POSITION REPORT

Annual Report
2017/18

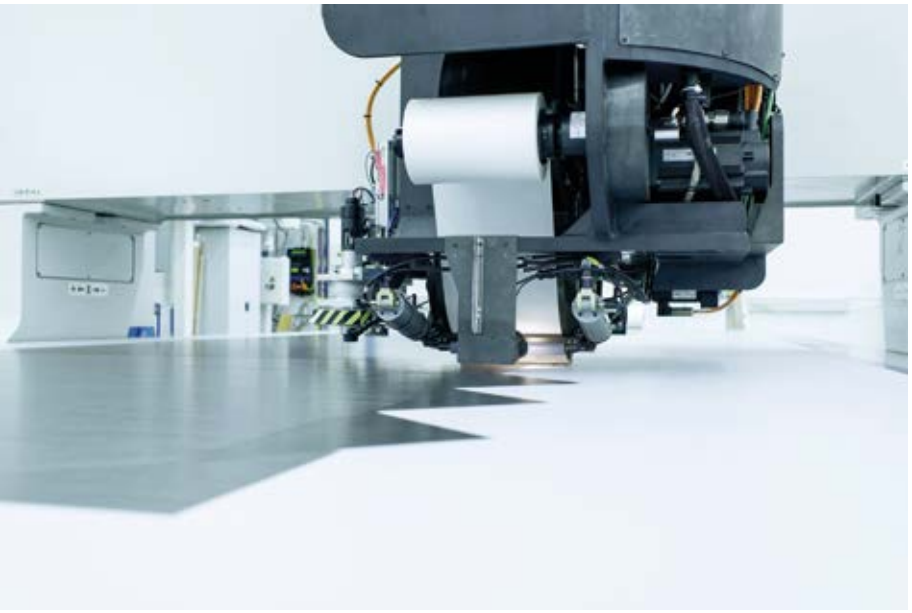
Key figures →

		2016/17[1]	2017/18
Revenues	MEUR	705.7	**750.7**
Of which Aerostructures	MEUR	331.0	**334.4**
Of which Engines & Nacelles	MEUR	142.0	**161.9**
Of which Cabin Interiors	MEUR	232.8	**254.3**
EBIT	MEUR	25.0	**63.8**
EBIT in percent of revenues	%	3.5	**8.5**
Of which Aerostructures	MEUR	51.2	**38.1**
Of which Engines & Nacelles	MEUR	–13.8	**16.9**
Of which Cabin Interiors	MEUR	–12.4	**8.8**
Cash flow from operating activities	MEUR	20.0	**63.1**
Cash flow from investing activities	MEUR	–34.4	**–35.1**
Headcount (at the balance sheet date)	FTE	3,393	**3,402**
Net working capital	MEUR	163.8	**173.6**
Net financial debt	MEUR	197.0	**181.9**
Equity	MEUR	269.7	**323.1**
Equity ratio	%	39.4	**45.9**
Balance sheet total	MEUR	685.4	**703.6**
Trading volume	Shares	18,355,314	**43,784,504**
Average daily trading volume	Shares	65,935	**175,810**
Yearly high	EUR	7.37	**21.8**
Yearly low	EUR	4.00	**6.48**
Closing price February	EUR	7.00	**21.5**
Annual performance	%	40.4	**208.9**
Market capitalisation	MEUR	320.6	**984.5**[2]
Dividend per share	EUR	0	**0.11**[3]

[1] Due to an error correction according to IAS 8, previous years' figures have been adjusted retrospectively (see Note 3).
[2] Based on the closing price on the Vienna Stock Exchange on 28 February 2018
[3] Proposal to the Annual General Meeting

5.9 billion USD
order backlog

+6.4%
Revenues increased
to EUR 750 million



ATX
Inclusion of
the FACC share in
the leading Austrian
index ATX

FACTS & FIGURES

The 2017/18 financial year was the most successful in the history of the FACC Group to date. This is confirmed by all key figures. With a well-filled order book, a strong market position and a clear technological edge, FACC is heading into a future with all signs pointing to growth.

750 million EUR

Incoming orders

+208.9%

Annual performance of the FACC share

EUR 48.6

Operating result almost doubled

FACTS & FIGURES

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Operating result almost doubled

CONTENTS

Editorial

FACC's dynamism thus once again outperformed general industrial growth in the 2017/18 financial year. We not only succeeded in further increasing our sales but also achieved another significant increase in earnings and cash flow. The Management Board will therefore propose the distribution of dividends at the Annual General Meeting for the first time since the IPO in 2014. The strong operating performance also had a very positive effect on the value of our company: The price of our share more than tripled in the course of the 2017/18 financial year, resulting in an increase in the market value of FACC to almost EUR 1 billion. In March 2018, this development culminated in our inclusion in the Austrian leading index ATX.

We are also very optimistic about the future: Thanks to our strong position as an innovation and technology leader, we were able to sign new contracts worth around EUR 750 million in the 2017/18 financial year, with our order backlog currently standing at USD 5.9 billion. This means that we will be working at full capacity for years to come.

Similarly, we have strengthened customer loyalty, gained market shares, invested in capacity expansions and automation, expanded our Management Board team, completely revamped our brand image and made our organisation even more competitive to achieve our medium-term sales target of EUR 1 billion.

Thanks to the dedication of our competent and committed staff, we are well on our way to implementing our vision. Because tomorrow's destination is still: **Beyond Horizons.**

Yours,
Robert Machtlinger

Significant increase in profitability

p. 38

Automated production and a strong operational performance result in efficiency across the board and significantly higher returns.

Extensive investment initiative

p. 44

With its three-year investment programme, FACC is actively preparing for the technological requirements of the future and increasing its capacities for new orders.

Superior in research and technology

p. 52

Through cooperation with its customers, universities and research institutes, FACC is already working on the innovations which will become the standards of tomorrow.

Competent and motivated employees

p. 62

FACC invests heavily in the best minds and is constantly working to expand their specialist know-how. Outstanding careers within the company and economic success prove that the company is on the right track with its strategy.

The 2017/18 financial year

FACC at a glance

BEYOND HORIZONS

"We wish to position FACC as a high-tech company in the aerospace industry that actively contributes to shaping the mobility of the future through its leading role in innovation, technology, costs and performance and its global network."

Robert Machtlinger

We are a global technology leader in the design, development and manufacture of lightweight systems for the global aerospace industry. As a technology partner to all major aircraft and engine manufacturers, we work closely with our customers on the mobility solutions of the future. All over the world, an aircraft with FACC technology on board takes off every second.

Much has changed since our company was founded in the 1980s. Our pioneering spirit and passion, however, remain unchanged. We are passionate about using our expertise to shape the mobility of the future with the materials of tomorrow.

We are the technology partner of the strongest global players

AIRBUS
BOEING
BOMBARDIER the evolution of mobility
COMAC
DASSAULT AVIATION
Pratt & Whitney A United Technologies Company
Engine Alliance
AIRBUS HELICOPTERS
DIEHL Aerospace
SAFRAN AEROSPACE · DEFENCE · SECURITY
UTC Aerospace Systems
Rolls-Royce
EMBRAER
SUKHOI
Hawker Beechcraft
Aviation Partners, Inc. Leaders in Advanced Winglet Technology
Gulfstream A GENERAL DYNAMICS COMPANY
LEONARDO

We make flying greener

FACC technologies are also environmental winners. They help save weight and therefore fuel while optimising flight characteristics, thus increasing the efficiency of new aircraft. And our fascinating journey continues. We are working on sustainable solutions for the future even as we speak. Lighter weight, increased efficiency, reduced noise emissions, enhanced comfort and reduced overall costs are only the beginning. In this way, we contribute to making the world just a little bit better on a daily basis.

We are where our customers are

More than 3,400 highly qualified employees from 38 nations working in locations around the globe are ready to assist and support our customers day by day. As a globally operating group, we achieve success with subsidiaries in more than 13 countries – from Austria to China and from India to the USA and Canada. With our strong global presence in the major future markets of the industry, we help our customers secure commercial competitiveness and support them in entering new markets and business fields.

We accelerate the future

The mobility of the future is built on new technologies and the materials of tomorrow. We are working toward this goal in close collaboration with our customers and experts from around the world. New solutions require new approaches and a reliable partner. Because one thing is certain: The world is evolving and so are we. Our past successes are our springboard for new ideas. We think beyond existing horizons, from the development and use of new materials to more cost-effective production technologies. With an open mind for groundbreaking approaches and exploring new paths in aviation, we at FACC are always one step ahead. The innovations we create today will become the standards of tomorrow.

We offer more than just good prospects

With our strong market position in a highly attractive growth industry, we are able to guarantee our investors promising perspectives. In aviation, safety and reliability are top priorities. This also applies to investments. Thanks to AVIC, a Fortune 500 group and our main shareholder, we have access to the Chinese market, the largest growth market in the world. Our corporate strategy is to responsibly expand our global market position and to lead the way in developing new solutions. Our mission as a company is to ensure high performance, safety and long-term sustainability for our customers and investors.

We have ambitious goals

As the preferred Tier-1 partner of the aerospace industry, we wish to continue growing in all our segments and further expand our international network. Our aim is to achieve profitable growth. This means that a steady increase in our sales should go hand in hand with a gradual improvement in our profitability and cash flows. At the same time, we wish to increase our market shares through our technological leadership and innovative new products. We are focusing above all on increasingly integrated, more complex components and systems. We equally rely on the strong and internationally renowned FACC brand to attract the best employees by positioning ourselves on the job market accordingly.

Successful in three market segments

01

Aerostructures.
Innovative, light & durable.

Lightweight components for wings, tail units and fuselages have been our core area of expertise for more than 30 years. We are the ideal partner when it comes to developing, qualifying, certifying and manufacturing both primary and secondary aircraft structures. As a system integrator, we deliver ready-to-install turnkey solutions of the highest quality. Perfection through passion is what we stand for.

02

Engines & Nacelles.
Quieter, lighter & more efficient.

Our engine products are designed for maximum performance and the highest loads. The results of our efforts are components that set new standards in terms of noise emission, weight savings and efficiency in cold air flow conditions and fairings thanks to special manufacturing technologies. Using state-of-the-art design and high-tech materials, we not only improve aerodynamic properties, but also reduce engine noise by 60% – an added bonus for passengers in the aircraft itself as well as for areas surrounding the airport.

03

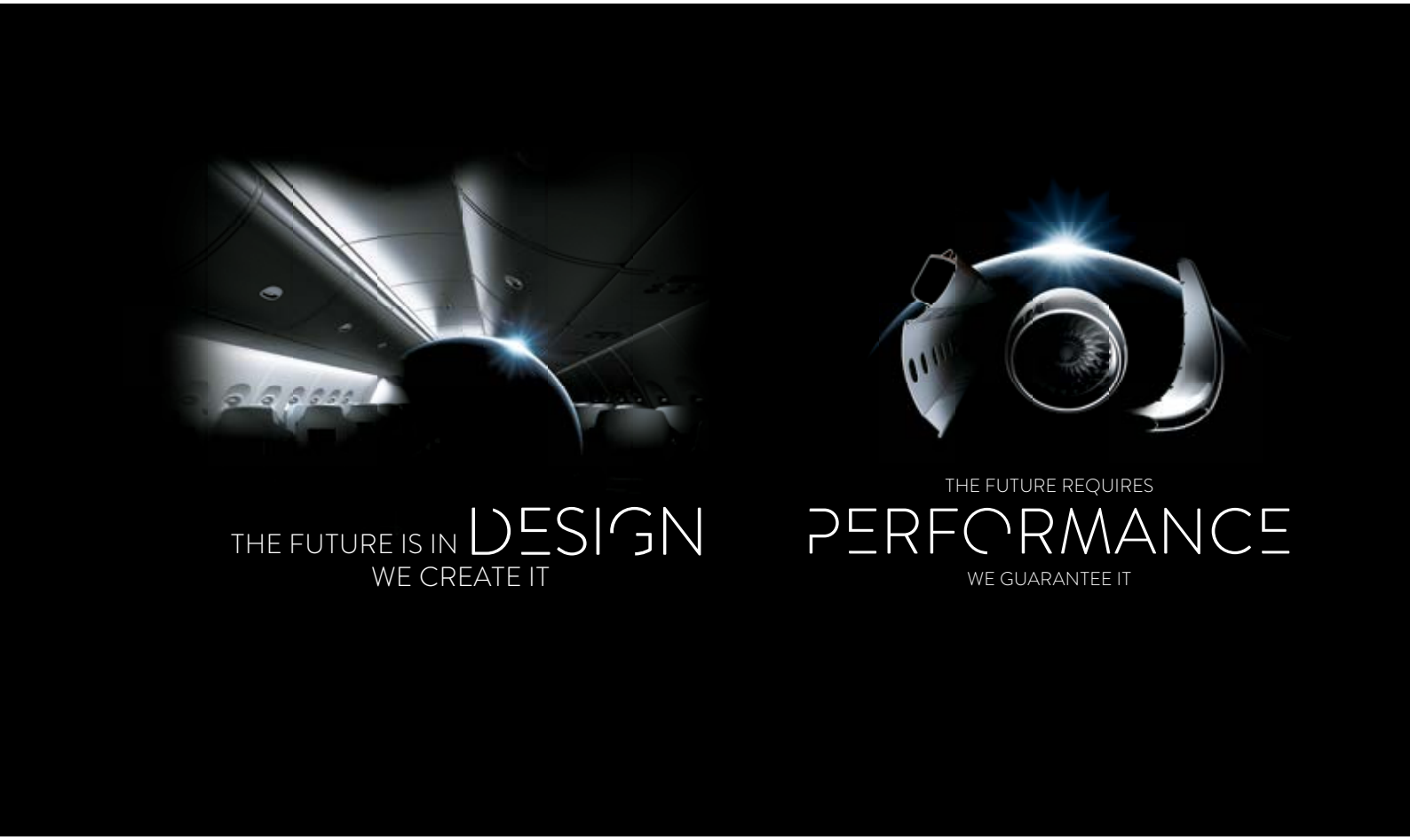
Cabin Interiors.
Comfortable, functional & esthetic.

With our know-how and passion for developing the best solutions, FACC is the perfect partner for complete cabin interiors. From overhead stowage compartments to lavatories, from space optimisation concepts to the integration of fascinating multimedia entertainment, from pleasant-to-touch surfaces to an appealing appearance. Efficient and functional for OEMs and airliners or customised for business jets. We offer complete solutions from a single source.

And we guarantee lasting performance:

Aftermarket Services.
Repair, refurbish & replace.

We are a true one-stop shop. Building on the expertise of an OEM and a powerful infrastructure in America, Asia and Europe, we also ensure that aircraft return back to the skies sooner and with better fuel economy. We offer our customers all the standard maintenance and repair services and are qualified to provide design services for repairs and modifications.

