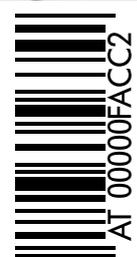


facc

# WE ARE FACC

ANNUAL REPORT 2016/17



<b>EUR million</b>		<b>2015/16<sup>1)</sup></b>	<b>2016/17</b>
Revenues		580.2	<b>705.7</b>
Thereof Aerostructures		269.2	<b>331.0</b>
Thereof Engines & Nacelles		113.8	<b>142.0</b>
Thereof Interiors		197.2	<b>232.8</b>
EBITDA		(9.2)	<b>57.7</b>
EBITDA in percent of revenues		(1.6%)	<b>8.2%</b>
EBIT		(58.8)	<b>26.9</b>
EBIT in percent of revenues		(10.1%)	<b>3.8%</b>
Thereof Aerostructures		8.4	<b>51.2</b>
Thereof Engines & Nacelles		(29.1)	<b>(11.9)</b>
Thereof Interiors		(38.1)	<b>(12.4)</b>
Cash flow from operating activities		(9.3)	<b>20.0</b>
Cash flow from investing activities		(50.9)	<b>(34.4)</b>
Headcount (at the balance sheet date)		3,062	<b>3,393</b>
Net working capital		137.8	<b>163.8</b>
Net financial debt		171.8	<b>197.0</b>
Equity		267.1	<b>284.0</b>
Equity ratio		40.2%	<b>41.7%</b>
Balance sheet total		664.9	<b>680.6</b>
Trading volume	shares	23,188,628	<b>18,355,314</b>
Average daily trading volume	shares	93,503	<b>358,998</b>
Highest closing price over the year	EUR	8.49	<b>7.37</b>
Lowest closing price over the year	EUR	4.50	<b>4.00</b>
Closing price on the last trading day in February	EUR	5.23	<b>7.00</b>
Annual share price performance	%	(38.4)	<b>40.4</b>
Market capitalisation	EUR million	239.3	<b>320.6</b>

<sup>1)</sup> Due to an error correction according to IAS 8, previous years' figures have been adjusted retrospectively (see note 2).



# PILOT. PASSION

# RELIABLE. INSPIRING. TECHNOLOGICALLY AT THE LEADING EDGE.

*Every human action has a rational and an emotional component. We at FACC work with both expertise and passion. With well-filled order books, ongoing innovations and a highly qualified team, we are looking to the future with strength and with confidence: WE ARE FACC.*



22% MORE REVENUE



EBIT OF EUR 26.9 MILLION



40% SHARE PRICE GAIN



# PARTNERSHIP.

*Cover Story* 6–15

Since 1981, FACC has supplied aircraft manufacturers across the globe with innovative solutions that have a significant influence on the development of the industry.

*Product Highlights* 16–19

New developments from FACC.

*Interview* 22–29

An interview with the Management Board about current developments and the long-term perspectives of the Group.



*Market & Strategy* 32–37

In its “Vision 2020”, FACC defined ambitious strategic goals. Based on the current market situation, the odds are good that the Group will be able to achieve these targets.

*Innovation* 38–47

Innovative ideas and expertise in development and production constantly lead to new product solutions at FACC.

*Milestones* 48–51

How FACC has had a significant impact on the global aviation industry over the past decades.

*Crew* 54–59

In a team made up of the brightest minds, enormous value is attached to very high skills and value generation. Both FACC’s workforce and the company as a whole profit from this approach.

*Share & Investor Relations* 62–64

*Corporate Governance* 65–69



# CONTENTS

<i>Financial Report 2016/17</i>	70
Group Management Report	71
Consolidated Statement of Financial Position	84
Consolidated Statement of Comprehensive Income	86
Consolidated Statement of Cash Flows	87
Consolidated Statement of Changes in Equity	88
Notes to the Consolidated Financial Statements	90
Statement of all Legal Representatives	142
Auditor's Report	142
<i>Glossary</i>	147
<i>Imprint/Service</i>	149



” The motto of this year's Annual Report not only demonstrates the strength of our bond with FACC but also a certain pride in our company. And quite rightly so, in our opinion: We are not only a globally recognised supplier of high-tech plastic components for the aircraft industry, we are also a team that has a long and successful track record. We develop and manufacture products that often become industry standards and, in doing so, we are usually one step ahead of our competitors. We can count all the world's most important aircraft manufacturers among our satisfied customers and with the majority of them we can boast a longstanding constructive partnership stretching back over more than two decades.

However, we also prove our worth when we are faced with challenges. Over the last few years, we have successfully launched series production of a number of projects. By making extensive investments, we have significantly expanded our capacities, while, at the same time, improving our efficiency. And we have continuously raised our earnings performance, thus demonstrating that the investments carried out over the past few years ensure a profitable business development. In the 2016/17 financial year alone, we were able to increase our revenues by a fifth and to significantly raise our EBIT to EUR 26.9 million. This provides a solid basis to continue moving forward successfully. Well-filled order books, strong demand over the long term, continuous innovation and a highly qualified team will also significantly contribute to this end. As we want to keep saying with pride: *We are FACC.*

Yours sincerely,  
Robert Machtlinger



*What first began as an idea in the research department of Fischer Ski back in 1981, has evolved into a corporate group of global renown over the last four decades. Today, around 3,400 employees at FACC develop and produce high-tech components for the world's most prestigious aircraft manufacturers. On its path to success, the company has taken many brave decisions, experienced numerous transformations and undergone several expansions. However, what has not changed over the years is its enthusiasm for new ideas and innovative solutions.*

Cross-country skiing and modern wide-body jets have one thing in common, which although it is not immediately apparent is nevertheless obvious: They both require materials that can withstand high permanent loads, while keeping weight to a minimum. At the end of the 1980s, pioneers at Fischer Ski recognised this common denominator and successfully began production of small components for aircraft manufacturers. From this newly founded business unit at Fischer Ski, FACC emerged as an independent company in 1989 and subsequently developed into a much valued partner of the global aviation industry.

#### **TECHNOLOGICAL MARKET ADVANTAGE YIELDS SUCCESS**

Innovation power and the desire to provide absolute precision and uncompromising reliability have always been at the heart of this impressive development at FACC. Especially in the aviation sector, where safety and durability are key, these characteristics are important assets. But, above all, FACC stands out when it comes to its formidable expertise in the area of lightweight design. The substitution of metal with plastics has boomed over the past 30 years. Whereas composite components accounted for just a tenth of all parts in a modern aircraft at the beginning of the 1990s, they now account for 50 percent and even more. FACC has not been only able to match this trend but has significantly contributed to driving this dynamic by consistently developing new lightweight

# INNOVATIVE SOLUTIONS THAT INSPIRE

solutions. And this is what has ultimately earned the company an outstanding reputation within the industry.

This corporate success is to a large extent built upon composite materials. These consist of stress-bearing fibres (carbon, glass or aramid fibres) that are incorporated into a resin mass. Components produced by FACC using these materials are moulded individually and cured at high temperatures, thus achieving a high degree of stability, while at the same time minimising weight. In this way, FACC significantly contributes to improving the safety, profitability and environmental friendliness of global air traffic. Since lighter jets consume less fuel, they not only reduce operating costs they also lower CO<sub>2</sub> emissions.



## CUSTOMER PROXIMITY THANKS TO GLOBAL PRODUCTION FOOTPRINT

As a Tier 1 aircraft supplier, FACC currently supplies almost all leading aircraft manufacturers. Day in, day out, the company's employees work on new improved solutions, thus making an important contribution to the technological development of the entire industry. In addition to FACC's high level of technological expertise, the geographical proximity to its customers also plays a key role for the company's good positioning. Almost no other industry has such an international footprint as the aviation industry. Furthermore, FACC operates a large number of business locations in close proximity to large aircraft manufacturers such as Boeing and Airbus and is also present with branches or via partner companies in the dynamic growth markets of the Arab region and East

Asia. Together with its cooperation partners, the company's business branches form a dense network of engineering, production and service locations. This allows FACC to offer rapid and seamless customer support and provide its services at a high, standardised quality level.

One of the pillars of FACC's international strategy is represented by the expansion to China. In 2009, the Chinese aviation company Xi'an Aircraft Industry (Group) Company Ltd. became FACC's new strategic majority shareholder. This provided FACC with direct access to one of the world's most promising production and sales markets. In 2004, FACC went public. Today, 55.5 percent of FACC shares are held by the Chinese AVIC group, with the remaining 44.5 percent representing freefloat.

### AEROSTRUCTURES

Structural components and fairings for wings and empennage and fairings ensure lightness and improved aerodynamics, while leading to greater fuel economy and a high degree of safety.



### ENGINES & NACELLES

Fan cowls, blocker doors, solutions in the fan area and beyond make modern jets quieter and more fuel-efficient.



### INTERIORS

Cabin linings for both large commercial aircraft and small business jets offer every possible comfort even at cruising altitude.



## SPECIALISATION GUARANTEES EXPERTISE ACROSS ALL AREAS

From an organisational point of view, FACC addresses the market with three main corporate divisions: The Aerostructures segment delivers high-strength structural components for wings, empennage and body fairings. The Engines & Nacelles segment deals, amongst other things, with the production of fan cowls, translating sleeves and solutions in the fan area. The Interiors segment develops interior components for passenger cabins of both large commercial aircraft and small business jets as well as for helicopters. All three divisions are linked by the Research & Development unit, which always develops new product solutions over a lengthy time horizon, thus ensuring the company's competitive advantage over the long term.

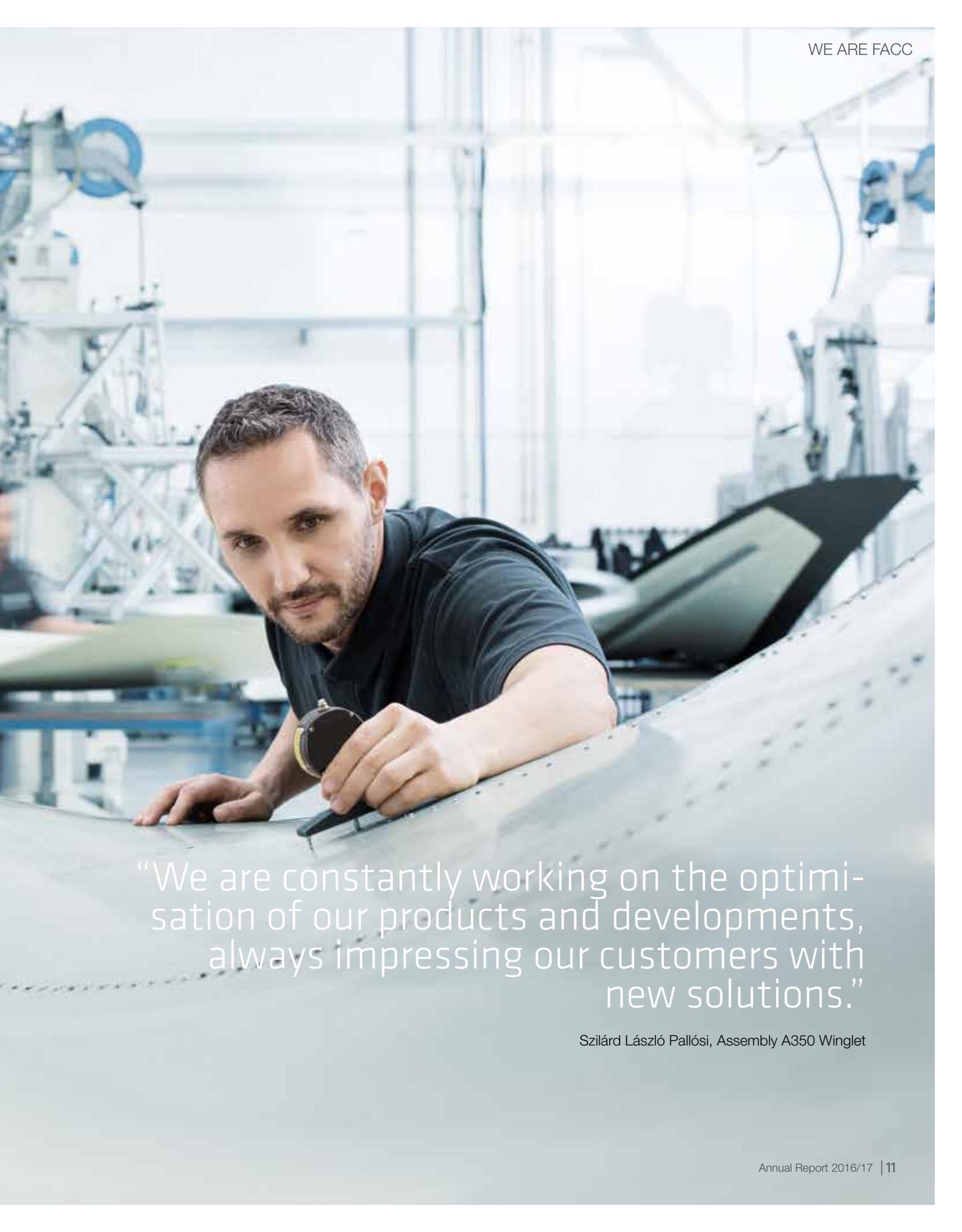
## FUTURE PERSPECTIVES ENSURE STABILITY<sup>1)</sup>

Over the coming years as well, increasing passenger volumes – especially in the Asian growth markets – are expected to take the aviation industry to new heights. According to the International Air Transport Association (IATA), air travel in China and India is expected to quadruple by 2035. But also for the US and European markets, IATA reckons with a further increase in air traffic by roughly 20 percent up to 2035. According to Airbus and Boeing, traffic volumes are expected to double over the next 15 years and until 2035 a total of 36,300 new aircraft are required to tackle this massive increase. Besides, it goes without saying that jets need to become increasingly cost-efficient and environmentally friendly. Based on its lightweight solutions, FACC will make a significant contribution to this development. Even today, almost 60,000 airliners featuring components produced by FACC take off every day and this figure is bound to increase on a day-by-day basis.

<sup>1)</sup> Source: Airbus/Boeing global market outlook





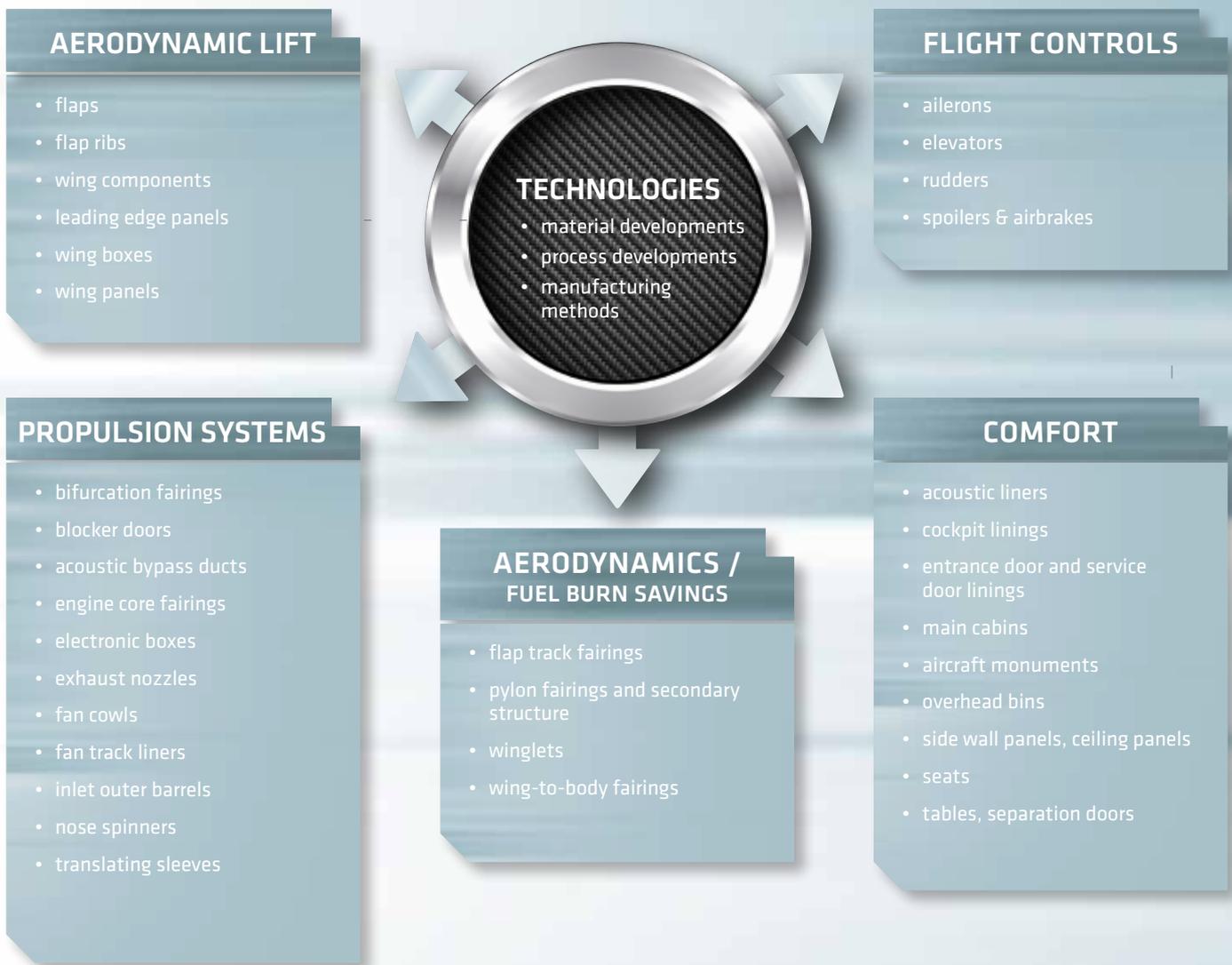
A man with short dark hair and a beard, wearing a dark polo shirt, is leaning over a large, metallic aircraft wing in a factory. He is holding a circular tool, possibly a gauge or a small saw, against the wing's surface. The background shows a large industrial facility with high ceilings, structural beams, and other aircraft parts. The lighting is bright and even.

“We are constantly working on the optimization of our products and developments, always impressing our customers with new solutions.”

Szilárd László Pallósi, Assembly A350 Winglet

## PRODUCTS AND TECHNOLOGIES

*In its corporate units Aerostructures, Engines & Nacelles and Interiors, the FACC Group produces a wide array of products for modern aircraft, regardless whether they are aimed at creating aerodynamic lift, supporting the propulsion systems and flight controls of an aircraft, or leading to savings in fuel burn, while enhancing passenger and aircraft crew comfort.*





Airbus A350



Boeing 787

FIRST FLIGHT	
	1967 - BOEING 737
BOEING 747 -	1969
	1981 - BOEING 767
BOEING 757 -	1982
	1983 - HAWKER 800
DASSAULT FALCON 900 -	1984
	1987 - AIRBUS A320 FAMILY
AIRBUS A340 -	1991
	1992 - AIRBUS A330 FAMILY
DASSAULT FALCON 2000 -	1993
	1994 - BOEING 777 - EUROCOPTER EC135
BOMBARDIER GLOBAL 5000/6000 -	1996
	1998 - BOEING 717 (MD-95)
EUROCOPTER EC145 -	2000
	2001 - BOMBARDIER CHALLENGER 300 FAMILY
GULFSTREAM G550 -	2001
	2003 - GULFSTREAM G450 SERIES
AIRBUS A380 -	2005
	2007 - EMBRAER PHENOM 100/300 - EMBRAER LINEAGE 1000
SUKHOI SSJ100 -	2008
	2009 - BOEING 787
EMBRAER LEGACY 500 -	2011
	2013 - EMBRAER LEGACY 450 - AIRBUS A350 XWB - BOMBARDIER C SERIES
AIRBUS A320NEO - BOMBARDIER GLOBAL 7000/8000 -	2016
	2017 - COMAC C919 - BOEING 737 MAX
MS-21 - XI'AN MA 700 - BOEING 777X -	UPCOMING

## FACC ON BOARD

*Since 1981, FACC has produced components for the aviation industry and continued to further expand its portfolio. The company has constantly evolved over the years and is now on board all modern aircraft not only with its components but also as a key development partner of the world's major OEMs.*

RADOMES

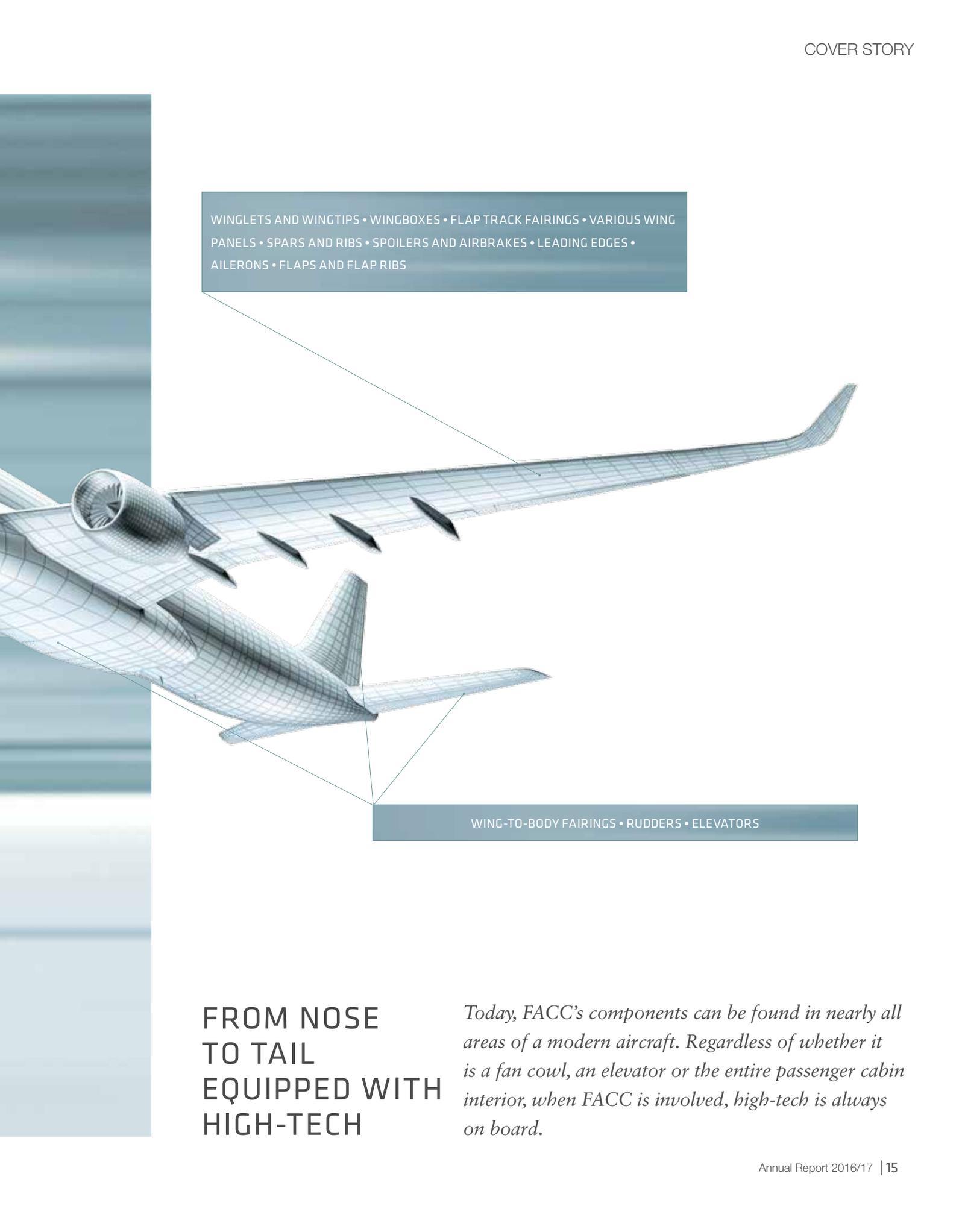
COCKPIT INTERIORS

PASSENGER CABINS • FLOOR, WALL AND CEILING PANELS • KITCHENS • TOILETS •  
OVERHEAD STOWAGES • WINDOWS WITH SHADES • DIVIDERS • CARGO  
COMPARTMENTS • DOOR & DOOR FRAME LININGS • COVE LIGHT PANELS • SMOKE  
DETECTOR PANELS • CABINETS

SPINNERS • ACOUSTIC LINERS • FLOW DIVIDER FOR JET ENGINES • ACOUSTIC BY-  
PASS DUCTS • CORE FAIRINGS • ELECTRONIC BOXES • FAN TRACK LINERS •  
TRANSLATING SLEEVES • BLOCKER DOORS

PYLON FAIRINGS





WINGLETS AND WINGTIPS • WINGBOXES • FLAP TRACK FAIRINGS • VARIOUS WING PANELS • SPARS AND RIBS • SPOILERS AND AIRBRAKES • LEADING EDGES • AILERONS • FLAPS AND FLAP RIBS

WING-TO-BODY FAIRINGS • RUDDERS • ELEVATORS

**FROM NOSE  
TO TAIL  
EQUIPPED WITH  
HIGH-TECH**

*Today, FACC's components can be found in nearly all areas of a modern aircraft. Regardless of whether it is a fan cowl, an elevator or the entire passenger cabin interior, when FACC is involved, high-tech is always on board.*



PRODUCT HIGHLIGHTS

# NEW DEVELOPMENTS ROLL OFF THE PRODUCTION LINE NON-STOP

*Since it was founded, FACC has stood for consistent innovation and has traditionally played a pioneering role in its product areas. This is reflected not least in ongoing new developments and always novel solutions, which are lighter, more functional and more cost-effective to produce.*

---



---

**DIVISION AEROSTRUCTURES**


---



---

## WINGLET FOR AIRBUS A350 XWB

Project start:	2010
Customer:	Airbus UK
Scope of the project:	development, certification, industrialisation and production of butt straps & fairings (Airbus Broughton), wingtips (Airbus Bremen) and winglets (Airbus Toulouse)
Quantities delivered to date:	~ 150 shipsets

The wingtips and winglets developed and manufactured by FACC using composite materials are the aerodynamic tips at the end of the wings of the latest Airbus long-range aircraft. During the development phase, FACC focused on reducing weight to the maximum extent possible by increasing the proportion of composite materials.

In 2015, certification was successfully completed within the framework of a full-scale test in cooperation with CoLT, which also included the verification of the mathematic calculation models and methods used for component design.



For the production of composites, FACC always employs state-of-the-art materials and leading-edge manufacturing technologies. The optimisation of the assembly process is currently being implemented. Different configurations in accordance with customer requirements will soon be manufactured on one production line using a clocked manufacturing process and different aspects of industry 4.0 will also be used at FACC moving forward.

## WING-TO-BODY FAIRING FOR BOMBARDIER GLOBAL 7000

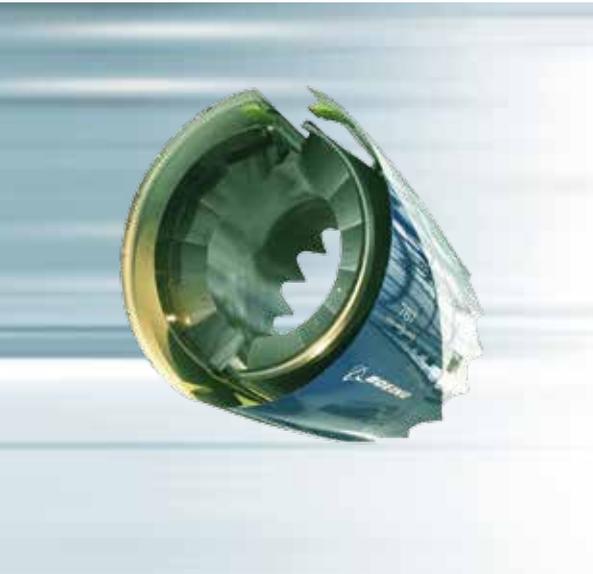
Project start:	2012
Customer:	Bombardier
Scope of the project:	development, certification, industrialisation and production of wing-to-body fairings for the Bombardier Global 7000/8000 business jet
Quantities delivered to date:	5 flight test units, 1 series shipset

The wing-to-body fairings, which comprise a multi-segment structure and are made of composite materials, ensure the aerodynamic transition from the wings to the fuselage of the latest generation of Bombardier business jets. The successor model of the Global 5000/6000 aircraft family, which has been designed to seat a maximum of 20 passengers, is currently in the flight test phase and the first series models are scheduled to be brought into service in 2018.



At FACC, a multinational engineering team was responsible for the development of the components and their manufacture for the flight tests in Austria. The team was made up of employees from FACC sites in Montreal, Ried, Bratislava and Pune.

DIVISION ENGINES & NACELLES



## TRANSLATING SLEEVE FOR BOEING 787

Project start:	2005
Customer:	UTC Aerospace Systems
Scope of the project:	design, calculation and manufacture of configurations for the Boeing 787, 787-8 and 787-9 aircraft models; ongoing design and process improvements
Quantities delivered to date:	~ 1,000 shipsets

FACC's translating sleeve with its iconic silhouette for the Boeing 787 aircraft model is delivered to Boeing as a "plug & play" component. State-of-the-art manufacturing processes once again provided the basis for FACC's project success, with both partially and fully automated production flows playing a crucial role in manufacturing the components.

DIVISION INTERIORS



## ENHANCED CABIN FOR AIRBUS A320

Project start:	2005
Customer:	Airbus Operations GmbH
Scope of the project:	overhead stowage compartment, ceiling panel, cove light panel
Quantities delivered to date:	more than 5,000 shipsets

### Overhead stowage compartment

The raw structure of the overhead stowage compartments for the Airbus A320 aircraft model is produced at FACC using a one-shot process including hand lay-up and curing in the autoclave. With a weight of only 7kg, this component can withstand loads of up to two times 76kg. FACC delivers these components to Airbus ready for installation – including doors, equipment for air supply, handle strip and an interface for electronic equipment. Thanks to its innovative design, this stowage compartment can store up to five trolleys, thus contributing considerably to increasing overhead stowage volume. In addition, FACC fulfils airlines' individual requests with regard to colouring, lighting and special equipment during the manufacturing phase.

### Ceiling panel

The ceiling panels for the Airbus A320 are also delivered by FACC ready for installation with pre-installed lighting units and emergency lighting systems. The panels are cured using a pressing method, which allows the manufacture of a so-called crush core. The honeycomb core structure of the component is intentionally deformed to optimise acoustics within the aircraft, thus reducing the noise level for passengers, while making flying a quieter and more comfortable experience.

### Cove light panel

The crush-core technology for acoustic optimisation is also employed for the production of cove light panels for Airbus wide-body jets. They are cured using the aforementioned pressing method and delivered to the customer ready for installation.

## ENGINE COMPONENTS FOR PRATT & WHITNEY PW814/815

Project start:	2013
Customer:	Pratt & Whitney
Scope of the project:	development and production of bypass ducts
Quantities delivered to date:	~ 100 engines

The lightweight bypass ducts developed and produced by FACC for Pratt & Whitney engines must feature a wide range of highly sophisticated properties and provide a variety of functions. The product has been designed in such a way as to withstand peak loads – even at increased temperatures caused by fire.

These components, which are produced by FACC for the largest business jet applications currently available, feature integral lightweight design combining carbon with metallic interfaces made of titanium. Thanks to the use of



a carbon honeycomb design, the weight of these bypass ducts from FACC can be minimised and is therefore 30 percent lower than conventional purely metallic bypass ducts.

## CABIN FOR EMBRAER LEGACY 450

Project start:	2013
Customer:	Embraer
Scope of the project:	development, certification, ramp-up and management of series production for the interior components
Equipment delivered:	26 shipsets

Within the framework of this project, FACC is responsible for manufacturing all interior components, ranging from cockpit up to the rear pressure wall. These also include mechanisms for doors and tables as well as baggage compartment linings in the non-pressurised section at the back of the aircraft.

The so-called “belted toilet” represents a highlight in this regard. It is a toilet seat, which can be used as a seat during landing and take-off. While similar products produced by competitors often require an additional steel structure, in the belted toilet designed by FACC composite materials account for 95 percent.

Additional special features encompass a refreshment centre, a galley specifically designed for the 9-seat arrangement of the jet as well as a cockpit partition with pocket door.



A typical seat arrangement in a Legacy 450 Jet



7-seat arrangement: six club seats and one belted toilet



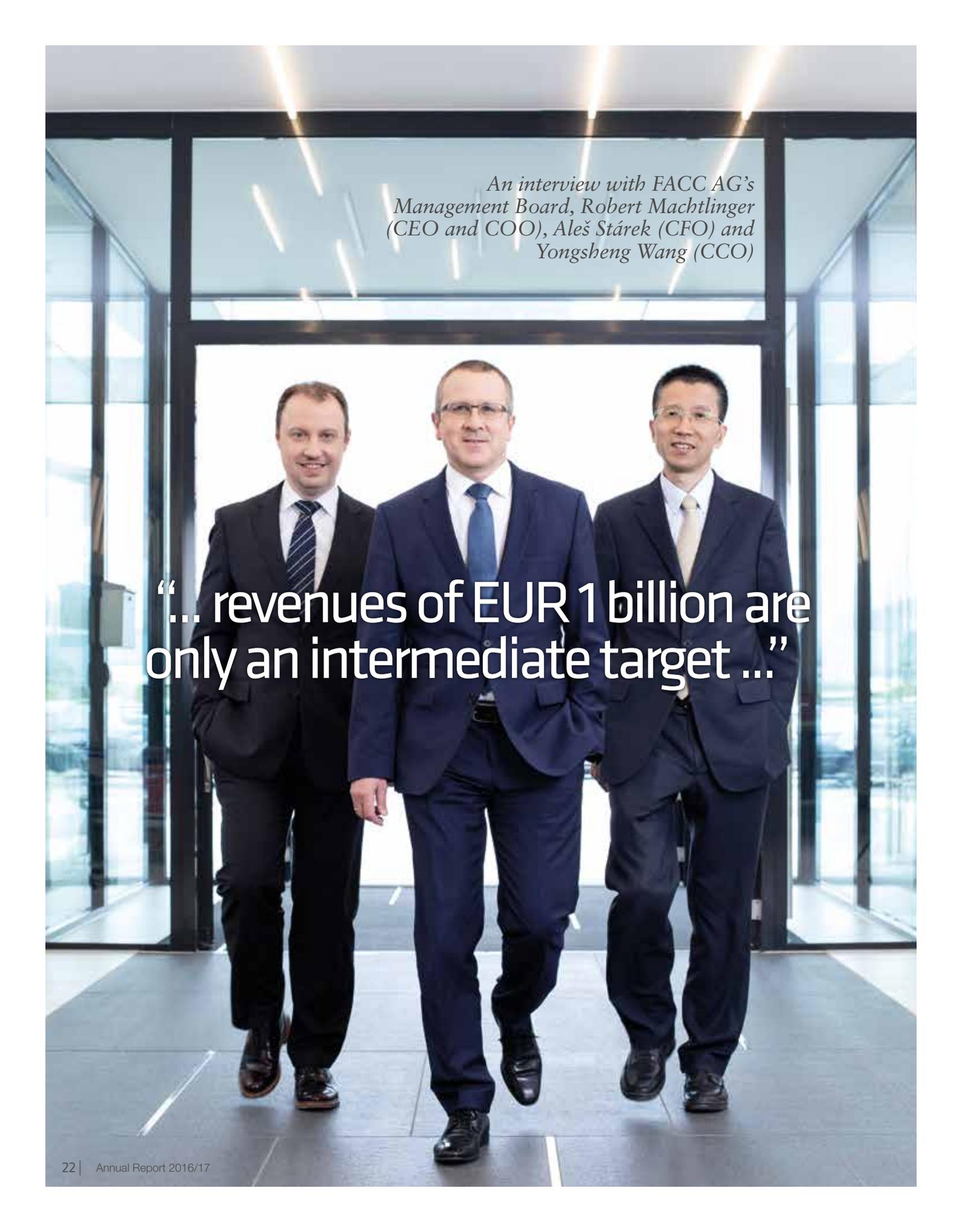
9-seat arrangement: six club seats, two place divan seats and one belted toilet





“We work with state-of-the-art technical tools and machines. This helps us raise our productivity on a constant basis.”

Mathias Hasibeder, Group Lead Tape Layer

A photograph of three men in business suits walking towards the camera in a modern office hallway with large glass windows. The man in the center is wearing a dark blue suit and glasses. The man on the left is wearing a dark suit and a striped tie. The man on the right is wearing a dark suit and a light-colored tie. The background shows a bright, modern office interior with large glass windows and a tiled floor.

*An interview with FACC AG's  
Management Board, Robert Machtlinger  
(CEO and COO), Aleš Stárek (CFO) and  
Yongsheng Wang (CCO)*

**“... revenues of EUR 1 billion are  
only an intermediate target ...”**

---

**Mr Machtlinger, all in all, how did the past financial year develop? Are you satisfied with the operating performance and the key figures?**

**Robert Machtlinger:** I think the figures speak for themselves: Over the past financial year, we were able to increase our revenues by almost 22 percent to slightly more than EUR 705 million and to reach an EBIT of EUR 26.9 million. Therefore, purely in terms of figures, the development in the year under review was favourable. At the same time, the 2016/17 financial year was characterised by the ramp-up of several projects, including the Airbus A350 aircraft programme, and the resulting massive increase in the size of the workforce. The on-boarding of 300 new employees and the associated qualification measures posed a considerable challenge, which – in my opinion – we were able to master brilliantly. In addition, we took a number of important decisions and put in place a set of measures aimed at ensuring FACC's long-term profitable growth in the future.

---

**What were the main operating highlights in the year under review?**

**Robert Machtlinger:** As I have already mentioned, our production volume for the Airbus A350 registered a considerable increase, with product revenues for this aircraft model in some cases almost quadrupling, which thus had a positive impact on all three business segments in terms of growth. At the same time, additional key programmes recorded a strong increase in revenues. For instance, we were able to significantly raise the production of outboard flaps for the Airbus A321 aircraft programme. In this regard,

the decision, which was taken in 2015 and implemented in 2016 according to plan, to switch to a robot-assisted clocked production line has totally paid off. We are now equipped with the latest and most accurate robot in the industry, which we developed jointly with the manufacturer. This makes us an absolute pioneer in manufacturing. Thanks to the new production system, we managed the massive increase in production rates perfectly, successfully doubling total output volumes without having to expand production space.

Key operating milestones also included numerous first deliveries for other aircraft projects – such as our Aerostructures products for the Embraer E2 jets, brand new cabin interiors for the Airbus A320 programme, structural components for the COMAC C919 as well as several derivative products for the Boeing 787-10 and the Airbus A350-1000 aircraft models. In addition, we celebrated a number of landmark deliveries in 2016: the 7,500<sup>th</sup> winglet shipset for the Boeing 737, the 500<sup>th</sup> shipset of wing and engine components for the Boeing 787 and the 10,000<sup>th</sup> fan cowl for the Airbus A320 aircraft family.

As far as the fan cowls for the Airbus A320 are concerned, we started off back in 1996 with an order of 50 units and now, twenty years later, we are celebrating the 10,000<sup>th</sup> shipset. This is quite an impressive achievement and visible proof of the longstanding nature of the business relations with our customers.

---

And how did the individual divisions, i.e. business segments, develop in the year under review?

**Robert Machtlinger:** First off, all three segments reported stable double-digit growth in the 2016/17 financial year. Thus, the Aerostructures segment continues to generate strong earnings, while the Engines & Nacelles segment is also doing very well. The Engine Composites sub-segment was able to catch up with the Aerostructures division in terms of earnings performance, with the measures put in place over the last few years finally bearing fruit. In the Nacelles sub-segment, which

sub-segment and thus the entire Interiors division will also break even within the next twelve months.

---

**What progress is being made with regard to the investigation of the Fake President Incident, which occurred at the beginning of 2016? In concrete terms, have you been able to recover the EUR 10.8 million, which was frozen in China, and are there any returns from insurance companies?**



recently had been negatively impacted by ramp-up costs for new projects, we were able to reach the break-even point in the third quarter of the year and report positive earnings for the full year. In the Interiors segment, we succeeded in further stabilising a new business line in the area of business jets, which started series production two years ago, so that we can now report positive contributions to group earnings.

---

**“All three segments reported stable double-digit growth in the 2016/17 financial year.”**

---

In contrast, the purely commercial Interiors business is still disproportionately affected by ramp-up costs and, more particularly, by the increase in staffing levels. However, based on the measures put in place we expect that this

**Aleš Stárek:** As to the frozen sums of money, we have analysed the situation with our advisers in China and have identified three potential options to recover the money and bring it back to Austria. We will simultaneously pursue all three courses of action over the next few months and are confident that ultimately we will be successful. At the same time, we are still liaising with our insurers and discussing a number of different approaches.

It is important to remember, however, that whatever money we can recover will be an additional profit for us, as the loss that was incurred was already fully included in the balance sheet in the 2015/16 financial year. By the way, the fact that we

were able to overcome this cash outflow and are now back in the same liquidity position as prior to the fraud case is further proof of our financial stability.

---

**Let's now move from the past to the future. Can you please give us a short update on the market environment and market potential. What about the dynamic within the industry?**

**Robert Machtlinger:** The positive estimates – according to which passenger volumes will increase by around 5 percent annually over the next 20 to 25 years – have

er new aircraft on an annual basis compared to the years 2014 and 2015. However, against the backdrop of an order backlog of 12,589 airliners along with production slots that are virtually sold-out years in advance and the major global transformations that are taking place, this attitude is quite understandable.

---

**Let's take a quick look at the US market, where Boeing, one of your key customers, is based. The development of the US dollar should have had a rather positive effect on FACC in recent times ...**

” Over the past financial year, we were able to increase our revenues by almost 22 percent to slightly more than EUR 705 million and to reach an EBIT of EUR 26.9 million.

