30 YEARS
BEYOND HORIZONS

FACC

POSITION REPORT

Annual Financial Report
2018/19

Group Management Report of FACC AG for the 2018/19 Financial Year

- With a growth rate of 3.7%, the global economy was able to maintain the momentum of the previous year.
- Passenger volumes remained high despite last year's sharp rise in the price of oil.
- Airbus and Boeing delivered 1,606 aircraft, with 1,640 firm orders for new aircraft booked in the same period.
- The order backlog for aircraft with more than 100 seats remained high at 13,447.

1. BUSINESS ENVIRONMENT

Despite numerous adversities, the global economy experienced a broad economic recovery in 2018. According to estimates of the International Monetary Fund (IMF), global economic output rose by 3.7% after an increase of the same magnitude in 2017, while growth in industrialized countries weakened to 2.3% (previous year: 2.4%). In the emerging and developing countries, economic growth remained high at 4.6% (previous year: 4.7%). According to the IMF, the world's two largest economies, the USA and China, each recorded an increase in economic growth in 2018. The United States are currently undergoing a robust economic recovery. In 2018, the US economy grew by 2.9% (previous year: 2.2%), with consumers representing the main drivers of the economic upturn. Companies also made a strong contribution to growth with increasing capital investments.

China, whose economy continued on a strong growth trajectory, was the largest contributor to global economic growth with a growth rate of 6.6% (previous year: 6.9%) as shown by economic data. The shift of the Chinese economy to an increasingly consumer-oriented market regime is still in full swing.

The eurozone economy, in contrast, experienced slightly weaker growth in 2018: After five years of continuous recovery, growth in Europe slowed down to 1.8% compared to 2.4% in the previous year, with growth mainly driven by consumer spending. Investment activity remained strong and exports increased. These growth dynamics within the eurozone, moreover, are spreading to more and more member states of the European Union.

Despite the overall improvement of the economic climate, risks such as rising protectionism in world trade still remain a threat according to IMF forecasts. The issue of whether Britain and the EU will come to an agreement on the continuation of free trade also remains to be resolved. The exit of the United Kingdom from the European Union will have a significant impact on London as a financial center and will cause a great deal of uncertainty for the British economy as well as for the European economy in certain areas. According to current forecasts, the risks of geopolitical conflicts also remain high.

2. INDUSTRY ENVIRONMENT

Airlines recently continued their positive earnings trend, which was driven in part by strong demand as well as successful efficiency improvements and consolidations. The relatively low price of oil, which is a major component of airlines' operating costs, also contributed to this positive development.

The International Air Transport Association (IATA) reported an above-average increase of 6.5% in global passenger traffic in 2018, with demand increases varying by region. With growth rates of 18.6% in India, 11.7% in China and 9.0% in Russia, Asia can be considered the largest growth driver. Confronted with increasing passenger volumes, the airlines decided to expand their fleets, with the global fleet growing by 6.1% in 2018. IATA calculated industry-wide profits of USD 32.3 billion for 2018, which is the fourth year in a row in which airlines exceeded the USD 30 billion profit mark.

Airbus and Boeing delivered 1,606 aircraft in 2018. During the same period, airlines ordered 1,640 aircraft from Airbus and Boeing. The order backlog for aircraft with more than 100 seats remained virtually unchanged at 13,447 aircraft. Assuming that production rates remain constant, this order backlog corresponds to a calculated production period of nine years

3. GENERAL INFORMATION

3.1 Information according to section 243 of the Austrian Company Code (UGB)

The FACC Group based in Ried im Innkreis is an Austrian group of companies which specializes in the development, production and maintenance of aircraft components.

The product range includes structural components (wing-to-body fairings, fan cowls and composite components for engines, wing parts and wingtips) as well as components for aircraft interiors (overhead stowage compartments, cabin linings, service units, interior solutions for business jets, cabin retrofit solutions etc.).

Due to different applications of the products, three operative segments were created. The Aerostructures segment is responsible for the development, production, distribution and repair of structural components, while the Cabin Interiors segment focuses on the development, production, distribution and repair of interior solutions and the Engines & Nacelles segment covers the production, distribution and repair of fan cowls. After customer contracts have been concluded and the orders processed, the individual orders are then manufactured in the Group's five plants. In addition to the three operative segments, the Group also comprises the central services Finance and Controlling, Human Resources, Legal, Quality Assurance, Purchasing and IT (including Engineering Services). The central services support the operative segments in fulfilling their duties within the framework of a matrix organization

3.2 Initial application of the International Financial Reporting Standards IFRS 15 and IFRS 9

FACC applied IFRS 15, *Revenue from Contracts with Customers*, and IFRS 9, *Financial Instruments*, for the first time as of 1 March 2018, which has resulted in changes in accounting and measurement methods. FACC applied the modified retrospective method when adopting IFRS 15 and IFRS 9. Comparative information was not adjusted under this method. The cumulative effect of the first-time application of IFRS 15 and of IFRS 9 was recorded as an adjustment of the opening balances of 1 March 2018.

4. DEVELOPMENT OF THE FACC GROUP

	2016/17 in EUR million	2017/18 in EUR million	2018/19 in EUR million
Revenues	**705.7**	**747.6**	**781.6**
One-time effects	0.0	5.7	0.0
Of which product revenues	646.1	691.0	700.1
Of which revenues from development services	59.6	56.6	81.5
EBIT (reported)	**25.0**	**60.1**	**43.6**
One-time effects	0.0	15.2	–11.4
EBIT (operating)	**25.0**	**44.9**	**55.0**
EBIT margin (operating)	**3.8%**	**6.0%**	**7.0%**
Earnings after taxes	**15.2**	**37.0**	**30.3**
Earnings per share	**0.33**	**0.81**	**0.66**

In the 2018/19 financial year, the FACC Group generated revenues of EUR 781.6 million, which represents an increase of EUR 34.0 million or 4.5% compared to the previous year.

Revenues from product deliveries increased by 1.3% to EUR 700.1 million. The main drivers of product sales in the 2018/19 financial year were the programs for the Airbus A320 family, Airbus A350 XWB, Boeing 787 as well as the Bombardier and Embraer Business Jets. All other programs, including all components for the equipment of Rolls-Royce and Pratt & Whitney engines, developed in line with FACC management plans and contributed to the Group's growth.

Growth was further fueled by the increasing rate ramp-ups for the new major programs of our customers Airbus, Boeing, Bombardier, Embraer and COMAC. The Boeing-737 winglet program, which has been manufactured exclusively by FACC since 2001, is losing significance after 18 years of series production. Revenues from this project decreased by EUR 17.5 million to EUR 22.5 million in the 2018/19 financial year. Call-offs from this project will be gradually further reduced and will cease completely by 2019. The orders received in recent years and new winglet programs more than compensate for the loss of sales, but will be accompanied by a temporary slowdown in growth in the Aerostructures division until 2020/21.

Revenues from the offsetting of development services remained constant at EUR 81.5 million (previous year: EUR 56.6 million).

Cost of goods sold increased by EUR 58.3 million from EUR 643.0 million to EUR 701.2 million in the 2018/19 financial year. This increase is related to a higher operative performance as well as cost overruns for programs. In relation to sales, this corresponds to an increase from 86% to 90%.

Reported earnings before interest and taxes (EBIT) amounted to EUR 43.6 million (previous year: EUR 60.1 million) in the past financial year.

In the 2018/19 financial year, a negative one-off effect of EUR 11.4 million resulting from the write-down of unamortized development costs arose in connection with the announcement by Airbus that the delivery of the A380 aircraft would be discontinued in 2021.

After taking into account the one-time effect described above, operating EBIT (calculated as EBIT plus one-time effects) stands at EUR 55.0 million (comparable value 2017/18: EUR 44.9 million).

4.1 Financial position

The main objective of FACC's financial management is to ensure that the Group has access to adequate liquidity at all times, to avoid financial risks and to guarantee financial flexibility. In order to secure the company's liquidity and reduce risks, FACC makes use of various internal and external funding sources with differing maturities. Long-term liquidity forecasts are based on the Group's operational planning. The cash flow from operating activities in the operating segments constitutes 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 such as 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 its treasury principles. It is a basic principle of the Group that its lines of credit are managed at the corporate level by the Treasury department.

For information on the company's capacity to raise funds through authorized and conditional capital and on funding sources, please refer to Note 32. Through these diverse measures, FACC has created a stable and sustainable basis to meet its future funding requirements.

4.1.1. 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 investments.

	2016/17 in EUR million	2017/18 in EUR million	2018/19 in EUR million
Cash flow from operating activities	20.0	63.1	63.3
Cash flow from investing activities	–34.4	–35.1	–35.7
Free Cash flow	**–14.4**	**28.0**	**27.6**
Cash flow from financing activities	6.0	–12.9	–0.8
Net change in cash and cash equivalents	**–8.4**	**15.0**	**26.8**
Effects from foreign exchange rates	0.5	0.2	–0.2
Cash and cash equivalents at the beginning of the period	**56.2**	**48.3**	**63.5**
Cash and cash equivalents at the end of the period	**48.3**	**63.5**	**90.1**

Cash flow from operating activities

At EUR 63.3 million, cash flow from operating activities in the 2018/19 reporting year was EUR 0.2 million higher than the previous year's figure of EUR 63.1 million.

Cash flow from investments

Cash flow from investments amounted to EUR -35.7 million in the 2018/19 financial year, compared with EUR -35.1 million in the previous year.

The main drivers of project investments were development and tooling costs for various aircraft types and investments in various tool duplications to secure future production rates.

Investments in property, plant and equipment were mainly made in connection with the expansion of production capacities at Plant 3 at the Austrian location in St. Martin.

In the course of the financial year, new investments were made, in particular, in equipment to expand production capacities and in additional automation measures, in the optimization of existing production facilities and in infrastructure. In addition, maintenance investments were made on an ongoing basis.

Cash flow from financing activities

In the 2018/19 financial year, cash flow from financing activities stood at EUR –0.8 million (previous year: EUR –12.9 million).

4.1.2. Net debt

On 28 February 2019, net debt amounted to EUR 180.9 million (previous year: EUR 181.8 million). On the balance sheet date, the Group's cash and cash equivalents amounted to EUR 90.1 million (previous year: EUR 63.5 million).

	28.02.2017 in EUR million	28.02.2018 in EUR million	28.02.2019 in EUR million
Promissory note loans	42.0	34.0	34.0
Bonds 2013-20 (ISIN AT00000A10J83)	89.4	89.6	89.8
Other financial liabilities	113.9	121.9	147.2
Gross financial liabilities	**245.3**	**245.5**	**270.9**
Less			
Cash and cash equivalents	48.3	63.5	90.1
Financial assets	48.3	63.5	90.1
Net debt	**197.0**	**182.0**	**180.9**

The key ratio net debt /EBITDA, which is material to financing, developed as following:

	2016/17 in EUR million	2017/18 in EUR million	2018/19 in EUR million
Earnings before interest and taxes (EBIT)	**25.0**	**60.1**	**43.6**
Plus/minus			
Depreciation, amortization and impairment	30.8	32.9	15.8
Amortization contract costs			8.1
Impairment contract costs			7.3
EBITDA	**55.8**	**93**	**74.8**
Net debt/EBITDA	**3.53**	**1.96**	**2.42**

4.2 Net asset position

The balance sheet total increased by EUR 22.2 million to EUR 725.8 million compared to the previous year.

	28.02.2017 in EUR million	28.02.2018 in EUR million	28.02.2019 in EUR million
Non-current assets	357.5	344.7	324.9
Current assets	327.9	358.8	400.9
Assets	**685.4**	**703.6**	**725.8**
Equity	**269.7**	**323.1**	**299.0**
Non-current liabilities	242.2	211.1	185.7
Current liabilities	173.5	169.4	241.1
Debt	**415.7**	**380.5**	**426.8**
Equity and liabilities	**685.4**	**703.6**	**725.8**

4.2.1. Assets

Non-current assets of the FACC Group decreased by EUR 19.8 million to EUR 324.9 million compared to the balance sheet date on 28 February 2018.

Current assets increased by EUR 42.1 million in the same period of the previous year. Inventories also increased due to the increase in product sales. Cash and cash equivalents increased by EUR 26.6 million to EUR 90.1 million as of the balance sheet date on 28 February 2019.

4.2.2. Equity

The FACC Group's equity amounted to EUR 299.0 million at the end of the reporting period. This corresponds to an equity ratio of 41.0% as of 28 February 2019 (previous year: 45.9%).

4.2.3. Debt

Within non-current liabilities, other financial liabilities increased by EUR 22.0 million to EUR 78.1 million.

Within current liabilities, trade payables increased by EUR 25.9 million to EUR 74.8 million. Other financial liabilities increased by EUR 3.3 million to EUR 69.0 million.

5. DEVELOPMENT OF THE BUSINESS SEGMENTS

Segment reporting follows the internal management and reporting of the FACC Group.

The operating result (EBIT) is the key performance indicator used to steer the business segments and is reported to the corporate body responsible (Management Board of FACC AG). Due to different applications of the products, three operative segments were created:

- **Aerostructures:** development, production, distribution and repair of structural components
- **Engines & Nacelles:** development, production, distribution and repair of engine components
- **Cabin Interiors:** development, production, distribution and repair of interiors

In the 2018/19 financial year, numerous new contracts were signed to ensure the sustainable implementation of the FACC strategy. Implementation of these projects began in the course of the 2018/19 financial year. Revenues from these orders will also contribute to the further growth of the business segments.

5.1 Aerostructures

	2016/17 in EUR million	2017/18 in EUR million	2018/19 in EUR million
Revenues	331.0	332.8	335.7
EBIT (reported)	51.2	35.9	37.6
EBIT margin (reported)	15.5%	10.8%	11.2%
One-time effects	0.0	–1.6	–8.3
EBIT (before one-time effects)	51.2	37.5	45.9
EBIT margin (before one-time effects)	15.5%	11.3%	13.7%

Revenue in the Aerostructures segment amounted to EUR 335.7 million in the 2018/19 financial year (previous year: EUR 332.8 million). Revenue from product deliveries decreased by EUR 23.0 million or 7.6% to EUR 279.4 million. Growth continues to be driven by rising revenues from the Airbus A350 and Airbus A320 programs.

Revenue from development activities increased by 85.2% from EUR 30.4 million to EUR 56.3 million in the period under review.

Earnings before interest and taxes (EBIT) in the Aerostructures segment stood at EUR 37.6 million in the 2018/19 financial year (previous year: EUR 35.9 million).

In the 2018/19 financial year, a negative one-off effect of EUR 11.4 million resulting from the write-down of unamortized development costs arose in connection with the announcement by Airbus to discontinue delivery of the A380 aircraft in 2021. The prorated effect in the Aerostructures segment amounts to EUR 8.3 million.

After taking into account this one-time effect, operating EBIT amounted to EUR 45.9 million (comparable figure 2017/18: EUR 37.5 million).

The segment's continued stable development was positively influenced by the growing demand for components for the Airbus A350 and Airbus A320 as well as the sustained high production rates of the Boeing 787.

The Boeing-737 winglet program, which has been manufactured exclusively by FACC since 2001, is losing significance after 18 years of series production. Revenues from this project decreased by EUR 17.5 million to EUR 22.5 million in the 2018/19 financial year. Call-offs from this project will be gradually further reduced and will cease completely by 2019. The orders received in recent years and new winglet programs more than compensate for the loss of sales, but will be accompanied by a temporary slowdown in growth in the Aerostructures division until 2020/21.

5.2 Engines & Nacelles

	2016/17 in EUR million	2017/18 in EUR million	2018/19 in EUR million
Revenues	142.0	161.4	168.5
EBIT (reported)	–13.8	15.9	9.5
EBIT margin (reported)	–0.1	9.9%	5.6%
One-time effects	0.0	13.1	–1.2
EBIT (before one-time effects)	–13.8	2.8	10.7
EBIT margin (before one-time effects)	–0.1	1.7%	6.3%

Revenues in the Engines & Nacelles segment reached EUR 168.5 million in the 2018/19 financial year (previous year: EUR 161.4 million). This corresponds to an increase of 4.3%.

Revenues from product deliveries increased by 6.0% from EUR 152.0 million to EUR 161.1 million. Revenues from development activities decreased by EUR 2.0 million from EUR 9.4 million to EUR 7.4 million.

Earnings before interest and taxes (EBIT) in the Engines & Nacelles segment stood at EUR 9.5 million in the 2018/19 financial year (previous year: EUR 15.9 million).

In the 2018/19 financial year, a negative one-off effect of EUR 11.8 million resulting from the write-down of unamortized development costs arose in connection with the announcement by Airbus to discontinue delivery of the A380 aircraft in 2021. The prorated effect in the Engines & Nacelles segment amounts to EUR 1.2 million.

After taking into account this one-time effect, operating EBIT amounted to EUR 10.7 million (comparable figure 2017/18: EUR 2.8 million).

The efficiency improvements, learning curve effects, automation measures and volume effects implemented in the division have all contributed to the ongoing increase in earnings in relation to sales revenues.

In addition to the continued increase in sales from series production for the A350 Translating Sleeve (TRSL) project, the start-up of the A330neo Fan Cowl Door was a key factor contributing to growth within this segment.

The Engine Composites segment continued its positive development. The Airbus A350 Trent XWB and Pratt & Whitney PW800 Bypass Ducts projects have made a significant contribution towards business developing as planned.

5.3 Cabin Interiors

	2016/17 in EUR million	2017/18 in EUR million	2018/19 in EUR million
Revenues	232.8	253.4	277.4
EBIT (reported)	–12.4	8.3	–3.5
EBIT margin (reported)	–0.1	3.3%	–1.3%
One-time effects	0.0	3.6	–2.0
EBIT (before one-time effects)	–12.4	4.7	–1.5
EBIT margin (before one-time effects)	–0.1	1.8%	–0.5%

Revenues in the Cabin Interiors segment amounted to EUR 277.4 million in the 2018/19 financial year (previous year: EUR 254.3 million). This segment thus again achieved significant revenue growth compared to the previous year.

Product sales in 2018/19 totalled EUR 259.6 million (previous year: EUR 236.6 million). Significant revenues were achieved for the first time with the COMAC ARJ21 program. Revenues from this program increased from EUR 4.7 million to EUR 21.3 million in the 2018/19 financial year. In the Business Jet segment, substantial revenues were generated with the programs for the EMBRAER Legacy 450/500.

Revenues from development activities increased by EUR 1.0 million from EUR 16.8 million to EUR 17.8 million.

Reported earnings before interest and taxes (EBIT) of the Cabin Interiors segment stood at EUR –3.5 million in the 2018/19 financial year (previous year: EUR 8.3 million).

In the 2018/19 financial year, a negative one-off effect of EUR 11.8 million resulting from the write-down of unamortized development costs arose in connection with the announcement by Airbus to discontinue delivery of the A380 aircraft in 2021. The prorated effect in the Cabin Interiors segment amounts to EUR 2.0 million.

After taking into account this one-time effect, operating EBIT amounted to EUR –1.5 million (comparable figure 2017/18: EUR 4.7 million).

6. RISK REPORT

In the course of its business activities, the FACC Group is exposed to a large number of risks that are inseparably linked to its business operations. FACC is committed to identifying and actively managing risks in the business environment at an early stage. The corporate risk strategy and hedging measures are implemented centrally for the entire Group.

The respective risk owner bears direct responsibility for risk management. The Director Treasury & Risk Management reports directly to the Management Board, which assumes overall responsibility for risk management. Within the framework of the risk management system, both risks that have occurred and potential future risks are continuously monitored and evaluated by the operative units and reported to the Management Board twice a year in the course of the Management Reviews. Exceptional events are immediately reported to the responsible risk owner or to the Director Treasury & Risk Management. The latter decides whether the Management Board is to be notified straight away, which in turn informs the Supervisory Board at its meetings.

This ensures that significant risks are identified at an early stage and measures can be taken to counteract or limit them. According to the Management Board, potential risks currently identified are deemed manageable and controllable and, therefore, do not jeopardize the company's ability to continue as a going concern.

The following key risk areas have been identified:

6.1 Management risks

Based on market observations and analyses, a five-year business plan is prepared, which defines the underlying corporate strategy and is reviewed 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 changes in the market environment constitute the greatest risk. In addition, successful operational implementation is also repeatedly jeopardized 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. In doing so, it must be ensured that the strategic direction of the company as well as the planned sales and earnings targets are taken into due account.

6.2 Sales risks

The FACC Group operates in a highly competitive field and has a limited number of customers (aircraft manufacturers). FACC's business activities are cyclical and sensitive to the profit situation of commercial airlines and their orders for aircraft placed with manufacturers. The business performance of commercial airlines, in turn, is influenced by the global economic situation and the geopolitical environment.

The industry-specific risks to which the Group is exposed lie in changes to aircraft delivery schedules between manufacturers and final customers. The risk of a change in future aircraft deliveries directly affects the Group's future sales as the supply volumes of components manufactured by the Group change accordingly. This risk can take the shape of a reduction or a postponement of aircraft deliveries. As a consequence, development costs cannot be recovered within the calculation period.

FACC responds to this risk by achieving diversification within the industry: on the one hand, by maintaining supply contracts with the two dominant suppliers of commercial aircraft and, on the other hand, by entering into supply contracts in both the wide-body passenger aircraft and business jet segments. Furthermore, FACC is geographically diversified as it maintains supply contracts with the American/European market and Asia. FACC also acts as a development partner for the improvement of existing aircraft types, which results in supply contracts for the retrofitting of existing aircraft models.

6.3 Purchasing and supplier risks

FACC's 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 have been obtained and that there are no identifiable risks. When new projects are launched, suppliers are subjected to a mandatory first sample test to minimize product risk. The ongoing quality-compliant and timely delivery of materials and of semi-finished and finished products is assessed via SAP on a regular basis. This evaluation is also an integral part of the overall risk assessment. Deviations from the targeted component quality and delivery performance are systematically tracked, analyzed, evaluated and benchmarked against defined goals. Noticeable variations are reported to the Management Board following the Management Reviews.

6.4 Business interruption risk

The company's manufacturing sites and plants are constantly maintained and serviced, thus keeping the risk of breakdowns or of lengthy production downtimes to a minimum. Business interruption risk is also covered by business interruption insurance with an indemnity period of 24 months.

6.5 Project management

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

6.6 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, jeopardize 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 minimized through systematic action. Regular controls at all stages of development are intended to mitigate risks early on. Moreover, 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 product liability risks being adequately insured, quality problems may negatively affect the company's net asset position, financial position and profit position.

6.7 Financial risks

In addition to financing risks, FACC's operating activities are also exposed to interest rate and currency risks. The Group's overall risk management focuses on the unpredictability of developments on the financial markets and aims to minimize potentially negative effects on the Group's financial position. In order to hedge against specific risks, the Group makes use of derivative financial instruments. FACC uses derivative financial instruments exclusively for the purpose of hedging underlying transactions; speculative transactions are strictly prohibited. The Group's Treasury & Risk Management department identifies, evaluates and hedges financial risks in close cooperation with the Group's operative units.

6.7.1. Currency risks

While the vast majority of sales by FACC are transacted in USD, significant parts of the costs are incurred in currencies other than USD, notably in EUR. FACC makes use of derivative financial instruments (forward exchange transactions) to hedge against adverse changes in the USD-EUR exchange rate, which can potentially give rise to losses.

The hedging strategies employed by the Group's Treasury & Risk Management department are designed to control and minimize the impact of exchange rate fluctuations. The Management Board approves the strategies and reports regularly to the Supervisory Board.

The risk management conducted by the Group's Treasury & Risk Management department pursues the objective of hedging on average 80% of expected net cash flows in USD (from revenues and purchases of raw materials) for the following 12 months (on a rolling monthly basis) (hedge ratio). If market levels are favorable, hedging periods can be extended to up to 36 months. Sensitivity analyses showing the effects of hypothetical changes in exchange rates on the Consolidated Profit and Loss Statement and equity were carried out for the currency risks of financial instruments. In accordance with IFRS 7, currency risks result from financial instruments of a monetary nature that are not denominated in the reporting company's functional currency. As a consequence, receivables, liabilities, cash and foreign currency derivatives serve as the basis for calculating the sensitivity of the Consolidated Profit and Loss Statement. The sensitivity of equity also reflects the valuation effects of the cash flow hedges for foreign currency risks recorded in other comprehensive income. Translation differences from the translation of financial statements prepared in a currency other than the Group currency were not included in the calculation.

6.7.2. Interest rate risks

Interest rate risks depend on the average financing term and the type of interest rate. Fixed interest rates are subject to the risk of falling interest rates, whereas variable interest rates carry the risk of rising interest rates.

An increase in interest rates of 50 basis points would have resulted in a reduction in earnings after taxes and in equity of kEUR 568 (previous year: kEUR 225). A reduction in interest rates by 50 basis points would have resulted in an increase in earnings after taxes and in equity of the same magnitude. Calculation is based on interest-bearing assets and liabilities subject to variable interest rates.

7. RESEARCH, DEVELOPMENT AND INNOVATION

FACC continuously invests in research and development in order to strengthen business relationships with its customers and open up new fields of business. The main focus lies on proprietary in-house development in order to use the expertise acquired for all current and future customers. Moreover, the company also cooperates with customers and research institutions in order to further optimize products.

In the 2018/19 financial year, FACC spent EUR 31.2 million, or 4.0% of its revenues, on company- and customer-related research and development services.

FACC considers active research and innovation to be a fundamental prerequisite for maintaining its leading position as a technology partner and systems supplier to its customers. Since FACC often works with protected customer patents and processes, in-house developments help to secure existing orders and open up new areas of business. Working with a strong network of customers, suppliers and scientific partners, FACC develops new technologies for use in future aerospace development programs.

FACC is constantly working on new product solutions and production technologies. The company is currently focusing its research on four major projects:

- Weight reduction
- Increase production rates capability and increasing the level of automation
- New materials and processes
- Digitalization and artificial intelligence

Additive manufacturing

Faster product development cycles and cost reductions across the entire value chain are becoming increasingly important in future aviation development projects. For this reason, FACC is focusing its research activities on the manufacturing processes of the future. Substantial cost savings combined with fast development cycles enable the use of additive manufacturing processes, with the focus on 3D printing of engine components and of plastic components for cabin interior applications. Attention is given to the entire value chain, from purchasing, development and certification through to series production of aviation components. The aim is to further enhance the functionality of components, cut manufacturing costs and reduce the lead time for production equipment.

Thermoplastic fiber composites

Thermoplastic fiber composites based on high-performance polymers such as polyetheretherketone (PEEK) or polyetherthermia (PEI) are becoming increasingly important. Since thermoplastics solidify and can be reheated and melted several times, they are amenable to a wide range of applications. FACC researches materials and manufacturing processes for the next generation of aircraft components in cooperation with OEMs and research institutes. The aim is to be able to produce fiber composite components in a cost-efficient manner, in the highest quality and with a maximum degree of automation. For this reason, FACC has joined the industrial advisory board of the LIT Factory in Linz, an Industry 4.0 pilot factory in which thermoplastic fiber composites are researched and developed in combination with digitization concepts. FACC's R&D activities focus not only on the production of components, but also on joining by means of different welding processes as thermoplastic fiber composites can only develop their full potential in combination with suitable joining technologies.

Integral construction

In addition to new research and development topics such as additive manufacturing and thermoplastic fiber composites, the R&D roadmap also includes the development of highly integral fiber composite components. Integral design aims to integrate as many functions as possible, for instance connecting elements, into a single manufacturing step. The goal is to make subsequent manufacturing processes such as the assembly of fittings obsolete in order to reduce manufacturing costs. Besides featuring additional integrated functions, future fiber-reinforced plastic components will also be produced net-shaped. This not only reduces assembly costs, but also eliminates the need for milling of the component contour. FACC relies on direct research cooperation with OEMs and research institutes in order to maintain its position as a technology provider in the future.

Digitization and technology management

The fast and cost-efficient implementation of future development projects guaranteeing high quality standards is becoming increasingly reliant on digitization and technology management. In this context, the digitization of the entire value chain plays a decisive role. The goal is to ensure a continuous process chain, from brainstorming and product development through to production, quality control and the delivery of fiber composite components. Technology management aims to make greater use of existing knowledge and make it available to all corporate divisions so that resources can be used more efficiently within the company.

Patents and awards

FACC strives for a high degree of independence in its process portfolio with a view to safeguarding its technological leadership in the composite area. Furthermore, 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, of which the main objective is to guarantee maximum protection of intellectual property.

8. EMPLOYEES

As of 28 February 2019, the total headcount of the FACC Group stood at 3,465 full-time equivalents (FTE); (previous year: 3,402 FTE).

In Austria, 3,170 FTE were working for the company as of 28 February 2019. This corresponds to approximately 91% of the entire workforce

	Blue collar	White collar	Total
Central services	135	481	616
Aerostructures	728	243	971
Engines & Nacelles	436	139	575
Cabin Interiors	793	169	962
Subsidiaries	68	227	295
FACC AG		46	46
Total	**2,160**	**1,305**	**3,465**

The international nature of the company is also reflected in its personnel structure. Employees from 40 different countries and from all continents are currently working at the Austrian locations. 55% of the workforce have Austrian citizenship, and 22% are German nationals.

As a technology company, FACC's share of women in the total workforce remains high at nearly 30%. The fact that nearly 50% of the FACC Group's apprentices are women is particularly pleasing.

Healthy and Happy: FACC as a pioneer in workplace health promotion

FACC's commitment to the motivation, satisfaction and health of its employees is demonstrated by a wide range of measures and initiatives. For its "Healthy and Happy" project, FACC was awarded the seal of approval for workplace health promotion (BGF) by the Upper Austrian Regional Health Insurance Fund in 2017. In Austria, the BGF seal of approval is regarded as a visible sign and recognized standard for high-quality workplace health promotion. Independent experts verify whether the stringent quality criteria of the European network have been met for the BGF seal of approval through an objective and transparent procedure.

Continuous investment in the human capital of its entire workforce is a key factor contributing to the success of FACC. The Group is committed to lifelong learning and, for this purpose, offers its employees a wide range of extra-occupational education and further training opportunities. The FACC Academy, which serves as the central hub for all training activities, organized 427 internal training sessions with a total of 5,050 participants in the 2018/19 financial year alone. In addition, 146 external training sessions attended by 959 employees were held.

E-learning for more flexibility

In order to make responsible use of its employees' time resources, FACC is already offering selected training courses via e-learning. Meanwhile, e-learning content specifically tailored to the needs of the company and of its employees is also being created by internal developers. In addition to IT & SAP e-learning modules in the areas of "SAP Basic", "SAP Advanced" and "System Management", web-based trainings are also available on topics such as "Export Control Advanced" and "Foreign Object Damage (FOD)", i.e. all foreign bodies/substances that cause damage to the aircraft/component. The learning units can be completed directly at the workplace via FACC's SAP system.

Global family

As an internationally operating company with employees from 40 countries, FACC attaches great importance to cross-cultural dialogue. In order to ensure good teamwork between staff, a large number of its employees attend language and intercultural training courses.

Apprentice training is a further top priority at FACC. In the 2018/19 financial year, a total of 39 apprentices (of which one apprentice at CoLT Prüf und Test GmbH) were enrolled in six different training programs at FACC. The company was awarded the "State-Honored Training Company" prize by the Federal Ministry of Science, Research and Industry in recognition of its high-quality apprentice training.

In-house development of young talents

FACC offers aspiring young apprentices highly specialized training programs in design engineering, metal working technology, milling, cutting, and machining techniques, plastics engineering, process technology, IT and application development as well as coding. At FACC, apprentices get access to the latest technologies and equipment in the company as soon as they start their training. This gives them the opportunity to make use of their innovative spirit and commitment to develop into the experts of the future.

FACC scholarship

The FACC scholarship with a total value of approximately EUR 100,000 (total value over the period of study of the beneficiaries) was awarded for the first time in the 2018/19 financial year in the degree course "Lightweight Construction and Composite Materials". Four candidates receive monthly financial support for the duration of their studies. In addition, FACC covers their tuition fees, offers internships in its plants, provides guidance and assistance through competent FACC supervisors and allows students to take part in training courses as well as numerous other perks.

9. SUSTAINABILITY MANAGEMENT

The sustainability management of FACC is an integral part of the corporate strategy and reports to the Management Board. Its aim is to take due consideration of the environmental and societal impacts of each business process, and to reconcile the company's economic imperatives with socio-ecological considerations. Sustainability management and the operative units cooperate closely with each other.

FACC's first Sustainability Report for the 2017/18 financial year was presented in May 2018 and can be downloaded from the Group's website.

The Sustainability Report was prepared in accordance with the "GRI standards" (standards of the Global Reporting Initiative) and the requirements of the Austrian "NaDiVeG" (Sustainability and Diversity Improvement Act) and is published as a separate non-financial report in accordance with section 267a of the Austrian Company Code (UGB).

10. REPORT ON BRANCH OFFICES

FACC AG does not operate any branch offices.

11. DISCLOSURES PURSUANT TO SECTION 243A OF THE AUSTRIAN COMPANY CODE (UGB)

11.1 Reporting on the key features of the Group's internal control and risk management system with regard to accounting procedures

Pursuant to section 243a paragraph 2 of the Austrian Company Code (UGB), FACC is required to give an account of the key features of its internal control and risk management system with regard to the accounting process. Pursuant to section 82 of the Austrian Stock Corporation Act (AktG), the Management Board of FACC has to ensure the establishment of an accounting and internal control system that complies with the company's requirements. Thus, the Management Board 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 system are laid down in FACC's risk management and finance manuals. These manuals describe and identify 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.

The measures and rules include, amongst others, the separation of functions, the dual control principle, rules governing authorized 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 IT software in use (SAP).

FACC has been using SAP in almost all areas across the company for more than ten years. The regularities of the SAP systems have been implemented in all relevant business processes.

In the course of monthly reporting to the Management Board and second-level management, especially comparisons between actual and budgeted figures are made. During its quarterly meetings, the Supervisory Board of FACC AG is informed about business performance and forecasts regarding the Group's further course of business. In its meetings, the Audit Committee of the Supervisory Board 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 center. Every cost center manager is responsible for not exceeding budgeted costs and keeping in line with planned investments. All investment projects are subject to prior approval by the Management Board. Investments running over budget are also subject to prior approval by the Supervisory Board.