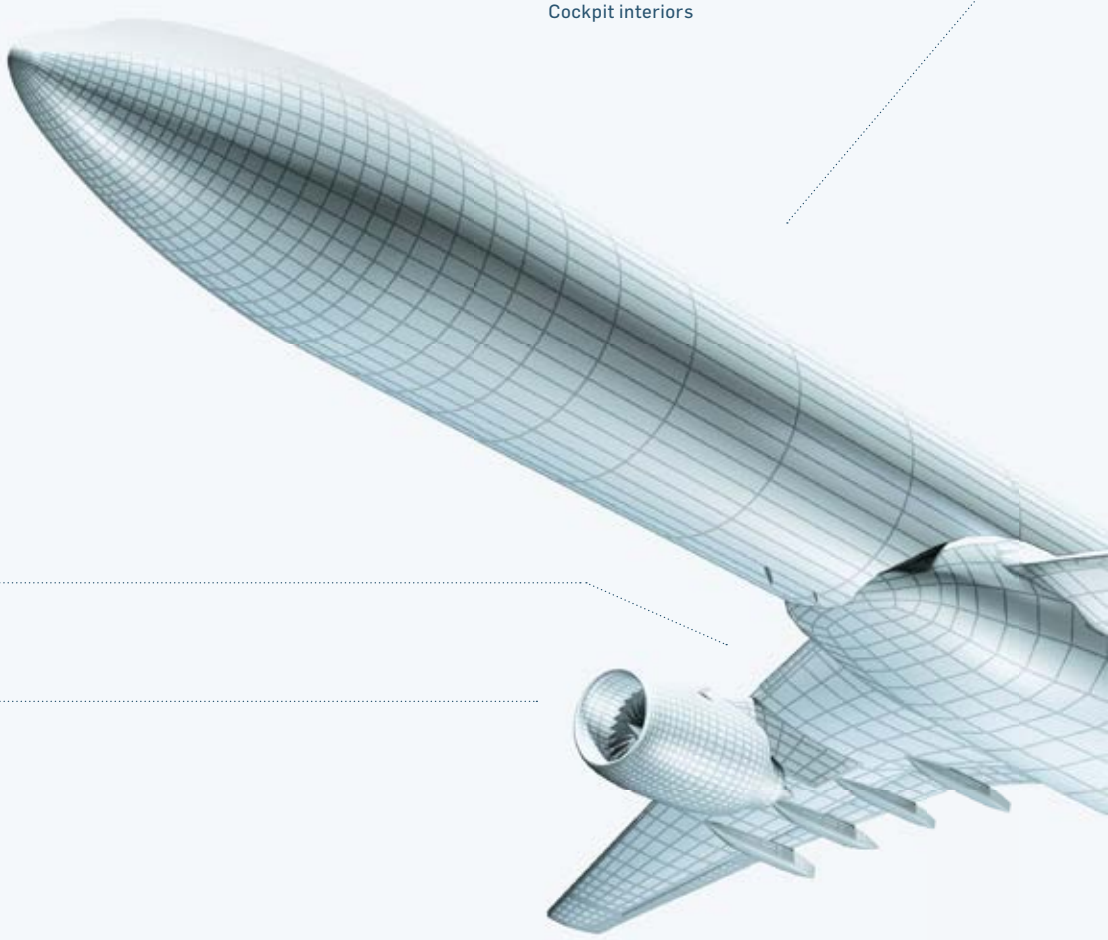


Products and technologies

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

Radomes

Cockpit interiors

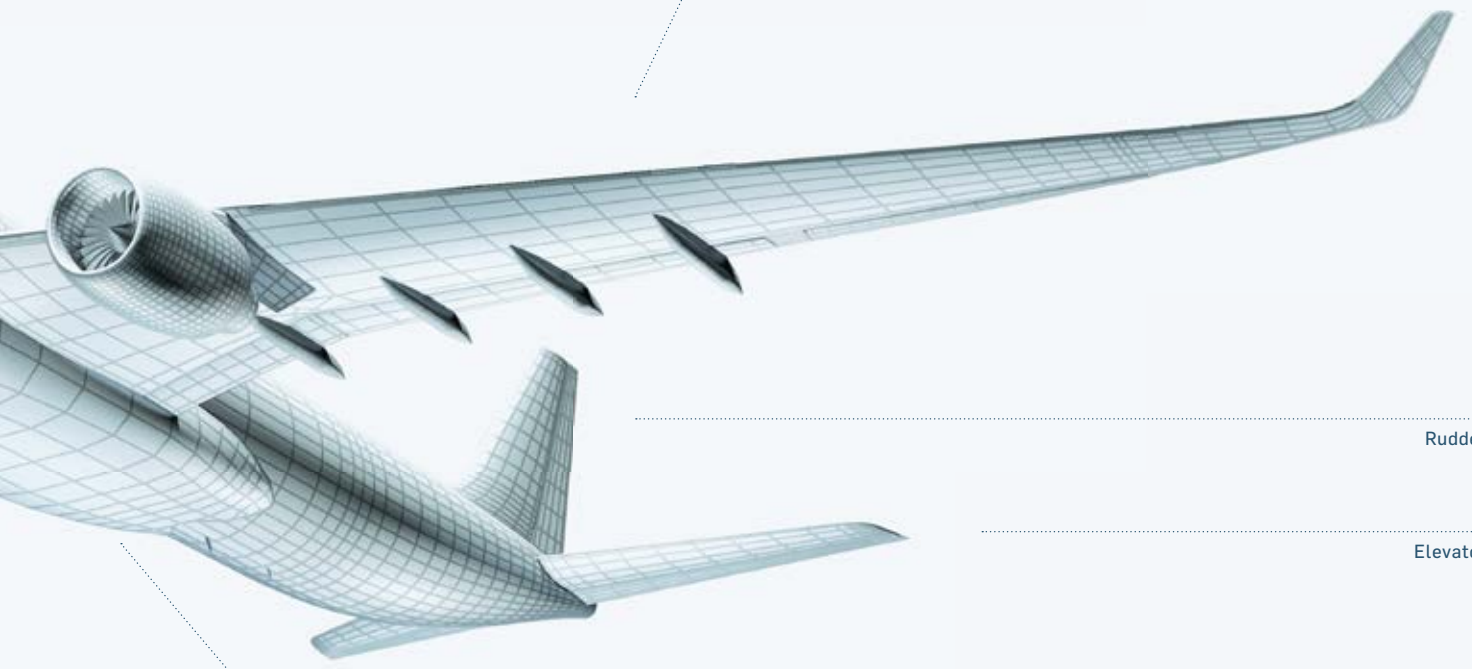


Pylon fairings

Spinners
Acoustic liners
Flow divider for jet engines
Acoustic bypass ducts
Core fairings
Electronic boxes
Fan track liners
Translating sleeves
Blocker doors

Passenger cabins
Floor, wall and ceiling panels
Kitchens
Toilets
Overhead stowages
Windows with shades
Dividers
Cargo compartments
Door & door frame linings
Cove light panels
Smoke detector panels
Cabinets

Winglets and wingtips
Wingboxes
Flap track fairings
Various wing panels
Spars and ribs
Spoilers and airbrakes
Leading edges
Ailerons
Flaps and flap ribs



Rudders

Elevators

Wing-to-body fairings

FACC on board

Products and technologies

AERODYNAMIC LIFT

Flaps
Flap ribs
Wing components
Leading edge panels
Wing boxes
Wing panels

FLIGHT CONTROLS

Ailerons
Elevators
Rudders
Spoilers & airbrakes

TECHNOLOGIES

Material developments
Process developments
Manufacturing methods

PROPULSION SYSTEMS

Bifurcation fairings
Blocker doors
Acoustic bypass ducts
Engine core fairings
Electronic boxes
Exhaust nozzles
Fan cowls
Fan track liners
Inlet outer barrels
Nose spinners
Translating sleeves

COMFORT

Acoustic liners
Cockpit linings
Entrance door and service door linings
Main cabins
Aircraft monuments
Overhead bins
Side wall panels, ceiling panels
Divans, sofas, tables, separation doors

AERODYNAMICS/FUEL BURN SAVINGS

Flap track fairings
Pylon fairings and secondary structure
Winglets
Wing-to-body fairings

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

First flights 2017

Comac C919

Boeing 737 MAX

MS-21

A330neo

First flights since 1967

1967	Boeing 737
1969	Boeing 747
1981	Boeing 767
1982	Boeing 757
1983	Hawker 800
1984	Dassault Falcon 900
1987	A320 Family
1991	A340
1992	A330 Family
1993	Dassault Falcon 2000
1994	Boeing 777 Eurocopter EC135
1996	Bombardier Global 5000/6000
1998	Boeing 717 (MD-95)
2000	Eurocopter EC145
2001	Bombardier Challenger-300 Family Gulfstream G550
2003	Gulfstream G450 Series
2005	A380
2007	Embraer Phenom 100/300 Embraer Lineage 1000
2008	Sukhoi SSJ100 Comac ARJ21
2009	Boeing 787
2011	Embraer Legacy 500
2013	Embraer Legacy 450 A350 XWB Bombardier C Series
2016	A320neo Bombardier Global 7000/8000 Embraer E-Jet E2 Family
2017	Comac C919 Boeing 737 MAX MS-21 A330neo
Upcoming	Xi'an MA 700 Boeing 777X

Attractive orders

A GLIMPSE INTO OUR ORDER BOOK

Thanks to its outstanding market position and technological excellence, FACC landed a large number of major new orders and follow-up orders from renowned aircraft manufacturers in the past financial year. According to current market estimates, these orders represent a total contract volume of some EUR 750 million.

They are expected to have a positive impact on the Group's sales development and make a significant contribution to successfully achieving the Group's Vision 2020*plus* strategy as early as the second half of the 2019/20 financial year. FACC already has an order backlog of USD 5.9 billion, and the trend in the aircraft industry is clearly pointing towards further growth.

The following are some outstanding examples from our full order book.

Airspace XL Bins and ceiling panels for Airbus

FACC is Airbus' technology partner in the development and manufacture of overhead stowage compartments and ceiling panels for the new A320 Family "Airspace" cabin. The "Airspace XL Bins" – the largest overhead stowage compartments in the category of short and medium-haul aircraft – will offer space for eight (instead of previously five) pieces of luggage. Series production is scheduled to start at the end of 2018.

Wing-to-body fairings for Bombardier Aerospace

FACC is also set to manufacture the wing-to-body fairings for Bombardier Aerospace's new C Series regional aircraft family. The order has a sales volume of around EUR 100 million. FACC is already producing wing-to-body fairings for the Bombardier Challenger 350 and Global 7000/8000 models. This new order underscores FACC's strategic importance as a key technology partner for Bombardier.

Enginge components for Rolls-Royce

FACC meets Rolls-Royce's high production requirements for engine components with innovative manufacturing technologies and a reliable, competitive global supply chain. In 2017, the companies signed a multi-year contract worth EUR 35 million for the supply of lightweight composite components for a new engine platform.

Rudders for Bombardier Aerospace

FACC has secured an order to manufacture rudders for the new C Series short-haul jet of the Canadian aircraft manufacturer Bombardier Aerospace in cooperation with the Italian aerospace company Leonardo. For FACC, this order represents an important step towards the production of primary aircraft structures.

Fan cases for Pratt & Whitney Canada

FACC received another order from Pratt & Whitney Canada for the manufacture of fan cases for the PurePower® PW800 engine in 2017. This next generation of business jet engines sets new standards of performance and fuel efficiency.

Cover story

THE MIDDLE KINGDOM. A WEALTH OF OPPORTUNITIES.

No country in the world is currently developing at a faster pace than China. The gross domestic product per capita has more than doubled in China over the past ten years alone. And all signs are pointing to further growth. This also increases the need for mobility among China's 1.4 billion inhabitants – including the demand for new aircraft in the aviation industry.

The Comac C919, the first wide-body jet developed entirely in China, took off in May 2017. FACC components were also on board.

20 percent of all aircraft orders come from China

Significant increase of travel activity by 2035

AVIC employs 450,000 people worldwide

FACC is an important partner on all aircraft developed in China

President Xi Jinping announced the People's Republic's new economic strategy at the National Congress of the Communist Party of China in October 2017: In the coming years, China will no longer focus solely on growth and exports, but rather on the development of domestic consumption and the promotion of innovation in its own country. The main focus will be on the purchasing power of the general population. This is an area which offers great potential as wealth in China is still unequally distributed, something which Jinping believes should change in the medium term. This reorientation of economic policy offers enormous opportunities for the Chinese domestic market, in particular for the service sector – and thus also for the aviation industry.

China: The second-largest aircraft market

Already today, around 20 percent of all new aircraft manufactured worldwide are delivered to China. This makes the Chinese aircraft market the second-largest after the United States. Moreover, Chinese passenger volumes are forecast to reach Europe's 2016 figures by 2035. Against this backdrop, it is hardly surprising that Beijing is striving to build up its own aircraft industry in the long run. The maiden flight of the Comac C919, which was developed in China, in May 2017 was the first major step in this direction. In addition to the C919, which is to be used in line operation after 2019, Comac is already working on the development of China's second wide-body jet, the C929. Both machines are brimming with Western technology, including that of FACC.

Access to an important growth market

FACC's presence in the world's largest growth market is not only due to its technology. The Chinese majority owner AVIC, who has held a majority stake in the FACC Group since 2009, has opened up a wide range of development opportunities for the company. Since then, the partnership has paid off for both sides: While AVIC has direct access to European know-how and cutting-edge technology, FACC has a partner that provides long-term access to the promising Asia-Pacific economic area. In this way, the company also permanently secures its locations in Upper Austria as the People's Republic's demand for commercial aircraft with know-how from Austria is continuously on the rise.

China takes off

The Chinese market is considered to be the market of the future for the aviation industry. Since 1996, the number of passengers in the People's Republic has increased almost tenfold from around 50 million to 488 million. Annual growth rates of 6.8 percent are also forecast for the next 20 years. It is obvious that this will require the airlines to expand their fleets. More than 6,000 new aircraft are expected to be needed in China by 2036.

High tech from the Middle Kingdom

China, however, is not only an exciting environment from an economic perspective. The country is also in the fast lane when it comes to technology and innovation. This, in turn, opens up interesting perspectives for FACC: As a development and production partner, the company is already involved in three programmes of the Chinese aircraft industry: Comac C919, Comac ARJ21 and Xi'an MA700. In 2011, FACC founded its own development centre in Shanghai, where eleven employees are involved in engineering and comprehensive customer support.

Securing long-term potential

Today, FACC is already one of the world's leading lightweight construction companies in the aircraft sector in terms of innovative strength. As a financially strong majority shareholder, AVIC offers the FACC Group ample scope for development in this area and secures the company's leading position in the development of innovative solutions for aviation in the long term. At the same time, AVIC acknowledges the independence of FACC and supports its strategic objective to expand its market position as an established development and systems supplier to OEMs and Tier-1 companies in the aerospace industry, thereby securing long-term growth and profitability.

AVIC: From China to the whole world

Aviation Industry Corporation of China, Ltd. is a state-owned Chinese aerospace company based in Beijing. AVIC is a major player on the global market and is listed among the Fortune 500 companies. With more than 100 branches and 27 subsidiaries, the group is one of the ten largest Chinese industrial enterprises. The company's business areas include passenger and transport aircraft, helicopters, avionics, motor vehicles and electronics. In 2017, AVIC had a workforce of 450,000 employees worldwide and generated sales of USD 63.96 billion.

A partnership with added value

Excellent customer relationships

AVIC has no influence on FACC's existing business relationships. Customers and suppliers can rely on a reliable partnership and the highest FACC quality.

Securing locations

AVIC's ownership helps not only to maintain all existing locations and safeguard jobs. In Austria, even more jobs are created for highly qualified experts.

Pooling know-how

Aircraft manufacturers are placing increasingly heavy demands on their suppliers. Thanks to its partnership with AVIC, FACC is now in a position to better live up to these expectations. The business fields of AVIC and FACC complement each other perfectly.

Synergies and potentials

AVIC and FACC work together as a full-service provider for aircraft interiors. This not only generates synergy effects, but also creates great economic potential.

A partnership in numbers

The majority takeover by AVIC in 2009 has significantly sped up the economic development of the FACC Group.

Initial public offering
2014: IPO on the Vienna Stock Exchange

Investments of
EUR 450 million

2,000
New jobs

750 million EUR
Turnover tripled since 2009

Investment pipeline of
EUR 70 million

Andreas Ockel: COO with Chinese background

Raised in Hong Kong, Andreas Ockel is professionally "at home" in China as well. As the former head of purchasing of one of BMW's joint ventures and later as the CEO of the joint venture of Airbus Tianjin with TJFTZ and AVIC, he is very familiar with the Chinese market. He has been using this experience to the benefit of FACC since he became Chief Operating Officer in November 2017. The former NATO helicopter pilot is bound to take FACC to new highs.