Robert Machtlinger

been recently confirmed by the latest market forecasts. Thus, expectations have been revised slightly upward. Both Airbus and Boeing have confirmed that a total of about 36,300 new airliners will be required up to 2035. In 2016, Airbus and Boeing delivered a total of 1,436 aircraft. In the same period, a total of 1,419 new aircraft were sold, with the book-to-bill ratio almost amounting to 1:1. As of 31 December 2016, a total of 12,589 aircraft were registered in the order books of Airbus and Boeing. For FACC this equates to an order backlog of around USD 5.2 billion. Thus, as things stand today, we will have well-filled order books for the next seven years, and to some extent, up to the second half of the next decade. This high level of predictability is one of the big advantages of our sector and has been largely confirmed by developments in the last 50 years. We obviously monitor airlines' ordering patterns in terms of new aircraft very closely so that we are well prepared for the latest market trends. At the moment, we are noticing that airlines tend to order few-

**Aleš Stárek:** It's true, our business transactions are mainly carried out in US dollars. All contracts with our customers are concluded in this currency. And we use a variety of methods to hedge the exchange rate risk. In the first place, more than 95 percent of supplier contracts are denominated in US dollars as well, which creates a natural hedge. The remaining risk is hedged by forward foreign exchange contracts. The strong dollar is currently helping us and has positively affected our margins. However, the last weekend<sup>1)</sup> showed how strongly political developments can impact currencies. While the election of Donald Trump boosted the US dollar, the first round of France's presidential elections made the euro jump. In order to balance such fluctuations, our risk exposure has been hedged for a period of three years. Generally speaking, we tend to have a very conservative approach in this regard.

<sup>1)</sup> The present interview took place on 25 April 2017.

---

Another very important market is China. How do you assess its potential and how much do you actually profit from your Chinese key shareholder?

**Robert Machtlinger:** China is by far the largest single market within our industry and 20 percent of all new aircraft will be delivered to this market in future. The country is pursuing a well-scheduled long-term strategy for the next 15 to 20 years aimed at creating its own aviation industry. And there are first tangible results in this regard: The COMAC C919 – which is the equivalent to an Airbus A320 or a Boeing 737 – had its maiden flight in May 2017 and is scheduled to start flight operations over the next two years.

Besides, a completely new development, the COMAC medium-range aircraft C929, the equivalent to an Airbus A350 or Boeing 787, is currently in the pipeline. This aircraft will be fully equipped with the latest technologies ranging from composite fuselage and wings to Western state-of-the-art engines. This is definitely of interest for us: FACC has developed a number of products for the COMAC C919 and is already in the process of producing them. We would obviously like to be on board again for the follow-up project C929 and are currently conducting various negotiations to this end.

In addition to our direct involvement with Chinese developments, by far the largest share of growth in the aviation supply industry is currently determined by Airbus and Boeing. Due to China's large market share, both companies are further consolidating their presence in the country, to the extent of establishing additional assembly lines in the market, with a view to increasing the volume of locally produced aircraft. This might mean that FACC will begin directly producing components for Airbus and Boeing in China, thus further expanding its global production footprint.

**Yongsheng Wang:** The majority shareholder AVIC also sees great potential for FACC: As one of the most important players in the country, AVIC has excellent access to the Chinese market. This gives rise to a wide range of potential synergies. Moreover, AVIC ranks (143<sup>th</sup>) among the Fortune top 500 companies. On this basis, FACC can play an important role in the development of the Chinese aircraft industry.

---

Let's stick to the topic of potential. What is behind the term MRO, maintenance, repair, overhaul, for FACC? What does it mean for you? What opportunities do you see here?

**Robert Machtlinger:** We have decided to enter this growing market. With composite materials accounting for a rising proportion of new aircraft, the composite repair business is bound to increase significantly moving forward. On the other



hand, we can perfectly leverage our extensive expertise here. Besides, we are noticing that aircraft interior refurbishment cycles are becoming shorter. Based on these two factors, the trend is shifting towards growing demand for repair and retrofit services in the composite area. This, in turn, provides the foundations for an important pillar of our strategy. The MRO business not only has the potential to drive revenues over the medium and long term but also to allow us to expand our customer base and to enter into direct business relations with airlines. This presupposes, of course, a global footprint. And FACC with its production plants in Austria, the USA, Canada, China and India is already a globally operating company.

Based on our cooperation with Lufthansa Technik, we have already succeeded in entering the retrofit market. In fact, we are currently retrofitting the Airbus A330 aircraft model and completely refurbishing its first-class cabins.

---

Does the “FACC 2020“ vision continue to apply? In other words: Is the expected increase in revenues by EUR 300 million over the next three years realistic? And how do you plan to get there?

**Robert Machtlinger:** Sustainability and profitability are currently given top priority and we are vehemently stepping up our efforts in this regard. The revenue target of EUR 1 billion

---

And what will happen after 2020?

**Robert Machtlinger:** If I take a look at the potential new contract awards, which are currently under negotiation, the EUR 1 billion mark seems to be feasible ... However, this threshold does not represent a fixed parameter but rather an important intermediate target. This is why we are already working on the further development of our vision and corporate strategy under the heading “FACC

” Investors attach importance to three main elements: EBIT, cash flow and a vision for the future. And in all three areas, we have plenty to offer.

Aleš Stárek

until 2020 still applies and we expect to be able to meet it. Of the additional revenues totalling EUR 300 million required to meet this target, EUR 150 million are already included in our order books according to current customer forecasts. These revenues mainly result from organic growth in connection with increasing output rates for the Airbus A320, A350 and Boeing 787 aircraft projects as well as new projects for the Bombardier C Series, the Embraer E2 and a number of other products. The remaining EUR 150 million need to be generated from new contract awards. And we are currently in the process of negotiating several compelling projects, which makes us confident of success.

2020*plus*”. And this is where strategic growth will play a role, as organic growth in this magnitude is bound to reach its limits. Against this backdrop, we are thinking of expanding our footprint both in the growth markets and low-cost countries.

---

**Speaking of low-cost countries: FACC has traditionally been an important employer in the Upper Austrian region. In the long run, can you afford at all not to relocate production more strongly to low-wage countries? And what is the situation with regard to the recruitment of skilled personnel in Austria?**

**Aleš Stárek:** This question touches on several different aspects. In the end, it is a matter of shaping the value-added chain in such a way that the right tasks can be carried out in the right place. As to low-wage countries, the decision

about our production footprint does not purely depend on the nominal wage rate but also on productivity and the level of skills. We are committed to our technology sites in Upper Austria and we will expand them in a targeted manner, where necessary, to include the high-tech area. However, we are also noticing that we are coming up against limits here that need to be overcome: De facto there is full employment in Upper Austria and this is why we need to think about additional locations.

---

“We can proudly say that our developments usually become industry standards.”

---

---

The buzzword R&D brings us to the topic of innovation. What has happened in this area over the past financial year? You achieved great success, for instance, with the new inspection method “active thermography”, which received Boeing’s approval for series production ...

**Robert Machtlinger:** Our team is extremely active and constantly provides new and exciting impetus. As to the new thermographic inspection method you have just mentioned, our experts developed it for the quality control of the finished composite components and we are currently the only technology supplier in the global civil aviation industry qualified to use it in serial production. Following the approval of this technological innovation by Boeing, a similar project is now currently underway between FACC and Airbus. However, we also have a number of in-house projects in the pipeline such as the development of components for high-quality interior elements like door and table mechanisms. We are also working on the further



” As one of the most important players in the country, AVIC has excellent access to the Chinese market. This gives rise to a wide range of potential synergies.

Yongsheng Wang

**Robert Machtlinger:** Anyway, research and development (R&D) and the manufacturing of high-tech products will stay in Upper Austria. We are talking here, to some extent, about technologies that cannot be exported due to the particular nature of the contracts with our customers. Therefore, there will be further growth also in Austria. At the moment, we are planning to expand our Plants 2 and 4. But at the same time, we are monitoring and evaluating other markets as well.

development of materials and processes to prepare our composite production systems for the next decade. In this context, engineering and product design also play a pivotal role when it comes to increasing the output rate and achieving greater automation. This also offers considerable advantages in the tendering process. Generally speaking, innovation represents a decisive added value at FACC. We are where we are today because we always think one step ahead. This is something our customers appreciate a great deal as they also reap considerable benefits from the combination of innovative technologies and competitive edge. By the way, we can proudly say that, following a certain time lag, our developments usually become industry standards.

---

**You are promising your shareholders further increases in earnings – how are you going to achieve this? Do you need to make additional investments or will you be able to accomplish this with the existing infrastructure?**

**Robert Machtlinger:** Over the last few years, our results have been negatively impacted by ramp-up costs as series production began for a number of new projects. However, these are exactly the projects that will generate long-term, predictable growth. As the result for the 2016/17 financial year clearly shows, the new projects are gathering momentum, their profitability is showing an upward trend and will continue to grow incrementally moving forward. These cycles are typical for the aircraft sector: An initial high investment is counteracted by long-term supply contracts over periods of up to 20 years. While consistently continuing along our path, we want to further improve our earnings performance in a sustainable manner over the next years. To this end, we are continuing to optimise and intensify our efforts with regard to industry 4.0 topics. In this context, the focus lies on the further automation of production processes, increasing networking of design data and on human-machine-communication. In this area, there are a number of interesting pilot projects currently underway in collaboration with the aviation industry, both upstream with large OEMs and downstream with our supply chain.

**Aleš Stárek:** It goes without saying that this is not possible without investments but we will not match the high level of the past years. In the near future, annual growth and replacement investments should not exceed the EUR 50 million mark.

---

**The FACC share has shown a favourable development. Are you taking it – in a positive sense – personally?**

**Aleš Stárek:** A company's success is always the result of team work. And as a team, we have sustainably proven that we are making constant progress in our work. We have delivered solid quarterly results, which have been highly appreciated by the market. Now, it is up to us to continue to pursue this positive development. If we can prove to the market that we are able to manage our business profitably over the long term, confidence will automatically grow. Investors attach importance to three main elements: EBIT, cash flow and a vision for the future. And in all three areas, we have plenty to offer. Moreover, we have a key shareholder that

guarantees stability, are on a good financial footing, show constant sustainable improvement and can rely on a stable management team and the unconditional support of our customers.

---

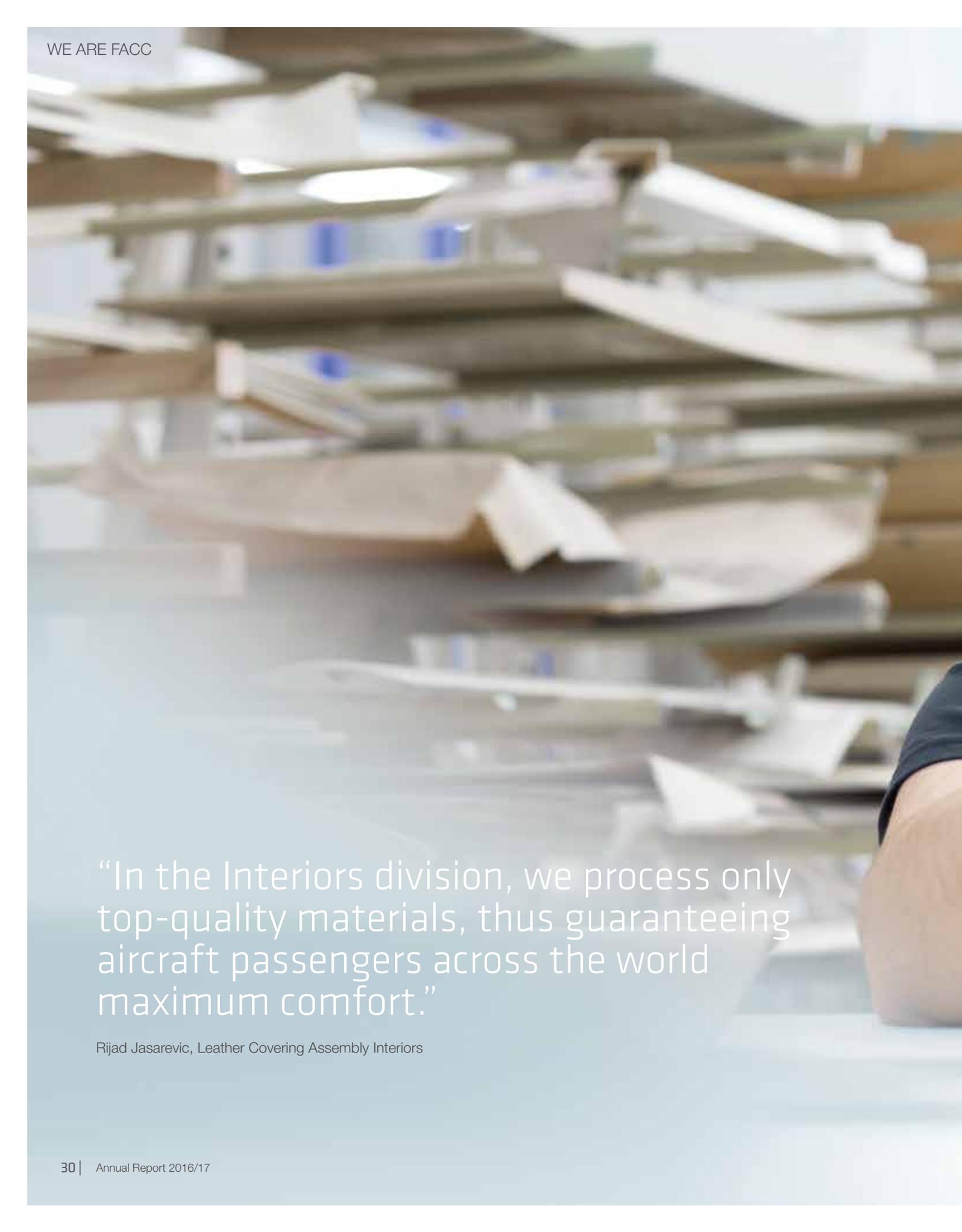
**“We are currently getting ready for the next growth spurt, which is expected for the years 2018 and 2019.”**

---

**Finally, what is the company's outlook for the 2017/18 financial year?**

**Robert Machtlinger:** For the current financial year, we expect moderate growth. The entire industry will grow and is currently getting ready across the entire supply chain for the next growth spurt, which is expected for the years 2018 and 2019. We will also use this time frame to further strengthen our earnings power and put in place all necessary measures to better meet the requirements of our global customers. We are therefore confident that we will be able to considerably improve both EBIT and cash flow moving forward.





“In the Interiors division, we process only top-quality materials, thus guaranteeing aircraft passengers across the world maximum comfort.”

Rijad Jasarevic, Leather Covering Assembly Interiors



# GROWING AND BEARING FRUIT

*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.*

## PROGRAMME PORTFOLIO



■ CIVIL AEROSPACE ■ BUSINESS JETS & HELICOPTER

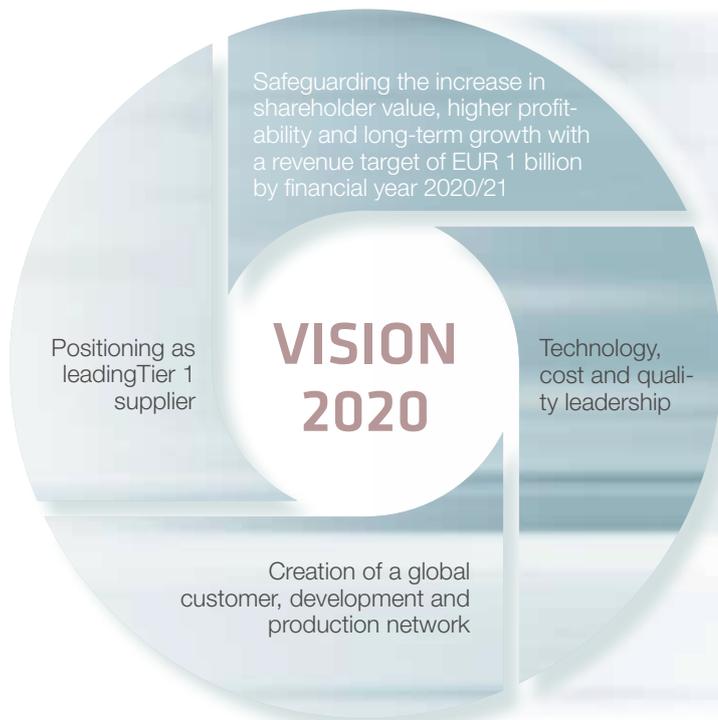
Since the company was founded in 1989, FACC has developed into a leading partner of the aviation industry. Today, the company has an excellent reputation as Tier 1 supplier for composite materials across the sector. The basis for this position is the uncompromising quality of the company's products and processes, targeted technological developments and innovation as well as maximum 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.

**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.

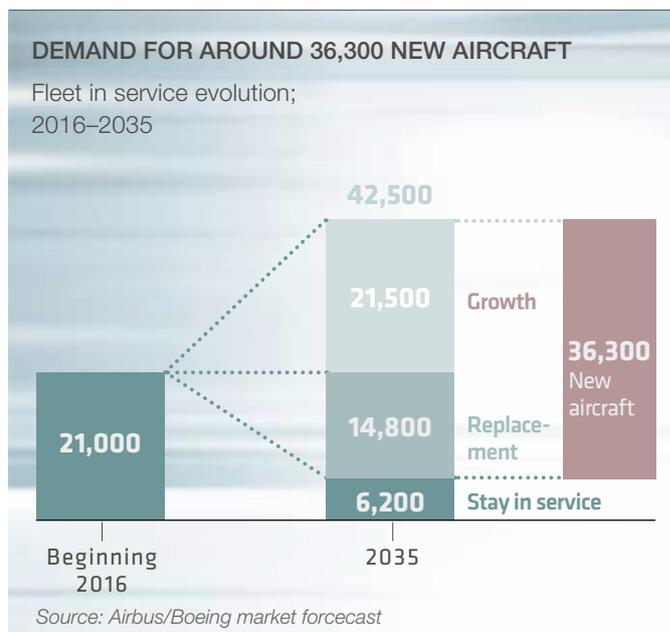
Four core targets currently stand in the foreground:



**MARKET ENVIRONMENT: GROWTH AND CHANGE**

Economic researchers expect passenger kilometres to grow at an annual average rate of 4.8 percent up to 2035. 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 4.3% percent annually between 2016 and 2035.
- In 2016, the global fleet in service totalled 21,000 commercial aircraft. According to current estimates, it will grow to roughly 42,500 units by 2035.
- 14,800 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 36,300 new aircraft will be required over the next 20 years.

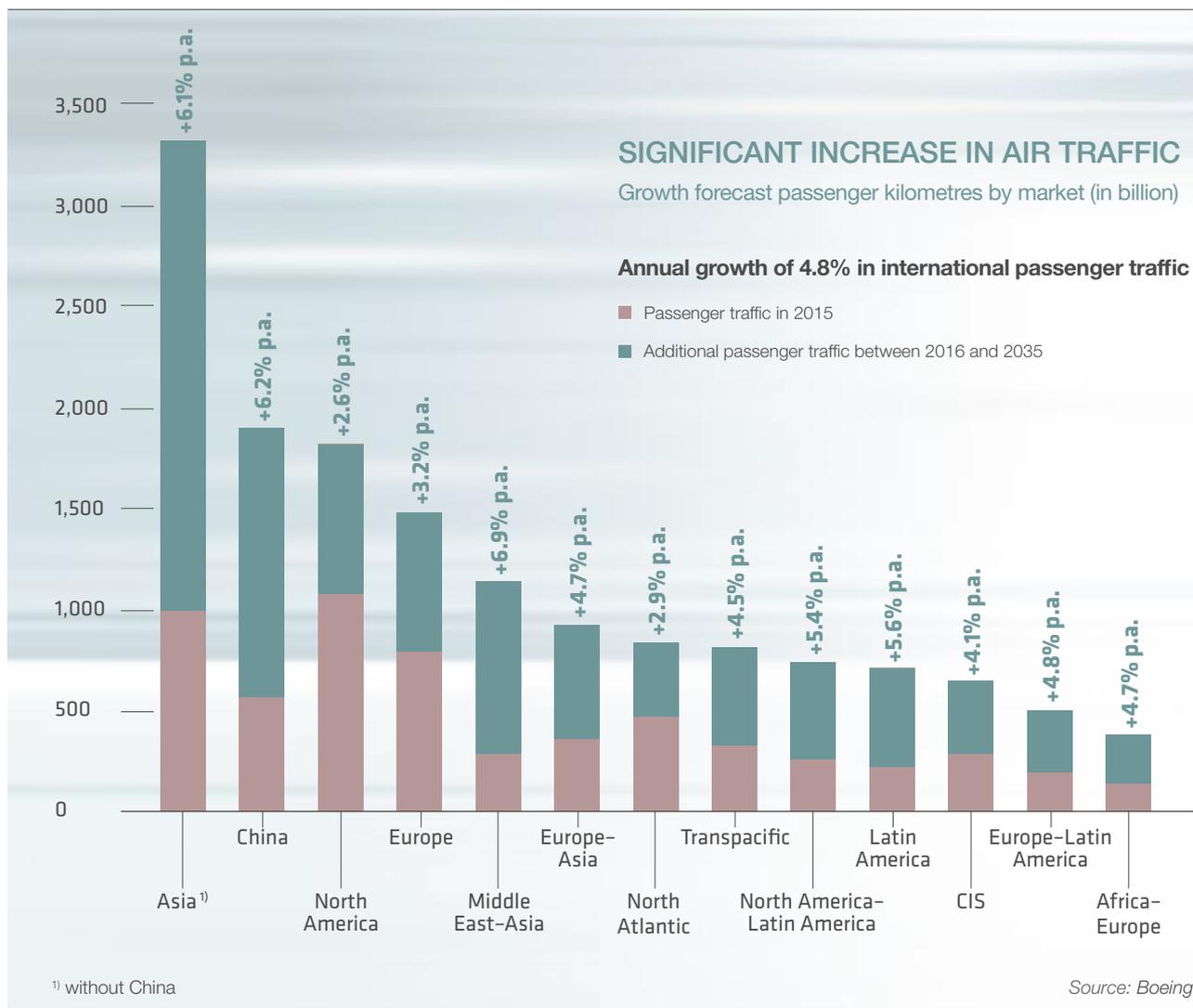


**WORLD FLEET FORECAST**

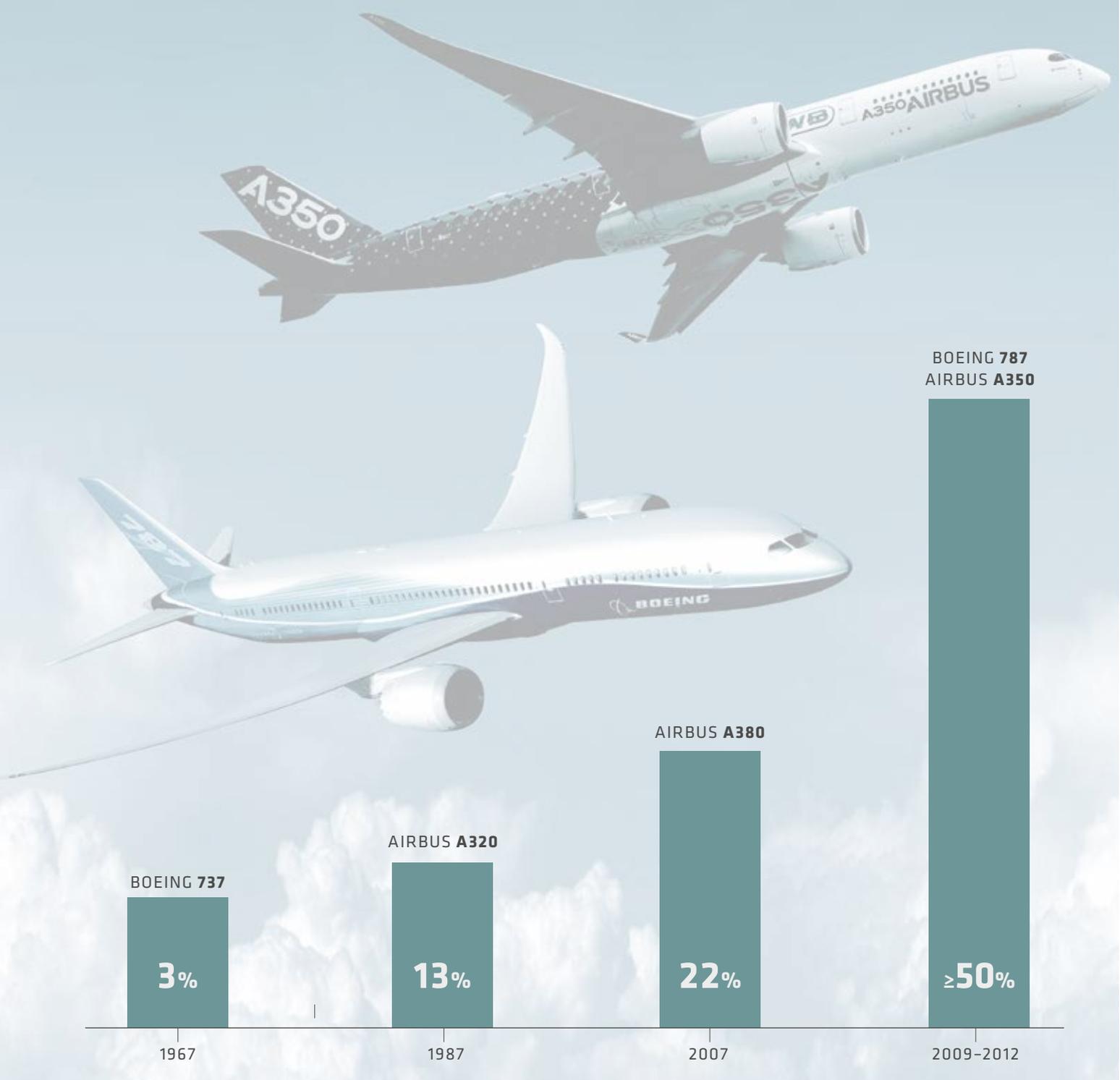
With a plus of up to 12 percent per year, the use of composite materials in aircraft production is expected to continue growing at an even faster rate moving forward. As a leading supplier of lightweight composite solutions, FACC should be in a position to benefit from this trend exceptionally well, 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.

These forecasts should not, however, hide the fact that the supplier industry is facing unparalleled challenges and un-

dergoing 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.

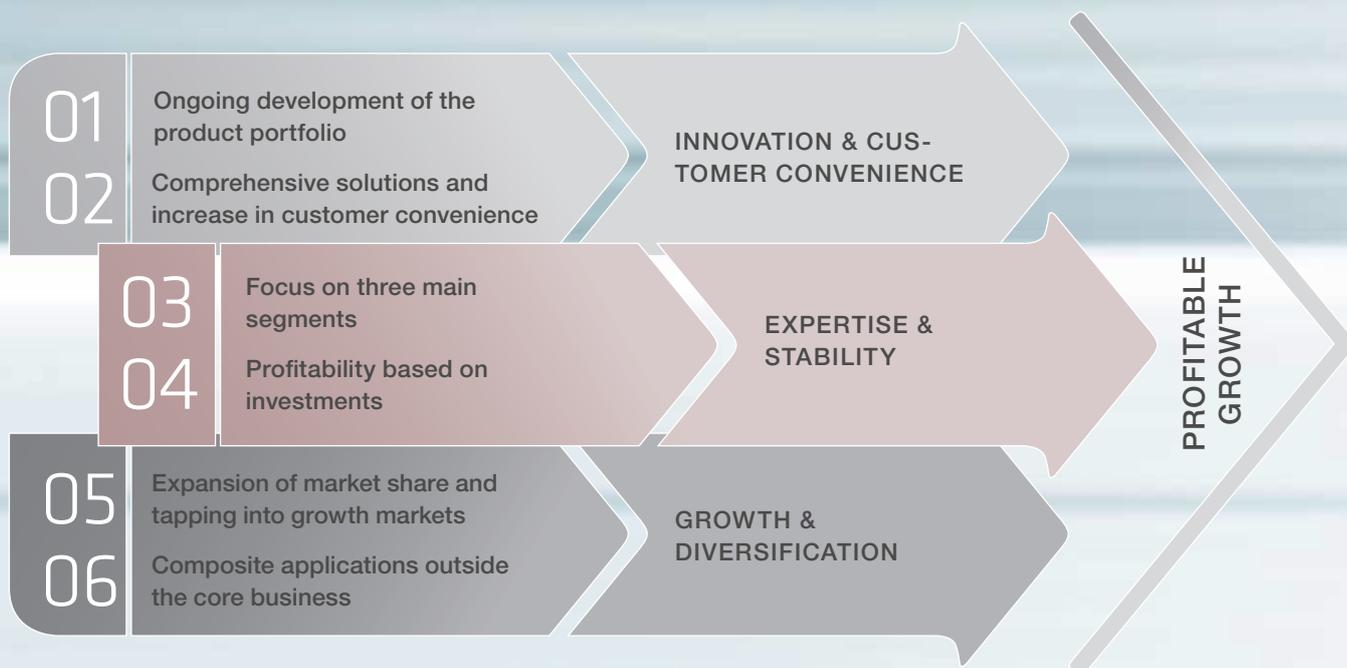


# EVER-RISING PROPORTION OF COMPOSITE STRUCTURES IN AIRCRAFT



# 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.



# A NEXT GENERATION SPOILER

DAEDALUS DEVELOPMENT PROJECT

A development engineer at FACC laying out by hand the layered woven carbon fibre mats to create the backbone for the prototype.

*In 2000, the first spoilers for the Airbus A330 and A340 aircraft models rolled off the FACC production line. Since then, these components have been continuously further developed. Today, FACC manufactures them in a variety of versions for a range of aircraft types and manufacturers. Within the DAEDALUS development project, FACC has taken new and revolutionary steps in the design and manufacture of spoilers for aircraft.*

To assist control of the aircraft, a large passenger jet carries up to 14 high-tech spoilers in the rear area of the wing. These moveable parts are used, when needed, to reduce speed in flight and increase drag after landing, thereby supplementing the retardation achieved by the brakes. In the air, spoilers are used to assist the ailerons, which help the aircraft bank when executing a turn. In aircraft with

electronic flight control, spoilers are also used to reduce those forces generated on both the wings and the fuselage by sudden gusts of wind. So, spoilers are highly complex components, which perform highly complex functions, and therefore have great potential for development. This is why, in 2013, FACC launched a new development initiative, which entered its final phase in 2016. The name of the project is DAEDALUS, which stands for Development of a Composite Aerodynamic Control Surface Structure.

## DEVELOPMENT WITH TRADITION

When about 17 years ago FACC delivered the first spoilers to Airbus, they consisted essentially of a sandwich panel and an aluminium fitting – the centre hinge fitting (CHF), which connected the spoiler to the aircraft wing. Nowadays, the CHF at FACC is made of carbon fibre-reinforced plastic (CFRP) and is incorporated directly into the sandwich component. This has not only significantly reduced the weight of the spoiler but also eliminated an assembly operation and the associated connection elements. Besides, thanks to the choice of this material, sub-contract machining of the aluminium fitting is no longer required, thus bringing a significant part of the value-added chain back in-house.

## OPENING THE WAY FOR THE NEXT GENERATION

After the successful introduction of the integrated fitting made of CFRP, the way has now been opened for the next logical – and revolutionary – step, namely manufacturing the spoilers as monolithic components without any core material. They would then be of CFRP throughout and not – as was previously the case – made as a sandwich structure. FACC is currently working on this concept together with scientists at the Johannes Kepler University Linz, in the context of the DAEDALUS development project, which promises to deliver a wide range of advantages: improved scope for the integration of components, reduction in the number of manufacturing operations and use of more efficient production processes. Conventional spoilers achieve good mechanical characteristics combined with low weight, but at the cost of poor distribution of stresses, a laborious production process and complex machining of the core material. Whereas, a spoiler integrally made of CFRP offers the potential to integrate as many individual parts as possible into a single component, which can then be produced in a single operation step.

## COMPUTER-AIDED OPTIMISATION

However, until now this new development has foundered on the higher weight of monolithic parts compared to the classic sandwich design. To solve this problem, from the start of the project, FACC has employed a computer-aided optimisation process. The usual method of development work is to start with the layout design of a component, after which its characteristics are checked by a team from the calculation department. The procedure adopted by FACC has inverted this sequence. The digital component calculation provides the initial draft design proposals, which engineers then use as a basis for their design. This considerably reduces the number of repetitive development loops.

Topology optimisation plays a key role in reducing the weight of a component. This is a technique for determining the optimum structure of a component, i.e. for deciding in what areas of the component is the material essential, and where can material be saved without compromising the necessary characteristics of the component. Once the basic geometry is known, the optimum structure of the CFRP laminate can be determined. This development step, aimed at defining the

perfect number and sequence of the CFRP layers, also takes place using a computer-assisted method, marking the last optimisation step before building a prototype and proceeding to the test phase.



*The component is resin-impregnated and cured using the patented MARI process.*

## STARTING WITH TWO CONCEPTS

In the course of the DAEDALUS project, FACC engineers have developed two different concepts for the next generation of spoilers: One features an integrated box construction, in which the upper and lower external skins together with the ribs form a single CFRP component. In the second concept, which has been subject to comprehensive stress tests, the load-bearing structure consists of integrated omega stringers – i.e. stiffening profiles with a cross-section resembling the Greek letter Omega. This takes the form of an aero-

dynamic skin adhesively bonded over a stiffening load-bearing structure of integrated omega profiles forming the “backbone”. The MARI process patented by FACC has been used for the production of the prototype. This resin infusion technology allows even parts with highly complex shapes to be produced in just a single operation, while saving costs by eliminating expensive curing in an autoclave. Thus, FACC with its spoiler concepts has not only introduced a new component generation but launched a new era in production.

# THE HIGH ART OF ENGINEERING

*Fitted to the ends of wings on modern aircraft, winglets have an enormous impact. They prevent the formation of air vortices at the wingtips, which interferes with the aerodynamics of the wings. These components help to significantly reduce fuel consumption. From conception to start of series production the modules go through four complex development phases. And this is essential as a whole lot of high-tech goes into winglets.*

## Phase 1

### FEASIBILITY AND CONCEPTION

You can't buy winglets ready-made: They have to be individually designed for each type of aircraft. Wing geometry, flight velocity, angle of attack and wingspan are the key input variables here. Based on these assumptions, the optimum construction in terms of module size, form and mass is determined for each new project using a complex,

mathematical approximation technique. During this phase, the experts at FACC work closely with customers and aerodynamics partners to achieve the best possible outcome.

## Phase 2

### CONSTRUCTION

The construction type for each winglet project is identified depending on the geometry, technical demands and volumes required. It is necessary here to strike a balance between integral manufacture and manufacturing with many individual components. The load-bearing structure of winglets generally consists of front and rear sectional spars, which are covered with upper and lower skins. The structure is mainly made up of lightweight yet high-strength composite elements. Metal components are only used where special requirements are involved such as impact, force transmission within confined space, abrasion resistance, electroconductivity, etc. Directly exposed to the airflow, the leading edge, in particular, is therefore generally made of aluminium.

During the construction phase, it is however not just the component itself that is developed: The relevant tool, the composition of materials and an optimised manufacturing process also take shape at this stage. A FEM (finite element method) analysis technique is also applied to minimise the usage of materials. The greatest challenge here is to map the actual conditions as closely as possible, while ensuring at the same time that the design of the module is both sufficiently stable and weight-optimised. FACC's engineers are repeatedly confronted with new challenges in their daily work, as they have to take account of all conceivable environmental conditions such as hail and ice, lightning and water, extreme temperatures, not to mention corrosion, UV radiation and many other factors.

## Phase 3

### CERTIFICATION

Aircraft are considered worldwide as the safest mode of transport – not least of all because safety is always the focus of attention from the development stage. And no compromise is made here. On certification every module is scrutinised down to the tiniest detail. This approach does not just ensure that all statutory provisions are taken into consideration – and documented as well – the development teams at FACC also use effects analysis to identify any existing defects. Critical functions incidentally feature redundant design without exception, i.e. they are always duplicated, should the worst ever come to the worst. Destructive testing is likewise a must during this phase in order to verify the

theoretical assumptions and calculations that have been made. From the smallest detail up to the complete winglet, the structural strengths calculated are compared with actual component behaviour. At the end of testing, the ultimate failure load is determined, and this needs to be more than one and a half times the maximum load occurring in flight. Modules are only approved for production by the authorities once they have successfully passed this test phase.

The specific framework parameters for testing the winglets are defined by FACC's experts. They also form the basis for the exact test set-up. This is followed by detailed planning of the test facility and inspection procedure. The tests themselves are also attended by representatives of both the customers and the authorities. For the engineers, testing is one of the most exciting stages in developing a new module. The outcome of a lengthy work process finally becomes tangible for the first time. Only then do they see whether the parameters selected were correct, whether the testing machine fulfils its intended purpose, and whether

the component lives up to expectations, and what reserves it has to offer.

## Testing

But it's not just with winglets that extensive testing plays a crucial role – it has a key function with other modules as well. For further details see page 43.

## Phase 4

### PRODUCTION

One of the many challenges involved in manufacturing winglets consists in the low tolerance limits that have to be observed by the complex geometry of the component. Tools developed in-house enable the highly specialised, experienced staff at FACC to join together the individual parts of the component so that they are virtually seamless. Winglets are manufactured using what is known as the hand lay-up method. This involves manual placement of

fibre-reinforced plastic mats on the tooling surface. The module is then scanned by a precision laser projection system and analysed. This makes it possible to produce series products that never fail to offer all required properties, after they have been repeatedly put to the test.

# WINGLETS – TOP CLASS VARIETY



## ANGLED WINGTIP

In the case of older aircraft models, the wing features a classical wingtip edge or a wingtip device that is simply bent upwards as on the Airbus A330/340 or Boeing 727 and 747-400 aircraft models.



## WINGTIP FENCES

Wingtip fences are fitted to the Airbus A320 (old design) and the Airbus A380 aircraft models. They are used to avoid increasing the size of the wingspan.



## BLENDED WINGLETS

Blended winglets are characterised by a smooth transition to the wing, with the surface of this component pointing sharply upwards. FACC manufactures these modules for the Boeing 737 and 757, Airbus A320 (sharklet), Dassault Falcon 2000 and Raytheon Hawker 800 aircraft models.



## RAKED WINGTIPS

Raked wingtips look less distinctive, with their form and orientation differing little from those of the wing. With these wingtips, FACC is on board the new generation of Embraer E-Jets.



## BLENDED AND RAKED WINGLETS

A hybrid form of blended and raked winglets is installed in the Airbus A350 aircraft family, with FACC acting here as the exclusive development and manufacturing partner to Airbus. This also applies to the Chinese Comac C919 medium-range jet.



## SPLIT WINGLETS

The split winglets as used, for example, on the McDonnell Douglas MD11 or the split scimitar winglets of the Boeing 737 are the closest thing to the perfect form for a wingtip. They are modelled on the wingtip feathers of large birds of prey, with FACC spearheading this development.

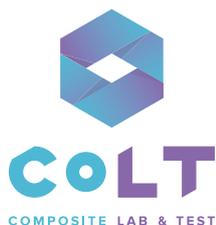


## MORPHING WINGLETS

The concept of morphing winglets revolves around moveable wingtips that adapt to the individual flight conditions of a jet. Here too FACC has been inspired by nature. This concept is currently undergoing prototyping at FACC and is set to pave the way into the future of the winglet.

# TESTING: FACC FOCUSES ON COOPERATION TO ACHIEVE FLAWLESS RESULTS

*In the aviation industry, safety is a determining factor that plays a crucial role down to the smallest detail of each aircraft. In addition to perfect design and production of aircraft components, the basis for seamless safety is provided by comprehensive testing. At FACC, this is the responsibility of its subsidiary CoLT, which specialises in pushing components to their limits and beyond within highly complex settings.*

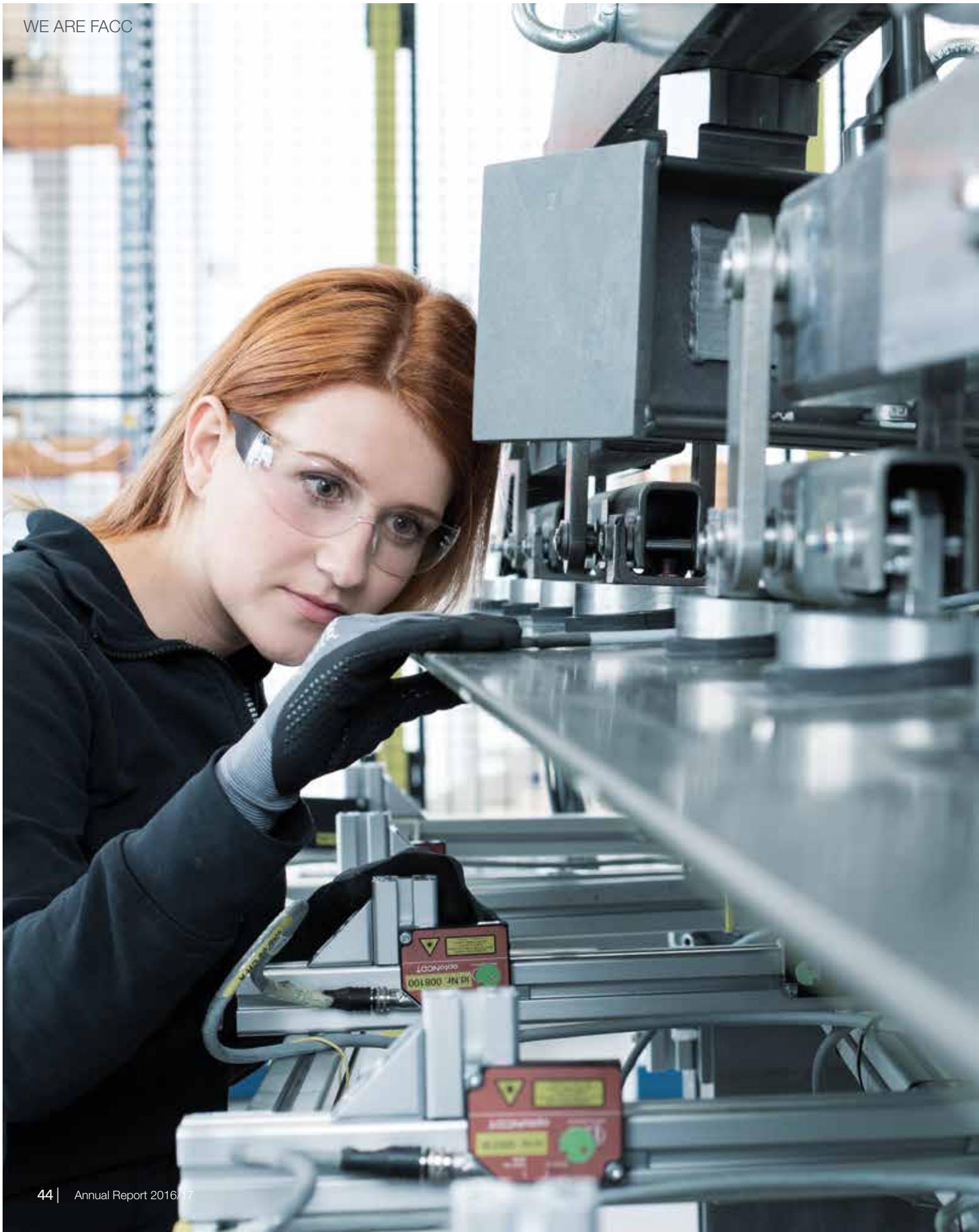


COLT, the Composite Lab and Test Centre, is specialised in the analysis, verification and certification of composite materials and products. This subsidiary affords FACC unique in-house testing competence. In one of the most recent testing projects, the company carried out static certification test on a seat for the Embraer Legacy 500 business jet.