11.2 Disclosures on capital, share, voting and control rights and associated obligations

The FACC Group's share capital amounted to EUR 45,790,000 as of 28 February 2019 and is divided into 45,790,000 no-par value bearer shares. All shares have been admitted to trading in the prime market segment of the Vienna Stock Exchange. Each share corresponds to one vote at the Annual General Meeting.

As of 28 February 2019, AVIC Cabin Systems Co., Limited (formerly FACC International Company Limited) held, either directly or indirectly, 55.5% of the shares of FACC. As of the balance sheet date on 28 February 2019, no other shareholders were known to hold more than 10% of the share capital.

The free float of FACC shares amounted to 44.5% or 20,397,364 shares on 28 February 2019.

There are no shares conferring special control rights.

FACC does not have an employee stock option plan in place under which employees do not directly exercise their voting rights for their shares in the company.

11.3 Authorized capital

At the Extraordinary General Meeting on 23 June 2014, authorized capital was approved. Accordingly, the Management Board is authorized, subject to prior approval by the Supervisory Board and within five years from the date on which the authorized 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 by issuing up to 19,895,000 new shares against cash or non-cash contributions. New shares can also be issued excluding shareholders' subscription rights.

The authorized capital was entered in the commercial register on 25 June 2014.

11.4 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 for the merger of several companies. The amount of capital issued and the conversion ratio are to be established in compliance with the provisions of the convertible bonds. The issue amount of the shares shall not be less than the pro-rata amount of the share capital.

11.5 Legal provisions for the appointment of the Management Board and Supervisory Board

As long as AVIC Cabin Systems Co., Limited (formerly FACC International Company Limited) is a shareholder of FACC with a stake of at least 25 % of the current share capital, AVIC Cabin Systems Co. Limited has the right to appoint up to one third of all members of the Supervisory Board in accordance with section 11 of FACC's Articles of Association.

There are no other provisions in the Articles of Association that go beyond the statutory provisions governing the appointment of the Management Board and Supervisory Board and amendments to the Articles of Association.

11.6 Other disclosures

As of 28 February 2019, 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 compensation agreements exist between FACC and the members of the Management and Supervisory Boards in the event of a public takeover bid.

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

a. Aviation Industry Corporation of China (AVIC) holds, either directly or indirectly, less than 50% plus one share of the borrower, or

b. Aviation Industry Corporation of China (AVIC) is not entitled, either directly or indirectly, to determine and appoint the majority of the members of the management and supervisory boards of the borrower.

12. OUTLOOK

12.1 The civil aviation market

The market forecasts published by Airbus and Boeing in the spring of 2019 once again confirm that, from today's perspective, the long-term growth trend in the civil aviation industry continues in the future. Studies by OEMs currently confirm a constant annual increase in passenger volumes of around 4.5 %. Between 2019 and 2037, approximately 40,000 new aircraft will be needed. Compared to the 2018 forecast, this represents an increase of 2,500 aircraft. The latest rate forecasts for the next two years, in contrast, shows that the increase of some aircraft types has stabilized and will be somewhat flatter than anticipated a year ago. The immediate development of sales within the aircraft supply industry will inevitably have to adapt to these circumstances. Thus, the purely organic growth from existing orders will remain unchanged, but will be spread over a further two to three years.

The shift towards the new growth markets of China and India already described in recent years is once again confirmed and will remain unchanged in the future. The traffic volume (travel activity per year and inhabitant) in these countries is expected to quadruple by 2036. The number of days of travel per inhabitant in the USA and Europe is also expected to increase by a further 40 % in the same period, even though it is already at a high level.

Last year, Airbus and Boeing together delivered 1,606 new commercial aircraft to their customers. During the same period, 1,640 aircraft were sold to airlines. This thus equates to a book-to-bill ratio of 1.02. As a result, order backlogs have increased slightly in the last year another time in a row. The industry operating at full capacity for many years to come.

A distinguishing feature of the industry is the acceleration of takeovers and the formation of new alliances. The acquisition of the Bombardier C-Series program by Airbus on 1 July 2018 and the ongoing negotiations between Boeing and Embraer with the objective of following this example will contribute to the further consolidation of the OEM market.

In return, COMAC is progressively increasing series production of its AR21 aircraft and making progress in the development of the C919.

Apart from the increasing consolidation within the OEM sector, further consolidation is also taking place in the supply chain at the Tier 1 and Tier 2 levels.

12.2 FACC Group

With its balanced and comprehensive customer and product portfolio, the company will continue on its growth course in the 2019/20 financial year. Changes in the product mix, in particular the phasing out of the high-revenue B737NG winglet program, will be compensated by the new orders acquired in the 2017/18 and 2018/19 financial years. The discontinuation of the A380 aircraft program with effect from 2021 will be preceded by an adjustment of production rates in the 2019/20 financial year. The slow-down of production rates of the A380 will have a negligible impact on FACC's revenue development as product revenues from this aircraft program account for only 1.5% of FACC's total revenues.

FACC is particularly focused on processing the new orders signed. The engineering work for these new and promising products has made considerable progress, numerous approval tests have been completed according to plan, and the series ramp-up is in full swing. The first revenues from these new orders are expected for the first half of the 2019/20 financial year, followed by a gradual rate ramp-up which is scheduled to occur over the next 12 to 18 months.

Based on its current market assessment and the Group's existing product mix, FACC expects sales growth to be in line with market growth in the 2019/20 financial year. The measures implemented in recent years to increase profitability will be stepped up further in order to offset natural cost increases.

Furthermore, additional activities will be initiated.

- Specifically, FACC will start the construction of an additional production facility in Croatia. The construction of the site will be completed by the end of 2020, with production capacities available from the beginning of 2021.

- The initiatives to vertically integrate core competences into the FACC production network, which were first introduced in the 2015 financial year, will be sustainably strengthened. The aim is to simplify the value stream, further cut material and purchasing costs and to substantially reduce the company's dependence on individual supply chains.

In line with the planned revenue growth, FACC intends to keep earnings at the level of the EBIT (operating result excluding A380 one-time effects) of the 2018/19 financial year despite the introduction of various new orders. Due to the introduction of the new projects described above, the margins in the first half of 2019/20 will be lower than the half-year margins of the 2018/19 financial year.

FACC will continue its efforts to reach the sales target of EUR 1 billion in the 2019/20 financial year by actively shaping the market. Due to the above-mentioned flattening of rate increases in existing projects, this goal is not expected to be achieved before 2021/22.

By way of conclusion, the FACC Group will continue to expand its business activities, ranging from development and production to global supply chain management, whilst sustainably strengthening its role as the partner of choice of the aviation industry. The implementation of the Group's "Vision 2020" strategy with a view to strengthening and expanding its position as a Tier-1 supplier in the global aerospace industry has top priority.

Ried im Innkreis, 8 May 2019

Robert Machtlinger m.p. Chairman of the Management Board	Andreas Ockel m.p. Member of the Management Board
Aleš Stárek m.p. Member of the Management Board	Yongsheng Wang m.p. Member of the Management Board

Consolidated Profit and Loss Statement[1)]

for the period from 1 March 2018 to 28 February 2019

	Note	2017/18 restated[2)] EUR'000	2018/19 EUR'000
Revenues	10	747,577	781,553
COGS – Cost of goods sold	11	–642,905	–701,160
Gross profit		**104,672**	**80,393**
Research and development expenses	12	–3,392	–2,464
Selling expenses	13	–5,990	–7,848
Administration expenses	14	–38,959	–28,485
Other operating income	15	7,004	12,590
Other operating expenses	16	–3,235	–10,582
Earnings before interest and taxes (EBIT)		**60,100**	**43,605**
Financing expenses	17	–11,465	–10,050
Other financial result	17	134	3,198
Financial result		**–11,331**	**–6,852**
Earnings before taxes (EBT)		**48,768**	**36,753**
Income taxes	18	–11,785	–6,414
Earnings after taxes		**36,983**	**30,339**
of which attributable to non-controlling interests		–9	17
of which attributable to shareholders of the parent company		**36,992**	**30,322**
Diluted (=undiluted) earnings per share (in EUR)	**19**	**0.81**	**0.66**
Issued shares (in shares)		**45,790,000**	**45,790,000**

1) The classification has been adjusted (see Note 48 – Reconciliation of comprehensive income form the cost-of-sales to the total cost method). Due to an error correction in accordance with IAS 8, the previous year's figures were adjusted retrospectively (see Note 3 – Correction of errors).

2) The FACC Group uses the modified retrospective method for the first-time application of IFRS 15 and the first-time application of IFRS 9 (see Note 4 – Effects of the first-time application of IFRS 15 and IFRS 9).

Consolidated Statement of Comprehensive Income

for the period from 1 March 2018 to 28 February 2019

	Note	2017/18 restated[1) 2)] EUR'000	2018/19 EUR'000
Earnings after taxes		**36,983**	**30,339**
Currency translation differences from consolidation	31	–650	132
Fair value measurement of securities (available for sale)	31	–8	0
Cash flow hedges	31	22,395	–13,948
Tax effect	18	–5,584	3,487
Items subsequently reclassified to profit and loss		**16,153**	**–10,329**
Revaluation effects of termination benefits	33	364	383
Fair value measurement of securities (fair value through other comprehensive income)	31	0	–1
Tax effect	18	–91	–96
Items not subsequently reclassified to profit and loss		**273**	**287**
Other comprehensive income after taxes		**16,425**	**–10,042**
Total comprehensive income		**53,408**	**20,297**
of which attributable to non-controlling interests		–9	17
of which attributable to shareholders of the parent company		**53,417**	**20,280**

1) Due to an error correction in accordance with IAS 8, the previous year's figures were adjusted retrospectively (see Note 3 – Correction of errors).

2) The FACC Group uses the modified retrospective method for the first-time application of IFRS 15 and the first-time application of IFRS 9 (see Note 4 – Effects of the first-time application of IFRS 15 and IFRS 9).

Consolidated Statement of Financial Position

as of 28 February 2019

ASSETS

	Note	01.03.2017 restated[1)] EUR'000	28.02.2018 restated[1) 2)] EUR'000	28.02.2019 EUR'000
Intangible assets	20	149,743	147,660	21,309
Property, plant and equipment	21	166,116	173,704	139,084
Receivables from customer-related engineering	22	0	0	86,053
Contract assets	23	0	0	15,099
Contract costs	24	0	0	39,976
Other financial assets	25	465	457	457
Receivables from related companies	26, 47	0	4,750	6,156
Other receivables	27	27,866	18,152	8,657
Deferred taxes	18	13,285	0	8,101
Non-current assets		**357,475**	**344,723**	**324,892**
Inventories	28	113,379	130,562	123,781
Customer-related engineering	29	0	0	28,851
Receivables from construction contracts		18,788	17,212	0
Trade receivables[3)]	30	98,875	92,523	95,998
Receivables from related companies	47	28,533	13,626	24,218
Current tax income receivables		8	30	38
Derivative financial instruments	44	0	14,591	0
Other receivables and deferred items	30	20,039	26,803	37,949
Cash and cash equivalents	31	48,275	63,488	90,062
Current assets		**327,897**	**358,835**	**400,898**
Balance sheet total		**685,372**	**703,558**	**725,790**

[1)] Due to an error correction in accordance with IAS 8, the previous year's figures were adjusted retrospectively (see Note 3 – Correction of errors).

[2)] The FACC Group uses the modified retrospective method for the first-time application of IFRS 15 and the first-time application of IFRS 9 (see Note 4 – Effects of the first-time application of IFRS 15 and IFRS 9).

[3)] Previous year adjusted (see Note 2 – Basis of preparation of the Consolidated Financial Statements).

EQUITY AND LIABILITIES

	Note	01.03.2017 restated[1] EUR'000	28.02.2018 restated[1) 2)] EUR'000	28.02.2019 EUR'000
Share capital	32	45,790	45,790	45,790
Capital reserve	32	221,459	221,459	221,459
Currency translation reserve	32	–146	–797	–665
Other reserves	32	–14,223	2,853	–7,321
Retained earnings	32	16,780	53,772	39,674
Equity attributable to shareholders of the parent company		**269,660**	**323,077**	**298,937**
Non-controlling interests		26	17	34
Equity		**269,686**	**323,094**	**298,971**
Promissory note loans	37	34,000	34,000	0
Bonds	37	89,416	89,589	89,769
Other financial liabilities	37	67,581	56,093	78,130
Derivative financial instruments	44	3,544	681	64
Investment grants	33	12,381	11,405	7,379
Employee benefit obligations	34	9,045	9,268	9,860
Other provisions	36	26,195	8,819	12
Other liabilities		0	0	22
Deferred tax liabilities	18	0	1,246	450
Non-current liabilities		**242,163**	**211,101**	**185,685**
Promissory note loans	37	8,000	0	34,000
Other financial liabilities	37	46,295	65,762	69,021
Derivative financial instruments	44	15,634	0	10,532
Contract liabilities from customer-related engineering	35	0	0	17,312
Advance payments related to tool and development activities	35	1,627	7,907	0
Trade payables		58,182	48,875	74,819
Liabilities towards related companies	47	1,813	3,548	4,623
Investment grants	33	1,165	1,130	510
Income tax liabilities		404	2,645	2,279
Other provisions	36	12,969	9,249	6,621
Other liabilities and deferred items	38	27,433	30,248	21,417
Current liabilities		**173,523**	**169,363**	**241,134**
Balance sheet total		**685,372**	**703,558**	**725,790**

[1] Due to an error correction in accordance with IAS 8, the previous year's figures were adjusted retrospectively (see Note 3 – Correction of errors).

[2] The FACC Group uses the modified retrospective method for the first-time application of IFRS 15 and the first-time application of IFRS 9 (see Note 4 – Effects of the first-time application of IFRS 15 and IFRS 9).

Consolidated Statement of Changes in Equity

for the period from 1 March 2018 to 28 February 2019

		Attributable to shareholders of the parent company			
	Note	Share capital	Capital reserves	Currency translation reserve	
		EUR'000	EUR'000	EUR'000	
As of 1 March 2017		**45,790**	**221,459**	**–146**	
Error correction according to IAS 8 from 2017[1)]	3	0	0	0	
Error correction according to IAS 8 from 2019[2)]	3	0	0	0	
As of 1 March 2017		**45,790**	**221,459**	**–146**	
Earnings after taxes		0	0	0	
Other comprehensive income after taxes	32	0	0	–650	
Total comprehensive income		**0**	**0**	**–650**	
As of 28 February 2018[3)]		**45,790**	**221,459**	**–797**	
As of 1 March 2018 (previous)		**45,790**	**221,459**	**–797**	
First application of IFRS 15	4	0	0	0	
First application of IFRS 9	4	0	0	0	
As of 1 March 2018 (adjusted)		**45,790**	**221,459**	**–797**	
Earnings after taxes		0	0	0	
Other comprehensive income after taxes	32	0	0	132	
Total comprehensive income		**0**	**0**	**132**	
Dividend payment	32	0	0	0	
As of 28 February 2019		**45,790**	**221,459**	**–665**	

	Attributable to shareholders of the parent company						
	Other reserves						
	Securities - fair value through other comprehensive income EUR'000	Cash flow hedges EUR'000	Reserves IAS 19 EUR'000	Retained earnings EUR'000	Total EUR'000	Non-controlling interests EUR'000	Total equity EUR'000
	4	**–9,466**	**–3,888**	**30,239**	**283,992**	**26**	**284,019**
	0	0	0	–14,333	–14,333	0	–14,333
	0	–873	0	873	0	0	0
	4	**–10,339**	**–3,888**	**16,780**	**269,660**	**26**	**269,686**
	0	0	0	36,992	36,992	–9	36,983
	–6	16,809	273	0	16,425	0	16,425
	–6	**16,809**	**273**	**36,992**	**53,417**	**–9**	**53,408**
	–1	**6,470**	**–3,615**	**53,772**	**323,077**	**17**	**323,094**
	–1	**6,470**	**–3,615**	**53,772**	**323,077**	**17**	**323,094**
	0	0	0	–39,137	–39,137	0	–39,137
	0	0	0	–246	–246	0	–246
	–1	**6,470**	**–3,615**	**14,389**	**283,695**	**17**	**283,712**
	0	0	0	30,322	30,322	17	30,339
	–1	–10,461	287	0	–10,042	0	–10,042
	–1	**–10,461**	**287**	**30,322**	**20,280**	**17**	**20,297**
	0	0	0	–5,037	–5,037	0	–5,037
	–2	**–3,991**	**–3,328**	**39,674**	**298,937**	**34**	**298,971**

[1] Due to an error correction in accordance with IAS 8, the previous year's figures were adjusted retrospectively in 2018 (see Consolidated Financial Statements as of 28.02.2018).

[2] Due to an error correction in accordance with IAS 8, the previous year's figures were adjusted retrospectively in 2019 (see Note 3 – Correction of errors).

[3] The FACC Group uses the modified retrospective method for the first-time application of IFRS 15 and the first-time application of IFRS 9 (see Note 4 – Effects of the first-time application of IFRS 15 and IFRS 9).

Consolidated Statement of Cash Flows

	Note	2017/18 restated[1) 2)] EUR'000	2018/19 EUR'000
Operating activities			
Earnings before taxes (EBT)		48,768	36,753
Plus financial result		11,331	6,852
Earnings before interest and taxes (EBIT)		**60,099**	**43,605**
Plus/minus			
Depreciation, amortization and impairment		32,895	15,845
Amortization contract costs		0	8,048
Impairment contract costs		0	7,287
Income from the reversal of investment grants		–1,821	–2,789
Change in other non-current provisions		–17,376	–8,808
Change in employee benefit obligations		603	975
Other non-cash expenses/income	39	13,661	–1,773
		88,062	62,390
Change in working capital			
Change in inventory and customer-related engineering		–18,626	17,804
Change in trade receivables and other receivables, receivables from customer-related engineering and contract assets		–27,960	693
Change in trade payables and other liabilities		25,572	–14,302
Change in current provisions		–3,842	–2,628
Cash flow from ongoing activities		**63,206**	**63,957**
Interest received	40	134	387
Taxes paid		–266	–997
Cash flow from operating activities		**63,074**	**63,347**
Payments for the acquisition of non-current assets	41	–35,068	–36,164
Proceeds from the disposal of non-current assets		3	419
Cash flow from investing activities		**–35,064**	**–35,745**
Proceeds from non-current interest-bearing liabilities		7,267	41,698
Repayments of promissory note loans		–8,000	0
Repayments of non-current interest-bearing liabilities		–6,819	–19,902
Change in current interest-bearing liabilities		4,642	–6,740
Dividend payment		0	–5,037
Interest paid	40	–10,069	–10,843
Cash flow from financing activities		**–12,979**	**–825**
Net changes in cash and cash equivalents		**15,030**	**26,776**
Cash and cash equivalents at the beginning of the period		48,275	63,488
Effects from foreign exchange rates		183	–202
Cash and cash equivalents at the end of the period		**63,488**	**90,062**

1) Due to an error correction in accordance with IAS 8, the previous year's figures were adjusted retrospectively (see Note 3 – Correction of errors).
2) The FACC Group uses the modified retrospective method for the first-time application of IFRS 15 and the first-time application of IFRS 9 (see Note 4 – Effects of the first-time application of IFRS 15 and IFRS 9).

Notes to the Consolidated Financial Statements

GENERAL INFORMATION

1. General information

The FACC Group (hereinafter referred to as FACC) with headquarters in Ried im Innkreis is an Austrian enterprise involved in the development, production and maintenance of aircraft 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 interiors fittings in the modern commercial aircraft such as overhead stowage compartments, cabin linings and service units. The majority of the components are manufactured from composite materials. FACC 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 manufacturers' assembly lines.

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

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

2. Basis of preparation of the Consolidated Financial Statements

The Consolidated Financial Statements of FACC AG as of 28 February 2019 were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) and the interpretations of the IFRS Interpretations Committee (IFRIC) as adopted by the European Union (EU). According to section 245a of the Austrian Company Code (UGB), these Consolidated Financial Statements are subject to exception under Austrian law. All additional requirements of section 245a (1) of the Austrian Company Code (UGB) have been fulfilled.

The Consolidated Financial Statements are prepared as of the balance sheet date of the parent company, FACC AG. The financial year begins on 1 March and ends on 28 February of the following year. The annual financial statements of the individual domestic and foreign companies included in the Consolidated Financial Statements are prepared as of the reporting date of the Consolidated Financial Statements.

Accounting and valuation within the Group are carried out according to uniform criteria. The Consolidated Financial Statements were prepared on a going concern basis. For the sake of clarity, the "Consolidated Profit and Loss Statement", the "Statement of Comprehensive Income", the "Consolidated Statement of Financial Position", the "Consolidated Statement of Changes in Equity" and the "Consolidated Statement of Cash Flows" have been summarised and are explained separately in the Notes according to the materiality principle.

The Consolidated Profit and Loss Statement has been prepared under the cost-of-sales method (see Note 48 – Reconciliation of comprehensive income from the cost-of-sales to the total cost method).

The Consolidated Statement of Financial Position is classified by maturity in accordance with IAS 1. Assets and liabilities are classified as current if they are expected to be realized or settled within twelve months of the balance sheet date.

The Consolidated Financial Statements are presented in euros. Unless otherwise stated, all amounts have been rounded to the nearest thousand (EUR'000). Due to rounding, slight differences may occur.

The accounting and valuation principles of the previous year, which form the basis for the present Consolidated Financial Statements, were applied unchanged and supplemented by new IFRS standards to be applied from this financial year onwards (see Note 57 – Effects of new and amended statements (revised)). A description of the accounting and valuation principles is given in Note 56 – Accounting and valuation policies.

In order to improve the informative value of the Consolidated Financial Statements, individual items and presentations have been reclassified as of 28 February 2019 compared to the previous year. Trade receivables in the amount of kEUR 6,462 were reclassified from other receivables to trade receivables. The reference values have also been adjusted accordingly.

3. Correction of errors

The audit pursuant to section 2 paragraph 1 number 2 of the Accounting Control Act (audit without a particular cause) was completed by the Financial Market Authority (FMA) by decision of 28 August 2017. All detected violations were corrected in the Consolidated Financial Statements as of 28 February 2017 and 28 February 2018 in accordance with IAS 8.42 and explained in the Notes to the Consolidated Financial Statements.

In the course of a random sampling inspection by the Austrian Financial Reporting Enforcement Panel (OePR), the Consolidated Financial Statements of 28 February 2018 together with the Half-Year Financial Statements of 31 August 2017 and 31 August 2018 of FACC Operations GmbH were selected for audit in accordance with section 2 paragraph 2 number 1 of the Financial Reporting Enforcement Act (audit without a particular cause). The audit was completed by decision of 15 April 2019. All detected violations were also corrected in the Consolidated Financial Statements as of 28 February 2019 of FACC AG and are explained in the Notes to the Consolidated Financial Statements.

Revenues in US dollars that are not hedged through hedging transactions but are merely secured from an economic point of view through expenses in US dollars are recorded at the hedged rate in the Consolidated Profit and Loss Statement. This is not in compliance with IAS 39.84, according to which the hedging of an entire net position is not eligible for hedge accounting, and IAS 21.21, which stipulates that foreign currency transactions must be translated at the spot rate applicable on the date of the transaction. As a result, revenue, material expenses and administrative expenses are reported incorrectly, but with no impact on net profit (error correction 1).

Prior to the application of IFRS 9, the FACC Group recorded all forward exchange transactions as cash flow hedges for planned sales revenues in accordance with IAS 39.88. According to IAS 39.95, the share of the gain or loss resulting from the use of a hedging instrument that is determined to be an effective hedge is recognized in other comprehensive income. Pursuant to IAS 39.100, the amounts recognized in other comprehensive income must be reclassified from equity to profit or loss as a reclassification adjustment in the same period in which the hedged expected cash flows affect profit or loss. In the case of revenue hedges, this corresponds to the period in which the revenue is generated.

In the case of individual hedging transactions, the FACC Group records the full profit or loss resulting from the hedging transaction to profit or loss, even though the planned revenue hedged by the hedging transaction was not generated until the following period.

As a result of this error, earnings before taxes recorded for the 2016/17 financial year were understated, and overstated for the 2017/18 financial year in comparison with other comprehensive income. Equity remains unchanged for both years (error correction 2).

Correction according to IAS 8 of the Consolidated Profit and Loss Statement

	2017/18			
	Previous EUR'000	Correction 1 EUR'000	Correction 2 EUR'000	Restated EUR'000
Revenues	750,668	–3,091	0	747,577
COGS – Cost of goods sold	–641,015	–1,890	0	–642,905
Gross profit	**109,652**	**–4,980**	**0**	**104,672**
Research and development expenses	–3,392	0	0	–3,392
Selling expenses	–5,990	0	0	–5,990
Administration expenses	–40,279	4,980	–3,661	–38,959
Other operating income	7,004	0	0	7,004
Other operating expenses	–3,235	0	0	–3,235
Earnings before interest and taxes (EBIT)	**63,760**	**0**	**–3,661**	**60,100**
Financing expenses	–11,465	0	0	–11,465
Other financial result	134	0	0	134
Earnings before taxes (EBT)	**52,429**	**0**	**–3,661**	**48,768**
Income taxes	–12,700	0	915	–11,785
Earnings after taxes	**39,729**	**0**	**–2,745**	**36,983**

Correction according to IAS 8 of the Consolidated Statement of Comprehensiv Income			
		2017/18	
	Previous EUR'000	Correction 2 EUR'000	Restated EUR'000
Currency translation differences from consolidation	–650	0	–650
Fair value measurement of securities	–8	0	–8
Cashflow hedges	18,734	3,661	22,395
Tax effect	–4,669	–915	–5,584
Items subsequently reclassified to profit and loss	**13,407**	**2,745**	**16,153**
Revaluation effects of termination benefits	364	0	364
Tax effect	–91	0	–91
Items not subsequently reclassified to profit and loss	**273**	**0**	**273**
Other comprehensive income after taxes	13,680	2,745	16,425
Total comprehensive income	**53,408**	**0**	**53,408**
Earnings after taxes attributable to:			
Shareholders of the parent company	39,738	–2,745	36,992
Non-controlling interests	–9	0	–9
Total comprehensive income attributable to:			
Shareholders of the parent company	53,417	0	53,417
Non-controlling interests	–9	0	–9
Earnings per share			
Diluted (=undiluted)	0.87	–0.06	0.81

Correction according to IAS 8 of the Consolidated Statement of Financial Position	28.02.2017			28.02.2018			
	Previous EUR'000	Correction EUR'000	Restated EUR'000	Previous EUR'000	Correction EUR'000	Correction EUR'000	Restated EUR'000
ASSETS							
Intangible assets	149,743	0	149,743	147,660	0	0	147,660
Property, plant and equipment	166,116	0	166,116	173,704	0	0	173,704
Other financial assets	465	0	465	457	0	0	457
Receivables from related companies	0	0	0	4,750	0	0	4,750
Other receivables	27,866	0	27,866	24,614	0	0	24,614
Deferred taxes	13,285	0	13,285	0	0	0	0
Non-current assets	**357,475**	**0**	**357,475**	**351,185**	**0**	**0**	**351,185**
Inventories	113,379	0	113,379	130,562	0	0	130,562
Receivables from construction contracts	18,788	0	18,788	17,212	0	0	17,212
Trade receivables	98,875	0	98,875	86,061	0	0	86,061
Receivables from related companies	28,533	0	28,533	13,626	0	0	13,626
Current tax income receivables	8	0	8	30	0	0	30
Derivative financial instruments	0	0	0	14,591	0	0	14,591
Other receivables and deferred items	20,039	0	20,039	26,803	0	0	26,803
Cash and cash equivalents	48,275	0	48,275	63,488	0	0	63,488
Current assets	**327,897**	**0**	**327,897**	**352,373**	**0**	**0**	**352,373**
Balance sheet total	**685,372**	**0**	**685,372**	**703,558**	**0**	**0**	**703,558**

Correction according to IAS 8 of the Consolidated Statement of Financial Position							
	28.02.2017			28.02.2018			
	Previous EUR'000	Correction 2 EUR'000	Restated EUR'000	Previous EUR'000	Correction 2 EUR'000	Correction 2 EUR'000	Restated EUR'000
EQUITY AND LIABILITIES							
Equity attributable to shareholders of the parent company							
Share capital	45,790	0	45,790	45,790	0	0	45,790
Capital reserve	221,459	0	221,459	221,459	0	0	221,459
Currency translation reserve	–146	0	–146	–797	0	0	–797
Other reserves	–13,349	–873	–14,223	981	–873	2,745	2,853
Retained earnings	15,907	873	16,780	55,644	873	–2,745	53,772
	269,660	0	269,660	323,077	0	0	323,077
Non-controlling interests	26	0	26	17	0	0	17
Equity	**269,686**	**0**	**269,686**	**323,094**	**0**	**0**	**323,094**
Promissory note loans	34,000	0	34,000	34,000	0	0	34,000
Bonds	89,416	0	89,416	89,589	0	0	89,589
Other financial liabilities	67,581	0	67,581	56,093	0	0	56,093
Derivative financial instruments	3,544	0	3,544	681	0	0	681
Investment grants	12,381	0	12,381	11,405	0	0	11,405
Employee benefit obligations	9,045	0	9,045	9,268	0	0	9,268
Other provisions	26,195	0	26,195	8,819	0	0	8,819
Deferred tax liabilities	0	0	0	1,246	0	0	1,246
Non-current liabilities	**242,163**	**0**	**242,163**	**211,101**	**0**	**0**	**211,101**
Promissory note loans	8,000	0	8,000	0	0	0	0
Other financial liabilities	46,295	0	46,295	65,762	0	0	65,762
Derivative financial instruments	15,634	0	15,634	0	0	0	0
Advance payments related to tool and development activities	1,627	0	1,627	7,907	0	0	7,907
Trade payables	58,182	0	58,182	48,875	0	0	48,875
Liabilities towards related companies	1,813	0	1,813	3,548	0	0	3,548
Investment grants	1,165	0	1,165	1,130	0	0	1,130
Income tax liabilities	404	0	404	2,645	0	0	2,645
Other provisions	12,969	0	12,969	9,249	0	0	9,249
Other liabilities and deferred items	27,433	0	27,433	30,248	0	0	30,248
Current liabilities	**173,523**	**0**	**173,523**	**169,363**	**0**	**0**	**169,363**
Balance sheet total	**685,372**	**0**	**685,372**	**703,558**	**0**	**0**	**703,558**

Correction according to IAS 8 of the Consolidated Statement of Cash Flows			
		28.02.2018	
	Previous EUR'000	Correction 2 EUR'000	Restated EUR'000
Earnings before taxes (EBT)	52,429	–3,661	48,768
Plus financial result	11,331	0	11,331
Earnings before interest and taxes (EBIT)	**63,760**	**–3,661**	**60,100**
Plus/minus			
Depreciation, amortization and impairment	32,895	0	32,895
Income from the reversal of investment grants	–1,821	0	–1,821
Change in other non-current provisions	–17,376	0	–17,376
Change in employee benefit obligations	603	0	603
Other non-cash expenses/income	10,000	3,661	13,661
	88,062	**0**	**88,062**
Change in working capital	–24,856	0	–24,856
Interest received	134	0	134
Taxes paid	–266	0	–266
Operating activities	**63,075**	**0**	**63,075**
Cashflow from investing activities	**–35,064**	**0**	**–35,064**
Cashflow from financing activities	**–12,979**	**0**	**–12,979**
Net changes in cash and cash equivalents	**15,030**	**0**	**15,030**

4. Effects of the first-time application of IFRS 15 and IFRS 9

FACC applied IFRS 15 – Revenue from Contracts with Customers and IFRS 9 – Financial Instruments for the first time as of 1 March 2018, which has resulted in changes in accounting and measurement methods (see Note 56 – Accounting and valuation policies and Note 57 – Effects of new and amended standards (revised)). FACC applied the modified retrospective method when adopting IFRS 15 and IFRS 9. Comparative information was not adjusted under this method. The cumulative effect of the first-time application of IFRS 15 and of IFRS 9 was recorded as an adjustment of the opening balances of 1 March 2018 in equity.

The effects of the first-time application of IFRS 15 consist of the change from revenue recognition over time to revenue recognition at a point in time, and the inclusion of financial components and other effects (in particular from currency translation and early revenue recognition).

As a result, the development costs and delivery rights previously capitalized under IAS 38 as well as the tools previously capitalized under IAS 16 were reassessed using IFRS 15 and consequently reclassified: Customer-related engineering already completed and tools for which the right to receive payments is given, which will be settled via shipset deliveries in subsequent periods, are reported as receivables from customer-related engineering. Contract costs are recognized for engineering and tools that do not constitute a separate performance obligation and for which the right to receive payments do not arise until the shipset has been delivered. Engineering and tools that have been commissioned separately and for which the right to receive payments already exist over the duration of the project are recognized as contract receivables. These reclassifications resulting from the application of IFRS 15 have caused rise to effects from the recognition of a financing component and currency translation effects in the course of measuring receivables from customer-related engineering and contract receivables, both of which did not occur prior to the application of IFRS 15.

The effects from the first-time application of IFRS 9 fully relates to the application of the impairment regulations of IFRS 9.