India: A tiger awakens

Another market which often takes a back seat to the rapid development of the Chinese economy is India. But here too, the middle class, and with it, the number of air passengers is growing rapidly. Airbus expects the volume of passengers within the Indian subcontinent to increase sixfold over the next 20 years, thereby reaching the current level of the USA. In 2016, India (+12.6 percent), China (+12.7 percent), Indonesia (+9.7 percent), Thailand (+9.2 percent) and Vietnam (+25.6 percent) were among the top ten in terms of air traffic growth. This makes the entire region one of the most promising markets in the aviation industry. With an engineering centre in Pune and cooperation with its Indian manufacturing partner TAML in Bangalore, FACC is right at the heart of it all.

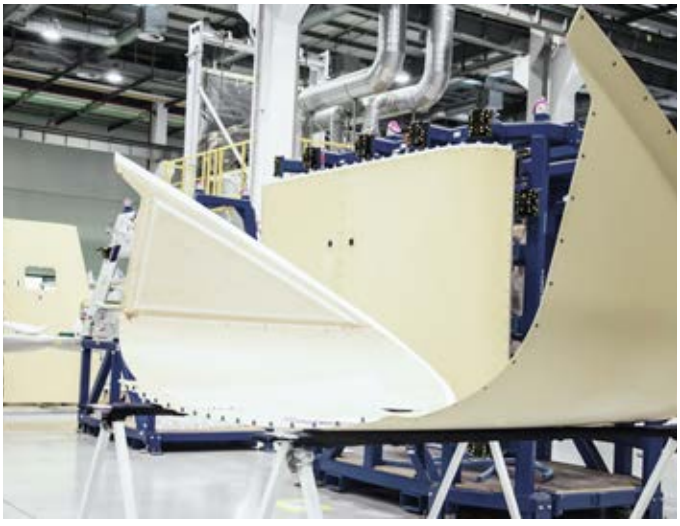
FACC developed the entire plant layout and specified the necessary equipment for its Chinese sister company Fesher.

Joining forces

AVIC is linked to numerous other companies in the industry with which FACC works closely, when required, to expand its product range for its customers. In the medium term, FACC's goal is to offer solutions for the entire aircraft cabin – from nose to tail, from the floor to the ceiling, from seats to monuments, from lavatories to the integration of water, electrical and lighting systems. This permits the company to act as a strong supply chain manager whose services range from the pre-design phase to system integration for OEMs. The partnership with AVIC also grants FACC access to additional, cost-efficient production capacities in China, thus acting as a natural hedge against possible exchange rate fluctuations.

The joint appearance of AVIC and its subsidiaries AIM, Thomson and FACC at the AIX (Aircraft Interiors Expo) in Hamburg in mid-April 2018 underscored the close cooperation within the Group, which by no means only benefits FACC. FACC works closely with its Chinese sister company Fesher Aviation Components, which manufactures composite components for the Aerostructures and Cabin Interiors segments. FACC was instrumental in developing the company, which was founded in 2011, into a high-tech supplier for international aircraft manufacturers. Two FACC projects for Airbus, two for Boeing and two for Bombardier are currently underway at the Fesher plant in Zhenjiang.

The majority takeover by AVIC has already had a very positive impact on FACC and all its stakeholders. In the extremely dynamic market environment of the aerospace industry, whose centre is increasingly moving towards China, the cooperation between AVIC and FACC has one main advantage: enormous future potential for both parties.



Production of the wing-to-body fairings for the Bombardier Global 7000 at Fesher

FACC attended the AIX in Hamburg together with AVIC and subsidiaries.

FACC
Made in China

Cabin Interiors
for the Comac ARJ21

Cockpit interior
for the Comac C919

Flap Ribs
for the Airbus A380

Winglet
for the Comac C919

"... DUE TO THE POSITIVE TREND IN THE AVIATION INDUSTRY, WE WILL BE WORKING AT FULL CAPACITY FOR YEARS TO COME ..."

Robert Machtlinger

Interview with the Management Board of FACC AG, Robert Machtlinger (CEO), Andreas Ockel (COO), Aleš Stárek (CFO) and Yongsheng Wang (CCO)

Andreas Ockel

Aleš Stárek

Yongsheng Wang

Mr. Machtlinger, the past financial year was a big year for FACC. As CEO, how do you rate the overall situation?

Robert Machtlinger:
Our top priority was to successfully shape our operational growth by making progress along four dimensions: continued sales growth, the sustained improvement in profitability and cash flow, the further expansion of our market position and the continuous further development of our organisation. And we succeeded in all areas: The 2017/18 financial year was characterised by stable sales growth, a substantial increase in earnings and a significant improvement in cash flow. Thanks to our excellent position as an innovation and technology leader, we were simultaneously able to land new orders and follow-up orders worth around EUR 750 million. In addition to expanding our existing business, we were therefore able to further increase our market shares in the respective segments. We have also further improved our organisation to better achieve our goals for the future. We can proudly say that this was the best year in the history of FACC so far.

Which financial developments stand out? All divisions are now in the black.

Aleš Stárek:
In addition to a very solid sales increase of 6.4 percent to EUR 750 million, we were able to almost double our profitability with an operating result of EUR 48.6 million. All divisions are meanwhile contributing to this development – and we achieved this even earlier than we had initially expected: We had planned to bring all divisions back into the black by the fourth quarter, but we actually succeeded in doing so in the second quarter. The Cabin Interiors division in particular developed faster than expected. We owe this to the fact that the entire organisation worked really hard to consistently implement the measures launched in 2016/17. The improvement in cash flow, which was clearly positive this year with an increase of EUR 75 million, was not only due to the improvement in our profitability, but also to the optimisation of working capital management.

The 2017/18 financial year was characterised by stable sales growth, a substantial increase in earnings and a significant improvement in cash flow.

Robert Machtlinger

Where will things go from here? Do you expect future improvement curves to be equally steep?

Robert Machtlinger:
Perhaps not as steep as last year's, but there are plans for further improvements. We have launched the series production of a large number of new projects, achieved rate increases for existing orders and continued to invest in automation. Against this backdrop, we are sticking to our goal of achieving higher levels of profitability in all segments. The Aerostructures division is our role model in this context. Engines & Nacelles should be able to achieve a high single-digit EBIT margin in the next four years; Cabin Interiors will also follow this trend.

As a supplier, you are heavily dependent on the development of your customers, that is, the aircraft manufacturers or, indirectly, the airlines. What is currently happening in the market in general?

Robert Machtlinger:
The market is in perfect shape and the future also looks very promising. Experts estimate that the global travel industry will grow at an annual rate of 4.4 percent until 2036. While Europe, the USA and Canada are projected to grow by 3.2 percent per year, the expected annual growth rate in the Asia-Pacific region is 5.8 percent. The current forecasts of Airbus and Boeing are equally upbeat. They predict that the number of aircraft in service worldwide will more than double from 20,500 at present to 42,530 by 2036. This means that 34,900 new aircraft with more than 100 seats will be required in this period.

In 2017, Airbus and Boeing delivered a total of 1,481 aircraft. In the medium term, this number is expected to reach 2,000 per year. Nearly 14,000 new aircraft are currently on firm order. The book-to-bill ratio is greater than 1 – which means that more aircraft have been ordered than our customers can currently deliver. Naturally, we feel this too: Our order backlog recently increased in the past financial year and currently amounts to some USD 5.9 billion. Due the positive trend in the aviation industry, we will be working at full capacity for years to come.

In 1997, Airbus predicted that there would be 17,920 aircraft worldwide by 2017. Compared to the actual figure of 18,315, this corresponds to a forecasting error of only 2 percent – even though two economic crises took place in that period. We are therefore confident that the forecasts for 2036 will also be very accurate.

Let us now turn to politics: What effects do you think the current political situation – especially China and Trump – will have on the aviation industry and on FACC in particular?

Robert Machtlinger:
Engaging in these debates naturally requires meticulous observation and ongoing discussion and evaluation. But our market is global, and our industry depends on a worldwide network of know-how. This, of course, also applies to the USA. U.S. manufacturers, for example, use Rolls-Royce engines in addition to American engines, which have to be imported. If you take a look at the U.S. trade balance, you can see that its aviation exports by far exceed the level of USD 100 billion compared to aviation imports of not even a quarter of this amount. That gives me sufficient reason to believe that the measures taken will not be too harsh from an economic point of view. We also believe that any restrictions imposed by the USA on free trade in Europe should be assessed differently from possible measures in China. But even if punitive tariffs are imposed, we can still minimise possible impacts through our global production network. In addition, our supply contracts are generally drawn up in such a way that import duties are to be borne by the customer.

Yongsheng Wang:
You must also remember that trade measures will not change one thing: people's travel behavior. This means that the demand for aircraft will continue to rise. In view of the fact that all manufacturers are fully booked out for seven to eight years, short-term significant shifts between the individual manufacturers can hardly be expected to occur.

China will be in need of around 7,000 new aircraft over the next 20 years. Thanks to its good relationship with its main shareholder AVIC, FACC has a strong footing in this market.

Yongsheng Wang

How does the current development of the US dollar affect planning, and what is the effect of the weak dollar on earnings?

Aleš Stárek:
The dollar exchange rate naturally has an impact because most of our business is conducted in US dollars. However, we have a hedging strategy in place, which relies heavily on natural hedges since the majority of our supplier contracts are also denominated in US dollars. The remaining risk is hedged by means of forward exchange transactions. This allows us to react to short-term developments. This concept has enabled us to plan more easily in the medium term and puts us in a strong position.

Our business performance has considerably improved, which has not gone unnoticed on the capital markets.

Aleš Stárek

What is your overall strategy given all this? Last year, you said that achieving sales revenues of EUR 1 billion was only an intermediary goal …

Robert Machtlinger:
Looking at the current market situation, the forecasts for the future and our order book, I can only confirm last year's statement. Our basic strategy remains unchanged: As the preferred Tier-1 technology company, we wish to grow profitably and sustainably and further expand our international network. The focus here is on strengthening our global position with the support of our majority shareholder AVIC. At the same time, we wish to increase our market share through innovative new products. We are relying on increasingly integrated and more complex components and systems such as rudders or engine components such as fan casings. At the moment, we are also tapping into the repair and retrofit market with "Aftermarket Services" recently introduced as a new business area.

You specifically mentioned China – the country of your main shareholder. What does China mean to you?

Yongsheng Wang:
China is one of the largest, if not the largest market in our industry worldwide and will be in need of around 7,000 new aircraft over the next 20 years. Thanks to its good relationship with its main shareholder AVIC, FACC has a strong footing in this market. AVIC, for its part, occupies a leading position in China, whose government is specifically promoting the expansion of the aircraft industry, while also expressly encouraging European producers. This gives rise to a variety of synergies. FACC, which is in possession of outstanding technologies, will take full advantage of its partnership with AVIC.

What else does your location policy include? Will FACC products continue to be "Made in Austria" after 2020?

Andreas Ockel:
What counts for our stakeholders is the label "Made by FACC". With our worldwide locations in Europe, America and Asia, we are represented globally and thus well-positioned to follow our customers to their growth markets. However, the largest production sites and our innovation centre in particular are and will remain firmly rooted in Austria. This is the DNA of FACC and ultimately the basis for our technological edge and long-standing reputation as an innovative technology partner to the aircraft industry. In the future, we will also be expanding our production network beyond Austria's borders in the Aftermarket Services segment to meet our growth targets. We want to achieve growth where it best suits the product, the customer, the company and our shareholders. Conversely, our global location strategy also supports value creation at our Austrian locations as this is where technologically complex projects are developed, qualified and produced.

What can shareholders expect from the new Aftermarket Services business area mentioned above? What potential do you think it has? Will investments also follow?

Robert Machtlinger:
The repair, retrofit and refurbishment sector represents an annual market volume of USD 64 billion worldwide, the majority of which is accounted for by spare parts marketed by the OEMs themselves. The remaining USD 14 billion, however, are generated by repair and retrofitting services. In the component repair business in particular, there will be a shift from metallic to composite repairs due to the high composite content. This is why we decided to enter this market two years ago and are now aiming for sales of up to EUR 70 million by 2020/21. We are systematically implementing this strategy and have successfully completed further important milestones in the last twelve months. Our sites have obtained the necessary aviation approvals, with FACC USA being particularly successful in Wichita. The plant recently tripled its sales volume, albeit starting from a low initial value. In the meantime, we have also strongly positioned ourselves in this new business area in Canada and Austria. It is particularly important to build up your own sales network as the market here functions quite differently from the OEM business. While the latter is very long-term and focused on a few main customers, our Aftermarket Services are aimed at a large number of customers. We have therefore set up our own organisational unit with specialists from the Maintenance, Repair & Overhaul (MRO) sector, developed products and thus specifically addressed the airlines. We have already concluded our first contracts with Austrian and Lufthansa Technik.

Andreas Ockel:
Investments for this new business area are fairly low compared to our other business. In the MRO business, specific country organisations are required to conclude contracts with the respective maintenance organisation, and customer relations management is gaining in importance. In addition, business must be much faster as orders can only be implemented within a short period of time. However, this is also what makes this segment attractive because technical know-how, speed and high quality are rewarded accordingly. Often it is a matter of finding solutions rather than simply exchanging components. Innovation therefore also plays a major role here.

We want to achieve growth where it best suits the product, the customer, the company and our shareholders.

Andreas Ockel

You are strongly committed to organic growth. What about possible acquisitions?

Robert Machtlinger:
We always keep our eyes open and also regularly examine candidates for acquisitions or partnerships. Until 2020/21, however, the focus will be on organic growth. Expansions could potentially proceed along two lines: On the one hand, by acquiring technologies and processes that are not yet included in our portfolio; on the other hand, so-called "bolt-on acquisitions", i.e. the acquisition of companies or production facilities with the same or a similar profile, are also conceivable.

Should the expansion of the Management Board be interpreted as setting the course for future growth? How have responsibilities been divided up?

Robert Machtlinger:
We require an experienced and well-diversified management team to achieve our global growth targets. With Andreas Ockel, our Supervisory Board has gained an executive with international experience in the automotive and aviation industries and strong operational and supply chain competence. This means that the Management Board now boasts a high degree of diversity in terms of origin, expertise and experience. On this basis, the allocation of departments was redesigned and optimised, and my dual function as CEO and COO was dissolved in the process. As CEO, I am now responsible for Marketing, Customer Relations, Strategy, Programme Management, Innovation Management, Approval of Quality Management Systems and Marketing and Communications – you could say, for all external agendas. As the new COO, Andreas Ockel ensures that all our customer promises are actually put into practice. The areas of responsibility of Mr. Stárek and Mr. Wang have not changed from the previous year.

Andreas Ockel:
We further developed and strengthened our organisation during restructuring of the Management Board. Evolution of the Group structure was already kicked off in 2016/17 in order to make the entire company ready for the sales target of EUR 1 billion. Important steps were made in this direction in the 2017/18 financial year: The executive position of Chief Operating Officer is divided into centralised and decentralised functions comprising Development, Purchasing, Production, Human Resources and Real Estate. As COO, I am thus responsible for our Austrian and global sites and the associated investments, the development, approval and quality of all our products and, last but not least, for the efficiency of our company.

Yongsheng Wang:
By the way, the fact that all Management Board members are young is very favourable for FACC and its stakeholders. A young team that stands for a focus on sustainability and business development. I consider this to be very important for our company as many of our business activities are of a long-term nature.

You are not only expanding management, you are also investing heavily in your production capacities. What is your main focus?