For the construction of the test stand, CoLT's experts used a so-called modular construction kit®, which allows for the modular construction of test facilities. In this way, six different load scenarios were successfully tested within only one week. The 55kg aircraft seat was subject to forces of up to two tonnes generated by a hydraulic cylinder in all three directions. The weight of a person was simulated by CoLT's engineers with a so-called body block. The resulting deformation was measured at critical points with optical measurement devices.

To dynamically test the potential effects of an emergency landing, additional tests were carried out at DSD in Linz, a partner institute of CoLT. The aim of this additional testing was to find out the forces to which passengers are exposed in the case of an emergency landing. DSD and CoLT worked closely together to carry out these tests. CoLT made the necessary measurement technology available, while DSD provided the systems required for the execution of dynamic tests.

Representatives of Embraer and the Brazilian aviation authority were present on site at all tests in order to get a personal picture of FACC's inspection methods, while experiencing the quality of FACC's tests first-hand.



“In our testing centre, we subject our components to extensive stress tests to confirm the quality of our products. Moreover, with our innovative measurement equipment, we constantly set new benchmarks in measurement technology.”

Bettina Iglseider, Test Operator CoLT

Copyright: Airbus

# LIGHTER AND MORE EFFICIENT, NEO

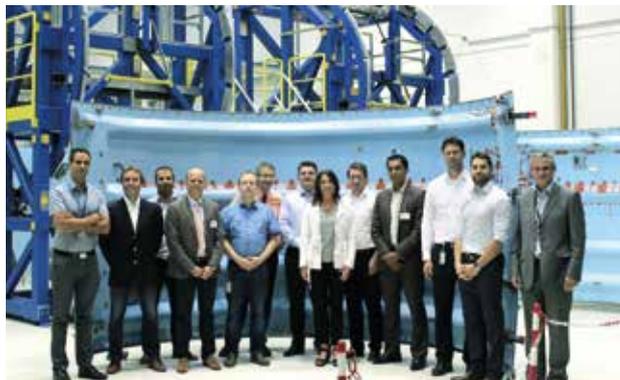


FACC'S FAN COWLS FOR AIRBUS A330NEO

*The A330neo aircraft stands out for its elegance and lightness.*

What was required was a rapid and innovative solution to make the youngest member of the proven long-range Airbus A330 aircraft family considerably lighter and more efficient. The scope of the contract, which was awarded in September 2014, extended from the development and production of fan cowls, including all pertinent certification tests for flight operation, to series production for at least 300 aircraft.

The expectations of the customer in terms of weight and performance were high. However, thanks to FACC's extensive know-how in the development of a feasible cost-effective overall concept, the company was able to tackle this task based on successful two-year development work and deliver the first fan cowls on time. An essential basis for this success was also provided by the 20-year long relationship with Safran Nacelles, the development and manufacturing partner of Airbus for the A330 neo aircraft, which was further strengthened by the current project.



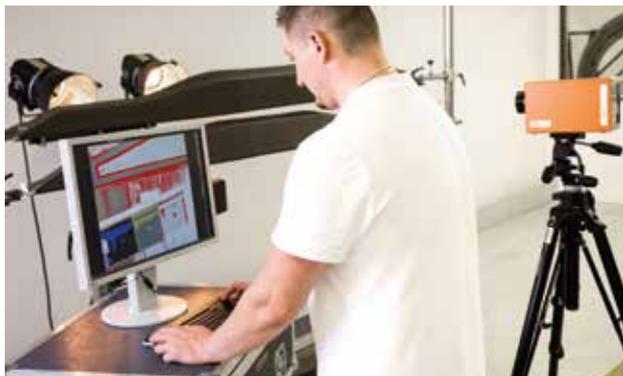
But FACC's contribution to the A330neo is not limited to its fan cowls. For the engine, Airbus opted for the latest development of the Trent jet engine family, the extremely fuel-efficient and high-performing Rolls-Royce Trent 7000 engine, which features the rear case and front acoustic liners produced by FACC.

*The first fan cowls for the new Airbus A330neo are delivered to representatives of Safran Nacelles.*

## THOROUGHLY TESTED

### FACC'S NEW DEVELOPMENT "ACTIVE THERMOGRAPHY" RECEIVED BOEING'S QUALIFI- CATION FOR SERIES PRODUCTION

Security standards in the aviation industry are particularly high. Thus, all aircraft components, which FACC produces using innovative composite technology, are subject to thorough quality controls. Until now, components have been tested one by one using a very time-consuming ultrasonic method. With a view to finding a more efficient method, FACC developed a new inspection procedure known as "active thermography" in collaboration with the Upper Austrian University of Applied Sciences. Engineers use differences in temperature to detect potential flaws inside a component. "Active" means that heat lamps are used to increase components' surface temperature by only a few tenths of a degree centigrade. Based on the propagation patterns of thermal waves, which are made visible on the screen by an infrared camera, irregularities, if any, can be detected, as cavities or foreign bodies change the heat flow.



*Based on active thermography, one of FACC's newly developed inspection methods, the absolute flawlessness of aircraft components can be tested in a more time and cost effective manner.*

The new inspection method is ideal for carbon fibre reinforced plastics (CFRP) and for other composites, as it is not only more accurate, but also faster and reduces inspection times by up to 50 percent compared to conventional methods. Another benefit is that this system is less expensive to buy, mobile and can therefore be employed at different production sites.

In December 2016, "active thermography" received the qualification by Boeing for its routine use in series production of aircraft components, as the company was firmly convinced of the advantages and efficiency of this inspection method. Thus, FACC is the first and only supplier in the market to receive this qualification by Boeing. "With this method, FACC underlines once again its innovation power and technology leadership," said Robert Machtlinger, CEO of FACC AG. "This cutting-edge inspection method is an important element of our quality assurance efforts: It sets new efficiency standards in inspection and maintenance, further enhances reliability and guarantees compliance with the high security standards of the aviation industry."

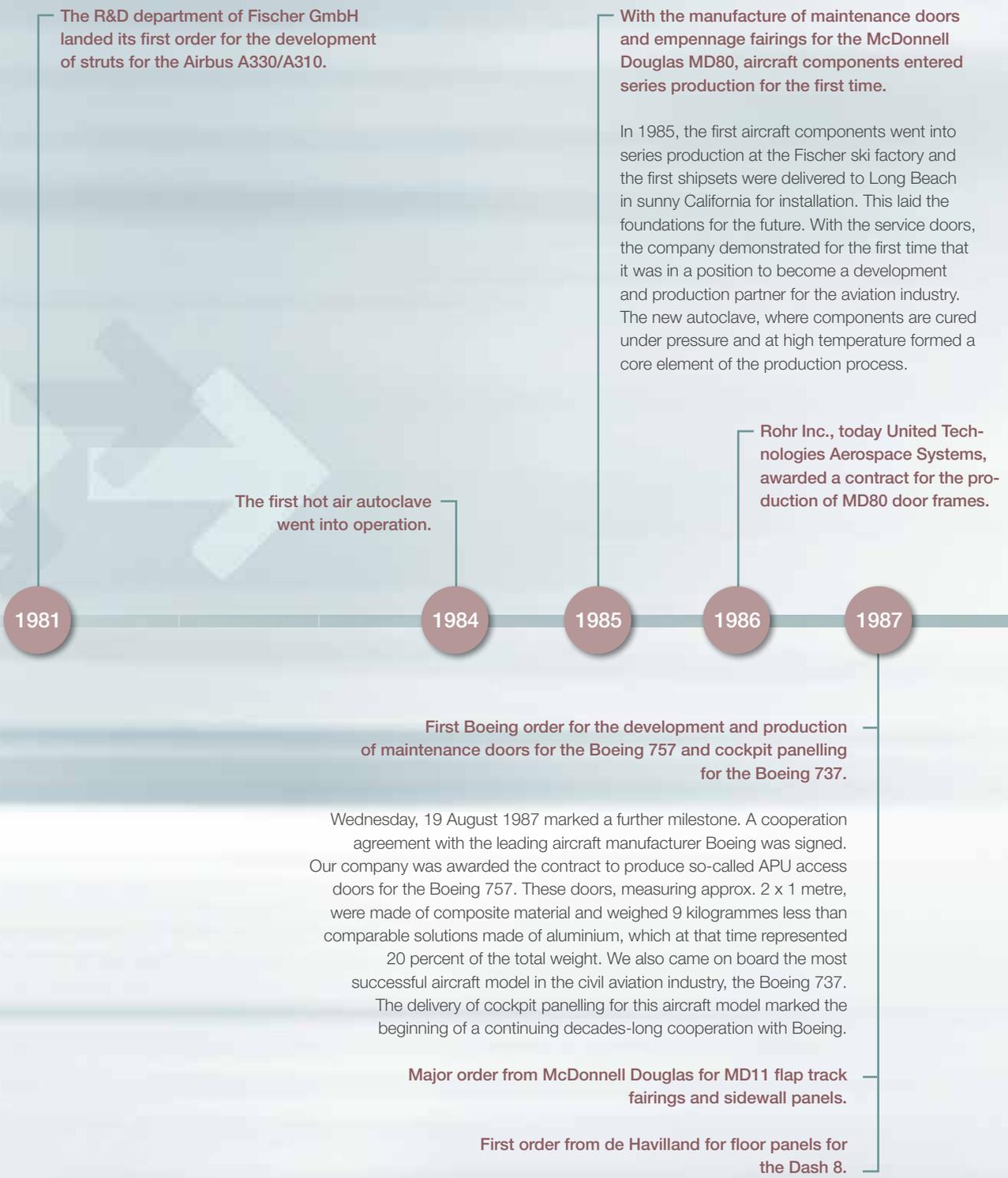


## INVENTING THE FUTURE TOGETHER

### SUCCESSFUL RESEARCH COOPERATION WITH BOEING

The development of leading-edge solutions for the aviation industry is the explicit aim pursued by Boeing Research & Technology (BR&T), the central research and development organisation of the world's largest aircraft manufacturer. Since such a noble objective cannot be achieved alone, Boeing relies on the collaboration with leading industry and science partners for the optimisation of production times, costs, quality and performance of its products and services. And FACC is one of Boeing's main industry partners.

The main focus of FACC's cooperation with Boeing is on applied research projects that should be ready for use in aircraft within two to three years. One current project is, for instance, the mass production of special carbon-fibre reinforced plastic (CFRP) components with optimal manufacturing efficiency. Another project involves a new form of industrialised painting, a printing method similar to ink jet printing. Here, robots will paint the 3D component, making the repeated complicated application of masking tape and several rounds of painting unnecessary.



# UPWARDS AND ONWARDS

**First order from Airbus for the production of overhead bins and ceiling panels for the A320 aircraft models.**

In the year the company was founded, FACC succeeded in landing a first production order from what was then a relatively young aircraft manufacturer. Today, Airbus, a European joint venture, is one of the world's recognised players in the aviation industry and, over the last three decades, FACC has become a dependable partner that is involved in a great number of Airbus aircraft projects from day one of the development process.

The first production order from Airbus for FACC, initially still a second supplier, was for overhead bins and ceiling panels for the passenger cabins of the A320 aircraft models. In 1991, another order followed, marking another important milestone in FACC's history: the production of the main landing gear doors for the same aircraft model.

*Since 1981, FACC's team has made essential contributions to the evolution of modern-day aviation industry. Numerous new developments from the company have now become industry standards, thus demonstrating FACC's high innovation power.*

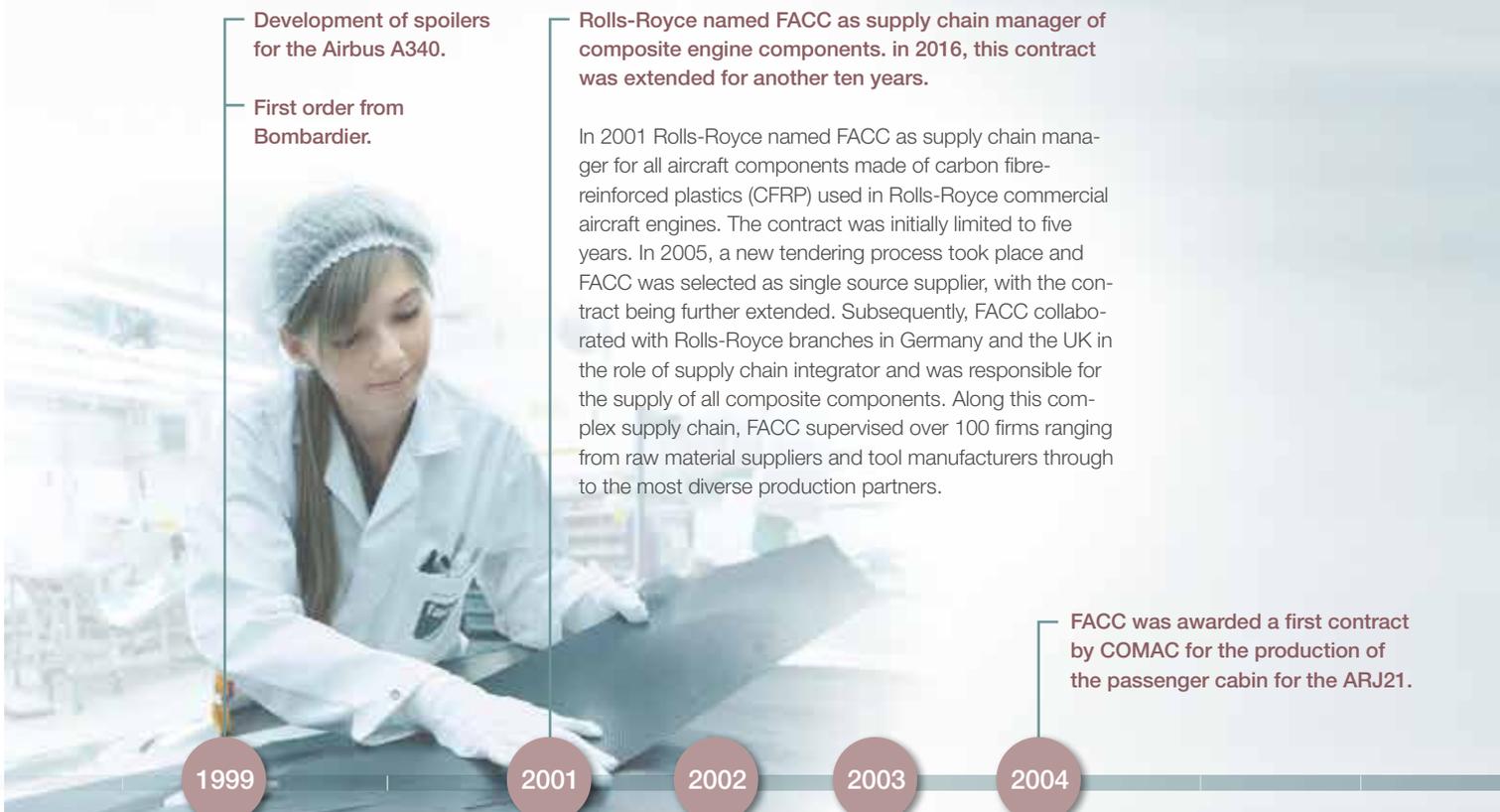
1989

1996

**Order for the development and production of the MD95 passenger cabin.**

## **When FACC was born**

The next big step was taken with the spin-off of the company from the Fischer Group: Fischer Advanced Composite Components GmbH, or FACC for short, was established as an independent subsidiary of Fischer. Strictly speaking, 16 October 1989 is the company's birthday – its star sign would therefore be Libra.



**1999** Development of spoilers for the Airbus A340.

**1999** First order from Bombardier.

**2001** Rolls-Royce named FACC as supply chain manager of composite engine components. In 2016, this contract was extended for another ten years.

In 2001 Rolls-Royce named FACC as supply chain manager for all aircraft components made of carbon fibre-reinforced plastics (CFRP) used in Rolls-Royce commercial aircraft engines. The contract was initially limited to five years. In 2005, a new tendering process took place and FACC was selected as single source supplier, with the contract being further extended. Subsequently, FACC collaborated with Rolls-Royce branches in Germany and the UK in the role of supply chain integrator and was responsible for the supply of all composite components. Along this complex supply chain, FACC supervised over 100 firms ranging from raw material suppliers and tool manufacturers through to the most diverse production partners.

**2002** The first winglets produced for Aviation Partners Boeing.

At first glance, the appearance of a passenger aircraft has not changed dramatically since the beginning of the jet era. However, the fact that aircraft aerodynamics might hold potential for further improvement especially in terms of fuel efficiency and environmental friendliness was demonstrated by Aviation Partners in 1993. The engineers from Seattle developed the first so-called blended winglets for the Gulfstream II, an innovation that was inspired by the position of birds' wings in flight mode. In 2002, FACC was awarded the contract by Aviation Partners Boeing, a subsidiary of Aviation Partners, to produce blended winglets for the new generation of the Boeing 737 aircraft family (Boeing 737-700/-800) as well as for Boeing business jets. In addition, FACC was also assigned the task of producing winglets to retrofit the Boeing 737, which was already in service at that time. In 2003, the first shipsets rolled off the production line. In 2008, the production rate was three pairs per day and the company reached the 2,000<sup>th</sup> mark by the end of the year. In 2010, the 3,000<sup>th</sup> pair was delivered.

**2002** FACC became the development partner and Tier 1 supplier for the Airbus A380 programme.

Following investments of EUR 100 million, FACC is currently involved in this programme with a total of eleven projects that span all divisions.

**2003** Boeing chose FACC as development and production partner for the Boeing 787 programme.

Goodrich Aerostructures (today United Technologies Aerospace Systems), one of the world's leading supplier companies for civil aircraft construction, and FACC have enjoyed a successful partnership for several years. In close cooperation both companies have developed advanced technologies that satisfy the requirements of customers and the market alike. In 2005, this strategic partnership was further extended to include the Boeing Dreamliner programme and in May 2006 the first translating sleeves and blocker doors were delivered on schedule. However, FACC did not only collaborate with Goodrich within the framework of this programme. The new Rolls-Royce Trent 1000 engines also helped boost the power of the elegant Dreamliner, featuring FACC's acoustic fan liners and panels as well as the company's nose spinners. In addition, FACC started delivering the spoilers as well as the forward box panels and trailing edge panels and the lower bonded panels for the efficient 787 aircraft family. As an aircraft supplier in the composites business, it is a special honour for FACC to be involved in the realisation of the Boeing 787. As mentioned before, this is the first passenger aircraft in the world, in which composite materials account for 50 percent of the overall aircraft structure.

**2004** FACC was awarded a first contract by COMAC for the production of the passenger cabin for the ARJ21.

**FACC was selected as a Tier 1 supplier for the Airbus A350 XWB programme.**

Over 70 percent of the weight-optimised airframe of this fuel-efficient long-range jet consists of advanced materials, with composites accounting for 53 percent and thus the largest proportion. The aircraft's fuselage is made of innovative carbon fibre reinforced plastic (CFRP). FACC's contribution to this programme was significant: Components from all three divisions came on board. FACC Engines & Nacelles supplied weight-optimised translating sleeves and engine components; FACC Interiors provided passenger-door linings, overhead stowage compartments and smoke detection covers. And the spoilers and winglets were provided by FACC Aerostructures. Furthermore, large elements were tested in-house in the new Composite Lab & Test Centre. For instance, the 6m long wingtip-winglet element was subject to both static and dynamic tests under both permanent and peak loads using a special testing device for a period of one and a half years.

First order from Embraer for interior components for the Phenom 100 and Phenom 300.

First order from Sukhoi for the supply of structural components and the passenger cabin of the SSJ100.

FACC became a Tier 1 supplier for the COMAC C919 aircraft model.

First contract award from Dassault Aviation.

Delivery of the wing box for the MS21 as first primary structural component from FACC.

Start of series production of four components for the new Rolls-Royce Trent XWB engines.

Approval of the split scimitar winglets developed by FACC for the Boeing business jets.

2007

2009

2010

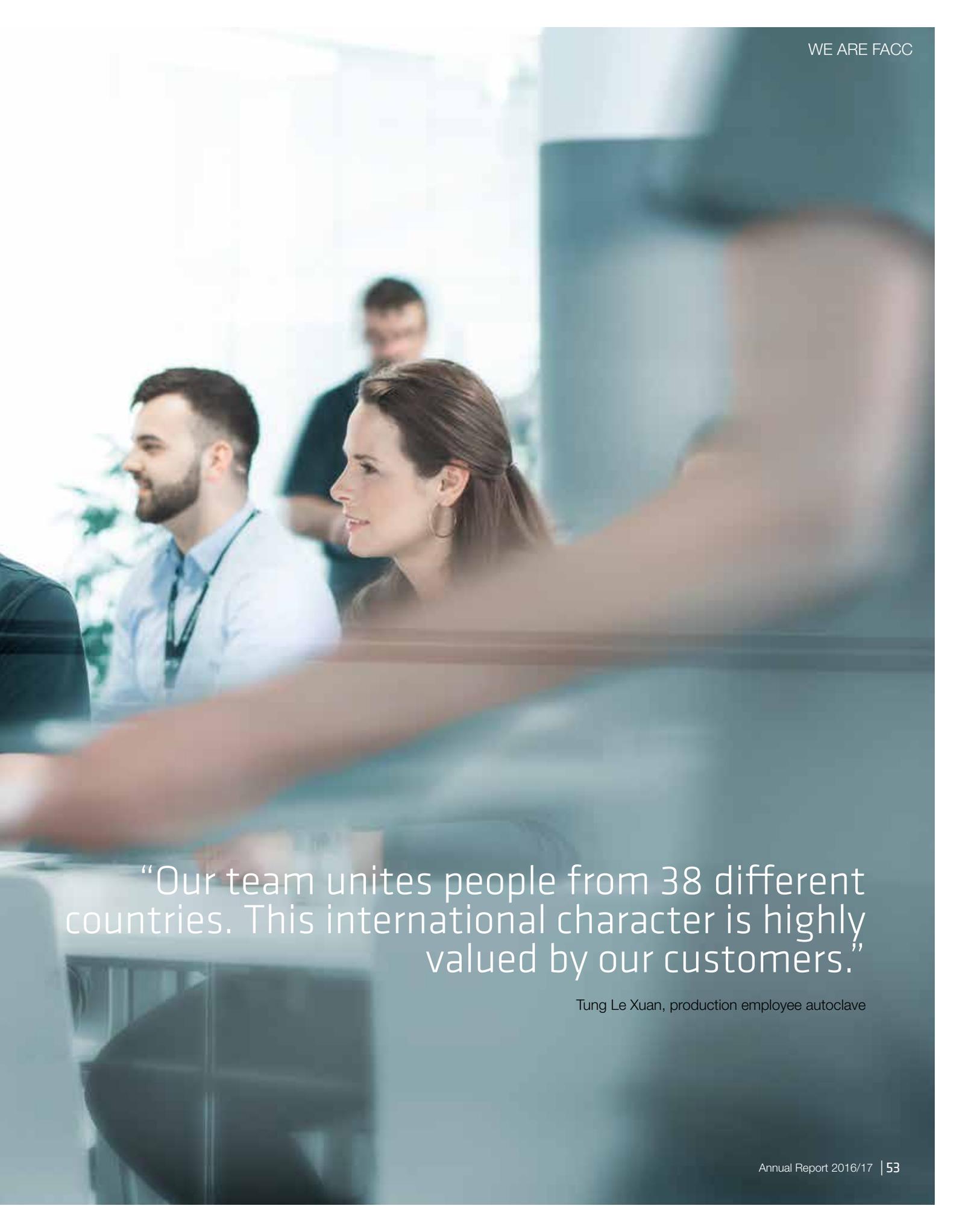
2011

2015



WE ARE FACC





“Our team unites people from 38 different countries. This international character is highly valued by our customers.”

Tung Le Xuan, production employee autoclave

## TEAM OF THE BRIGHTEST MINDS



## HIGHLY QUALIFIED STAFF, WHO ARE MUCH APPRECIATED

*In the global aviation industry, the highest demands are placed on staff. The sector's workforce is characterised by flexibility, personal commitment and a marked sense of responsibility. With a wide range of further education initiatives and an attractive package of additional benefits, FACC seeks to attract the brightest minds and continuously expand its expertise, while safeguarding its long-term success.*



*Our Future Teams secured top positions in a number of categories at the 2016 apprentice awards of the Upper Austrian Chamber of Commerce.*

FACC has earned a global reputation as attractive employer, however, it faces stiff competition both at a regional and international level when it comes to looking for the brightest minds. This is why the company offers its employees a wide range of personal and professional development opportunities. 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.

### **JOB MOTOR IN THE REGION**

By the same token, as the biggest employer in the Innviertel, FACC plays an important role on the Upper Austrian labour market. The company's headcount has more than doubled over the past ten years. FACC is thus a real job engine for the region. In Austria alone, the company currently employs 3,100 people. These include 42 highly committed apprentices, who are offered a wide range of attractive opportunities in the FACC Future Team.

### **"INEO" FOR EXEMPLARY COMMITMENT**

As a visible sign of the outstanding quality of its apprentice training, FACC once again received the "Ineo" certificate for the period between 2016 and 2019 – the award offered by the Chamber of Commerce of Upper Austria for businesses demonstrating exemplary commitment to apprentice training.

"Ineo" stands for innovation, sustainability, engagement and orientation. As early as 2014, FACC received the seal of quality as a "State Approved Training Company" from the Federal Ministry of Science, Research and Economy.

### **TOP POSITIONS FOR YOUNG TALENTS**

FACC offers young dedicated talents highly specialised training in plastics technology or machining, design and information technology and since 2017 also in process technology. Even 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. Those responsible for HR at FACC attach great importance to conveying basic values such as honesty, reliability, openness, punctuality, friendliness, accuracy and willingness to help to their junior staff. Besides, personality training within the group has proved particularly successful in this context, as participants can also profit from others' experiences and perspectives.

The high quality of training at FACC is demonstrated, amongst others, by the excellent results achieved by the company's apprentices in 2016 in the apprentice competition organised by the Upper Austrian Chamber of Commerce for commercial and technical professions. From among 757 apprentices from 97 Upper Austrian companies, including

,voestalpine and Lenzing, members of the FACC Future Team secured top positions, winning the first two places in the category “Girls in Engineering” and the first three places in the category “Plastics Technology”, while ranking second and third in the category “Design/Toolmaking”.

The yearly FACC apprentices’ charity project was also crowned with success in 2016. In numerous additional working hours, the apprentices manufactured a self-designed kicker to play table football that was raffled among FACC staff. The proceeds amounting to EUR 4,004 were almost doubled by the Management Board to EUR 8,000 and donated to the child protection centre in Schärding, the animal protection association in Ried and the local charity association Bezirksrundschau Christkind.

### **MAKING TECHNOLOGY MORE ATTRACTIVE TO WOMEN**

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

### **LIFELONG LEARNING AT FACC**

In keeping with the principle of lifelong learning, FACC offers young workers, who have completed their apprenticeship, a wide range of vocational training and further educational opportunities. In addition to in-house training programmes offered within the framework of the FACC Academy, there is also a wide range of external courses. 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 like FACC, in which research and development plays such a crucial role also with regard to innovation.



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 initiated a new Bachelor programme at the University of Applied Sciences Upper Austria in Wels in 2016. At the technical college in Ried, the company also supports a class with lectures and job application training.

### FURTHER EDUCATION AS INVESTMENT INTO THE FUTURE

In 2016, the FACC Academy registered a total of 604 training programmes attended by 6,370 employees. These figures underline the high level of commitment on the part of FACC employees to further training. The in-house training programme comprises more than 90 specialist training courses conducted by 40 internal trainers. Further training carried out by external trainers as well as a large number of language courses and intercultural training

courses round off the offering of the FACC Academy. Besides, 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 honours outstanding team achievements. In 2016, the “Thermographic Qualification” team won this prize for the development of a new quality inspection method, which significantly reduces inspection times for composite components with only one tenth of the purchasing costs needed so far (see also page 47).



The FACC Leonardo Award 2016 went to the “Thermographic Qualification” team for its self-designed quality inspection method.





### **E-LEARNING CURRENTLY UNDER DEVELOPMENT**

To make responsible use of employees' time resources, FACC offers selected training programmes such as the "Export Control Advanced" course in an e-learning format. In autumn 2017, three additional projects will be ready to go online and employees will be able to complete training modules at their workstations via the SAP system.

### **IT SECURITY INFORMATION CAMPAIGN**

In the year under review, FACC launched an extensive company-wide information campaign under the heading "securITy is me", focusing on improving IT security. With topics ranging from password security through to data protection, employees were encouraged both via posters and the corporate Intranet not only to always keep an eye on their own digital footprints but also to walk through their daily work life with eyes wide open and treat corporate data with the utmost discretion. The information campaign directly focuses on raising awareness and sensitising all employees with regard to information security and it will be used as basis to initiate further similar activities moving forward.

### **SUCCESSFUL HR STRATEGY TO BE CONTINUED**

With employees from 38 countries, FACC boasts a formidably international team. 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, since qualified employees with their know-how, experience and dedication are key for long-term value creation and business success.

# AWARD-WINNING “HEALTHY & SATISFIED”

FACC AWARDED WITH SEAL OF QUALITY FOR  
“WORKPLACE HEALTH PROMOTION”



The fact that FACC attaches considerable importance to the motivation, satisfaction and health of its workforce is demonstrated by a wide range of measures and initiatives put in place by the company. This commitment has not only been well received within the company but also recognised externally. For its “Healthy & Satisfied” project, FACC received the seal of quality for workplace health promotion (BGF) from the Upper Austrian Regional Health Insurance Fund (OÖGKK) on 9 February 2017. The BGF seal of quality is regarded as a visible symbol and recognised standard for high-quality workplace health promotion. In an objective and transparent process, independent experts assess whether the demanding quality criteria of the European network for BGF have been fulfilled.

FACC CEO Robert Machtlinger is very pleased: “With ‘Healthy & Satisfied,’ FACC has succeeded in integrating the issue of health into our corporate culture in a comprehensive and sustainable manner, rather than dealing with it in isolation. In

this way, we are playing a pioneering role among Upper Austria’s leading companies. The BGF seal of quality is a highly satisfying recognition of this initiative. Therefore, it goes without saying that we will be further expanding our activities in this area in the years to come.”

## MORE THAN 900 IMPLEMENTED MEASURES

The roots of “Healthy & Satisfied” extend back to 2012. At the time, the number of psychological disorders was increasing rapidly. FACC reacted swiftly and initiated a broad-based, long-term project to deal with this issue head-on. Around 90 workshops with a total of 750 participants were held, key action areas defined, causes discussed and measures for improvement developed. To date, a total of more than 900 measures have been implemented with sustainable success: The number of employees affected by psychological disorders has decreased sharply and the number of burnout cases has also been reduced dramatically. One of the factors contributing to this result was a targeted awareness-raising campaign within the company, which also led to considerably higher appreciation of the problem and willingness to communicate on all sides. At the same time, the number of other health risks in the workplace was reduced to a minimum.



“At FACC, perfection plays a central role not only in the production process but also when it comes to deliveries. This punctuality is very much appreciated by our customers across the globe.”

Dilek Kirmizitas, Support Logistics

# SHARE & INVESTOR RELATIONS

*Ongoing dialogue and open communication are the main pillars of FACC's IR activities.*

*Every year, the Management Board and IR team are available for face-to-face meetings at numerous roadshows and investor conferences both in Austria and abroad as well as for conference calls.*

By attending more than 20 roadshows at all key financial centres in Europe and the US, FACC continued to further expand its IR activities in the year under review. Besides, numerous one-on-one meetings with investors were held at FACC in Upper Austria. The Annual General Meeting, which was held in Ried im Innkreis on 15 July 2016 and attended by an audience representing roughly 72 percent of the voting share capital, also provided an important platform for direct dialogue with shareholders.

Ongoing dialogue with private investors also plays a crucial role for FACC. In addition to attending numerous external shareholders and stock exchange events in the year under review, on 10 February 2017, FACC invited 220 investors to the company's first Shareholder Day at its business site in St. Martin.

## THE FACC SHARE



The FACC share started the 2016/17 financial year (from 1 March to 28 February) with a volatile performance. Against the backdrop of the general situation on the stock exchange and the negative effects of the “Fake President Incident”, which was announced on 19 January 2016, the company's share price trended downwards. FACC's share price reached its annual low of EUR 3.998 on 6 July. Afterwards, the share price increased and moved sideways until the end of the period under review, fluctuating within a range between EUR 5.000 and EUR 5.500. On publication of the results for the first nine months, FACC fleshed out its revenue and earnings forecasts for the full year. Especially the earnings forecast was raised significantly. As a result, investors regained confidence in the stock. The company's share price rose considerably, exceeding the EUR 7.000 mark. The FACC share closed the 2016/17 financial year at EUR 7.001. This corresponds to an increase of 40.4 percent compared to the closing price of the previous financial year.

## TRADING VOLUME

The average daily trading volume of FACC shares in the year under review (double counting excluding OTC) amounted to 67,732 shares. At the end of the 2016/17 financial year, market capitalisation totalled EUR 320.6 million.

## BASIC INFORMATION ABOUT THE FACC SHARE

ISIN	AT00000FACC2
Currency	EUR
Stock exchange	Vienna (XETRA)
Market segment	Prime Market (official trading)
First day of trading	25 June 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

## ANALYSTS' COVERAGE

At the end of the 2016/17 financial year, three financial institutions published analyses of the FACC share:

Erste Group

---

RCB

---

Hauck & Aufhäuser

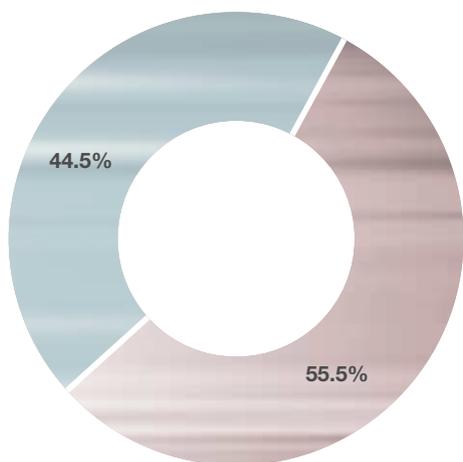
## SHAREHOLDER STRUCTURE AND SHARE CAPITAL

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

FACC AG did not hold any treasury shares as of the balance sheet date on 28 February 2017.

In the 2016/17 financial year, FACC AG did not receive any voting rights notifications pursuant to Section 91 of the Austrian Stock Exchange Act.

### SHAREHOLDER STRUCTURE



■ FACC International  
■ Free float

### DIVIDEND POLICY

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

No dividend will be paid for the 2016/17 financial year.

### KEY SHARE DATA

		2016/17	2015/16	2014/15
Trading volume	shares	<b>18,355,314</b>	23,188,628	29,312,752
Average daily trading volume	shares	<b>65,936</b>	93,503	172,428
Highest closing price over the year	EUR	<b>7.37</b>	8.49	9.55
Lowest closing price over the year	EUR	<b>4.00</b>	4.50	6.35
Closing price on the last trading day in February	EUR	<b>7.00</b>	5.23	8.50
Annual share price performance	%	<b>40.40</b>	-38.40	-10.50
Market capitalisation on the last trading day in February	EUR million	<b>320.60</b>	239.30	389.22

### FINANCIAL CALENDAR 2017/18

13 June 2017	publication of the annual financial report and of the annual report 2016/17
18 July 2017	ordinary Annual General Meeting
12 July 2017	quarterly financial report Q1 2017/18
18 October 2017	semi-annual financial report 2017/18
17 January 2018	quarterly financial report Q3 2017/18

### CONTACT DETAILS

Manuel TAVERNE	
Director Investor Relations	
Telephone	+43 59 616 2819
Mobile	+43 664 80119 2819
E-mail	m.taverne@facc.com

# 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.

Key elements of good corporate governance practice encompass a high degree of transparency for all stakeholders, a long-term sustainable increase in corporate value as well as efficient cooperation among all governing bodies, the safeguarding of shareholders' interests and open corporate communications.

## 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 Code is available on the Internet at [www.corporate-governance.at](http://www.corporate-governance.at) in the currently valid version.

In accordance with the provisions of the law, compliance with the ACCG is assessed by an external auditor. The outcome of the assessment confirms that corporate governance is integral to FACC. The results of this assessment are made available to all interested parties on the corporate website at [www.facc.com](http://www.facc.com).

In accordance with Rule 60 of the ACCG, FACC AG is required to prepare and publish a Corporate Governance Report. This Corporate Governance Report is publicly available on the website of FACC AG ([www.facc.com](http://www.facc.com)) (C-Rule 61 of the ACCG).

## CORPORATE BODIES OF FACC AG

### Management Board

Organisation and operation of the Management Board:  
In accordance with the Articles of Association of FACC AG, the Management Board consists of two or maximally four members, who are appointed by the Supervisory 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.

### Management Board

#### Robert MACHTLINGER (1967)

Chairman of the Management Board

First appointed: 2014

Current mandate expires: June 2020

Areas of responsibility: Strategy, Customer Relations, Business Development, Marketing, Programme Management, Quality Control, Corporate Communications, Production, Logistics, Tooling & Industrial Engineering, Facility Management, Human Resources

Supervisory Board mandates in other companies: none

#### Aleš STÁREK (1970)

Member of the Management Board

First appointed: 2016

Current mandate expires: October 2019

Areas of responsibility: Finance, Controlling, Taxes, Treasury, IT, Risk Management, Legal Affairs, Investor Relations

Supervisory Board mandates in other companies: none

#### Yongsheng WANG (1963)

Member of the Management Board

First appointed: 2016

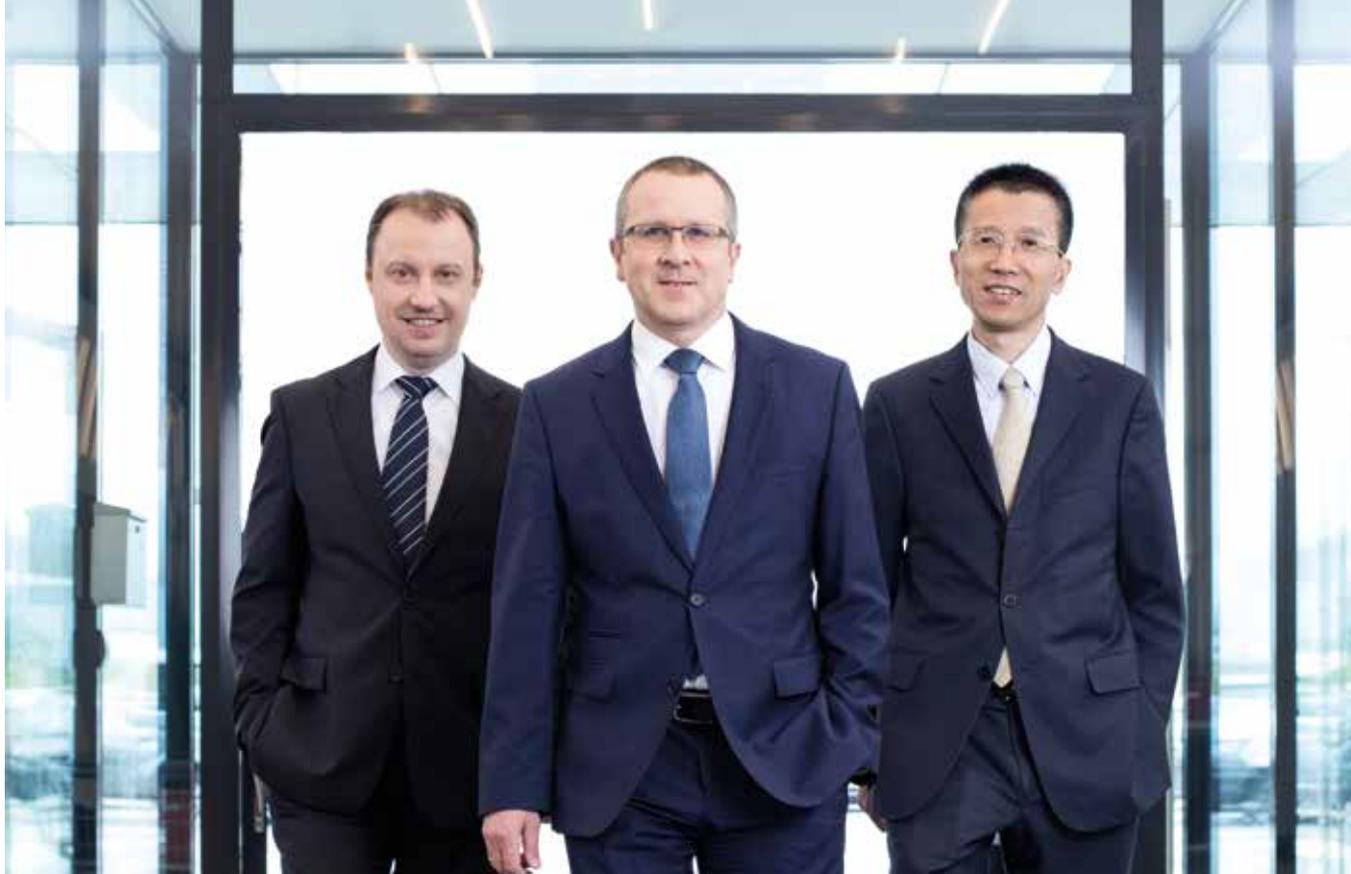
Current mandate expires: October 2019

Areas of responsibility: Internal Auditing, China Business Relations, M&A, Special Projects

Supervisory Board mandates in other companies: none

Members of the Management Board who resigned from the Board in the 2016/17 financial year:

The Supervisory Board revoked the appointment of Walter Stephan to the Management Board of FACC AG as of 24 May 2016.



