period were:

Walter Stephan  
Minfen Gu (until 2 February 2016)  
Robert Machtlinger  
Yongsheng Wang (since 2 February 2016)

Members of the Supervisory Board in the reporting period were:

Ruguang Geng, Chairman  
Jun Tang, Deputy Chairman  
Weixi Gong  
Barbara Huber  
Peter Krohe  
Yanzheng Lei  
Greg Peters  
Johann Redhammer (until 30 July 2015)  
Ulrike Reiter  
Yongsheng Wang (until 2 February 2016)  
Xuejun Wang  
Chunsheng Yang  
Birol Mutlu (since 1 August 2015)

Ried im Innkreis, 20 May 2016

Walter Stephan m. p.  
Chairman of the Management Board

Robert Machtlinger m. p.  
Member of the Management Board

Yongsheng Wang  
Member of the Management Board

# Statement of all Legal Representatives

## ACCORDING TO SECTION 82 PARA. 4 NO. 3 BÖRSEG (AUSTRIAN 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 to the best of our knowledge 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, 20 May 2016

The Management Board

Walter Stephan m. p.  
Chairman of the Management Board

Robert Machtlinger m. p.  
Member of the Management Board

Yongsheng Wang  
Member of the Management Board

## Auditor's Report

*We draw attention to the fact that the English translation of this auditor's report according to Section 274 of the Austrian Commercial Code (UGB) is presented for the convenience of the reader only and that the German wording is the only legally binding version.*

### REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of FACC AG, Ried im Innkreis, which comprise the consolidated balance sheet as of 29 February 2016, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the year then ended, and the notes to the consolidated financial statements.

#### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, and the additional requirements under Section 245a UGB, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Austrian generally accepted auditing standards. Those standards require the application of the International Stan-

dards on Auditing according to which we are to comply with ethical requirements and to 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 depend 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 basis for our audit opinion.

#### Opinion

Our audit did not give rise to any objections. In our opinion, the consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as of 29. February 2016 and of its financial performance and its cash flows for the fiscal year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the additional requirements under Section 245a UGB.

**Emphasis of matter**

Without qualifying our audit opinion, we draw attention to the disclosures made by the Company in the notes to the consolidated financial statements on the use of assumptions and estimates under "Non-current receivables" and under "Other operating income and expenses", stating that in the fiscal year 2015/16, an externally controlled fraud incident (fake president incident) resulted in an illegal outflow of the Group's liquid funds in the amount of EUR 52,847k. Immediately adopted measures led to the freezing of EUR 10,860k in receiving accounts, with this amount having been recognised as non-current receivable. Based on a legal opinion obtained, the management considers FACC Operations GmbH to be the lawful owner of the money and assumes that the money will be reimbursed, even if this will not happen in the short term. Consequently, the item "Other operating income and expenses" contains a loss balance resulting from the fraud incident in the amount of EUR 41,987k.

**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, 20 May 2016  
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>AFT area</b>	Tail section of an aircraft
<b>Autoclave</b>	Hermetically sealed pressure vessel for the curing of parts under pressure and temperature
<b>AVIC</b>	Aviation Industry Corporation of China
<b>Bin</b>	Lockable stowage compartment for hand luggage in the passenger cabin of commercial aircraft
<b>Composite-sandwich-panel</b>	Component or semi-finished component, which is composed of multiple layers of materials with different characteristics
<b>FEM</b>	Finite Element method for the simulation of physical phenomena (like for instance force effects on deformable solid objects)
<b>Flight deck</b>	Cockpit of a passenger aircraft
<b>Movable bin</b>	Overhead compartment for hand luggage with lowering mechanism
<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>Pre-pregs</b>	Composite fibre sheets pre-impregnated with phenolic resins forming the basis for the creation of components
<b>Sharklet</b>	A further development of the winglet, which further reduces drag and fuel consumption of an aircraft
<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>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>EURk</b>	Euro thousands
<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>USD</b>	United States Dollar

**FINANCIAL CALENDAR 2015/16**

May 25, 2016	Publication of the annual financial report and of the annual report 2015/16
July 13, 2016	Quarterly financial report Q1 2016/17
July 15, 2016	Ordinary Annual General Meeting
October 20, 2016	Semi-annual financial report 2016/17
January 24, 2017	Quarterly financial report Q3 2016/17

**CONTACT****INVESTOR RELATIONS****Manuel Taverne**

m.taverne@facc.com

Phone +43 59 616 2819

Fax +43 59 616 82819

www.facc.com

**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: 10 May 2016

**IMPRINT****Media owner and editor:**

FACC AG, Fischerstraße 9,  
4910 Ried/Austria

**Editing:** Manuel Taverne

**Layout, graphics, concept:**

Reichl und Partner, Linz

**Editing & project management:**

be.public Corporate & Financial Communications, Vienna

**Pictures:** Airbus, Boeing, Embraer,  
Rolls-Royce, United, Robert Gortana,  
FACC, COMAC