Andreas Ockel:
FACC has been running a multi-year expansion programme since 2017/18: We are currently investing more than EUR 100 million in an effort to prepare for upcoming growth whilst further increasing our profitability and competitiveness. In this sense, key elements of the programme are capacity expansion, industrialisation and automation as well as new projects. We invested EUR 36 million in the first of three phases in the 2017/18 financial year; further extensive investments will follow in 2018/19 and beyond. We are thus creating the necessary capacities to turn our very respectable order backlog of some USD 5.9 billion into sustainable growth. In both existing and new projects, our investments in capacity expansion are consistently aimed at enabling us to keep our delivery promises.

In the past financial year, you received orders worth EUR 750 million. What are some of the highlights?

Robert Machtlinger:
The most important new contract was concluded with Airbus, our largest customer. As a technology partner, we are responsible for the development and production of the overhead stowage compartments and ceiling panels for the new A320 Family "Airspace" cabin, currently the most modern cabin on the market. For our Cabin Interiors division, this represents a strong growth impulse which will continue well into the next decade. Other important contracts include composite lightweight components for a new Rolls-Royce engine platform and fan casings for a new Pratt & Whitney business jet engine as well as rudders and wing-to-body fairings for Bombardier Aerospace's new short-haul C Series jet. We have thus once again demonstrated our expertise in all our product segments.

And what has happened on the innovation front? FACC has traditionally always been ahead of the market with new high-tech solutions.

Robert Machtlinger:
We do, in fact, have a long tradition of making advance investments in material, process and product development. To this end, we invest sustainably in research and technology. We work closely with our customers to develop today's solutions for the mobility of the future. One of the latest exciting examples is the air taxi, which is currently on everyone's lips in our industry. This concept per se is probably of little interest in terms of quantities. But the lightweight solutions developed in this area can also be applied to large aircraft – and it therefore really pays to be on board here as well. The air taxi thus acts as a kind of technology carrier for affordable lightweight constructions, which are then also used in large aircraft.

Innovation requires a high level of expertise, which brings us to Human Resources. How do you secure the necessary employees with the required competencies – especially in your peripheral location?

Andreas Ockel:
As somebody who has recently moved here from a country of megacities, I can simply say that Upper Austria is a truly beautiful location. If the company has sufficient appeal and charisma, the geographical location becomes even more important compared to a number of large cities. As one of the largest employers in Upper Austria with its strong market presence, renowned customers, unique internationality along with that of its customers, high esteem and a performance-oriented corporate philosophy, FACC really has a lot to offer potential employees. But this should not distract us from the fact that we are constantly competing for the best talents. This is the reason why we work closely with, and are active in, schools, universities of applied sciences and universities, which we also considerably support, to recruit qualified young talents. We are also committed to lifelong learning within the company and therefore offer a wide range of extra-occupational education and further training opportunities. In 2017/18 alone, the FACC Academy organised around 500 seminars, which were attended by roughly 6,550 employees. We also strive to position ourselves as an attractive employer outside of the educational field with a wide range of offers and measures.

Let us now address another important stakeholder group besides employees: Your shareholders must have been delighted with the FACC share last year, which most recently achieved its crowning moment, as it were, by being included in the ATX. What is your take on this remarkable upward trend?

Aleš Stárek:
Our business performance has considerably improved, which has not gone unnoticed on the capital markets. We're naturally very happy about that. Our active Investor Relations work, in the course of which we actively communicated our positive operational development to the public, made a decisive contribution in this regard. This has not only significantly increased the perceived value of our share but has also increased investor confidence – because we have met market expectations. Inclusion in the ATX was, so to speak, the product of our efforts.

How has total shareholder return developed since the IPO? And will dividends be distributed for 2017/18?

Aleš Stárek:
2017/18 was the second financial year in a row in which we achieved solid profits. In addition, we were recently able to generate a clearly positive cash flow. On this basis, we will propose the distribution of a dividend of EUR 0.11 per share to the Annual General Meeting for the first time since our IPO. This proposal is in line with the dividend policy defined at the time of the IPO, which provides for a payout ratio of 20 to 30 percent.

Adding this dividend and the share price increase since the IPO, the total shareholder return is 127 percent. The very first shareholders have thus more than doubled their investment.

Has the shareholder structure changed at all?

Aleš Stárek:
Yes, it was a change for the better: Our intensive Investor Relations activities have led to an expansion and diversification of our investor base. As we are operating in a global industry, we are also seeking a global ownership structure. This was the motivation behind our numerous roadshows in the past financial year, which were aimed in particular at investors involved in the aviation sector. Although we initially focused on the main financial centres in Europe, the USA and Canada are now also an integral part of our investor service. In February, we began to focus increasingly on Asian investors and organised a roadshow in Japan.

Do you sometimes consider capital measures in view of the extensive investments?

Aleš Stárek:
Our top priority is to finance growth from our own resources. Nevertheless, we are currently restructuring our bilateral credit lines to give us the flexibility to also finance larger investments in connection with our growth. With an equity ratio of 45.9 percent, I see plenty of scope in this respect. Furthermore, we are already dealing with the issue of refinancing the last tranche of a promissory note loan due in July 2019 and the bond maturing in 2020.

And finally: What is your outlook for 2018/19?

Robert Machtlinger:
We will continue to consistently focus on the implementation of ongoing or planned activities related to the expansion of FACC. This means that we will begin with phase 2 of our long-term investment programme, which, as was already mentioned, covers automation, Industry 4.0, the expansion of our production capacities and investments in various concrete projects and innovations. We will also place a special focus on processing the new orders signed last year. Here, we are well on schedule and have already achieved significant development milestones. We expect to generate substantial revenues from these new orders for the first time in the second quarter of 2019, whilst continuing to drive forward our innovation activities in close cooperation with our global customers. We are currently working on new material, process and component technologies that we intend to offer our customers for the new aircraft generations that will be on the market until 2025. At the same time, we are working hard to further strengthen our market position in all product segments and to gradually expand the new Aftermarket Services segment. In all events, our ultimate goal is to always keep our customer promise – of offering innovative products efficiently, in the highest quality and as a preferred partner – and thus benefit from the growth dynamics of the aviation market. Based on current market assessments and our current product portfolio, we expect sales growth in the single-digit percentage range and an above-average improvement in earnings for the 2018/19 financial year.

Growing market

THE UPSWING CONTINUES

The global aviation industry once again revised its medium-term growth forecasts upwards in 2017. This trend opens up great opportunities for FACC. The Group is not only strongly positioned in all important markets; it is also represented in most aircraft models with its lightweight components on-board.

Based on current forecasts, 34,900 new commercial aircraft with more than 100 seats and 8,000 new business jets will be needed by 2036 and over the next ten years, respectively, to cope with the growing number of passengers worldwide. Today, FACC with its lightweight technologies is on board almost every modern jet. Figuratively speaking, an aircraft component produced by FACC takes off or lands somewhere on this planet every second.

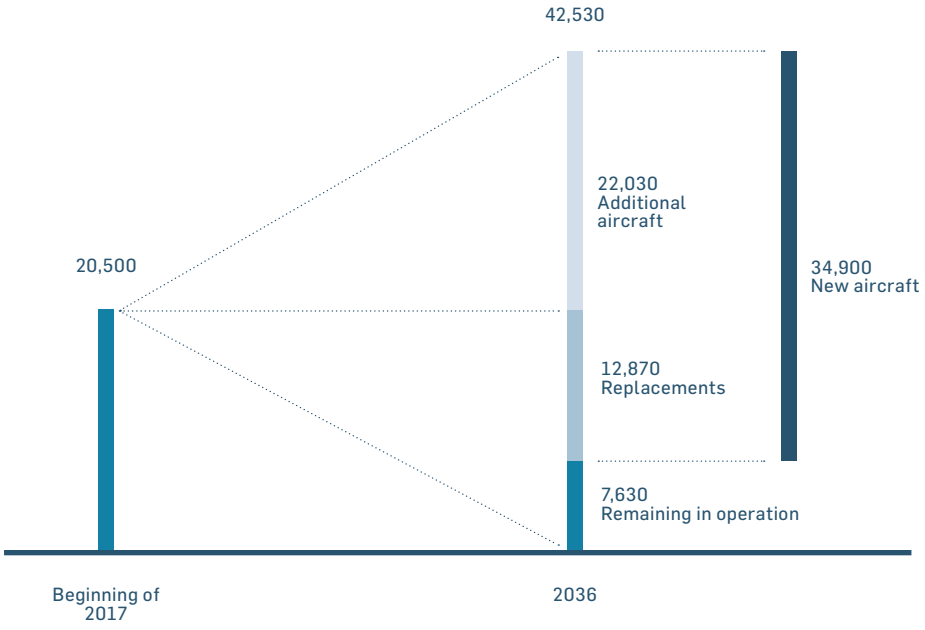
All signs are pointing to growth

The growth trend in the industry is being driven by steadily increasing passenger volumes, measured in so-called "passenger kilometres". Experts expect an annual global increase of 4.4 percent up to 2036. Growth markets are predicted to grow at an above-average rate of 5.8 percent per year, while growth of 3.2 percent per year is projected in highly developed countries. This also means that a larger number of aircraft will be required: While the global fleet of commercial aircraft stood at a total of 20,500 in 2017, this figure is expected to increase to 42,530 by 2036. By then, 12,870 existing aircraft will have reached the end of their service life and have been replaced by new aircraft. 34,900 new aircraft will therefore be needed in the next 20 years.

The high accuracy of previous market analyses allows us to conclude that future projections are also highly reliable. When comparing the 1997 market forecast for 2017 with the actual outcomes, the plan data deviate by only 2 percent. In addition, the market has even developed slightly better than expected: In its 1997 market forecast, Airbus predicted that the global fleet would grow from 9,677 to 17,920 aircraft in the following 20 years to cope with the increasing air traffic. In fact, in 2017, 18,315 aircraft were in service worldwide, thus even exceeding Airbus' predictions.

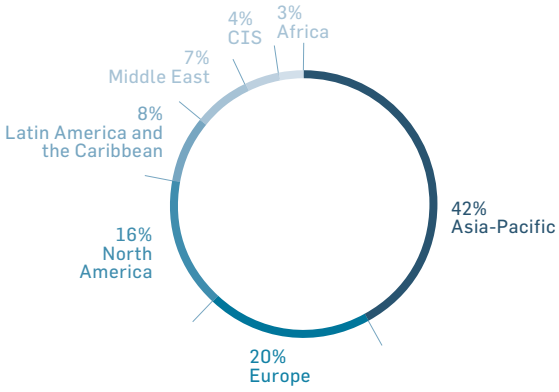
Demand for around 34,900 new aircraft

Aircraft in operation:
Development from 2017 to 2036
Source: Airbus



More than 40 percent of all new aircraft are delivered to the asia-pacific region

Demand for passenger aircraft:
Forecast 2017 to 2036 by region
Source: Airbus

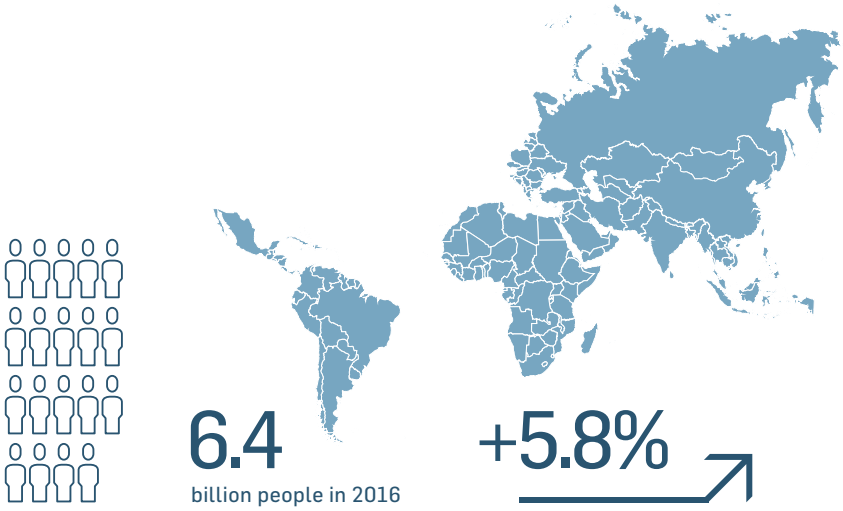


Growth markets contribute more than proportionately to the increase in air traffic

Passenger kilometres:
Expected average growth
in % per year

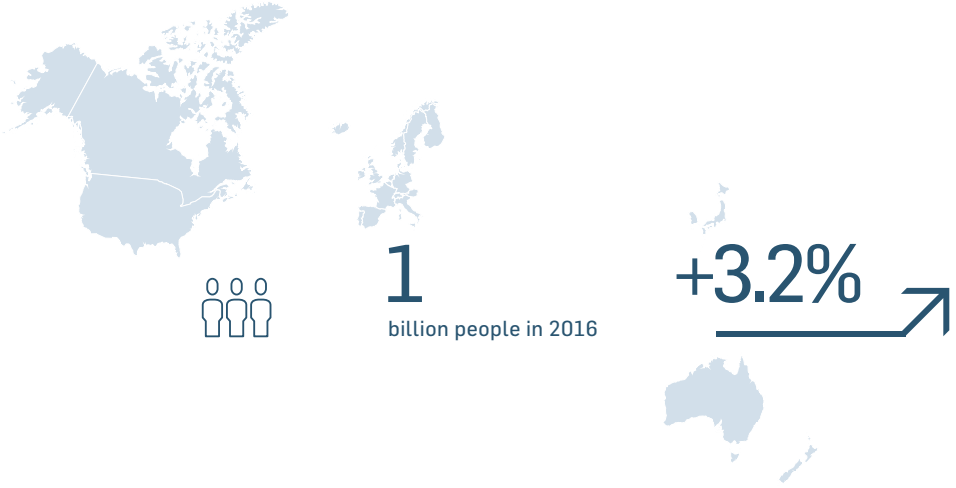
Growth markets

China
India
Middle East
Other Asia
Africa
CIS
Latin America
Central Europe



Advanced countries

Western Europe
Israel
North America
Japan
Singapore
South Korea
Australia and
New Zealand



Source: Airbus

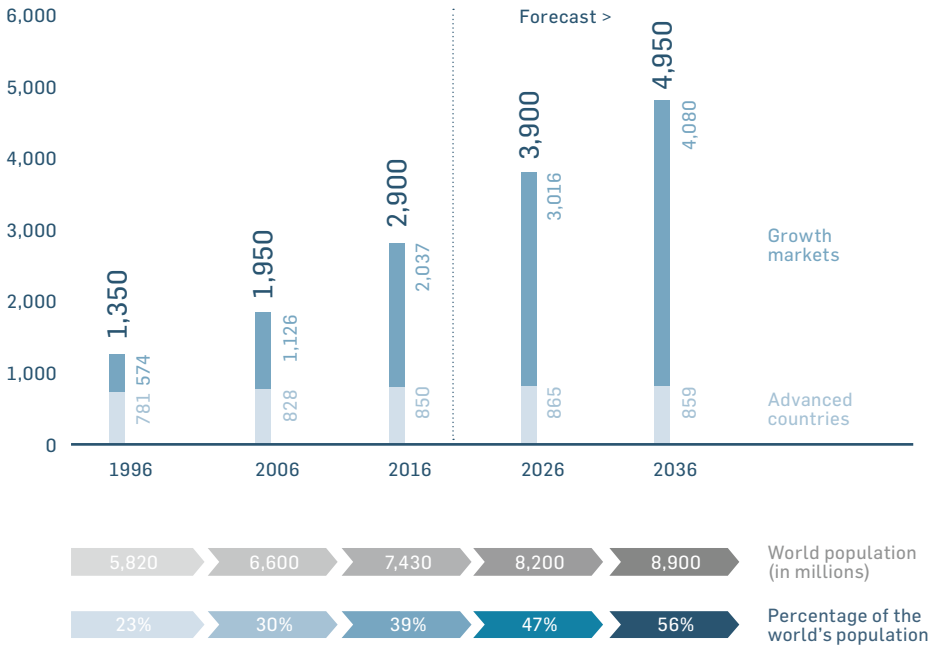
As can be seen, growth of the aircraft industry is currently at a historically high level. This development was triggered, amongst other things, by socio-economic factors, in particular the rising standard of living in growth markets. In conjunction with increasing globalisation, this creates an ideal market environment for the entire aviation industry. Infrastructure is currently also recording considerable growth alongside the dynamic development of passenger volumes and fleet sizes. By 2021 alone, almost USD 1 trillion will be invested worldwide in the construction of new airports and the expansion of existing ones, around 40 percent of which will be spent in the Asia-Pacific region.