**Aleš Stárek**  
Member of the  
Management Board

**Robert Machtlinger**  
Chairman of the  
Management Board

**Yongsheng Wang**  
Member of the  
Management Board

## SUPERVISORY BOARD

The actions of the Supervisory Board have their legal basis in laws and regulations that are binding for publicly listed companies in Austria, such as the Austrian Stock Corporation Act and the Stock Exchange Act. Besides, the Supervisory Board has committed itself to compliance with the rules of the Austrian Code of Corporate Governance. With regard to in-house regulations, the Articles of Association and the internal rules of procedure are particularly relevant. In accordance with the Articles of Association of FACC AG, the Supervisory Board consists of at least three and not more than ten members, who are elected by the Annual General Meeting.

Pursuant to article 11.2 of the Articles of Association of FACC AG, FACC International Company Limited has the statutory right to delegate up to a third of all members of the Supervisory Board as long as its stake in the company does not fall below 25 percent of the share capital.

When appointing the members of the Supervisory Board, the Annual General Meeting shall take due care to ensure the expertise and personal qualifications as well as a balanced composition of the Supervisory Board. Furthermore, reasonable attention is to be given to the aspect of diversity of the Supervisory Board with respect to the representation of both genders and the age structure as well as the internationality

of the members. New members of a Supervisory Board must inform themselves adequately of the organisation and activities of the company as well as of the tasks and responsibilities of the Supervisory Board members. Besides, the members of the Supervisory Board shall perform a self-evaluation of their activities once a year.

### **Ruguang GENG (1957)**

Chairman since 2009  
First appointed: 2014  
Current mandate expires: Annual General Meeting (AGM) resolving upon the 2017/18 financial year  
Supervisory Board mandates in other companies: none

### **Shengqiang HE (1966)**

Vice Chairman  
First appointed: 2016  
Supervisory Board mandates in other companies: none

On 30 June 2016, FACC International Company Limited exercised its statutory right pursuant to article 11.2 of the Articles of Association of FACC AG to delegate up to a third of all members of the Supervisory Board as long as it owns at least 25 percent of the share capital, appointing Mr Shengqiang He to the Supervisory Board of FACC AG.

**Jun TANG (1960)**

First appointed: 2014

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

Supervisory Board mandates in other companies: none

**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

**George MAFFEO (1954)**

First appointed: 2016

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

Supervisory Board mandates in other companies: none

**Supervisory Board members delegated 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 2016/17 financial year:**

Gregory B. Peters resigned from the Supervisory Board in the 2016/17 financial year.

Yongsheng Wang resigned from the Supervisory Board in the 2016/17 financial year.

**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).

George Maffeo and Weixi Gong are the members of the Supervisory Board, who represent the interests of those shareholders with an equity interest of no more than 10 percent (Rule 54 of the ACCG).

**SUPERVISORY BOARD COMMITTEES**

In accordance with the Stock Corporation Act, the Supervisory Board of FACC AG has set up an Audit Committee, which carries out scheduled supervisory and control functions. In addition to the review of the accounting process as well as the process of auditing the financial statements and the consolidated financial statements, the Audit Committee also monitors the effectiveness of the internal control and risk management systems of the company.

Besides, the Committee is required to audit the corporate governance report, on which a report is made at the Annual General Meeting. In the 2016/17 financial year, the Audit Committee met three times. In the year under review, a total of four Supervisory Board meetings were held.

No additional meetings were required. No member of the Supervisory Board attended less than half of the meetings.

In addition to the Audit Committee, whose establishment is mandatory, the Supervisory Board has also set up a Strategy Committee and a Personnel and Remuneration Committee (Nomination Committee).

The functional responsibilities of the Supervisory Board members in the respective committees are shown in the following table:

<p><b>Audit Committee</b></p> <p><b>Members</b></p> <ul style="list-style-type: none"> <li>• Yanzheng LEI (Chairman)</li> <li>• Xuejun WANG</li> <li>• George MAFFEO</li> <li>• Barbara HUBER</li> </ul>
<p><b>Personnel and Remuneration Committee (Nomination Committee)</b></p> <p><b>Members</b></p> <ul style="list-style-type: none"> <li>• Ruguang GENG (Chairman)</li> <li>• Shengqiang HE</li> <li>• Yanzheng LEI</li> <li>• Weixi GONG</li> <li>• Xuejun WANG</li> <li>• Chunsheng YANG</li> </ul>
<p><b>Strategy Committee</b></p> <p><b>Members</b></p> <ul style="list-style-type: none"> <li>• Shengqiang HE (Chairman)</li> <li>• Ruguang GENG</li> <li>• Yanzheng LEI</li> <li>• Weixi GONG</li> <li>• George MAFFEO</li> <li>• Chunsheng YANG</li> <li>• Ulrike REITER</li> </ul>

## 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

The Supervisory Board shall ensure that the total remuneration of the members of the Management Board is commensurate with the tasks and performance of each individual member of the Management Board, the situation of the company, the usual level of remuneration, and must also take measures to create incentives to promote behaviour supportive of the long-term development of the company. Total remuneration contains both fixed and variable components.

The most important parameter for calculating the variable remuneration components is the development of the operating result (EBIT) along with individually agreed performance indicators.

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

In the 2016/17 financial year, variable remuneration components accounted for 0 percent of total remuneration of the members of the Management Board.

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

Total remuneration for the members of the Management Board including performance-related variable components for the 2016/17 financial year amounted to TEUR 651 (2015/16: TEUR 1,001).

Remuneration of the active members of the FACC AG's Management Board in the 2016/17 financial year:

TEUR	Fixed	Variable	Total
Robert MACHTLINGER	294	0	294
Aleš STÁREK	107	0	107
Yongsheng WANG <sup>1)</sup>	147	0	147
Walter STEPHAN	103	0	103

<sup>1)</sup> Wang Yongsheng is working for FACC AG on the basis of a service contract via Aerospace Innovation Investment GmbH.

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 members of the Management Board. Total expenses amounted to TEUR 8 in the 2016/17 financial year (2015/16: TEUR 16).

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, 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 2015/16 financial year, which was approved by the Annual General Meeting held on 15 July 2016, amounted to EUR 133,100 and was distributed as follows:

	EUR
For the Chairman of the Supervisory Board	15,000
For the Vice Chairman of the Supervisory Board	13,200
For independent members of the Supervisory Board	46,250
For members of the Supervisory Board	58,650

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

There are currently two women represented in the FACC's Supervisory and Management Boards and top executive team. In the management levels underneath, the proportion of female executives is still quite low. Therefore, FACC continues to attend job fairs and seeks to address potential female high-performers in a targeted manner. The company is trying to attract more women to fill new management roles or to replace existing managers. However, the fact that the great majority of management positions at FACC requires a technical education is proving to be a hurdle.

The proportion of female employees within the FACC Group increased from 22% to 27% in the 2016/17 financial year.

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 2016/17 financial year, no share trading transactions concluded by individuals of FACC AG subject to reporting obligations were announced.

#### AUDITORS

The Supervisory Board proposed Ernst & Young Wirtschaftsprüfungs GmbH, Linz, as auditor of FACC AG's financial statements and consolidated financial statements for the 2016/17 financial year. The motion was passed with the required majority by the second Annual General Meeting held on 15 July 2016.

Total expenses for auditing services amounted to TEUR 185 for the 2016/17 financial year, (2015/16: TEUR 226). A breakdown of expenses by activity area is represented in the Notes to the consolidated financial statements.

Group Management Report	page 71
Consolidated Statement of Financial Position	page 84
Consolidated Statement of Comprehensive Income	page 86
Consolidated Statement of Cash Flows	page 87
Consolidated Statement of Changes in Equity	page 88
Notes to the Consolidated Financial Statements	page 90
Statement of all Legal Representatives	page 142
Auditor's Report	page 142

# facc Financial Report 2016/17

# Group Management Report of FACC AG for the 2016/2017 Financial Year

## 1. BUSINESS ENVIRONMENT

### 1.1. MACRO-ECONOMIC CONDITIONS

In 2016, the global economy grew by 2.2% compared with 2.6% in the previous year. The growth momentum was slowed by the weak US economy in the first half of the year coupled with the recession in Russia and Brazil. Growth in the industrialised countries remained sluggish in the year under review, while it stabilised in the emerging economies following a slowdown lasting several years. The US economy grew by 1.6% in 2016 compared with 2.5% in the previous year, with foreign trade mainly bolstering growth. Whereas, investments and private consumption failed to meet expectations. The Eurozone generated moderate growth, with the economy expanding by 1.7% in 2016 compared with 2.0% in 2015. This trend was favoured by the European Central Bank's expansionary monetary policy, continued low oil prices and the depreciation of the euro against other currencies. The economic development in China exceeded expectations in 2016, with growth stabilising at 6.7%. Business activities started to pick up again in the construction, retail and real estate sectors and the weak currency led to a rise in global demand and a higher export volume. The weak economy and oversupply put pressure on oil prices. The EIA averaged the price of a barrel of Brent crude oil at US dollar 43 over the year. At the end of September 2016, the 14 OPEC states agreed on market stabilisation measures aimed at reducing the oversupply and raising the price level.

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

The aviation industry was influenced by a number of factors in 2016: Political instability dampened growth, which diverged greatly from region to region. Above all on international routes linking Europe and Asia, demand remained sluggish, while the African, US and Eastern European markets recovered. Global passenger traffic increased by 6.3% in 2016. In Asia, demand rose by 8.9%, in North America by 3.2% and in Europe by 3.8%.

Low fares stimulated demand as falling fuel prices and competitive pressure led airlines to reduce ticket prices. Rising passenger numbers prompted airlines to expand their fleets, with the global fleet growing by 5.2% in 2016.

According to the International Air Transport Association IATA, airlines posted record profits in 2016. The industry's net income reached US dollar 35.6 billion, compared with US dollar 35.3 billion in 2015. This is mainly attributable to low oil prices, which according to the EIA are likely to remain at less than US dollar 60 a barrel through 2020. Furthermore, airlines deployed more

efficient aircraft and reaped the benefits of the restructuring measures successfully undertaken in the previous years.

In 2016, Airbus and Boeing delivered a total of 1,436 aircraft compared with 1,397 in the previous year. In the same period, Boeing and Airbus sold a total of 1,419 new aircraft, with the book-to-bill ratio amounting to almost 1:1. At 13,442, the order backlog for aircraft seating 100 or more passengers remained at the same level as at year-end 2015.

From today's perspective, traffic volumes in the aviation industry should continue to show stable growth moving forward. According to the latest market forecasts by Airbus and Boeing, traffic volumes are expected to double again over the next 15 years. According to a market analysis of Airbus and Boeing, a total of 36,300 new airliners will be required up to 2035 based on current estimates.

The main factors driving this development include increasing levels of air travel in countries such as China, India, the US and Europe. Flights per capita are expected to quadruple in the growth markets of China and India up to 2035. In the US and Europe, where air travel is already widespread, the frequency of trips is expected to increase by around 20% up to 2035.

## 2. GENERAL INFORMATION

The FACC Group, headquartered in Ried im Innkreis, is an Austrian Group, which specialises in the development, production and maintenance of aircraft components.

The company's product range includes "structural components" (body and tail fairings, fan cowls and composite parts for engines, wing components and wingtips) as well as components for the interiors of aircraft (overhead stowage compartments, passenger cabin linings, service units, etc.).

Due to the products' different applications, three operating segments were created. The "Aerostructures" division covers development, manufacture and sales of structural components, the "Interiors" division deals with the development, manufacture and sales of interiors, and the "Engines & Nacelles" division 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 of the Group. Apart from these three operating segments, the company 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.

### 3. DEVELOPMENT OF THE FACC GROUP

The year under review can be seen as the year in which FACC set the course for the future. At the beginning of 2016, the company's management focused mainly on investigating the Fake President Incident and working through the changes that had been introduced as a result. The absolute priority was to guarantee stability and sustainability, fill all vacant management positions, while at the same time making a concerted effort to push ahead with the implementation of the defined corporate targets. In view of market prospects, several series productions were successfully launched in the year under review, numerous projects were ramped up according to plan across all segments and, as a result, the company was able to achieve revenue growth of over 20%.

Based on targeted investments, both the company's capacity and efficiency were further increased. One aspect, which is particularly encouraging considering the circumstances, was the improvement of the Group's earnings, with EBIT adjusted for one-off effects increasing by almost half. Against the backdrop of long-term rising global demand for new aircraft, with the latest long-term market analysis confirming the need for over 36.300 new airliners in the period up to 2035, FACC is expected to have an order backlog in excess of USD 5 billion based on current estimates. Based on current market forecasts and the innovation strategy we have been driving forward, the odds are good that we will be able to further consolidate FACC AG's position as a global tier 1 partner for the aviation industry.

	2014/15 restated <sup>1)</sup> EUR million	2015/16 restated <sup>1)</sup> EUR million	2016/2017 EUR million
Revenues	528.9	580.2	705.7
Thereof product revenues	471.4	518.6	646.1
Thereof revenues from development services	57.5	61.6	59.6
<b>EBIT adjusted for one-off effects</b>	(4.5)	<b>(58.8)</b>	<b>26.9</b>
One-off effects (loss)	–	(41.9)	0.0
EBIT	(4.5)	(16.9)	26.9
<b>EBIT margin (adjusted)</b>	(0.9 %)	<b>(10.1 %)</b>	<b>3.8 %</b>
<b>Earnings after taxes</b>	(9.6)	<b>(52.3)</b>	<b>16.7</b>
<b>Earnings per share</b>	(0.22)	<b>(1.14)</b>	<b>0.36</b>

During spot checks carried out by the Austrian Financial Reporting Enforcement Panel (FREPE), FACC AG's consolidated financial statements as of 29 February, 2016 as well as the company's semi-annual interim reports as of 31 August, 2015 and 31 August, 2016 were selected and subjected to a random review pursuant to section 2 para. 1 no. 2 of the Accounting Control Act (audit without any particular cause). In September 2016, FACC AG was informed that the present audit was going to be carried out by the Austrian Financial Market Authority (FMA).

At the time of publication of the Consolidated Financial Statements as of 28 February 2017, the above-mentioned review process had not yet been concluded. We refer to note 2 in the consolidated financial statements.

In the 2016/17 financial year, the FACC Group generated revenues of EUR 705.7 million. This means an increase of EUR 125.5 million or 21.6% compared to the previous year.

Product revenues increased by 24.6% to EUR 646.1 million. In the year under review, the main drivers of product revenues were the Airbus A320 family, the Airbus A350 XWB, the Boeing 737 and 787 aircraft programmes as well as the

Bombardier and Embraer business jet programmes. All other programmes, including the supply of a number of components for engines produced by Rolls-Royce und Pratt & Whitney, developed in line with FACC management's plans, contributing to the growth of the Group.

Revenues from the billing of engineering services remained stable at EUR 59.6 million in the period under review.

In the 2016/17 financial year, the costs of materials increased by EUR 66.1 million from EUR 376.9 million to EUR 443.0 million. This growth is related to the significant increase in production revenues by 24.6%. The costs of materials also include expenses for temporary staff totalling EUR 15.6 million (2015/16: EUR 2.8 million). This considerable increase is entirely related to the recruitment of temporary staff in the course of the year under review to manage production peaks in the Interiors segment.

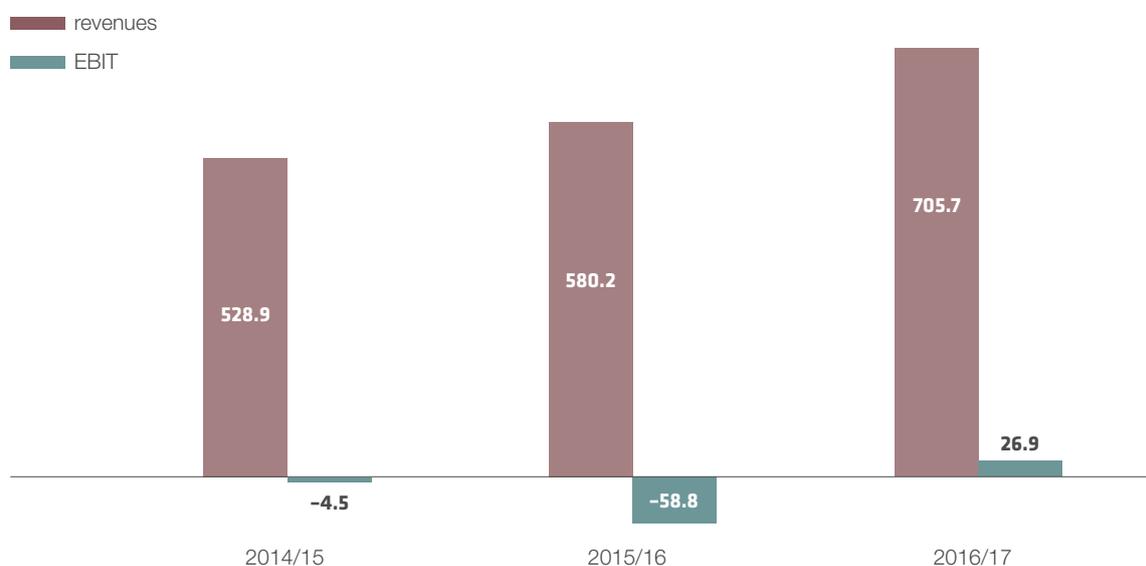
The materials ratio (costs of materials/ revenues) declined by 2.2 percentage points to 62.8% compared to the previous year (2015/16: 65.0%).

<sup>1)</sup> Due to an error correction according to IAS 8, previous years' figures have been adjusted retrospectively (see note 2).

The Group's personnel costs increased by EUR 14.7 million from EUR 158.5 million to EUR 173.2 million in the 2016/17 financial year. The Group's staff ratio (personnel costs/revenues) fell by 2.8 percentage points to 24.5% compared to the previous year. This decline is the result of ongoing efficiency measures in connection with learning curve effects and increases in production rates in key programmes.

In the year under review, earnings before interest and taxes (EBIT) amounted to EUR 26.9 million (2015/16: EUR -58.8 million). In the previous year's EBIT, a loss incurred in relation with the "Fake President Incident" in the amount of EUR 41.9 million is recognised in other operating expenses.

#### REVENUE AND EARNINGS DEVELOPMENT (IN EUR MILLION)



### 3.1. FINANCIAL SITUATION

The main objectives of financial management are to ensure that the Group always has access to adequate liquidity, to avoid financial risks, and to guarantee financial flexibility. In order to ensure the company's liquidity and reduce risks, FACC makes use of various internal and external funding sources with differing maturities. Longer-term liquidity forecasts are based on the Group's operational planning. The cash flow from operating activities in the operating segments represents the Group's main source of liquidity. This reduces external borrowing requirements and the associated interest expenses. FACC also makes use of a variety of funding instruments to assure its liquidity, including corporate bonds, promissory note loans, loan agreements with banks and lease arrangements.

### FINANCING INSTRUMENTS

The banking policy, procedures for the approval of banking relationships, loan agreements, liquidity and financial asset management, and the management of currency and interest rate risks are set down in the treasury principles. It is a basic principle of the Group that its lines of credit are administered at the corporate level by the treasury department.

For information on the company's capacity to raise funds through authorised and conditional capital increases and on funding sources, please refer to notes 4 b) ii) and 12 to the consolidated financial statements. Through these diverse measures, FACC has created a stable and sustainable basis to meet its future funding requirements.

### 3.1.1. LIQUIDITY ANALYSIS

One of FACC's key performance indicators is free cash flow, which the company determines by combining its cash flow from operating activities with its cash flow from investing activities.

	2014/15 restated <sup>1)</sup> EUR million	2015/16 restated <sup>1)</sup> EUR million	2016/2017 EUR million
Cash flow from operating activities	20.0	(9.3)	7.3
Cash flow from investing activities	(34.4)	(50.9)	(77.8)
<b>Free cash flow</b>	<b>(14.4)</b>	<b>(60.2)</b>	<b>(70.5)</b>
Cash flow from financing activities	6.0	3.9	120.9
<b>Net change in cash and cash equivalents</b>	<b>(8.4)</b>	<b>(56.3)</b>	<b>50.4</b>
Valuation effects from currency translation differences	0.5	1.5	9.5
<b>Cash and cash equivalents at the beginning of the period</b>	<b>56.2</b>	<b>111.0</b>	<b>51.0</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>48.3</b>	<b>56.2</b>	<b>111.0</b>

#### CASH FLOW FROM OPERATING ACTIVITIES

The cash flow from operating activities in the 2016/17 financial year amounted to EUR 20.0 million, which corresponds to an

increase of EUR 29.3 million compared to the previous year's figure of EUR -9.3 million. The main driver of this positive development was a favourable revenue and earnings development in the year under review.

#### CASH FLOW FROM INVESTING ACTIVITIES

The cash outflow resulting from investing activities in the 2016/17 financial year amounted to EUR -34.4 million compared with EUR -50.9 million in the previous year.

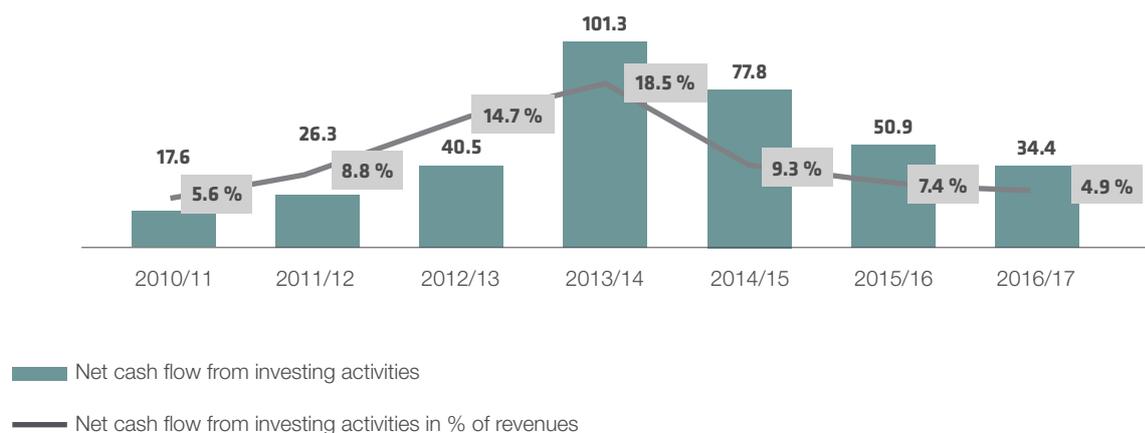
Project investments were mainly driven by development and tooling costs for the Airbus A350-1000, Embraer E2 Jets, Comac C919 Interior aircraft models as well as by investments in the duplication of tools to safeguard future production rates.

Capital expenditures on property, plant and equipment were mainly attributable to the expansion of production capacities

at the Austrian plant 1 (Ried), plant 2 (St. Martin) and plant 4 (Reichersberg), for the ramp up of new programmes as well as the support of increasing call-up orders within the framework of projects currently underway. In the course of the year under review, new investments were made in production plants for capacity expansion, in additional automation measures, in the optimisation of existing production facilities and infrastructure along with maintenance investments.

<sup>1)</sup> Due to an error correction according to IAS 8, previous years' figures have been adjusted retrospectively (see note 2).

## LONG-TERM DEVELOPMENT OF INVESTMENT ACTIVITIES



## CASH FLOW FROM FINANCING ACTIVITIES

In the 2016/17 financial year, cash flow from financing activities amounted to EUR 6.0 million (2015/16: EUR 3.9 million). In the year under review, the cash inflow from financing activities amounted to EUR 24.6 million (2015/16: EUR 21.9 million).

Basically, cash inflows were offset by cash outflows resulting from the repayment of loans totalling EUR 7.8 million as well as the payment of interests on both loans and bonds totalling EUR 10.9 million.

## 3.1.2. NET DEBT

	28 February 2015 EUR million	29 February 2016 EUR million	28 February 2017 EUR million
Promissory note loan	45.0	42.0	42.0
Thereof promissory note loan 2012 to 2015	3.0	-	-
Thereof promissory note loan 2012 to 2017	8.0	8.0	8.0
Thereof promissory note loan 2012 to 2019	34.0	34.0	34.0
Bond 2013-20 (ISIN AT0000A10J83)	89.1	89.2	89.4
Bank borrowings	79.4	96.8	113.9
<b>Gross financial liabilities</b>	<b>213.5</b>	<b>228.0</b>	<b>245.3</b>
<b>Less</b>			
<b>Financial assets</b>	<b>111.0</b>	<b>56.2</b>	<b>48.3</b>
<b>Net financial debt</b>	<b>102.5</b>	<b>171.8</b>	<b>197.0</b>

At the end of the 2016/17 financial year, net debt amounted to EUR 197.0 million (29 February 2016: EUR 171.8 million).

As of the balance sheet date, FACC Group's cash and cash equivalents amounted to EUR 48.3 million (29 February 2016: EUR 56.2 million).

### 3.2. ASSETS POSITION

The balance sheet total increased by EUR 15.7 million to EUR 680.6 million in the year under review compared to the previous year.

	29 February 2016 restated <sup>1)</sup> EUR million	28 February 2017 EUR million
Non-current assets	353.6	352.7
Current assets	311.3	327.9
<b>Total assets</b>	<b>664.9</b>	<b>680.6</b>
<b>Equity</b>	<b>267.1</b>	<b>284.0</b>
Non-current liabilities	229.6	219.5
Current liabilities	168.2	177.1
<b>Debt</b>	<b>397.8</b>	<b>396.6</b>
<b>Equity and liabilities</b>	<b>664.9</b>	<b>680.6</b>

#### 3.2.1. ASSETS

In the year under review, non-current assets decreased only slightly by EUR 0.9 million to EUR 352.7 million compared to the balance sheet date as of 29 February 2016.

Group's current assets rose by EUR 16.6 million compared to the previous year. On the one hand, both receivables and inventories rose due to a significant increase in product revenues. On the other hand, cash and cash equivalents declined by EUR 7.9 million to EUR 48.3 million on the balance sheet date as of 28 February 2017.

#### 3.2.2. EQUITY

FACC Group's equity amounted to EUR 284.0 million at the end of the reporting period. This corresponds to an equity ratio of 41.7% (29 February 2016: 40.2%).

#### 3.2.3. LIABILITIES

Within non-current liabilities, other financial liabilities declined by EUR 7.6 million to EUR 67.6 million. The non-current figure reported for the promissory note decreased by EUR 8.0 million to EUR 34.0 million because of the classification of the "promissory note loan 2012 to 2017" tranche as current liabilities.

Within current liabilities, trade payables declined by EUR 12.9 million to EUR 59.8 million. Other financial liabilities increased by EUR 24.7 million to EUR 46.3 million.

## 4. DEVELOPMENT OF THE BUSINESS SEGMENTS

### 4.1 AEROSTRUCTURES SEGMENT

Revenues in the Aerostructures segment amounted to

EUR 331.0 million in the 2016/17 financial year (2015/16: EUR 269.2 million). Revenues from product deliveries increased considerably by EUR 72.7 million or 31.0% to EUR 303.9 million. Revenues from development activities declined by 28.0% from EUR 38.1 million to EUR 27.1 million in the period under review.

Earnings before interest and taxes (EBIT) in the Aerostructures segment stood at EUR 51.2 million in the 2016/17 financial year (2015/16 adjusted for one-off effects: totalling EUR 19.5 million: EUR 27.9 million).

This positive development in the Aerostructures segment was mainly influenced by the increasing demand for components for the Airbus A350 aircraft model and the continued ramp-up of production rates for the Airbus A320 and Airbus A321 products. New projects such as those for the Bombardier C-Series or the Embreair E2 Jet aircraft models started series production in the year under review, which will lead to further growth of the Aerostructures segment in the coming periods.

### 4.2. ENGINES & NACELLES SEGMENT

Revenues in the Engines & Nacelles segment amounted to EUR 142.0 million in the 2016/17 financial year (2015/16: EUR 113.8 million). This corresponds to an increase of 24.8%. Revenues from product deliveries increased by 25.5% from EUR 105.4 million in the previous year to EUR 133.8 million in the year under review. Revenues from development activities remained stable at EUR 8.2 million in the 2016/17 financial year (2015/16: EUR 8.4 million).

Earnings before interest and taxes (EBIT) in the Engines and Nacelles segment stood at EUR -11.9 million in the 2016/17 financial year (2015/16 adjusted for one-off effects: totalling EUR 8.2 million: EUR -20.8 million).

The development of the Nacelles segment in the year under review continued to be mainly influenced by the ramp-up of

<sup>1)</sup> Due to an error correction according to IAS 8, previous years' figures have been adjusted retrospectively (see note 2).

serial production of the A350 Translating Sleeve (TRSL) project. Besides, the segment could profit from the constantly increasing demand for components for aircraft engines for the Airbus A320 neo aircraft family. The first delivery of the new products for the Airbus A330neo aircraft model set an important milestone for the future development of the segment.

In the year under review, the Engine Composites segment continued to develop in a positive manner. Also, in the Engine Composites area, the Airbus A350 Trent XWB and PW800 Bypass Duct projects made a pivotal contribution to the development of the business according to plan.

In the Engines & Nacelles division, the earnings contribution from engine programmes could be further increased. However, the ramp up of the A350 TRSL project within the nacelles programmes had a negative impact on the earnings performance of the division. Temporary additional expenses for personnel to ensure the increase in production rates as well as higher freight costs had a negative impact on the company's earnings development especially in the first half of the year. Thanks to progress with series production and the successful adoption of remedial action, the segment achieved a balanced result at the beginning of the third quarter of 2016.

#### 4.3. INTERIORS SEGMENT

Revenues in the Interiors segment amounted to EUR 232.8 million in the 2016/17 financial year (2015/16: EUR 197.2 million), as the division was able to once again achieve a considerable increase compared to the previous year. In the year under review, product revenues stood at EUR 208.5 million (2015/16: EUR 183.1 million). This increase of 13.7% is almost entirely attributable to the new Airbus A350 programmes, whereas revenues from existing series programmes such as the A320, Suchoi Superjet 100 and Embraer Phenom 300 as well as Bombardier C350 remained relatively stable. Revenues from the Embraer Legacy 450 und 500 business jet programmes declined slightly.

Revenues from development activities increased by 72.6% to EUR 24.3 million after EUR 14.1 million in the previous year. This increase is mainly attributable to the mastering of the configuration management process with regard to the cabin interiors of the Airbus A350, increased returns on development costs in connection with rising production rates for the Airbus A350 aircraft model as well as engineering services related to the development of new passenger cabin concepts for the Xi'an MA700 aircraft model.

Earnings before interest and taxes (EBIT) in the Interiors segment amounted to EUR -12.4 million in the 2016/17 financial year (2015/16 adjusted for one-off effects: totalling EUR 14.2 million: EUR -23.9 million).

The earnings situation of the Interiors division in the year under review continued to be influenced by the ramp-up of the new Airbus A350 projects. Additional costs especially in

the production area were caused by the increase in staffing levels due to the recruitment of temporary staff, whereas production costs in the business jet manufacturing area were reduced, as planned, compared to the previous year.

## 5. RISK REPORT

FACC is exposed to unpredictable situations in its daily business operations, which may have potentially negative effects. In order to be adequately prepared and be able to deal with any such situations appropriately, FACC has established a group-wide risk management system.

The main task of a risk management system is to identify, assess and minimise all risks across all company areas. The aim is to implement both strategic and operative plans and to safeguard the continued existence of the company as a going concern.

The respective risk owner is directly responsible for risk management. The risk management director reports directly to the Management Board, which assumes overall responsibility for risk management.

Within the framework of this risk management system, any occurring or potential risks are continuously monitored, assessed and reported by the respective operating units to the Management Board twice a year, once they have been reviewed by management. Exceptional events are reported immediately to the competent 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.

### 5.1. MANAGEMENT RISKS

Based on market observations and analyses, a five-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 revenue and earnings targets are taken into due consideration.

### 5.2. 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 24 months.

### 5.3. FINANCIAL RISK

In this case, risk management falls under the responsibility of the company's treasury department, which reports directly to the Management Board. The treasury department assesses and hedges financial risks in close cooperation with the operating business segments. In order to hedge financial risks, the company uses common derivative financial instruments in addition to putting structured operating measures in place.

#### 5.3.1. 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 financial liabilities). In this context, particular care is taken to minimise a large part of the interest rate risk through the use of fixed-rate financial liabilities and common derivative financial instruments.

#### 5.3.2. FOREIGN CURRENCY RISK

Sales transactions in the aviation industry are almost exclusively carried out in US dollars (USD). A large part of the expenses is invoiced in US dollars. The remaining expenses are mainly invoiced in euros.

All transaction and currency translation risks are constantly monitored by the treasury department to hedge potential foreign currency risks. In order to reduce the USD risk, 96% of all purchases are currently carried out in USD, thus ensuring a so-called "natural hedging".

Derivative financial instruments (forward foreign exchange contracts) are used to hedge the remaining open USD items (net currency position). The use of derivative financial instruments clearly reduces the risk of exchange rate fluctuations.

### 5.4. PROJECT MANAGEMENT

FACC's project management is responsible for implementing the objectives defined by the management by way of projects. In this regard, distinctions are made as to whether development responsibility has been assumed or not. Feasibility has to be assessed for each contract and associated risks identified, evaluated as well as closely monitored and

analysed during the course of the project in order to initiate and implement appropriate measures, if deemed necessary. The major risks concern the availability of resources of any kind (manpower, equipment, materials, etc.) as well as external factors, which the project team encounters via the company's interfaces or via third parties.

### 5.5. 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.

### 5.6. 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 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.

### 5.7. PRODUCT LIABILITY AND QUALITY RISK

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

As to projects, for which FACC bears development responsibility, a higher risk exists due to the possibility of construction errors. 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.

## 6. 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. Besides, the company also enters into cooperation with customers with a view to further optimising products.

In the 2016/17 financial year, FACC invested EUR 10.0 million or 1.4% of total revenues in fundamental research and advanced development. Besides, the company developed additional orders in collaboration with customers. Expenses incurred in these projects were passed on to development partners.

The consistent focus on technology development provides the basis for commercial success. Increasing competition, especially through competitors in low-income countries, can only be tackled through optimised processes and innovative products.

From a 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 Airbus A330 fan cowl doors started series production, while structural components for the COMAC C919 and Embraer E2 aircraft models entered the testing phase. FACC's good market position as winglet manufacturer was further consolidated through new developments for the COMAC C919 and Embraer E2 programmes as well as the Airbus A320neo and A350 aircraft models.

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.

The development of a brand-new inspection method for composite components was completed in the year under review. FACC is currently the only company qualified by Boeing in the world to use this new technology in series production. The main advantages of this development by FACC are the significant reduction of inspection times and considerable savings with regard to future investment costs. Further customer qualifications are currently being implemented and will be completed in the coming periods.

### 6.1. 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 eleven patent families were registered, which included – among others – new manufacturing technologies, light-weight overhead compartment systems, mechanical linkages and spoiler technologies. At present, FACC owns a total of 53 patent families.

### 6.2. OUTLOOK

The technology offensive, which FACC has started over the last few years, begins to show the expected positive effects. FACC has established itself as innovative development partner on the market and is viewed as technology benchmark in a number of areas. Technological coordination with key customers takes place on an ongoing basis and within the framework of jointly accomplished projects.

## 7. EMPLOYEES

As of 28 February 2017, total headcount amounted to 3,393 employees (FTE). As a result of the strong growth in revenues, the number of employees increased by 11% compared to the previous year. The number of white collars rose slightly by 5%, while the number of blue collars increased by 14%.

In Austria, 3,171.1 FTE were working for the company as of 28 February 2017. This corresponds to 93% of the entire workforce, with the proportion of women amounting to 22.2%.

(in FTE)	Blue collar	White collar	Total headcount
Central Services	130	287	417
<b>Aerostructures</b>	<b>885</b>	<b>223</b>	<b>1108</b>
<b>Engines &amp; Nacelles</b>	<b>500</b>	<b>129</b>	<b>629</b>
<b>Interiors</b>	<b>732</b>	<b>228</b>	<b>960</b>
Subsidiaries	75	184	259
FACC AG	–	20	20
<b>Total</b>	<b>2,322</b>	<b>1,070</b>	<b>3,393</b>

With a view to safeguarding the required ramp-up of series production for several projects, a leasing workforce of up to 320 FTE was recruited in the production area in the 2016/17 financial year. As of 28 February 2017, FACC AG's temporary staff declined to 103 FTE.

The international nature of the company is also reflected in its personnel structure. The employees working at the Austrian sites come from over 38 different countries and every continent. 56% of the workforce have Austrian citizenship and 22% are German nationals.

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. With its "Healthy & Satisfied" project, FACC put in place an additional set of measures aimed at improving employees' motivation. For its commitment to workplace health promotion, the company received the seal of quality in February 2017.

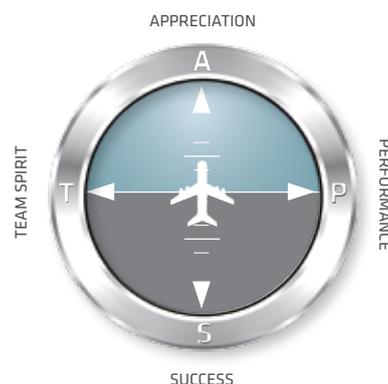
As in previous years, further education and vocational training for staff members were a focus of personnel management measures in the year under review. Therefore, extensive development programmes were implemented within the scope of the FACC Academy, which bundles all Group's vocational training measures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

In addition to the continued vocational training of existing employees, 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 604

training courses with 6,370 participants were held in the 2016/17 financial year.

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 period under review for the third year in a row. This prize rewards outstanding team achievements aimed at implementing the company's corporate values or other corporate projects. Following a multi-stage selection process, this award was granted in November 2016.

The award-winning team developed a completely new NDI thermographic inspection method for composite components, which is the only one of its kind in the world in a cost-efficient and time-saving manner. This new inspection method checks whether or not composite components contain any embedded foreign materials and whether or not they are bonded correctly. FACC was the only supplier in the global aviation industry to receive Boeing's qualification for this method and therefore to use it in production. Thanks to this new system, inspection times for complex components could be significantly reduced.



Last but not least, special emphasis continues to be placed on apprentice training at FACC. In the 2016/17 financial year, a total of 42 apprentices were working for the company in the area of plastics technology (26 apprentices), metal technology (1 apprentice), construction (13 apprentices) IT technology (1 apprentice) and IT computer science (1 apprentice). 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 2016. Of 757 apprentices from 97 Upper-Austrian companies, numerous members of the FACC Future Teams secured once again top positions. In the category "plastics technology" FACC celebrated a triple victory, in the category "construction" the company ranked second and third. In the special category "women in engineering" the company won the first two places. For its commitment to apprentice training, FACC once again received the INEO award for providing exemplary apprenticeships in 2016.

## 8. ENERGY & ENVIRONMENT

### 8.1. 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% 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.

Thanks to targeted energy efficiency measures, energy efficiency could be improved by 12.1% in the 2016/17 financial year. With this peak value, the already very good results in recent years were exceeded. Energy consumption could be reduced by 44.92% compared to 2010.

Concrete measures in this regard include the consistent use of heat recover systems, the optimisation of plants' capacity utilisation as well as the reduction of operating temperatures at the supply level.

In the current 2017/18 financial year, these measures will continue to be implemented and the company will also switch to LED lighting systems.

### 8.2. ENVIRONMENT

An environmental management system based on ISO 14001 has been successfully introduced by the company and it is constantly adapted to ongoing changes such as new technologies and new legal requirements.

With a view to meeting legal requirements in terms of environment, occupational safety and energy, the company's current legal management system has been expanded to include system support.

The achievement of the company's environmental targets and the implementation of the corporate environmental programme of FACC are supported by an effective key figure system, which provides the basis for the management assessment of the environmental area.

A sustainable waste management system provides the basis for reducing the impact on the environment. This is why FACC strives for continuous improvements. One of the most recent accomplishments in this regard is the recycling of solvents, which represent a considerable part of waste materials in the production area. Currently, the company is focusing on a pilot project, which aims to ensure that solvent-soaked rags

can be reused. In future, these rags will no longer be disposed of at a great expense but, thanks to a special washing process, they will be simply reused.

## 9. REPORT ON BRANCHES

FACC AG does not operate any branches.

## 10. DISCLOSURES PURSUANT TO SEC. 243A OF THE AUSTRIAN COMPANY 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 Company Code (UGB), FACC AG is required to describe the key features of the internal control and risk management system with regard to the accounting process. Pursuant to Sec. 82 of the Austrian Stock Corporations Act (AktG), the Management Board of FACC AG has to ensure the establishment of an accounting and internal control system that complies with the company's requirements. Thus, the Management Board of FACC AG bears full responsibility for the implementation of an adequate internal control and risk management system with regard to the accounting process.

The key features of the risk management and internal control systems are laid down in the FACC 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 authorizing payments only, which are restricted to a small number of persons, as well as system-supported checks by the EDP-software in use (SAP).

For more than 10 years, FACC has used SAP in almost all areas across the company. The regularity of the SAP systems has been achieved in all relevant business processes.

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

with topics such as the internal control system, risk management and measures to mitigate internal control risks.

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

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

In connection with the growing threat potential arising from cybercrime and the loss incurred in the 2015/16 financial year in relation with the "Fake President Incident", FACC AG decided to carry out a comprehensive analysis of the company's internal control system and other key corporate process starting from January 2016, i.e. immediately after the loss was assessed. Besides, further improvement processes and control measures were put in place. The initiated improvement activities focused on the following areas:

- implementation of an integrated purchase-to-pay process;
- organisational improvements in the financial area (accounting, controlling and treasury).