The following reconciliation does not constitute a complete balance sheet, but only shows those balance sheet items that were adjusted due to the first-time application of IFRS 15 and the first-time application of IFRS 9 as of 1 March 2018. The adjustment effects are as follows:

	28.02.2018 EUR'000	First application of IFRS 9 EUR'000	First application of IFRS 15 EUR'000	01.03.2018 EUR'000
ASSETS				
Intangible assets	147,660	0	–127,335	20,325
Property, plant and equipment	173,704	0	–48,457	125,246
Receivables from customer-related engineering	0	0	89,996	89,996
Contract assets	0	0	10,025	10,025
Contract costs	0	0	38,251	38,251
Deferred taxes	0	0	11,800	11,800
Non-current assets	**344,723**	**0**	**–25,720**	**319,003**
Customer-related engineering	0	0	40,395	40,395
Receivables from construction contracts	17,212	0	–17,212	0
Trade receivables	92,523	–246	0	92,278
Current assets	**358,835**	**–246**	**23,184**	**381,773**
Balance sheet total	**703,558**	**–246**	**–2,537**	**700,775**
EQUITY AND LIABILITIES				
Retained earnings	53,772	–246	–39,137	14,390
Equity	**323,094**	**–246**	**–39,137**	**283,712**
Investment grants	11,405	0	–4,512	6,893
Deferred taxes	1,246	0	–1,246	0
Non-current liabilities	**211,101**	**0**	**–5,758**	**205,343**
Contract liabilities from customer-related engineering	0	0	50,618	50,618
Advance payments related to tool and development activities	7,907		–7,907	0
Investment grants	1,130	0	–353	776
Current liabilities	**169,363**	**0**	**42,358**	**211,721**
Balance sheet total	**703,558**	**–246**	**–2,537**	**700,775**

The effects on deferred taxes of the application of IFRS 15 and IFRS 9 are as follows:

	As of 01.03.2018 EUR'000	Application due to new standards	As of 01.03.2018 restated EUR'000
Intangible assets	–29,307	31,834	2,527
Property, plant and equipment	–9,202	12,114	2,912
Receivables from customer-related engineering	0	–22,499	–22,499
Contract assets	0	–2,506	–2,506
Contract costs	0	–9,563	–9,563
Other financial assets	450	0	450
Trade receivables	2,157	0	2,157
Receivables from construction contracts/customer-related engineering	0	–5,796	–5,796
Other receivables and deferred items	84	0	84
Investment grants	643	–1,216	–573
Employee benefit obligations	–320	0	–320
Provisions	1,111	0	1,111
Contract liabilities from customer-related engineering/Advance payments related to tool and development activities	0	10,678	10,678
Trade payables	8,882	0	8,882
Derivative financial instruments	–2,278	666	–1,612
Other assets (incl. cash and cash equivalents)	333	–2,428	–2,095
Tax loss carry-forwards	26,202	0	26,202
	–1,246	**11,284**	**10,038**

The effects of the application of IFRS 15 and IFRS 9 as of 28 February 2019 are as follows:

	2018/19			2018/19
	As reported EUR'000	Application of IFRS 9 EUR'000	Application of IFRS 15 EUR'000	Without application of IFRS 15 and IFRS 9 EUR'000
Revenues	781,553	0	–25,456	756,097
COGS – Cost of goods sold	–701,160	0	3,185	–697,975
Gross profit	**80,393**	**0**	**–22,271**	**58,122**
Research and development expenses	–2,464	0	0	–2,464
Selling expenses	–7,848	0	0	–7,848
Administration expenses	–28,485	–32	0	–28,517
Other operating income	12,590	0	–4,049	8,541
Other operating expenses	–10,582	0	11,374	792
Earnings before interest and taxes (EBIT)	**43,605**	**–32**	**–14,946**	**28,627**
Financing expenses	–10,050	0	0	–10,050
Other financial result	3,198	0	–2,727	471
Earnings before taxes (EBT)	**36,753**	**–32**	**–17,673**	**19,048**
Income taxes	–6,414	–8	4,732	–1,690
Earnings after taxes	**30,339**	**–40**	**–12,941**	**17,358**

	28.02.2019			28.02.2019
	As reported EUR'000	Application of IFRS 9 EUR'000	Application of IFRS 15 EUR'000	Without application of IFRS 15 and IFRS 9 EUR'000
ASSETS				
Intangible assets	21,309	0	128,936	150,245
Property, plant and equipment	139,084	0	51,417	190,501
Receivables from customer-related engineering	86,053	0	–86,053	0
Contract assets	15,099	9	–15,109	0
Contract costs	39,976	0	–39,976	0
Deferred taxes	8,101	–8	–5,491	2,602
Non-current assets	**324,892**	**1**	**33,725**	**358,618**
Customer-related engineering	28,851	0	–28,851	0
Receivables from construction contracts	0	0	17,925	17,925
Trade receivables	95,998	268	0	96,266
Current assets	**400,898**	**268**	**–10,927**	**390,240**
Balance sheet total	**725,790**	**270**	**22,798**	**748,858**
EQUITY AND LIABILITIES				
Retained earnings	39,674	270	26,196	66,140
Equity	**298,971**	**270**	**26,196**	**325,437**
Investment grants	7,379	0	2,291	9,670
Deferred tax liabilities	450	0	5,959	6,409
Non-current liabilities	**185,685**	**0**	**8,250**	**193,935**
Contract liabilities from customer-related engineering	17,312	0	–17,312	0
Advance payments related to tool and development activities	0	0	5,573	5,573
Other provisions	6,621	0	–261	6,360
Investment grants	510	0	353	863
Current liabilities	**241,134**	**0**	**–11,647**	**229,487**
Balance sheet total	**725,790**	**270**	**22,799**	**748,858**

Due to the first-time application of IFRS 9, new classifications for financial instruments were introduced. Trade receivables that fall under the factoring program had to be reclassified to the measurement category "fair value through other comprehensive income (FVOCI)" due to the "hold and sell" business model. Due to the short-term nature and good creditworthiness of the receivables, the carrying amount can be considered a reliable approximation of the fair value. Beyond this, the first-time application did not result in any other reclassification or measurement adjustments. The reconciliation of the various categories for the FACC Group is shown below:

	Category IAS 39	Category IAS 9	Carrying amount 28.02.2018 EUR'000	Valuation adjustment EUR'000	Carrying amount 01.03.2018 EUR'000
ASSETS					
Other financial assets – securities (quoted)	AfS	FVOCI	413	0	413
Other financial assets – securities (unquoted)	AC	FVOCI	43	0	43
Receivables from related companies	LaR	AC	4,750	0	4,750
Other receivables	LaR	AC	18,152	0	18,152
Receivables from construction contracts	LaR	n/a	17,212	0	0
Trade receivables	LaR	AC	27,092	–246	26,846
Trade receivables (within factoring)	LaR	FVOCI	65,431	0	65,431
Receivables from related companies	LaR	AC	13,626	0	13,626
Derivative financial instruments	FVTPL	FVTPL	11,500	0	11,500
Derivative financial instruments (within hedging relationship)	n/a	n/a	3,091	0	3,091
Other receivables and deferred items	LaR	AC	302	0	302
Cash and cash equivalents	LaR	AC	63,488	0	63,488
EQUITY AND LIABILITIES					
Promissory note loans	AC	AC	34,000	0	34,000
Bonds	AC	AC	89,589	0	89,589
Other financial liabilities	AC	AC	121,854	0	121,854
Derivative financial instruments	FVTPL	FVTPL	681	0	681
Trade payables	AC	AC	48,875	0	48,875
Liabilities towards related companies	AC	AC	3,548	0	3,548
Other financial liabilities	AC	AC	20,571	0	20,571

Trade receivables, which were previously classified as loans and receivables in accordance with IAS 39, are now recorded at amortized cost. Following the transition to IFRS 9, an increase of kEUR 246 in the impairment of these receivables was recognized in retained earnings as of 1 March 2018.

	EUR'000
Valuation allowance as of 28.02.2018 according to IAS 39	**4,273**
Additional impairment loss as of 1 March 2018 for:	
Trade receivables	246
Receivables from customer-related engineering	0
Contract assets	0
Cash and cash equivalents	0
Valuation allowance as of 1 March 2018 according to IFRS 9	**4,519**

5. Consolidated companies

The Consolidated Financial Statements of FACC AG include all companies controlled by FACC AG. According to IFRS 10, an investor has power over an investee if it has the ability to direct activities which significantly affect the investee's return, has exposure or rights to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect the amount of its returns.

The group of consolidated companies of FACC as of 28 February 2019 remained unchanged compared to 28 February 2018 and comprises eight companies, including FACC AG.

FACC AG comprised the following subsidiaries on 28 February 2019 and 28 February 2018:

Company	Headquarters	Issued and fully paid nominal capital	Currency	Direct share	Primary activities
FACC Operations GmbH	Ried im Innkreis, Austria	127,000,000	EUR	100%	Development & production of aircraft components; customer service & repair
FACC Solutions (Canada) Inc .	Montreal, Canada	10,000	CAD	100%	Production; customer service & repair
FACC Solutions Inc.	Wichita, Kansas, USA	10,000	USD	100%	Customer service & repair
FACC Solutions s.r.o.	Bratislava, Slovakia	6,639	EUR	100%	Design & engineering
FACC (Shanghai) Co., Ltd	Shanghai, China	2,000,000	RMB	100%	Design & engineering
FACC Solutions Private Limited	Pune, India	20,193,003	INR	100%	Design & engineering
CoLT Prüf und Test GmbH	St. Martin, Austria	35,000	EUR	91%	Design & engineering

6. Consolidation methods

The capital consolidation of fully consolidated affiliates is performed according to the acquisition method, which involves comparing the consideration paid with the revalued net assets (equity) of the acquired entity at the time of acquisition. Under IFRS 3, assets, liabilities and contingent liabilities, to the extent that they can be identified, are recognized at fair value on initial consolidation; any remaining positive difference between the procurement costs and the revalued equity share is capitalized as goodwill in the respective segment in the respective national currency. A negative difference is recognized in the Profit and Loss Statement under other operating income.

Goodwill and intangible assets with indefinite useful lives are tested for impairment (impairment test) together with the cash-generating units (business units) to which they are allocated at least annually and, if found to be impaired, are written down to the lower recoverable amount. If events are observed during the year that point to permanent impairment, the relevant cash-generating units are subjected to impairment tests on a case-by-case basis (see Note 56 – Accounting and valuation policies and Note 20 – Intangible assets and goodwill).

Revenues, earnings and expenses as well as receivable and liability settlements between consolidated companies are eliminated.

Interim results of non-current and current assets resulting from intra-group transactions are eliminated.

7. Currency conversion

The Consolidated Financial Statements are prepared in euros, the functional currency of FACC AG.

The annual financial statements of foreign subsidiaries are converted into euros in accordance with the functional currency concept of IAS 21. The euro is the local currency of all subsidiaries since they conduct their business independently from a financial, economic and organizational point of view.

Monetary assets and liabilities denominated in a foreign currency are translated into the functional currency using the closing conversion rate at each balance sheet date. All exchange rate differences are recorded to profit or loss. Non-monetary items measured at historical cost in a foreign currency are translated at the exchange rate on the date of the transaction. Non-monetary items measured at fair value in a foreign currency are translated at the rate that existed when the fair value was determined.

Goodwill arising on the acquisition of foreign subsidiaries is allocated to the acquired entities and converted at the exchange rate on the balance sheet date. The items in the profit and loss statements of foreign consolidated companies are converted at average period rates.

Currency conversion differences between the closing conversion rate or historical rates on the balance sheet and the average rate on the Profit and Loss Statement are recorded as part of the other comprehensive income in equity. Likewise, unrealized currency conversion differences from shareholder loans with long maturities within the Group are also recorded in the other comprehensive income.

Exchange rate differences arising from the conversion of transactions and monetary balance sheet items in foreign currencies are recorded to profit or loss at the exchange rates applicable at the time of the transaction or valuation.

The following exchange rates were used for currency conversions:

		Closing rate		Average rate	
Currency	Abbrev.	28.02.2018	28.02.2019	2017/18	2018/19
Canadian dollar	CAD	1.5608	1.5042	1.4869	1.5255
US dollar	USD	1.2214	1.1416	1.1567	1.1664
Chinese renminbi yuan	RMB	7.7285	7.6309	7.7126	7.7879
Indian rupee	INR	79.6230	80.8915	74.6447	81.1062

8. Use of assumptions and estimates

The preparation of the Consolidated Financial Statements requires management to make use of certain estimates and assumptions which impacted on amounts of the reported assets and liabilities as well as on the contingent liabilities, of other liabilities on the balance sheet date and the disclosure of earnings and expenses during the reporting period. The actual amounts may differ from the estimates given.

The **intrinsic value of goodwill**, of **assets with indefinite useful lives**, of **capitalized development projects** as well as **contract costs which have not yet been completed** are assessed by calculating the value in use with the discounted cash flow method. The recoverable amount depends to a large extent on expected cash flow surpluses and the applied cost of capital. With respect to these parameters, management calculates estimates and makes assumptions relating to FACC's future surplus payments and capital costs expected in the planning periods as well as the individual cash-generating units. Estimates are made to the best of our knowledge and belief subject to the going concern assumption, build on our experience and take remaining uncertainty into account in an appropriate manner.

A sensitivity analysis was performed to illustrate the effects of changing parameters in the planning calculation on the Consolidated Profit and Loss Statement. The planning assumptions made for the impairment test of goodwill and the sensitivity analysis are explained in more detail in Note 20 – Intangible assets and goodwill.

Capitalized development projects (only in the course of the 2017/18 financial year) as well as **contract costs** were **tested for impairment** in the course of the 2018/19 financial year to the extent that there were indications of impairment, such as expected losses within the framework of multi-year planning. The intrinsic value was assessed by calculating the value in use of the development projects using the discounted cash flow method. The recoverable amount depends to a large extent on expected cash inflows from the respective projects and the applied cost of capital. With respect to these parameters, management calculates estimates and makes assumptions relating to FACC's future surplus payments and capital costs expected in the planning periods as well as the individual cash-generating units. Estimates are made to the best of our knowledge and belief subject to the going concern assumption, build on our experience and take remaining uncertainty into account in an appropriate manner.

Impairment requirements are assessed at the level of individual projects or projects to be considered jointly, provided that these generate independent cash flows. Under certain conditions, development projects pertaining to the same type of aircraft are grouped together for purposes of impairment testing.

The **amortization of capitalized development costs** is calculated on the basis of the number of shipsets to be delivered. This number of shipsets represents an assumption resulting from a well-founded determination procedure (see Note 20 Intangible assets and goodwill).

The **useful life of property, plant and equipment** is derived from estimates based on the operation of comparable assets. The useful lives thus determined are constantly checked for their continued validity and, if necessary, adjusted. The average useful lives are specified in Note 56 – Accounting and valuation policies.

Receivables from customer-related engineering are recognized at the present value of future incoming payments for development costs incurred, whereby the estimates for determining this value are based on the budget approved by the Supervisory Board for the coming financial year and medium-term planning for the next five years. The estimates, moreover, may not exceed the rates published by Airline Monitor. In addition, the forward-looking model of expected loan defaults set out in IFRS 9 is used. Determining the extent to which expected loan defaults will be influenced by changes in economic factors requires the exercise of considerable discretion and is made on the basis of weighted probabilities.

Other receivables are discounted at a matched maturity interest rate to the respective balance sheet date for which assumptions are required.

The **impairment of trade receivables, receivables from customer-related engineering and contract assets** is determined on the basis of empirical values regarding overdue payments as well as the estimated probability of incoming payments.

"Slow-moving" **inventory** items, which are classified according to product groups, are subject to specific write-downs. The system identifies materials with a storage period of more than 24 months as slow-moving inventory items.

Employee benefit obligations are determined on the basis of actuarial calculations made by actuaries. Actuarial valuations are based on assumptions about discount rates, future wage and salary increases and mortality rates. When determining the appropriate discount rate, management bases its calculations on long-term market interest rates. The applied mortality rate is derived from publicly available mortality tables in the respective country. Future wage and salary increases are calculated on the basis of expected future inflation rates for the respective country. All assumptions are reviewed and evaluated at each balance sheet date.

Further details on the assumptions made and sensitivities are given in Note 34 – Employees benefit obligations.

The calculation of **deferred tax assets** requires assumptions to be made regarding future taxable earnings and the timing of the realization of deferred tax assets. However, as future business performance is uncertain and cannot be fully influenced by FACC, the valuation of deferred taxes is subject to uncertainties.

Provisions for warranties are determined according to a standardized process. These risks are calculated by the division heads at each balance sheet date and are then assessed by management. Where a risk has to be taken into account, the respective area of responsibility must make the best possible estimate of the provision to be recognized on the basis of empirical values and individual assessments. Provisions are regularly adjusted to incorporate new findings.

Pending losses are immediately recorded as expenses if the total contract costs are expected to exceed the contract revenues. In order to determine the contract costs, management must make a substantial number of estimates regarding the fulfillment of certain performance requirements as well as the development of productivity improvements and warranty expenses.

In addition, it is also necessary to assess whether individual agreements with customers are to be considered contracts. This depends, in particular, on whether delivery obligations were negotiated jointly and involve the same products.

9. Business segments

Segment reporting follows the internal management and reporting of FACC AG. The earnings before interest and taxes (EBIT) are the key performance indicator used to steer the business segments and are reported to the responsible corporate body (Management Board of FACC AG).

Due to different applications of the products, three operating segments were created:

- **Aerostructures:** development, production, distribution and repair of structural components
- **Engines & Nacelles:** development, production, distribution and repair of engine components
- **Cabin Interiors:** Cabin Interiors: development, production, distribution and repair of interior furnishing

In addition to the three operating segments, the Group also comprises the central services Finance and Controlling, Human Resources, Legal, Quality Assurance, Research & Development, Communication & Marketing, Purchasing and IT (including Engineering Services). The central services support the operating segments in fulfilling their duties within the framework of a matrix organization. Their earnings and outlays are allocated to the three segments using a specific method.

	Aerostructures EUR'000	Engines & Nacelles EUR'000	Cabin Interiors EUR'000	Total EUR'000
Financial year 2017/18				
Revenues	332,789	161,408	253,381	747,577
Earnings before interest and taxes (EBIT)	35,894	15,928	8,277	60,100
Investments	9,356	12,832	12,880	35,068
Depreciation, amortization and impairment	18,230	5,243	9,422	32,895
Assets on 28 February 2018	335,110	149,136	219,312	703,558
thereof non-current assets on 28 February 2018	*153,068*	*68,121*	*100,175*	*321,364*
Financial year 2018/19				
Revenues	335,670	168,479	277,405	781,553
Earnings before interest and taxes (EBIT)	37,600	9,483	–3,478	43,605
Investments	10,775	6,217	19,173	36,164
Depreciation, amortization and impairment	7,511	3,588	4,745	15,845
Assets on 28 February 2019	316,167	152,146	257,477	725,790
thereof non-current assets on 28 February 2019	*142,008*	*65,592*	*93,921*	*301,521*

Total segment revenues represent external revenues generated from external parties. Revenues broken down by geographical area are presented according to the location of the customer in Note 10 – Revenues.

In the 2018/19 financial year, impairments were recognized on receivables from customer-related engineering and on contract assets and contract costs resulting from the termination of the A380 aircraft program. Impairments to the amount of kEUR 8,254 were recognized in the Aerostructures segment, kEUR 1,153 in the Engine & Nacelles segment and kEUR 1,967 in the Cabin Interiors segment.

For the financial year ending 28 February 2019, the Group generated revenues of kEUR 305,248 (previous year: kEUR 319,611) and kEUR 77,938 (previous year: kEUR 81,578) with two external customers, each of which exceeded 10% of total revenues. Sales revenues were generated from these customers in all three segments.

The non-current assets (intangible assets, property, plant and equipment, receivables from customer-related engineering, contract assests and contract costs) are located mainly in Austria like in the previous year.

NOTES TO THE CONSOLIDATED PROFIT AND LOSS STATEMENT

10. Revenues

Revenues from contract with customers are generated through the production of aircraft components, engineering services and other services in connection with the production of aircraft components. Revenues by type, segment and geographical area are presented below:

	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
	Aero-structures EUR'000	Aero-structures EUR'000	Engines & Nacelles EUR'000	Engines & Nacelles EUR'000	Cabin Interiors EUR'000	Cabin Interiors EUR'000	**Total EUR'000**	**Total EUR'000**
Production	302,410	279,411	151,961	161,043	236,582	259,636	**690,953**	**700,090**
Engineering and services	30,379	56,259	9,447	7,436	16,799	17,768	**56,624**	**81,463**
	332,789	**335,670**	**161,408**	**168,479**	**253,381**	**277,405**	**747,577**	**781,553**

	2017/18 EUR'000	2018/19 EUR'000
Germany	366,195	274,658
USA	180,626	155,605
Canada	80,976	95,906
Austria	2,480	2,245
Other countries	117,300	253,139
	747,577	**781,553**

The FACC Group recognizes revenue from the sale of products as well as from development and other services almost exclusively for a specific point in time.

Expected future sales for performance obligations not fulfilled (or partially not fulfilled) in the reporting period under existing contracts amount to kEUR 3,721. These performance obligations refer to fixed orders of shipsets still to be delivered or services still to be provided.

11. Cost of goods sold

	2017/18 EUR'000	2018/19 EUR'000
Material expenses	–431,268	–535,363
Personnel costs	–156,531	–137,192
Depreciation and amortization	–31,549	–13,690
General administration expenses	–23,558	–14,915
	–642,905	**–701,160**

12. Research and development expenses

	2017/18 EUR'000	2018/19 EUR'000
Material expenses	–429	–193
Personnel costs	–1,820	–1,229
Depreciation and amortization	–27	–28
General administration expenses	–1,117	–1,014
	–3,392	**–2,464**

13. Selling expenses

	2017/18 EUR'000	2018/19 EUR'000
Material expenses	–79	–436
Personnel costs	–3,815	–5,019
Depreciation and amortization	–33	–62
General administration expenses	–2,062	–2,331
	–5,990	**–7,848**

14. Administration expenses

	2017/18 EUR'000	2018/19 EUR'000
Material expenses	–847	180
Personnel costs	–22,260	–12,787
Depreciation and amortization	–1,286	–1,336
Effects from foreign exchange rates	4,883	10,229
General administration expenses	–19,449	–24,772
	–38,959	**–28,485**

15. Other operating income

	2017/18 EUR'000	2018/19 EUR'000
Value recovery	0	4,049
Other	7,004	8,541
	7,004	**12,590**

The reversal of impairment losses applies to contract costs only (see Note 24 – Contract costs and Note 9 – Business segments).

The item "other" mainly includes income from research premiums, energy tax rebates, various subsidies and compensation for damages.

16. Other operating expenses

	2017/18 EUR'000	2018/19 EUR'000
Impairment	0	11,375
Other	3,235	–793
	3,235	**10,582**

Impairments refer to both contract costs (see Note 24 – Contract costs) and receivables from customer-related engineering (see Note 22 – Receivables from customer-related engineering) as well as contract assets (see Note 23 – Contract assets and Note 9 – Business segments).

The item "other" mainly includes expenses arising in connection with damages and changes in provisions.

17. Financial result

	2017/18 EUR'000	2018/19 EUR'000
Interest from bank deposits	105	441
Valuation of financial assets	8	7
Other financial income	22	22
Accumulation	0	2,727
Other financial result	**134**	**3,198**
Interest expenses of bonds and promissory note loans	–3,734	–3,819
Interest expenses of bank loans	–1,640	–1,424
Other interest and similar expenses	–6,091	–4,806
Financing expenses	**–11,465**	**–10,050**
Financial result	**–11,331**	**–6,852**

The financial result is broken down according to the categories of IFRS 9 (previous year: IAS 39) as follows:

28.02.2018	Operating result			Financial result		
	Valuation allowance	Currency translation	Valuation of derivative financial instruments	Interests	Result from fair value measurement	**Net financial result**
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	**EUR'000**
Loans and receivables	–1,628	–17,351	0	–844	0	**–19,823**
Financial liabilities	0	7,426	0	–3,734	0	**3,692**
Fair value through profit and loss	0	0	10,694	0	0	**10,694**
Fair value through other comprehensive income	0	0	0	8	0	**8**

28.02.2019	Operating result			Financial result		
	Valuation allowance	Currency translation	Valuation of derivative financial instruments	Interests	Result from fair value measurement	**Net financial result**
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	**EUR'000**
Financial assets at amortized costs	–1,253	12,750	0	973	0	**12,470**
Financial liabilities at amortized costs	0	–4,087	0	–3,819	0	**–7,906**
Fair value through profit and loss	0	0	–5,274	0	0	**–5,274**
Fair value through other comprehensive income	0	115	0	7	0	**123**

18. Income taxes and deferred tax assets

Recorded income taxes include both taxes on income paid or owed by the individual companies as well as deferred taxes.

	2017/18 EUR'000	2018/19 EUR'000
Current taxes ongoing	2,930	634
Deferred taxes	8,856	5,780
	11,785	**6,414**

The reasons for the difference between the Austrian corporate tax rate of 25% valid in the 2018/19 financial year (previous year: 25%) and the recorded group taxation rate are as follows:

	2017/18 EUR'000	2018/19 EUR'000
Income before taxes	**48,768**	**36,753**
Calculated income taxes 25%	12,192	9,188
Deviating foreign tax rates	–166	–93
Tax-free income	–964	–1,075
Expenses that cannot be deducted for tax purposes	721	94
Prior year adjustment	0	3
Minimum corporate tax and withholding taxes	565	0
Tax effect from previous years	0	–2,159
Consolidation effects	–563	457
Reported income tax expense	**11,785**	**6,414**
Effective tax rate in %	–24.2%	–17.5%

Deferred taxes are calculated on the basis of the tax rates that are in force or announced in the individual countries according to the current legal situation. In Austria, a corporate tax rate of 25% applies. For foreign companies, deferred taxes are calculated on the basis of the corresponding country-specific tax rates. In the 2018/19 financial year, these ranged from 21% to 39%.

The taxes recorded in the other comprehensive income are as follows:

	2017/18			2018/19		
	Gross EUR'000	Tax EUR'000	Net EUR'000	Gross EUR'000	Tax EUR'000	Net EUR'000
Fair value measurement of securities	–8	2	–6	–1	0	–1
Cashflow hedges	22,395	–5,586	16,809	–13,948	3,487	–10,461
Revaluation effects of termination benefits	364	–91	273	383	–96	287
	22,751	**–5,675**	**17,076**	**–13,566**	**3,391**	**–10,174**

Deferred taxes developed as follows:

	As of 1 March 2017 EUR'000	Change in profit and loss EUR'000	Change in other comprehensive income EUR'000	28.02.2018 Net EUR'000	28.02.2018 Deferred tax assets EUR'000	28.02.2018 Deferred tax liabilities EUR'000
Intangible assets (development costs)	–29,683	376	0	–29,307	0	–29,307
Property, plant and equipment	–7,701	–1,501	0	–9,202	0	–9,202
Other financial assets	449	–1	2	450	450	0
Trade receivables	–2,351	4,508	0	2,157	2,157	0
Other receivables and deferred items	60	24	0	84	84	0
Investment grants	1,035	–392	0	643	643	0
Employee benefit obligations	557	–453	–91	13	13	0
Provisions	4,564	–3,453	0	1,111	1,111	0
Trade payables	9,659	–777	0	8,882	8,882	0
Derivative financial instruments	4,795	–1,487	–5,586	–2,278	0	–2,278
Tax loss carry-forwards	32,027	–5,825	0	26,202	26,202	0
Other items	–126	126	0	0	0	0
Tax assets (liabilities) before netting	13,285	–8,856	–5,675	–1,246	39,541	–40,787
Netting of taxes					–39,541	39,541
Net tax assets (liabilities)	**13,285**	**–8,856**	**–5,675**	**–1,246**	**0**	**–1,246**

				As of 28 February 2019		
	As of 1 March 2018[1] EUR'000	Change in profit and loss EUR'000	Change in other comprehensive income EUR'000	Net EUR'000	Deferred tax assets EUR'000	Deferred tax liabilities EUR'000
Intangible assets	2,527	–1,879	0	648	648	0
Property, plant and equipment	2,912	–13,499	0	–10,587	0	–10,587
Receivables from customer-related engineering	–22,499	–5,600	0	–28,099	0	–28,099
Contract assets	–2,506	–1,896	0	–4,402	0	–4,402
Contract costs	–9,563	–431	0	–9,994	0	–9,994
Other financial assets	450	26	0	477	477	0
Trade receivables	2,157	14,500	0	16,657	16,657	0
Customer-related engineering	–5,796	5,717	0	–79	0	–79
Other receivables and deferred items	84	–91	0	–7	0	–7
Investment grants	–573	573	0	0	0	0
Employee benefit obligations	–320	1,121	–96	705	705	0
Provisions	1,111	–1,201	0	–90	0	–90
Contract liabilities from customer-related engineering	10,678	–6,350	0	4,328	4,328	0
Trade payables	8,882	2,455	0	11,337	11,337	0
Derivative financial instruments	–1,612	774	3,487	2,649	2,649	0
Other assets (incl. cash and cash equivalents)	–2,095	1,811	0	–283	0	–283
Tax loss carry-forwards	26,202	–1,810	0	24,392	24,392	0
Tax assets (liabilities) before netting	10,038	–5,780	3,391	7,650	61,193	–53,543
Netting of taxes					–53,543	53,543
Net tax assets (liabilities)	**10,038**	**–5,780**	**3,391**	**7,650**	**7,650**	**0**

[1] See Note 4 – Effects of the first-time application of IFRS 15 and IFRS 9

The capitalized loss carry-forwards originate from FACC Operations GmbH and amounted to kEUR 90,729 as of 28 February 2019 (previous year: kEUR 93,723) and from FACC AG amounting to kEUR 11,082 (previous year: kEUR 11,082), with deferred taxes being recognized for all loss carry-forwards.

As of 28 February 2019, there were temporary differences in connection with shares in subsidiaries ("outside basis differences") amounting to kEUR 23,021 (previous year: kEUR 63,726) for which no deferred tax liabilities were recognized in accordance with IAS 12.39. This is because FACC AG is in a position to control the development over time, and that these temporary differences will not be eliminated in the near future.

Deferred tax liabilities result from the financial statements of foreign subsidiaries and are owed to foreign tax authorities.

19. Earnings per share

The number of shares issued as of the balance sheet date was 45,790,000. Since no dilutive potential ordinary shares were outstanding or treasury shares were held in the past financial year, the diluted earnings per share correspond to the undiluted earnings per share.

Earnings per share of EUR 0.66 (previous year: EUR 0.81) were calculated by dividing the result by the weighted number of shares attributable to the shareholders of the parent company.

NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In the Consolidated Statement of Comprehensive Income, income after taxes is reconciled with comprehensive income in accordance with IAS 1. This includes, in particular, differences from currency conversion, actuarial gains and losses from the measurement of performance-related long-term employee compensation, changes in the hedging reserve and the valuation result of securities available for sale "fair value through other comprehensive income (FVOCI)". The comprehensive income components are recorded after taxes.

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

20. Intangible assets and goodwill

Intangible assets developed as follows:

	Goodwill EUR'000	Software EUR'000	Supply right EUR'000	Research and development costs EUR'000	Total EUR'000
Historical costs					
As of 1 March 2017	**18,595**	**19,494**	**29,235**	**188,411**	**255,735**
Changes in foreign exchange rates	87	–48	0	0	39
Additions	0	1,509	31	10,241	11,781
As of 28 February 2018	**18,682**	**20,956**	**29,266**	**198,652**	**267,555**
First application of IFRS 15	0	0	–27,257	–198,652	–225,909
As of 1 March 2018	**18,682**	**20,956**	**2,009**	**0**	**41,646**
Changes in foreign exchange rates	18	–2	0	0	16
Additions	0	839	0	318	1,156
Transfers	0	46	652	0	698
As of 28 February 2019	**18,700**	**21,838**	**2,661**	**318**	**43,516**
Accumulated amortization and impairment					
As of 1 March 2017	**0**	**18,465**	**17,691**	**69,835**	**105,991**
Changes in foreign exchange rates	0	–38	0	0	–38
Amortization	0	930	1,965	11,047	13,942
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
As of 28 February 2018	**0**	**19,358**	**19,656**	**80,882**	**119,896**
First application of IFRS 15	0	0	–17,692	–80,882	–98,575
As of 1 March 2018	**0**	**19,358**	**1,963**	**0**	**21,321**
Changes in foreign exchange rates	0	–3	0	0	–3
Amortization	0	818	72	0	890
As of 28 February 2019	**0**	**20,172**	**2,035**	**0**	**22,207**
Carrying amount on 28 February 2018	**18,682**	**1,598**	**9,610**	**117,770**	**147,660**
Carrying amount on 28 February 2019	**18,700**	**1,666**	**625**	**318**	**21,309**

Goodwill

	28.02.2018 EUR'000	28.02.2019 EUR'000
Aerostructures	10,293	10,310
Engines & Nacelles	3,054	3,054
Cabin Interiors	5,335	5,336
	18,682	**18,700**

FACC monitors its goodwill on the basis of three CGU groups corresponding to the individual segments.

The key assumptions when calculating the value in use are as follows:

	28.02.2018 EUR'000	28.02.2019 EUR'000
Detailed planning period (five years/six years in previous years)		
Revenue growth (average)	8.70%	8.40%
EBIT margin (average)	8.04%	7.80%
EUR-USD exchange rate	1.20	1.25
Growth rate after detailed planning period for all CGUs	1.50%	1.50%
Discount rate for all CGUs (WACC before tax)	10.91%	11.70%

A sensitivity analysis has shown that, depending on the development of the main valuation parameters, recognition of the following impairment losses would be required.

Balance sheet date 28 February 2018	Aerostructures EUR'000	Engines & Nacelles EUR'000	Cabin Interiors EUR'000
Increase of discount rate by 50 basis points	0	0	0
Increase in USD exchange rate per EUR 1 by 0.05	0	0	3,399
Reduction of the EBIT by 10%	0	0	0

Balance sheet date 28 February 2019	Aerostructures EUR'000	Engines & Nacelles EUR'000	Cabin Interiors EUR'000
Increase of discount rate by 50 basis points	0	4,640	5,718
Increase in USD exchange rate per EUR 1 by 0.05	0	26,319	35,747
Reduction of the EBIT by 10%	0	10,334	14,070

The value in use of the Cabin Interiors division exceeded the carrying amount by kEUR 5,540 as of 28 February 2019 (previous year: kEUR 54,105).

The carrying amount of the Cabin Interiors cash generating unit would be equivalent to its value in use if the EUR/USD exchange rate fell by 0.67 cents (previous year: 4.70 cents), if EBIT fell by 2.83 % (previous year: 18.58 %) or if the discount rate increased by 24 basis points (previous year: 183 basis points).

The value in use of the Engines & Nacelles division exceeded the carrying amount by kEUR 2,581 as of 28 February 2019 (previous year: kEUR 45,697).

The carrying amount of the Engines & Nacelles cash generating unit would be equivalent to its value in use if the EUR/USD exchange rate fell by 0.45 cents (previous year: 6.39 cents), if EBIT fell by 2.00 % (previous year: 23.30 %) or if the discount rate increased by 17 basis points (previous year: 246 basis points).

Development costs

In the 2017/18 financial year, capitalized development projects which displayed signs of impairment and development projects that had not yet been amortized were subjected to an impairment test. The recoverable amount was determined on the basis of the value in use by applying the discounted cash flow method. The potential cash flows resulting from the respective development projects were determined on the basis of the budget approved by the Supervisory Board for the coming financial year and the medium-term planning for the next five years (detailed planning period). For the duration of specific development projects going beyond the detailed planning period, the planning assumptions of the last planning year were applied, limited by the rates published by Airline Monitor. The maximum term is 20 years.