The duopoly is turning into a triopoly

Increasing globalisation and the above-average growth in air traffic in growth markets have recently prompted new competitors – many of them with low-wage structures – to enter the market and intensify competition. At the same time, the fastest growing economies such as China and India are trying to build national aircraft industries with state support. The new chinese aircraft manufacturers Comac and XAC are already developing and building passenger aircraft; new aircraft models are either in the flight test phase (C919) or in the product definition phase (C929). Thanks to its ownership structure, FACC is in an excellent position to benefit from the dynamic upswing in the Chinese and Asian market.

Rising standards of living

Middle class[1]:
Forecast 2017 to 2036 (in millions)



[1] In households with an annual income of between USD 20,000 and USD 150,000 (based on 2016 prices)
Source: Airbus

Equipped for new challenges

FACC enjoys decisive advantages in an environment of global competition. In addition to its undisputed position as a technological leader, which has remained unchallenged for many years, the physical proximity to its customers is of particular significance. As part of its corporate strategy, FACC is committed to establishing a strong presence in strategically important markets – either by setting up its own sites or by engaging in cooperation with local companies. Whether at Boeing in Seattle, Airbus in Toulouse, Hamburg or Filton, Embraer in São Paulo or Bombardier in Montreal – FACC takes the term customer proximity literally.

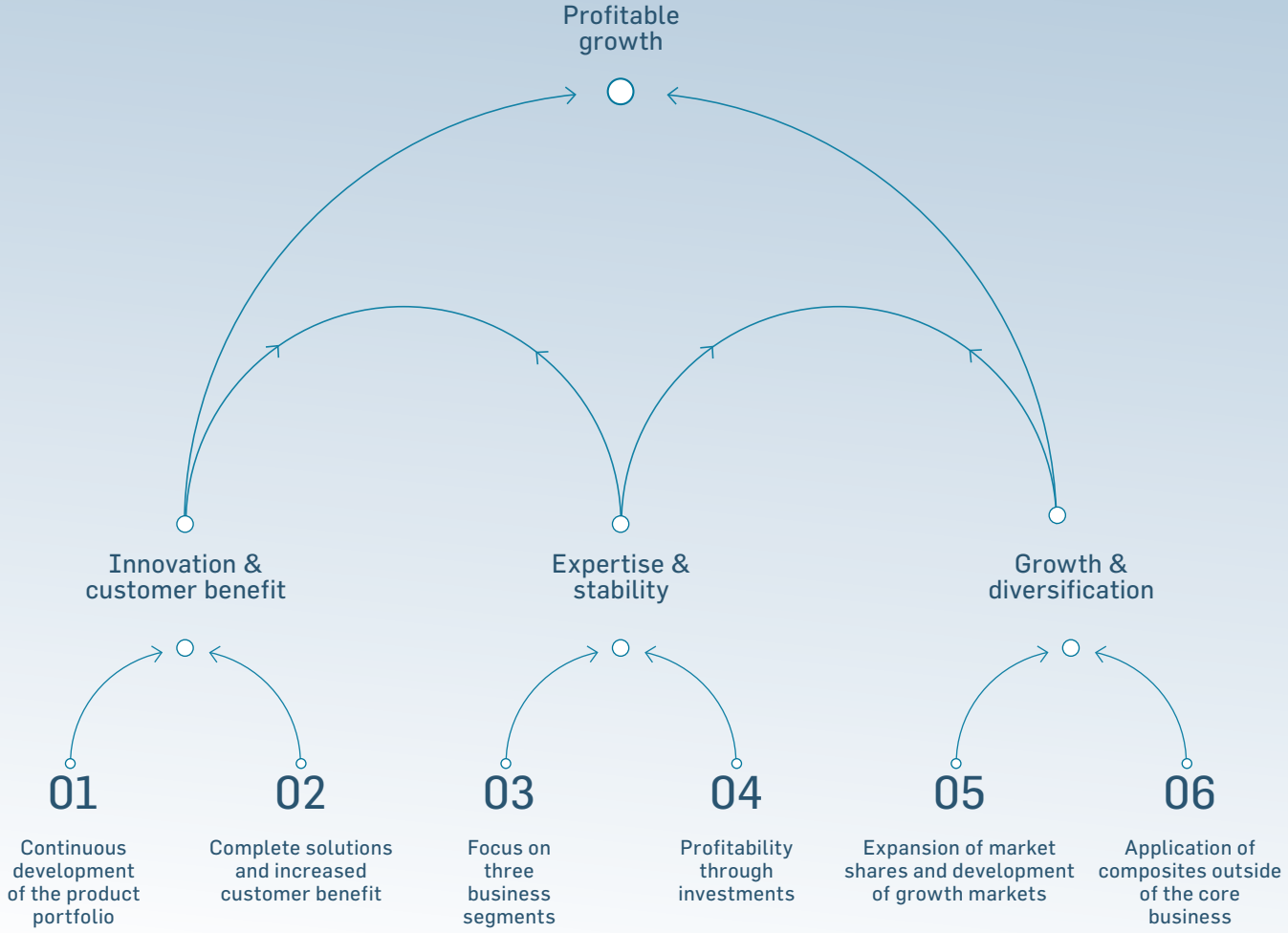
Furthermore, the Group also invested heavily in the expansion of its plant and production capacities in recent years. These measures have really paid off as some of FACC's new projects are now well underway. The increasing number of call orders relates in particular to components for the A350 XWB and Boeing 787 models. In addition, the launch of the series production of Bombardier's new C Series and of the Global 5000/6000 and Global 7000/8000 aircraft models are expected to have a positive impact on the company's sales. The general development in the narrow-body aircraft segment, such as the A320 and the Boeing 737 family, is also encouraging: In both cases, demand is set to increase by double-digit percentages over the next five years.

In the aviation and aircraft industries, all signs are pointing to further growth and dynamism. Thanks to its ambitious future strategy, FACC is ideally equipped for this market environment.

Clear strategy

PROFITABLE GROWTH: SIX ELEMENTS, ONE OBJECTIVE

The strategy by which FACC intends to continue its long-term success in the future comprises six elements designed to further consolidate its strong position. These are geared towards the main objective that FACC wishes to achieve: profitable growth.



Innovation & customer benefit

01

Continuous development of the product portfolio

FACC is committed to intensive innovation to expand its existing product portfolio. The main areas of focus are the further development of existing assemblies and the development of new production technologies, which naturally require the ongoing deployment of extensive research and development resources. At the same time, FACC is keeping open the option of acquiring companies in similar fields of activity.

02

Complete solutions and increased customer benefit

As a provider of innovative, cost-efficient and high-quality complete solutions, FACC offers significant advantages for Original Equipment Manufacturers. The company's business model encompasses a global network that handles the entire process chain of modern supplier production – from conception to long-term customer support. In this way, FACC creates tailor-made benefits and added value for its customers.

Expertise & stability

03

Focus on three business segments

FACC is a world leader in the fields of Aerostructures, Engines & Nacelles and Cabin Interiors. The company is constantly expanding and developing its know-how in these areas, which strengthens its position as a Tier-1 supplier to Original Equipment Manufacturers in the long run..

04

Profitability through investments

An intelligent mix of investments in new technologies, infrastructure and efficiency-enhancing measures ensures the long-term competitiveness and profitability of FACC. Starting from its plants in Austria, new technologies, production processes and know-how are applied at all locations and in all partnered companies worldwide.

Growth & diversification

05

Expansion of market shares and development of growth markets

FACC is increasingly consolidating its position as a development and manufacturing partner of its customers who is actively involved in new aircraft programmes. Furthermore, the company is active in the promising growth markets of Asia and the United Arab Emirates in order to continuously gain market shares.

06

Application of composites outside of the core business

The rapid increase in the proportion of composites in aircraft structures will also change the maintenance requirements in airline service. Two years ago, FACC therefore began to apply its extensive expertise in the areas of component development and series production to activities in the field of maintenance, repair and overhaul by introducing "Aftermarket Services" as a new business area. The medium-term goal is to offer airlines high-quality and efficient composite maintenance services. Composite technology, however, is also increasingly becoming commonplace in other areas of industry – above all in automotive engineering. FACC is carefully monitoring these trends in order to apply the benefits of innovative impulses within non-aviation sectors to its core business. The resulting synergies serve to increase competitiveness and profitability.

Significant increase in profitability

WITH A CLEAR VISION INTO THE FUTURE

The best result in the company's history confirms that FACC is on the right track. The company not only achieved record results in 2017/18 in terms of turnover; strong operating performance, further steps towards automation and efficient cost management also led to a significant improvement in corporate earnings.

As a Tier-1 supplier to renowned aircraft manufacturers, FACC is constantly striving to optimise its profitability, whereby quality, efficiency and supplier reliability constitute the central goals. Ultimately, products should be delivered efficiently, and it goes without saying, in the highest quality just-in-time or just-in-sequence to customers worldwide.

The basis of this are FACC's so-called "LEAN principles" which define how the processes of the entire production and products can become better still. Concrete evidence of the use of LEAN principles can be seen in the fact that FACC was able to reduce its direct manufacturing costs (material, production, logistics and shipping) by approximately 7 percent within just three financial years. At the same time the company's profitability increased significantly, to which all three divisions have contributed positively since the second quarter of 2017/18. Parallel to increasing efficiency, FACC has commenced series production of numerous new projects and raised the rate of existing orders. And finally the company has invested heavily in further automation. In this way all divisions of FACC should achieve higher profitability levels in the next few years.

WIN success strategy

FACC's success as a leading technology partner of the aerospace industry is rooted in the company's so-called "WIN rules". These stipulate how FACC can consistently fulfill its customer promises and develop into a best-in-class company. All employees at FACC abide by the company's central tenet: Colleagues and customers are king!

Profitability is increasing

The development of the contribution margin since 2014 clearly shows that efficiency and profitability are increasing continually at FACC.

Development of the contribution margin 1

FACC'S WIN strategy

Four key precepts are intended to increase FACC customer and employee satisfaction. The overall objective: to deliver products and services on time, on performance and on quality.

01 Zero-defect principle
for optimum use of resources

02 Working in sync
for better coordination

03 Continuous pull principle
for savings in logistics

04 Clearly defined standards
for increased process reliability

Efficiency all along the line

The success of a component is not only determined by quality and performance but also by the efficiency of its production. In addition to reliability and economic efficiency, flexibility is also a decisive factor because each production should be able to be adapted to the individual requirements of the customer with a minimum of effort and expense. In the course of several projects in 2017/18 FACC has demonstrated and proved it is capable of doing this and that it is constantly improving in terms of efficiency.

Manufacture of a winglet for the A350-900 at the mixed model line

Mixed model line for the A350 winglet

FACC is equipping the Airbus A350 XWB family with winglets. Various winglet configurations differing in size and aerodynamic design have been developed for the individual types A350-900, A350-1000 and Ultra Long Range A350 XWB. In the past a separate set of tools was used to fit each winglet type. Now, with the aim of more efficient production, the various assembly lines have been united into a so-called mixed model line where any component configuration can be produced in accordance with customer requirements with maximum efficiency. The results: greater flexibility, shorter lead times, better ergonomic conditions for employees and 50 percent less floor space required.

Laser projection onto the work surface

Machine utilisation plays a key role in efficient production. At FACC, while one component is curing in the press, the next is therefore individually assembled with prepreg and honeycomb core and prepared for the press. In this way the tool can be loaded in twelve-minute cycles. In order to make it easier for employees to assemble the individually different component variants and to accelerate the process, at FACC important information is projected with a laser onto the work surface. Thus the employee receives the right information at the right time and in the right place. Non-digital working aids for assembly such as jigs are no longer necessary. Following the pilot phase, the system will be deployed for all FACC presses and assembly stations, and will be further developed for digital production and quality documentation.

Plasma technology for surface activation

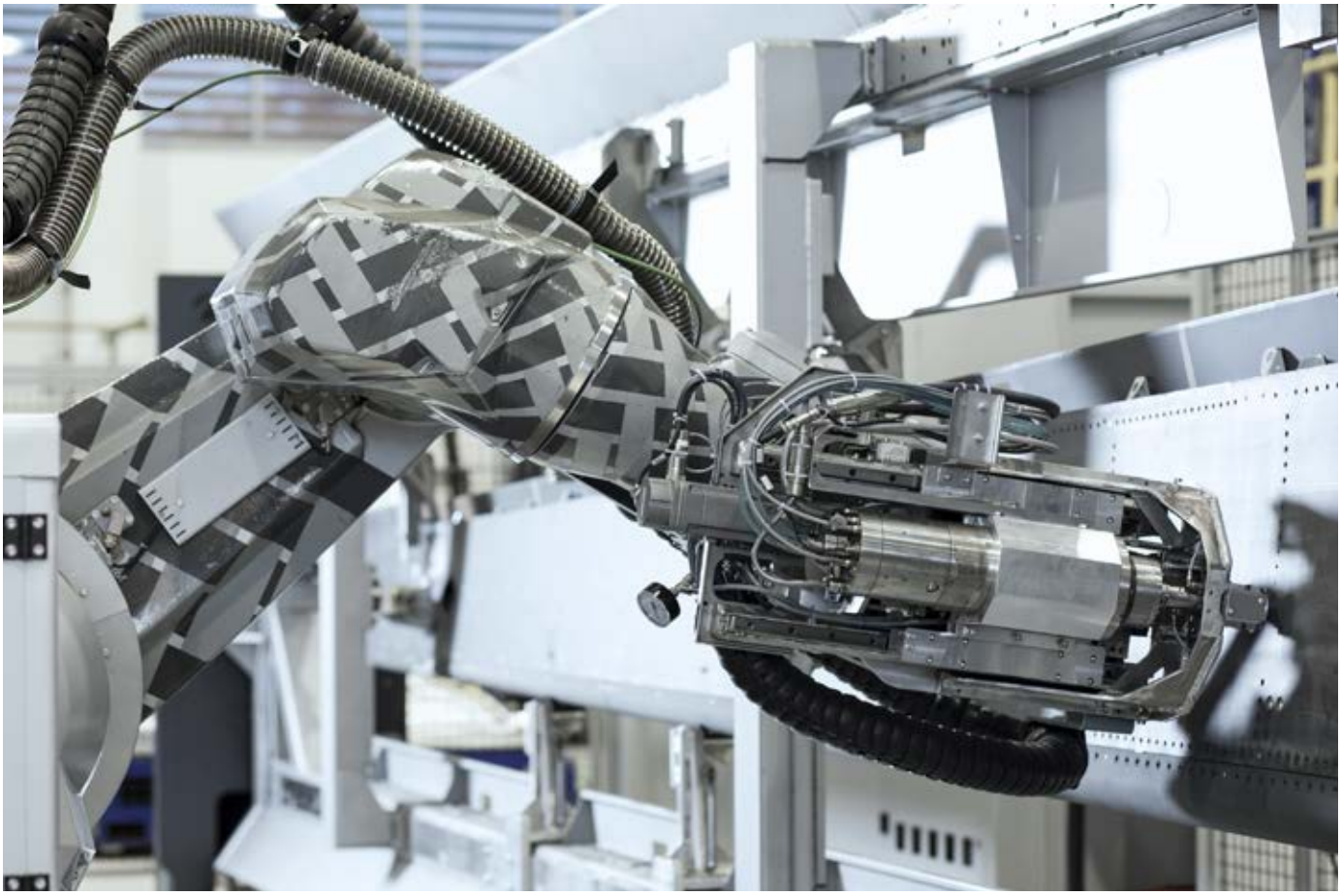
At FACC fibre-reinforced plastics, thermoplastics, elastomers and other materials are joined by adhesion. Up until now the component surfaces were prepared for this conventionally by means of grinding and cleaning with solvents. In 2018 FACC set up a plasma facility which has considerably speeded up this time and labour-intensive process. By applying plasma technology to cabin interiors, plastics and elastomers are additionally surface activated, which further increases their bondability and at the same time leads to a reduction in costs.