### **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 28 February 2017 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 28 February 2017, 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 on 28 February 2017, the company's Management Board was unaware of any other shareholders, who held more than 10% of the company's share capital.

44.5% 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 compliance with the provisions set forth in the convertible bonds. The issue amount of the shares shall not be less than the pro-rata amount of the share capital.

### **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.

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 28 February 2017, FACC AG did not hold any treasury shares.

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

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

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

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

## 11. OUTLOOK

### 11.1 THE CIVIL AVIATION MARKET

The growth trend in the civil aviation industry is expected to continue moving forward. According to the market analysis of the major OEMs, passenger volumes will show a constant annual growth rate of roughly 5%. Over the next two decades, the global aircraft fleet, which currently amounts to 21,000 large commercial aircraft (source: market outlook Airbus/Boeing 2016), will more than double to roughly 42,500 units by 2035. At the same time, 14,800 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 36,300 new airliners will be required over the next 20 years.

However, a significant shift to the new growth markets of China and India is also expected moving forward. Traffic volumes (flights per year and per capita) are expected to quadruple in these markets up to 2035. In the US and Europe, where air travel is already widespread, the frequency of trips is expected to increase by an additional 20%. Last year, Airbus and Boeing together delivered 1,436 new aircraft to their customers. In the same period, a total of 1,419 aircraft were sold to airlines, with the book-to-bill ratio thus amounting to almost 1:1.

Robert Machtlinger m. p.  
Chairman of the Management Board

Aleš Stárek m. p.  
Member of the Management Board

Yongsheng Wang m. p.  
Member of the Management Board

### 11.2. THE FACC GROUP

Moving forward, FACC will continue to pursue a sales target of one billion euros for the 2020/2021 financial year in line with the company's "Vision 2020". For the coming years, the company expects to gradually increase the production rates of its most important programmes. 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. From today's perspective, the company expects a moderate growth in revenues for the 2017/18 financial year.

The MRO (maintenance, repair and overhaul) market, and more specifically the maintenance and repair of composite systems, represent a business field with high potential, with composite materials accounting for an ever-increasing proportion of new aircraft components. 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.

Besides, the management will continue to focus on strengthening the company's earnings power over the long term. Initiatives aimed at increasing the degree of automation, raising productivity and outsourcing the production of simple composite parts to the supply chain should contribute to further strengthening the Group's profitability.

In summary, 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 "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 a top priority.

Ried im Innkreis, 11 June 2017

# Consolidated Statement of Financial Position

	Note	1 March 2015 restated <sup>1)</sup> EUR'000	29 February 2016 restated <sup>1)</sup> EUR'000	28 February 2017 EUR'000
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Intangible assets	6	151,659	145,867	149,743
Property, plant and equipment	7	158,251	165,234	166,116
Other non-current financial assets	8	469	451	465
Non-current receivables	10	24,597	29,494	27,866
Deferred taxes	31	1,633	12,536	8,508
<b>Total non-current assets</b>		<b>336,609</b>	<b>353,581</b>	<b>352,698</b>
<b>CURRENT ASSETS</b>				
Inventory	9	98,858	107,823	113,379
Trade receivables	10	86,110	92,626	98,875
Receivables from construction contracts	10	21,378	20,242	18,788
Other receivables and deferred items	10	17,507	15,337	20,047
Receivables from related companies	10	35,322	19,060	28,533
Cash and cash equivalents	11	110,955	56,215	48,275
<b>Total current assets</b>		<b>370,129</b>	<b>311,303</b>	<b>327,897</b>
<b>TOTAL ASSETS</b>		<b>706,738</b>	<b>664,883</b>	<b>680,595</b>

<sup>1)</sup> Due to an error correction according to IAS 8, previous years' figures have been restated retrospectively (see note 2).

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	1 March 2015 restated <sup>1)</sup> EUR'000	29 February 2016 restated <sup>1)</sup> EUR'000	28 February 2017 EUR'000
<b>EQUITY</b>				
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY				
Share capital	12	45,790	45,790	45,790
Capital reserve	12	220,535	221,459	221,459
Currency translation reserve	12	(170)	(250)	(145)
Other reserves	12	(24,014)	(13,476)	(13,350)
Retained earnings		65,841	13,571	30,240
		<b>307,982</b>	<b>267,093</b>	<b>283,993</b>
Non-controlling interests		8	17	26
<b>TOTAL EQUITY</b>		<b>307,990</b>	<b>267,110</b>	<b>284,019</b>
<b>LIABILITIES</b>				
NON-CURRENT LIABILITIES				
Promissory note loans	13	–	42,000	34,000
Bonds	13	89,067	89,242	89,416
Other financial liabilities	14	66,268	75,213	67,581
Derivative financial instruments	15	10,340	–	–
Investment grants	16	11,223	12,385	12,381
Employee benefit obligations	17	10,926	10,759	9,045
Other provisions	20	–	–	7,085
<b>Total non-current liabilities</b>		<b>187,824</b>	<b>229,600</b>	<b>219,508</b>
CURRENT LIABILITIES				
Trade payables	18	72,087	72,679	59,809
Liabilities towards related companies	19	–	425	1,813
Other liabilities and deferred items	19	25,007	25,526	27,433
Other financial liabilities	14	13,173	21,634	46,295
Promissory note loans	13	45,000	–	8,000
Derivative financial instruments	15	48,199	33,476	19,179
Other provisions	20	6,642	13,358	13,373
Investment grants	16	768	904	1,166
Income tax liabilities		49	171	–
<b>Total current liabilities</b>		<b>210,924</b>	<b>168,173</b>	<b>177,068</b>
<b>TOTAL LIABILITIES</b>		<b>398,748</b>	<b>397,773</b>	<b>396,576</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>706,738</b>	<b>664,883</b>	<b>680,595</b>

<sup>1)</sup> Due to an error correction according to IAS 8, previous years' figures have been restated retrospectively (see note 2).

# Consolidated Statement of Comprehensive Income

	Note	2015/16 restated <sup>1)</sup> EUR'000	2016/17 EUR'000
<b>REVENUE</b>	5	580,214	705,695
Changes in inventory of finished and unfinished products	21	4,424	6,959
Own work capitalised	22	18,784	11,145
Other operating income	27	27,824	41,024
Cost of materials and purchased services	23	(376,859)	(443,027)
Personnel costs	24	(158,510)	(173,235)
Depreciation, amortisation and impairment	26	(49,627)	(30,798)
Other operating expenses	27	(105,040)	(90,857)
<b>Earnings before interest, taxes and fair value measurement of derivative financial instruments</b>		<b>(58,790)</b>	<b>26,905</b>
Financing expenses	28	(13,587)	(11,184)
Interest income from financial instruments	29	444	635
Fair value measurement of derivative financial instruments	30	5,242	5,098
<b>Earnings before taxes</b>		<b>(66,691)</b>	<b>21,454</b>
Income taxes	31	14,430	(4,776)
<b>Earnings after taxes</b>		<b>(52,261)</b>	<b>16,678</b>
<b>ITEMS SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS</b>			
Currency translation differences from consolidation		(78)	105
Fair value measurement of securities (after tax)		(13)	10
Cash flow hedges (after tax)	12	10,052	283
<b>ITEMS NOT SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS</b>			
Revaluation effects of pensions and termination benefits (after tax)	17	499	(167)
<b>Other comprehensive income</b>		<b>10,460</b>	<b>231</b>
<b>Total comprehensive income</b>		<b>(41,801)</b>	<b>16,909</b>
<b>INCOME AFTER TAX</b>			
<b>ATTRIBUTABLE TO:</b>			
Shareholders of the parent company		(52,270)	16,669
Non-controlling interests		9	9
<b>CONSOLIDATED COMPREHENSIVE INCOME</b>			
<b>ATTRIBUTABLE TO:</b>			
Shareholders of the parent company		(41,810)	16,900
Non-controlling interests		9	9
<b>Earnings per share (in EUR)</b>			
Undiluted = diluted	36	(1.14)	0.36

<sup>1)</sup> Due to an error correction according to IAS 8, previous year's figures have been restated retrospectively (see note 2).

# Consolidated Statement of Cash Flows

	2015/16 restated <sup>1)</sup> EUR'000	2016/17 EUR'000
<b>OPERATING ACTIVITY</b>		
Earnings before tax	(66,691)	21,454
Plus financing expenses, interest earned from financial instruments and fair value measurement of derivative financial instruments <sup>2)</sup>	7,901	5,451
<b>Earnings before interest, taxes and fair value measurement of derivative financial instruments</b>	<b>(58,790)</b>	<b>26,905</b>
Plus/minus		
Depreciation, amortisation and impairment	49,627	30,798
Expenses/income from the reversal of investment grants	1,332	(805)
Change in other non-current provisions	–	7,085
Change in employee benefit obligations	499	(1,937)
Changes from consolidation effects (final consolidation)	(2,334)	–
Other non-cash expenses/income	(6,558)	(4,506)
	<b>(16,224)</b>	<b>57,541</b>
Change in working capital		
Change in inventory	(9,069)	(5,956)
Change in trade receivables and other receivables	4,916	(24,926)
Change in trade payables and other liabilities	2,037	(6,540)
Change in current provisions	8,591	15
<b>Cash flow from ongoing activity</b>	<b>(9,750)</b>	<b>20,134</b>
Interest received	444	73
Income taxes paid	(2)	(173)
<b>Net cash flow from operating activities</b>	<b>(9,308)</b>	<b>20,034</b>
<b>INVESTING ACTIVITY</b>		
Payments for the acquisition of intangible assets, plant, property and equipment	(50,865)	(34,406)
<b>Net cash flow from investing activity</b>	<b>(50,865)</b>	<b>(34,406)</b>
<b>FINANCING ACTIVITY</b>		
Proceeds from promissory note loans	–	–
Proceeds from non-current interest-bearing liabilities	21,943	–
Repayments of promissory note loans	(3,000)	–
Repayments of non-current interest-bearing liabilities	(10,936)	(7,817)
Change in current interest-bearing liabilities	8,461	24,661
Interest paid	(12,562)	(10,865)
<b>Net cash flow from financing activity</b>	<b>3,906</b>	<b>5,976</b>
<b>Net changes in cash and cash equivalents</b>	<b>(56,266)</b>	<b>(8,393)</b>
Cash and cash equivalents at the beginning of the period	110,955	56,215
Changes due to consolidation effects (final consolidation)	(8)	–
Effects from foreign exchange rates	1,534	453
<b>Cash and cash equivalents at the end of the period</b>	<b>56,215</b>	<b>48,275</b>

<sup>1)</sup> Due to an error correction according to IAS 8, previous year's figures have been restated retrospectively (see note 2).

# Consolidated Statement of Changes in Equity

FISCAL YEARS 2015/16 AND 2016/17

## Equity reconciliation

	Note	Share capital EUR'000	Capital reserves EUR'000	Currency transla- tion reserve EUR'000
<b>As of 1 March 2015 (previous)</b>		<b>45,790</b>	<b>220,535</b>	<b>(170)</b>
Error correction according to IAS 8	2	-	-	-
<b>As of 1 March 2015 (adjusted)</b>		<b>45,790</b>	<b>220,535</b>	<b>(170)</b>
Annual income after tax according to income statement (adjusted according to IAS 8)		-	-	-
Other comprehensive income/loss	12	-	-	(78)
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>(78)</b>
Other adjustments		-	924	-
<b>As of 29 February 2016</b>		<b>45,790</b>	<b>221,459</b>	<b>(250)</b>

	Note	Share capital EUR'000	Capital reserves EUR'000	Currency transla- tion reserve EUR'000
<b>As of 1 March 2016</b>		<b>45,790</b>	<b>221,459</b>	<b>(250)</b>
Annual income after tax according to income statement		-	-	-
Other comprehensive income/loss	12	-	-	105
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>105</b>
<b>As of 28 February 2017</b>		<b>45,790</b>	<b>221,459</b>	<b>(145)</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Securities - available for sale EUR'000	Cash flow hedges EUR'000	Reserves IAS 19 EUR'000	Retained earnings EUR'000	Equity attribu- table to share- 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
-	-	-	(6,918)	(6,918)	-	(6,918)
(14)	(19,779)	(4,221)	65,841	307,982	8	307,990
-	-	-	(52,270)	(52,270)	9	(52,261)
(13)	10,052	499	-	10,460	-	10,460
(13)	10,052	499	(52,270)	(41,810)	9	(41,801)
-	-	-	-	924	-	924
(27)	(9,727)	(3,722)	13,571	267,093	17	267,110

Securities - available for sale EUR'000	Cash flow hedges EUR'000	Reserves IAS 19 EUR'000	Retained earnings EUR'000	Equity attribu- table to share- holders of the parent EUR'000	Non-controlling interests EUR'000	Total equity EUR'000
(27)	(9,727)	(3,722)	13,571	267,093	17	267,110
-	-	-	16,669	16,669	9	16,678
10	283	(167)	-	231	-	231
10	283	(167)	16,669	16,900	9	16,909
(17)	(9,444)	(3,889)	30,240	283,993	26	284,019

# Notes

## TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. GENERAL

The FACC Group with headquarters in Ried im Innkreis is an Austrian enterprise involved in the development, production and maintenance of aeronautical components. Its primary fields of activity include the production of structural components such as parts of engine cowlings, wing claddings or control surfaces, and the production of interior fittings in modern commercial aircraft. The majority of the components are manufactured from composite materials. The Group also integrates metallic components made of titanium, high-alloyed steels and other metals into these composite components, and delivers the ready-to-install components to the manufacturer's assembly lines.

FACC AG has been listed on the Vienna Stock Exchange in the prime market exchange segment (commercial trade) since 25 June 2014.

The consolidated companies in the FACC Group on 28 February 2017 remain unchanged from the consolidated companies in the Consolidated Financial Statements of 29 February 2016.

FACC AG is part of the consolidated companies of the Aviation Industry Corporation of China with headquarters in Beijing (Building 19, A5, Shuguang Xili, Chaoyang District, Beijing), commercial registration number 91110000710935732K.

### 2. CHANGES IN ACCOUNTING ESTIMATES AND ERRORS

In the course of a random sampling inspection by the Austrian Financial Reporting Enforcement Panel (OePR) the FACC AG Consolidated Financial Statements of 29 February 2016 together with the half-year financial statements of 31 August 2015 and 31 August 2016 were selected for audit in accordance with section 2 par. 1, line 2 of the Financial Reporting Enforcement Act (audit without a particular cause). In September 2016, FACC AG was informed by the Financial Market Authority (FMA) that it would conduct these proceedings itself.

At the time of publication of the Consolidated Financial Statements as of 28 February 2017, these proceedings had not been concluded. The following errors have been corrected in accordance with IAS 8.42.

## Corrections

### 1) Recognition of receivables

The Consolidated Financial Statements of 28 February 2015 and 29 February 2016 recorded trade receivables and receivables from construction contracts. In several cases, FACC was involved in ongoing negotiations with several customers regarding contract interpretations and the amount of additional invoiced sums.

Due to the FACC Group's interpretation of the contract, receivables from these customers were recorded on the basis of the negotiation results.

According to IAS 18.18, IAS 11.13 or IAS 11.14, a sufficient probability of an inflow of economic benefits is a necessary prerequisite for recording receivables or revenue. The fulfillment of these prerequisites was assessed with regard to the existence of written declarations of the customer or other legally binding agreements.

The recognition of receivables or the reduction of revenue had to be corrected for these cases according to IAS 18.9, IAS 11.12 or IAS 39.9.

The following considerations lead to the conclusion that these are presentations in the financial statements of the respective previous periods, which are based on a different evaluation of the information available on the respective financial statement dates.

In the present Consolidated Financial Statements, trade receivables were reduced by kEUR 5,597 and receivables from construction contracts were reduced by kEUR 7,542 on 1 March 2015 (28 February 2015). In the Consolidated Financial Statements on 29 February 2016, trade receivables (accumulated) were reduced by kEUR 14,496, receivables from construction contracts were reduced by kEUR 8,391.

### 2) Recognition of provisions

In the fiscal year 2015/16 support measures in the FACC manufacturing process were carried out by third parties. No provision, however, was recognised for the remuneration of these measures although they already constituted a current obligation according to IAS 37. A provision in the amount of kEUR 2,965 was therefore recognised in the fiscal year 2015/16 under the item "other operating expenses" according to IAS 37.14.

### 3) Discounting non-current interest-free customer receivables and overdue receivables

Based on past estimates, FACC has hitherto discounted non-current or overdue customer receivables on a case-by-case basis only.

Discounting of overdue receivables was corrected according to IAS 39.43, 39.58 and 39.AG8 as well as FRS 7.37. The applicable interest rate was determined according to IAS 39.43 in connection with IAS 18.11 and IFRS 13.

Recording present discounting led to write-downs of trade receivables amounting to kEUR 284 on 1 March 2015 (28 February 2015) and write-downs amounting to kEUR 1,309 on 29 February 2016. Thus in the fiscal year 2015/16 financial expenses of kEUR 1,025 were recorded.

#### 4) Impairment testing of development costs and tools

Impairment testing of development projects hitherto took place on the segment level. In order to comply with IAS 36.6, 36.14, 36.22 and 36.66-70 in the course of impairment testing, a lower aggregation level than was hitherto necessary was stipulated for the cash-generating unit in the fiscal year 2016/17. This aggregation level is based on development projects and was aggregated, in the case of development projects relating to the same type of aircraft, on a case-by-case basis. Impairment testing at this lower level of aggregation cannot be done retrospectively for periods preceding the reference year. This is due to the fact that a

database is lacking for the allocation of cash outflows at this lower level of aggregation. Reproducing this database ex post is no longer possible or would involve excessive estimations, which does not lead to reliable information. Impairment testing was therefore first applied to the 2015/16 fiscal year according to the new procedure. Taking this procedure into account leads to impairment expenses in the amount of kEUR 20,200 in the case of intangible assets (development costs) and kEUR 3,514 in the case of property, plant and equipment (tools).

#### 5) Adjusting of deferred taxes

The correction according to IAS 8.42 led to an adjustment of the deferred taxes. This was essentially due to changes in the temporary differences concerning development costs and to an increase of deferred tax assets applied to tax loss carry forwards. On 1 March 2015, the surplus of deferred tax liabilities turned into a surplus of deferred tax assets. Offsetting was permissible as the deferred tax receivables and liabilities refer to income taxes which are levied by the same tax authorities. The correction led to an increase of the deferred tax asset surplus on 29 February 2016.

### Correction according to IAS 8 of the Consolidated Statement of Financial Position

Topic	28 February = 1 March 2015			29 February = 1 March 2016			
	Previous EUR'000	Correction EUR'000	Restated EUR'000	Previous EUR'000	Correction EUR'000	Restated EUR'000	
<b>ASSETS</b>							
<b>NON-CURRENT ASSETS</b>							
Intangible assets	4)	151,659	–	151,659	166,067	(20,200)	145,867
Property, plant and equipment	4)	158,251	–	158,251	168,748	(3,514)	165,234
Other non-current financial assets		469	–	469	451	–	451
Non-current receivables	3)	24,597	–	24,597	30,232	(738)	29,494
Deferred taxes		–	1,633	1,633	241	12,295	12,536
<b>Total non-current assets</b>		<b>334,976</b>	<b>1,633</b>	<b>336,609</b>	<b>365,739</b>	<b>(12,158)</b>	<b>353,581</b>
<b>CURRENT ASSETS</b>							
Inventories		98,858	–	98,858	107,823	–	107,823
Trade receivables	1), 3)	91,707	(5,597)	86,110	106,384	(13,758)	92,626
Receivables from construction contracts	1)	28,920	(7,542)	21,378	28,633	(8,391)	20,242
Other receivables and deferred items		17,507	–	17,507	15,336	1	15,337
Receivables from related companies		35,322	–	35,322	19,060	–	19,060
Cash and cash equivalents		110,955	–	110,955	56,215	–	56,215
<b>Total current assets</b>		<b>383,269</b>	<b>(13,140)</b>	<b>370,129</b>	<b>333,451</b>	<b>(22,148)</b>	<b>311,303</b>
<b>TOTAL ASSETS</b>		<b>718,245</b>	<b>(11,507)</b>	<b>706,738</b>	<b>699,190</b>	<b>(34,306)</b>	<b>664,883</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Topic	28 February = 1 March 2015			29 February = 1 March 2016		
	Previous EUR'000	Correction EUR'000	Restated EUR'000	Previous EUR'000	Correction EUR'000	Restated EUR'000
<b>EQUITY</b>						
<b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY</b>						
Share capital	45,790	–	45,790	45,790	–	45,790
Capital reserve	220,535	–	220,535	221,459	–	221,459
Currency translation reserve	(170)	–	(170)	(250)	–	(250)
Profit reserve	–	–	–	–	–	–
Other reserves	(24,014)	–	(24,014)	(13,476)	–	(13,476)
Net income	All 72,759	(6,918)	65,841	50,842	(37,271)	13,571
	314,900	(6,918)	307,982	304,365	(37,271)	267,093
Non-controlling interests	8	–	8	17	–	17
<b>TOTAL EQUITY</b>	<b>314,908</b>	<b>(6,918)</b>	<b>307,990</b>	<b>304,382</b>	<b>(37,271)</b>	<b>267,110</b>
<b>LIABILITIES</b>						
<b>NON-CURRENT LIABILITIES</b>						
Promissory note loans	–	–	–	42,000	–	42,000
Bonds	89,067	–	89,067	89,242	–	89,242
Other financial liabilities	66,268	–	66,268	75,213	–	75,213
Derivative financial instruments	10,340	–	10,340	–	–	–
Investment grants	11,223	–	11,223	12,385	–	12,385
Employee benefit obligations	10,926	–	10,926	10,759	–	10,759
Deferred taxes	4,589	(4,589)	–	–	–	–
<b>Total non-current liabilities</b>	<b>192,413</b>	<b>(4,589)</b>	<b>187,824</b>	<b>229,599</b>	<b>–</b>	<b>229,600</b>
<b>CURRENT LIABILITIES</b>						
Trade payables	72,087	–	72,087	72,679	–	72,679
Liabilities towards related companies	–	–	–	425	–	425
Other liabilities and deferred items	25,007	–	25,007	25,526	–	25,526
Other financial liabilities	13,173	–	13,173	21,634	–	21,634
Promissory note loans	45,000	–	45,000	–	–	–
Derivative financial instruments	48,199	–	48,199	33,476	–	33,476
Other provisions	2) 6,642	–	6,642	10,394	2,965	13,358
Investment grants	768	–	768	904	–	904
Income tax liabilities	49	–	49	171	–	171
<b>Total current liabilities</b>	<b>210,924</b>	<b>–</b>	<b>210,924</b>	<b>165,209</b>	<b>2,965</b>	<b>168,173</b>
<b>TOTAL LIABILITIES</b>	<b>403,337</b>	<b>(4,589)</b>	<b>398,748</b>	<b>394,808</b>	<b>2,965</b>	<b>397,773</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>718,245</b>	<b>(11,507)</b>	<b>706,738</b>	<b>699,190</b>	<b>(34,306)</b>	<b>664,883</b>

## Correction according to IAS 8 of the Consolidated Statement of Comprehensive Income

		Fiscal year 2015/2016		
	Topic	Previous EUR'000	Correction EUR'000	Restated EUR'000
<b>REVENUE</b>	1)	587,541	(7,327)	580,214
Changes in inventory of finished and unfinished products		4,424	–	4,424
Own work capitalised		18,784	–	18,784
Other operating income	1)	28,986	(1,162)	27,824
Cost of materials and purchased services	2)	(373,894)	(2,965)	(376,859)
Personnel costs		(158,510)	–	(158,510)
Depreciation, amortisation and impairment	4)	(25,911)	(23,715)	(49,627)
Other operating expenses	1)	(104,808)	(232)	(105,040)
<b>Earnings before interest, taxes and fair value measurement of derivative financial instruments</b>		<b>(23,388)</b>	<b>(35,401)</b>	<b>(58,790)</b>
Financing expenses	3)	(12,562)	(1,025)	(13,587)
Interest income from financial instruments		444	–	444
Fair value measurement of derivative financial instruments		5,242	–	5,242
<b>Earnings before taxes</b>		<b>(30,264)</b>	<b>(36,426)</b>	<b>(66,691)</b>
Income taxes	Alle	8,357	6,073	14,430
<b>Earnings after taxes</b>		<b>(21,907)</b>	<b>(30,353)</b>	<b>(52,261)</b>
<b>ITEMS SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS</b>				
Currency differences from consolidation		(78)	–	(78)
Fair value measurement of securities (after tax)		(13)	–	(13)
Cash flow hedges (after tax)		10,052	–	10,052
<b>ITEMS NOT SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS</b>				
Revaluation effects of pensions and termination benefits (after tax)		499	–	499
<b>Other comprehensive income</b>		<b>10,460</b>	<b>–</b>	<b>10,460</b>
<b>Consolidated comprehensive income</b>		<b>(11,447)</b>	<b>(30,353)</b>	<b>(41,801)</b>
<b>INCOME AFTER TAX ATTRIBUTABLE TO:</b>				
Shareholders of the parent company		(21,916)	–	(52,270)
Non-controlling interests		9	–	9
<b>CONSOLIDATED COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>				
Shareholders of the parent company		(11,456)	–	(41,810)
Non-controlling interests		9	–	9
<b>Earnings per share (in EUR)</b>		(0.48)	–	(1.14)
Undiluted = diluted				

## Correction according to IAS 8 of the Consolidated Statement of Cash Flows

	Topic	Fiscal year 2015/16		
		Previous EUR'000	Correction EUR'000	Restated EUR'000
Earnings before taxes	All	(30,264)	(36,426)	(66,691)
Plus financing expenses, interest income from financial instruments and fair value measurement of derivative financial instruments	3)	6,876	1,025	7,901
<b>Earnings before interest, tax and fair value measurement of derivative financial instruments</b>		<b>(23,388)</b>	<b>(35,401)</b>	<b>(58,790)</b>
Plus/minus				
Depreciation, amortisation and impairment	4)	25,911	23,715	49,627
Income from the reversal of investment grants		1,332	–	1,332
Change in non-current provisions		–	–	–
Change in employee benefit obligations		499	–	499
Changes from consolidation effects (final consolidation)		(2,334)	–	(2,334)
Other non-cash income/expenses	1)	(7,953)	1,395	(6,558)
		<b>(5,933)</b>	<b>(10,291)</b>	<b>(16,224)</b>
Change in inventory		(9,069)	–	(9,069)
Change in trade receivables and other receivables	1)	(2,411)	7,327	4,916
Change in trade payables and other liabilities		2,037	0	2,037
Change in current provisions	2)	5,627	2,965	8,591
<b>Cash flow from ongoing activity</b>		<b>(9,749)</b>	<b>–</b>	<b>(9,750)</b>
Interest received		444	–	444
Income taxes paid		(2)	–	(2)
<b>Net cash flow from ongoing business activities</b>		<b>(9,308)</b>	<b>–</b>	<b>(9,308)</b>
Investing activity				
Payments for the acquisition of intangible assets and property, plant and equipment		(50,865)	–	(50,865)
<b>Net cash flow from investing activities</b>		<b>(50,865)</b>	<b>–</b>	<b>(50,865)</b>
Financing activity				
Proceeds from non-current interest-bearing liabilities		21,943	–	21,943
Repayments of promissory note loans		(3,000)	–	(3,000)
Repayments of non-current interest-bearing liabilities		(10,936)	–	(10,936)
Changes in current interest-bearing liabilities		8,461	–	8,461
Interest paid		(12,562)	–	(12,562)
<b>Net cash flow from financing activities</b>		<b>3,906</b>	<b>–</b>	<b>3,906</b>
<b>Net changes in cash and cash equivalents</b>		<b>(56,266)</b>	<b>–</b>	<b>(56,266)</b>
Cash and cash equivalents at the beginning of the period		110,955	–	110,955
Changes due to consolidation effects (final consolidation)		(8)	–	(8)
Effects from foreign currency exchange rates		1,534	–	1,534
<b>Cash and cash equivalents at the end of the period</b>		<b>56,215</b>	<b>–</b>	<b>56,215</b>

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The essential accounting and valuation policies applied when creating these Consolidated Financial Statements are described in the following. The described policies were applied consistently to the presented reporting periods.

#### a) Basis of preparation

The Consolidated Financial Statements as of 28 February 2017 have been prepared in accordance with the International Financial Reporting Standards (IFRS) and interpretations of the IFRS IC as applicable in the EU, and in accordance with the statutory regulations 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. In the balance sheet disclosure, a distinction is made between non-current and current assets and liabilities, which are

explained according to their maturity in the Appendix. The Consolidated Statement of Comprehensive Income is structured in accordance with the total cost method.

Compiling Consolidated Financial Statements in compliance with the IFRS requires estimates. Furthermore, application of the company-wide accounting and valuation methods requires valuations from the management. Areas with a higher margin of discretion or a higher level of complexity or areas in which assumptions and estimates are significant for the Consolidated Financial Statements are stated in note 3 b).

Amounts have been rounded for the sake of clarity and, if specified, are indicated in thousands of euros.

*New and amended standards applied for the first time in the fiscal year*

The following new or amended standards and interpretations were applied for the first time in the 2016/17 fiscal year, but did not result in any significant effects on the Consolidated Financial Statements:

Standard	Interpretation	Published by IASB	Mandatory application in accordance with IASB for the fiscal year from	Endorsement by the EU on 31 December 2016
IAS 1	Disclosure Initiative	December 2014	1 January 2016	Yes
IAS 16, 41	Property, Plant and Equipment; Agriculture: Reporting bearer plants	July 2014	1 January 2016	Yes
IAS 16, 38	Property, Plant and Equipment; Intangible Assets: clarification of acceptable methods of depreciation and amortisation	May 2014	1 January 2016	Yes
IAS 19	Defined Benefit Plans: Employee Contributions	November 2013	1 February 2017	Yes
IAS 27	Equity Method in Separate Financial Statements	August 2014	1 January 2016	Yes
IFRS 10, 12, IAS 28	Investment Entities: Applying the Consolidation Exception	December 2014	1 January 2016	Yes
IFRS 11	Accounting for Acquisitions of Interests in Joint Operations	May 2014	1 January 2016	Yes
Miscellaneous	Amendment of several IFRS as a result of the improvement process 2010–2012	December 2013	1 July 2014	Yes
Miscellaneous	Amendment of several IFRS as a result of the improvement process 2012–2014	September 2014	1 January 2016	Yes

The International Accounting Standards Board (IASB) is working on a number of projects that will affect fiscal years beginning on 1 January 2017. The following new, revised and/or supplemented standards and interpretations of the

IFRIC, which have already been published by the IASB but are not yet mandatory in the EU, have not been applied early by FACC AG and are therefore not relevant for these Consolidated Financial Statements:

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Standard	Interpretation	Published by IASB	Mandatory application in accordance with IASB for the fiscal year from	Endorsement by the EU on 31 December 2016
IAS 7	Disclosure Initiative	January 2016	1 January 2017	No
IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses	January 2016	1 January 2017	No
IAS 40	Transfers of Investment Property: IAS 40 can also be applied to properties under construction	December 2016	1 January 2018	No
IFRS 2	Classification and Measurement of Share-based Payment Transactions	June 2016	1 January 2018	No
IFRS 4	Applying IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts"	September 2016	1 January 2018	No
IFRS 14	Regulatory Deferral Accounts	January 2014	1 January 2016	No
IFRS 15	Revenue from Contracts with Customers	May 2014	1 January 2018	Yes
IFRIC 22	Foreign Currency Transactions and Advance Consideration	December 2016	1 January 2018	No
IFRS 9	Financial Instruments	July 2014	1 January 2018	Yes
Miscellaneous	Amendment of several IFRS as a result of the improvement process 2014–2016	December 2016	1 January 2017/ 1 January 2018	No
IFRS 16	Leasing	January 2016	1 January 2019	No
IFRS 10, IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	September 2014	n/a	No

*Standards, interpretations and amendments to published standards which are not yet effective and have not been applied prematurely by the Group*

There are new standards and amendments to standards and interpretations which must be applied to future fiscal years. These have not been applied in these financial statements. With the exception of the following standards, no significant effects on the company are expected from the future application of these regulations.

IFRS 9, "Financial Instruments" pertains to the classification, recognition and evaluation of financial assets and financial liabilities. The complete version of IFRS 9, which was developed in multiple project phases, was published by the IASB in July 2014. IFRS 9 replaces the regulations in IAS 39 "Financial Instruments: Recognition and Measurement" which pertains to the classification and measurement of financial instruments. IFRS 9 maintains the mixed evaluation model with simplifications and creates three evaluation categories for financial assets: amortised cost carrying amount, fair value through other comprehensive income (FVTOCI) and fair value through profit or loss (FVTPL). The categorisation is based on the business model of the company and the characteristics of the contractual cash flows of the financial assets. Investments in equity instruments are, in principle, subject to compulsory evaluation at FVTPL. At the outset,

however, there is an irrevocable right to choose to report changes in the attributed fair value in other comprehensive income/loss. Furthermore, IFRS 9 introduces a new depreciation model on the basis of expected losses which replaces the model in IAS 39 which is based on incurred losses. With respect to the categorisation and valuation of financial liabilities, IFRS 9 only includes amendments pertaining to liabilities designated FVTPL. As a novelty, IFRS 9 requires changes in own credit risks to be recorded in other comprehensive income/loss. IFRS 9 also makes measuring hedge effectiveness easier since, in accordance with IFRS 9, the quantitative effectiveness test no longer applies. A financial correlation between the secured underlying transaction and the hedging instrument is required. In addition, the hedging relationship must correspond with that which the company management actually utilises for the purposes of risk management. Simultaneous documentation is also required in accordance with IFRS 9, but is different from the current documentation created in accordance with IAS 39. The IASB prescribes an initial, compulsory application of IFRS 9 for reporting periods that start on or after 1 January 2018. The Group is currently analysing the complete effects of the application of IFRS 9. Currently, the Group estimates that IFRS 9 will primarily effect the categorisation of financial assets (trade receivables and receivables from finance leasing amongst others) and their valuation. The change to the expected credit loss model will result

in write-downs on receivables to be recorded earlier. The modification of IFRS 7 "Financial Instruments: Disclosures" due to IFRS 9 will result in modified or extended notes disclosures.

IFRS 15 "Revenue from Contracts with Customers" regulates revenue recognition and standardised principles intended to provide the financial statement addressees with decision-making information regarding the type, amount, provisions and uncertainties of revenue. In accordance with IFRS 15, revenues must be recorded when the customer obtains the power of disposition over contractual goods and services and can benefit from them. The new standard for recognising revenue replaces the current regulations of IAS 18 "Revenue" and IAS 11 "Construction Contracts" and corresponding interpretations. The IASB has decided the compulsory initial application to fiscal years that start on or after 1 January 2018.

No significant effects on the recognition of revenue are expected from the sale of serial products. Some contracts are multi-element arrangements which, in addition to the sale of serial products, also contain additional performance obligations. According to IFRS 15, goods and services in exchange for consideration are allocated to the components according to the individual transaction prices, and are recognised as revenue upon fulfillment of the performance obligations. As concerns the revenue recognition of research and development services, the new criteria for period-specific revenue recognition must in future be assessed for each project with due regard to the contractual design.

FACC is active in the supply industry of aeronautical components and offers services related to this industry. The selling of goods and related spare parts and services is regulated either by individual contracts, or by contracts encompassing a bundle of goods and services. If a contract regulates the supply of goods only, revenue is still recognised at a specific point in time. With contracts which, in addition to the supply of goods, also regulate the supply of services, the Group expects changes to revenue recognition due to the new regulations of IFRS 15. Changes are expected to the extent that goods and services in exchange for consideration are now allocated to the individual components on the basis of individual relative transaction prices and that the recognition of revenue resulting from these contracts can be distributed in future over time differently.

Management also currently estimates that changes can occur to construction contracts recognised according to the completed contract method to the extent that the profit margin of these contracts is recognised over time, and is no longer fully recognised at a point in time upon completion of the contract. This would have an early effect on comprehensive income.

Parallel to the complete analysis of the effects, internal processes are adjusted in connection with the application of IFRS 15. Especially regulations regarding changes to contracts and multi-component transactions will be relevant to the FACC Group. Furthermore, extended notes disclosures regarding the recognition of revenue will have to be fulfilled.

IFRS 16 "Leasing Contracts" contains regulations regarding recognition, valuation, disclosure and notes disclosures of leasing contracts. The new leasing standard is to be applied to fiscal years beginning on 1 January, 2019 or after and replaces the previous IAS 17 regulations. Currently, payment obligations resulting from leasing contracts are only to be disclosed in the annex. In the future, rights and obligations resulting from these leasing contracts must be reported in the balance sheet as assets (right to use the leased object) and liabilities (leasing liabilities). The Group expects a substantial increase in the balance sheet to arise from this change upon initial adoption. Moreover, further reference is made to note 33 regarding the future volume of leasing services contracted by the lessee to be reported in the balance sheet. Furthermore, extended notes disclosures in accordance with the IFRS 16 regulations will have to be fulfilled.

There are no further standards, changes to standards or interpretations not yet subject to compulsory application and which might have a significant effect on the Group.

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

When preparing the financial statements, assumptions were made and estimates applied which impacted on the amounts of the reported assets, liabilities, income and expenses. Such assumptions and estimates may result in a significant adjustment to assets and liabilities in the coming fiscal years.

Assumptions and estimates are audited continuously and are based on experiences from the past and other factors, such as expectations regarding future income, which appear reasonable under the circumstances. The resultant accounting assumptions do not necessarily correspond to the actual income. Such assumptions and estimates, which might lead to significant adjustments to the carrying amount of assets and liabilities in the following fiscal year, are discussed below.

### *i) Employee benefit obligations*

Obligations towards employees primarily include retirement benefit obligations and provisions for termination benefits. The obligations towards employees are determined at the present value of the expected future cash outflows based on interest rates determined at the end of the reporting period, taking market yields into account, on the basis of commercial bonds with the highest credit rating, in the currency of the amounts disbursed and which indicate the terms corresponding to the obligations.

Independent actuarial appraisers were employed by management to perform a complete evaluation of the expected obligations towards employees, which must be disclosed and recorded in the financial statement in accordance with IFRS provisions.

Such actuarial appraisers apply assumptions and estimates supplied by management. They evaluate and update these assumptions at least once a year. The ability to make judgments is required when defining the essential actuarial assumptions for determining the cash value of performance-orientated obligations and service costs. Changes to the essential actuarial assumptions can significantly impact on the cash value of the expected obligations and service costs in future periods. A potentially volatile parameter is the discount factor. An increase in discounting of 0.25 percentage points would result in a reduction of the cash value of the performance-orientated obligations by kEUR 307 (29 February 2016: kEUR 144). A reduction of the discount factor of 0.25 percentage points would result in an increase of the cash value of the performance-orientated obligations by kEUR 322 (29 February 2016: kEUR 153).

Reference is also made to note 17 regarding the carrying amounts of the reported obligations towards employees on 28 February 2017 and 29 February 2016.

### *ii) Non-current receivables*

Non-current trade receivables are discounted at a matched maturity interest rate, for which assumptions are needed, on the relevant balance sheet date (see notes to IAS 8).

In the reporting period 2015/2016 the Group suffered an unlawful outflow of liquid assets amounting to kEUR 52,847 as a result of fraudulent activities organised externally and known as the fake president incident. Action was immediately taken which enabled a sum of kEUR 10,860 in recipient accounts to be blocked. This sum was balanced on 28 February 2017 and on 29 February 2016 as a non-current receivable (please refer to note 9) since the subsidiary FACC Operations GmbH assumes it is the lawful owner of the money, and having sought legal advice that the sum will be remitted. It is to be expected that those sums blocked in recipient accounts will not be refunded in the immediate future.

In addition, in the reporting period 2016/2017 the Management Board sought the services of a law firm which since then has been making intensive efforts to recover the frozen funds. Moreover, a variety of measures have been adopted in consultation with the Chinese proprietor to ensure that the funds are returned promptly.

### *iii) Scheduled amortisation of development costs*

The number of deliverable shipsets is used as the basis for calculating the amortisation of capitalised development

costs. This number of shipsets constitutes an assumption based on a substantiated investigative process (see point 3 d) iii) development costs). If the assumed number of shipsets were increased by 10%, this would result in a reduction of the amortisation of kEUR 613 (29 February 2016) and kEUR 814 (28 February 2017). If the assumed number of shipsets were reduced by 10%, this would result in an increase of the amortisation of kEUR 751 (29 February 2016) and kEUR 845 (28 February 2017). Particular reference is made to note 6 with regard to the asset values of development costs entered in the balance sheet of 28 February 2017 and 29 February 2016.

### *iv) Inventory*

For inventory purposes slow-moving items are categorised according to their product group, and evaluated using specific deductions. Slow-moving items are identified in the system as materials demonstrating a storage period of more than 24 months. Particular reference is made to note 9 regarding the asset values of the inventory entered in the balance sheet on 28 February 2017 and 29 February 2016.

### *v) Trade receivables*

In addition to a standardised evaluation of receivables based on empirical values of the period overdue, in the case of an individual value adjustment the probability of incoming payments is evaluated, whereby particular consideration is given to past experience of the customers, their credit rating and possible securities. Write-downs and discounting of receivables are disclosed in the notes 10 and in the details of IAS 8. Irrecoverable receivables are written off.

### *vi) Receivables from construction contracts*

A construction order in accordance with IAS 11 is a contract for the customer-specific production (development) of an asset. Contract costs are recorded as an expense during the period in which they are incurred. Since the results of a construction order cannot be reliably determined on a regular basis, the construction revenue is only recorded to the extent the incurred construction costs can likely be demanded from the customer. No partial profit recognition is performed due to this management estimate. Total profits are in principle recognised upon completion of the construction contract. The valuation of contract revenue is also influenced by various uncertain events depending on future events, and is thus subject to substantial estimation. This can lead to adjustments after events have taken place or uncertainties have been resolved.

Reference is made to note 10 regarding the carrying amount of the receivables from construction contracts reported on 28 February 2017 and 29 February 2016.