The same discount rate (WACC) as was used for the impairment testing of goodwill was applied.

A sensitivity analysis conducted for previous year's development costs showed that an increase in the discount factor by 50 basis points and a reduction in cash flows by 10 % would not have given rise to any additional impairment.

In the 2017/18 financial year, development costs were amortized according to the volume of shipsets still to be delivered to the amount of kEUR 11,047. A 10% increase or decrease in the number of shipsets to be delivered would give rise to the following change in amortization:

Change in scheduled annual amortization	28.02.2018 EUR'000
10% increase in the number of shipsets	–992
10% decrease in the number of shipsets	1,243

Research and development expenses (which include company and customer-related development services) amounted to kEUR 31,202 in the 2018/19 financial year (previous year: kEUR 13,633).

21. Property, plant and equipment

	Properties and buildings EUR'000	Technical facilities EUR'000	Operating and office equipment EUR'000	Facilities under construction EUR'000	Total EUR'000
Historical costs					
As of 1 March 2017	**104,318**	**185,804**	**26,115**	**13,658**	**329,895**
Changes in foreign exchange rates	0	0	–223	0	–223
Additions	2,572	9,946	2,148	11,996	26,662
Disposals	0	0	–385	0	–385
Transfers	42	10,870	110	–11,022	0
As of 28 February 2018	**106,932**	**206,621**	**27,766**	**14,632**	**355,950**
First application of IFRS 15	0	–112,456	0	–1,220	–113,676
As of 1 March 2018	**106,932**	**94,165**	**27,766**	**13,412**	**242,275**
Changes in foreign exchange rates	21	0	112	0	132
Additions	12,182	6,940	4,779	5,925	29,827
Disposals	0	–3	–1,432	0	–1,435
Transfers	5,322	7,332	2,092	–15,444	–698
As of 28 February 2019	**124,457**	**108,434**	**33,317**	**3,893**	**270,101**
Accumulated amortization and impairment					
As of 1 March 2017	**26,367**	**119,461**	**17,952**	**0**	**163,780**
Changes in foreign exchange rates	0	0	–105	0	–105
Amortization	3,160	13,435	2,358	0	18,953
Additions	0	0	0	0	0
Disposals	0	0	–381	0	–381
As of 28 February 2018	**29,527**	**132,895**	**19,824**	**0**	**182,246**
First application of IFRS 15	0	–65,219	0	0	–65,219
As of 1 March 2018	**29,527**	**67,677**	**19,824**	**0**	**117,028**
Changes in foreign exchange rates	0	0	50	0	51
Amortization	3,630	8,101	3,224	0	14,955
Disposals	0	0	–1,016	0	–1,016
As of 28 February 2019	**33,157**	**75,778**	**22,082**	**0**	**131,017**
Carrying amount on 28 February 2018	**77,405**	**73,725**	**7,942**	**14,632**	**173,704**
Carrying amount on 28 February 2019	**91,300**	**32,656**	**11,235**	**3,893**	**139,084**

Property and buildings include land values of properties in the amount of kEUR 3,889 (previous year: kEUR 3,842). Certain properties and buildings serve as collaterals for liabilities to financial institutions (see Note 37 – Financial liabilities).

In addition to operating leases, FACC also makes use of finance leases for land and buildings, which are shown below:

	28.02.2018 EUR'000	28.02.2019 EUR'000
Historical costs	21,123	21,123
Accumulated amortization and impairment	–1,900	–2,356
Net carrying amount	**19,223**	**18,767**

The use of property, plant and equipment not recorded in the Consolidated Statement of Financial Position gives rise to the following obligations under lease, license and rental agreements:

	28.02.2018 EUR'000	28.02.2019 EUR'000
Up to one year	5,014	5,794
After more than one year and up to five years	18,430	15,088
After more than five years	2,497	4,491
	25,940	**25,373**

The following obligations to purchase property, plant and equipment amounted to kEUR 13,462 (previous year: kEUR: 11,053) on the reporting date. In addition, there were internally approved acquisitions in the amount of kEUR 34,153 (previous year: kEUR 32,495) which have not yet given rise to contractual obligations.

22. Receivables from customer-related engineering

The development of receivables from customer-related engineering is as follows:

	28.02.2019 EUR'000
As of 1 March 2018	89,996
Changes in estimates	2,757
Partial settlements	–15,212
Derecognition	–1,967
Valuation allowance	–9
Interest	2,509
Reclassification	1,632
Currency translation	6,347
As of 28 February 2018	**86,053**

Due to the low default rates in the past, the risk of non-payment can be considered negligible.

The value adjustment of receivables from customer-related engineering developed as follows:

	28.02.2019 EUR'000
As of 1 March 2018	0
Additions	9
As of 28 February 2018	9

23. Contract assets

The development of contract assets can be broken down as follows:

	28.02.2019 EUR'000
As of 1 March 2018	10,025
Additions due to PoC progress	10,510
Partial settlements	–2,269
Derecognition	–2,121
Interest	218
Reclassification	–1,632
Currency translation	368
As of 28 February 2018	**15,099**

Contract assets can be broken down as follows:

	28.02.2019 EUR'000
Development projects (period-related)	12,581
Payment to customers	2,518
As of 28 February 2018	**15,099**

24. Contract costs

Contract costs can be broken down as follows:

	28.02.2019 EUR'000
Development projects in series production	37,028
Development projects not in series production	2,948
As of 28 February 2018	39,976

In the 2018/2019 financial year, development projects capitalized as contract costs were subjected to an impairment test. The recoverable amount was determined on the basis of the value in use by applying the discounted cash flow method. The potential cash flows resulting from the respective development projects were determined on the basis of the budget approved by the Supervisory Board for the coming financial year and the medium-term planning for the next five years (detailed planning period). For the duration of specific development projects going beyond the detailed planning period, the planning assumptions of the last planning year were applied, limited by the rates published by Airline Monitor. The maximum term is 20 years.

The same discount rate (WACC) as was used for the impairment testing of goodwill was applied.

In the 2018/19 financial year, impairment losses to the amount of kEUR 7,287 were recognized on contract costs.

In the 2018/19 financial year, contract costs were amortized according to the volume of shipsets still to be delivered to the amount of kEUR 8,048.

25. Other non-current financial assets

	28.02.2018 EUR'000	28.02.2019 EUR'000
Securities measured at fair value	413	413
Shares	43	44
	457	457

These shares refer to the 3.01% (previous year: 2.95%) stake in Techno-Z Ried Technologiezentrum GmbH, Ried im Innkreis, and are recognized at cost as in the previous year.

26. Non-current receivables from related companies

	28.02.2018 EUR'000	28.02.2019 EUR'000
Non-current receivables in which the parent undertaking is involved	4,750	6,156

27. Other receivables

	28.02.2018 EUR'000	28.02.2019 EUR'000
Receivables from the Fake President Incident	10,352	0
Advance payments and deposits	7,800	8,657
	18,152	**8,657**

With regard to receivables from the "Fake President Incident", reference is made to Note 30 – Trade receivables.

28. Inventories

	28.02.2018 EUR'000	28.02.2019 EUR'000
Raw, auxiliary and operating materials	71,650	67,311
Unfinished products	40,371	41,854
Finished products	18,404	14,216
Advance payments made	137	401
	130,562	**123,781**

Gross inventories	136,533	130,272
Valuation allowance	5,971	6,491
Net inventories	**130,562**	**123,781**

Inventories recorded as material expenses in the reporting period amount to kEUR 405,811 (previous year: kEUR 401,581).

It is expected that inventories with a carrying amount of kEUR 0 (previous year: kEUR 0) will only be realized after a period of twelve months.

As in the previous year, no inventories were assigned or pledged as collateral to secure financial instruments.

29. Customer-related engineering

	28.02.2019 EUR'000
As of 1 March 2018	40,395
Additions	11,100
Disposals	–22,644
As of 28 February 2018	**28,851**

Customer-related engineering recorded as material expenses in the reporting period amounted to kEUR 5,214 (previous year: kEUR 0).

It is expected that customer-related engineering with a carrying amount of kEUR 1,489 (previous year: kEUR 0) will only be realized after a period of twelve months.

No customer-related engineering was assigned or pledged as collateral to secure financial instruments.

30. Trade receivables

	28.02.2018 EUR'000	28.02.2019 EUR'000
Gross trade receivables	96,797	101,515
Less valuation allowance	–4,273	–5,517
Net trade receivables	**92,523**	**95,998**
Of which current	79,600	85,247
Of which non-current	12,924	10,751

FACC maintains a non-recourse assignment agreement with a financial institution in connection with receivables from seven customers. The sold receivables (factoring) are derecognized in accordance with IFRS 9. Trade receivables were sold to third parties in the amount of kEUR 75,410 (previous year: kEUR 65,431) as of the reporting date.

The impairment of trade receivables developed as follows:

	28.02.2018 EUR'000	28.02.2019 EUR'000
As of 1 March	2,405	4,273
Additions	5,334	1,831
Reversal/use	–3,466	–856
As of 28 February	**4,273**	**5,248**

In addition, a standardized value adjustment was made on the basis of the future probability of credit default required by IFRS 9, which had developed as follows as of 28 February 2019:

	28.02.2019 EUR'000
As of 1 March	246
Additions	137
Reversal/use	–114
As of 28 February	**268**

The value adjustment mainly concerns trade receivables and receivables from customer-related engineering:

	Specific bad-debt allowance		Standardized bad-debt allowance	
	28.02.2018 EUR'000	28.02.2019 EUR'000	28.02.2018 EUR'000	28.02.2019 EUR'000
Receivables from customer-related engineering	0	0	0	9
Contract assets	0	0	0	0
Receivables from construction contracts	0	0	0	0
Trade receivables	4,273	5,248	0	268
Receivables from related companies	0	0	0	0
Other financial assets	0	0	0	0

The gross carrying amounts of trade receivables, receivables from customer-related engineering, contract assets and other financial receivables were assessed as follows:

		Gross amount		Valuation allowance
	28.02.2018 EUR'000	28.02.2019 EUR'000	28.02.2018 EUR'000	28.02.2019 EUR'000
Receivables from customer-related engineering	0	86,053	0	9
Contract assets	0	15,099	0	0
Receivables from construction contracts	17,212	0	0	0
Trade receivables	92,523	95,998	4,273	5,517
Receivables from related companies	13,626	24,218	0	0
Other financial assets	302	10,895	0	0

The impairment of trade receivables developed as follows:

	28.02.2018 EUR'000
Trade receivables	92,523
Of which not overdue and not impaired	65,016
Of which overdue and not impaired	23,462

The carrying amount of impaired trade receivables developed as follows:

	28.02.2018 EUR'000
Carrying amount prior to impairment	8,319
Less valuation allowance	–4,273
Carrying amount after impairment	**4,046**

The overdue and unimpaired receivables relate to a number of independent customers who have not defaulted on payments in the recent past. Nothing suggests that the debtors will not be able to honor their payment obligations on the reporting date.

While trade receivables usually have payment periods of up to 90 days, some receivables from customer-related engineering as well as contract assets are subject to payment schedules including milestone payments.

Other receivables and deferred items include:

	28.02.2018 EUR'000	28.02.2019 EUR'000
Other current financial assets		
Receivables from the Fake President Incident	0	10,860
Other	302	35
	302	10,895
Other current non-financial assets		
Other tax receivables (particularly VAT)	21,532	22,795
Deferred items	3,054	2,366
Other	1,914	1,894
	26,500	27,054
	26,803	**37,949**

In the 2015/2016 reporting period, the Group lost kEUR 52,847 in cash flows as a result of an externally controlled case of 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 recognized as a current receivable as of the balance sheet date 28 February 2019 as FACC Operations GmbH assumes that it is the lawful proprietor of the money and, on the basis of a legal opinion obtained, assumes that it will be remitted within the next 12 months.

Other receivables do not include any significant amounts of overdue receivables. Furthermore, no notable impairment was performed on these receivables.

31. Cash and cash equivalents

	28.02.2018 EUR'000	28.02.2019 EUR'000
Bank deposits	63,476	90,042
Cash balance	12	19
	63,488	**90,062**

32. Equity

The development of the Group's equity in the financial years 2017/18 and 2018/19 is shown in the Consolidated Statement of Changes in Equity.

As in the previous year, the share capital of FACC AG amounted to kEUR 45,790 on the reporting date and is fully paid. It is divided into 45,790,000 shares with a par value of EUR 1 each.

The capital reserve, which remains unchanged from the previous year, amounts to kEUR 221,459.

Other reserves comprise the following items, all of which are recorded in other comprehensive income, with all effects attributable to the shareholders of FACC AG.

- **Currency translation reserve:** differences from currency conversion after taxes
- **Revaluation reserve "available for sale": "fair value through other comprehensive income"** value adjustments of other financial assets recognized at fair value
- **Actuarial profits/losses:** revaluation effects in accounting for defined benefit obligations towards employees in accordance with IAS 19
- **Hedging reserve:** changes in value of hedging transactions; these hedging transactions are transactions in foreign currencies (cash flow hedges).

The hedging reserve (after taxes) developed as follows:

	2017/18 EUR'000	2018/19 EUR'000
As of 1 March	–10,339	6,470
Changes in unrealized profits (+)/losses (-)	7,343	–3,991
Realized profits (+)/losses (-) subsequently reclassified to profit or loss – recognized in earnings before interest and taxes	9,466	–6,470
As of 28 February	**6,470**	**–3,991**

The non-controlling interests refer to CoLT Prüf und Test GmbH, St. Martin, Austria, with a quota of 9%. The balance sheet total and earnings before taxes amount to less than 1% of the group values, which is why the presentation of aggregated financial information on subsidiaries with non-controlling interests has been dispensed with.

Capital management

The objective of capital management of FACC AG is to maintain a strong capital base in order to address specific corporate risks (growth and development risks) with a balanced capital structure. For management, only book equity under IFRS is considered capital. The objective is to achieve an equity ratio of at least 40%.

	28.02.2018 EUR'000	28.02.2019 EUR'000
Equity	323,094	298,971
Balance sheet total	703,558	725,790
Equity ratio in %	**45.9%**	**41.2%**

Certain loan agreements with banks contain financial covenants with regard to the Group's equity ratio, the non-compliance of which would lead to the premature repayment of financial liabilities. All relevant capital requirements were met in the year under review (see also Note 37).

Dividend per share

	Total EUR'000	Number of shares	Dividend per share
Dividend resolved for the 2017/18 financial year (Annual General Meeting of 29 June 2018)	5,037	45,790,000	0.11
Dividend proposed for the 2018/19 financial year (Annual General Meeting of 9 July 2019)	6,869	45,790,000	0.15

33. Investment grants

	28.02.2018 EUR'000	28.02.2019 EUR'000
Investment grants, short-term component	1,130	510
Investment grants, long-term component	11,405	7,379
	12,535	**7,889**

Investment grants are usually subject to conditions which must be met over a certain period of time. These essentially involve a minimum number of employees and the obligation to ensure that the subsidized assets remain at the project location and are not disposed of.

34. Employee benefit obligations

	28.02.2018 EUR'000	28.02.2019 EUR'000
Termination benefits	7,449	7,477
Anniversary bonuses	1,819	2,383
	9,268	**9,860**

In the 2019/20 financial year, the expected payments from severance payment and anniversary bonus obligations towards employees amounted to kEUR 0 and kEUR 35 respectively.

Termination benefits

The net liabilities under defined benefit plans for termination benefits developed during the 2017/18 financial year as follows:

	28.02.2018 EUR'000	28.02.2019 EUR'000
As of 1 March	7,333	7,449
Service cost	349	270
Interest expenses	120	134
Termination benefit payments	–111	–493
Revaluation effects in the period	–364	–383
Other effects	122	500
As of 28 February	**7,449**	**7,477**
Duration in years	13.75	14.34

The revaluation effects are composed of the following factors:

	2017/18 EUR'000	2018/19 EUR'000
Changes in expected values	–190	172
Changes in underlying demographic assumptions	15	–751
Changes in underlying financial assumptions	–189	196
	–364	**–383**

All legal transitional regulations relating to retirement age have been taken into account. All expenses in connection with termination benefits, with the exception of actuarial losses, are recorded under "personnel expenses" in the Consolidated Profit and Loss Statement.

The valuation is based on the following assumptions:

	28.02.2018	28.02.2019
Discounting interest rate	1.90%	1.70%
Salary increases	2.00%	2.00%
Fluctuations of salaried staff/employees	3.85%/3.44%	3.93%/6.71%
Retirement age for women/men	60/65 years	60/65 years
Life expectancy	AVÖ 2008-P	AVÖ 2018-P

An increase or decrease in the discount rate of 0.25 percentage points would change the obligation as follows:

	Decrease by 0.25 pecent-age points EUR'000	Increase by 0.25 percent-age points EUR'000
Change in obligations as of 28 February 2018	303	–290
Change in obligations as of 28 February 2019	328	–313

Anniversary bonuses

	2017/18 EUR'000	2018/19 EUR'000
As of 1 March	1,712	1,819
Service cost	291	285
Interest expenses	26	33
Termination benefit payments	–17	–3
Revaluation effects in the period	–193	249
As of 28 February	**1,819**	**2,383**

All expenses in connection with anniversary bonuses are recorded under personnel costs in the Consolidated Profit and Loss Statement.

In the 2018/19 financial year, kEUR 2,295 (previous year: kEUR 1,936) were paid into defined contribution plans (pension fund and employee pension fund in Austria).

35. Contract liabilities from customer-related engineering and from advance payments related to tool and development activities

	28.02.2018 EUR'000	28.02.2019 EUR'000
Contract liabilities from customer-related engineering	0	17,312
Advance payments related to tool and development activities	7,907	0
	7,907	**17,312**

Contract liabilities from customer-related engineering also include payments received of kEUR 11,739 (previous year: kEUR 0) in connection with the transition to IFRS 15 and advance payments received of kEUR 5,573 (previous year: kEUR 0).

Contract liabilities consist of advance payments received and relate to tool and development activities. The amount of kEUR 7,907 reported under contract liabilities at the beginning of the period was recognized as sales revenue of kEUR 6,586 in the 2018/19 financial year.

36. Other provisions

							Term	
	As of 01.03.2017 EUR'000	Additions EUR'000	Use EUR'000	Disposal EUR'000	Accumulation EUR'000	As of 28.02.2018 EUR'000	Less than 1 year EUR'000	More than 1 year EUR'000
Provision for warranty claims	8,128	3,345	–3,172	–4,226	0	4,075	4,075	0
Project-related provision	26,561	1,063	–10,905	–8,000	101	8,819	0	8,819
Provisions for legal disputes	761	297	–47	–230	0	781	781	0
Other	3,714	3,383	–887	–1,818	0	4,393	4,393	0
	39,164	**8,088**	**–15,011**	**–14,273**	**101**	**18,068**	**9,249**	**8,819**

							Term	
	As of 01.03.2018 EUR'000	Additions EUR'000	Use EUR'000	Disposal EUR'000	Accumulation EUR'000	As of 28.02.2019 EUR'000	Less than 1 year EUR'000	More than 1 year EUR'000
Provision for warranty claims	4,075	1,443	–728	–973	0	3,816	3,816	0
Project-related provision	8,819	4	–8,698	–149	35	12	0	12
Provisions for legal disputes	781	148	–108	–427	0	393	393	0
Other	4,393	2,708	–3,923	–768	0	2,411	2,411	0
	18,068	4,303	–13,457	–2,317	35	6,632	6,621	12

Other provisions include provisions for personnel related matters of kEUR 1,585 (previous year: kEUR 2,438).

Accruals in connection with warranty claims are recognized exclusively for specific obligations.

37. Financial liabilities

		Remaining term				
	Carrying amount 28.02.2018 EUR'000	Less than 1 year 28.02.2018 EUR'000	1 to 2 years 28.02.2018 EUR'000	3 to 5 years 28.02.2018 EUR'000	More than 5 years 28.02.2018 EUR'000	Nominal interest in %
Promissory note loans						
Fixed interest rate (nominal capital: kEUR 15,000)	15,000	0	15,000	0	0	3.70
Variable interest rate (nominal capital: kEUR 19,000)	19,000	0	19,000	0	0	6M-Euribor +2.25
Bond FACC Operations GmbH						
Fixed interest rate (nominal capital: kEUR 90,000)	89,589	0	0	89,589	0	4.00
Liabilities towards credit institutions						
Fixed interest rate	46,724	14,444	9,259	9,348	13,672	0.50 to 4.83
Variable interest rate	38,195	34,081	1,027	3,087	0	3M-Euribor +0.80 to 1.75
Liabilities from finance leasing						
Fixed interest rate	2,067	260	264	816	728	1.50 to 1.55
Variable interest rate	18,925	582	590	1,821	15,932	6M-Euribor +1.95
Other interest-bearing liabilities	15,943	16,395	0	–451	0	
	245,443	65,762	45,140	104,210	30,332	

		Remaining term				
	Carrying amount 28.02.2019 EUR'000	Less than 1 year 28.02.2019 EUR'000	1 to 2 years 28.02.2019 EUR'000	3 to 5 years 28.02.2019 EUR'000	More than 5 years 28.02.2019 EUR'000	Nominal interest in %
Promissory note loans						
Fixed interest rate (nominal capital: kEUR 15,000)	15,000	15,000	0	0	0	3.70
Variable interest rate (nominal capital: kEUR 19,000)	19,000	19,000	0	0	0	6M-Euribor +2.25
Bond FACC Operations GmbH						
Fixed interest rate (nominal capital: kEUR 90,000)	89,769	0	89,769	0	0	4.00
Liabilities towards credit institutions						
Fixed interest rate	65,996	10,168	12,668	14,386	28,774	0.50 to 4.83
Variable interest rate	55,404	52,317	1,027	2,060	0	3M-Euribor +0.80 to 1.75
Liabilities from finance leasing						
Fixed interest rate	1,808	263	267	827	450	1.50 to 1.55
Variable interest rate	18,404	529	537	1,663	15,675	6M-Euribor +1.95
Other interest-bearing liabilities	5,538	5,744	0	–206	0	
	270,920	**103,021**	**104,269**	**18,731**	**44,899**	

Accrued interest expenses are included in current financial liabilities.

Certain liabilities to financial institutions are secured by mortgages on company real estate, guarantees provided by AWS, state guarantees for loans within the framework of subsidy agreements with the Austrian Research Promotion Agency and chattel mortgages on machinery. Oesterreichische Kontrollbank AG secures export credits with export claims amounting to 120% of the loan amount obtained. In order to benefit from beneficial interest rates for research promotion loans, certain conditions must be met. The guarantee for certain liabilities to financial institutions in connection with land and buildings amounted to kEUR 15,966 (previous year: kEUR 15,966).

As issuer of the bond, FACC Operations GmbH has provided covenants regarding the amount of distributed dividends based on annual earnings and the equity ratio, which may not fall below a certain value due to the payment of dividends. Thus, no more than 50% of the annual earnings may be distributed to shareholders. In addition, the equity ratio must not fall below 30% as a result of dividend payments. In the event that the issuer fails to comply with these covenants, creditors are entitled to terminate the agreement.

A covenant was agreed in connection with the issue of the promissory note loan according to which the issuer, FACC Operations GmbH, must maintain an equity ratio within the Group of at least 30% or 20% after deduction of capitalized development costs. In the event that FACC Operations GmbH fails to comply with these covenants, the creditors are entitled to terminate the agreement.

On 29 August 2018, FACC Operations GmbH subscribed to a syndicated loan of kEUR 225,000 with seven participating banks. FACC AG acts as guarantor. The existing short-term lines of credit, which can be terminated at any time, were bundled and expanded under a single contract. The syndicated loan has a term of five years plus a two-year extension option. The contract contains four financing facilities with different intended uses. All facilities, with the exception of the funding framework provided by the Oesterreichische Kontrollbank AG, which is also part of the syndicated loan agreement, are unsecured. NET FINANCIAL DEBT/EBITDA < 3.5 was defined as the financial covenant. The ratio is assessed every six months. The creditors have the right to terminate the agreement in the event that this ratio is exceeded.

All covenants were fulfilled as of 28 February 2019 and 28 February 2018 respectively.

The present value of the minimum lease payments is as follows:

	28.02.2018 EUR'000	28.02.2019 EUR'000
Up to one year	1,270	1,264
Two to five years	5,021	4,998
More than five years	19,969	18,790
	26,260	25,052
Less future financing expenses	–5,268	–4,839
Present value of liabilities from finance lease	**20,993**	**20,212**

38. Other current liabilities

	28.02.2018 EUR'000	28.02.2019 EUR'000
Other current financial liabilities		
Liabilities to employees/salaried staff	20,555	11,629
Other	16	5
	20,571	11,633
Other current non-financial liabilities		
Liabilities from social security	3,884	4,095
Liabilities to tax authorities	228	149
Deferred items	530	485
Other	5,035	5,055
	9,677	9,784
	30,248	**21,417**

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

The Consolidated Statement of Cash Flows of FACC illustrates how cash and cash equivalents have changed in the course of the reporting year through cash inflows and outflows. Cash and cash equivalents (fund of cash and cash equivalents) include cash balances, checks received and bank balances available at all times.

39. Other non-cash expenses /income

In the Consolidated Statement of Cash Flows changes in the presented balance sheet items cannot be derived directly from the balance sheet as non-cash effects from currency translation and other non-cash business transactions are neutralized. Non-cash expenses and income essentially comprise:

	2017/18 EUR'000	2018/19 EUR'000
Effects from foreign exchange rates	24,007	–12,171
Measurement of derivatives in earnings before interest and tax	–14,354	10,558
Recognition of deferred tax assets/liabilities	–581	2,975
Impairment on inventories	1,444	520
Additions contract costs	0	–4,049
Remaining other non-cash income/expenses	3,145	393
	13,661	**–1,773**

The remaining other non-cash expenses/ income mainly include impairments of receivables.

		Cash change	Non-cash changes			
	Carrying amount 01.03.2017 EUR'000	Change EUR'000	Finance lease EUR'000	Transaction costs EUR'000	Other EUR'000	Carrying amount 28.02.2018 EUR'000
Promissory note loans (current and non-current)	42,000	–8,000	0	0	0	34,000
Bond	89,416	0	0	173	0	89,589
Other financial liabilities (current and non-current)	113,876	5,090	1,996	0	892	121,854
	245,292	**–2,910**	**1,996**	**173**	**892**	**245,443**

		Cash change	Non-cash changes			
	Carrying amount 01.03.2018 EUR'000	Change EUR'000	Finance lease EUR'000	Transaction costs EUR'000	Other EUR'000	Carrying amount 28.02.2019 EUR'000
Promissory note loans (current)	34,000	0	0	0	0	34,000
Bond	89,589	0	0	179	0	89,769
Other financial liabilities (current and non-current)	121,854	15,055	9,220	0	1,022	147,151
	245,443	**15,055**	**9,220**	**179**	**1,022**	**270,920**

40. Interest received and interest paid

In the 2018/19 financial year, all interest received was recognized under other financial result.

In the 2018/19 financial year, all interest paid was recorded to profit or loss under financing expenses.

41. Non-cash payments for the acquisition of non-current assets

Additions to technical equipment in the 2018/19 financial year included investments of kEUR 10,000 (previous year: kEUR 2,110) as additions from non-cash finance leases.

Additions to land and buildings in the 2018/19 financial year included investments of kEUR 0 (previous year: kEUR 491) as additions from non-cash finance leases.

In the course of the 2018/19 financial year, the FACC Group acquired assets that were not yet included in the cash flow as they had not been (fully) paid as of the balance sheet date. At the same time, liabilities from capital investments that had already been acquired in the previous year and are therefore included in the cash flow of this financial year were repaid. This resulted in an increase in the cash flow from investments of kEUR 211 in the 2018/19 financial year (previous year: kEUR 0).

NOTES TO FINANCIAL INSTRUMENTS

42. Determination of fair value

The fair value of financial instruments is determined in three steps, which reflect the degree of certainty of measurement. FACC employs the following hierarchy levels to assign a valuation method to financial instruments measured at fair value:

Level 1: valuation based on market prices for a specific financial instrument

Level 2: valuation by means of market prices for similar instruments or valuation models based exclusively on valuation parameters observable on the market

Level 3: valuation based on models with significant valuation parameters that are not observable on the market

The following tables show the valuation techniques used in determining fair values as well as the most significant unobservable input factors used:

Type	Valuation method	Significant non-observable input factors	Connection between significant non-observable input factors and fair value measurement
Financial instruments measured at fair value			
Securities (quoted)	Current stock market price on the balance sheet date	Not applicable	Not applicable
Forward exchange transactions	The fair value is determined using quoted forward rates on the reporting date and net present value calculations based on yield curves with high credit ratings in corresponding currencies.	Not applicable	Not applicable
Financial instruments not measured at fair value			
Bonds	Current stock market price on the balance sheet date	Not applicable	Not applicable
Other interst-bearing liabilities	Discounting of cash flows	Risk premium for own credit risk	Not applicable

No shifts occurred between the individual valuation levels in the financial year with the exception of adjustments due to the application of IFRS 9.

43. Classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities by class and measurement category in accordance with IFRS 9 (28 February 2018: IAS 39), including their positions in the fair value hierarchy.

Information on the fair value of financial assets and financial liabilities which have not been measured at fair value is omitted if the carrying amount constitutes a reasonable approximation of the fair value.

		Fair value			
	Carrying amount 28.02.2018 EUR'000	Total 28.02.2018 EUR'000	Level 1 28.02.2018 EUR'000	Level 2 28.02.2018 EUR'000	Level 3 28.02.2018 EUR'000
Valuation at amortized cost					
Other financial assets – securities (unquoted)	43	0	0	0	0
Receivables from related companies	4,750	0	0	0	0
Other receivables	18,152	0	0	0	0
Receivables from construction contracts	17,212	0	0	0	0
Trade receivables	92,523	0	0	0	0
Receivables from related companies	13,626	0	0	0	0
Other receivables and assets	302	0	0	0	0
Cash and cash equivalents	63,488	0	0	0	0
	210,097	**0**	**0**	**0**	**0**
Fair value through other comprehensive income					
Other financial assets – securities (quoted)	413	413	413	0	0
	413	**413**	**413**	**0**	**0**
Fair value through profit and loss					
Derivative financial instruments	14,591	14,591	0	14,591	0
	14,591	**14,591**	**0**	**14,591**	**0**
Valuation at amortized cost					
Financial liabilities	245,443	252,208	96,354	0	155,854
Trade payables	48,875	0	0	0	0
Liabilities towards related companies	3,548	0	0	0	0
Other financial liabilities	20,571	0	0	0	0
	318,437	**252,208**	**96,354**	**0**	**155,854**
Fair value through profit and loss					
Derivative financial instruments	681	681	0	681	0
	681	**681**	**0**	**681**	**0**

		Fair value			
	Carrying amount 28.02.2019 EUR'000	Total 28.02.2019 EUR'000	Level 1 28.02.2019 EUR'000	Level 2 28.02.2019 EUR'000	Level 3 28.02.2019 EUR'000
Valuation at amortized cost					
Other financial assets – securities (unquoted)	44	0	0	0	0
Receivables from related companies	6,156	0	0	0	0
Other receivables	8,657	0	0	0	0
Trade receivables	88,500	0	0	0	0
Receivables from related companies	24,218	0	0	0	0
Other receivables and assets	10,895	0	0	0	0
Cash and cash equivalents	90,062	0	0	0	0
	228,533	**0**	**0**	**0**	**0**
Fair value through other comprehensive income					
Trade receivables (within factoring)	**7,498**	**7,498**	**7,498**	**0**	**0**
Other financial assets – securities (quoted)	413	413	413	0	0
	7,911	**7,911**	**7,911**	**0**	**0**
Fair value through profit and loss					
Derivative financial instruments	0	0	0	0	0
	0	**0**	**0**	**0**	**0**
Valuation at amortized cost					
Financial liabilities	270,920	274,499	93,348	0	181,151
Trade payables	74,819	0	0	0	0
Liabilities towards related companies	4,623	0	0	0	0
Other financial liabilities	11,633	0	0	0	0
	361,995	**274,499**	**93,348**	**0**	**181,151**
Fair value through profit and loss					
Derivative financial instruments	10,596	10,596	0	10,596	0
	10,596	**10,596**	**0**	**10,596**	**0**

44. Derivative financial instruments and hedge accounting

The hedging strategies employed by the Group's treasury and risk management department are designed to control and minimize the impact of exchange rate fluctuations. The Management Board approves the strategies and reports regularly to the Supervisory Board.

The risk management conducted by the Group's treasury and risk management department pursues the objective of hedging at least 80% of expected net cash flows in USD (from revenues and purchases of raw materials) for the next twelve months (on a rolling monthly basis) (hedge ratio). If market levels are favorable, hedging periods can be extended to up to 36 months.

Derivative financial instruments are used to hedge net cash flows in USD. Under hedge accounting, future cash receipts in the amount of the net exposure in USD from particular orders already contracted or future transactions, which are expected to occur with a high probability, are designated as hedged items together with the related forward exchange transactions, which are designated as hedging instruments.

The economic relationship between the hedged item and the hedging instrument is determined by comparing the various risk factors with an impact on their respective values. If the critical terms of the hedged item and the hedging instrument are completely or nearly identical, the underlying economic relationship can be demonstrated using the critical terms match method. In all other cases, depending on the extent to which the critical terms differ, either sensitivity analyses or variations of the dollar-offset methods are used to demonstrate the effectiveness of the hedging relationship.

Deviations between the critical terms of the hedged item and the hedging instrument can give rise to inefficiencies. With foreign currency hedging, a mismatch between the time of receipt of the cash flows from the hedged item and the settlement of the forward exchange transactions designated as hedging instruments is an example of such inefficiency. Beyond that, no other sources of inefficiency exist.

Since the underlying values of the hedged item and the hedging instrument are always the same, the hedge ratio reported in the balance sheet is always 1:1, i.e. the designated quantity or volume of the hedging instrument corresponds to the designated quantity or volume of the hedged item. Adjustments are made to the balance sheet hedge ratio if the hedge ratio is unbalanced, which could give rise to inefficiencies leading to accounting consequences inconsistent with the purpose of hedge accounting.