Synchronised assembly lines

In 2017 the synchronised eight-step assembly line for producing the translating sleeve for the A350 XWB went into operation. An essential innovation of this production line is that it requires a smaller number of assembly devices. Hitherto a variety of such devices had been used within the scope of the entire assembly process. In the new concept they are only employed at the beginning of production because after the shaping components have been joined the complex parts, which are four metres in diameter, move through the further stages of production on assembly dollies where detailed assembly work is undertaken. This is followed by a visual check before three further final assembly stations follow including a final inspection in the rotating and turning carriage. Targeted dispersion points ensure that the correct quantities of materials required are always available. Precisely designed work instructions and inspection plans guarantee trouble-free operations.

The newly developed production concept has led to 25 percent more output with less manpower deployment. In addition, working harmonised and in sync has simplified tasks and increased process reliability. FACC is working towards implementing further such projects in the entire production area, encouraged by the success of this synchronised assembly line.

The production of A321 landing flaps requires maximum precision: A CNC-controlled industrial robot carries out thousands of bores automatically with narrowest tolerances.



Mixed model line for blocker doors

The so-called "flexible blocker doors" installed in the interior of the translating sleeves deflect the jet blast and thus decelerate the aircraft after landing. By reversing the conventional production method FACC not only shortened production times and raised output while reducing space requirements but also made it possible to produce various types of blocker doors on one line. Prior to this transition, a work distribution diagram determined the optimum capacity of the total of eight workstations which incidentally can be supervised by four employees. This is because the individual process steps are implemented more efficiently by double workstations whereby one employee operates two workstations and thus works on the second tool while the first is compacting. In so doing the ergonomic improvement of the workstations was taken into account.

The mixed model line provides the materials required directly and with absolute precision eliminating the need for long procurement routes. Moreover, floor space requirements are reduced by more than fifty percent. Overall the new concept generated a significant reduction in production times while at the same time increasing output.

Four employees operate eight workstations on the mixed model line.

Active thermography: Faster and more exact

In contrast to technologies based on ultrasound, active thermography as a new, highly efficient testing method for lightweight components is characterised by a significant reduction in testing times and costs while at the same time increasing reliability. Furthermore, it enables the imaging of complete components within seconds and the equipment needed for thermographic testing is mobile, universally usable and significantly less expensive. Thanks to its numerous advantages, this method has the potential to revolutionise the non-destructive testing of aircraft components. This completely new procedure may be integrated into production lines and represents for FACC yet another giant step towards Industry 4.0.

A world first in aviation, FACC has been awarded certification by Boeing to use active thermography as a testing method in series production. Great efforts are already underway to obtain certification for two further large aircraft manufacturers, likewise as the first supplier worldwide. In 2017 FACC received the Upper Austrian Innovation Award for the development of active thermography.

Ultrasonic cutter: New cutting technology

Using an ultrasonic cutter to cut dry weave to size has increased the efficiency of the cut by more than 100 percent. The technology renders the cut more precise and significantly enhances the quality of the blanks.

Central core production

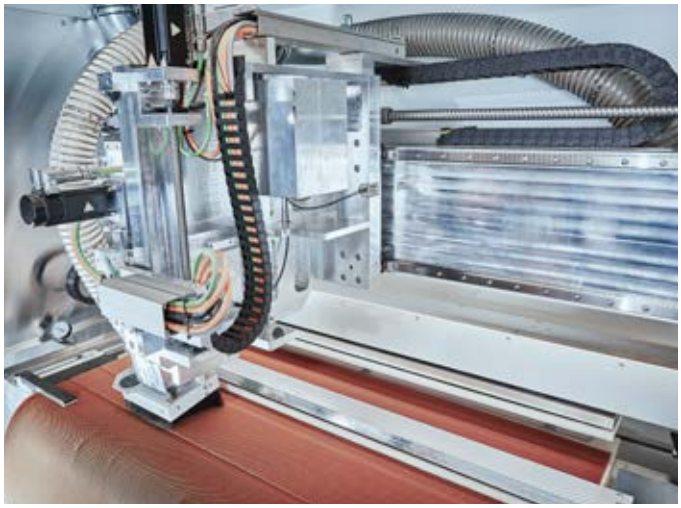
In the 2015 financial year the decision was taken to produce honeycomb cores, which had previously been manufactured externally, internally in the interests of efficiency. After successfully planning and creating the requisite capacities, the central core production was faced in the previous financial year with the great challenge of raising output from 30,000 to 70,000 per month, while at the same time significantly improving productivity, delivery performance and component quality. The goal agreed upon was to develop a uniform line production with maximum efficiency. During the project implementation two additional five-axis CNC milling machines with freeze clamping systems were installed and the newly implemented central delivery point was equipped with an additional 2D core cutter. Using new nesting software the cutter generated a 35 percent reduction in raw material consumption. As early as November 2017 more than 70,000 cores per month could be delivered for the first time. In addition to the significant reduction in material consumption, the achievement of this ambitious goal was accompanied by an increase in efficiency of almost 25 percent.

In doing so FACC has created the basis for taking the next evolutionary steps towards Industry 4.0: Plans include implementing and directly connecting the central core warehouse, integrating warehouse lift systems for residual material management, a tracking system for RFID components as well as numerous other investments in innovative solutions.

Processing honeycomb cores

Efficient production also involves looking beyond the current service depth. Consequently, FACC has developed a concept for the implementation of 3D core processing. This was tested in a pilot project to produce the new split scimitar winglets for the Boeing 737. The results were very gratifying; internal 3D core processing increased production flexibility and reduced costs by up to 40 percent, and that in a project in which more than 400 square metres of honeycomb materials had to be processed in the financial year 2017/18 alone. A follow-up project with requirements of significantly greater complexity is currently being implemented. Further aeros structures projects will adopt in-house honeycomb core processing.

3D core processing increases flexibility and reduces costs by up to 40 percent.



Extensive investment initiative

TAKE-OFF TO THE FUTURE

FACC is increasing its new order capacity with a strategic investment programme across all company divisions and is thus determining the course for a successful future.

The initial situation could hardly be better: FACC has an order backlog of nearly USD 6 billion and the trend in the aircraft industry is clearly leading towards further growth. According to current forecasts, 34,900 new aircraft will be needed worldwide by 2036. In the 2017/18 financial year, FACC therefore launched a multiannual investment programme at its Austrian sites, where around EUR 100 million will be invested in new plant buildings and facilities as well as in research and product developments.

The company, however, is not only responding to the general growth trend in the industry, but is also actively preparing for the technological requirements of the future. FACC is already making a significant contribution to making aviation lighter, more efficient, more comfortable and more environmentally friendly. With its current investment programme, it is strengthening its leading technological position in the long term.

Going XXL

One of the most spectacular investment measures was the purchase of two new gigantic autoclaves for the Ort im Innkreis and Reichersberg sites. With a length of 19.9 meters and a diameter of 6.1 meters, one of these pressure vessels is the largest operating at FACC to date. Large composite components such as translating sleeves of the A350 XWB or Boeing 787 will be cured in the hot-air furnace in the future.

Other measures in FACC's investment programme are also clearly pointing towards the future. The Group's technology and product portfolios are to be expanded and new production capacities are to be created in the coming years. As a first step, the production space of the Upper Austrian plants will be expanded by a total of 6,400 square metres and completely refurbished. FACC already built two new autoclave halls at the sites in Reichersberg and Ort im Innkreis in 2017. Similarly, the cleanroom surfaces for Cabin Interiors in Plant 2 were doubled and the energy supply expanded accordingly. The organisation and logistics of these construction measures had to be perfectly executed during ongoing operations.

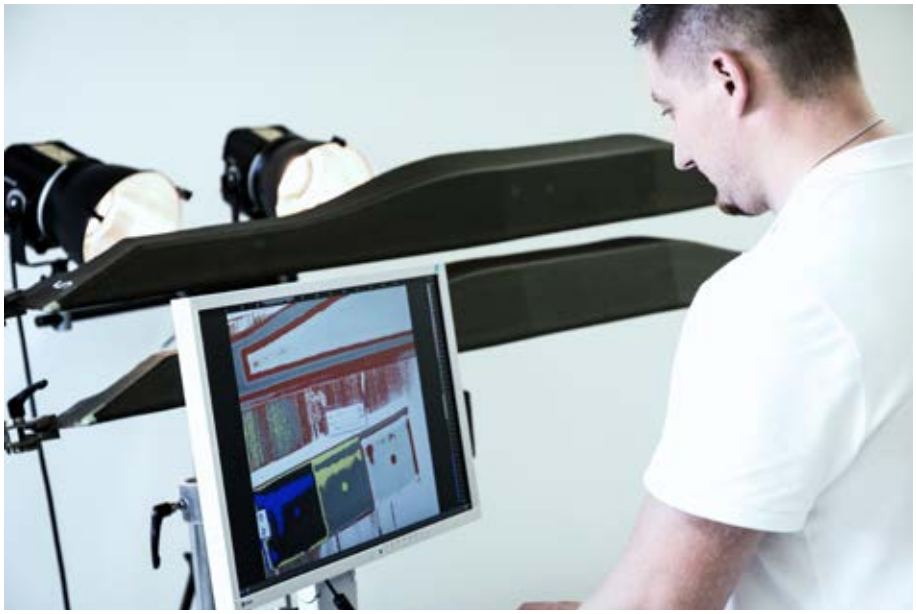
Two engine fairings are placed in an autoclave for curing.

Modern production technologies are setting new standards

The main objective of FACC's investment strategy is to achieve maximum automation of its manufacturing processes. Unlike the automotive industry, which usually produces batch sizes of 100,000 units or more, the aircraft industry usually produces only a few hundred identical high-precision components per year. Despite these relatively small lot sizes, FACC continues to set new industry standards in automation. The most recent example is the commissioning of a high-precision assembly robot system for the production of landing flaps, which has optimised production processes, minimised throughput times and more than doubled the volume of production output whilst reducing the required production space by half.

FACC's active thermography testing method for components is the only one of its kind worldwide. The totally new test method was adopted for series production after appropriate research had been completed and approval had been gained in 2016. Rolling out the testing method to a wide range of components and customers is now high on FACC's agenda. This is because thermographic component testing can significantly shorten testing times and considerably increase the accuracy of the test.

Fewer assembly devices make the production of translating sleeves for the A350 XWB considerably more efficient.



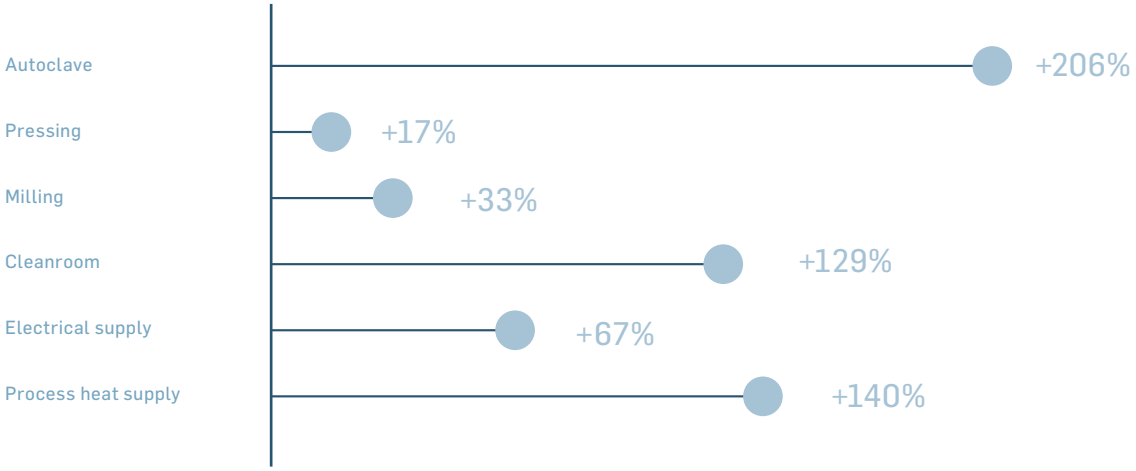
Active thermography enables the imaging of complete components within seconds.

Make versus buy

A significant portion of FACC's production costs is attributable to the purchase of materials. In order to also cut costs in this area, the company analysed its individual supply chains and consequently decided to carry out more processes in-house. One such example is the centralised production of highly complex honeycomb core structures. In the past financial year, the company was confronted with the major challenge of increasing output from 30,000 cores to up to 70,000 cores per month whilst significantly increasing productivity, delivery performance and component quality. In the course of the conversion work, two additional five-axis CNC milling machines with freeze-clamping systems were installed in a newly built cleanroom, and the newly implemented central delivery point was equipped with an additional 2D core cutter. The cutter has resulted in a reduction in raw material consumption of up to 35 percent. More than 70,000 cores per month were delivered for the first time in November 2017. FACC achieved this ambitious goal with a 5 percent reduction in material consumption and a productivity increase of almost 25 percent.

The investment programme has led to massive increases in production capacities at the plants in Ort im Innkreis and Reichersberg.

Plant 2
Ort im Innkreis



Plant 4
Reichersberg

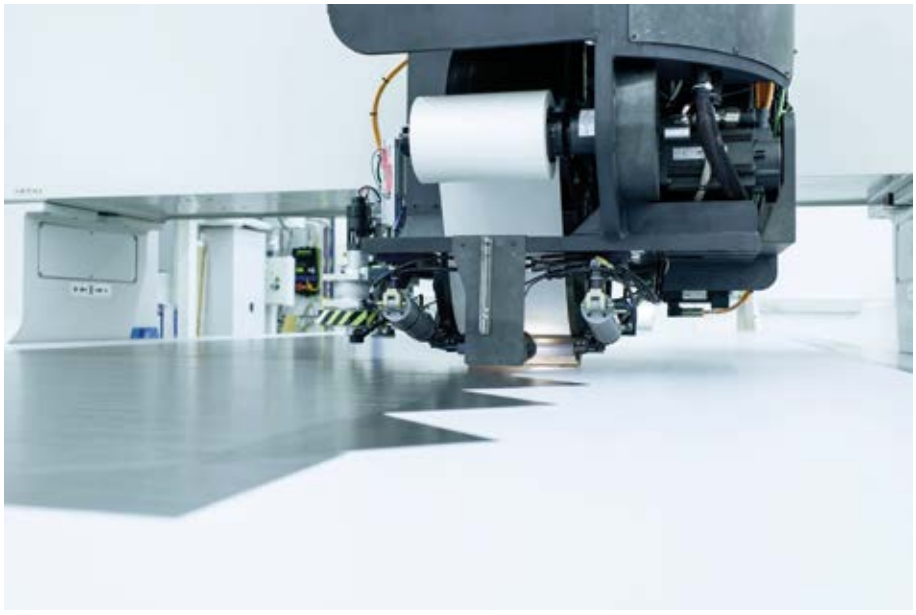
Prepreg: Automation for maximum precision

So-called "prepreg" is the starting material for the components manufactured in the autoclaves and cleanrooms. This is an impregnated fabric that FACC uses for the manufacture of structural, nacelle and engine components. The material mainly consists of carbon fibres and epoxy resin and has a honeycomb structure. This makes it the perfect material for aircraft components as the honeycomb structure allows weight to be saved whilst simultaneously increasing the rigidity of the component. Complex shaped components are created layer by layer from individual prepreg sheets, which are stacked on top of each other on moulds, and are then placed in the autoclave for curing.