*vii) Assessment of depreciation and amortisation of goodwill and other non-current assets*

When assessing depreciations and amortisations, assumptions must be made, in particular with respect to the following: (1) circumstances that indicate that the respective assets may not be of value; (2) coverage of the carrying amount of an asset by the attainable amount based on the present value of future cash flows; and (3) appropriate, essential assumptions for the creation of cash flow projections, including an appropriate, applicable discount rate.

Further reference is made to note 34 regarding the assumptions and estimates used for the impairment test of the goodwill. If the discount rate employed increased by 50 base points on the balance sheet date, no additional impairment would be necessary. The Group applies the weighted average cost of capital (WACC) as the discount rate, whereby this interest rate was assumed at 7.44% on 28 February 2017 and 7.55% on 29 February 2016.

A change in the estimated EUR/USD exchange rate in the evaluation model by 5 cents (plus or minus) would not result in a need for impairment in the Engines & Nacelles and Aerostructures divisions, but would result in a need for impairment in the Interior division in the amount of kEUR 18,473. The EUR/USD exchange rate used in the valuation model is EUR/USD 1.15. A change to the planned EBIT margin of -2.0 percentage points would not result in any need for impairment in the Engines & Nacelles and Aerostructures divisions, while the Interiors division would require an impairment of kEUR 34,460.

The value in use of the Interiors division exceeds the carrying amount by kEUR 33,244 on 28 February 2017 (29 February 2016: 61,493 kEUR).

The carrying amount of the Interior cash generating unit would be equal to the value in use if the EUR/USD exchange rate decreased by 3.2 cent (2015/16: 6.8 cent), the EBIT margin changed by 98 percentage points (2015/16: 2.02%) or the discount rate increased by 115 base points (2015/16: 198 base points).

In the fiscal year 2016/17, the impairment test of capitalised development projects was, unlike the previous year, carried out at the level of individual projects or interconnected projects to the extent that they generate independent cash flows. All development projects which are not subject to scheduled amortisation on the balance sheet date, or which are expected to incur losses in the multi-year plan were subject to an impairment test. Development projects pertaining to the same type of aircraft were jointly tested for impairment.

The recoverable amount of the development costs was estimated on the basis of the present value of future cash flows which can likely be achieved with the respective development projects (value in use). The cash flows are discounted with a WACC (net of tax) of 7.44%. Estimation of the cash flows is based on the budget approved by the Supervisory Board for the following fiscal year and medium-term planning of the next 5 years (detailed planning period). For specific development projects extending beyond the detailed planning period, the planning premises of the previous planning year will be continued, limited by the rates of the airline monitor. The maximum term is 20 years.

These values in use are compared to the carrying amount of capitalised development costs as well as assets attributable to the respective development project on the balance sheet date. An impairment requirement for capitalised research and development costs of kEUR 883 (29 February 2016: kEUR 20,200) was established by this assessment on the balance sheet date of 28 February 2017, and was posted under the item depreciation and amortisation to profit or loss in the Consolidated Statement of Comprehensive Income.

Increasing the discount rate applied to development projects which have not yet been amortised as planned, and all development projects which are expected to incur losses in the multi-year plan on the balance sheet date by 50 base points, would not lead to an additional aggregate impairment requirement. When assessing the additional impairment requirement due to variations in the discount rate, development projects pertaining to the same type of aircraft were aggregated in line with impairment testing.

Decreasing the free cash flows of development projects which are not subject to scheduled amortisation on the balance sheet date, and all other development projects which are expected to incur losses in the multi-year plan on the balance sheet date by 10%, would not lead to an additional aggregate impairment requirement. When assessing the additional impairment requirement due to variations in the free cash flows, research and development projects pertaining to the same type of aircraft were aggregated in line with impairment testing.

### *viii) Other provisions*

Warranty provisions are raised by the divisions according to a standardised process. Such risks are calculated by the heads of division at each financial statement date and are reported to Financial Accounting. The risks reported by the heads of division are subject to a final assessment by the CEO and must be finally taken into consideration as risks by Financial Accounting. In the case of a risk to be taken into account, the respective division must estimate the recognised provisions as accurately as possible on the basis of past experiences and individual assessments.

Determining provisions for pending losses from contracts (construction contracts and serial orders) is to a considerable degree dependent on estimates. FACC AG only establishes provisions for pending losses from contracts if the expected construction costs exceed the expected construction revenue. Contracts inducing losses are identified by FACC AG by regularly monitoring and updating the expected construction costs. This requires the substantial use of estimates in order to fulfill certain performance requirements, develop learning curves and estimate warranty expenses. The question whether individual customer agreements can be viewed as a binding contract, or whether there are pending losses is addressed in detail on the basis of the chronological sequence, substantive connection and mutual interdependency of the associated cash flows. Two contracts have been qualified as a contract for assessing pending losses on the basis of this assessment. Due to this qualification, no pending losses were identified.

This approach is the subject of the current Enforcement Procedure, a final assessment by the Austrian Financial Market Authority (FMA) is not yet available. If the final assessment of the supervisory authority ran counter to the accounting methods of FACC AG, the provisions for pending losses would have to be adjusted retroactively by EUR 25 million based on the estimates of 29 February 2016, and provisions would increase to EUR 27 million based on the estimates of 28 February 2017.

### *ix) Usage duration of property, plant and equipment*

The usage duration of group property, plant and equipment is the period during which it is available to the Group for use. The usage duration is estimated based on the management's experience. Regular audits by the management can impact depreciation and thus the future depreciation expense. Reference is made to note 7 regarding the property, plant and equipment on 28 February 2017 and 29 February 2016.

### *x) Derivative financial instruments*

All derivatives are reported at the attributed fair value. Profits and losses resulting from changes to the attributed fair value are recorded depending whether they were designed as a hedging instrument in accordance with IAS 39 and qualify for reporting as a hedging relationship. If derivative financial

instruments concluded by the Group fulfill the conditions for reporting a hedge on cash flows, changes to their attributed fair value shall be entered as reserves for cash flow hedges in equity. If derivative financial instruments concluded by the Group do not fulfill the conditions for reporting a hedge on cash flows or reporting as hedging relationships is not applied, changes to their attributed fair value through profit or loss (FVTPL) shall be recorded in the Consolidated Statement of Comprehensive Income. For the preparation of the financial statements of derivative financial instruments, the company in any case starts from the premise that the planned cash flows are actually realised. The sensitivity analysis with respect to derivative financial instruments is included in the explanation below 4 b) i). Particular reference is made to note 15 regarding the carrying amounts of the derivative financial instruments on 28 February, 2017 and 29 February, 2016.

### **c) Consolidation**

The annual financial statements from subsidiaries included in the Consolidated Financial Statement were prepared on the uniform Consolidated Financial Statements date 29 February 2016 and 28 February 2017, and in accordance with IFRS as applied in the EU. The individual financial statements of FACC AG and its subsidiaries are included in the Consolidated Financial Statements whilst taking the accounting and valuation methods applicable to the entire Group into account.

Subsidiaries are all companies controlled by the Group. The Group controls a portfolio company if it has the power of disposition over the portfolio company, there is a risk burden due to or there are entitlements to fluctuating yields from its involvement in the portfolio company and the Group has the ability to utilise its power of disposition over the portfolio company in such a manner that impacts the amount of the yield of the portfolio company.

Subsidiaries are included in the Consolidated Financial Statements from the time at which control was transferred to the Group as part of the full consolidation. They will be deconsolidated at the time at which control ends; the consolidated statement of comprehensive income includes the income and expenses of the subsidiaries up to that time.

All Group companies are included in the Consolidated Financial Statements within the framework of full consolidation.

*ii) Consolidated companies*

The consolidated companies are defined on the basis of the principles of IFRS 10. The Group has the following subsidiaries as of 28 February 2017 and 29 February 2016:

Company	Headquarters	Issued and fully paid nominal capital	Direct share	Primary activities
FACC Operations GmbH	Ried im Innkreis, Austria	EUR 127,000,000	100%	Development & production of aircraft components
FACC Solutions (Canada) Inc.	Montreal, Canada	CAD 10,000	100%	Customer service
FACC Solutions Inc.	Wichita, Kansas, USA	USD 10,000	100%	Customer service
FACC Solutions s.r.o.	Bratislava, Slovakia	EUR 6,639	100%	Design & engineering
FACC (Shanghai) Co., Ltd	Shanghai, China	RMB 2,000,000	100%	Design & engineering
ITS digitech Pvt. Ltd.	Bhau Patil Marg, India	INR 20,193,002	100%	Design & engineering
CoLT Prüf und Test GmbH	St. Martin, Austria	EUR 35,000	91%	Design & engineering

The non-controlling interests with respect to the subsidiary CoLT Prüf und Test GmbH are classified as non-significant.

There are no restrictions of access to assets and liabilities of the subsidiaries.

*ii) Changes to consolidated companies*

The consolidated companies of the FACC Group as of 28 February 2017 remained unchanged compared to the consolidated companies as of 29 February 2017.

*iii) Consolidation methods*

Acquired subsidiaries are reported in accordance with the purchase method. The procurement costs of the purchase correspond to the attributed fair value of the surrendered assets, the issued equity instruments and the incurred or assumed liabilities at the time of the transaction (date of exchange). In the framework of a corporate merger, acquired, identifiable assets, liabilities and contingent liabilities are evaluated upon initial consolidation at their attributed fair values at the time of acquisition. Costs connected to the company acquisition shall be recorded as expenses in the periods during which they were incurred.

For each company acquisition, the Group decides on a case-by-case basis whether the non-controlling interests of the acquired company will be recorded at the attributed fair value or based on the proportionate share of the net assets of the acquired company.

Internal group transactions, balances and significant, unrealised profits and losses from transactions between group companies shall be eliminated.

The accounting and valuation methods of subsidiaries were, if necessary, modified to ensure uniform accounting and valuation throughout the Group.

Transactions with non-controlling interests shall be treated as transactions with equity holders of the Group. A difference between the paid amount and the relevant share of the carrying amount of the net assets of the subsidiary resulting from the acquisition of a non-controlling interest shall be recorded in equity. Profit and losses incurred when selling non-controlling interests shall also be recorded in equity.

*iv) Currency conversion*

The items included in the financial statements of each group company shall be evaluated on the basis of the currency that corresponds to the currency of the primary economic environment in which the company operates (functional currency). The Consolidated Financial Statements are prepared in euros ("EUR") which is the functional currency of the FACC Group and the reporting currency of the Group.

When converting the currency of annual financial statements of subsidiaries into foreign currencies, the exchange rates on the balance sheet date were applied to items in the Consolidated Statement of Financial Position and the average ex-

change rates for the reporting period were applied to items in the Consolidated Statement of Comprehensive Income. Differences in these currency conversions shall be recorded as part of the other comprehensive income/loss in equity.

Exchange rate differences from the conversion of transactions and monetary balance sheet items into foreign currencies shall be recorded to profit or loss at the exchange rates applicable at the time of the transaction or valuation. Currency conversion with respect to foreign currency derivatives is explained in note 3 q).

The following exchange rates were applied to currency conversions:

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

	Closing rate 28 February, 2017	Average rate 2016/17
EUR/CAD 1	1.3984	1.4435
EUR/USD 1	1.0597	1.1012
EUR/RMB 1	7.2728	7.3700
EUR/INR 1	70.6290	73.9357

**d) Intangible assets**

*i) Goodwill*

Goodwill results from the acquisition of subsidiaries. Goodwill is reported as the value resulting from the surplus of the procurement costs of the acquisition above the Group's share of identifiable net assets evaluated at the attributed fair value. If the procurement costs are lower than the net assets of the acquired subsidiary evaluated at the attributed fair value, the difference shall be recorded to profit or loss in the consolidated statement of comprehensive income.

For the purposes of the impairment test, the goodwill acquired in the framework of a corporate merger shall be allocated to the Cash Generating Units (CGUs) or groups of CGUs expected to benefit from the synergies of the merger. Each CGU or group of CGUs to which the goodwill is allocated constitutes the lowest level within the company at which the goodwill is monitored for internal management purposes. The goodwill is monitored internally on the segment level.

A CGU or group of CGUs to which the goodwill has been allocated shall be tested annually with respect to intrinsic value on the financial statement date and whenever there is evidence of impairment. The carrying amount of the CGU, including goodwill, is compared to its recoverable amount,

i.e. the higher of attributed fair value less costs of disposal and value in use. If the carrying amount of the CGU exceeds its recoverable amount, the difference shall be recorded directly in profit and loss as amortisation costs. Amortisation costs recorded for the goodwill will not be made up for in the following periods.

*ii) Software and supply rights*

Intangible assets acquired in return for payment shall be valued at procurement costs in the Consolidated Statement of Financial Position and, in general, amortised linearly over their respective usage durations (three to ten years). Supply rights are amortised on the basis of delivered shipsets or shipsets still to be delivered.

*iii) Development costs*

An intangible asset resulting from development shall only be recognised if all of the following points can be attested:

- a) The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- b) The intention of completing the intangible asset as well as using or selling it.
- c) The ability to use or sell the intangible asset.
- d) How the intangible asset will achieve a presumable, future financial benefit; among other things, the existence of a market for the products of the intangible asset or the intangible assets itself or, if intended for internal use, the benefit of the intangible asset can be verified.
- e) The availability of adequate technical, financial and other resources in order to conclude the development and use or sell the intangible asset.
- f) The ability to reliably evaluate expenses attributable to the intangible asset during its development.

The Group capitalises development costs in accordance with IAS 38 on the basis of project-related costs. Per development project, all costs defined as development costs are capitalised. The capitalised development costs are treated as construction in progress. Amortisation begins at the time the series is ready for production. The revenue framework is determined based on the airline monitors in use in the aviation industry (= market prognosis created by a third party) and current customer projections. This revenue framework is re-evaluated on each balance sheet date. The planning horizon of the revenue framework extends to a maximum of 20 years depending on the status of the project (new projects or ongoing projects with remaining terms). This amortisation method ensures that changes in order volumes directly affect development costs. The costs for research projects shall be recorded as an expense as soon as they are incurred.

Borrowing costs standing in direct relation with the acquisition, construction or production of qualified assets (these are assets for which a significant period of time is required to achieve the intended usable and salable status) shall be added to the manufacturing costs of these assets up to the time at which the assets are essentially ready for their intend-

ed use or sale. All other borrowing costs shall be recorded to profit or loss in the period in which they were incurred.

#### e) Property, plant and equipment

Property, plant and equipment are measured at the procurement or manufacturing cost, less scheduled depreciation and impairment.

The manufacturing costs of property, plant and equipment include individual costs and reasonable parts of the overhead costs.

Depreciable property, plant and equipment are depreciated linearly over the expected economic lifecycle of the respective object. When determining the depreciation rates, the following lifecycles were assumed, without changes, in all reporting years:

	Life cycle in years	
	from	to
Buildings	10	50
Investments in third-party buildings <sup>1)</sup>	33	50
Technical plants and machinery	3	33
Office equipment	5	14
Vehicles	5	8

Profits and losses from disposals of property, plant and equipment shall be determined as the difference between the disposal proceeds and the carrying amounts of property, plant and equipment and are recorded in the Consolidated Statement of Comprehensive Income under the items "other operating income" and "other operating expenses".

#### f) Assets from renting and leasing relationships

The Group rents assets as a leasing partner. Leasing relationships in which an essential part of the risks and opportunities connected to the ownership of the lease object remain with the lessor are classified as operating leasing relationships. Payments made in conjunction with an operating leasing relationship (net after taking incentives paid by the lessor into account) shall be recorded linearly in the Consolidated Statement of Comprehensive Income across the duration of the leasing relationship.

Leasing contracts regarding property, plant and equipment in which the Group bears the essential risks and benefits of owning the lease object shall be classified as finance leases. Assets from finance leases shall be capitalised at the beginning of the leasing contract term at the lower value of the attributed fair value of the lease object and the present value of the minimum lease payments. A lease liability shall be recorded at the same amount as a liability under non-current liabilities. The interest share of the lease instalment shall be recorded as an expense in the Consolidated Statement of Comprehensive Income so that a constant interest results

across the entire term of the leasing contract. Property, plant and equipment held under a finance lease is depreciated over the shorter of the two subsequent periods: the economic life-cycle of the asset or the term of the lease contract.

#### g) Other non-current financial assets

This item includes securities and interests. Regular purchases and sales of financial assets shall be reported on the settlement date.

All items shall be classified as "available for sale". They shall be valued at the procurement costs on the acquisition date and at the attributed fair value in later periods. Changes in value shall be recorded as part of other comprehensive income/loss in equity and in the event of impairment or realisation due to the sale of the security, they shall be recorded in the Consolidated Statement of Comprehensive Income. The attributed fair values of the securities result from the stock market price on the balance sheet date.

#### h) Impairment of intangible assets (goodwill, research and development costs, software and supply rights) and property, plant and equipment

Goodwill as an intangible asset with an unlimited lifecycle is subject to an impairment test on the segment level on an annual basis. Development costs which are not subject to scheduled amortisation are subject to an annual impairment test on the project or project group level. Assets which are subject to scheduled depreciation or amortisation are subject to an impairment test if there is any indication that the carrying amount of the asset can no longer be recovered. Assets that are subject to scheduled amortisation shall be audited with respect to impairment if there is any indication that the book value of the asset can no longer be attained. An impairment is recorded in the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of the asset is the higher of attributed fair value less sales costs of disposal and value in use. For the purposes of the impairment test, assets shall be combined on the lowest level on which the cash flows are generated which are largely independent of the cash flows of other assets or groups of assets (CGU). For non-financial assets (except for goodwill) for which a depreciation or amortisation was recorded in the past, an audit shall be performed on each balance sheet date to determine whether a reversal of an impairment loss must be recognised (see note 6).

#### i) Inventories

Inventories are measured on the balance sheet date at the lower value of procurement cost or manufacturing cost and net realisable value.

The procurement costs include all costs incurred in order for the product to achieve the required status and bring it to the respective location. The manufacturing costs include all costs

<sup>1)</sup> or across the term of the leasing contract, depending on which period is shorter

and reasonable portions of the overhead costs incurred in conjunction with the production on the basis of an average utilisation of the production facilities. Borrowing costs directly connected to the acquisition, construction or production of qualified assets (these are assets for which a significant period of time is required to achieve the intended usable and salable status) shall be added to the manufacturing costs of these assets up to the time at which the assets are essentially ready for their intended use or sale. All other borrowing costs shall be recorded to profit or loss in the period in which they were incurred. The costs per unit shall be determined according to moving average cost.

The net realisable value results from the expected sale proceeds for the objects less the production and distribution costs yet to be incurred as defined based on experience. Price reductions in replacement costs shall be taken into account in general when determining the net sale price.

#### **j) Employee benefit obligations**

Trade receivables, other receivables and other assets are initially recognised at the attributed fair value or at procurement costs and, thereafter, are reported at the amortised cost carrying amount less necessary write-downs (in the case of impairment). Receivables in foreign currencies shall be evaluated at the applicable closing rate. Receivables which have been overdue for more than one year on the financial statement date shall be discounted (see note on IAS 8).

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

Cash and cash equivalents include cash (cash holdings), received checks and credit balances with credit institutes available at any time with a maximum original term of three months or less. This corresponds to the definition of cash and cash equivalents in the Consolidated Statement of Cash Flows.

#### **l) Obligations towards employees**

##### *i) Retirement benefit obligations*

Due to an individual commitment as a result of an executive employee joining FACC AG on 1 June 2014, the Group is obligated to pay pension benefits to this executive employee after he retires. This obligation has expired according to the present legal opinion with the dismissal of the executive employee in the 2016/2017 fiscal year.

The provision for defined benefit plans recognised in the balance sheet on 29 February 2016 corresponds to the present value of defined benefit obligations (Defined Benefit Obligation, DBO) on the balance sheet date less the attributed fair value of the plan asset. The DBO shall be calculated annually by an independent expert actuarial mathematician using the projected unit credit method. The present value of the DBO shall be calculated by discounting the expected future outflow of funds with the interest rate of commercial bonds with

the highest credit rating. The commercial bonds are quoted in the currency of the payout amounts and have terms corresponding to the pension obligations. In countries in which the market is not sufficiently developed for such bonds, government bonds shall be applied.

The current service costs reflect the increased defined benefit obligations earned by the employee during the 2015/16 reporting period. If there are no capitalisations, they shall be recorded under personnel costs in the Consolidated Statement of Comprehensive Income. Service costs to be settled at a later stage shall be recorded immediately to profit or loss. The net interest shall be determined by multiplying the net debt (asset) from the performance-oriented pension plan with the discount rate. Both shall be determined at the beginning of the reporting period taking any and all changes to the net debt into account that took effect as a result of the contribution and benefit payments during the course of the reporting period. The net interest shall be recorded under personnel costs in the Consolidated Statement of Comprehensive Income.

Actuarial profits and losses ("revaluation effects") based on experience-related adjustments and changes to actuarial assumptions shall be recorded under other comprehensive income/loss in equity in the period in which they were incurred.

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

For all members of management, the Group pays monthly contributions into an inter-company pension fund in which the contributions are invested in an employee account and paid out to the employee upon retirement or are transferred as a claim. The Group is solely obligated to pay the contributions recorded in that fiscal year under expenses for which they were paid (defined contribution obligation).

For all employment contracts established in Austria after 31 December 2002, the Group pays monthly contributions in the amount of 1.53% of the remuneration into a company pension fund in which the contributions are invested in an employee account and paid out to the employee upon termination of employment or are transferred as a claim. The Group is solely obligated to pay the contributions recorded in that fiscal year under expenses for which they were paid (defined contribution obligation).

##### *iii) Severance obligations*

Due to statutory regulations, the Group is obligated to pay a one-time severance in the event of termination or retirement to employees whose employment was established on or before 31 December 2002. This depends on the number of years of service and the income at the time of severance and amounts to between two and twelve months pay. A provision shall be created for this obligation.

This provision is determined in accordance with IAS 19 using the projected unit credit method. The present value of the future payments is calculated across the estimated employ-

ment period of the employee in accordance with an actuarial method. The calculation is performed for the respective balance sheet date by an expert actuarial mathematician.

Actuarial profits and losses ("revaluation effects") based on experience-related adjustments and changes to actuarial assumptions shall be recorded under other comprehensive income/loss in equity in the period in which they were incurred.

In addition, a provision has been created for severance payments due to contractual severance obligations towards the Board members of FACC AG. The basis of assessment for the creation of this contractual severance obligation is the value that would have to be paid on the financial statement date in the event a member of the Management Board leaves the company.

*iv) Other non-current obligations towards employees*

Due to collective agreements, the Group is obligated to pay employees an anniversary bonus in the amount of one monthly salary or monthly wage (without allowances and supplements) upon reaching 25 years of service. A provision has been created for this obligation.

This provision is valued based on the projected unit credit method and the assumptions on which the valuation of the statutory severance obligations are based, with the exception that actuarial profits and losses (revaluation effects) shall be recorded in the profit and loss statement.

**m) Other provisions**

Other provisions shall be recognised if the Group is subject to a legal or factual obligation towards a third party due to a past incident and it is probable that this obligation will result in an outflow of funds. The provisions shall be recognised at the value that can be determined based on a best estimate at the time the financial statements are created. If a reasonable estimate of the amount is not possible in specific cases, no provision shall be created. This liability will be reported as a contingent liability.

Non-current provisions are discounted if the effect of discounting is significant and the discounting period can be reliably estimated.

**n) Taxes**

The tax expense for the period is comprised of ongoing and deferred taxes. If taxes do not pertain to items that were recorded directly in equity or in other comprehensive income/loss, taxes will be recorded to profit or loss, otherwise they will also be recorded in equity or other comprehensive income/loss.

As of 13/15 February 2012, Aerospace Innovation Investment GmbH (now FACC AG) as group parent and Aero Vision Holding GmbH as well as FACC AG (now FACC Oper-

ations GmbH) as group members entered into a group and tax sharing agreement pursuant to the provisions of section 9 of the Austrian Corporate Tax Act. On 28 February 2017, a new group contract was concluded between FACC AG and FACC Operations GmbH. The tax sharing agreement is in principle based on the status-alone method by which a tax allocation amounting to 25% of the positive income attributed by the group member to the group parent is to be made. The positive income of the group member is to be balanced with carried forward negative income of the group member (loss carry forward), whereby a limited loss deduction of the group parent has to be taken into consideration. In the event a group member earns negative income, a negative tax allocation of 25% is to be made to the extent that the negative income is covered by positive comprehensive income of the group parent. An agreement on settlement payments of loss carry forwards of the group member not yet accounted for has been made. Since June 2014, FACC Operations GmbH (formerly FACC AG) and FACC AG (formerly Aerospace Innovation Investment GmbH) have been an income tax group in accordance with section 2 paragraph 2 line 2 of the Austrian Income Tax Code (UStG).

Deferred taxes shall be recognised for all temporary differences between the tax base of the assets/liabilities and their carrying amounts in the IFRS-based financial statements (liabilities method). If, however, in the framework of a transaction that does not constitute a company merger, a deferred tax is generated from the initial recognition of an asset or liability which, at the time of the transaction, had neither an effect on the accounting nor on the tax-related profit or loss, the tax deferral is waived at the time of the initial recognition and thereafter. Deferred tax liabilities from the initial recognition of goodwill shall not be recorded. Deferred taxes shall be valued based on the tax rates (and tax regulations) applicable on the balance sheet date or which have been substantially enacted and are expected to be applicable at the time the deferred tax receivable or payment of the deferred tax liability is realised.

Deferred tax receivables shall only be recognised to the extent to which it is probable that a taxable profit will be available against which the temporary difference can be applied.

Deferred tax liabilities created due to temporary differences in conjunction with shares in subsidiaries shall be recognised, unless the Group can determine the time at which the reversal of the temporary differences came about and it is probable that the temporary differences will not be reversed in the foreseeable future due to this factor.

Deferred tax receivables and liabilities shall be balanced if there is an enforceable legal claim to offsetting and if the deferred tax receivables and liabilities pertain to income taxes that are collected by the same tax authority for either the same tax subject or different tax subjects which intend on bringing about the balance on a net basis.

Deferred tax assets for loss carry forwards shall only be recognised to the extent recovery is expected within a reasonable amount of time. In the framework of the estimation of the probability, the Group refers to existing tax plans.

### **o) Financial liabilities**

The financial liabilities of the Group shall be evaluated at the attributed fair value upon initial recognition and after deducting the transaction costs. In the subsequent periods, they will be evaluated at the amortised cost carrying amount. Any difference between the payout amount (after deducting transaction costs) and the repayment amount of financial liabilities shall be recorded over the liabilities term and distributed in accordance with the effective interest rate method.

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

Trade payables and other liabilities shall be evaluated at the attributed fair value or procurement costs upon initial recognition and, thereafter, at the amortised carrying amount.

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

The Group utilises derivative financial instruments to hedge foreign currency risks and interest risks. In principle, the Group does not utilise derivative financial instruments for the purposes of trading or speculation. Derivative financial instruments are initially valued at the attributed fair value applicable on the acquisition date and at the attributed fair value applicable on the respective, subsequent balance sheet date. Changes in the attributed fair value are recorded dependent on whether the conditions in accordance with IAS 39 for the application of the regulations for hedge relationships have been fulfilled.

#### *j) Cash flow hedges*

Derivatives designated as hedging instruments which serve to hedge against cash flow fluctuations in conjunction with transactions that will very likely occur in the future, are classified as cash flow hedges. Upon conclusion of the transaction, the Group documents the hedging relationship between the hedging instrument and the underlying transaction, the objectives of its risk management and the underlying strategy when concluding hedging transactions. Furthermore, the estimation regarding whether derivatives implemented in the hedging relationship very effectively compensate the changes in the attributed fair value or the cash flow of the underlying transaction shall be continuously documented.

The Group concludes foreign exchange futures that serve to hedge the foreign currency risk in conjunction with certain planned foreign currency revenues. The effective portion of changes in the attributed fair value of these derivatives shall be recorded under other comprehensive income/loss in the reserve for cash flow hedges (currency hedging) as a part of other provisions. Profits and losses pertaining to the ineffective portion shall be recorded immediately in profit and loss.

The reserve for cash flow hedges shall be dissolved to profit or loss during the period in which the hedged underlying transaction has an effect on income (e.g. at the time at which a planned revenue transaction takes place).

If a hedging transaction expires, is sold or no longer fulfils the criteria for being recorded as a hedging relationship, the profit or loss accumulated in the reserve for cash flow hedges shall remain in equity and be written off to profit or loss as soon as the planned transaction is recorded to profit or loss in the Consolidated Statement of Comprehensive Income. If the future transaction is no longer expected to occur, the accumulated profits or losses in equity shall be immediately written off to profit or loss.

#### *ii) Derivatives that do not qualify as hedging relationships for accounting purposes*

For derivatives that, in accordance with IAS 39, do not qualify as a hedging relationship for accounting purposes (such as structured foreign exchange futures and interest swaps or in the case of those to which the regulations of hedge accounting do not apply), changes in the attributed fair value shall be recorded in the Consolidated Statement of Comprehensive Income under the item "Fair value evaluation of derivative financial instruments" or "Other operating income and expenses" (if these derivatives pertain to reported foreign currency receivables and liabilities). Interest income and expenses from interest derivative transactions shall be recorded in the Consolidated Statement of Comprehensive Income under "Interest income from financial instruments".

### **r) Foreign currency valuation**

Foreign currencies for receivables, cash and cash equivalents and liabilities are converted at the closing rate. Profits and losses shall be recorded to profit or loss.

### **s) Investment grants**

Grants from public entities shall be recorded at their attributed fair value if it can be assumed with a high probability that the grant will be issued and the Group fulfils the necessary conditions for receiving the grant.

Investment grants for costs shall be recorded over the period in which the corresponding costs the grant was intended to cover were incurred.

Investment grants for investments in property, plant and equipment shall be recorded as deferred items within non-current liabilities/current liabilities. They shall be dissolved on a linear basis, to profit or loss, over the expected economic lifecycle of the relevant assets.

**t) Borrowing costs**

Borrowing costs that can be directly assigned to the acquisition, construction or production of a qualified asset shall be capitalised as a portion of the procurement or manufacturing costs of this asset until essentially all work has been completed in order to manufacture the asset for its intended use or sale. A qualified asset is an asset for which a significant period of time is required for it to achieve the status intended for its utilisation or sale.

Other borrowing costs shall be recorded during the period in which they were incurred as expenses.

**u) Revenue recognition**

Sales revenues include the attributed fair value of the remuneration received or to be received in return for the sale of goods and services in the framework of the normal business activities of the Group. Sales revenues shall be reported less sales tax, returns, rebates and discounts and after eliminating internal group sales.

The Group generates sales revenues from the sale of goods (shipsets) to its customers. Sales of goods in the framework of supply contracts shall be posted if the Group or a group company has delivered the products to the customer after all risks have been transferred to the customer in accordance with the contractual terms and conditions and it is sufficiently likely at the time of invoicing that the benefit arising from the transaction will accrue to the company. If uncertainties arise about collectability at a later stage, the uncollected or uncertain amount shall be posted as an expense.

The Group also generates sale revenues from engineering and the provision of services to third parties in conjunction with the production of shipsets. These services include the following: The sale of technology and research results and conducting training courses for external business partners. These sales revenues shall be recorded over the period in which the services were rendered to the respective external business partner.

Parts of the Group's revenue come from construction contracts. The reporting of this revenue is explained in note 3 b) vi).

**4. FINANCIAL RISK MANAGEMENT****a) Principles of financial risk management**

Due to its business activities, the FACC Group is exposed to a variety of financial risks: market risks (includes the foreign currency risk, the interest-related risk from changes to the attributed fair value, the interest-related cash flow risk and the market price risk), credit risks and liquidity risks. The overarching risk management of the Group is focused on the unpredictability of the developments on the financial markets

and aims at minimising the potential negative impacts on the Group's financial situation. The Group utilises derivative financial instruments to hedge against certain risks. In principle, the Group does not utilise derivative financial instruments for speculation purposes.

Risk management is performed by the central treasury department (Group treasury). The Group treasury identifies, evaluates and hedges financial risks in close cooperation with the operative units of the Group.

The branch-specific risk of the Group lies in the change of aircraft delivery plans for manufacturers with respect to their final consumers. The risk from changes in future aircraft deliveries impacts the Group's future revenues since the supply quantities of the components manufactured by the Group change accordingly. The risk can arise in the form of a reduction in aircraft deliveries, but also due to postponement thereof. This results in development costs not being earned in the calculated period of time. This risk is met by diversifying within the branch: on the one hand, by maintaining supply contracts with the two dominant market providers of commercial aircraft and, on the other hand, by entering into supply contracts in both the large passenger aircraft and business jets segments. In addition, the Group is geographically diversified since it maintains supply contracts with the American/European market and in Asia. In addition, the FACC Group also acts as a development partner in the field of improving existing aircraft models which results in supply contracts for retrofitting existing aircraft models.

**b) Financial risk factors***i) Market risk*

Exchange rate and interest risks must be noted here in particular and are explained in more detail in the following. In addition to the two risk groups described above, there are no other significant market price risks.

**Foreign currency risk** – Due to payment flows from operative business in foreign currencies, primarily USD, the FACC Group is exposed to a foreign currency risk. As a result, profit or future cash flows are impacted by changes in the US dollar to euro exchange rate to the extent that the Group does not utilise financial instruments to hedge against its current and future net foreign currency position. The hedging strategies of the Group's treasury department aim at controlling and minimising the impact of exchange rate fluctuations on these profits and future cash flows. The Management Board approves the strategies and reports regularly to the Supervisory Board. This is a continuous process. The objective is to minimise the inherent risks from changes on the market with the right strategy.

The risk management of the Group's treasury department pursues the objective of hedging the expected cash flows in USD (from sales revenues and sales of raw materials) for the following periods: for the next twelve months a 100% hedge, for months 13 to 24 a 50% hedge, for months 25 to 36 a 25% hedge. The probability of these USD cash flows occurring as a hedging relationship is high with respect to accounting. Therefore, the Group reports the foreign exchange futures as hedging instruments in accordance with the rules of hedge accounting.

A change in the exchange rates with respect to all currencies on 29 February 2016 and 28 February 2017 would have essentially only an impact on the Group with respect to USD; on the one hand, due to the effects of the closing rate evaluation of the USD items in the Consolidated Financial Statements and, on the other hand, due to the effect of the change in the attributed fair values of the derivative financial instruments in conjunction with cash flow hedges.

A change in the EUR/USD exchange rate on 29 February 2016 and 28 February 2017 by +5% (average exchange rate, respectively: 1.088 and 1.0597) would have resulted in a reduction of income (net of tax) by kEUR 4,053 and kEUR 3,740, resulting from the closing rate evaluation, and an increase in other comprehensive income/loss and equity by kEUR 10,992 and kEUR 11,108, as well as an increase in equity by kEUR 6,939 and kEUR 7,368, resulting from the change in the attributed fair values from derivative financial instruments in conjunction with cash flow hedges.

A change in the EUR/USD exchange rate on 29 February 2016 and 28 February 2017 by -5% (average exchange rate, respectively: 1.088 and 1.0597) would have resulted in an increase of income (net of tax) by kEUR 4,480 and kEUR 4,134, resulting from the closing rate evaluation, and a reduction in other comprehensive income/loss by kEUR 11,967 and kEUR 12,006, as well as a reduction in equity by kEUR 7,487 and kEUR 7,872, resulting from the change in the attributed fair values from derivative financial instruments in conjunction with cash flow hedges.

**Interest risk** – Risks from changes in the interest level essentially only arise from non-current third-party financing. A list of all significant liabilities subject to interest and their remaining terms and information about existing interest swap transactions is included in notes 13, 14 and 15.

Whether an item is subject to a fixed or variable interest rate is evaluated by the Group taking the aspect of interest rate change risks into consideration with respect to changes in cash flows of future interest payments. In close cooperation with market specialists from the banking sector, the treasury department regularly performs a check for each item subject to interest to determine whether a hedging instrument can sensibly be applied. Strategies are submitted to and approved by the Management Board.

If the market interest rates had been 50 base points higher on 29 February 2016 and 28 February 2017, income (net of tax) and equity would have been kEUR 256 and kEUR 270 lower. A reduction of the market interest rate by 50 base points would have resulted in an increase of income (net of tax) and equity of the same amount. The calculation is based on the financial assets and liabilities subject to a variable interest rate.

### *ii) Liquidity risk*

A significant component of FACC's business policy is to always maintain sufficient cash and cash equivalents as a liquidity reserve in order to fulfill current and future obligations. This is largely secured by the reported total inventory of liquid assets and extensive, unused credit lines (kEUR 66,162 on 29 February 2016 and kEUR 61,000 on 28 February 2017). The amount of the working capital is constantly monitored and reported to the Management Board. Timely financing is the highest priority when making financing decisions. If needed, surplus liquid assets are invested in non-speculative highly liquid financial instruments, whereby these are primarily money market certificates, overnight money, securities and other money market instruments which are generally due within less than three months. Reference is made to note 4 e) with respect to an analysis of the due dates of the financial assets and liabilities.

In connection with the promissory note loans 2012 to 2017 (nominal volume in the amount of EUR 8 million; carrying amount EUR 8 million) and 2012 to 2019 (nominal volume EUR 34 million; carrying amount EUR 34 million) (variable interest rate from 6 month Euribor +1.2 percentage points to 6 month Euribor +2.25 percentage points, or a fixed interest rate of 2.82%–3.7%), a covenant was agreed according to which FACC Operations GmbH as issuer has to fulfill a certain corporate equity ratio (30% and 20% after deduction of the capitalised development costs). In the event of non-compliance with the covenant, the creditor has a termination right. The covenant was complied with on the financial statement dates of 28 February 2017 and 29 February 2016.

In connection with the bond 2013 to 2020 (nominal volume in the amount of EUR 90 million; carrying amount of EUR 89 million; fixed interest rate of 4%), FACC Operations GmbH as issuer made guarantees as to the specific amount of dividends calculated on the basis of the annual surplus and a certain equity ratio which must not decrease due to the payment of dividends. Thus, no more than 50% of the annual surplus may be paid to shareholders as dividends. In addition, the equity ratio of 30% must not be decreased due to the payment of dividends. In the event of non-compliance with the covenant, the creditor has a termination right. This covenant was complied with on the financial statement dates of 28 February 2017 and 29 February 2016.

In connection with the refinancing framework (carrying amount of EUR 26 million) of the Austrian Kontrollbank (ÖKB), FACC Operations GmbH as debtor made guarantees as to a specific corporate equity ratio of 35%. In the event of non-compliance with the covenant, the creditor has a termination right. This covenant was complied with on the financial statement dates of 28 February 2017 and 29 February 2016.

The Group values a sustainable financing portfolio. The financial liabilities subject to interest exhibited the following structure regarding interest rates and maturity on 28 February 2017 and 29 February 2016:

#### Financial liabilities subject to interest (interest rates and maturity)

The average interest rate of all financial liabilities subject to interest was 4.5% on 28 February 2017 and 5.9% as of 29 February 2016

#### iii) Credit risk

The Group is active in the aircraft industry and has two primary customers. Due to the limited number of aircraft manufacturers, it is therefore exposed to a concentration of credit risk.

The Group is exposed to a credit risk with respect to the non-performance of contract partners. The Group has introduced guidelines for limiting credit risks. Products and services are sold to customers with corresponding solvency. The financial situation, past experiences and additional factors are taken into account. New customers are evaluated with respect to the default risk based on credit ratings. The credit rating of existing customers is also monitored on a regular basis. Customer receivables surpassing a certain amount shall be insured against default. Credit risks also arise from cash and cash equivalents, derivative financial instruments and deposits with banks and other financial institutions. Such transactions are only executed with serious and credit-worthy banks and financial institutions.

The maximum credit risk corresponds to the carrying amount of each financial asset in the balance sheet.

Term to maturity	Carrying amount 29 February 2016 EUR'000	Carrying amount 28 February 2017 EUR'000
< 12 months and fixed	8,491	10,324
> 12 months and fixed	157,715	149,472
< 12 months and variable	13,143	43,975
> 12 months and variable	48,741	41,521
<b>Total</b>	<b>228,089</b>	<b>245,292</b>

#### c) Contract volumes of derivative financial instruments and corresponding attributed fair values

The nominal amounts of certain types of derivative financial instruments serve as a basis for comparison for the instruments reported in the balance sheet, but do not necessarily indicate the current attributed fair value and are therefore not a measurement for the credit or market price risk to which the Group is exposed. Depending on the individual conditions, the derivative financial instruments have a beneficial (assets) or negative (liabilities) impact depending on fluctuations in the market interest rate or exchange rate. The aggregated contractual or nominal amounts of the respective derivative financial instruments, the extent to which these are beneficial or have a negative impact and thus also the aggregated attributed fair value of the derivative financial assets and liabilities can be subject to severe temporal fluctuations.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The contract volume of the foreign currency derivatives is compiled as follows and structured by due date:

	Remaining term			Total USD'000
	Up to 1 year USD'000	1 to 5 years USD'000	More than 5 years USD'000	
Status as of 29 February 2016				
USD foreign exchange futures	255,000	80,000	–	335,000
<b>Status as of 28 February 2017</b>				
USD foreign exchange futures	270,000	60,000	–	330,000

The contractual due dates of the payments from the cash flow hedges, i.e. when the underlying transactions have an effect on income, essentially correspond to the due dates of the currency hedging contracts above.

The contract volume of the derivative financial instruments for interest hedges is composed as follows:

	Remaining term			Total USD'000
	Up to 1 year USD'000	1 to 5 years USD'000	More than 5 years USD'000	
Status as of 29 February 2016				
Interest rate swaps	20,000	–	–	20,000
<b>Status as of 28 February 2017</b>				
Interest rate swaps	–	–	–	–

The attributed fair values of derivative financial instruments for foreign cash flow hedges and interest hedges are as follows:

	Volume USD'000	Volume EUR'000	Fair value EUR'000
Status as of 29 February 2016			
USD foreign exchange futures	335,000	–	(28,378)
Interest rate swaps	–	20,000	(5,098)
<b>Status as of 28 February 2017</b>			
USD foreign exchange futures	330,000	–	(19,179)
Interest rate swaps	–	–	–

### d) Carrying amounts and fair value of financial instruments

The original financial instruments include essentially other non-current financial assets, trade receivables, credit with credit institutes, bonds, financial liabilities and trade payables.