Derivative financial instruments with a positive market value

		Remaining term	
	Carrying amount 28.02.2018 EUR'000	Less than 1 year 28.02.2018 EUR'000	Over 1 year 28.02.2018 EUR'000
Forward exchange transactions with positive fair value	14,591	14,591	0
	14,591	**14,591**	**0**

		Remaining term	
	Carrying amount 28.02.2019 EUR'000	Less than 1 year 28.02.2019 EUR'000	Over 1 year 28.02.2019 EUR'000
Forward exchange transactions with positive fair value	0	0	0
	0	**0**	**0**

Derivative financial instruments with a negative market value

		Remaining term	
	Carrying amount 28.02.2018 EUR'000	Less than 1 year 28.02.2018 EUR'000	Over 1 year 28.02.2018 EUR'000
Forward exchange transactions with negative fair value	681	0	681
	681	**0**	**681**

		Remaining term	
	Carrying amount 28.02.2019 EUR'000	Less than 1 year 28.02.2019 EUR'000	Over 1 year 28.02.2019 EUR'000
Forward exchange transactions with negative fair value	10,596	10,532	64
	10,596	**10,532**	**64**

The contract volume of foreign currency derivatives is broken down by maturity as follows:

			Remaining term		
	Currency	Volume in thousands	Less than 1 year in thousands	1 to 2 years in thousands	3 to 5 years in thousands
As of 28 February 2018: Forward exchange transactions	USD	360,000	260,000	100,000	0
As of 28 February 2019: Forward exchange transactions	USD	230,000	190,000	40,000	0

The following tables provide information on the forward exchange transactions designated as hedging instruments at the end of the reporting period as well as on the associated hedged items

Cashflow hedges (OCI) 28 February 2018	Instrument	Average exchange rate	Notional value in foreign currency	Notional value in local currency	Change in fair value used for calculating hedge ineffectiveness	Fair value
			USD'000	EUR'000	EUR'000	EUR'000
Sell USD, buy EUR	FX Forward	1.2069	285,000	236,133	8,626	8,626

Cashflow hedges (OCI) 28 February 2019	Instrument	Average exchange rate	Notional value in foreign currency	Notional value in local currency	Change in fair value used for calculating hedge ineffectiveness	Fair value
			USD'000	EUR'000	EUR'000	EUR'000
Sell USD, buy EUR	FX Forward	1.2084	160,000	132,410	–5,322	–5,322

	Change in value used for calculating hedge ineffectiveness		Carrying amount cash flow hedge reserve	
	28.02.2018 EUR'000	28.02.2019 EUR'000	28.02.2018 EUR'000	28.02.2019 EUR'000
Sell USD, buy EUR	–8,626	5,322	6,470	–3,991
	–8,626	5,322	6,470	–3,991

The following table shows the effectiveness of the hedging relationships and the amounts reclassified from the cash flow hedg e reserve to the Profit and Loss Statement:

	Current period hedging gains (losses) recognized in OCI		Amount reclassified to profit and loss		Line item in profit and loss in which reclassification adjustment is included
	28.02.2018 EUR'000	28.02.2019 EUR'000	28.02.2018 EUR'000	28.02.2019 EUR'000	
Sell USD, buy EUR	8,626	–5,322	10,694	–5,274	Revenues
	8,626	–5,322	10,694	–5,274	

Forward exchange transactions were concluded to hedge the currency risk from the sale of products which are not denominated in the Group's functional currency. Forward exchange transactions qualifying as hedges are recorded as cash flow hedges according to IFRS 9. Forward exchange transactions which are not recorded as cash flow hedges are recorded as free-standing derivatives of the category "at fair value through profit or loss".

Forward exchange transactions (cash flow hedges) are recognized in other comprehensive income until the future proceeds arising from the hedged item, for which they have been designated, are recognized in the balance sheet. Forward exchange transactions are recognized in revenues at their fair values upon initial recognition to profit or loss. Subsequent measurement is recorded under other operating income/expenses. Once the forward exchange transactions have been redeemed, they are then subsequently derecognized, usually within a maximum period of 36 months from the balance sheet date.

45. Financial risk

In addition to financing risks, FACC's operational business is also exposed to interest rate and currency risks. The Group's overall risk management focuses on the unpredictability of developments on the financial markets and aims to minimize potentially negative effects on the Group's financial position. In order to hedge against specific risks, the Group makes use of derivative financial instruments, which are generally not used for speculative purposes.

The Group's treasury & risk department identifies, evaluates and hedges financial risks in close collaboration with the Group's operating units.

Currency risk

While the vast majority of sales by FACC are transacted in USD, a significant part of the costs are incurred in currencies other than USD, notably in EUR.

The following table shows the composition of receivables and other assets as well as liabilities by currency.

	28.02.2018 EUR'000	28.02.2019 EUR'000
Receivables from customer-related engineering	0	86,053
Contract assets	0	15,099
Receivables from related companies, non-current	4,750	6,156
Other receivables	18,152	8,657
Receivables from construction contracts	17,212	0
Trade receivables, current	92,523	95,998
Receivables from related companies, current	13,626	24,218
Other receivables and assets	26,803	37,949
Cash and cash equivalents	63,488	90,062
	236,554	**364,193**
USD	140,578	227,601
EUR	95,976	136,592
	236,554	**364,193**

	28.02.2018 EUR'000	28.02.2019 EUR'000
Financial liabilities	245,443	270,920
Trade payables	48,875	74,819
Liabilities towards related companies	3,548	4,623
Other financial liabilities	20,571	11,633
	318,437	**361,995**
USD	36,304	69,122
EUR	282,134	292,873
	318,437	**361,995**

Detrimental changes in foreign exchange rates, in particular in the USD-EUR exchange rate, would therefore produce substantial adverse effects on FACC's business, operating income and financial position. FACC makes use of derivative financial instruments such as currency options and forward exchange transactions to hedge against adverse changes in the USD-EUR exchange rate, which can potentially give rise to losses.

Sensitivity analyses showing the effects of hypothetical changes in exchange rates on the Consolidated Profit and Loss Statement and equity were carried out for the currency risks of financial instruments. In accordance with IFRS 7, currency risks result from financial instruments of a monetary nature that are not denominated in the reporting company's functional currency. As a consequence, receivables, liabilities, cash and foreign currency derivatives serve as the basis for calculating the sensitivity of the Consolidated Profit and Loss Statement. The sensitivity of equity also reflects the valuation effects of the cash flow hedges for foreign currency risks recorded in other comprehensive income. Translation differences from the translation of financial statements prepared in a currency other than the group currency were not included in the calculation.

A 5% change in the EUR-USD exchange rate would produce the following effects:

Revaluation (+)/devaluation (-)	5% devaluation		5% revaluation	
	28.02.2018 EUR'000	28.02.2019 EUR'000	28.02.2018 EUR'000	28.02.2019 EUR'000
Changes in Consolidated Profit and Loss Statement	3,748	2,650	–3,391	–2,398
Changes in comprehensiv income/loss	–13,422	–8,144	8,696	6,819
Changes to equity	**–9,674**	**–5,494**	**5,305**	**4,422**

Interest rate risk

Interest rate risk depends on the average financing term and the type of interest rate. Fixed interest rates are subject to the risk of falling interest rates, whereas variable interest rates carry the risk of rising interest rates.

An increase in interest rates of 50 basis points would have resulted in a reduction in earnings after taxes and equity of kEUR 568 (previous year: kEUR 255). A reduction in interest rates by 50 basis points would have resulted in an increase in earnings after taxes and equity of a similar magnitude.

The calculation method is based on variable interest-bearing assets and liabilities.

Liquidity risk

A key objective of FACC's risk management is to maintain constant financial solvency to meet current and future obligations. The key control parameters for this purpose are the maximisation of free cash flow through cost reductions, active working capital management and the reduction of capital expenditure.

Liquidity risks arise in particular when proceeds from revenues fall short of expectations due to a decline in demand, and when measures to reduce working capital and payment-relevant fixed costs are implemented insufficiently or with a delay.

In order to secure short- and medium-term liquidity, a reserve in the form of bank deposits and unused credit lines with banks is maintained. If necessary, excess liquid funds are invested in non-speculative, highly liquid financial instruments, mainly money market certificates, daily allowances, securities and other money market instruments, which generally mature in less than three months.

On the balance sheet date, 28 February 2019, FACC had unused credit lines amounting to kEUR 150,000 (previous year: kEUR 64,000) at its disposal.

The contractually agreed (undiscounted) cash flows (interest and principal payments) as well as the remaining terms of the financial liabilities are composed as follows:

			Payment obligations		
	Carrying amount 28.02.2018 EUR'000	Total 28.02.2018 EUR'000	Less than 1 year 28.02.2018 EUR'000	1 to 5 years 28.02.2018 EUR'000	More than 5 years 28.02.2018 EUR'000
Valuation at amortized cost					
Promissory note loans	34,000	35,686	939	34,747	0
Bond FACC Operations GmbH	89,589	100,800	3,600	97,200	0
Liabilities towards credit institutions	84,919	87,905	45,778	24,987	17,140
Liabilities from finance leasing	20,992	24,342	1,270	5,021	18,051
Other interest-bearing liabilities	15,943	15,960	16,411	–451	
Financial liabilities	**245,443**	**264,693**	**67,998**	**161,504**	**35,191**
Trade payables	48,875	48,875	48,875	0	0
Liabilities towards related companies	3,548	3,548	3,548	0	0
Other financial liabilities	20,571	20,571	20,571	0	0
	318,437	**337,687**	**140,992**	**161,504**	**35,191**
Fair value through profit and loss					
Derivative financial instruments	681	681	0	681	0
Carrying amounts/contractual cash flows	**319,118**	**338,368**	**140,992**	**162,185**	**35,191**

			Payment obligations		
	Carrying amount 28.02.2019 EUR'000	Total 28.02.2019 EUR'000	Less than 1 year 28.02.2019 EUR'000	1 to 5 years 28.02.2019 EUR'000	More than 5 years 28.02.2019 EUR'000
Valuation at amortized cost					
Promissory note loans	34,000	34,747	34,747	0	0
Bond FACC Operations GmbH	89,769	97,200	3,600	93,600	0
Liabilities towards credit institutions	121,401	133,529	64,385	35,365	33,778
Liabilities from finance leasing	20,212	22,849	1,036	4,146	17,667
Other interest-bearing liabilities	5,538	5,538	5,744	–206	0
Financial liabilities	**270,920**	**293,863**	**109,513**	**132,904**	**51,445**
Trade payables	74,819	74,819	74,819	0	0
Liabilities towards related companies	4,623	4,623	4,623	0	0
Other financial liabilities	11,633	11,633	11,633	0	0
	361,995	**384,938**	**200,588**	**132,904**	**51,445**
Fair value through profit and loss					
Derivative financial instruments	10,596	10,638	10,532	106	0
Carrying amounts/contractual cash flows	**372,591**	**395,576**	**211,120**	**133,010**	**51,445**

The interest payments on variable rate loans in the table above reflect the market conditions for forward interest rates at the end of the financial year. These may change as market interest rates change. Future cash flows from derivative instruments may differ from the amounts shown in the table above as interest rates and exchange rates or the relevant conditions are subject to change. Target figures for future new liabilities are not included in the presentation. Financial liabilities repayable at any time are always assigned to the earliest maturity.

Credit risks

The Group is active in the aircraft industry and has two main customers. It is therefore exposed to a concentrated credit risk due to the limited number of aircraft manufacturers.

The Group is exposed to credit risks with respect to non-performance by contractual partners and has therefore introduced guidelines to limit these risks. Products and services are exclusively sold to customers with appropriate credit ratings by taking the financial situation, past experiences and other factors into account. New customers' default risks are evaluated by means of credit assessments, and the creditworthiness of existing customers is also regularly monitored. Customer receivables above a specified amount are insured against default. Credit risks can also arise from cash and cash equivalents, derivative financial instruments and deposits with banks and other financial institutions. Such transactions are only carried out with banks and financial institutions with high credit ratings.

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

The gross carrying amounts of trade receivables and other financial assets as of 28 February 2018 were assessed as follows:

	28.02.2018 EUR'000
Trade receivables	92,523
Of which not overdue and not impaired	65,016
Of which overdue and not impaired	23,462
0 to 30 days	13,799
31 to 60 days	3,427
61 to 90 days	350
91 to 120 days	479
121 to 180 days	912
181 to 365 days	1,369
More than 365 days	3,126
Of which impaired	4,046

OTHER INFORMATION

46. Board member remuneration

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, as of 28 February 2019 was as follows:

Name	Non-success-related 2017/18 EUR'000	Success-related 2017/18 EUR'000	Termination benefit 2017/18 EUR'000	Employer contribution to pension fund 2017/18 EUR'000	Total 2017/18 EUR'000
Robert Machtlinger	387	0	39	61	487
Andreas Ockel (since 2 November 2017)	116	0	20	33	169
Aleš Stárek	262	0	36	0	297
Yongsheng Wang	174	0	31	0	205
	938	**0**	**126**	**94**	**1,159**

Name	Non-success-related 2018/19 EUR'000	Success-related 2018/19 EUR'000	Termination benefit 2018/19 EUR'000	Employer contribution to pension fund 2018/19 EUR'000	Total 2018/19 EUR'000
Robert Machtlinger	388	250	73	111	821
Andreas Ockel	377	48	49	100	573
Aleš Stárek	277	166	46	0	489
Yongsheng Wang	178	131	31	0	339
	1,218	**594**	**199**	**211**	**2,222**

The expenses for Supervisory Board members recorded in the Annual Financial Statements amounted to kEUR 525 (previous year: kEUR 398).

There were no advance payments or loans to members of the Supervisory Board of FACC AG on the balance sheet date.

47. Transactions with related companies and persons

Transactions with related companies and persons outside the consolidated companies of FACC AG were concluded in the period from 1 March 2018 to 28 February 2019 on arm's length terms.

	Receivables 28.02.2018 EUR'000	Liabilities 28.02.2018 EUR'000	Receivables 2017/18 EUR'000	Expenses 2017/18 EUR'000
Companies with significant influence on the Group	24	0	1,050	0
Joint venture in which the parent undertaking is involved	18,352	3,548	7,975	19,565
	18,376	**3,548**	**9,025**	**19,565**

	Receivables 28.02.2019 EUR'000	**Liabilities 28.02.2019 EUR'000**	**Receivables 2018/19 EUR'000**	**Expenses 2018/19 EUR'000**
Companies with significant influence on the Group	1,019	0	3,532	0
Joint venture in which the parent undertaking is involved	29,355	4,623	27,560	19,725
	30,374	**4,623**	**31,092**	**19,725**

In addition, a consulting agreement with Maffeo Aviation Consulting, Woodinville, USA, which is controlled by a Supervisory Board, was in place in the 2018/19 financial year. The consulting agreement amounted to kEUR 50 (previous year: kEUR 0) in the financial year, of which kEUR 0 (previous year: kEUR 0) had not yet been paid on the balance sheet date.

As in the previous year, there were no write-downs of doubtful receivables in connection with transactions with related parties, nor were any expenses recognized for doubtful or irrecoverable receivables in the 2018/19 financial year or the previous year. Guarantees were neither granted nor received.

48. Reconciliation of comprehensive income from the cost-of-sales to the total cost method

The Consolidated Statement of Comprehensive Income is prepared using the cost-of-sales method since the beginning of the 2018/19 financial year. As the majority of companies in the industry apply this method, this provides for greater comparability in view of the increasing internationalization of the FACC Group. The comparative period of the previous year was reconciled as follows:

2017/18 EUR'000	Changes in inventory	Own work capitalized	Cost of material and other purchased services	Personnel costs	Depreciation, amortization and impairment	Other operating expenses	Other operating income	Total
COGS – Cost of goods sold	11,111	8,763	–451,142	–156,531	–31,549	–44,842	21,284	–642,905
Research and development expenses	–8	0	–420	–1,820	–27	–1,117	0	–3,392
Selling expenses	–4	0	–75	–3,815	–33	–2,062	0	–5,990
Administration expenses	0	0	–847	–22,260	–1,286	–16,464	1,898	–38,959
Other operating income	0	0	0	0	0	0	7,004	7,004
Other operating expenses	0	0	0	0	0	–3,235	0	–3,235
	11,099	8,763	–452,485	–184,426	–32,895	–67,721	30,187	

2018/19 EUR'000	Changes in inventory	Own work capitalized	Cost of material and other purchased services	Personnel costs	Depreciation, amortization and impairment	Other operating expenses	Other operating income	Total
COGS – Cost of goods sold	–14,864	–872	–460,688	–181,075	–14,413	–35,810	6,563	**–701,160**
Research and development expenses	–1	0	–158	–1,256	–28	–1,021	0	**–2,464**
Selling expenses	–12	0	–341	–5,019	–62	–3,761	1,346	**–7,848**
Administration expenses	739	1,290	–628	–15,924	–1,341	–12,777	156	**–28,485**
Other operating income	0	0	0	0	0	0	12,590	**12,590**
Other operating expenses	0	0	0	0	0	–10,582	0	**–10,582**
	–14,138	**417**	**–461,815**	**–203,274**	**–15,845**	**–63,950**	**20,655**	

49. Changes in inventory

	2017/18 EUR'000	2018/19 EUR'000
Unfinished products	4,348	10,152
Finished products	6,750	–24,291
	11,099	**–14,138**

50. Own work capitalized

	2017/18 EUR'000	2018/19 EUR'000
Capitalization of research and developments costs	8,639	11,957
Other	124	–11,540
	8,763	**417**

51. Other operating income

	2017/18 EUR'000	2018/19 EUR'000
Income from the reversal of accruals	14,273	2,317
Income from the reversal of receivable impairments	621	1,346
Income from public funding and tax-free grants	845	–435
Effects from foreign exchange rates	4,935	1,988
Value recovery	0	4,049
Other	9,513	11,390
	30,187	**20,655**

52. Cost of materials and purchased services

	2017/18 EUR'000	2018/19 EUR'000
Material expenses	401,581	411,024
Expenses of commisioned services	50,904	50,791
	452,485	**461,815**

53. Personnel costs

Termination benefits and payments to corporate employee pension funds included payments to corporate employee pension funds of kEUR 2,003 (previous year: kEUR 1,763).

	2017/18 EUR'000	2018/19 EUR'000
Wages and salaries	139,766	154,648
Expenses for statutory, compulsory social security contributions and benefits	37,075	39,875
Expenses for termination benefits and benefits to corporate employee pension funds	1,874	3,002
Pensions	127	534
Other social expenses	5,584	5,216
	184,426	**203,274**

The number of full-time equivalent employees on the balance sheet date was as follows:

	28.02.2018 Number	28.02.2019 Number
Blue collar	2,249	2,160
White collar	1,153	1,305
	3,402	**3,465**
Of which in Austria	3,177	3,226
Of which abroad	225	239

54. Depreciation

	2017/18 EUR'000	2018/19 EUR'000
Intangible assets	13,942	890
Property, plant and equipment	18,953	14,955
	32,895	**15,845**

55. Other operating expenses

	2017/18 EUR'000	2018/19 EUR'000
Service, maintenance and third-party repair expenses	10,374	12,333
Freight expenses	10,026	9,018
Material testing and certification expenses	1,723	2,421
Rental fees and leasing expenses	6,716	7,652
Travel expenses	3,835	3,647
Expenses related to consulting services	7,379	5,922
Storage expenses	6,768	6,425
Expenses related to warranty obligations	10,760	181
Expenses related to impairments	1,628	2,353
Effects from foreign exchange rates	0	–6,697
Impairment	0	11,356
Other	8,512	9,338
	67,721	**63,950**

ACCOUNTING AND VALUATION POLICIES

56. Accounting and valuation policies

Intangible assets (IAS 36, IAS 38, IFRS 3, IAS 23)

Intangible assets with indefinite useful lives (IAS 38, IAS 36)

Intangible assets with indefinite useful lives are measured at amortized cost.

Software	Amortization over a period of 3 to 10 years (linear)
Delivery rights	Amortization on the basis of deliverd shipsets or shipsets still to be delivered

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

An impairment test is conducted if an indicator of impairment is present. An impairment loss is recognized 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 its attributed fair value less costs to sell and its value in use.

If the reasons for impairment no longer apply, the impairment losses are to be reversed up to the amortized cost.

Intangible assets with indefinite useful lives and intangible assets under development (IAS 38, IAS 36)

Measurement is conducted at acquisition or production costs.

These assets are not subject to scheduled amortization. Impairment tests are performed on an annual basis and if there are signs of impairment. An impairment loss is recognized 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 its attributed fair value less costs to sell and its value in use.

If the reasons for impairment no longer apply, the impairment losses are reversed up to the amortized cost of the asset.

Goodwill (IFRS 3, IAS 36)

The initial recognition of goodwill results from the initial consolidation of subsidiaries. Goodwill is reported as the value resulting from the surplus of the procurement costs of the aquisition above the Group's share of identifiable net assets evaluated at the attributed fair value.

Goodwill is not subject to scheduled amortization. Impairment tests are performed on an annual basis and if there are signs of impairment.

For the purposes of 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.

The impairment loss of a cash-generating unit is calculated by comparing the previously amortized carrying amount (including allocated goodwill) with the higher of its attributed fair value less costs of disposal and value in use. If the amount thus determined is less than the amortized carrying amount, an impairment loss is recognized on goodwill in the amount of this difference. Any remaining difference must be allocated to the remaining assets of the cash-generating unit in proportion to their carrying amount.

For the purposes of the impairment test using the value in use, which represents the present value of estimated future cash flows before taxes. This value is calculated on the basis of predicted cash flows derived from the multi-year plan approved by management. Cash flows arising after the detailed planning period are extrapolated by using growth rates. The growth rate applied does not exceed the long-term average growth rate of the division in which the CGU operates.

Cash flows are discounted with the weighted average cost of capital (WACC) before taxes, adjusted to the specific risks, which was largely determined on the basis of externally available capital market data.

Property, plant and equipment (IAS 16, IAS 36, IAS 23)

Property, plant and equipment are measured at amortized cost of procurement or manufacturing.

The manufacturing costs of property, plant and equipment include individual costs and reasonable parts of the overhead costs as well as borrowing costs in the case of qualified assets.

Linear amortization over the useful life:

Buildings	10 to 50 years
Investments in third-party buildings	33 to 50 years
Technical plants and machinery	3 to 33 years
Office equipment	5 to 14 years
Vehicles	5 to 8 years

Impairment tests are performed whenever there are signs of impairment. An impairment loss is recognized 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 its attributed fair value less costs to sell and its value in use.

If the reasons for impairment no longer apply, the impairment losses are reversed up to the amortized cost of the asset.

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 Profit and Loss Statement under the items "other operating income" and "other operating expenses".

Leasing (IAS 17)

The allocation of a leased asset to the lessor or lessee is based on the criterion of assignability of all material risks and rewards associated with the ownership of the leased asset.

Finance lease: The leased asset is capitalized at the lower of its attributed fair value and the present value of the minimum lease payments at the time of acquisition. A lease liability of the same amount is recorded as a liability under financial liabilities.

The amortization is recorded linearly over its useful life or, if shorter, over the term of the lease agreement.

Operating lease: Rental payments are spread over the lease term in equal installments and are recorded as expenses in the operating result.

Receivables from customer-related engineering und contract assets (IFRS 15)

Revenues from engineering and customer-specific tool developments are generally recognized at a point in time. At the time of revenue recognition, customer-related engineering is recognized as expenses, liabilities from customer-related engineering as revenues and variable compensation, depending on the type of contract, is recognized at its cash value in revenues or in receivables from customer-related engineering.

Receivables from customer-related engineering are subsequently reduced as a result of the ongoing amortization of development costs.

Engineering and customer-specific tool developments are recognized as contract assets from the outset to the extent that they constitute own performance obligations, and revenues have already been partially recognized over a period of time.

If customer-related engineering and customer-specific tool developments are charged as a mark-up on the price of serial components and are not directly remunerated or remunerated separately by customers, the level of revenues may depend on whether the planned quantity of series products has been achieved. This constitutes variable remuneration, which is recognized as a receivable from customer-related engineering to a prudent estimate and is regularly reassessed.

Payments to customers are treated as advance discounts and are recorded under contract assets. They are recognized as sales deductions according to the expected duration of the program.

Impairments of receivables from customer-related engineering and contract assets are assessed according to regulations governing financial assets.

Contract costs (IFRS 15)

Contract costs are measured at amortized cost.

If, in accordance with IFRS 15, there is no enforceable contractual entitlement to remuneration for engineering and tool development services provided, the associated expenses are capitalized as contract costs. The services provided and the subsequent series production constitute a single unit. In this case, the engineering and tool expenses are added to the price of the parts as a mark-up and are recognized as revenue upon delivery of the serial parts. The contract costs are amortized according to the number of shipsets delivered.

Inventories (IAS 2)

Inventories are measured at the lower value of procurement cost or manufacturing cost and net realizable value. Inventories are valued using the moving average price method. When determining the manufacturing costs, the directly attributable costs and reasonable portions of overhead costs, including amortization, are included on the assumption of normal capacity utilisation.

The net realizable value results from the expected sales revenues of the items less the outstanding production and distribution costs determined on the basis of empirical values. Price decreases in the replacement costs are generally taken into account when calculating the net sales price.

Inventories are written down in the case of reduced net selling prices or long storage periods. So-called slow-moving inventory items, which are classified according to product groups, are subject to specific write-downs. The system identifies materials with a storage period of more than 24 months as slow-moving items.

Customer-related engineering (IAS 2)

Customer-related engineering and customer-specific tool developments are recorded as customer-specific development services to the extent that they constitute own performance obligations and control has not yet been transferred. They are capitalized to the amount of the associated expenses. For further information, please also refer to "Receivables from customer-related engineering".

Government grants (IAS 20)

Government grants are recognized at fair value if there is reasonable assurance that the conditions attached to the grant will be met and the grant will be received.

Government grants for investments in property, plant and equipment are recorded under the item “investment grants” under non-current or current liabilities.

Investment grants are dissolved to profit or loss on a linear basis over the expected useful life of the assets concerned.

Employee benefit obligations (IAS 19)

Defined benefit plans

Defined benefit plans relate to Austrian termination benefit obligations towards employees whose employment was established on or before 31 December 2002.

This provision is calculated using the projected unit credit method, which sees each period of service as giving rise to an additional unit of benefit entitlement and calculates the present value of future payments over the employees’ estimated working lives. The calculation is performed by an actuary by means of actuarial reports for the respective balance sheet date.

Revaluation effects based on experience adjustments and changes in actuarial assumptions are recognized in other comprehensive income in equity for the period in which they arise.

Interest expenses are recognized before earnings before interest and taxes (EBIT) in the Consolidated Profit and Loss Statement.

The expected settlement amount is recognized for termination benefit obligations towards members of the Management Board of FACC AG as agreed in individual contracts.

Defined contribution plans

Defined contribution plans are in place in Austria for employees whose employment was established after 31 December 2002 due to statutory obligations and for individual contractual pension agreements.

The Group's sole obligation is to pay the defined contributions. These are recognized as expenses in the period for which they are paid.

Other non-current employee benefit obligations

Under collective bargaining agreements, the Group is obliged to pay employees an anniversary bonus of one month's salary or one month's wages upon reaching 25 years of service.

This provision is determined by an actuary using actuarial reports in accordance with the projected unit credit method for the respective balance sheet date.

Interest expenses are recognized before earnings before interest and taxes (EBIT) in the Consolidated Profit and Loss Statement.

Revaluation effects based on experience adjustments and changes in actuarial assumptions are recognized to profit or loss in the period in which they arise.

Contract liabilities from customer-related engineering (IFRS 15)

Contract liabilities from customer-related engineering are recorded under current liabilities if control has not yet been transferred.

Other provisions (IAS 37)

Other provisions are recognized at the expected settlement amount. Non-current provisions are discounted provided the discounting effect is substantial and the discounting period can be reliably estimated.

Income taxes (IAS 12)

Deferred tax receivables and liabilities shall be balanced if they are pertaining to the same tax authority and if there is an enforceable legal claim to offsetting.

Income tax expense (income tax credits) include actual taxes and deferred taxes.

Deferred taxes are recognized for all temporary differences between the tax base of assets and liabilities and their carrying amounts in the IFRS-based financial statements (liabilities method). Deferred taxes are valued based on the tax rates applicable when the temporary differences have been reversed after the balance sheet date. Deferred tax receivables are only recognized to the extent to which it is probable that the corresponding tax benefits will be realized.

Deferred tax receivables for loss carry-forwards are only recognized to the extent to which it is probable that they will be realized within a reasonable period of time.

Changes in taxes generally lead to tax expenditures or tax credits. Taxes on items recorded in other comprehensive income are recorded in other comprehensive income. Taxes on items recorded directly in equity are also recorded directly in equity.

Financial instruments (IAS 32, IFRS 7, IFRS 9, IFRS 13)

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model under which the assets are held as well as the characteristics of their respective cash flows. The standard contains three main categories of classification for financial assets: at amortized cost (AC), at fair value through profit or loss (FVTPL) and at fair value through other comprehensive income (FVOCI). For existing IAS 39 categories, the standard no longer includes "held to maturity (HtM)", "loans and receivables (LaR)" and "available for sale (AfS)". Under IFRS 9, derivative financial instruments embedded in financial assets are no longer accounted for separately but are classified as fair value through profit or loss.

As of 28 February 2018, the FACC Group held equity instruments classified as "available for sale" and held on a long-term basis. Under IFRS 9, these are recognized at fair value through other comprehensive income.

The FACC Group also has a factoring program in place for seven selected customers. The unsold receivables from the factoring portfolio were previously recorded under "loans and receivables" but are now allocated to the "hold and sell" business model in accordance with IFRS 9. The latter is measured at fair value through other comprehensive income.

Financial assets are initially recognized at fair value. In the case of financial investments that are not measured at fair value through profit or loss, transaction costs directly attributable to the acquisition of the assets are also taken into account.

The fair value is determined on the basis of the market information available on the balance sheet date. Given various influencing factors, the values stated here may deviate from the values realized at a later date.

The fair value of financial assets and liabilities reflects the effect of the risk of non-performance on the part of the other party. When determining the fair value of a financial asset, the credit risk of banks is taken into account on the basis of their ratings. When determining the fair value of a financial liability, the Group's own credit risk is considered on the basis of credit ratings provided by banks.

Market values are available for all derivative financial instruments and listed securities; for all other financial instruments, the fair value is calculated on the basis of the discounted expected cash flows to the extent that the carrying amount does not represent an adequate approximation of the fair value.

Purchases and sales of financial assets are recorded on the date of the transaction.

Impairments are recognized to profit or loss for all financial instruments. If the underlying cause of the impairment no longer applies, a reversal of the impairment loss is recognized to profit or loss.

Other non-current financial assets (securities)

“At fair value through other comprehensive income" category: Subsequent measurement is recognized directly in other comprehensive income at fair value through other comprehensive income (stock market price).

Receivables and other assets

"At amortized cost" category: Subsequent measurement is recognized at amortized cost less any impairment losses on valuation accounts. Impairments of trade receivables due to default of payment are recognized on the basis of past experience. In addition, customers are assessed individually, taking into account past experience, their creditworthiness and any collateral security provided. Irrecoverable receivables are derecognized. Non-current receivables are additionally discounted according to the effective interest method.

IFRS 9 replaces the "losses incurred" model of IAS 39 with a forward-looking model of "expected credit losses". Determining the extent to which expected loan defaults will be influenced by changes in economic factors requires the exercise of considerable discretion and is made on the basis of weighted probabilities.

The new impairment model is to be applied to financial assets measured at amortized cost or at fair value through other comprehensive income and to contract assets.

Under IFRS 9, impairment losses are calculated according to one of the following:

- 12-month expected credit loss: expected loan defaults due to possible default events within twelve months of the balance sheet date.
- Lifetime expected credit loss: expected loan defaults due to all possible default events which can occur during the expected term of a financial instrument.

Measurement according to the concept of lifetime expected credit loss is to be applied if the credit risk of a financial asset has increased significantly on the balance sheet date since its initial recognition; in all other cases, valuation according to 12-month expected credit loss is to be applied. Exceptions exist for trade receivables, contract assets arising under IFRS 15 and leasing receivables. For these items, all expected losses must (for trade receivables and contract assets without a significant financing component pursuant to IFRS 15) or may (for trade receivables and contract assets with a significant financing component and leasing receivables pursuant to IFRS 15) already be taken into account at the time of addition.

Capital market data is available for the majority of the Group's customers, which means that external parameters for maturity-dependent risk exposure are available. Expected losses for receivables subject to default risks are calculated using a maturity-specific default probability for each customer.

If no external parameters are available for a customer, industry- or country-specific credit default swap (CDS) spreads or bond yields (on an individual security or index basis) are used to determine the probability of default.

Trade receivables are written off if there is information suggesting that the debtor is facing significant financial difficulties and there is no realistic prospect of recovery, e.g. if the debtor has gone into liquidation or insolvency proceedings have been opened, or if the trade receivables are more than three years overdue, depending on what occurs earlier. Trade receivables which have been written off are under no circumstances subject to levies of execution.

The FACC Group derecognizes trade receivables when the contractual rights to the cash flows from the receivables have expired or the rights to the cash flows have been transferred in a transaction in which all significant risks and rewards of ownership of the receivables are transferred.

Cash

Cash and cash equivalents are measured at amortized cost on the balance sheet date

The Group assumes that its cash and cash equivalents have a lower default risk based on the external ratings of banks and financial institutions. Due to the high credit rating and the short-term maturity, no value adjustments are made for expected credit losses.

Liabilities

Subsequent measurement is made at amortized cost using the effective interest method.

Derivative financial instruments

Derivative financial instruments for which the criteria of IFRS 9 for hedge accounting are not met are classified and recognized at fair value through profit or loss in accordance with IFRS 9.

Cash flow hedges

The Group concludes forward exchange transactions to hedge the foreign currency risk in connection with particular planned foreign currency sales.

The special provisions of IFRS 9 on hedge accounting are applied to offset the effects of the hedged transaction and the hedging instrument in the income statement. The fair values resulting as of the balance sheet date are recognized in other comprehensive income, taking into account deferred taxes, and reported under reserves in accordance with IFRS 9. They are reversed to profit or loss according to their future realization in the relevant financial year.