At FACC, prepreg sheets are cut fully automatically and brought into exact position manually or by automatic tape laying using a laser-supported projection system. In this way, a maximum of precision is achieved.

Manual application of the prepreg layers in the production of translating sleeves for the A350 XWB and the Boeing 787.

Fully automated placement of the prepreg layers with a laser-assisted tape layer.



Vision 2020*plus*: A clear goal in sight

The investment drive is part of FACC's Group strategy, which was launched under the title "Vision 2020" in 2011 and made even more ambitious in 2017 under the title "Vision 2020*plus*". Reaching a sales target of EUR 1 billion in the 2020/21 financial year is not the only goal FACC is pursuing; the company also aims to improve its quality and further consolidate its market position on the basis of technology, quality and cost leadership. Strategic growth also plays a role here – not least because organic growth in a company of this size cannot go on indefinitely. FACC is also considering expanding its technology and location footprint. Growth markets and best-cost countries are potential candidates along with the USA and Canada.

Autoclaves: Working under high pressure

FACC relies heavily on autoclaves, which are gas-tight pressure vessels in which composite components can be pressed and cured in a vacuum, under pressure and at high temperatures of up to 220 degrees Celsius. In order to obtain components of perfect quality, the process is carried out under strictly controlled conditions. Slow and constant heating and cooling, for example, ensure optimum resin flow and distortion-free components. High pressure is necessary to ensure that the individual laminate layers of components fuse together.

Autoclaves of different sizes are operated in all FACC plants. In order to make optimum use of the capacities of these important plants, they are mainly used in a three-shift operation.

Preparing for the future: Expansion of the production capacities in Plant 2 for FACC's Cabin Interiors segment in Ort im Innkreis

Cleanroom: Constant conditions to achieve perfection

Individual components, which were previously cured in autoclaves, are assembled in so-called "cleanrooms", where a constant air temperature of between 18.3 and 23.8 degrees Celsius is maintained and humidity ranges from 30 to 55 percent. Air in the cleanroom is exchanged ten times an hour in order to keep it as pure as possible. While filtered fresh air streams out from the ceiling, used air is extracted from the floor. Slight overpressure also prevents dust particles from entering the cleanroom. In this artificial atmosphere, the components are permanently glued together.

In FACC's cleanrooms, the dust content in the air is continuously monitored. Its concentration is consistently kept below 5,000 particles per cubic millimeter.

Giant on the road: The installation of the autoclave with a length of 19.9 meters and a diameter of 6.1 meters was a logistical tour de force.

Air taxi: What was once impossible has almost become a reality today.

Superior in research and technology

INNOVATION IS OUR DESTINATION

Experts test new materials, processes and technologies in the Composite Lab and Test Centre (CoLT).

More than 500 experts at FACC are involved in research and technology. The company also works closely with universities, colleges and customers in the search for innovative solutions. In this way, FACC has access to an enormous pool of expertise that the Group uses today to work on the innovations which will become the standards of the future.

Few industries today are experiencing such dynamic growth as the passenger aviation industry. An impressive 34,900 new aircraft will be needed by 2036. Not only new types of aircraft but also new forms of air travel such as air taxis will come onto the market. The technical developments in lightweight construction of recent years have led to an increasing number of aircraft components being manufactured from fibre-reinforced plastic. In addition to their use in secondary structures, they are also applied to primary structures, i.e. to fuselages, tail units or wings. Aerodynamically optimised component geometries, which in many cases can only be implemented with the aid of state-of-the-art composite technologies, further round off the areas of application of these materials. And this is important. Because weight reduction is the most efficient way to save fuel in the air and thus reduce CO_2 emissions and operating costs. This is where FACC comes into play by offering its customers innovative product solutions for the substitution of metal by weight-saving fibre-reinforced plastics – because FACC modules are increasingly becoming lighter, more powerful, safer and easier to handle. These further developments build on diverse research activities for which FACC bundles the know-how from the entire Group and also networks with experts from other companies and institutions.

Research beyond horizons

New and innovative product ideas are usually the result of thinking outside the box. In keeping with the company's new motto "Beyond Horizons", FACC's development engineers are already thinking today about which lightweight construction solutions can make aviation even more efficient and safe in the medium and distant future. FACC is currently working on new bionic component geometries by trying to technically reproduce structures often found in nature in order to further increase component performance while simultaneously reducing weight. Further research focuses on systems for life-cycle monitoring, the so-called "self-monitoring" of components in the primary and secondary structures of aircraft.

Increasing demand

As mentioned, current growth forecasts of the aerospace industry predict that the global fleet of commercial aircraft will double by 2036. The demand for some types of aircraft, especially narrow-body aircraft, will therefore significantly increase over the next ten years. Against this backdrop, the next generation of aircraft will be developed and brought onto the market from the middle of the next decade. Due to rising production rates, which are likely to be up to 50 percent above current levels, new materials and processes must also be developed. Specialists in materials research at FACC are therefore collaborating with a global network of suppliers and universities to develop new materials and processes that will facilitate the efficient and automated production of components in the future.

The optimisation of products and production techniques and the associated testing and certification activities are an essential part of FACC's work.

Fast, robust and sustainable

In addition to the development of new materials and components, FACC is continuously working on the optimisation of its production technologies and machines. The aim is to produce components in a faster, more cost-effective and energy-efficient manner. This is intended to not only make production more economical, but also faster, more robust and more sustainable against the backdrop of the rising demand for new aircraft.

Focus on automation

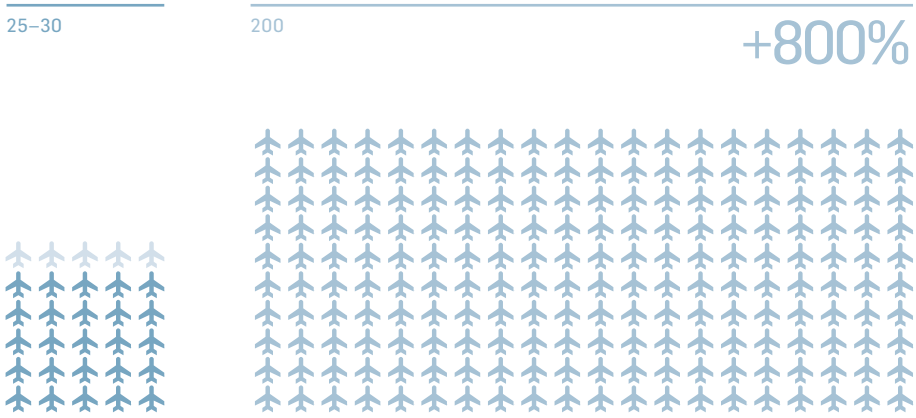
Automated production is also becoming increasingly important in the aerospace industry. The production processes used in the industry today cannot yet be directly compared with those of other industries such as the automotive industry with its very high lot sizes. The developments projected to occur over the next decade suggest that automation will also play a key role in the aviation industry. In 2017, Airbus and Boeing jointly delivered 1,481 aircraft. This figure is expected to more than double by 2030 – through automation alone. At FACC, specialists have been working intensively on this important topic of the future for many years.

Exponential demand

Composite components account for more than 50 percent of the weight of highly efficient aircraft such as the A350 or the Boeing 787. For this reason, specific materials and processes were developed for the series production of today's components. In 2017, composite structures for between 25 and 30 aircraft left FACC's plants every month.

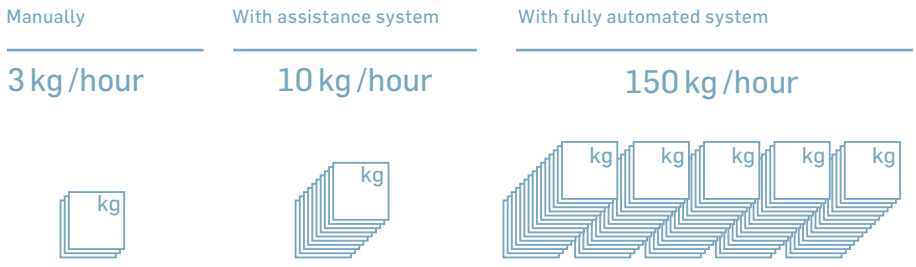
FACC expects Airbus and Boeing to offer their customers a new generation of highly efficient narrow-body aircraft until 2025. These new aircraft will probably also contain a large proportion of lightweight materials. Instead of the previous 25 to 30 monthly order calls for composite structures, monthly rates of up to 200 can be expected.

According to FACC's estimates, call orders will increase by up to 800% by 2025



Automation as a key solution of the future

Whereas today, three kilogrammes of prepreg material can be manually applied to the mould per hour in the production of primary structures and ten kilogrammes using assistance systems, fully automated systems can achieve a capacity of 150 kilogrammes in the same period of time.



Optimised efficiency

FACC is constantly working on new product solutions and production technologies. The company is currently focusing its research on four major projects aimed primarily at optimising the efficiency of components and their production.

Out of autoclave

New production technologies are designed to enable the curing of fibre composite components without autoclaves, for instance in convection ovens or squeezers. Such alternatives consume less energy and can also help to increase the level of automation.

New materials and processes

The use of new materials such as thermoplastic or fast-curing matrix systems enables a reduction in cycle times in component production. This is essential in order to be able to meet the required production rate of lightweight components in the future. Furthermore, the use of the appropriate matrix system can significantly reduce waste and thus greatly reduce production costs. FACC is committed to sustainable product design by using biological matrix systems made from sugar cane waste, which are applied in the Cabin Interiors segment.

Adaptive production processes, both in areas involving and not involving metals (3D printing), represent a further focus of FACC's research work. The primary goal here is to reduce the variety of components by combining individual sub-details to a single part and thus save weight and costs. Considerable cost and flexibility advantages can be achieved by these processes, especially for series production of small quantities and the supply of spare parts.

Integral and differential construction

An optimal blend of integral and differential construction results in robust production processes and consequently in a reduction in production costs. In this context, it is crucial to consider the entire process chain, from the design of components and tools to component production and assembly. Differential design relies on several simple fibre composite components that are connected to form an assembly by means of intelligent bonding techniques. The advantage of this design lies in the high process stability of the production of the fibre composite components. The downside, however, is that this increases the costs of final assembly.

Integral design is based on the opposite principle. Reinforcement profiles such as top-hat profiles are not cured and assembled separately as with differential design. They are already joined to form a complex assembly in the cleanroom and are then cured in a single step. Due to the reduced assembly effort and the lack of connecting elements such as screws or rivets, integral construction brings about a significant reduction in costs and weight.

Automation, intelligent production systems and Industry 4.0

Automation, intelligent production systems and innovative testing methods are intended to make production more sophisticated, faster and more cost-effective. Increasing the degree of digitisation throughout the entire value chain, from the development of components and supply chain management to production, is currently being examined by our research teams. FACC is thus taking an important step towards Industry 4.0.

Networking with the best

In its research & technology strategy, FACC not only focuses on bundling all technological competencies within the Group, but also on fostering close cooperation with partners. In recent years, the company has built up a versatile network in which it works with highly specialised experts from a wide variety of fields on innovative future solutions.

These partners include customers with whom FACC primarily works on application-oriented projects. The most recent example is the development of new space-saving overhead stowage compartments, which are currently the largest on the market in the category of short- and medium-haul aircraft. On the other hand, FACC maintains close contact to science and research. The company has been working closely with the University of Leoben and the University of Applied Sciences Joanneum Graz for decades. In 2014, FACC had already established a course of studies in lightweight construction and composite materials at the University of Applied Sciences in Wels; at the Technical University of Vienna, an endowment professorship for aircraft systems is being set up and FACC is also contributing to its costs.

FACC and other partner companies are collaborating with the Johannes Kepler University in Linz to design a pilot factory that aims to combine Industry 4.0 with process engineering. FACC will support the construction phase of the pilot factory and fund dissertations on the calculation and production of thermoplastic fibre composite components.

The company also has research partnerships with the University of Bristol, the Technical University of Delft, the Technical University of Vienna and the Technical University of Dortmund.

The right research partners are of prime importance, especially in the field of basic research. Together with the Austrian Research Promotion Agency (FFG), FACC works on state-funded research projects for the aviation industry by making use of a variety of funding programmes such as "Take Off" and "Production of the Future".

FACC also participates in forward-looking research projects funded by the European Union. In "Clean Sky 2", the largest joint research programme of the European aviation industry to date, topic managers alternately coordinate global OEM research projects with clearly defined application-oriented research goals. The aim of this public-private partnership initiative is to develop innovative technologies to reduce CO_2 emissions and noise pollution from air traffic.

With its commitment to research, FACC is not only strengthening its cooperation with national and international research and industry partners, but is also ensuring the training of the next generation of specialists and managers for the Austrian aviation supply industry.

Last but not least, FACC is cooperating with other companies in the industry within the framework of development projects. In 2017, CEO Robert Machtlinger was confirmed spokesman for the "Austrian Advanced Lightweight Technology" platform. In 2015, nearly 30 companies from the automotive, aerospace, plastics and mechatronics industries joined forces to form this initiative in order to develop new lightweight construction applications with sustainable materials.

FACC is already considered one of the leading companies in the industry in terms of efficiency and innovative solutions. Its strong and widely recognised position in research and innovation is the basis on which FACC will continue to play a major role in the development of future standards.

The future starts now

FACC has played a major role in shaping the innovations that have led to radical advances in aviation over the past decades. One example is the development of innovative winglets that significantly reduce the fuel consumption of jets. What was considered science fiction just a few years ago is already taking shape today. FACC is therefore right at the forefront on the road to the future.

Faster, higher, further

An area of particular scientific interest is bionics: Fuselage structures or control surfaces modeled on lightweight bird bones or aircraft with "shark skin" could make air traffic much more efficient and faster in the long term. Supersonic aircraft reaching speeds of more than 8,000 km/h and the merging of aviation and space travel are concepts which FACC engineers will continue to implement over the next few decades.

Autonomous flying

Experts expect that the electrification and autonomisation of mobility will also affect aviation in the medium term. Concepts currently being worked on include self-flying air taxis, with which passengers can travel independently from A to B. FACC's lightweight construction expertise makes it an attractive project partner for both established aircraft manufacturers and start-ups in this field. Affordable lightweight construction will be a key success factor in this segment in particular as technical synergies between the new mobility concepts and the aircraft concepts already established on the market will arise. Cheap lightweight technologies for autonomous aircraft can therefore be of great benefit to new aircraft models.

Nature as a role model

With its lightweight solutions, FACC is working on the basis of a design principle that evolution has been perfecting for millions of years. The aim is always to minimise weight and thus energy consumption whilst being able to fulfill all necessary functions.

No other material occurs more frequently in nature than fibre composites, which are based on load-bearing carbon, glass or aramid fibres embedded in a supporting and protective coating of epoxy or phenolic resin. FACC applies this principle to the manufacture of its lightweight constructions, resulting in materials which simultaneously present the characteristics of low weight, high mechanical parameters and flexibility. Today, weight-saving fibre composite components, for instance, can already be built into primary structures of aircraft such as tail units, wings or fuselages. New passenger aircraft such as the A350 XWB or the Boeing 787 Dreamliner already contain more than 50 percent fibre-reinforced plastics by weight.