All financial instrument purchases and sales are recorded on the date of fulfillment.

The valuation of the financial instruments is performed on the acquisition date, in principle, at the procurement costs that correspond with the attributed fair value at that time. The financial assets shall be written off if the rights to payments from the investment have expired or have been transferred and the Group has transferred essentially all risks and opportunities connected to the ownership of the asset. Financial liabilities shall be written off when the obligation to pay has expired.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The current and non-current financial assets and liabilities are compiled as follows, based on the categories in accordance with IAS 39:

ASSETS	Category IAS 39 <sup>1)</sup>	Carrying amount on 29 February 2016 EUR'000	Fair value on 29 February 2016 EUR'000	Carrying amount on 28 February 2017 EUR'000	Fair value on 28 February 2017 EUR'000
<b>Valuation at (amortised) cost carrying amount</b>					
Securities (unquoted)	AtFVtP&L	44	–	44	–
Non-current receivables	LaR	29,494	29,494	27,866	27,866
Trade receivables	LaR	92,626	92,626	98,875	98,875
Receivables from construction contracts	LaR	20,242	20,242	18,788	18,788
Receivables from related companies	LaR	19,060	19,060	28,533	28,533
Cash and cash equivalents	LaR	56,215	56,215	48,275	48,275
<b>Fair value measurement (fair value hierarchy according to IFRS 13: level 1)</b>					
Securities (quoted)	AfS	407	407	421	421
<b>Total financial assets</b>		<b>218,088</b>	<b>218,044</b>	<b>222,802</b>	<b>222,758</b>

LIABILITIES	Category IAS 39 <sup>1)</sup>	Carrying amount on 29 February 2016 EUR'000	Fair value on 29 February 2016 EUR'000	Carrying amount on 28 February 2017 EUR'000	Fair value on 28 February 2017 EUR'000
<b>Valuation at (amortised) cost carrying amount</b>					
Promissory note loans	FLAC	42,000	42,000	42,000	42,000
Liabilities towards credit institutes	FLAC	96,848	96,848	113,876	113,876
Trade payables	FLAC	72,679	72,679	59,809	59,809
Liabilities of related companies (Group financing)	FLAC	425	425	1,813	1,813
<b>Valuation at (amortised) cost carrying amount (fair value hierarchy according to IFRS 13: level 1)</b>					
Fair value measurement	FLAC	89,242	90,220	89,416	95,967
Derivates with negative fair value	AtFVtP&L	5,098	5,098	–	–
Derivates with negative fair value (foreign exchange futures)	–	28,378	28,378	19,179	19,179
<b>Total financial liabilities</b>		<b>334,670</b>	<b>335,648</b>	<b>326,093</b>	<b>332,644</b>

<sup>1)</sup> LaR Loans and Receivables  
AfS Available for Sale  
AtFVtP&L At Fair Value through Profit and Loss  
FLAC Financial Liabilities at Amortised Cost

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The fair value (attributed fair value) of a financial instrument is the price at which a party would assume the rights and/or obligations from this financial instrument from another party. The fair values were determined based on the market information available on the balance sheet date and the evaluation methods described below. In light of varying impact factors, the attributed fair values of financial instruments stated in the annual financial statement may deviate from the values to be realised on the market at a future date.

The majority of trade receivables, other receivables and cash and cash equivalents have short remaining terms. Therefore, their carrying amounts nearly correspond to the fair values on the balance sheet date. The fair values of non-current financial assets correspond, if no market prices are available, to the present values of the connected payments taking the respective current market parameters into account.

The fair value of the securities available for sale was determined based on their listed stock market price on the balance sheet date.

The trade payables and other current financial liabilities generally have short terms; the carrying amounts therefore nearly correspond to the fair values.

The fair value of bonds corresponds to the market value on the closing date. For variable interest rate loans, the carrying

amount constitutes the fair value. For non-current fixed rate liabilities towards credit institutes (including promissory note loans), the fair value was determined by discounting the cash flows applying a standard market interest rate. The fair value of non-current fixed rate receivables and liabilities pertains to the valuation hierarchy of IFRS 13, level 2.

The attributed fair value of the derivative financial instruments reported under assets and liabilities is the estimated amount the Group would have to pay or would receive if the transactions were settled on 29 February 2016 or 28 February 2017.

When evaluating the attributed fair value of evaluated financial instruments, a distinction is made between three evaluation hierarchies:

- Level 1: the prices quoted on active markets (unadjusted) for identical assets and liabilities
- Level 2: directly (i.e. as a price) or indirectly (i.e. derived from the price) observable input factors for the asset or liability that are unquoted prices that are assigned to level 1
- Level 3: input factors not based on observable market data for the asset or liability (i.e. input factors that cannot be observed). The evaluation is assigned to level 3 when an input factor that cannot be observed and significantly impacts the evaluation exists at the time of the evaluation.

The assignment of the financial instruments evaluated at the attributed fair value to the three evaluation hierarchies was as follows on the balance sheet date:

	Level 1 EUR'000	Level 2 EUR'000	Level 3 EUR'000	Total EUR'000
<b>STATUS AS OF 29 FEBRUARY 2016</b>				
<b>ASSETS</b>				
<b>Non-current assets</b>				
Non-current financial assets	407	–	–	407
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Derivative financial instruments	–	33,476	–	33,476

### STATUS AS OF 28 FEBRUARY 2017

<b>ASSETS</b>				
<b>Non-current assets</b>				
Non-current financial assets	421	–	–	421
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Derivative financial instruments	–	19,179	–	19,179

## e) Remaining terms and cash flow analysis of the financial liabilities

The remaining terms of the financial liabilities are as follows:

LIABILITIES	Category IAS 39 <sup>1)</sup>	Carrying amount on 29 February 2016 EUR'000	Remaining term			
			1 year EUR'000	2 years EUR'000	3 to 5 years EUR'000	More than 5 years EUR'000
<b>Valuation at (amortised) cost carrying amount</b>						
Bonds	FLAC	89,242	–	–	89,242	–
Promissory note loans	FLAC	42,000	–	8,000	34,000	–
Liabilities towards credit institutes	FLAC	96,848	21,634	8,903	32,533	33,778
Trade payables	FLAC	72,679	72,679	–	–	–
Liabilities towards related companies (Group financing)	FLAC	425	425	–	–	–
<b>Fair value measurement</b>						
Derivatives with negative fair value (interest rate swaps)	AtFVtP&L	5,098	5,098	–	–	–
Derivatives with negative fair value (foreign exchange futures)	–	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>

LIABILITIES	Category IAS 39 <sup>1)</sup>	Carrying amount on 28 February 2017 EUR'000	Remaining term			
			1 year EUR'000	2 years EUR'000	3 to 5 years EUR'000	More than 5 years EUR'000
<b>Valuation at (amortised) cost carrying amount</b>						
Bonds	FLAC	89,416	–	–	89,416	–
Promissory note loans	FLAC	42,000	8,000	–	34,000	–
Liabilities towards credit institutes	FLAC	113,876	46,299	16,133	22,129	29,315
Trade payables	FLAC	59,809	59,809	–	–	–
Liabilities towards related companies (Group financing)	FLAC	1,813	1,813	–	–	–
<b>Fair value measurement</b>						
Derivatives with negative fair value (interest rate swaps)	AtFVtP&L	–	–	–	–	–
Derivatives with negative fair value (foreign exchange futures)	–	19,179	15,634	3,544	–	–
<b>Total financial liabilities</b>		<b>326,093</b>	<b>131,555</b>	<b>19,677</b>	<b>145,545</b>	<b>29,315</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 upon payment obligations (interest and redemption payments) result from the financial liabilities for subsequent years as of 29 February 2016:

LIABILITIES	Category IAS 39 <sup>1)</sup>	Carrying amount on 29 February 2016 EUR'000	Fixed interest EUR'000
<b>Valuation at (amortised) cost carrying amount</b>			
Promissory note loans <sup>2)</sup>	FLAC	42,000	(634)
Bonds	FLAC	89,242	(3,600)
Liabilities towards credit institutes	FLAC	96,847	(1,118)
Trade payables	FLAC	72,679	–
Payables to related companies	–	425	–
<b>Fair value measurement</b>			
Derivatives with negative fair value (interest rate swaps) <sup>3)</sup>	AtFVtP&L	5,098	–
Derivatives with negative fair value (foreign exchange futures)	–	28,378	–
<b>Total financial liabilities</b>		<b>334,669</b>	<b>(5,353)</b>

The interest payments were calculated based on the most recent fixed interest rates on or prior to the balance sheet date. Scheduled payments for future new liabilities are not included in the presentation. Financial liabilities to be paid back at any time are always assigned to the earliest maturity date.

The following contractually agreed upon payment obligations (interest payments and repayment) result from the financial liabilities for subsequent years as of 28 February 2017:

LIABILITIES	Category IAS 39 <sup>1)</sup>	Carrying amount on 28 February 2017 EUR'000	Fixed interest EUR'000
<b>Valuation at (amortised) cost carrying amount</b>			
Promissory note loans <sup>2)</sup>	FLAC	42,000	(582)
Bonds	FLAC	89,416	(3,600)
Liabilities towards credit institutes	FLAC	113,876	(1,047)
Trade payables	FLAC	59,809	–
Payables to related companies	–	1,813	–
<b>Fair value measurement</b>			
Derivatives with negative fair value (interest rate swaps) <sup>3)</sup>	AtFVtP&L	–	–
Derivatives with negative fair value (foreign exchange futures)	–	19,179	–
<b>Total financial liabilities</b>		<b>326,093</b>	<b>(5,229)</b>

The interest payments were calculated based on the most recent fixed interest rates on or prior to the balance sheet date. Scheduled payments for future new liabilities are not included in the presentation. Financial liabilities to be paid back at any time are always assigned to the earliest maturity date.

<sup>1)</sup> FLAC Financial Liabilities at Amortised Cost

AtFVtP&L At Fair Value through Profit and Loss

<sup>2)</sup> See note 4 for further information on the covenant agreement (financial risk management).

<sup>3)</sup> Due to the partially high volatility of the interest rate landscape, a useful presentation of the interest payments based on an estimate of the interest rate development until the end of the maturity term of the interest derivative (in 2016) cannot be provided. Therefore, a presentation of the subsequent fiscal years has been completely omitted.

Fiscal year 2016/17			Fiscal years 2017/18 to 2020/21			Fiscal years 2021/22 and following	
Variable interest EUR'000	Repayments EUR'000	Fixed interest EUR'000	Variable interest EUR'000	Repayments EUR'000	Fixed interest EUR'000	Variable interest EUR'000	Repayments 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)	(33,777)
–	(72,679)	–	–	–	–	–	–
–	(425)	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	(24,430)	–	–	(3,948)	–	–	–
<b>(1,018)</b>	<b>(119,168)</b>	<b>(16,874)</b>	<b>(2,776)</b>	<b>(177,384)</b>	<b>(7,106)</b>	<b>(3,930)</b>	<b>(33,777)</b>

Fiscal year 2017/18			Fiscal years 2018/19 to 2021/22			Fiscal years 2022/23 and following	
Variable interest EUR'000	Repayments EUR'000	Fixed interest EUR'000	Variable interest EUR'000	Repayments EUR'000	Fixed interest EUR'000	Variable interest EUR'000	Repayments EUR'000
(419)	(8,000)	(762)	(532)	(34,000)	–	–	–
–	–	(8,354)	–	(90,000)	–	–	–
(549)	(46,299)	(3,389)	(1,425)	(38,262)	(6,475)	(3,576)	(29,315)
–	(59,809)	–	–	–	–	–	–
–	(1,813)	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	(15,634)	–	–	(3,544)	–	–	–
<b>(968)</b>	<b>(131,555)</b>	<b>(12,505)</b>	<b>(1,957)</b>	<b>(165,806)</b>	<b>(6,475)</b>	<b>(3,576)</b>	<b>(29,315)</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Group has access to the following lines of credit:

	29 February 2016 EUR'000	28 February 2017 EUR'000
<b>Total unused credit lines</b>	<b>66,162</b>	<b>61,000</b>

### f) Net income from financial instruments

The net income from the financial instruments based on classes or measurement categories in accordance with IAS 39 in-

clude net profits and losses, total interest income and expenses and impairment expenses, and are composed as follows:

	Fiscal year 2015/16				
	From subsequent valuation				
	From interest EUR'000	At fair value EUR'000	Impairment EUR'000	From disposals EUR'000	Total EUR'000
Loans and receivables	413	–	(296)	–	117
Disposable financial assets	10	13	–	–	23
Financial liabilities valued at fair value through profit and loss	(5,472)	5,242	–	–	(230)
Financial liabilities valued at the amortised cost carrying amount	(6,585)	–	–	–	(6,585)
<b>Total</b>	<b>(11,633)</b>	<b>5,255</b>	<b>(296)</b>	<b>–</b>	<b>(6,674)</b>

	Fiscal year 2016/17				
	From subsequent valuation				
	From interest EUR'000	At fair value EUR'000	Impairment EUR'000	From disposals EUR'000	Total EUR'000
Loans and receivables	258	–	(598)	–	(340)
Disposable financial assets	8	10	–	–	18
Financial liabilities valued at fair value through profit and loss	(4,267)	5,098	–	–	831
Financial liabilities valued at the amortised cost carrying amount	(6,209)	–	–	–	(6,209)
<b>Total</b>	<b>(10,210)</b>	<b>5,108</b>	<b>(598)</b>	<b>–</b>	<b>(5,700)</b>

The changes in impairments of loans and receivables is reported in “other operating income” and “other operating expenses”. The subsequent valuation at the fair value of the disposable financial assets is reported as a part of other comprehensive income/loss under “fair value valuation of

securities”. The remaining components of the net income are largely included in the financing expenses, interest income from financial instruments and under the item “fair value measurement of derivative financial instruments”.

## 5. SEGMENT REPORTING

Fiscal year 2015/16	Divisions			Total EUR'000
	Aerostructures EUR'000	Engines & Nacelles EUR'000	Interiors EUR'000	
<b>Information on profitability</b>				
Revenue	269,221	113,812	197,180	580,214
Income before interest, taxes and fair value measurement of derivative financial instruments	20,286	(14,654)	(14,795)	(9,163)
Depreciation, amortisation and impairment	(11,903)	(14,417)	(23,306)	(49,627)
Income before interest, taxes and fair value measurement of derivative financial instruments and depreciation and amortisation	8,383	(29,071)	(38,101)	(58,790)
<b>Information on assets</b>				
Assets	324,764	127,347	212,773	664,883
Of which intangible assets and property, plant and equipment	171,716	51,654	87,730	311,100
Investments during the fiscal year	30,407	5,432	15,025	50,865

Fiscal year 2016/17	Divisions			Total EUR'000
	Aerostructures EUR'000	Engines & Nacelles EUR'000	Interiors EUR'000	
<b>Information on profitability</b>				
Revenue	330,954	141,957	232,784	705,695
Income before interest, taxes and fair value measurement of derivative financial instruments	68,650	(7,782)	(3,165)	57,703
Depreciation, amortisation and impairment	(17,432)	(4,138)	(9,228)	(30,798)
Income before interest, taxes and fair value measurement of derivative financial instruments and depreciation and amortisation	51,219	(11,920)	(12,893)	26,905
<b>Information on assets</b>				
Assets	337,365	136,298	206,932	680,595
Of which intangible assets and property, plant and equipment	172,271	55,120	88,468	315,859
Investments during the fiscal year	16,621	7,620	10,165	34,406

The Group manufactures supply parts for the aviation industry, primarily for civil aircraft and helicopters. The range of products includes structural components (cladding components on the fuselage and tail unit, engine cowling components and composite parts for engines, wing components and wing tips) as well as components for interiors of aircraft (such as baggage storage areas, interior cladding, service units, etc.).

The segment reporting follows the internal control and reporting of FACC. Due to the different applications the products are used for, three operative segments were created. The "FACC Aerostructures" segment is responsible for the development, production and distribution of structural compo-

nents, the "FACC Interiors" segment is responsible for the development, production and distribution of interior furnishings and the "FACC Engines & Nacelles" segment is responsible for the production and distribution of engine components. After concluding the customer contracts and processing the order, the individual orders are manufactured at the Group's five plants. In addition to the three operative segments, the company also includes the central services for financial and controlling, human resources, quality assurance, purchasing and IT (including engineering services). The central services support the operative segments in fulfilling their duties in accordance with a matrix organisation.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

In separate monthly management review meetings, the segment managers report to the Management Board (primary decision makers). The current status of the order situation, revenue, coverage contributions for individual projects, dates and milestones, project and development risks, proposal calculation and proposal creation, necessary investments and other important operative topics are discussed and, if necessary, immediate decisions are made.

The segmented assets and expenses and income are assigned to the three segments using a defined procedure. The total segment income constitutes external revenue with external parties.

The internal reporting in the segments is based primarily on information on profitability. As part of the segment calculation, profitability is calculated on the project level in the form of

direct costing and summarised in segments. The expenses and income not directly attributable to the project level were assigned to the segments based on a defined code.

With the exception of depreciations, amortisations and write-downs, there were no other significant non-cash expenses in the individual segments. Furthermore, there was no significant non-cash income.

The segment assets include the portion of the non-current and current assets utilised for the operative activity of the segment. This includes, in particular, intangible assets, property, plant and equipment, cash and cash equivalents, provisions and trade receivables. Liabilities were not divided by segment since this has also not been done in internal controlling and reporting.

VALUES ON 29 FEBRUARY 2016	Domestic EUR'000	USA EUR'000	Canada EUR'000	Germany EUR'000	Other foreign countries EUR'000	Total EUR'000
Revenue	2,640	166,764	66,743	235,693	108,375	580,214

### VALUES ON 28 FEBRUARY 2017

Revenue	1,966	178,221	66,809	327,490	131,210	705,695
---------	-------	---------	--------	---------	---------	---------

The revenue is segmented into geographic regions based on the customer's headquarters.

For the fiscal year ending on 29 February 2016, the Group earned revenue from two external customers which each exceeded 10% of total revenues, namely by kEUR 187,804 and kEUR 70,776 respectively.

For the fiscal year ending on 28 February 2017, the Group earned revenue from two external customers which each exceeded 10% of total revenue, namely by kEUR 288,279 and kEUR 67,473.

Sales revenues from external customers are generated from the production of shipsets and engineering services and other services in conjunction with the production of shipsets. The sales revenues are broken down as follows:

	2015/16 EUR'000	2016/17 EUR'000
Production	518,580	646,092
Engineering and services	61,634	59,603
<b>Total sale revenues</b>	<b>580,214</b>	<b>705,695</b>

## 6. INTANGIBLE ASSETS

Fiscal years 2015/16 and 2016/17	Goodwill EUR'000	Software EUR'000	Supply rights EUR'000	Research and development costs EUR'000	Other EUR'000	Total EUR'000
<b>Procurement costs</b>						
<b>Status as of 1 March 2015</b>	<b>18,595</b>	<b>18,752</b>	<b>29,119</b>	<b>148,060</b>	<b>-</b>	<b>214,526</b>
Additions	-	530	55	23,983	-	24,568
From consolidation	-	2	-	-	-	2
From final consolidation	-	(93)	-	-	-	(93)
Disposals	-	-	-	-	-	-
<b>Status as of 29 February 2016</b>	<b>18,595</b>	<b>19,191</b>	<b>29,174</b>	<b>172,043</b>	<b>-</b>	<b>239,003</b>
Additions	-	210	60	16,368	-	16,638
From consolidation	-	70	-	-	-	70
Disposals	-	-	-	-	-	-
<b>Status as of 28 February 2017</b>	<b>18,595</b>	<b>19,471</b>	<b>29,234</b>	<b>188,411</b>	<b>-</b>	<b>255,711</b>
<b>Accumulated scheduled amortisation and impairment</b>						
<b>Status as of 1 March 2015</b>	<b>-</b>	<b>14,802</b>	<b>14,345</b>	<b>33,720</b>	<b>-</b>	<b>62,867</b>
Scheduled amortisation	-	2,192	1,126	6,751	-	10,069
Impairment	-	-	-	20,200	-	20,200
Restructuring	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
<b>Status as of 29 February 2016</b>	<b>-</b>	<b>16,994</b>	<b>15,471</b>	<b>60,671</b>	<b>-</b>	<b>93,136</b>
Scheduled amortisation	-	1,447	2,219	8,281	-	11,947
Impairment	-	-	-	883	-	883
Disposals	-	-	-	-	-	-
<b>Status as of 28 February 2017</b>	<b>-</b>	<b>18,441</b>	<b>17,690</b>	<b>69,836</b>	<b>-</b>	<b>105,967</b>
<b>Carrying amounts on 29 February 2016</b>	<b>18,595</b>	<b>2,197</b>	<b>13,703</b>	<b>111,371</b>	<b>-</b>	<b>145,867</b>
<b>Carrying amounts on 28 February 2017</b>	<b>18,595</b>	<b>1,030</b>	<b>11,544</b>	<b>118,575</b>	<b>-</b>	<b>149,743</b>

Supply rights are payments for the right to supply customers with specific aircraft components.

Reference is made to note 33 regarding information on the impairment test of the goodwill.

Respective amounts of kEUR 2,317 (29 February 2016) and kEUR 2,913 (28 February 2017) were posted under expenses as research expenses.

## 7. PROPERTY, PLANT AND EQUIPMENT

Fiscal years 2015/16 and 2016/17	Properties, buildings EUR'000	Technical facilities EUR'000	Operating and office equipment EUR'000	Facilities under construction EUR'000	Total EUR'000
<b>Procurement costs</b>					
<b>Status as of 1 March 2015</b>	<b>100,825</b>	<b>147,999</b>	<b>22,418</b>	<b>14,065</b>	<b>285,307</b>
Additions	540	6,944	2,196	16,616	26,296
From consolidation	-	-	48	-	48
Transfers	162	7,773	264	(8,199)	-
From final consolidation	-	-	(5)	-	(5)
Disposals	-	-	(323)	-	(323)
<b>Status as of 29 February 2016</b>	<b>101,527</b>	<b>162,716</b>	<b>24,598</b>	<b>22,482</b>	<b>311,323</b>
Additions	983	12,486	1,745	3,615	18,829
From consolidation	-	-	38	-	38
Transfers	1,808	10,378	252	(12,438)	-
Disposals	-	(10)	(546)	-	(556)
<b>Status as of 28 February 28 2017</b>	<b>104,318</b>	<b>185,570</b>	<b>26,087</b>	<b>13,659</b>	<b>329,634</b>
<b>Accumulated depreciation</b>					
<b>Status as of 1 March 2015</b>	<b>20,492</b>	<b>92,162</b>	<b>14,401</b>	<b>-</b>	<b>127,055</b>
Scheduled depreciation	2,843	10,855	2,144	-	15,841
Impairment	-	3,515	-	-	3,515
Disposals	-	-	(323)	-	(323)
<b>Status as of 29 February 2016</b>	<b>23,335</b>	<b>106,531</b>	<b>16,222</b>	<b>-</b>	<b>146,088</b>
Scheduled depreciation	2,918	12,110	2,031	-	17,058
Impairment	-	910	-	-	910
Disposals	-	(1)	(537)	-	(538)
<b>Status as of 28 February 2017</b>	<b>26,253</b>	<b>119,550</b>	<b>17,716</b>	<b>-</b>	<b>163,518</b>
<b>Carrying amounts on 29 February 2016</b>	<b>78,192</b>	<b>56,185</b>	<b>8,376</b>	<b>22,482</b>	<b>165,234</b>
<b>Carrying amounts on 28 February 2017</b>	<b>78,065</b>	<b>66,020</b>	<b>8,371</b>	<b>13,659</b>	<b>166,116</b>

Certain properties and buildings serve as collaterals for liabilities towards credit institutions (see note 13).

The finance leasing relationships in the Group pertain to properties and buildings at the procurement costs in the

amount of kEUR 20,632. At the end of the 2016/17 fiscal year, accumulated depreciations in the amount of kEUR 1,443 were posted. This resulted in a net carrying amount of the relevant assets of kEUR 19,189.

## 8. OTHER NON-CURRENT FINANCIAL ASSETS

	Securities EUR'000	Book-entry securities EUR'000	Total EUR'000
<b>Fair value on 1 March 2015</b>	<b>425</b>	<b>44</b>	<b>469</b>
Additions	–	–	–
Unrecognised changes in fair value	(17)	–	(17)
<b>Fair value on 29 February 2016</b>	<b>407</b>	<b>44</b>	<b>451</b>
Additions	–	–	–
Unrecognised changes in fair value	14	–	14
<b>Fair value on 28 February 2017</b>	<b>421</b>	<b>44</b>	<b>465</b>

The pension reinsurance (plan asset) was offset with the retirement benefit provisions in the 2016/17 fiscal year. The pension reinsurance (plan asset) offset with the retirement benefit provisions in the 2016/17 fiscal year has a carrying amount of kEUR 1,779 (see note 16 a)).

**Securities (quoted)**

The disposable securities cover the retirement benefit obligations according to the provisions of section 14 and 116 of the Austrian Income Tax Law (EStG). The carrying amount corres-

ponds to the market price on the corresponding balance sheet date (29 February 2016 and 28 February 2017).

**Book-entry securities (unquoted)**

Unquoted book-entry securities pertaining to the Group shares in Techno-Z Ried Technologiezentrum GmbH, Ried im Innkreis were accounted for under other non-current financial assets in the Consolidated Statement of Financial Position on 29 February 2016.

	Share	Carrying amount on 29 February 2016 EUR'000	Carrying amount on 28 Februar 2017 EUR'000
Techno-Z Ried Technologiezentrum GmbH, Ried im Innkreis	2.95%	44	44
<b>Status</b>		<b>44</b>	<b>44</b>

All non-current financial assets are quoted in EUR.

## 9. INVENTORY

Carrying amount	29 February 2016 EUR'000	28 Februar 2017 EUR'000
Raw, auxiliary and operating materials	66,969	65,703
Unfinished products	34,858	35,943
Finished products	5,996	11,733
<b>Status (after deduction of write-downs)</b>	<b>107,823</b>	<b>113,379</b>

Based on a detailed analysis of the inventory for slow-moving items and due to reduced net sales prices, write-downs of the inventory in the amount of kEUR 4,128 (29 February 2016) and kEUR 4,039 (28 February 2017) were generated.

Write-downs on inventory in the amount of kEUR 471 (29 February 2016) and kEUR 89 (28 February 2017) were posted with an effect on profit.

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

Carrying amount	29 February 2016 EUR'000	28 February 2017 EUR'000
Current trade receivables	92,626	98,875
Non-current trade receivables	10,349	8,684
Receivables from construction contracts (= incurred costs)	20,242	18,788
<b>Customer receivables</b>	<b>123,217</b>	<b>126,347</b>
Other receivables	14,037	18,593
Deferred items	1,300	1,454
Receivables from related companies	19,060	28,533
<b>Status</b>	<b>157,614</b>	<b>174,927</b>

The FACC Group recognises construction contracts in accordance with IAS 11 using the zero-profit method since the income from a production order cannot be reliably and regularly determined due to the specificities of the orders. Thus, the income from orders is only recorded to the extent the or-

der costs incurred can likely be obtained from the customer. During the 2016/17 fiscal year, incurred order costs = income from orders in the amount of kEUR 13,697 (kEUR 21,681 on 29 February 2016) were recorded.

On the balance sheet date, the following construction contracts exist with outstanding customer balances:

Carrying amount	29 February 2016 EUR'000	28 February 2017 EUR'000
Total incurred costs	20,242	18,788
Less partial settlements	-	-
<b>Receivables from construction contracts</b>	<b>20,242</b>	<b>18,788</b>

The receivables from construction contracts correspond to the carrying amount of the receivables from construction contracts posted in the balance sheet since there were no partial settlements. There are no withholdings for partial settlements either.

Received advanced payments from customers in conjunction with construction contracts for which there is no rendered service yet are recorded as trade payables with a carrying amount of kEUR 1,627 (kEUR 4,023 on 29 February 2016).

Carrying amount	29 February 2016 EUR'000	28 February 2017 EUR'000
Current and non-current trade receivables and receivables from construction contracts	126,413	128,752
Less write-downs and discounting on trade receivables	(3,196)	(2,405)
Trade receivables, net	123,217	126,347
Other receivables	14,037	18,593
Deferred items	1,300	1,454
Receivables from related companies	19,060	28,533
<b>Status</b>	<b>157,614</b>	<b>174,927</b>

The Group revenue is based largely on a payment objective of 30 to 120 days from the date of invoice.

On 29 February 2016 and 28 February 2017, trade receivables in the amount of kEUR 34,817 and kEUR 20,624, respec-

tively, were overdue but not yet impaired. These receivables pertain to a number of independent customers who have not been in default recently. On the financial statement date, there is no indication that the debtors will not fulfill their payment obligations.

Trade receivables (overdue and not impaired)	0 to 30 days EUR'000	31 to 60 days EUR'000	61 to 90 days EUR'000	91 to 120 days EUR'000	121 to 180 days EUR'000	181 to 365 days EUR'000	More than 365 days EUR'000
Status as of 29 February 2016	15,108	2,958	4,187	2,948	203	1,288	8,125
<b>Status as of 28 February 2017</b>	<b>7,688</b>	<b>2,302</b>	<b>164</b>	<b>2,349</b>	<b>63</b>	<b>2,473</b>	<b>5,583</b>

The Group maintains a non-recourse cession agreement with a financial institution in conjunction with receivables from

seven customers. The assigned amount reduces the trade receivables of the FACC Group.

The write-downs of trade receivables developed as follows:

	29 February 2016 EUR'000	28 February 2017 EUR'000
<b>Write-downs and discounting of trade receivables, status of the previous period</b>	<b>2,643</b>	<b>3,196</b>
Use	–	–
Reversal	(1,082)	(1,902)
Addition	1,635	1,111
<b>Write-downs and discounting, status of financial statement date</b>	<b>3,196</b>	<b>2,405</b>

Other receivables include:

	29 February 2016 EUR'000	28 February 2017 EUR'000
<b>Carrying amount</b>		
Credit balance tax office	12,156	10,534
Other	1,881	8,059
<b>Status</b>	<b>14,037</b>	<b>18,593</b>

The other receivables do not include notably overdue receivables. Furthermore, no notable write-downs were performed on these receivables. All other receivables have a remaining term of up to one year.

The receivables from related companies include:

The Group has reported receivables from Fesher Aviation Component (Zhenjiang) Co. Ltd., Shanghai Aircraft Manufac-

turing Co. Ltd. and XAIC Tech. (Xi'an) Industrial Co., Ltd. With respect to receivables from related companies, kEUR 1,794 are due beyond 120 days. No notable write-downs were performed on these receivables. In conjunction with the overdue receivables from related companies, after the balance sheet date for the 2016/17 fiscal year, payments in the amount of kEUR 1,672 were received. These receivables have a remaining term of up to one year.

Non-current receivables include:

	29 February 2016 EUR'000	28 February 2017 EUR'000
<b>Carrying amount</b>		
Non-current trade receivables	10,349	8,684
Receivables from the "Fake President Incident"	10,860	10,860
Advanced payments and deposits	8,285	8,322
<b>Status</b>	<b>29,494</b>	<b>27,866</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

With the exception of the following receivables, all trade receivables and receivables from related companies, as in the previous year, have a remaining term of up to one year:

Receivable from the customer Rohr Inc., Chula Vista, USA, with a nominal amount of kEUR 3,567 (corresponds to a cash value of kEUR 3,441) with an annual repayment plan starting on 15 January 2015 and ending on January 15, 2019 and a further receivable with a nominal amount of kEUR 4,630 (corresponds to a cash value of kEUR 4,109) with a non-current repayment plan dependent upon the number of annually delivered units starting on 1 March 2014 and ending at the time at which 1,108 units have been delivered. For one customer, in conjunction with a development project, a receivable in the amount of kEUR 1,178 was reported under "non-current",

since the payment agreement provides for a non-current repayment plan dependent upon the number of annually delivered units starting on 1 March 2015.

During the reporting period 2015/2016, the company lost kEUR 52,847 in cash flows from the company as a result of an external fraud (fake president incident). As a result of directly initiated measures, we were able to block kEUR 10,860 to receiver accounts. This amount is recognised as long term receivables. This is because the subsidiary FACC Operations GmbH sees itself as the legal owner of the money and assumes a refund by bank transfer on the basis of a legal opinion. The assumption is that the funds blocked in the recipient accounts will not be returned in the near future.

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

	29 February 2016 EUR'000	28 February 2017 EUR'000
GBP	191	–
USD	115,734	119,582
EUR	41,689	55,345
	<b>157,614</b>	<b>174,927</b>

### 11. CASH AND CASH EQUIVALENTS

Carrying amount	29 February 2016 EUR'000	28 February 2017 EUR'000
Bank balance	56,032	48,248
Cash balance	28	27
Received	155	–
<b>Checks</b>	<b>56,215</b>	<b>48,275</b>

### 12. EQUITY AND CAPITAL MANAGEMENT

#### a) Share capital

FACC AG's unchanged share capital amounts to kEUR 45,790 and has been paid in full. It is divided into 45,790,000 units at a price of EUR 1 each.

#### b) Capital reserve

The capital reserve amounts to kEUR 221,459 (kEUR 221,459 on 29 February 2016).

#### c) Reserves for cash flow hedges

The reserve for cash flow hedges results from changes in the fair value of hedging instruments which must be recorded di-

rectly in equity in accordance with IAS 39 (cash flow hedges). The effective share of the fair value changes was recorded in comprehensive income under cash flow hedge reserve. These changes in the equity shall be reported net of tax under other comprehensive income/loss in the Consolidated Statement of Comprehensive Income. The ineffective portion of the fair value changes in the amount of kEUR 0 (Monday, 29 February 2016) and kEUR 0 (Tuesday, 28 February 2017) was recorded to profit or loss in the Consolidated Statement of Comprehensive Income. The reserve for cash flow hedges shall be liquidated to profit or loss while also liquidating the amount recorded under other comprehensive income/loss if the underlying hedged transactions are recorded in the Consolidated Statement of Comprehensive Income to profit or loss.

The changes in the fair value of forward exchange transactions which are designated as hedging instruments are as follows:

	EUR'000
<b>Status as of 1 March 2015</b>	<b>(19,779)</b>
Recycling in the Consolidated Statement of Comprehensive Income, net	19,779
Change in the fair value of hedging instruments, net	(9,727)
<b>Status as of 29 February 2016</b>	<b>(9,727)</b>
Recycling in the Consolidated Statement of Comprehensive Income, net	9,727
Change in the fair value of hedging instruments, net	(9,444)
<b>Status as of 28 February 2017</b>	<b>(9,444)</b>

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

Actuarial profits and losses in conjunction with termination benefits and pension obligations shall be recorded in equity for previous periods and the current period as other provisions for revaluation effects of termination benefits and pension obligations (provision IAS 19).

#### e) Dividends

Dividends in the amount of kEUR 0 (2015/16: kEUR 0) were distributed to the equity holders during the reporting period.

#### f) Capital management

The objective of capital management is to maintain a strong capital base in order to face the specific company risks (growth and development risks) with a balanced capital structure. Management considers solely the carrying amount of the equity as capital in accordance with IFRS. The objective is an equity ratio of at least 30%. On the balance sheet date, the equity ratio (ratio of equity to total assets) was 40% (29 February 2016) and 42% (28 February 2017).

### 13. BONDS AND PROMISSORY NOTE LOANS

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

	Nominal value EUR'000	Carrying amount on 29 February 2016 EUR'000	Carrying amount on 28 February 2017 EUR'000
Promissory note loans 2012 to 2017	8,000	8,000	8,000
Promissory note loans 2012 to 2019	34,000	34,000	34,000
FACC bond 2013-20 (ISIN AT0000A10J83)	90,000	89,242	89,416
<b>Status</b>	<b>132,000</b>	<b>131,242</b>	<b>131,416</b>

### 14. OTHER FINANCIAL LIABILITIES

This item includes all liabilities with a residual term of less than one year:

	Carrying amount on 29 February 2016 EUR'000	Carrying amount on 28 February 2017 EUR'000
Liabilities towards credit institutions	15,613	34,851
Liabilities from finance leasing	490	878
Other financial liabilities	5,531	10,566
<b>Status</b>	<b>21,634</b>	<b>46,295</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

This item includes all liabilities with a residual term of more than one year:

	Carrying amount on 29 February 2016 EUR'000	Carrying amount on 28 February 2017 EUR'000
Liabilities towards credit institutions of which a residual term of more than 5 years	57,141 19,335	50,197 15,215
Liabilities from finance leasing of which a residual term of more than 5 years	18,996 14,442	18,118 14,100
Other financial liabilities of which a residual term of more than 5 years	(924) –	(464) –
<b>Status</b>	<b>75,213</b>	<b>67,851</b>
of which a residual term of more than 5 years	33,778	29,315

Certain liabilities towards credit institutes are secured by granting liens to operational properties, by guarantees from the AWS, by state guarantees for loans in the framework of subsidies agreements from the Austrian Research Promotion Agency and by chattel mortgages on machines. The export loan in the control bank procedure is secured by export receivables in

the amount of 120% of the amount granted. In order to utilise preferential interest rates for research funding loans, certain constraints must be met. The collateral for certain liabilities towards credit institutions in conjunction with properties and buildings amounted to kEUR 15,966 on Monday, 29 February 2016 and kEUR 15,966 on Tuesday, 28 February 2017.

The interest change risks and contractual interest adjustment dates connected to variable interest rate financial liabilities are as follows on the balance sheet date:

Carrying amount	29 February 2016 EUR'000	28 February 2017 EUR'000
Six months or less	13,290	51,168
Six to twelve months	43,986	18,996
<b>Status</b>	<b>57,276</b>	<b>70,164</b>

The carrying amounts and the attributed fair values of the non-current fixed interest financial liabilities are:

	29 February 2016 Carrying amount EUR'000	29 February 2016 Fair value EUR'000	28 February 2017 Carrying amount EUR'000	28 February 2017 Fair value EUR'000
Bond	89,242	90,220	89,416	95,967
Promissory notes	17,500	17,500	15,000	15,000
Liabilities towards credit institutes	56,534	56,534	51,820	51,820
<b>Status</b>	<b>163,276</b>	<b>164,245</b>	<b>156,236</b>	<b>162,787</b>

The carrying amounts of current financial liabilities nearly correspond to the attributed fair values since the effects of discounting are insignificant.

**Liabilities from finance leasing – minimum leasing payments**

	29 February 2016 EUR'000	28 February 2017 EUR'000
Up to one year	967	961
After more than one year and up to five years	4,140	4,716
After more than five years	20,229	18,753
Future financing costs from finance leasing	(5,849)	(5,434)
<b>Present value of liabilities from finance leasing</b>	<b>19,487</b>	<b>18,996</b>

The maturity of the liabilities from finance leasing is as follows:

	29 February 2016 EUR'000	28 February 2017 EUR'000
Up to one year	905	878
After more than one year and up to five years	4,140	4,018
After more than five years	14,442	14,100
<b>Total</b>	<b>19,487</b>	<b>18,996</b>

**15. DERIVATIVE FINANCIAL INSTRUMENTS**

The nominal amounts for derivative financial instruments are as follows:

	29 February 2016 USD'000	28 February 2017 USD'000
Forward exchange transactions	335,000	330,000
<b>Total, current</b>	<b>335,000</b>	<b>330,000</b>

	29 February 2016 EUR'000	28 February 2017 EUR'000
Interest rate swaps	20,000	–
<b>Current share</b>	<b>20,000</b>	<b>–</b>

The full attributed fair value of a derivative financial instrument is classified as a non-current asset/liability if the remaining term exceeds twelve months; if the remaining term does not exceed twelve months it is classified as a current asset/liability.

A positive attributed fair value is recorded on the asset side under the item “derivative financial instruments”. A negative attributed fair value is recorded on the liability side under the item “derivative financial instruments”.

**a) Forward exchange transactions**

Forward exchange transactions are concluded to hedge against the currency risk resulting from the product of sales in a currency other than the functional currency of the Group. In order to recognise them as hedging relationships, qualified forward exchange transactions are illustrated as cash flow hedges in accordance with IAS 39. Forward exchange transactions that are not recorded as cash flow hedges are illustrated as freestanding derivatives.

Hedged transactions in foreign currencies are expected to occur during the hedged periods. Profits and losses from forward exchange transactions that are recorded as comprehensive income in the reserve for cash flow hedges in equity shall be reposted to profit or loss in the period income for the period(s) in which the hedged, expected transaction has an effect on comprehensive income in the Consolidated Statement of Comprehensive Income. This is generally done within a maximum of 36 months after the balance sheet date.

#### b) Interest rate swaps

In order to hedge against the interest risk of the financial liabilities subject to interest, interest swapping agreements were made that are not illustrated as hedging relationships in accordance with IAS 39 but are instead recognised as freestanding derivatives.

## 16. INVESTMENT GRANTS

The non-current and current investment subsidies amount to kEUR 13,289 (Monday, 29 February 2016) and kEUR 13,546 (Tuesday, 28 February 2017). The significant portion of the investment subsidies is contingent upon constraints which, in general, have to be met for three to five years from the time the final invoice is recognised by the funding body. These largely pertain to a minimum number of employees that have to be employed and the constraint that the funded assets have to remain at the project location and may not be sold. The other investment subsidies pertain to receivables for development projects and shall be liquidated based on the duration of the project.

## 17. EMPLOYEE BENEFIT OBLIGATIONS

Provisions	29 February 2016 EUR'000	28 February 2017 EUR'000
Provisions for pensions a)	2,008	–
Provisions for severance benefits b)	7,288	7,333
Provisions for anniversary bonuses c)	1,463	1,712
<b>Total</b>	<b>10,759</b>	<b>9,045</b>

Amounts recorded in the Consolidated Statement of Comprehensive Income	2015/2016 EUR'000	2016/2017 EUR'000
Pension obligations	(674)	(2,008)
Severance obligations	618	45
Provisions for anniversary funds	443	249
Early retirement benefits	(10)	–
<b>Total</b>	<b>377</b>	<b>(1,714)</b>

The accrual for pension benefits was offset by existing plan assets from a pension reinsurance scheme.