Revenue recognition (IFRS 15)

FACC generates two main streams of revenue – on the one hand through the supply of series products and, on the other hand, through the provision of development services. Development services either represent a separate performance obligation under a multi-component contract or are part of the delivery of series products. Moreover, there are also individual contracts for development projects. To the extent that development services in a multi-component contract constitute a separate performance obligation and the criteria for revenue recognition over a period of time are met, revenue is recognized either according to the stage of completion (progress is determined using the cost-to-cost method) or on the basis of the costs incurred (if no reliable estimate of the outcome of the contract is possible), depending on the degree to which the outcome of the contract can be anticipated. To the extent that development services in a multi-component contract constitute a separate performance obligation and the criteria for revenue recognition over a period of time are not met, revenue is recognized at the point when control has passed to the customer. If development services do not constitute a separate performance obligation, revenue is recognized at the time of delivery of the series products. In this case, the costs incurred for the development services are capitalized as contract fulfillment costs and are amortized through profit or loss depending on the deliveries of shipsets made. In the case of development services without milestone payments, payment is made according to the ongoing delivery of series products over the entire duration of the program. As performance obligations are fulfilled well in advance of payments received, there is a significant financing component that is taken into account in the measurement of receivables from customer-related engineering and contract assets. In the case of development services with milestone payments, the fulfillment of performance obligations and the receipt of payments largely coincide. As a result, no significant financing component arises. Both fixed and variable components are included in the transaction price of development services – the fixed component consists of the contractually agreed price component (separately agreed for the development service or guaranteed in the shipset price) and guaranteed minimum quantities – the variable component includes estimates with regard to the quantity component (series products to be delivered in the future) since no guaranteed minimum quantities exist in these cases, with volumes based on planned rate forecasts.

Under IFRS 15, revenue is recognized either at a point in time or over a period of time as soon as a customer takes control of the goods or services.

If a significant financing component is identified in the case of long-term amortization via series deliveries, sales revenues are only recognized in the amount of the present value of the agreed payments. Compounding effects are recognized as income in the financial result, which leads to payments received not being allocated in full to sales revenues, as was previously the case.

Payments to customers are treated as advance discounts and are recorded in the Consolidated Statement of Comprehensive Income as a reduction in sales over the duration of the program.

In addition to a lack of alternative uses, particularly the legal claim to payment for services already provided (costs plus profit share) is a prerequisite for revenue to be recognized over a period of time. This criterion means that individual contracts must be recognized as revenues at a point in time according to IFRS 15. Until the passing of control, services provided at a specific point in time are recognized in the balance sheet in the amount of the associated costs. In the case of revenue recognition over a period of time, revenue is allocated according to the cost-to-cost method.

IFRS 15 requires companies to disclose the costs of initiating a contract with a customer. As no such costs have been incurred by the Group, the related disclosures are not presented in these Notes. Since financing components are not taken into account for contracts with a term of less than twelve months.

Recognition of expenses

Operating expenses are recognized upon provision of the service or at the time they are incurred. Interest is recognized using the effective interest method.

Foreign currency valuation (IAS 21)

Receivables, cash and cash equivalents and liabilities are translated at the spot conversion rate. Gains and losses are recorded to profit or loss.

Consolidated statement of cash flows (IAS 7)

The indirect method was used to present the Consolidated Statement of Cash Flows for the consolidated cash flow from operating activities. Cash and cash equivalents correspond to cash on hand and liquid funds.

57. Effects of new and amended standards (revised)

The following amended standards are mandatorily effective for the first time in the 2018/19 financial year:

Standard/Interpretation		Mandatory application acc. to IASB for financial years beginning with	Adoption by the EU as of 28.02.2019
IFRS 15	Revenue from Contracts with Customers	01.01.2018	Yes
IFRS 9	Financial Instruments	01.01.2018	Yes
IFRS 4	Amendment: Application of IFRS 9 Financial Instruments (together with IFRS 4 Insurance Contracts)	01.01.2018	Yes
IFRS 2	Amendment: Clarification and Measurement of Share-Based Payment Transactions	01.01.2018	Yes
IAS 40	Amendment: Investment Property	01.01.2018	Yes
IFRS 1 and IAS 28	Annual Improvements to IFRS Standards 2014-2016 Cycle	01.01.2018	Yes
IFRIC 22	Foreign Currency Transactions and Advance Consideration	01.01.2018	Yes

With the exception of IFRS 15 and IFRS 9, the first-time application of these new or revised standards has no material impact on the FACC consolidated financial statements.

- IFRS 15 Revenue from Contracts with Customers

  IFRS 15 establishes a comprehensive framework for determining whether, to what extent and at what point in time revenue is recognized. It replaces existing guidelines on revenue recognition (such as IAS 18 – Revenue and IAS 11 – Construction Contracts). IFRS 15 requires the amount received in return for the transfer of goods or services to customers to be recognized as revenue from customer contracts. The point in time or period of time for which revenue is recognized is determined by reference to the passing of control over the goods and services to the customer. A five-step model is used to determine the timing and amount of revenue to be recognized. For further information, reference is made to Note 4.

- IFRS 9 Financial Instruments

  IFRS 9 - Financial Instruments sets out the requirements for the recognition and measurement of financial assets, financial liabilities and certain contracts for the purchase or sale of non-financial items. This standard supersedes IAS 39 – Financial Instruments. For further information, reference is made to Note 4 – Effects of the first-time application of IFRS 15 and IFRS 9.

The International Accounting Standards Board (IASB) is currently working on a number of projects that will affect financial years beginning on or after 1 March 2019. The following new, revised or amended IFRIC standards and interpretations that have already been published by the IASB but are not yet mandatory in the EU have not been applied early by the FACC Group and are therefore not relevant to these Consolidated Financial Statements:

Standard/Interpretation		Published by IASB	Mandatory application acc. to IASB	Adoption by the EU as of 18.03.2019	Effects on the Consolidated Financial Statement
IFRS 16	Leasing	13.01.2016	01.01.2019	Yes	See below
IFRIC 23	Uncertainty over Income Tax Treatments	07.06.2017	01.01.2019	Yes	No
Miscellaneous	Annual Improvements to IFRS Standards 2015-2017 Cycle	12.12.2017	01.01.2019	Yes	No
IFRS 9 (amended)	Prepayment Features with Negative Compensation	12.10.2017	01.01.2019	Yes	No
IAS 28	Long-term Investments in Associates and Joint Ventures	12.10.2017	01.01.2019	Yes	No
IAS 19	Plan Amendment, Reduction or Settlement of Pension Obligations	07.02.2018	01.01.2019	Yes	No
Miscellaneous	Amenndments to References to the Conceptual Framework in IFRS Standards	29.03.2018	01.01.2020	No	No
IFRS 3 (amended)	Business Combinations	22.10.2018	01.01.2020	No	No
IAS 1 and IAS 8 (amended)	Definition of Material	31.10.2018	01.01.2020	No	No
IFRS 17	Insurance Contracts	18.05.2017	01.01.2021	No	No
IFRS 14	Regulatory Deferral Accounts	30.06.2014	Unspecified [1]	No	No

[1] Currently no adoption of IFRS 14 in EU law is planned

IFRS 16 Leases

IFRS 16 replaces the existing rules on leases, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement Contains a Lease, SIC 15 Operating Leases and SIC 27 Evaluating the Substance of Transactions in the Legal Form of a Lease.

The standard is mandatorily effective for financial years beginning on or after 1 January 2019. Early application is permitted if the entity applies IFRS 15 before or on the date of the initial application of IFRS 16.

IFRS 16 provides for a uniform accounting model according to which leases must be recognized in the lessee's balance sheet. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are exceptions for short-term leases and leases of low-value assets.

In addition, the nature of the expenses associated with these leases will now change as IFRS 16 replaces the linear expenses for operating leases with amortization charges for usage rights (right-of-use assets) and interest costs for liabilities arising from the lease.

The Group has concluded an initial assessment of the possible effects on its Consolidated Financial Statements; a detailed assessment is still pending. The actual effects of the application of IFRS 16 on the Consolidated Financial Statements at the time of its initial application will depend on future economic conditions such as the interest rate and the composition of the leasing portfolio at the time of initial application, the Group's assessment of the exercise of extension options and the extent to which the Group makes use of exceptions and exemptions from recognition.

Transition and effects

The FACC Group currently intends to apply IFRS 16 for the first time as of 1 March 2019 using the modified retrospective method. For this reason, the cumulative effect of the application of IFRS 16 will be recognized as an adjustment to the opening balance sheet values in equity as of 1 March 2019, without adjusting the comparative disclosures. Lease liabilities are measured at the present value of the remaining lease payments at the date of initial application, while the right of use is determined retrospectively in accordance with IFRS 16.C8 (b) (i) as if IFRS 16 had always been applied. The FACC Group makes use of the new lease standard, IFRS 16, which is to be applied to all contracts defined as leases in accordance with IAS 17 and IFRIC 4 and which were concluded before 1 March 2019.

Rental agreements from the use of property, plant and equipment not recorded in the balance sheet were identified as the most significant effect.

Since, in accordance with the selected transitional provisions of IFRS 16, the carrying amount of the aggregated lease liabilities exceeds the carrying amount of the aggregated rights of use at the time of initial application, equity is reduced by the difference in carrying amounts at the time of initial application of kEUR 2,435. Short-term leases of less than twelve months as well as low-value leased or rented assets are not capitalized in accordance with the simplification and exemption provisions of the standard. As of the first-time application of the standard, the nature of the expenses in connection with these leases and rental agreements will also change as IFRS 16 replaces the straight-line depreciation of the rights of use and the interest expenses of the lease liability. Amortization of the rights of use is expected to amount to kEUR 4,765 and interest expenses to kEUR 725 in the 2019/20 financial year.

EBITDA and EBIT will improve due to the recognition of the amortization of rights of use and interest expenses in lieu of leasing expenses. However, a precise quantification is not yet possible at this point in time as a large number of small contracts exist which have not yet been fully tested to determine whether IFRS 16 can be applied to them.

The Group expects the adoption of the standard to result in an increase in the balance sheet total (based on the Consolidated Statement of Financial Position on 28 February 2018) ranging between 4% and 5%.

Effects on the ability to meet financial ratios agreed with lenders are not expected to occur.

With regard to the future application of other standards or interpretations that have not yet entered into force and have not yet been applied by the FACC Group, no material changes in the carrying amounts of assets, liabilities or other disclosures in the Consolidated Financial Statements are expected.

58. Fees of the Group auditor

The expenses attributable to the 2017/18 financial year for the auditor Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. of the Consolidated Financial Statements are as follows:

	2017/18 EUR'000	2018/19 EUR'000
Group and annual audit	183	180
Tax consulting services	0	0
Other consulting services	7	103
	190	**283**

59. Events after the balance sheet date

After the balance sheet date of 28 February 2019, one event requiring disclosure occurred:

FACC has been in regular contact with the competent Austrian authorities for several months in connection with the recovery of the frozen funds. During an official visit in April 2019, China provided very positive information and confirmed FACC's assumptions according to which recovery will be feasible but time-consuming. The time schedule for the transfer of funds has yet to be agreed with the responsible authorities; further information can only be disclosed once an agreement has been reached. Since the funds blocked on Chinese accounts are recognized in the balance sheet, their recovery will have a positive effect on FACC's liquidity with a neutral effect on earnings.

60. Proposed appropriation of net income

In the 2018/19 financial year the retained earnings of FACC Group amounted to kEUR 39,674. The Management Board and the Supervisory Board will propose a dividend of EUR 0.15 per share to the Annual General Meeting.

61. Approval for publication

These Consolidated Financial Statements are expected to be approved by the Management Board on 22 May 2019 (Consolidated Financial Statements on 28 February 2018: 15 May 2018) for review by the Supervisory Board, presentation to the Annual General Meeting and subsequent publication. The Supervisory Board may arrange for amendments to the Consolidated Financial Statements as part of its duties as assessor.

62. Management and Supervisory Boards

Members of the Management Board in the reporting period

Robert Machtlinger, CEO
Andreas Ockel, COO
Aleš Stárek, CFO
Yongsheng Wang, CCO

Members of the Supervisory Board in the reporting period

Ruguang Geng (Chairman)
Zhen Pang (Deputy Chairman, since 29 June 2018)
Shengqiang He (Deputy Chairman, until 29 June 2018)
Yanzheng Lei (until 29 June 2018)
Jing Guo (since 29 June 2018)
Wenbiao Han (since 29 June 2018)
Qinghong Liu (since 29 June 2018)
Weixi Gong
George Maffeo
Junqi Sheng
Hao Liu (until 29 June 2018)
Li Li (until 29 June 2018)
Barbara Huber (employee representative)
Karin Klee (employee representative)
Peter Krohe (employee representative)
Ulrike Reiter (employee representative)

Ried im Innkreis, 8 May 2019

The Management Board

Robert Machtlinger m.p. Chairman of the Management Board	Andreas Ockel m.p. Member 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 paragraph 4 number 3 Börsegesetz (Austrian Stock Exchange Act)

To the best of our knowledge, we confirm that the Consolidated Financial Statements prepared in accordance with the relevant accounting standards give a true and fair view of the net assets, financial position and results of operations of the Group. Likewise, to the best of our knowledge, we confirm that the Group Management Report presents the course of business, the results of operations and the position of the Group in such a way as to give the best possible picture of the Group's net assets, financial position and results of operations, and that the Group Management Report describes the main risks and uncertainties to which the Group is exposed.

We certify to the best of our knowledge that the annual financial statements of the parent company prepared in accordance with the relevant accounting standards give a true and fair view of the net assets, financial position and results of operations of the company. Likewise, to the best of our knowledge, we confirm that the Management Report presents the course of business, the results of operations and the position of the company in such a way as to give a true and fair view of the net assets, financial position and results of operations and that the Management Report describes the significant risks and uncertainties to which the company is exposed.

Ried im Innkreis, 8 May 2019

The Management Board

Robert Machtlinger m.p.
Chairman of the Management Board

Andreas Ockel m.p.
Member 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[1)]

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 2019, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the financial 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 2019 and its financial performance for the year then ended in accordance with the International Financial Reportings Standards (IFRS) as adopted by the EU, and the additional requirements under section 245a of the Austrian Company Code (UGB).

[1)] 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 UGB (Austrian Company Code) applies to alternated versions.

BASIS FOR OPINION

We conducted our audit in accordance with the regulation (EU) no. 537/2014 (in the following "EU regulation") and in accordance with Austrian Standards on Auditing. Those standards require that we comply with International Standards on Auditing (ISA). 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 financial 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. First-time adoption of "International Financial Reporting Standard Revenues from Contracts with Customers"

Description

FACC AG group has adopted the new revenue recognition standard International Financial Reporting Standard 15 – Revenues from Contracts with Customers" (IFRS 15) as of March 1, 2018 and has used the option for a simplified first-time adoption to recognize the cumulated effect from the change neutral in equity. The adoption of IFRS 15 leads since the financial year 2018/19 due to changed criteria for the recognition of revenue to the change that customer related engineering in case of identification of a separate performance obligation are now not realized in a period of time but in a point of time. In addition the first-time adoption led to a re-classification of assets, which implies a different valuation. Especially for contract cost and contract assets significant judgments have to be made for expected quantities of deliveries, which might be impacted by uncertainties. The first-time adoption of IFRS 15 led to a decrease in equity of Mio € -42.8 after tax effects as of March 1, 2018.

Main risks are that the impact of the first-time adoption was not calculated correctly and was not recognized correctly in equity and that also the ongoing revenue recognition and the classification of the single assets is not done in compliance with IFRS 15. For the continued valuation there is a risk, that due to changes in estimates (future delivery quantities, contract revenue and contract cost) contract cost and contract assets have to be impaired.

The disclosures on the impact of the fist-time adoption of IFRS 15 are included in Note 4, in accounting and valuation methods in Note 56, for receivables for customer related engineering in Note 22, for contract cost in Note 24, for contract assets in Note 23 and for estimates and judgements in Note 8.

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:

- Evaluation of the accounting policies for revenue recognition
- Evaluation of the process for the first-time adoption of the new standard
- Evaluation of the analysis of revenue streams of the group and the impact of IFRS 15 on these revenue streams
- Evaluation whether the criteria for a revenue recognition at a point of time are met for significant customer related engineering
- Evaluation whether the criteria for the classification as contract asset or contract cost are met
- Evaluation of the recoverability of receivables from customer related engineering, contract assets and contract cost
- Tracing the calculation of the impacts of the change between revenue recognition in a period of time and at a point of time directly recognized in equity for the group and significant components
- Audit of occurrence of revenue recognition on basis of a risk based sampling on transaction and contract basis for significant components of the group
- Audit of completeness of notes disclosures related to revenues, contract cost, contract receivables from customer related engineering and contract assets

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 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 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 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 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 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 Austrian Generally Accepted Accounting Principles.

We conducted our audit in accordance with 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.

Additional information in accordance with article 10 EU regulation

We were elected as auditor by the Ordinary General Meeting on 29 June 2018. We were appointed by the Supervisory Board on 2 December 2018. We are auditors without cease since financial year 2016/17.

We confirm that the audit opinion in the section "Report on the Consolidated Financial Statements" is consistent with the additional report to the audit committee referred to in article 11 of the EU regulation.

We declare that no prohibited non-audit services (article 5 paragraph 1 of the EU regulation) were provided by us and that we remained independent of the audited company in conducting the audit.

RESPONSIBLE AUSTRIAN CERTIFIED PUBLIC ACCOUNTANT

The engagement partner on the audit resulting in this independent auditor's report is Mrs. Mag. Johanna Hobelsberger-Gruber, Certified Public Accountant.

Linz, 8 May 2019

Ernst & Young
Wirtschaftsprüfungsgesellschaft m.b.H.

Mag. Johanna Hobelsberger-Gruber m.p.
Certified Public Accountant

ppa DI (FH) Hans Eduard Seidel m.p.
Certified Public Accountant

Corporate Governance

CORPORATE GOVERNANCE REPORT

The Austrian Corporate Governance Code (ÖCGK) provides Austrian stock corporations with a regulatory framework for the management and supervision of companies. In addition to internationally accepted standards for good corporate management, it also contains the relevant provisions of Austrian stock corporation law. The Code is designed to ensure the responsible management and control of companies and corporate groups with a view to sustainable and long-term value creation.

The key elements of an actively lived corporate governance culture are a high degree of transparency for all stakeholders and a long-term and sustainable increase in the shareholder value. This includes efficient cooperation between executive bodies, the safeguarding of shareholder interests and open corporate communication.

DECLARATION OF COMMITMENT

FACC AG is committed to the Austrian Corporate Governance Code and undertook to comply with its provisions for the first time in 2014, following the initial listing of its shares in the prime market segment of the Vienna Stock Exchange. The latest version of the Code as amended is available on the internet at www.corporate-governance.at.

According to L-Rule 60 of the Austrian Corporate Governance Code, FACC AG is required to prepare a corporate governance report. Past reports are also publicly available and can be downloaded from the FACC website at www.facc.com (C-Rule 61 of the Austrian Corporate Governance Code).

According to C-Rule 62 of the Austrian Corporate Governance Code, the company is obliged to commission an external evaluation of compliance with the C-Rules of the Code at regular intervals, but at least once every three years.

FACC has commissioned KPMG Advisory GmbH to evaluate the Corporate Governance Report of the 2018/19 financial year. As a result of the evaluation, it was concluded that FACC's declaration of compliance with the current version of the Corporate Governance Code (2018) was factually accurate. The results of the evaluation can be accessed by all interested parties on the company website at www.facc.com.

The risk management system was audited in the 2018/19 financial year (C-Rule 83 of the Austrian Corporate Governance Code).

EXECUTIVE BODIES OF FACC AG

Management Board

Organization and responsibilities of the Management Board

The Management Board of FACC AG consists of a minimum of two and a maximum of four persons as stipulated by its Articles of Association. Its members are appointed by the Supervisory Board.

The Management Board is in charge of the business operations of FACC AG within the powers invested by law, its Articles of Association and Rules of Procedure. Business is distributed among the Board members in accordance with the Rules of Procedure, which also govern collaboration within the Management Board. Furthermore, the Management Board and the Supervisory Board have undertaken to fully comply with the rules of the Austrian Corporate Governance Code.

Supervisory Board

The Supervisory Board's actions are subject to the laws and regulations applicable to listed companies in Austria, e.g. the Austrian Stock Corporation Act and the Austrian Stock Exchange Act. Furthermore, the Supervisory Board has committed itself to the rules of the Austrian Corporate Governance Code. As regards the company's internal regulations, the Articles of Association and the Rules of Procedure are of prime importance. According to the Articles of Association of FACC AG, the Supervisory Board consists of a minimum of three and a maximum of ten members elected at the Annual General Meeting.

Pursuant to section 11.2 of the Articles of Association of FACC AG, AVIC Cabin System Co., Limited (formerly FACC International Company Limited) has the statutory right to appoint Supervisory Board members. It is entitled to delegate up to one third of all members as long as it holds a stake of at least 25 percent of the applicable share capital.

Robert MACHTLINGER (1967)
Chairman of the Management Board
First appointed: 2014
End of the current term of office: 06/2020
Areas of responsibility: Strategy, Customer Relations, Business Development, Marketing, Program Management, Quality, Corporate Communications, Innovation and Research
Supervisory board mandates in other companies: none

Andreas OCKEL (1966)
Member of the Management Board
First appointed: 2017
End of the current term of office: 10/2020
Areas of responsibility: Production, Development, Procurement, Human Resources, Real Estate, Global Subsidiaries
Supervisory board mandates in other companies: none

Aleš STÁREK (1970)
Member of the Management Board
First appointed: 2016
End of the current term of office: 10/2019
Areas of responsibility: Finance, Controlling, Taxes, Treasury, IT, Risk Management, Legal, Investor Relations
Supervisory board mandates in other companies: none

Yongsheng WANG (1963)
Member of the Management Board
First appointed: 2016
End of the current term of office: 10/2019
Areas of responsibility: Internal Audit, M&A, China Business Relations
Supervisory board mandates in other companies: none

When electing Supervisory Board members, the Annual General Meeting must pay due attention to the requirements with respect to professional and personal qualifications as well as the balanced composition of expert know-how within the Supervisory Board. Furthermore, due consideration must also be given to diversity in terms of gender, age distribution and nationality. Newly elected Supervisory Board members must be reasonably informed of the organization and activities of the company as well as the tasks and responsibilities of the Supervisory Board members. The members of the Supervisory Board are required to conduct an annual self-evaluation to assess their own performance.

Ruguang GENG (1957)
Chairman of the Supervisory Board
First appointed: 2014
End of the current term of office: General Meeting deciding on the 2021/22 financial year
Supervisory board mandates in other companies: none

Zhen PANG (1964)
Deputy Chairman
First appointed: 2018
End of the current term of office: General Meeting deciding on the 2021/22 financial year
Supervisory board mandates in other companies: none

Weixi GONG (1962)
First appointed: 2014
End of the current term of office: General Meeting deciding on the 2021/22 financial year
Supervisory board mandates in other companies: none

Jing GUO (1981)
First appointed: 2018
End of the current term of office: General Meeting deciding on the 2021/22 financial year
Supervisory board mandates in other companies: none

Wenbiao HAN (1980)
First appointed: 2018
End of the current term of office: General Meeting deciding on the 2021/22 financial year
Supervisory board mandates in other companies: none

Quinghong LIU (1973)
First appointed: 2018
End of the current term of office: General Meeting deciding on the 2021/22 financial year
Supervisory board mandates in other companies: none

George MAFFEO (1954)
First appointed: 2016
End of the current term of office: General Meeting deciding on the 2021/22 financial year
Supervisory board mandates in other companies: none

Junqi SHENG (1972)
First appointed: 2017
End of the current term of office: General Meeting deciding on the 2021/22 financial year
Supervisory board mandates in other companies: none

Members of the Supervisory Board delegated by the Works Council

Peter KROHE (1955)
First appointed: 2014

Barbara HUBER (1965)
First appointed: 2014

Ulrike REITER (1960)
First appointed: 2014

Karin KLEE (1981)
First appointed: 2018

Members of the Supervisory Board who retired in the 2018/19 financial year

Shengqiang He, Li Li, Yanzheng Lei and Hao Liu retired from the Supervisory Board in the 2018/19 financial year.

Independence of Supervisory Board members

The Supervisory Board has adopted the guidelines on independence set out in Annex 1 of the Austrian Code of Corporate Governance. Accordingly, all members of the Supervisory Board have declared to be independent of the company and its Management Board (C-Rule 53 of the Austrian Corporate Governance Code).

The Supervisory Board members George Maffeo and Weixi Gong do not represent the interests of shareholders with a stake of more than 10 percent (C-Rule 54 of the Austrian Corporate Governance Code).

Supervisory Board committees

As required by the Austrian Stock Corporation Act, the Supervisory Board of FACC AG has set up an Audit Committee to perform the planned supervisory and control functions. In addition to examining accounting processes and the auditing of the financial statements and consolidated financial statements, the Committee also monitors the effectiveness of the internal control, risk management and internal audit system. In addition, the Committee is responsible for reviewing the Corporate Governance Report, which is presented at the Annual General Meeting. The Audit Committee convened four times during the 2018/19 financial year. A total of five Supervisory Board meetings were held during the reporting period.

Further meetings were not necessary. No Supervisory Board member was absent from more than half of the meetings held.

In addition to the mandatory Audit Committee, a Strategy Committee and a Personnel and Compensation Committee (Nominating Committee) have been established.

The functional responsibilities of the Supervisory Board members in the respective committees are listed below:

Audit Committee

Members
- Wenbiao HAN (Chairman)
- Jing GUO
- George MAFFEO
- Barbara HUBER

Personnel and Compensation Committee

Members
- Ruguang GENG (Chairman)
- Zhen PANG
- Qinghong LIU
- Weixi GONG
- Junqi SHENG

Strategy Committee

Members
- Zhen PANG (Chairman)
- Qinghong LIU
- Ruguang GENG
- Wenbiao HAN
- George MAFFEO
- Junqi SHENG
- Ulrike REITER

Participation in meetings of the Supervisory Board and of the committees in the 2018/19 financial year

Name	SB	AC	PCC	SC
Ruguang Geng	5/5		3/3	2/2
Zhen Pang	4/5		2/3	2/2
Weixi Gong	5/5		3/3	1/2
Jing Guo	4/5	3/4		
Wenbiao Han	4/5	3/4		2/2
Qinghong Liu	4/5		2/3	2/2
George Maffeo	5/5	4/4		2/2
Junqi Sheng	5/5		3/3	2/2
Peter Krohe	4/5			
Barbara Huber	5/5	4/4		
Ulrike Reiter	5/5			2/2
Karin Klee	5/5			
Yanzheng Lei	1/5		1/3	0/2
Hao Liu	1/5	1/4	1/3	
Li Li	1/5	1/4		

Abbreviations: SB=Supervisory Board, AC=Audit Committee, PCC=Personnel and Compensation Committee, SC=Strategy Committee

Transactions of the Supervisory Board requiring approval (L-Rule 48 and C–Rule 49 of the Austrian Corporate Governance Code)

In the 2018/19 financial year, transactions of the Supervisory Board member George Maffeo requiring approval were authorized: Due to Maffeo Aviation Consulting's extensive and in-depth knowledge of the U.S. aircraft market, FACC Operations GmbH concluded a consulting agreement with the company. FACC expects the consulting services to strengthen its position in North America and achieve a more balanced set of customer orders. The invoiced fee amounted to EUR 50,000 in the 2018/19 financial year.

Cooperation of the Management Board and the Supervisory Board in matters relating to the Austrian Corporate Governance Code

The Management Board reports to the Supervisory Board on fundamental issues relating to the future business policy of the company and the entire Group as well as the future development of the net assets position, financial position and earnings performance.

The Management Board also regularly reports to the Supervisory Board on the course of business and the situation of the company and the Group as a whole in comparison to forecasts, taking into account future developments.

REMUNERATION REPORT

Remuneration of the Management Board members

When deciding on the total remuneration of the members of the Management Board, the Supervisory Board must ensure that the remuneration is commensurate with the responsibilities and performance of the individual members of the Management Board, the company's performance and customary remuneration, and that long-term incentives for sustainable corporate development are taken into account. The remuneration includes fixed and variable components.

The development of the operating result (EBIT) is the most important calculation parameter for variable remuneration components in addition to the performance-related achievement of targets individually agreed with Management Board members.

An upper limit has been set for variable remuneration components. The variable remuneration of all eligible executives of FACC AG shall not exceed the profit distribution decided on by the Annual General Meeting in the respective financial year.

In the 2018/19 financial year, variable remuneration accounted for 33 percent of the total remuneration of all members of the Management Board.

A stock option program has neither been implemented for Management Board members nor for executives.

Total remuneration of the Management Board members amounted to kEUR 1,816 (previous year: kEUR 1,158) in the 2018/19 financial year.

	Fixed EUR'000	Variable EUR'000	Total EUR'000
Robert Machtlinger	388	250	638
Andreas Ockel	378	48	426
Aleš Stárek	277	166	443
Yongsheng Wang	178	131	309

A D&O insurance policy is in place, the costs of which are borne by the company.

Members of the Management Board are enrolled in a defined-contribution pension plan, expenses for which amounted to a total of kEUR 211 (previous year: kEUR 94) in the 2018/19 financial year.

In the event of premature termination of the Management Board contracts by the Supervisory Board, claims exist with regard to base salaries. In the event of regular termination, severance payment claims depending on the length of service arise in accordance with statutory regulations.

Remuneration of the Supervisory Board members

The remuneration of the members of the Supervisory Board for the 2017/18 financial year resolved and granted at the Annual General Meeting on 29 June, 2018, amounted to kEUR 220 and was fully paid out. The remuneration for the 2018/19 financial year is broken down as follows:

	Name	Attendance fee in EUR	Fixed remuneration in EUR
Chairman of the Supervisory Board	Ruguang Geng	2,500	37,500
Deputy Chairman of the Supervisory Board	Zhen Pang	2,300	-
	Ruguang Geng		
	Zhen Pang		
Committee chairmen	Wenbiao Han	-	-
	Li Li	1,900	-
	Jing Guo	2,000	-
	George Maffeo	2,000	25,000
	Qinghong Liu	2,000	-
	Weixi Gong	2,000	25,000
	Junqi Sheng	2,000	20,000
	Yanzheng Lei	2,200	-
Committee members	Hao Liu	2,200	-

In addition, members of the Supervisory Board receive a one-time attendance fee for preparatory work within the scope of the Annual General Meeting and constitutive meetings in the range of EUR 1,000 to EUR 1,250.

Members of the Supervisory Board who are sent by the Works Council do not receive attendance fees.

DIVERSITY

When electing Supervisory Board members, the Annual General Meeting must pay due attention to the requirements with respect to professional and personal qualifications as well as the balanced composition of expert know-how within the Supervisory Board. Furthermore, due consideration must also be given to diversity in terms of gender, age distribution and nationality. Newly elected Supervisory Board members must become reasonably informed of the organization and activities of the company as well as of the tasks and responsibilities of the Supervisory Board members. Women have been part of the Supervisory Board since FACC AG's initial listing on the Vienna Stock Exchange. At the end of the 2018/19 financial year, one third of all members of the Supervisory Board (4 out of 12) were women.

Promoting women on the Management Board, Supervisory Board and in executive positions

14 women are currently represented on the Supervisory Board, Management Board and in other top management positions at FACC. At lower echelons, the proportion of female managers is low. FACC therefore continues to be present at job fairs and specifically addresses female high potentials. Increased efforts are being made to recruit women for new management positions and replacements. However, the fact that the vast majority of management positions at FACC require a professional technical background proves to be an obstacle.

FACC AG is committed to equal opportunities in the workplace and resolutely opposes any form of discrimination against female employees.

Role of shareholders

Each share grants shareholders one vote at the Annual General Meeting of FACC AG. Unless mandatory provisions of the Austrian Stock Corporation Act provide otherwise, resolutions of the Annual General Meeting shall be adopted by simple majority and, in cases where a capital majority is required, by a simple majority of the share capital represented when the resolution is adopted. There are no shares with special control rights.

Directors' Dealings

Purchases and sales of shares by members of the Management Board and Supervisory Board are disclosed in accordance with the applicable legal provisions (Article 19 of the Market Abuse Directive). All share purchases and sales are published on the company website, www.facc.com.

Changes after the balance sheet date

There have been no changes to information subject to mandatory reporting between the balance sheet date and the editorial deadline for this report.

Auditor

Ernst & Young Wirtschaftsprüfungs GmbH, Linz, was proposed by the Supervisory Board as auditor of the financial statements and consolidated financial statements of FACC AG for the 2018/19 financial year. The proposal was accepted by the Annual General Meeting on 29 June 2018 with the required majority.

Expenses for audit services amounted to kEUR 180 in the 2018/19 financial year (previous year: kEUR 183). A breakdown according to individual areas of activity is presented in the Notes to the Consolidated Financial Statements.

TRANSLATION

4. AUDITOR'S REPORT *)

Report on the Financial Statements

Audit Opinion

We have audited the financial statements of

FACC AG, Ried im Innkreis,

These financial statements comprise the balance sheet as of February 28, 2019, the income statement for the fiscal year then ended and the notes.

Based on our audit the accompanying 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 Company as of February 28, 2019 and its financial performance for the year then ended in accordance with Austrian Generally Accepted Accounting Principles.

Basis for Opinion

We conducted our audit in accordance with the regulation (EU) no. 537/2014 (in the following "EU regulation") and in accordance with Austrian Standards on Auditing. Those standards require that we comply with International Standards on Auditing (ISA). Our responsibilities under those regulations and standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the Austrian General 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 financial statements of the fiscal year. These matters were addressed in the context of our audit of the 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. Valuation of investments in group companies and recoverability of receivables against group companies

Description

FACC AG discloses in the financial statements as of February 28, 2019 investments in group companies (267.8 Mio. €) and accounts receivables against group companies (32.2 Mio. €).

For the valuation of investments in group companies and accounts receivables against group companies management have to make significant accounting estimates whether an impairment exists at yearend and to quantify the impairment.

The main risk is the estimation of future cash flows of the group company, which are the basis for the valuation of these balance sheet items. These estimates on cash flows include assumptions that are impacted by future market and economy developments.

The disclosures for the investments in group companies and accounts receivables against group companies are in the notes in the accounting and valuation policies for investments and receivables and other assets and in the development of longterm assets as February 28, 2019.

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 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 if there are any indications for impairment
- Evaluation of detailed plans and budgets and analysis of the main drivers (revenue, expenses, capex, change in working capital)
- Audit of completeness of disclosures

Responsibilities of Management and of the Audit Committee for the Financial Statements

Management is responsible for the preparation of the financial statements in accordance with Austrian Generally Accepted Accounting Principles, for them to present a true and fair view of the assets, the financial position and the financial performance of the Company 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 financial statements, management is responsible for assessing the Company’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 Company or to cease operations, or has no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Company's financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 Company’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 Company’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 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 Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Comments on the Management Report

Pursuant to Austrian Generally Accepted Accounting Principles, the management report is to be audited as to whether it is consistent with the financial statements and as to whether the management report was prepared in accordance with the applicable legal regulations.

Management is responsible for the preparation of the management report in accordance with Austrian Generally Accepted Accounting Principles.

We conducted our audit in accordance with Austrian Standards on Auditing for the audit of the management report.

Opinion

In our opinion, the management report for the Company was prepared in accordance with the valid legal requirements, comprising the details in accordance with Section 243a Austrian Company Code UGB, and is consistent with the financial statements.

Statement

Based on the findings during the audit of the financial statements and due to the thus obtained understanding concerning the Company and its circumstances no material misstatements in the management report came to our attention.

TRANSLATION

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 financial statements, the management report 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 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 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 financial statements or otherwise appears to be materially misstated.

Additional information in accordance with Article 10 EU regulation

We were elected as auditor by the ordinary general meeting at June 29, 2018. We were appointed by the Supervisory Board on December 2, 2018. We are auditors without cease since fiscal year 2016/2017.

We confirm that the audit opinion in the Section "Report on the financial statements" is consistent with the additional report to the audit committee referred to in Article 11 of the EU regulation.

We declare that no prohibited non-audit services (article 5 par. 1 of the EU regulation) were provided by us and that we remained independent of the audited company in conducting the audit.

Responsible Austrian Certified Public Accountant

The engagement partner on the audit resulting in this independent auditor’s report is Johanna Hobelsberger-Gruber, Certified Public Accountant.

Linz, May 8, 2019

Ernst & Young
Wirtschaftsprüfungsgesellschaft m.b.H.

Mag. Johanna Hobelsberger-Gruber mp Certified Public Accountant	ppa DI (FH) Hans Seidel mp Certified Public Accountant

*) This report is a translation of the original report in German, which is solely valid. Publication or sharing with third parties of the financial statements together with our auditor's opinion is only allowed if the financial statements and the management report are identical with the German audited version. This audit opinion is only applicable to the German and complete financial statements with the management report. Section 281 paragraph 2 UGB (Austrian Company Code) applies to alternated versions.

FINANCIAL STATEMENTS

AND

MANAGEMENT REPORT

AS OF FEBRUARY 28, 2019

FACC AG, RIED IM INNKREIS

Balance sheet as of 28 February 2019

Assets

	28.2.2019 EUR	28.2.2018 kEUR
A. Fixed assets:		
I. Financial assets:		
1. Investments in affiliated companies	267.822.715,00	267.823
2. Securities (book-entry securities)	1.889.062,84	1.833
	269.711.777,84	269.656
	269.711.777,84	269.656
B. Current assets:		
I. Accounts Receivable and other assets:		
1. Accounts Receivable from affiliated companies	32.180.541,65	30.258
thereof with a remaining term of more than one year	*0,00*	*0*
2. Other receivables and assets	12.681.804,03	11.765
thereof with a remaining term of more than one year	*0,00*	*0*
	44.862.345,68	42.023
II. Cash balances, cheques, bank deposits	353.966,01	497
	45.216.311,69	42.520
C. Deferred items	**242.194,14**	240
D. Deferred tax assets	**24.526.307,83**	26.278
TOTAL ASSETS	**339.696.591,50**	338.694

Liabilities

	28.2.2019 EUR	28.2.2018 kEUR
A. Equity:		
I. Called, acquired and paid share capital	45.790.000,00	45.790
II. Capital reserves:		
1. Appropriated	134.215.000,00	134.215
2. Unappropriated	95.041.250,00	95.041
	229.256.250,00	229.256
III. Retained earnings (thereof profit/loss carryforward EUR 16,137,431.17; previous year: kEUR -2,561)	22.931.629,49	21.174
	297.977.879,49	296.221
B. Provisions:		
1. Provisions for severance payments	624.580,05	379
2. Provisions for pensions	1.889.062,84	1.833
3. Tax provisions	24.332.145,28	25.937
4. Other provisions	1.937.902,63	1.740
	28.783.690,80	29.889
C. Liabilities:		
1. Trade payables	246.909,24	411
thereof with a remaining term of up to one year	*246.909,24*	*411*
thereof with a remaining term of more than one year	*0,00*	*0*
2. Liabilities towards affiliated companies	12.582.429,10	11.928
thereof with a remaining term of up to one year	*12.582.429,10*	*11.928*
thereof with a remaining term of more than one year	*0,00*	0
3. Other liabilities	105.682,87	245
thereof with a remaining term of up to one year	*105.682,87*	245
thereof with a remaining term of more than one year	0,00	0
thereof taxes	*9.103,42*	8
thereof with a remaining term of up to one year	*9.103,42*	8
thereof with a remaining term of more than one year	0,00	0
thereof relating to social security	*81.579,45*	68
thereof with a remaining term of up to one year	*81.579,45*	68
thereof with a remaining term of more than one year	*0,00*	0
Total liabilities	**12.935.021,21**	12.584
thereof with a remaining term of up to one year	*12.935.021,21*	*12.584*
thereof with a remaining term of more than one year	*0,00*	*0*
TOTAL LIABILITIES	**339.696.591,50**	338.694

Income Statement
for the Fiscal Year 2018/19

	2018/19 EUR	2017/18 kEUR
1. Sales revenue	10.533.356,78	9.028
2. Other operating income		
a) Income from the reversal of provisions	145.522,94	13
b) Other	458.812,35	4.690
	604.335,29	4.703
3. Personnel expenses		
a) Salaries	-4.370.182,02	-3.900
b) Social expenses	-1.489.291,03	-850
thereof expenses for pensions	*-240.283,85*	*-110*
aa) expenses for severance payments and contributions to corporate employee pension funds	*-285.673,73*	*-149*
bb) expenses for statutory social security contributions as well as income-dependent levies and compulsory contributions	*-866.700,71*	*-574*
	-5.859.473,05	-4.751
4. Depreciation and amortization		
a) of intangible assets and property, plant and equipment	-4.875,08	-2
	-4.875,08	-2
5. Other operating expenses		
a) Other	-4.270.461,21	-4.864
6. Subtotal of items 1 to 5 **(EBIT)**	**1.002.882,73**	**4.113**
7. Income from investments	5.700.000,00	19.947
thereof affiliated companies	*5.700.000,00*	*19.947*
8. Other interest and similar income	28.895,83	0
thereof affiliated companies	*28.895,83*	*0*
9. Interest and similar expenses	0,00	-2
thereof affiliated companies	*0,00*	0
10. Subtotal of items 7 to 9 **(financial result)**	**5.728.895,83**	**19.945**
11. Result before taxes	**6.731.778,56**	**24.058**
12. Taxes on income (and earnings)	62.419,76	-323
thereof deferred taxes	*57.520,36*	*-112*
Corporate income tax from group taxation	4.899,40	-211
thereof carried over to the group member	*610.614,96*	*1.903*
13. Result after taxes	**6.794.198,32**	**23.735**
14. Net income	**6.794.198,32**	**23.735**
15. Profit / loss carryforward from the previous year	16.137.431,17	-2.561
16. Net profit / loss	**22.931.629,49**	**21.174**

FINANCIAL STATEMENTS

AND

MANAGEMENT REPORT

AS OF FEBRUARY 28, 2019

FACC AG, RIED IM INNKREIS

Notes for the 2018/2019 financial year of FACC AG, Ried im Innkreis

I. General

The Annual Financial Statements as of 28 February 2019 were prepared by the Management Board of the company in accordance with the accounting principles of the Austrian Commercial Code (UGB).

The company is to be classified as a large corporation in accordance with section 221 of the Austrian Commercial Code (UGB).

To the extent necessary to present a true and fair view of the net asset position, financial position and profit situation, additional information has been provided in the Notes.

FACC AG, headquartered in Ried im Innkreis, prepares the Consolidated Financial Statements as the parent company of FACC Operations GmbH, which are published at the Commercial Court of Ried im Innkreis. FACC Operations GmbH prepares subgroup financial statements, which are published under the company register number 114257a.

The scope of consolidation of FACC AG as of 28 February 2019 has not changed compared to the scope of consolidation of the Consolidated Financial Statements as of 28 February 2018.

FACC AG is included in the scope of consolidation of Aviation Industry Corporation of China, Ltd., headquartered in Beijing (Building 19, A5, Shuguang Xili, Chaoyang District, Beijing), company register number 91110000710935732K.

FACC AG is subject to duties and responsibilities of a holding company. As the parent company of FACC Operations GmbH, it performs managerial activities and provides financial services for the Group.

II. Accounting and measurement methods

The Annual Financial Statements were prepared in accordance with generally accepted accounting principles and in compliance with the general standard of presenting a true and fair view of the net asset position, financial position and profit situation of the company.

In preparing the Annual Financial Statements, the principle of completeness was observed.

Valuation was based on the going concern assumption.

Assets and liabilities were valued in accordance with the principal of individual valuation.

The principle of prudence was taken into due account, in particular, by only recording profits realized as of the balance sheet date. All discernible risks and pending losses as of the balance sheet were taken into account.

All discernible risks and pending losses, which occurred in the 2018/19 financial year or in a previous financial year, were taken into account.

Estimates are made on the basis of prudent assessments. To the extent that experiences of similar circumstances exist and are amenable to statistical analysis, the company has taken these into account in making estimates.

Fixed assets

Acquired **intangible assets** are valued at acquisition cost less scheduled amortization. The scheduled amortization of software and licenses is performed linearly.

Property, plant and equipment are valued at acquisition or production cost less scheduled depreciation. Low-value assets (individual acquisition value up to EUR 400.00) are capitalized in the year of acquisition and are immediately depreciated. According to tax regulations, additions made in the first half of the year are depreciated at the full annual rate, while additions made in the second half of the year are depreciated at half the annual rate.

Financial assets are recognized at cost or, if lower, at fair value if the impairment is expected to be permanent.

Investments in affiliated companies are generally valued at acquisition cost. Unscheduled amortization is recognized if the fair value on the balance sheet date is lower than the carrying amount and the impairment is expected to be permanent.

Securities (book-entry securities) held as fixed assets are valued at acquisition cost. Loans are recognized at acquisition cost.

Receivables and other assets

Receivables and other assets are recognized at their nominal value.

Current assets are written up if the reasons for depreciation have definitely ceased to apply.

Deferred tax assets

Deferred taxes are recognized in accordance with section 198 paragraphs 9 and 10 of the Austrian Commercial Code (UGB) in line with the asset/liability approach and without discounting on the basis of the current corporate income tax rate of 25 %. Deferred taxes on tax loss carryforwards, if any, are recognized to the extent that sufficient deferred tax liabilities exist or if there is clear and strong evidence that sufficient taxable income will be available in the future.

Provisions

The **provision for severance payments** is calculated on the basis of actuarial principles using the "projected unit credit method" in accordance with IAS 19. The calculation is based on a retirement age of 60 for women and 65 for men (previous year: 60/65), an actuarial interest rate of 1.80 % (previous year: 2.40 %) and anticipated salary increases of 2.00 % (previous year: 2.00 %). As in the previous year, no discount for the turnover of employees was factored into the calculation. Actuarial gains and losses were recognized to profit or loss.

The provision for anniversary bonuses is calculated in accordance with IAS 19, assuming an actuarial interest rate of 1.60 % (previous year 1.90 %) and a salary increase of 2.00 % (previous year 2.00 %) per year. The assumed retirement age is 65 for men and 60 for women. In addition, a discount of 7.93% (previous year: 15.27 %) for the turnover of employees was taken into account. Employee turnover is determined on a company-specific basis.

Service cost is spread over the entire period of service from the date of joining the company until the statutory retirement age has been reached, but no later than the age of 60 (for women) or 65 (for men) in the case of at least ten years of service.

The actuarial interest rate for provisions for severance payments and anniversary bonuses is derived from the interest rate on the balance sheet date based on market interest rates of companies with a high credit rating and a remaining term of 15 years for provisions for severance payments and 15 years for provisions for anniversary bonuses.

Actuarial gains and losses are immediately recorded to profit or loss.

Calculations are based on the AVÖ-2018-P mortality table.

The **pension provision** is based on the actuarial reserve confirmed by the insurance company since pension claims are fully covered by the insurance company.

In line with the principle of prudence, **other provisions** include all risks identifiable at the time of preparation of the balance sheet as well as liabilities, which are uncertain in terms of amount and cause, in the amounts required according to reasonable business judgement.

Liabilities

Liabilities are recognized at the repayment amount with due consideration for the principle of prudence.

III. Explanatory Notes to the Balance Sheet

Intangible and tangible fixed assets

The development of the individual fixed asset items and the breakdown of annual depreciation according to individual items are shown in the Table of Assets (see Annex 1 of the Notes).

Financial assets

Investments in affiliated companies

The company holds investments in the following companies (section 189a number 2 ot the Austrian Commercial Code):

Affiliated companies	Capital share %	Currency	Equity EUR	Annual net profit EUR	Balance sheet date
FACC Operations GmbH, Ried im Innkreis	100	EUR	198,329,576.34	13,974,996.10	28.2.2019

Investment securities (book-entry securities)

The book-entry securities represent the surrender values of the pension reinsurance policy for the Group's pension obligations for the 2018/19 financial year. These are valued at the actuarial reserve confirmed by the insurance company on the balance sheet date.

The value roughly corresponds to the expected inflow of funds in the event of the termination of the insurance policy on the balance sheet date.

These claims were pledged to the beneficiaries of the pension commitment.

Receivables and other assets

Receivables from affiliated companies include receivables from the provision of funds in the amount of EUR 9,500,00.00 (previous year: kEUR 0), from the ongoing settlement of accounts in the amount of EUR 12,303,489.31 (previous year: kEUR 6,225), from tax allocation in the amount of EUR 4,677,052.34 (previous year: kEUR 4,066) and receivables from the distribution of profits in the amount of EUR 5,700,000.00 (previous year: kEUR 19,946).

Receivables from profit distribution relate to the same-period profit distribution of FACC Operations GmbH to FACC AG, which was resolved on 26 February 2019.

As in the previous year, the item "other receivables and assets" does not contain any income that remains non-cash until after the balance sheet date.

Deferred items

For the purpose of accrual accounting, deferred items in the amount of EUR 242,194.14 (previous year: kEUR 240) were recorded in the balance sheet as of the balance sheet date 28 February 2019.

Deferred tax assets

Deferred tax assets as of the balance sheet date were recognized for temporary differences between the tax and corporate valuation for the following items:

	28.2.2019 EUR	28.2.2018 EUR
Personnel provisions	536,585.05	306,504.00
Tax loss carryforwards	97,568,646.27	104,805,264.96
	98,105,231.32	105,111,768.96
Thereof deferred tax assets	24,526,307.83	26,277,942.24

The deferred tax assets developed as follows:

Balance as of 1.3.2018	26,277,942.24
Changes recorded to profit or loss	-1,751,634.41
Changes from reorganizations recorded to other comprehensive income	0.00
Balance as of 28.2.2019	24,526,307.83

The recognition of deferred tax assets on tax loss carryforwards is justified as sufficiently positive results can be expected in the coming financial years.

As in the previous year, a tax rate of 25 % was used to calculate deferred taxes.

Equity

The share capital of the listed company amounts to EUR 45,790,000.00 and is fully paid up. It is divided into 45,790,000 no-par value shares of EUR 1.00 each.

Authorized capital

Authorized capital was resolved at the Extraordinary Annual General Meeting of 23 June 2014. The Management Board is thus entitled, subject to the approval of the Supervisory Board, to increase the share capital by a nominal value of up to EUR 19,895,000.00 by issuing up to 19,895,000 new shares against cash or non-cash contributions within a maximum period of five years from the entry of the authorized capital in the commercial register. The new shares may be issued under exclusion of shareholders' subscription rights.

Authorized capital was resolved at the Extraordinary Annual General Meeting of 23 June 2014. The Management Board is thus entitled, subject to the approval of the Supervisory Board, to increase the share capital by a nominal value of up to EUR 3,000,000.00 by issuing up to 3,000,000.00 new shares for the purpose of granting stock options to employees, executives and members of the Management Board or one of its affiliated companies within a maximum period of five years from the entry of the authorized capital in the commercial register. The new shares may be issued under exclusion of shareholders' subscription rights.

Conditional capital

At the Extraordinary General Meeting of 23 June 2014, the share capital was conditionally increased by up to EUR 15,000,000.00 by issuing up to 15,000,000 new bearer shares (conditional capital). This conditional capital serves to grant subscription or conversion rights to creditors of convertible bonds and to prepare for the merger of several companies. The amount issued and the conversion ratio shall be determined in accordance with the provisions of the convertible bonds. The issue amount of the shares must be no lower than the pro-rata value of the share capital.

Provisions

The provisions can be broken down as follows:

	28.2.2019 EUR	28.2.2018 kEUR
Provisions for severance payments	624,580.05	379
Pension provisions	1,889,062.84	1,833
Tax provisions	24,332,145.28	25,937
Other provisions		
Personnel provisions	1,371,145.62	1,521
Other	566,757.01	220
	28,783,690.80	29,889

Other provisions mainly comprise provisions for unused vacation days, profit-sharing, attorneys' fees and other uncertain liabilities.

Liabilities

As in the previous year, all liabilities have remaining terms of less than one year as of the balance sheet date. There are no liabilities with a remaining term of between one and five years or of more than five years.

The liability towards affiliated companies in the amount of EUR 12,582,429.10 exclusively comprises sales tax credits of the Group member FACC Operations GmbH, which is offset via FACC AG due to the fact that both are members of a value added tax group (previous year: kEUR 11,928).

The item "other liabilities" includes the following major expenses which remain non-cash until after the balance sheet date:

	28.2.2019 EUR	28.2.2018 kEUR
Salary and payroll obligations	0.00	146
Liabilities towards the regional health insurance fund	81,579.45	68
	81,579.45	214

No real securities have been provided.

Obligations arising from the use of property, plant and equipment not recognized in the balance sheet

Total financial obligations arising from the use of property, plant and equipment not recognized in the balance sheet for the next five years amount to EUR 245,427.74 (previous year: kEUR 276). Of this amount, EUR 94,375.45 (previous year: kEUR 90) is attributable to the following year.

IV. Notes to the Profit and Loss Statement

Sales revenue

	2018/19 EUR	2017/18 kEUR
Sales revenue from the delivery of goods and the provision of services		
Domestic revenues		
Revenues from managerial activities	10,533,000.00	9,023
Rental income	0.00	5
Other revenues	356.78	0
	10,533,356.78	9,028

FACC AG is subject to duties and responsibilities of a holding company. As the parent company of FACC Operations GmbH, it performs managerial and financing activities, provides financial services for the Group and invoices FACC Operations GmbH for the costs incurred.

Other operating income

Other items recognized under other operating income include, in particular, income from the reimbursement of costs and from the reversal of provisions.

Expenses for severance payments, pensions and contributions to corporate employee pension funds are made up as follows:

	2018/19 EUR	2017/18 kEUR
Management	203,424.59	128
Other employees	82,249.14	21
	285,673.73	149

Expenses for **pensions** are made up as follows:

	2018/19 EUR	2017/18 kEUR
Management	219,049.12	99
Other employees	21,234.73	11
	240,283.85	110

Expenses for severance payments and contributions to corporate employee pension funds include expenses for severance payments of EUR 245,518.45 (previous year: kEUR 123) and contributions to corporate employee pension funds of EUR 40,155.28 (previous year: kEUR 26).

Salary and payroll obligations include expenses of EUR 15,145.00 (previous year: kEUR 3) from the change in provisions for anniversary bonuses.

Changes in personnel provisions are recorded in the following items to profit or loss: Provisions for anniversary bonuses and other personnel provisions are recorded under salary and payroll obligations. Provisions for severance payments are recorded under expenses for severance payments and contributions to company employee pension funds.

Other operating expenses

Other items recorded under other operating expenses include, in particular, legal and consulting expenses, travel expenses as well as expenses for advertising and insurance.

With regard to the disclosures pursuant to section 238 paragraph 1 number 18 of the Austrian Commercial Code (UGB), recourse is made to the exemption provision based on the publication of the expenses in the Consolidated Financial Statements.

Taxes on income and earnings

Taxes on income and earnings reduced earnings before taxes by EUR - 62,419.76 (previous year: kEUR 323). The tax amount charged to the Group parent for the 2018/19 financial year amounted to EUR 610,614.95 (previous year: kEUR 1,903). Taxes on income include expenses from the reversal of deferred tax assets in the amount of EUR - 1,751,634.41 (previous year: kEUR 4,146).

As of 13/15 February 2012, Aerospace Innovation Investment GmbH (now FACC AG) as Group parent and the former Aero Vision Holding GmbH and FACC AG (now FACC Operations GmbH) as Group members concluded a group and tax allocation agreement in accordance with the provisions of section 9 of the Austrian Corporation Tax Act (KStG) with first-time effect for the 2012 financial year. On 28 February 2017, a new group agreement was concluded by and between FACC AG and FACC Operations GmbH.

The tax allocation agreement is in principle based on the stand-alone method according to 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 carryforward), 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 carryforwards of the Group member not yet accounted for has been made.

Since June 2014, FACC Operations GmbH and FACC AG have established a value added tax group as defined in section 2 paragraph 2 number 2 of the Austrian Value Added Tax Act (UStG), whereby FACC AG as Group parent submits the advance value added tax returns for the value added tax group.

V. Supplementary information

Events after the balance sheet date

As of the balance sheet date, no significant reportable events impacting the net asset position, profit situation or financial position had occurred.

Non-financial reporting

The company makes use of the exemption provision stipulated in section 243b (7) of the Austrian Commercial Code (UGB) regarding its obligation to prepare non-financial statements and non-financial reports. The company is included in the separate consolidated non-financial report of FACC AG, which is available on the company website at www.facc.com.

Appropriation of net income

It is proposed to distribute a dividend of EUR 6,895,500.00 from the balance sheet profit of EUR 22,931,629 and to carry forward the remaining amount to new account.

Relations with related companies and persons

All transactions with related companies and persons are concluded on arm's length terms.

Employees
(annual average)

	2018/19	2017/18
White-collar employees	44	31
	44	31

Management Board

The Management Board of the company consists of the following members:

Robert Machtlinger, Hohenzell
Andreas Ockel, Bubing
Yongsheng Wang, Ried im Innkreis
Ales Starek, Salzburg

The members of the Management Board each have joint power of representation together with a further member of the Management Board or an authorized signatory.

The remuneration of the members of the Management Board for the period 1 March 2018 to 28 February 2019 was as follows:

	Performance-unrelated 2018/19 EUR'000	Performance-based 2018/19 EUR'000	Severance payments* 2018/19 EUR'000	Contribution to pension funds 2018/19 EUR'000	Total 2018/19 EUR'000
Robert Machtlinger	387,528	249,548	72,619	111,250	820,945
Andreas Ockel	376,520	47,533	49,246	100,000	573,299
Aleš Stárek	276,520	166,365	46,071	0	488,956
Yongsheng Wang	177,838	130,716	30,600	0	339,154
	1,218,406	**594,162**	**198,536**	**211,250**	**2,222,354**

*) due to an adjustment of the provision for severance payments

Management services provided for FACC Operations GmbH were charged by FACC AG to FACC Operations GmbH in the 2018/19 financial year in the amount of EUR 10,533,000.00 (previous year: kEUR 9,023).

Supervisory Board

The Supervisory Board consisted of the following members in the 2018/19 financial year:

Ruguang Geng (Chairman)
Zhen Pang (Deputy Chairman)
Weixi Gong
Jing Guo
Wenbiao Han
Qinghong Liu
George Maffeo
Junqi Sheng
Peter Krohe (employee representative)
Barbara Huber (employee representative)
Ulrike Reiter (employee representative)
Karin Klee (employee representative)

The following members of the Supervisory Board retired in the 2018/19 financial year:

Yanzheng Lei
Hao Liu
Li Li
Shengqiang He

After the balance sheet date of 28 February 2019, Wenbiao Han, member of the Supervisory Board and Chairman of the Audit Committee of FACC AG, resigned from office for personal reasons (effective as of 29 April 2019). Jiajia Dai, born 1978, was appointed as a new member of the Supervisory Board of FACC AG.

The expenses for Supervisory Board members recorded in the 2018/19 Annual Financial Statements amounted to EUR 525,490.30 (previous year: kEUR 398).

Ried im Innkreis, 8 May 2019

Robert Machtlinger m.p.
(Chairman of the Management Board)

Ales Starek m.p.
(Member of the Management Board)

Yongsheng Wang m.p.
(Member of the Management Board)

Andreas Ockel
(Member of the Management Board)

Annexes to the Notes:
Annex 1 to the Notes: Table of Assets

Table of Fixed Assets as of 28.02.2019

	Acquisition and production cost					**Accumulated depreciation**				**Net carrying amounts**	
	Balance as of 1.3.2018 EUR	Additions EUR	Transfers EUR	Disposals EUR	Balance as of 28.02.2019 EUR	Balance as of 1.3.2018 EUR	Additions EUR	Disposals EUR	Balance as of 28.02.2019 EUR	Carrying amount 28.2.2019 EUR	Carrying amount 28.2.2018 EUR
I. Tangible assets:											
1. Other equipment, furniture and fixtures thereof low-value assets according to section 13 of the Austrian Income Tax Act (EStG)	0,00	4.875,08	0,00	4.875,08	0,00	0,00	4.875,08	4.875,08	0,00	0,00	0,00
	0,00	**0,00**	**0,00**	**0,00**	**0,00**	**0,00**	**0,00**	**0,00**	**0,00**	**0,00**	**0,00**
II. Financial assets:											
1. Investments in affiliated companies	267.822.715,00	0,00	0,00	0,00	267.822.715,00	0,00	0,00	0,00	0,00	267.822.715,00	267.822.715,00
2. Securities (book-entry securities)	1.832.979,00	56.083,84	0,00	0,00	1.889.062,84	0,00	0,00	0,00	0,00	1.889.062,84	1.832.979,00
	269.655.694,00	**56.083,84**	**0,00**	**0,00**	**269.711.777,84**	**50.411,47**	**0,00**	**0,00**	**0,00**	**269.711.777,84**	**269.655.694,00**
	269.655.694,00	**56.083,84**	**0,00**	**0,00**	**269.711.777,84**	**50.411,47**	**0,00**	**0,00**	**0,00**	**269.711.777,84**	**269.655.694,00**

Management Report of FACC AG for the Financial Year 2018/19

- **With a growth rate of 3.7%, the global economy was able to maintain the momentum of the previous year.**
- **Passenger volumes remained high despite last year's sharp rise in the price of oil.**
- **Airbus and Boeing delivered 1,606 aircraft, with 1,640 firm orders for new aircraft booked in the same period.**
- **The order backlog for aircraft with more than 100 seats remained high at 13,447.**

1. BUSINESS ENVIRONMENT

Despite numerous adversities, the global economy experienced a broad economic recovery in 2018. According to estimates of the International Monetary Fund (IMF), global economic output rose by 3.7% after an increase of the same magnitude in 2017, while growth in industrialized countries weakened to 2.3% (previous year: 2.4%). In the emerging and developing countries, economic growth remained high at 4.6% (previous year: 4.7%). According to the IMF, the world's two largest economies, the USA and China, each recorded an increase in economic growth in 2018. The United States are currently undergoing a robust economic recovery. In 2018, the US economy grew by 2.9% (previous year: 2.2%), with consumers representing the main drivers of the economic upturn. Companies also made a strong contribution to growth with increasing capital investments.

China, whose economy continued on a strong growth trajectory, was the largest contributor to global economic growth with a growth rate of 6.6% (previous year: 6.9%) as shown by economic data. The shift of the Chinese economy to an increasingly consumer-oriented market regime is still in full swing.

The eurozone economy, in contrast, experienced slightly weaker growth in 2018: After five years of continuous recovery, growth in Europe slowed down to 1.8% compared to 2.4% in the previous year, with growth mainly driven by consumer spending. Investment activity remained strong and exports increased. These growth dynamics within the eurozone, moreover, are spreading to more and more member states of the European Union.

Despite the overall improvement of the economic climate, risks such as rising protectionism in world trade still remain a threat according to IMF forecasts. The issue of whether Britain and the EU will come to an agreement on the continuation of free trade also remains to be resolved. The exit of the United Kingdom from the European Union will have a significant impact on London as a financial center and will cause a great deal of uncertainty for the British economy as well as for the European economy in certain areas. According to current forecasts, the risks of geopolitical conflicts also remain high.

2. INDUSTRY ENVIRONMENT

Airlines recently continued their positive earnings trend, which was driven in part by strong demand as well as successful efficiency improvements and consolidations. The relatively low price of oil, which is a major component of airlines' operating costs, also contributed to this positive development.

The International Air Transport Association (IATA) reported an above-average increase of 6.5% in global passenger traffic in 2018, with demand increases varying by region. With growth rates of 18.6% in India, 11.7% in China and 9.0% in Russia, Asia can be considered the largest growth driver. Confronted with increasing passenger volumes, the airlines decided to expand their fleets, with the global fleet growing by 6.1% in 2018. IATA calculated industry-wide profits of USD 32.3 billion for 2018, which is the fourth year in a row in which airlines exceeded the USD 30 billion profit mark.

Airbus and Boeing delivered 1,606 aircraft in 2018. During the same period, airlines ordered 1,640 aircraft from Airbus and Boeing. The order backlog for aircraft with more than 100 seats remained virtually unchanged at 13,447 aircraft. Assuming that production rates remain constant, this order backlog corresponds to a calculated production period of nine years

3. GENERAL INFORMATION

3.1 Information according to section 243 of the Austrian Commercial Code (UGB)

The FACC Group based in Ried im Innkreis is an Austrian group of companies which specializes in the development, production and maintenance of aircraft components.

The product range includes structural components (wing-to-body fairings, fan cowls and composite components for engines, wing parts and wingtips) as well as components for aircraft interiors (overhead stowage compartments, cabin linings, service units, interior solutions for business jets, cabin retrofit solutions etc.).

Due to different applications of the products, three operative segments were created. The Aerostructures segment is responsible for the development, production, distribution and repair of structural components, while the Cabin Interiors segment focuses on the development, production, distribution and repair of interior solutions and the Engines & Nacelles segment covers the production, distribution and repair of fan cowls. After customer contracts have been concluded and the orders processed, the individual orders are then manufactured in the Group's five plants. In addition to the three operative segments, the Group also comprises the central services Finance and Controlling, Human Resources, Legal, Quality Assurance, Purchasing and IT (including Engineering Services). The central services support the operative segments in fulfilling their duties within the framework of a matrix organization

3.2 Initial application of the International Financial Reporting Standards IFRS 15 and IFRS 9:

FACC applied IFRS 15, *Revenue from Contracts with Customers*, and IFRS 9, *Financial Instruments*, for the first time as of 1 March 2018, which has resulted in changes in accounting and measurement methods. FACC applied the modified retrospective method when adopting IFRS 15 and IFRS 9. Comparative information was not adjusted under this method. The cumulative effect of the first-time application of IFRS 15 and of IFRS 9 was recorded as an adjustment of the opening balances of 1 March 2018.

4. DEVELOPMENT OF THE FACC AG

FACC AG is responsible for the holding function. As the parent company of FACC Operations GmbH, she is responsible for management activities and financial services for the Group. Figures for the financial statements of FACC AG are prepared in accordance with UGB, those for the FACC AG Group in accordance with IFRS.

The revenue of EUR 10.5 million in the financial year 2018/19 (financial year 2017/18: EUR 9.0 million) results from offsetting management services against FACC Operations GmbH. The increase is due to the higher headcount of 44 persons as of the balance sheet date of February 28, 2019 (February 28, 2018: 31 persons) and a corresponding adjustment of the offsetting compared to the previous year.

Earnings before taxes of FACC AG amount to EUR 6.7 million (financial year 2017/18: EUR 24.1 million). The change compared to the financial year 2017/18 is essentially due to a lower income from participations from affiliated companies in the amount of EUR 5.7 million (financial year 2017/18: EUR 19.9 million) as well as an increase in personnel expenses.

FACC AG generated net income for the financial year 2018/19 of EUR 6.8 million (FY 2017/18: EUR 23.7 million). After taking into account the dividend distribution of EUR 5.0 million, net income for the year resulted in an increase in equity to EUR 298.0 million compared to EUR 296.2 million in the same period of the previous year. The equity ratio of FACC AG at the balance sheet date February 28, 2019 is 88% (fiscal year 2017/18: 87%)

5. DEVELOPMENT OF THE FACC GROUP

MEUR	2016/17	2017/18	2018/19
Revenues	705.7	747.6	781.6
One-time effects	0.0	5.7	0.0
Of which product revenues	646.1	691.0	700.1
Of which revenues from development services	59.6	56.6	81.5
EBIT reported	25.0	60.1	43.6
One-time effects	0.0	15.2	–11.4
EBIT operating	25.0	44.9	55.0
EBIT-Marge (operating)	3.8%	6.0%	7.0%
Earnings after taxes	15.2	37.0	28.7
Earnings per share	0.33	0.81	0.63

In the 2018/19 financial year, the FACC Group generated revenues of EUR 781.6 million, which represents an increase of EUR 34.0 million or 4.5% compared to the previous year.

Revenues from product deliveries increased by 1.3% to EUR 700.1 million. The main drivers of product sales in the 2018/19 financial year were the programs for the Airbus A320 family, Airbus A350 XWB, Boeing 787 as well as the Bombardier and Embraer Business Jets. All other programs, including all components for the equipment of Rolls-Royce and Pratt & Whitney engines, developed in line with FACC management plans and contributed to the Group's growth.