#### a) Pension benefit obligations

The amounts indicated in the balance sheet on 29 February 2016 are as follows:

	2015/16 EUR'000
Present value of the retirement benefit obligations on 1 March, gross	4,318
Service costs	–
Interest costs	65
Revaluation effects (recorded in other comprehensive income/loss minus deferred taxes)	(739)
Reversal as a result of persons entitled to benefits leaving the company	–
Cash value of retirement benefit obligations at the end of the period (DBO), gross	3,643
Fair value plan asset (pension reinsurance)	(1,635)
Net liabilities (provision) on 29 February 2016	2,008

The amounts indicated in the balance sheet on Monday, 28 February 2017 are as follows:

	2016/17 EUR'000
Present value of the retirement benefit obligations on 1 March gross	2,008
Reversal as a result of persons entitled to benefits leaving the company	(2,008)
Present value of retirement benefit obligations at the end of the period (DBO), gross	–
Fair value plan asset (pension reinsurance))	–
<b>Net liabilities (provision) on 28 February 2017</b>	<b>–</b>

The amounts included in the Consolidated Statement of Comprehensive Income are as follows:

	2015/16 EUR'000	2016/17 EUR'000
Service costs	–	–
Interest costs	65	–
Revaluation effects (recorded in other comprehensive income/loss minus deferred taxes)	(739)	–
Service costs not yet accounted for	–	–
<b>Total</b>	<b>(674)</b>	<b>–</b>

The following essential actuarial assumptions were applied:

	2015/16	2016/17
Interest rate	2.00%	–
Retirement benefit and salary increases	2.00%	–
Salaried employee fluctuations	none	–
Retirement age for men	60 years	–
Life expectancy <sup>1)</sup>	AVÖ 2008-P	–

All expenses in conjunction with retirement benefits in the 2015/2016 fiscal year were reported in the Consolidated Statement of Comprehensive Income under the item “personnel costs”.

#### b) Provision for severance benefits

	2015/16 EUR'000	2016/17 EUR'000
Present value of severance benefit obligations at the beginning of the period	6,358	7,288
Other termination provisions	577	(353)
Service costs	342	350
Interest costs	145	133
Revaluation effects (recorded in other comprehensive income/loss minus deferred taxes)	73	223
Termination benefits	(207)	(308)
<b>Present value of severance benefits at the end of the period (DBO)</b>	<b>7,288</b>	<b>7,333</b>

<sup>1)</sup> The assumptions pertaining to future life expectancy are based on actuarial consultation and published statistics and experience. Mortality probabilities are based on mortality tables in Austria (published by the Austrian Actuarial Association).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The calculations on Monday, 29 February 2016 and Tuesday, 28 February 2017 are based on the following assumptions:

	29 February 2016	28 February 2017
Interest rate	2.00%	1.70%
Retirement benefit and salary increases	2.00%	2.00%
Salaried employee fluctuation	4.00%	4.16%
Employee fluctuation	2.70%	3.57%
Retirement age for women	60 years	60 years
Retirement age for men	65 years	65 years
Life expectancy	AVÖ 2008-P	AVÖ 2008-P
Duration	15.05 years	14.77 years

The statutory transitional provisions pertaining to retirement ages were taken into account.

All expenses in conjunction with termination benefits, with the exception of the revaluation effects, are reported in the Consolidated Statement of Comprehensive Income under the item "personnel costs".

### c) Accruals for anniversary bonuses

	2015/16 EUR'000	2016/17 EUR'000
Present value of anniversary bonus obligations at the beginning of the period	1,020	1,463
Service costs	480	224
Interest costs	23	29
Actuarial profit/loss during the period	(45)	36
Anniversary bonus payments	(15)	(40)
<b>Present value of anniversary bonus obligations at the end of the period</b>	<b>1,463</b>	<b>1,712</b>

The calculation of the provisions for anniversary bonuses is based on a duration of 13.91 years on 28 February 2017 and 13.72 years 29 February 2016. All expenses in conjunction with anniversary bonuses are reported in the Consolidated Statement of Comprehensive Income under the item "personnel costs".

*Defined contribution plans (employee pension fund – "new termination model")*

Per fiscal year, kEUR 1,524 (29 February 2016) and kEUR 1,729 (28 February 2017) were discharged to the employee pension fund.

*Defined contribution plans (pension fund)*

Per fiscal year, kEUR 131 (29 February 2016) and kEUR 133 (28 February 2017) were discharged to the inter-company pension fund.

## 18. TRADE PAYABLES

The maturity analysis for trade payables on 28 February 2015 and 29 February 2016 resulted in the following:

	29 February 2016 EUR'000	28 February 2017 EUR'000
Within 90 days	72,667	58,927
More than 90 days and within 360 days	12	882
<b>Total</b>	<b>72,679</b>	<b>59,809</b>

## 19. OTHER LIABILITIES AND DEFERRED ITEMS, LIABILITIES OF RELATED COMPANIES

	Carrying amount on 29 February 2016 EUR'000	Carrying amount on 28 February 2017 EUR'000
Liabilities from social security	3,436	3,717
Other liabilities	1,851	2,844
Liabilities towards employees	18,754	19,999
Deferred items	1,485	873
<b>Status</b>	<b>25,526</b>	<b>27,433</b>

Liabilities of related companies essentially pertain to trade payables.

## 20. OTHER ACCRUALS

	Warranties EUR'000	Other EUR'000	Total EUR'000
<b>Status as of 1 March 2015</b>	<b>1,439</b>	<b>5,203</b>	<b>6,642</b>
Use / Dissolution	(1,345)	(3,244)	(4,680)
New	2,803	10,259	11,305
<b>Status as of 29 February 2016</b>	<b>2,897</b>	<b>10,461</b>	<b>13,358</b>
<b>Of which, current</b>	<b>2,897</b>	<b>10,461</b>	<b>13,358</b>
<b>Of which, non-current</b>	<b>-</b>	<b>-</b>	<b>-</b>

In conjunction with warranty claims, an accrual was recognised solely for concrete obligations.

The other accruals include an accrual for follow-up costs (pending incoming invoices) in conjunction with a number

of development and production projects in the amount of kEUR 3,876, an accrual for pending freight costs in the amount of kEUR 281 and an accrual for legal disputes in the amount of kEUR 713.

	Project-related provisions EUR'000	Warranties EUR'000	Other EUR'000	Total EUR'000
<b>Status as of 1 March 2016</b>	<b>-</b>	<b>2,897</b>	<b>10,461</b>	<b>13,358</b>
Use / Dissolution	-	(2,736)	(10,461)	(13,197)
New	7,451	7,967	4,878	20,296
<b>Status as of 28 February 2017</b>	<b>7,451</b>	<b>8,129</b>	<b>4,878</b>	<b>20,458</b>
<b>Of which current</b>	<b>366</b>	<b>8,129</b>	<b>4,878</b>	<b>13,373</b>
<b>Of which non-current</b>	<b>7,085</b>	<b>-</b>	<b>-</b>	<b>7,085</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

In conjunction with warranty claims, a provision was recognised solely for concrete obligations.

The other provisions include a provision for follow-up costs (pending incoming invoices) in conjunction with a number

of development and production projects in the amount of kEUR 1,535, project-related provisions in the amount of kEUR 7,451 and a provision for pending freight costs in the amount of kEUR 49 and a provision for legal disputes in the amount of kEUR 761.

### 21. CHANGES IN INVENTORY OF FINISHED AND UNFINISHED PRODUCTS

	2015/16 EUR'000	2016/17 EUR'000
Finished products	1,799	5,874
Unfinished products	2,625	1,085
<b>Total</b>	<b>4,424</b>	<b>6,959</b>

### 22. OWN WORK CAPITALISED

	2015/16 EUR'000	2016/17 EUR'000
Capitalisation of research and development costs	18,455	10,851
Other	329	295
<b>Total</b>	<b>18,784</b>	<b>11,145</b>

### 23. COST OF MATERIALS AND OTHER PURCHASED SERVICES

	2015/16 EUR'000	2016/17 EUR'000
Material expenses	356,584	402,550
Expenses of commissioned services	20,275	40,477
<b>Total</b>	<b>376,859</b>	<b>443,027</b>

### 24. PERSONNEL COSTS

	2015/16 EUR'000	2016/17 EUR'000
Wages and salaries	122,186	133,529
Expenses for statutory, compulsory social contributions and benefits	31,604	36,750
Expenses for termination benefits and benefits to corporate employee pension funds	2,166	2,037
Pensions	119	(1,874)
Other social expenses	2,434	2,837
<b>Total (incl. Board member remunerations)</b>	<b>158,510</b>	<b>173,235</b>

Of the expenses for termination benefits and contributions to corporate employee pension funds, the contributions to corporate pension funds amount to kEUR 1,524 (29 February 2016) and kEUR 1,729 (28 February 2017).

The group-wide employment status is 3,393 persons (2,323 employees and 1,070 salaried employees) on the balance sheet date of 28 February 2017 in comparison to 3,062 persons (2,030 employees and 1,032 salaried employees) on the balance sheet date of the previous year.

**25. REMUNERATION OF MEMBERS OF MANAGEMENT IN KEY POSITIONS**

The remuneration of the members of the Management Board of FACC AG and the Supervisory Board of FACC AG who perform the same duties for FACC Operations GmbH is as follows in the 2015/16 financial year:

Name	Salary EUR'000	Variable bonus EUR'000	Termination benefit EUR'000	Employer contribution to pension fund EUR'000	Total EUR'000
<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 (from 25 February 2016)	–	–	–	–	–
	<b>1.002</b>	<b>–</b>	<b>158</b>	<b>(658)</b>	<b>502</b>

The remuneration of the members of the Management Board and the Supervisory Board was as follows in the 2016/17 financial year:

Name	Salary EUR'000	Variable bonus EUR'000	Termination benefit EUR'000	Employer contribution to pension fund EUR'000	Total EUR'000
<b>Management Board</b>					
Walter Stephan (until 24 May 2016)	103	–	–	–	103
Robert Machtlinger	294	–	(4)	8	298
Aleš Stárek (since 1 October 2016)	107	–	15	–	122
Yongsheng Wang (since 25 February 2016) <sup>2)</sup>	147	–	–	–	147
	<b>651</b>	<b>–</b>	<b>11</b>	<b>8</b>	<b>670</b>

In the past fiscal year, members of the Supervisory Board received a total remuneration of kEUR 178 (2015/16: kEUR 140) for their activities.

**26. DEPRECIATION, AMORTISATION AND IMPAIRMENT**

	2015/16 EUR'000	2016/17 EUR'000
Of intangible assets	10,069	11,947
Impairment of intangible assets	20,200	883
Of property, plant and equipment	15,842	17,058
Impairment of property, plant and equipment	3,515	910
<b>Total</b>	<b>49,627</b>	<b>30,798</b>

In the Aerostructures segment, development costs and tools were impaired by kEUR 1,334 in the current fiscal year due to changed market assessments. In the Engines & Nacelles segment, development costs and tools were impaired by kEUR 368 in the current fiscal year due to changed market

assessments. In the Interiors segment, development costs and tools were impaired by kEUR 91 in the current fiscal year due to changed market assessments. The value in use of the development costs and tools amounts to kEUR 0 (WACC net of tax 7.44%).

<sup>1)</sup> Of that, actuarial profits from revaluation effects of pensions in the amount of kEUR 795 are posted under comprehensive income/loss

<sup>2)</sup> Wang Yongsheng is working for FACC AG on the basis of a service contract via Aerospace Innovation Investment GmbH.

## 27. OTHER OPERATING INCOME AND EXPENSES

## Other operating income

	2015/16 EUR'000	2016/17 EUR'000
Income from the reversal of provisions	2,878	6,108
Income from the reversal of receivable write-downs	1,082	1,709
Income from public funding and tax-free grants	5,018	4,799
Foreign currency effects	12,262	16,548
Other	6,583	11,860
<b>Total</b>	<b>27,824</b>	<b>41,024</b>

## Other operating expenses

	2015/16 EUR'000	2016/17 EUR'000
Service, maintenance and third-party repairs expenses	7,922	9,123
Freight expenses	10,528	12,898
Material testing and certification expenses	5,391	4,720
Rental fees and leasing expenses	5,534	5,541
Travel expenses	3,094	2,780
Expenses related to the fake president incident	41,987	–
Expenses related to consulting services	6,286	10,818
Storage expenses	3,932	6,178
Expenses related to warranty obligations	4,203	13,681
Expenses related to write-downs	1,378	1,111
Various expenses	14,784	24,007
<b>Total</b>	<b>105,040</b>	<b>90,857</b>

During the reporting period 2015/2016, the company lost kEUR 52,847 in cash flows from the company as a result of an external fraud (fake president incident). As a result of immediately introduced measures, kEUR 10,860 in recipient accounts were blocked. This amount is posted as non-current receivables as FACC Operations GmbH sees itself as the legal owner

of the money and assumes a refund by bank transfer on the basis of a legal opinion.

In the 2015/2016 fiscal year, kEUR 41,987 were posted as damage incidents under various expenses.

The expenses attributable to the respective fiscal year for the auditor of the Consolidated Financial Statements are as follows:

	2015/16 EUR'000	2016/17 EUR'000
Group and annual audit	218	185
Other consulting services	9	–
Tax consulting services	5	–
<b>Total</b>	<b>232</b>	<b>185</b>

**28. FINANCING EXPENSES**

	2015/16 EUR'000	2016/17 EUR'000
Interest and bank fees	7,582	6,184
Interest on bonds	3,785	3,729
Interest promissory note loan	1,195	1,117
Interest expenses from discounting receivables	1,026	145
<b>Total</b>	<b>13,587</b>	<b>11,184</b>

**29. INTEREST INCOME FROM FINANCIAL INSTRUMENTS**

	2015/16 EUR'000	2016/17 EUR'000
Bank interest	305	45
Income from interest swaps	–	–
Income from securities	10	8
Other interest	129	582
<b>Total</b>	<b>444</b>	<b>635</b>

**30. FAIR VALUE MEASUREMENT OF DERIVATIVE FINANCIAL INSTRUMENTS**

Changes in the attributed fair value of derivative financial instruments is recorded in the Consolidated Statement of Comprehensive Income as follows:

	Volume USD'000	Volume EUR'000	Fair value EUR'000	Recorded under "fair value measurement of derivative financial instruments" EUR'000	Recorded under "cash flow hedges (net of tax)" EUR'000	Recorded under "other operating income and expenses" EUR'000
Status as of 29 February 2016						
USD forward exchange transactions	335,000	–	(28,378)	–	9,727	6,418
Interest rate swaps	–	20,000	(5,098)	5,242	–	–
<b>Status as of 28 February 2017</b>						
USD forward exchange transactions	330,000	–	(19,179)	–	9,443	(6,979)
Interest rate swaps	–	–	–	(5,098)	–	–

**31. INCOME TAX**

	2015/16 EUR'000	2016/17 EUR'000
Corporate tax, ongoing	132	684
Deferred taxes	(14,722)	3,986
	(14,590)	4,670
Tax expense from previous years	160	106
<b>Total</b>	<b>(14,430)</b>	<b>4,776</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The income tax on the Group income before taxes differs from the calculated income tax expense that would have resulted if a tax rate of 25% had been applied to the income of the fiscal years, as illustrated in the following:

	2015/16 EUR'000	2016/17 EUR'000
Income before taxes	(66,691)	21,454
Calculated income tax expense 25%	(16,673)	5,364
<b>Tax effects from:</b>		
Deviating foreign tax rates	(191)	(329)
Tax-free income	(677)	(616)
Expenses that cannot be deducted for tax purposes	186	105
Change of deferred taxes on tax loss carry forward	2,947	–
Other effects/value adjustments on deferred taxes	(190)	–
Consolidation effects	–	886
Prior year adjustment	160	107
Minimum corporate tax and withholding taxes	7	(741)
<b>Reported income tax expense</b>	<b>(14,430)</b>	<b>4,776</b>

The deferral of taxes developed as follows:

	1 March 2015 EUR'000	Change in profit and loss EUR'000	Change in other comprehensive income/loss EUR'000	29 February 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 carry forwards	16,763	16,532	–	33,295
Intangible assets (development costs)	(28,616)	737	–	(27,879)
Property, plant and equipment	(8,967)	1,045	–	(7,922)
Inventory	–	–	–	–
Trade receivables (essentially differences from valuation in USD)	(5,636)	1,469	–	(4,167)
Bonds	(106)	20	–	(86)
Other	(1,860)	853	–	(1,008)
	<b>(1,633)</b>	<b>17,681</b>	<b>(3,512)</b>	<b>12,536</b>

	1 March 2016 EUR'000	Change in profit and loss EUR'000	Change in other comprehensive income/loss EUR'000	28 February 2017 EUR'000
<b>Deferred taxes</b>				
Financial assets	413	39	(3)	448
Other receivables and assets	104	(44)	-	60
Investment grants	1,182	(147)	-	1,035
Employee benefit obligations	908	(407)	-	501
Derivative financial instruments	7,095	(2,104)	(195)	4,795
Provisions	(259)	45	56	(158)
Liabilities	10,859	(1,133)	-	9,726
Tax loss carry forwards	33,295	(1,268)	-	32,027
Intangible assets (research and development costs)	(27,879)	(1,804)	-	(29,683)
Property, plant and equipment	(7,922)	221	-	(7,701)
Inventory	-	-	-	-
Trade receivables (essentially differences from valuation in USD)	(4,167)	1,815	-	(2,351)
Bonds	(86)	19	-	(67)
Other	(1,009)	882	-	(127)
	<b>(12,535)</b>	<b>(3,884)</b>	<b>(143)</b>	<b>8,508</b>

Deferred tax assets and deferred tax liabilities are balanced as assets or liabilities in the Consolidated Statement of Financial Position if there is an enforceable right to offset actual tax reimbursement claims against actual tax liabilities and the deferred tax claims and tax liabilities pertain to income taxes that are collected by the same tax office.

Deferred tax assets in the amount of kEUR 12,536 were reported in the Consolidated Statement of Financial Position on 29 February 2016. Deferred tax liabilities in the amount of kEUR 8,508 were reported in the Consolidated Statement of Financial Position on 28 February 2017.

Within the next twelve months, recognition of the deferred tax assets in the amount of, kEUR 13,100 and kEUR 19,769 or a fulfillment of the deferred tax liabilities in the amount of kEUR 12,993 and kEUR 18,652 is expected on 29 February 2016 and 28 February 2017.

The amount of income tax which is allocated directly to other comprehensive income/loss is comprised as follows:

	2015/16			2016/17		
	Gross EUR'000	Tax EUR'000	Net EUR'000	Gross EUR'000	Tax EUR'000	Net EUR'000
Revaluation effects of pensions and termination benefits	665	(166)	499	(223)	56	(167)
Fair value measurement of securities	(18)	5	(13)	13	(3)	10
Cash flow hedges	13,403	(3,351)	10,052	781	(195)	283
<b>Total</b>	<b>14,050</b>	<b>(3,512)</b>	<b>10,538</b>	<b>571</b>	<b>(142)</b>	<b>126</b>

### 32. OBLIGATIONS FOR THE ACQUISITION OF ASSETS

	29 February 2016 EUR'000	28 February 2017 EUR'000
Property, plant and equipment		
Approved, without contractual obligation	30,701	41,232
Contractual obligation, not yet incurred	5,715	7,150
	<b>36,416</b>	<b>48,382</b>

### 33. OBLIGATIONS FROM RENTAL AND LEASING RELATIONSHIPS

The future accumulated minimum leasing payments from operating leasing contracts in connection with property, plant and equipment amount to:

	29 February 2016 EUR'000	28 February 2017 EUR'000
Up to one year	3,665	5,430
After more than one year and up to five years	10,117	22,330
After more than five years	5,422	3,893
<b>Total</b>	<b>19,204</b>	<b>33,116</b>

New leasing contracts pertaining to real estate were concluded in the 2016/2017 fiscal year.

### 34. IMPAIRMENT TEST OF GOODWILL

A summary of the distribution of the goodwill on the segment level is illustrated in the following:

2016/17	Carrying amount 29 February 2016	Additions	Disposals	Impairment	Carrying amount 28 February 2017
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 by calculating its value in use. These calculations are based on the projected cash flows which are derived from the multi-year plan adopted by the management. Cash flows after this multi-year

period shall be extrapolated using the growth rates illustrated below. The growth rate does not exceed the non-current average growth rate of the business segment in which the CGU is active.

Key assumptions when calculating the value in use in the year 2016/17:

	Aerostructures	Engines & Nacelles	Interiors
Growth rate <sup>1)</sup>	1.50%	1.50%	1.50%
Discount rate <sup>2)</sup>	7.44%	7.44%	7.44%

Key assumptions when calculating the value in use in the year 2015/16:

	Aerostructures	Engines & Nacelles	Interiors
Growth rate <sup>1)</sup>	1.50%	1.50%	1.50%
Discount rate <sup>2)</sup>	7.55%	7.55%	7.55%

The average rate of inflation, applied to the most important sales markets, is used as an estimate for the sustainable growth rate. Furthermore, sale contracts in the aircraft component supply industry are mostly long-term. These allow, in connection with data from the airline monitor, for a reliable estimate of growth rates.

In the planning period, an average EBIT margin of 7.7% (2015/16: 9.8%) or an average sales growth rate of 5.4% (2015/16: 8.9%) on Group level was taken into account. For the Interiors segment, an average EBIT margin of 4.8% (2015/16: 1.8%) and an average sales growth rate of 3.3% (2015/16: 4.7%) were taken into account.

The management defined the budgeted gross margin based on past developments and expectations with respect to future market developments.

For the essential assumptions of sensitivity analyses, reference is made to note 4 b) vii).

As a result of the long-term basis of the underlying business (contract terms of up to 15 years) as well as associated extended industrialisation phases (five to seven year periods until target margin is achieved) a planning period of six years was determined on the part of management. It is expected that a steady state of the earning situation for the calculation of the perpetuity will first be reached after six years.

The WACC, sales volumes and the development of prices and costs were used as key assumptions for the impairment test of development costs.

### 35. TRANSACTIONS WITH RELATED COMPANIES AND PERSONS

The group companies have conducted and concluded various transactions with related consolidated companies as part of their regular business activity. These activities have been fully consolidated.

#### Transactions with related companies and persons outside of the consolidated companies for the period from 1 March 2015 to 29 February 2016

Sales revenues in the amount of kEUR 1,172 (2014/15: kEUR 9,655) were earned with the affiliated company Shanghai Aircraft Manufacturing Co., Ltd. Receivables in the amount of kEUR 5,622 (28 February 2015: kEUR 17,315) were reported in the Consolidated Statement of Financial Position.

Sales revenues in the amount of kEUR 2,122 (2014/15: kEUR 3,329) were earned with the affiliated company Fesher Aviation Component (Zhenjiang) Co., Ltd. Receivables in the amount of kEUR 10,469 (28 February 2015: kEUR 12,739) and liabilities in the amount of kEUR 234 (28 February 2015: kEUR 0) were reported in the Consolidated Statement of Financial Position.

Sales revenues in the amount of kEUR 0 (2014/15: kEUR 0) were earned with the affiliated company Future Aviation International Investment Co. Ltd. Receivables in the amount of kEUR 2,800 (28 February 2015: kEUR 2,800) were reported in the Consolidated Statement of Financial Position.

<sup>1)</sup> Weighted average growth rate for extrapolating cash flows outside the planning period

<sup>2)</sup> Discount rate net of tax (WACC) used for discounting the cash flows

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

A dividend in the amount of kEUR 0 (2014/15: kEUR 19,000) was distributed to FACC International Company Limited in the reporting period.

Costs were passed on to the affiliated company FACC International Company Limited in the amount of kEUR 0 (2014/15: kEUR 1,811). Receivables in the amount of kEUR 168 (28 February 2015: kEUR 1,811) were reported in the Consolidated Statement of Financial Position.

Costs were passed on to the affiliated company Aerospace Innovation Investment GmbH in the amount of kEUR 0 (2014/15: kEUR 166). Receivables in the amount of kEUR 0 (28 February 2015: kEUR 656) and liabilities in the amount of kEUR 34 (28 February 2015: kEUR 0) were reported in the Consolidated Statement of Financial Position.

Transactions with affiliated companies and persons outside of the consolidated companies were concluded in the period from 1 March 2015 to 29 February 2016 under customary third-party conditions.

### Transactions with related companies and persons outside of the consolidated companies for the period from 1 March 2016 to 28 February 2017

Sales revenues were earned with the affiliated company Shanghai Aircraft Manufacturing Co., Ltd. in the amount of kEUR 9,344 (2015/16: kEUR 1,172). Receivables in the amount of kEUR 8,998 (29 February 2016: kEUR 5,622) were reported in the Consolidated Statement of Financial Position.

Sales revenues were earned with the affiliated company Fesher Aviation Component (Zhenjiang) Co., Ltd. in the

amount of kEUR 4,757 (2015/16: kEUR 2,122). Receivables in the amount of kEUR 16,704 (29 February 2016: kEUR 10,469) and liabilities in the amount of kEUR 1,658 (29 February 2016: kEUR 234) were reported in the Consolidated Statement of Financial Position.

Costs were passed on to the affiliated company Aerospace Innovation Investment GmbH in the amount of kEUR 48 (2015/16: kEUR 0). Receivables in the amount of kEUR 0 (29 February 2016: kEUR 0) and liabilities in the amount of kEUR 155 (29 February 2016: kEUR 34) were reported in the Consolidated Statement of Financial Position.

Sales revenues were earned with the affiliated company XAIC Tech. (Xi'an) Industrial Co., Ltd in the amount of kEUR 2,562 (2015/16: kEUR 0). Receivables in the amount of kEUR 2,831 (29 February 2016: kEUR 0) were reported in the Consolidated Statement of Financial Position.

The Aerospace Innovation Investment GmbH has invoiced cost for management service fees in the amount of kEUR 147.

Transactions with affiliated companies and persons outside of the consolidated companies were concluded in the period from 1 March 2016 to 28 February 2017 under customary third-party conditions.

### Remuneration

The total remuneration of the members of the Management Board amounted to kEUR 502 (29 February 2016) and kEUR 751 (28 February 2017). The members of the Management Board were not granted any loans or advance payments.

Primary items of the management remuneration:

	29 February 2016 EUR'000	28 February 2017 EUR'000
Salaries and other current obligations towards employees	1,002	730
Contribution payments to pension funds	(658) <sup>1)</sup>	10
Termination benefit endowments	158	11
	<b>502</b>	<b>751</b>

## 36. EARNINGS PER SHARE

The undiluted earnings per share are determined in accordance with IAS 33 by dividing the annual comprehensive income by the number of issued shares. As no "potential ordinary shares with a diluting effect" were circulating in the previous fiscal year, the "diluted income per share" corresponds to the "undiluted income per share".

	29 February 2016	28 February 2017
Earnings net of tax, attributable to the equity providers (in kEUR)	(52,270)	16,669
Average number of issued shares (in units)	45,790,000	45,790,000
Undiluted/diluted earnings per share (in kEUR)	(1.14)	0.36

**37. EVENTS AFTER THE BALANCE SHEET DATE**

The Supervisory Board of FACC AG appointed a new Chief Operating Officer (COO), Andreas Ockel, as member of the

Management Board on 27 May 2017. Mr. Ockel will take over the responsibilities of the Chief Operating Officer (COO) of FACC AG on 1 January 2018 for a period of three years.

**38. MANAGEMENT BOARD AND SUPERVISORY BOARD**

Members of the Management Board during the reporting period were:

Walter Stephan (until 24 May 2016)  
 Robert Machtlinger  
 Aleš Stárek (from 1 October 2016)  
 Yongsheng Wang (from 2 February 2016)

Members of the Supervisory Board during the reporting period were:

Ruguang Geng as Chairman  
 Shengqiang He as Deputy Chairman (from 1 June 2016)  
 Weixi Gong  
 Yanzheng Lei  
 Gregory B. Peters (until 25 May 2016)  
 Jun Tang  
 Xuejun Wang  
 Yongsheng Wang (until 2 February 2016)  
 Chunsheng Yang  
 George Maffeo (from 15 July 2016)  
 Birol Mutlu  
 Barbara Huber  
 Peter Krohe  
 Ulrike Reiter

Ried im Innkreis, 11 June 2017

Robert Machtlinger m. p.  
 Chairman of the Management Board

Aleš Stárek m. p.  
 Member of the Management Board

Yongsheng Wang m. p.  
 Member of the Management Board

# Statement of all Legal Representatives

## ACCORDING TO SECTION 82 PARA. 4 NO. 3 BÖRSEGESETZ (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, 11 June 2017

The Management Board

Robert Machtlinger m. p.  
Chairman of the Management Board

Aleš Stárek m. p.  
Member of the Management Board

Yongsheng Wang m. p.  
Member of the Management Board

## Auditor's Report<sup>1)</sup>

### REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

#### Audit Opinion

We have audited the Consolidated Financial Statements of **FACC AG, Ried im Innkreis**, and of its subsidiaries (the Group) comprising the Consolidated Statement of Financial Position as of 28 February 2017, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the fiscal year then ended and the notes to the Consolidated Financial Statements.

Based on our audit the accompanying Consolidated Financial Statements were prepared in accordance with the legal regulations and present fairly, in all material respects, the assets and the financial position of the Group as of 28 February 2017 and its financial performance for the year then ended in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU, and the additional requirements under Section 245a of the Austrian Company Code (UGB).

#### Basis for Opinion

We conducted our audit in accordance with the Austrian Standards on Auditing. Those standards require that we comply with the International Standards on Auditing. Our responsibilities under those regulations and standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We

are independent of the Group in accordance with the Austrian Generally Accepted Accounting Principles and professional requirements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Consolidated Financial Statements of the fiscal year. These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We considered the following matters as key audit matters for our audit:

1. Restated errors in accordance with IAS 8
2. Recoverability of goodwill and development cost
3. Valuation of onerous contracts
4. Revenue recognition
5. Impact of fake president incident

*1. Restated errors in accordance with IAS 8*

#### Description

In connection with the ongoing enforcement audit in accordance

<sup>1)</sup> This report is a translation of the original report in German, which is solely valid. Publication or sharing with third parties of the Consolidated Financial Statements together with our auditor's opinion is only allowed if the Consolidated Financial Statements and the Management Report for the Group are identical with the German audited version. This audit opinion is only applicable to the German and complete Consolidated Financial Statements with the Management Report for the Group. Section 281 paragraph 2 of the UGB (Austrian Company Code) applies to alternated versions.

ce with accounting control law (Rechnungslegungs-Kontrollgesetz), which was not finalised until the date of the issuance of the Group's financial statements, management evaluated specific matters and made a restatement in accordance with IAS 8 for the following balance sheet positions, which resulted also in adjustments to the Group's comprehensive income statement, the Group's equity development and the Group's cash flow: intangible assets, fixed assets, trade accounts receivables, receivables from construction projects, other provisions and deferred taxes.

The impact of these restatements on the result after taxes in the financial year 2015/2016 was EUR –30.4 million and on the equity as of 29 February 2016 was EUR –37.3 million.

The main risk is the calculation of the amounts to be restated, the correct recognition and presentation of the error corrections in the Group's financial statements as of 28 February 2017 and the completeness of the notes for the restatements.

The disclosures for the restated errors are in note 2.

#### How our audit addressed the matter

To address the risk we challenged critically the underlying assessments and management estimates and have performed amongst others the following audit procedures:

- Audit of the underlying audit matters that resulted in the error corrections and whether the error corrections are in compliance with IFRS as endorsed within the EU
- Discussion of the restated amounts with management
- Audit of the calculations of the errors
- Evaluation of impacts of the error corrections on other balance sheet items (especially deferred taxes)
- Detailed audit of all corrections made in the Group's financial statements and audit of completeness of notes disclosures in accordance with IAS 8

## 2. Recoverability of goodwill and development cost

#### Description

in the Group's financial statements FACC AG discloses goodwill amounting to EUR 18.6 million (prior year: EUR 18.6 million) and capitalised development cost amounting to EUR 118.6 million (previous year: EUR 111.4 million).

In the course of the annual impairment test for goodwill and the development cost not yet in use and the development cost with a trigger for an impairment, management have to make significant accounting estimates of value in use, which is derived by a discounted cashflow model. The recoverable amount is highly dependent on the discount rate (WACC) and the expected and planned cash flows in the midterm planning and for the amount used in the terminal value for goodwill. For development cost of programmes with an amortisation period longer than the midterm planning, planning assumptions have to be set depending on the rates of the airline monitor. The expected amortisation period is estimated based on the specific programme.

The main risk is the estimation of future cash flows and the derivation of an adequate discount rate. The estimation of cash flows includes assumptions about future market and economy developments and they are also impacted by internal learning curves for the specific programmes.

We also refer to our explanations in key audit matter 1. Restated errors in accordance with IAS 8.

The disclosures for goodwill and development cost are included in note 3 b) vi) and note 3 d).

#### How our audit addressed the matter

To address the risk we have critically challenged the assumptions and estimates of management and among others performed the following audit procedures:

- Audit of CGU ("cash generating units") definitions and analysis of separation of cash inflows
- Audit of the model used and audit of the correctness of the calculations and evaluation of the discount rate with the involvement of our internal valuation specialists
- Evaluation of detailed plans and budgets and analysis of the main drivers (revenue, expenses, capex, change in working capital)
- Audit of the rates derived from airline monitor
- Comparison of the planned revenue and results and capex for the CGU with the budget approved by the Supervisory Board
- Audit of completeness of disclosures
- Evaluation of sensitivity analysis by calculation of downside valuation scenarios

## 3. Valuation of onerous contracts

#### Description

FACC AG recognises no provisions for onerous contracts, because there are no contracts for which the expected total contract cost exceed the expected revenue of the contract. Two significant agreements with one customer under one framework contract are considered linked based on the timing and economic dependency of the cash inflows for the evaluation of the provision of an onerous contract.

The main risk is that the criteria for the combination of contracts to one contract are not given and a common consideration is not adequate. Another significant risk is the estimation of the total contract cost and contract revenue.

The disclosures for the valuation of onerous contracts are in note 3 b) viii).

#### How our audit addressed the matter

To address the risk we have critically challenged the assumptions and estimates of management and among others performed the following audit procedures:

- Evaluation whether the common consideration of several customer agreements for the valuation of onerous contracts is adequate

- Audit of the existence of the criteria for a common consideration
- Audit of the underlying calculations for the valuation of onerous contracts
- Evaluation of the underlying assumptions for units and duration of specific contracts
- Evaluation of detailed plans and analysis of the main drivers (revenue, cost)
- Audit of completeness of notes disclosures
- Audit and evaluation of impact in case of the combination of contracts is not adequate

#### *4. Revenue recognition and recoverability of trade account receivables and receivables from construction contracts*

FACC AG recognises the revenue from the sale of goods and from engineering and other services. The revenue from services and engineering are realised over a time period and are disclosed as receivables from construction contracts in accordance with IAS 11.

For the revenue recognition from the sale of goods the main risk is that management has to assess how probable it is that the economic benefit will flow to the company and which uncertainties exist at the time of the revenue recognition.

For constructions contracts significant estimations for the expected contract revenue and contract cost have to be made, which are impacted by uncertainties and may be dependent on the outcome of future events. In a next step after the revenue recognition it has to be evaluated in how far changes in the estimation of recoverability have occurred and accounts receivables need to be impaired.

The disclosures for revenue recognition are in note 3 u) for revenue recognition, in note 3 b) vi) and note 3 j) for trade accounts receivables and in note 3 b) vi) for receivables from construction contracts.

#### How our audit addressed the matter

To address the risk we have critically challenged the assumptions and estimates of management and among others performed the following audit procedures:

- Evaluation whether the criteria for revenue recognition in accordance with IAS 18 and IAS 11 for significant contracts were fulfilled
- Analysis of the underlying contracts for significant construction contracts
- Audit of the total recognised cost in significant construction contracts
- Audit of the estimation of contract revenue for significant construction contracts
- Audit of open item list and identification of trade receivables overdue more than 90 days and audit of recoverability
- Evaluation of external legal opinion in respect of disputed matters in contracts

- Discussion of significant overdue trade receivables with management and division management
- Evaluation of all agreements reached until the issuance of the financial statements in the course of negotiations with regard to disputed receivables
- Audit of completeness of notes disclosures

#### *5. Impact of fake president incident*

#### Description

At the end of the fiscal year 2015/16 the FACC Group was confronted with a fake president incident, which led to a cash outflow of EUR 52.9 million. Thereof an amount of approx. EUR 10.9 million was frozen on a bank account in China. Based on a legal opinion requested by management as of 28 February 2017 receivables amounting to EUR 10.9 million are recognised.

Immediately after this fraud case additional controls in the payment process of the Group have been implemented and during the financial year the payment and purchasing process was analysed in detail and controls to improve the process have been implemented.

Due to the fraud case described above there is a risk that controls in the payment process are not sufficient to avoid a further fraudulent outflow of money. In addition there is a risk that the frozen money cannot be repaid and the respective receivables are not recoverable.

The disclosures for the fake president incident are in note 10.

#### How our audit addressed the matter

To address the risks mentioned above we have evaluated the payment process and the estimates made by management in respect of receivables for the frozen money in China and we have performed among others the following audit procedures:

- Evaluation of concept and implementation of purchasing and payment process and the controls implemented
- Involvement of internal IT experts to audit the IT-general controls in general and IT-application controls in payment process
- Execution of test of controls
- Evaluation of the external lawyers statement requested by management to estimate the repayment for the frozen money recognised as receivables
- Audit of the completeness of notes disclosures

#### **Remark on other matters**

The Group's financial statements of FACC AG for the year ended 29 February 2016 were audited by another group auditor who issued an unqualified audit opinion 20 May 2016.

#### **Responsibilities of Management and of the Audit Committee for the Consolidated Financial Statements**

Management is responsible for the preparation of the Consolidated Financial Statements in accordance with IFRS as

adopted by the EU, and the additional requirements under Section 245a of the Austrian Company Code (UGB) for them to present a true and fair view of the assets, the financial position and the financial performance of the Group and for such internal controls as management determines are necessary to enable the preparation of Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Financial Statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU regulation and in accordance with the Austrian Standards on Auditing, which require the application of ISA, always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the EU regulation and in accordance with the Austrian Standards on Auditing, which require the application of ISA, we exercise professional judgment and maintain professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Consolidated Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Consolidated Financial Statements, including the disclosures, and whether the Consolidated Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

#### **Comments on the Management Report for the Group**

Pursuant to the Austrian Generally Accepted Accounting Principles, the Management Report for the Group is to be audited as to whether it is consistent with the Consolidated Financial

## AUDITOR'S REPORT

Statements and as to whether the Management Report for the Group was prepared in accordance with the applicable legal regulations.

Management is responsible for the preparation of the Management Report for the Group in accordance with the Austrian Generally Accepted Accounting Principles.

We conducted our audit in accordance with the Austrian Standards on Auditing for the audit of the Management Report for the Group.

### Opinion

In our opinion, the Management Report for the Group was prepared in accordance with the valid legal requirements, comprising the details in accordance with Section 243a of the Austrian Company Code (UGB), and is consistent with the Consolidated Financial Statements.

### Statement

Based on the findings during the audit of the Consolidated Financial Statements and due to the thus obtained understanding concerning the Group and its circumstances no material misstatements in the Management Report for the Group came to our attention.

## OTHER INFORMATION

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the Consolidated Financial Statements, the Management Report for the Group and the auditor's report thereon. The Annual Report is estimated to be provided to us after the date of the auditor's report. Our opinion on the Consolidated Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Consolidated Financial Statements, our responsibility is to read the other information, as soon as it is available, and, in doing so, to consider whether – based on our knowledge obtained in the audit – the other information is materially inconsistent with the Consolidated Financial Statements or otherwise appears to be materially misstated.

### **Responsible Austrian Certified Public Accountant**

The auditor responsible for the audit mandate resulting in this independent auditor's report is Ms. Johanna Hobelsberger-Gruber, Certified Public Accountant.

Linz, 11 June 2017

**Ernst & Young**  
**Wirtschaftsprüfungsgesellschaft m.b.H.**

Johanna Hobelsberger-Gruber m. p.  
Certified Public Accountant

Hans Seidel m. p.  
Certified Public Accountant

## TECHNOLOGY

<b>Active thermography</b>	New inspection method for lightweight composite components that uses temperature differences to detect potential faults inside the component
<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>CFRP</b>	Carbon fibre-reinforced plastics
<b>CoLT</b>	Composite Lab and Test Centre
<b>Composites</b>	A composite material is a material made from two or more constituent materials that, when combined, feature characteristics different from the individual components
<b>Crush core</b>	A honeycomb core structure, which is deformed using a press method for the manufacture of ceiling and side wall panels, featuring excellent surface finish.
<b>FEM</b>	Finite element method for the simulation of physical phenomena (like for instance force effects on deformable solid objects)
<b>MARI-process</b>	The MARI (Membrane Assisted Resin Infusion) process is a manufacturing process that uses infusion technology
<b>Morphing winglets</b>	Movable wingtips that are design to automatically adapt to changing flight conditions
<b>OEM</b>	Original equipment manufacturer
<b>One-shot process</b>	Manufacturing process in one step
<b>Raked wingtips</b>	Raked wingtips are wingtips that are slightly bent upwards and backward, with their form and orientation differing little from those of the wing
<b>Sharklet</b>	A further development of the winglet, which further reduces drag and fuel consumption of an aircraft
<b>Shipset</b>	Delivery unit, i.e. a complete set of parts for 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>Tier 1 supplier</b>	A supplier, which directly supplies OEM (Original Equipment Manufacturers) with larger components and systems
<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

**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: 11 June 2017

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

FACC AG, Fischerstraße 9,  
4910 Ried/Austria

**Project team:** Manuel Taverne, Kristina Erlinger,  
Andrea Schachinger

**Layout, graphics, concept:**

Reichl und Partner, Linz

**Editing & project management:**

be.public Corporate & Financial Communications, Vienna

**Pictures:** Airbus, Continental Micronesia, Bombardier,  
Embraer, Boeing, Gulfstream, FACC, COMAC, XI'an  
Aircraft Industrial Corporation, Werner Bartsch,  
Gregor Hartl