Growth was further fueled by the increasing rate ramp-ups for the new major programs of our customers Airbus, Boeing, Bombardier, Embraer and Comac. The Boeing-737-Winglet program, which has been manufactured exclusively by FACC since 2001, is losing significance after 18 years of series production. Revenues from this project decreased by EUR 17.5 million to EUR 22.5 million in the 2018/19 financial year. Call-offs from this project will be gradually further reduced and will cease completely by 2019. The orders received in recent years and new Winglet programs more than compensate for the loss of sales, but will be accompanied by a temporary slowdown in growth in the Aerostructures division until 2020/21.

Revenues from the offsetting of development services remained constant at EUR 81.5 million (previous year: EUR 56.6 million).

Cost of sales increased by EUR 58.3 million from EUR 643.0 million to EUR 701.2 million in the 2018/19 financial year. This increase is related to a higher operative performance as well as cost overruns for programs. In relation to sales, this corresponds to an increase from 86% to 90%.

Reported earnings before interest and taxes (EBIT) amounted to EUR 43.6 million (previous year: EUR 60.1 million) in the past financial year.

In the 2018/19 financial year, a negative one-off effect of EUR 11.4 million resulting from the write-down of unamortized development costs arose in connection with the announcement by Airbus that the delivery of the A380 aircraft would be discontinued in 2021.

After taking into account the one-time effect described above, operative EBIT (calculated as EBIT plus one-time effects)stands at EUR 55.0 million (comparable value 2017/18: EUR 44.9 million).

5.1 Financial position

The main objective of FACC's financial management is to ensure that the Group has access to adequate liquidity at all times, to avoid financial risks and to guarantee financial flexibility. In order to secure the company's liquidity and reduce risks, FACC makes use of various internal and external funding sources with differing maturities. Long-term liquidity forecasts are based on the Group's operational planning. The cash flow from operating activities in the operating segments constitutes 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 such as 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 its treasury principles. It is a basic principle of the Group that its lines of credit are managed at the corporate level by the Treasury department.

For information on the company's capacity to raise funds through authorized and conditional capital and on funding sources, please refer to Note 32. Through these diverse measures, FACC has created a stable and sustainable basis to meet its future funding requirements.

5.1.1. 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 investments.

MEUR	2016/17	2017/18	**2018/19**
Cashflow from operating activities	20.0	63.1	63.3
Cashflow from investing activities	–34.4	–35.1	–35.7
Free Cashflow	–14.4	28.0	27.6
Cashflow from financing activities	6.0	–12.9	–0.8
Net change in cash and cash equivalents	–8.4	15.0	26.8
Effects from foreign exchange rates	0.5	0.2	–0.2
Cash and cash equivalents at the beginning of the period	**56.2**	**48.3**	**63.5**
Cash and cash equivalents at the end of the period	**48.3**	**63.5**	**90.1**

Cash flow from operating activities

At EUR 63.3 million, cash flow from operating activities in the 2018/19 reporting year was EUR 0.2 million higher than the previous year's figure of EUR 63.1 million.

Cash flow from investments

Cash flow from investments amounted to EUR -35.7 million in the 2018/19 financial year, compared with EUR -35.1 million in the previous year.

The main drivers of project investments were development and tooling costs for various aircraft types and investments in various tool duplications to secure future production rates.

Investments in property, plant and equipment were mainly made in connection with the expansion of production capacities at Plant 3 at the Austrian location in St. Martin.

In the course of the financial year, new investments were made, in particular, in equipment to expand production capacities and in additional automation measures, in the optimization of existing production facilities and in infrastructure. In addition, maintenance investments were made on an ongoing basis.

Cash flow from financing activities

In the 2018/19 financial year, cash flow from financing activities stood at EUR -0.8 million (previous year: EUR -12.9 million).

5.1.2. Net debt

On 28 February 2019, net debt amounted to EUR 180.9 million (previous year: EUR 181.8 million). On the balance sheet date, the Group's cash and cash equivalents amounted to EUR 90.1 million (previous year: EUR 63.5 million).

MEUR	2016/17	2017/18	2018/19
Promissory note loans	42.0	34.0	34.0
Bonds 2013-20 (ISIN AT00000A10J83)	89.4	89.6	89.8
Other financial liabilities	113.9	121.9	147.2
Gross financial liabilities	245.3	245.5	270.9
Less			
Cash and cash equivalents	48.3	63.5	90.1
Financial assets	48.3	63.5	90.1
Net debt	197.0	182.0	180.9

The key ratio net debt /EBITDA, which is material to financing, developed as following:

MEUR	2016/17	2017/18	2018/19
Earnings before interest and taxes (EBIT)	**25.0**	**60.1**	**43.6**
plus/minus			
Depreciation, amortisation and impairment	30.8	32.9	15.8
Amortisation contract costs			8.1
Impairment contract costs			7.3
EBITDA	**55.8**	**93**	**74.8**
Net debt/EBITDA	**3.53**	**1.96**	**2.42**

5.2 Net asset position

The balance sheet total increased by EUR 19.6 million to EUR 723.2 million compared to the previous year.

MEUR	28.02.2017	28.02.2018	28.02.2019
Non-current assets	357.5	344.7	324.9
Current assets	327.9	358.8	400.9
Assets	685.4	703.6	725.8
Equity	269.7	323.1	299.0
Non-current liabilities	242.2	211.1	185.2
Current liabilities	173.5	169.4	241.1
Debt	415.7	380.5	426.4
Equity and liabilities	685.4	703.6	725.8

5.2.1. Assets

Non-current assets of the FACC Group decreased by EUR 19.8 million to EUR 324.9 million compared to the balance sheet date on 28 February 2018.

Current assets increased by EUR 42.1 million in the same period of the previous year. Inventories also increased due to the increase in product sales. Cash and cash equivalents increased by EUR 26.6 million to EUR 90.1 million as of the balance sheet date on 28 February 2018.

5.2.2. Equity

The FACC Group's equity amounted to EUR 299.0 million at the end of the reporting period. This corresponds to an equity ratio of 41.0% as of 28 February 2019 (previous year: 45.9%).

5.2.3. Debt

Within non-current liabilities, other financial liabilities increased by EUR 22.0 million to EUR 78.1 million.

Within current liabilities, trade payables increased by EUR 25.9 million to EUR 74.8 million. Other financial liabilities increased by EUR 3.3 million to EUR 69.0 million.

6. DEVELOPMENT OF THE BUSINESS SEGMENTS

Segment reporting follows the internal management and reporting of the FACC Group.

The operating result (EBIT) is the key performance indicator used to steer the business segments and is reported to the corporate body responsible (Management Board of FACC AG). Due to different applications of the products, three operative segments were created:

- **Aerostructures:** development, production, distribution and repair of structural components
- **Engines & Nacelles:** development, production, distribution and repair of engine components
- **Cabin Interiors:** development, production, distribution and repair of interiors

In the 2018/19 financial year, numerous new contracts were signed to ensure the sustainable implementation of the FACC strategy. Implementation of these projects began in the course of the 2018/19 financial year. Revenues from these orders will also contribute to the further growth of the business segments.

6.1 Aerostructures

MEUR	2016/17	2017/18	2018/19
Revenues	331.0	332.8	335.7
EBIT (reported)	51.2	35.9	37.6
EBIT margin (reported)	15.5%	10.8%	11.2%
One-time effects	0.0	–1.6	–8.3
EBIT before one-time effects	51.2	37.5	45.9
EBIT margin (before one-time effects)	15.5%	11.3%	13.7%

Revenue in the Aerostructures segment amounted to EUR 335.7 million in the 2018/19 financial year (previous year: EUR 332.2 million). Revenue from product deliveries decreased by EUR 23.0 million or 7.6% to EUR 279.4 million. Growth continues to be driven by rising revenues from the Airbus A350 and Airbus A320 programs.

Revenue from development activities increased by 85.2% from EUR 30.4 million to EUR 56.3 million in the period under review.

Earnings before interest and taxes (EBIT) in the Aerostructures segment stood at EUR 37.6 million in the 2018/19 financial year (previous year: EUR 35.9 million).

In the 2018/19 financial year, a negative one-off effect of EUR 11.4 million resulting from the write-down of unamortized development costs arose in connection with the announcement by Airbus to discontinue delivery of the A380 aircraft in 2021. The prorated effect in the Aerostructures segment amounts to EUR 8.3 million.

After taking into account this one-time effect, operating EBIT amounted to EUR 45.9 million (comparable figure 2017/18: EUR 37.5 million).

The segment's continued stable development was positively influenced by the growing demand for components for the Airbus A350 and A320 as well as the sustained high production rates of the Boeing 787.

The Boeing-737-Winglet program, which has been manufactured exclusively by FACC since 2001, is losing significance after 18 years of series production. Revenues from this project decreased by EUR 17.5 million to EUR 22.5 million in the 2018/19 financial year. Call-offs from this project will be gradually further reduced and will cease completely by 2019. The orders received in recent years and new Winglet programs more than compensate for the loss of sales, but will be accompanied by a temporary slowdown in growth in the Aerostructures division until 2020/21.

6.2 Engines & Nacelles

MEUR	2016/17	2017/18	2018/19
Revenues	142.0	161.4	168.5
EBIT (reported)	–13.8	15.9	9.5
EBIT margin (reported)	–0.1	9.9%	5.6%
One-time effects	0.0	13.1	–1.2
EBIT before one-time effects	–13.8	2.8	10.7
EBIT margin (before one-time effects)	–0.1	1.7%	6.3%

Revenues in the Engines & Nacelles segment reached EUR 168.5 million in the 2018/19 financial year (previous year: EUR 161.4 million). This corresponds to an increase of 4.3%.

Revenues from product deliveries increased by 6.0% from EUR 152.0 million to EUR 161.1 million. Revenues from development activities decreased by EUR 2.0 million from EUR 9.4 million to EUR 7.4 million.

Earnings before interest and taxes (EBIT) in the Engines & Nacelles segment stood at EUR 9.5 million in the 2018/19 financial year (previous year: EUR 15.9 million).

In the 2018/19 financial year, a negative one-off effect of EUR 11.8 million resulting from the write-down of unamortized development costs arose in connection with the announcement by Airbus to discontinue delivery of the A380 aircraft in 2021. The prorated effect in the Engines & Nacelles segment amounts to EUR 1.2 million.

After taking into account this one-time effect, operating EBIT amounted to EUR 10.7 million (comparable figure 2017/18: EUR 2.8 million).

The efficiency improvements, learning curve effects, automation measures and volume effects implemented in the division have all contributed to the ongoing increase in earnings in relation to sales revenues.

In addition to the continued increase in sales from series production for the A350 Translating Sleeve (TRSL) project, the start-up of the A330neo Fan Cowl Door was a key factor contributing to growth within this segment.

The Engine Composites segment continued its positive development. The Airbus A350 Trent XWB and Pratt & Whitney PW800 Bypass Ducts projects have made a significant contribution towards business developing as planned.

6.3 Cabin Interiors

MEUR	2016/17	2017/18	2018/19
Revenues	232.8	253.4	277.4
EBIT (reported)	–12.4	8.3	–3.5
EBIT margin (reported)	–0.1	3.3%	–1.3%
One-time effects	0.0	3.6	–2.0
EBIT before one-time effects	–12.4	4.7	–1.5
EBIT margin (before one-time effects)	–0.1	1.9%	–0.5%

Revenues in the Cabin Interiors segment amounted to EUR 277.4 million in the 2018/19 financial year (previous year: EUR 254.3 million). This segment thus again achieved significant revenue growth compared to the previous year.

Product sales in 2018/19 totaled EUR 259.6 million (previous year: EUR 236.6 million). Significant revenues were achieved for the first time with the COMAC ARJ21 program. Revenues from this program increased from EUR 4.7 million to EUR 21.3 million in the 2018/19 financial year. In the Business Jet segment, substantial revenues were generated with the programs for the EMBRAER Legacy 450/500.

Revenues from development activities increased by EUR 1.0 million from EUR 16.8 million to EUR 17.8 million.

Reported earnings before interest and taxes (EBIT) of the Cabin Interiors segment stood at EUR -3.5 million in the 2018/19 financial year (previous year: EUR 8.3 million).

In the 2018/19 financial year, a negative one-off effect of EUR 11.8 million resulting from the write-down of unamortized development costs arose in connection with the announcement by Airbus to discontinue delivery of the A380 aircraft in 2021. The prorated effect in the Cabin Interiors segment amounts to EUR 2.0 million.

After taking into account this one-time effect, operating EBIT amounted to EUR -1.5 million (comparable figure 2017/18: EUR 4.7 million).

7. RISK REPORT

In the course of its business activities, the FACC Group is exposed to a large number of risks that are inseparably linked to its business operations. FACC is committed to identifying and actively managing risks in the business environment at an early stage. The corporate risk strategy and hedging measures are implemented centrally for the entire Group.

The respective risk owner bears direct responsibility for risk management. The Director Treasury & Risk Management reports directly to the Management Board, which assumes overall responsibility for risk management. Within the framework of the risk management system, both risks that have occurred and potential future risks are continuously monitored and evaluated by the operative units and reported to the Management Board twice a year in the course of the Management Reviews. Exceptional events are immediately reported to the responsible risk owner or to the Director Treasury & Risk Management. The latter decides whether the Management Board is to be notified straight away, which in turn informs the Supervisory Board at its meetings.

This ensures that significant risks are identified at an early stage and measures can be taken to counteract or limit them. According to the Management Board, potential risks currently identified are deemed manageable and controllable and, therefore, do not jeopardize the company's ability to continue as a going concern.

The following key risk areas have been identified:

7.1 Management risks

Based on market observations and analyses, a five-year business plan is prepared, which defines the underlying corporate strategy and is reviewed 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 changes in the market environment constitute the greatest risk. In addition, successful operational implementation is also repeatedly jeopardized 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. In doing so, it must be ensured that the strategic direction of the company as well as the planned sales and earnings targets are taken into due account.

7.2 Sales risks

The FACC Group operates in a highly competitive field and has a limited number of customers (aircraft manufacturers). FACC's business activities are cyclical and sensitive to the profit situation of commercial airlines and their orders for aircraft placed with manufacturers. The business performance of commercial airlines, in turn, is influenced by the global economic situation and the geopolitical environment.

The industry-specific risks to which the Group is exposed lie in changes to aircraft delivery schedules between manufacturers and final customers. The risk of a change in future aircraft deliveries directly affects the Group's future sales as the supply volumes of components manufactured by the Group change accordingly. This risk can take the shape of a reduction or a postponement of aircraft deliveries. As a consequence, development costs cannot be recovered within the calculation period.

FACC responds to this risk by achieving diversification within the industry: on the one hand, by maintaining supply contracts with the two dominant suppliers of commercial aircraft and, on the other hand, by entering into supply contracts in both the wide-body passenger aircraft and business jet segments. Furthermore, FACC is geographically diversified as it maintains supply contracts with the American/European market and Asia. FACC also acts as a development partner for the improvement of existing aircraft types, which results in supply contracts for the retrofitting of existing aircraft models.

7.3 Purchasing and supplier risks

FACC's 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 have been obtained and that there are no identifiable risks. When new projects are launched, suppliers are subjected to a mandatory first sample test to minimize product risk. The ongoing quality-compliant and timely delivery of materials and of semi-finished and finished products is assessed via SAP on a regular basis. This evaluation is also an integral part of the overall risk assessment. Deviations from the targeted component quality and delivery performance are systematically tracked, analyzed, evaluated and benchmarked against defined goals. Noticeable variations are reported to the Management Board following the Management Reviews.

7.4 Business interruption risk

The company's manufacturing sites and plants are constantly maintained and serviced, thus keeping the risk of breakdowns or of lengthy production downtimes to a minimum. Business interruption risk is also covered by business interruption insurance with an indemnity period of 24 months.

7.5 Project management

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

7.6 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, jeopardize 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 minimized through systematic action. Regular controls at all stages of development are intended to mitigate risks early on. Moreover, 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 product liability risks being adequately insured, quality problems may negatively affect the company's net asset position, financial position and profit position.

7.7 Financial risks

In addition to financing risks, FACC's operating activities are also exposed to interest rate and currency risks. The Group's overall risk management focuses on the unpredictability of developments on the financial markets and aims to minimize potentially negative effects on the Group's financial position. In order to hedge against specific risks, the Group makes use of derivative financial instruments. FACC uses derivative financial instruments exclusively for the purpose of hedging underlying transactions; speculative transactions are strictly prohibited. The Group's Treasury & Risk Management department identifies, evaluates and hedges financial risks in close cooperation with the Group's operative units.

7.7.1. Currency risks

While the vast majority of sales by FACC are transacted in USD, significant parts of the costs are incurred in currencies other than USD, notably in EUR. FACC makes use of derivative financial instruments (forward exchange transactions) to hedge against adverse changes in the USD-EUR exchange rate, which can potentially give rise to losses.

The hedging strategies employed by the Group's Treasury & Risk Management department are designed to control and minimize the impact of exchange rate fluctuations. The Management Board approves the strategies and reports regularly to the Supervisory Board.

The risk management conducted by the Group's Treasury & Risk Management department pursues the objective of hedging on average 80% of expected net cash flows in USD (from revenues and purchases of raw materials) for the following 12 months (on a rolling monthly basis) (hedge ratio). If market levels are favorable, hedging periods can be extended to up to 36 months. Sensitivity analyses showing the effects of hypothetical changes in exchange rates on the Consolidated Profit and Loss Statement and equity were carried out for the currency risks of financial instruments. In accordance with IFRS 7, currency risks result from financial instruments of a monetary nature that are not denominated in the reporting company's functional currency. As a consequence, receivables, liabilities, cash and foreign currency derivatives serve as the basis for calculating the sensitivity of the Consolidated Profit and Loss Statement. The sensitivity of equity also reflects the valuation effects of the cash flow hedges for foreign currency risks recorded in other comprehensive income. Translation differences from the translation of financial statements prepared in a currency other than the Group currency were not included in the calculation.

7.7.2. Interest rate risks

Interest rate risks depend on the average financing term and the type of interest rate. Fixed interest rates are subject to the risk of falling interest rates, whereas variable interest rates carry the risk of rising interest rates.

An increase in interest rates of 50 basis points would have resulted in a reduction in earnings after taxes and in equity of kEUR 568 (previous year: kEUR 225). A reduction in interest rates by 50 basis points would have resulted in an increase in earnings after taxes and in equity of the same magnitude. Calculation is based on interest-bearing assets and liabilities subject to variable interest rates.

8. RESEARCH, DEVELOPMENT AND INNOVATION

FACC continuously invests in research and development in order to strengthen business relationships with its customers and open up new fields of business. The main focus lies on proprietary in-house development in order to use the expertise acquired for all current and future customers. Moreover, the company also cooperates with customers and research institutions in order to further optimize products.

In the 2018/19 financial year, FACC spent EUR 31.2 million, or 4.0% of its revenues, on company- and customer-related research and development services.

FACC considers active research and innovation to be a fundamental prerequisite for maintaining its leading position as a technology partner and systems supplier to its customers. Since FACC often works with protected customer patents and processes, in-house developments help to secure existing orders and open up new areas of business. Working with a strong network of customers, suppliers and scientific partners, FACC develops new technologies for use in future aerospace development programs.

FACC is constantly working on new product solutions and production technologies. The company is currently focusing its research on four major projects:

- Weight reduction
- Increase production rates capability and increasing the level of automation
- New materials and processes
- Digitalization and artificial intelligence

Additive manufacturing

Faster product development cycles and cost reductions across the entire value chain are becoming increasingly important in future aviation development projects. For this reason, FACC is focusing its research activities on the manufacturing processes of the future. Substantial cost savings combined with fast development cycles enable the use of additive manufacturing processes, with the focus on 3D printing of engine components and of plastic components for cabin interior applications. Attention is given to the entire value chain, from purchasing, development and certification through to series production of aviation components. The aim is to further enhance the functionality of components, cut manufacturing costs and reduce the lead time for production equipment.

Thermoplastic fiber composites

Thermoplastic fiber composites based on high-performance polymers such as polyetheretherketone (PEEK) or polyetherthermia (PEI) are becoming increasingly important. Since thermoplastics solidify and can be reheated and melted several times, they are amenable to a wide range of applications. FACC researches materials and manufacturing processes for the next generation of aircraft components in cooperation with OEMs and research institutes. The aim is to be able to produce fiber composite components in a cost-efficient manner, in the highest quality and with a maximum degree of automation. For this reason, FACC has joined the industrial advisory board of the LIT Factory in Linz, an Industry 4.0 pilot factory in which thermoplastic fiber composites are researched and developed in combination with digitization concepts. FACC's R&D activities focus not only on the production of components, but also on joining by means of different welding processes as thermoplastic fiber composites can only develop their full potential in combination with suitable joining technologies.

Integral construction

In addition to new research and development topics such as additive manufacturing and thermoplastic fiber composites, the R&D roadmap also includes the development of highly integral fiber composite components. Integral design aims to integrate as many functions as possible, for instance connecting elements, into a single manufacturing step. The goal is to make subsequent manufacturing processes such as the assembly of fittings obsolete in order to reduce manufacturing costs. Besides featuring additional integrated functions, future fiber-reinforced plastic components will also be produced net-shaped. This not only reduces assembly costs, but also eliminates the need for milling of the component contour. FACC relies on direct research cooperation with OEMs and research institutes in order to maintain its position as a technology provider in the future.

Digitization and technology management

The fast and cost-efficient implementation of future development projects guaranteeing high quality standards is becoming increasingly reliant on digitization and technology management. In this context, the digitization of the entire value chain plays a decisive role. The goal is to ensure a continuous process chain, from brainstorming and product development through to production, quality control and the delivery of fiber composite components. Technology management aims to make greater use of existing knowledge and make it available to all corporate divisions so that resources can be used more efficiently within the company.

Patents and awards

FACC strives for a high degree of independence in its process portfolio with a view to safeguarding its technological leadership in the composite area. Furthermore, 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, of which the main objective is to guarantee maximum protection of intellectual property.

9. EMPLOYEES

As of 28 February 2019, the total headcount of the FACC Group stood at 3,465 full-time equivalents (FTE); (previous year: 3,402 FTE).

In Austria, 3,170 FTE were working for the company as of 28 February 2019. This corresponds to approximately 91% of the entire workforce

	Blue collar	White collar	Total
Central services	135	481	616
Aerostructures	728	243	971
Engines & Nacelles	436	139	575
Cabin Interiors	793	169	962
Subsidiaries	68	227	295
FACC AG		46	46
Total	2,160	1,305	3,465

The international nature of the company is also reflected in its personnel structure. Employees from 40 different countries and from all continents are currently working at the Austrian locations. 55% of the workforce have Austrian citizenship, and 22% are German nationals.

As a technology company, FACC's share of women in the total workforce remains high at nearly 30%. The fact that nearly 50% of the FACC Group's apprentices are women is particularly pleasing.

Healthy and Happy: FACC as a pioneer in workplace health promotion

FACC's commitment to the motivation, satisfaction and health of its employees is demonstrated by a wide range of measures and initiatives. For its "Healthy and Happy" project, FACC was awarded the seal of approval for workplace health promotion (BGF) by the Upper Austrian Regional Health Insurance Fund in 2017. In Austria, the BGF seal of approval is regarded as a visible sign and recognized standard for high-quality workplace health promotion. Independent experts verify whether the stringent quality criteria of the European network have been met for the BGF seal of approval through an objective and transparent procedure.

Continuous investment in the human capital of its entire workforce is a key factor contributing to the success of FACC. The Group is committed to lifelong learning and, for this purpose, offers its employees a wide range of extra-occupational education and further training opportunities. The FACC Academy, which serves as the central hub for all training activities, organized 427 internal training sessions with a total of 5,050 participants in the 2018/19 financial year alone. In addition, 146 external training sessions attended by 959 employees were held.

E-learning for more flexibility

In order to make responsible use of its employees' time resources, FACC is already offering selected training courses via e-learning. Meanwhile, e-learning content specifically tailored to the needs of the company and of its employees is also being created by internal developers. In addition to IT & SAP e-learning modules in the areas of "SAP Basic", "SAP Advanced" and "System Management", web-based trainings are also available on topics such as "Export Control Advanced" and "Foreign Object Damage (FOD)", i.e. all foreign bodies/substances that cause damage to the aircraft/component. The learning units can be completed directly at the workplace via FACC's SAP system.

Global family

As an internationally operating company with employees from 40 countries, FACC attaches great importance to cross-cultural dialogue. In order to ensure good teamwork between staff, a large number of its employees attend language and intercultural training courses.

Apprentice training is a further top priority at FACC. In the 2018/19 financial year, a total of 39 apprentices (of which one apprentice at CoLT Prüf und Test GmbH) were enrolled in six different training programs at FACC. The company was awarded the "State-Honoured Training Company" prize by the Federal Ministry of Science, Research and Industry in recognition of its high-quality apprentice training.

In-house development of young talents

FACC offers aspiring young apprentices highly specialized training programs in design engineering, metal working technology, milling, cutting, and machining techniques, plastics engineering, process technology, IT and application development - coding. At FACC, apprentices get access to the latest technologies and equipment in the company as soon as they start their training. This gives them the opportunity to make use of their innovative spirit and commitment to develop into the experts of the future.

FACC scholarship

The FACC scholarship with a total value of approximately EUR 100,000 (total value over the period of study of the beneficiaries) was awarded for the first time in the 2018/19 financial year in the degree course "Lightweight Construction and Composite Materials". Four candidates receive monthly financial support for the duration of their studies. In addition, FACC covers their tuition fees, offers internships in its plants, provides guidance and assistance through competent FACC supervisors and allows students to take part in training courses as well as numerous other perks.

10. SUSTAINABILITY MANAGEMENT

The sustainability management of FACC is an integral part of the corporate strategy and reports to the Management Board. Its aim is to take due consideration of the environmental and societal impacts of each business process, and to reconcile the company's economic imperatives with socio-ecological considerations. Sustainability management and the operative units cooperate closely with each other.

FACC's first Sustainability Report for the 2017 financial year was presented in May 2018 and can be downloaded from the Group's website.

The Sustainability Report was prepared in accordance with the "GRI standards" (standards of the Global Reporting Initiative) and the requirements of the Austrian "NaDiVeG" (Sustainability and Diversity Improvement Act) and is published as a separate non-financial report in accordance with section 267a of the Austrian Commercial Code (UGB).

11. REPORT ON BRANCH OFFICES

FACC AG does not operate any branch offices.

12. DISCLOSURES PURSUANT TO SECTION 243A OF THE AUSTRIAN COMMERCIAL CODE (UGB)

12.1 Reporting on the key features of the Group's internal control and risk management system with regard to accounting procedures

Pursuant to section 243a paragraph 2 of the Austrian Commercial Code (UGB), FACC is required to give an account of the key features of its internal control and risk management system with regard to the accounting process. Pursuant to section 82 of the Austrian Stock Corporations Act (AktG), the Management Board of FACC has to ensure the establishment of an accounting and internal control system that complies with the company's requirements. Thus, the Management Board 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 system are laid down in FACC's risk management and finance manuals. These manuals describe and identify 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.

The measures and rules include, amongst others, the separation of functions, the dual control principle, rules governing authorized 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 IT software in use (SAP).

FACC has been using SAP in almost all areas across the company for more than ten years. The regularities of the SAP systems have been implemented in all relevant business processes.

In the course of monthly reporting to the Management Board and second-level management, especially comparisons between actual and budgeted figures are made. During its quarterly meetings, the Supervisory Board of FACC AG is informed about business performance and forecasts regarding the Group's further course of business. In its meetings, the Audit Committee of the Supervisory Board 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 center. Every cost center manager is responsible for not exceeding budgeted costs and keeping in line with planned investments. All investment projects are subject to prior approval by the Management Board. Investments running over budget are also subject to prior approval by the Supervisory Board.

12.2 .Disclosures on capital, share, voting and control rights and associated obligations

The FACC Group's share capital amounted to EUR 45,790,000 as of 28 February 2019 and is divided into 45,790,000 no-par value bearer shares. All shares have been admitted to trading in the prime market segment of the Vienna Stock Exchange. Each share corresponds to one vote at the Annual General Meeting.

As of 28 February 2019, AVIC Cabin Systems Co. Limited (formerly FACC International Company Limited) held, either directly or indirectly, 55.5% of the shares of FACC. As of the balance sheet date on 28 February 2019, no other shareholders were known to hold more than 10% of the share capital.

The free float of FACC shares amounted to 44.5% or 20,397,364 shares on 28 February 2019.

There are no shares conferring special control rights.

FACC does not have an employee stock option plan in place under which employees do not directly exercise their voting rights for their shares in the company.

12.3 Authorized capital

At the Extraordinary General Meeting on 23 June 2014, authorized capital was approved. Accordingly, the Management Board is authorized, subject to prior approval by the Supervisory Board and within five years from the date on which the authorized 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 by issuing up to 19,895,000 new shares against cash or non-cash contributions. New shares can also be issued excluding shareholders' subscription rights.

The authorized capital was entered in the commercial register on 25 June 2014.

12.4 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 for the merger of several companies. The amount of capital issued and the conversion ratio are to be established in compliance with the provisions of the convertible bonds. The issue amount of the shares shall not be less than the pro-rata amount of the share capital.

12.5 Legal provisions for the appointment of the Management Board and Supervisory Board

As long as AVIC Cabin Systems Co. Limited (formerly FACC International Company Limited) is a shareholder of FACC with a stake of at least 25 % of the current share capital, AVIC Cabin Systems Co. Limited has the right to appoint up to one third of all members of the Supervisory Board in accordance with section 11 of FACC's Articles of Association.

There are no other provisions in the Articles of Association that go beyond the statutory provisions governing the appointment of the Management Board and Supervisory Board and amendments to the Articles of Association.

12.6 Other disclosures

As of 28 February 2019, 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 compensation agreements exist between FACC and the members of the Management and Supervisory Boards in the event of a public takeover bid.

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

a. Aviation Industry Corporation of China (AVIC) holds, either directly or indirectly, less than 50% plus one share of the borrower, or

b. Aviation Industry Corporation of China (AVIC) is not entitled, either directly or indirectly, to determine and appoint the majority of the members of the management and supervisory boards of the borrower.

13. OUTLOOK

13.1 The civil aviation market

The market forecasts published by Airbus and Boeing in the spring of 2019 once again confirm that, from today's perspective, the long-term growth trend in the civil aviation industry continues in the future. Studies by OEMs currently confirm a constant annual increase in passenger volumes of around 4.5 %. Between 2019 and 2037, approximately 40,000 new aircraft will be needed. Compared to the 2018 forecast, this represents an increase of 2,500 aircraft. The latest rate forecasts for the next two years, in contrast, shows that the increase of some aircraft types has stabilized and will be somewhat flatter than anticipated a year ago. The immediate development of sales within the aircraft supply industry will inevitably have to adapt to these circumstances. Thus, the purely organic growth from existing orders will remain unchanged, but will be spread over a further two to three years.

The shift towards the new growth markets of China and India already described in recent years is once again confirmed and will remain unchanged in the future. The traffic volume (travel activity per year and inhabitant) in these countries is expected to quadruple by 2036. The number of days of travel per inhabitant in the USA and Europe is also expected to increase by a further 40 % in the same period, even though it is already at a high level.

Last year, Airbus and Boeing together delivered 1,606 new commercial aircraft to their customers. During the same period, 1,640 aircraft were sold to airlines. This thus equates to a book-to-bill ratio of 1.02. As a result, order backlogs have increased slightly in the last year another time in a row. The industry operating at full capacity for many years to come.

A distinguishing feature of the industry is the acceleration of takeovers and the formation of new alliances. The acquisition of the Bombardier C-Series program by Airbus on 1 July 2018 and the ongoing negotiations between Boeing and Embraer with the objective of following this example will contribute to the further consolidation of the OEM market.

In return, COMAC is progressively increasing series production of its AR21 aircraft and making progress in the development of the C919.

Apart from the increasing consolidation within the OEM sector, further consolidation is also taking place in the supply chain at the Tier 1 and Tier 2 levels.

13.2 FACC Group

With its balanced and comprehensive customer and product portfolio, the company will continue on its growth course in the 2019/20 financial year. Changes in the product mix, in particular the phasing out of the high-revenue B737NG winglet program, will be compensated by the new orders acquired in the 2017/18 and 2018/19 financial years. The discontinuation of the A380 aircraft program with effect from 2021 will be preceded by an adjustment of production rates in the 2019/20 financial year. The slow-down of production rates of the A380 will have a negligible impact on FACC's revenue development as product revenues from this aircraft program account for only 1.5% of FACC's total revenues.

FACC is particularly focused on processing the new orders signed. The engineering work for these new and promising products has made considerable progress, numerous approval tests have been completed according to plan, and the series ramp-up is in full swing. The first revenues from these new orders are expected for the first half of the 2019/20 financial year, followed by a gradual rate ramp-up which is scheduled to occur over the next 12 to 18 months.

Based on its current market assessment and the Group's existing product mix, FACC expects sales growth to be in line with market growth in the 2019/20 financial year. The measures implemented in recent years to increase profitability will be stepped up further in order to offset natural cost increases.

Furthermore, additional activities will be initiated.

- Specifically, FACC will start the construction of an additional production facility in Croatia. The construction of the site will be completed by the end of 2020, with production capacities available from the beginning of 2021.

- The initiatives to vertically integrate core competences into the FACC production network, which were first introduced in the financial year 2015, will be sustainably strengthened. The aim is to simplify the value stream, further cut material and purchasing costs and to substantially reduce the company's dependence on individual supply chains.

In line with the planned revenue growth, FACC intends to keep earnings at the level of the EBIT (operating result excluding A380 one-time effects) of the 2018/19 financial year despite the introduction of various new orders. Due to the introduction of the new projects described above, the margins in the first half of 2019/20 will be significantly lower than the half-year margins of the 2018/19 financial year.

FACC will continue its efforts to reach the sales target of EUR 1 billion in the 2019/20 financial year by actively shaping the market. Due to the above-mentioned flattening of rate increases in existing projects, this goal is not expected to be achieved before 2021/22.

By way of conclusion, the FACC Group will continue to expand its business activities, ranging from development and production to global supply chain management, whilst sustainably strengthening its role as the partner of choice of the aviation industry. The implementation of the Group's "Vision 2020" strategy with a view to strengthening and expanding its position as a Tier-1 supplier in the global aerospace industry has top priority.

Ried im Innkreis, 8 May 2019

Robert Machtlinger m.p.

CEO

Andreas Ockel m.p.

COO

Aleš Stárek m.p.

CFO

Yongsheng Wang m.p.

CCO