And the development continues. This is because scientists and engineers are constantly discovering new solutions based on bionic principles to make structures even lighter and more stable. FACC is without a doubt one of the world's leading companies in this field, and its know-how is contributing to making aircraft even lighter and thus more powerful, economical and environmentally friendly.

Innovation pays

FACC regularly confirms its position as one of the world's leading lightweight construction companies in the field of research and technology by launching new developments. Its innovative ideas and solutions continued again to attract attention in 2017.

Innovation under high pressure

As part of a joint research project with the Technical University of Dortmund and partner companies, FACC has contributed to the development of a component concept in which a polyurethane matrix is processed using high-pressure injection moulding. In practice, this process can make the production of fibre composite components cheaper, faster and more robust. The concept was tested on an engine inlet cone – a component subject to high mechanical stress.

The promising research project was nominated for the JEC Innovation Award 2018 in Paris. First concrete applications are currently in the pre-development phase.

In use for the first time: The engine inlet cone manufactured by FACC for Rolls-Royce using high-pressure injection moulding

Innovation award for active thermography

FACC received the Upper Austrian Innovation Award in October 2017 for the development of a new, highly efficient testing method for fibre composite components based on active thermography. The new method reduces testing times, cuts costs and increases the reliability of the testing process as active thermography enables the imaging of whole components within seconds. Furthermore, the testing equipment is mobile, can be used universally and is significantly cheaper than conventional equipment. With its numerous advantages, the method has the potential to revolutionise the quality testing of aircraft components. So far, FACC is the first and only company to receive approval by Boeing for thermographic testing in series production. Two other major aircraft manufacturers are currently in the process of granting approval. The method was developed in several years of research cooperation with experts from the University of Applied Sciences in Wels and the Austrian Research Promotion Agency.

The testing method of the future: Thermographic testing of fibre composite components is fast, reliable and cost-effective.

Competent and motivated employees

38 NATIONS, ONE PASSION: INNOVATION

Quality workmanship requires highly qualified staff. In addition to a wide range of further training initiatives, FACC therefore invests around EUR 1.5 million per year in the best minds and is constantly working to expand their specialist know-how. Performance and team spirit are a top priority in the company, and mutual appreciation and striving for success are the foundations of its corporate culture.

With its wide range of activities in the field of Human Resources, FACC not only aims to retain its existing staff but also to attract new top performers. After all, highly qualified employees with their wealth of know-how, experience and dedication are the most valuable resource for value creation and entrepreneurial success. FACC places particular emphasis on leadership training. 112 employees completed a manager training programme with renowned coaches in the 2017/18 financial year alone.

FACC enjoys a worldwide reputation as an attractive employer, but faces fierce regional and international competition in its search for the brightest minds. In order to ensure the long-term success of the company, FACC offers its employees a wide range of personal and professional development opportunities. Outstanding careers within the company, an international workforce and FACC's economic success prove that the Group is on the right track with its Human Resources strategy.

Recruiting and employer branding

A survey conducted in 2017 at the Johannes Kepler University in Linz has confirmed that the company is indeed the "most attractive employer brand in the Upper Austrian industry sector". The results of the study are consistent with comparable studies of companies whose regional roots form the basis for their global success. Due to their regional ties, highly qualified and dedicated employees optimally combine long-term thinking in generations with a focus on short-term efficiency.

The crew gains refreshing expertise

In October 2017, FACC appointed HR expert Georg Horacek as the new Head of Human Resources. Mr. Horacek has many years' experience of working in large international companies and can draw from an extensive network of scientists and researchers. His first major professional project was the establishment of a modern remuneration system for employees in production. This acknowledges, in particular, the willingness to develop further and support the quality and team spirit of FACC, thereby improving the company's competitiveness. Due to the increasing complexity of FACC products, the continuing professional development of employees is becoming more and more important.

Recruiting across all channels

The Human Resources team at FACC also tries to respond to the shortage of skilled workers and the profound changes which the recruiting sector is currently undergoing by focusing on the internationalisation of all employee-related processes and establishing strategic Human Resources marketing. In the age of social media, job candidates expect more than just a very swift response to their application. Companies must proactively market themselves as

FACC apprentices are among the best of the best: Tristan Weinberger is awarded the Julius Raab Prize by the Austrian Federal Economic Chamber.

attractive employers and contact potential employees themselves, especially when they are on the lookout for key employees and high potentials. FACC seeks to further broaden and intensify its cooperation with selected technical schools and universities and thus addresses future specialists at an early stage – such as in the context of internships or by providing support for diploma and master's theses. Accompanying employer branding measures on various social media platforms further showcase the many advantages of FACC.

State-honoured apprentice training

FACC currently employs around 3,100 people in Austria alone. This means that the number of employees has more than doubled in the past decade. FACC places great value on apprentice training – 41 apprentices are currently enrolled in one of the company's six training programmes. The high proportion of female apprentices (30 percent) in a technology company is to be particularly welcomed. The company was awarded the "State-Honoured Training Company" seal of approval by the Federal Ministry of Science, Research and Industry in recognition of its high-quality apprentice training.

In-house development of young talents

Young women with a passion for technology gain their first work experience at FACC's annual "Girls' Day".

The FACC Future Team donated the proceeds of this year's graduation project to people in need and an association for curative education.

FACC offers aspiring young apprentices highly specialised training programmes in plastics engineering, milling, cutting and machining techniques, design, information technology and, since 2017, also in process technology. 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. Those responsible for training apprentices at FACC, however, also attach great importance to imparting basic values such as honesty, reliability, punctuality and helpfulness to the next generation of company employees.

Congratulations

The high quality of training at FACC is underscored by the results achieved by its apprentices in commercial and technical competitions. Tristan Weinberger, an apprentice in plastics engineering, for example, was awarded the Julius Raab Prize for outstanding training results by the Austrian Federal Economic Chamber in January 2018. He completed all four years of vocational school for plastics engineering with distinction, achieved first place in the apprentice competition of the Industry Division and passed his final apprenticeship examination with distinction last year.

Women in technology

At FACC, women now account for one third of all apprentices. The large turnout at the company's annual "Girls' Day" confirms the increasing interest of women in technical professions. In the future, FACC hopes to attract even more women to the world of technology with programmes such as this one: Four students from the Ried im Innkreis Commercial Academy spent a whole day at the company as part of the "Global Aerospace Supply Chain Management" programme of the Hot Spot Innviertel educational catalogue. They were able to take part in meetings and conference calls and experience the daily business of a globally active company first hand.

Creative and charitable

2017's annual charitable apprentice graduation project once again proved a resounding success. In 1,220 additional working hours, 13 apprentices of the class of 2014 created a self-designed darts machine, which was auctioned off before Christmas among the employees of FACC. The proceeds of the campaign amounting to a total of EUR 10,900 went to two families with physically impaired family members in Enns and Lohnsburg as well as to an association for curative education in Aurolzmünster.

Non-stop improvements

Continuous improvement in all areas of the company is an integral part of FACC's corporate culture. The Kaizen initiative, which was launched in 2013, makes a valuable contribution in this regard by providing a framework under which staff can submit and implement suggestions for improvement on an ongoing basis. Since the programme's launch, the FACC crew has developed and carried out more than 10,000 proposed improvements. In addition to their highly skilled daily work, employees thus make a significant contribution to the continuous further development of FACC. So far, total savings of EUR 15 million have been achieved, which make a significant and sustainable contribution to increasing efficiency within the company.

Education and training

Continuous investment in human capital 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, organised 495 internal training sessions with a total of 6,550 participants in 2017 alone. In addition, 145 external training sessions attended by 930 employees were held.

In 2017, the Leonardo Award went to the team at the Reichersberg plant for its exemplary implementation of change in corporate culture.

E-learning for more flexibility

In order to make responsible use of its employees' time resources, FACC is already offering selected training courses such as "Export Control Advanced" and "System Management" via e-learning. Meanwhile, e-learning content specifically tailored to the company's needs is being created by internal developers. The "SAP Material Flow" module has also been available online since spring 2018, with the "Foreign Object Damage (FOD)" course scheduled to follow in September 2018. 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 38 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.

Buddy system for executives

As a caring company, FACC established a new model of intercompany partnership in 2017 to make it easier for new executives to join the company. The aim of the initiative is to offer international executives advice in structural matters from the outset by appointing a buddy to help them familiarise themselves with the corporate culture more quickly. Twelve new executive employees benefited from this programme in the first year alone.

FACC Leonardo Award 2017

Excellently trained staff deliver excellent results, which FACC also expressly acknowledges, for instance with the "FACC Leonardo Award" for outstanding team achievements. In 2017, the award went to the team at the plant in Reichersberg, which implemented the change in corporate culture under the new lean manufacturing process in an exemplary fashion. Creative team solutions not only brought about a double-digit percentage increase in sales, but also a significant reduction in lead times.

Employee benefits and motivation

The scenic beauty of western Upper Austria was explored during the first FACC adventure hiking day in September 2017.

Powdery snow, blue skies and the latest ski models: This year's FACC Ski and Spa Day in Zell am See was a phenomenal success.

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 recognised 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.

More than 900 individual measures

In 2012, FACC launched the "Healthy and Happy" initiative as a broad-based long-term project. A total of 750 participants defined courses of action to be taken, discussed causes and developed improvement measures in roughly 90 workshops. Since then, more than 900 individual measures have been implemented on that basis.

Family life and work

FACC set a new course in the past financial year, particularly in the areas of family and health promotion. FACC thus put in place the necessary framework conditions to enable fathers to take a more active role in the family right after the birth of a child.

To make it easier for both parents to balance family life and work, the company initiated a summer kindergarten in cooperation with the Innviertel Childminding Association at the site in St. Martin in the summer of 2017. The extremely positive response prompted FACC to expand this company childcare model in September to include year-round care for children aged one year and above and to also cover half of the monthly costs. The establishment of a further childcare facility at the site in Ried im Innkreis is planned for the 2018/19 financial year.

Happy birthday

FACC employees are getting an extra day off on their birthday in addition to their regular vacation allowance. For the company, this is not simply a voluntary employee benefit but rather an act of appreciation for the commitment and dedication of each individual team member. With the work-free birthday, the company is thus once again taking the lead in terms of employee benefits.

Let's get moving together

The six-week morning yoga training programme started for the second time in spring 2017. And in the autumn of 2017, highly motivated members of the FACC crew took part in the first adventure hiking day with their friends and families.

On Fischer skis from the slopes to the thermal spa

The Schmittenhöhe in Zell am See was the venue of the annual FACC Ski and Spa Day organised by the Works Council in March 2018. This year, not only excellently groomed slopes and glorious weather made for an unforgettable skiing experience – our cooperation partner Fischer Ski also provided us with the latest models of its ski collection. While some were gliding over the slopes, others were relaxing and unwinding in the thermal spa. A total of 160 employees, including many executives, enjoyed a picturesque winter's day.

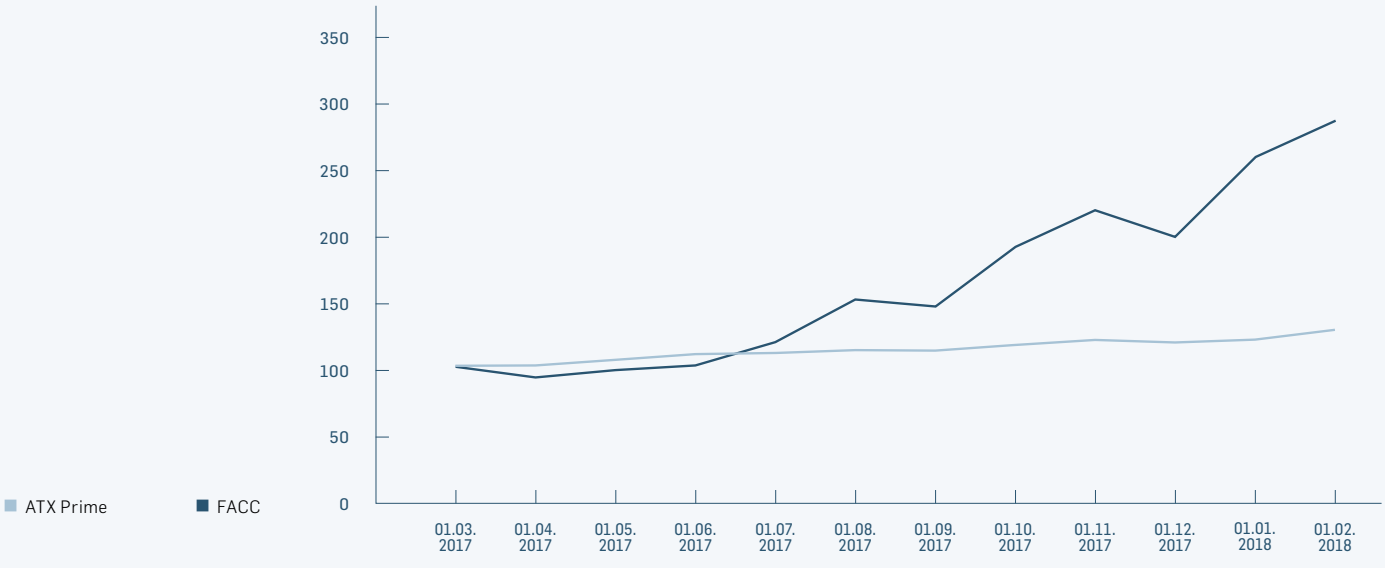
THE 2017/18 FINANCIAL YEAR

SIGNIFICANT INCREASE IN SHARE PRICE, BROADER SHAREHOLDER BASE

Highlights FACC share 2017/18

All-time high: EUR 21.80 (18 January 2018)
Performance 2017/18: +208.9%
Inclusion in the ATX
Market value reaches EUR 1 billion

FACC share price gains more than 200 percent



The significant improvement in FACC AG's key earnings and financial ratios in the past financial year was also clearly reflected in the strong performance of its shares. Starting from an annual low of EUR 6.48 on 12 April 2017, FACC shares rose steadily, especially from the middle of the second quarter, until hitting an all-time high of EUR 21.80 on 18 January 2018. At the end of the 2017/18 financial year, the share price stood at EUR 21.50, which is equivalent to an overall annual performance of 208.9 percent.

Inclusion in the ATX

In addition to the Group's excellent operational performance and promising forecasts by several investment banks, the inclusion of FACC shares in Austria's ATX index was another major highlight of the company's trading year 2017/18. FACC shares have been included in the ATX, which comprises the 20 most liquid stocks in the prime market segment of the Vienna Stock Exchange, since 16 March 2018. The reasons for inclusion of the shares in the leading index were the high average daily trading volume as well as the high market capitalisation and associated market value of FACC AG.

Market capitalisation reaches EUR 1 billion

The FACC Group's market capitalisation also increased substantially in 2017/18 in line with its share price. Since first listing in June 2014, when FACC was valued at EUR 435 million with a total of 45.7 million issued shares, its market value had risen to just under EUR 1 billion by the end of the past financial year on 28 February 2018. The desirability of FACC shares is also reflected in the steadily rising trading volumes.

Trading volume

The average daily trading volume of FACC in the 2017/18 financial year was 175,810 shares (double counting without OTC). Market capitalisation at the end of the financial year amounted to EUR 984.5 million.

FACC share: Basic information

International Securities Identification Number (ISIN)	AT00000FACC2
Currency	EUR
Stock market	Vienna (XETRA)
Market segment	prime market (official trading)
Initial listing	25.06.2014
Issue price	EUR 9.5
Paying agent	ERSTE GROUP
Indices	ATX, ATX GP, ATX IGS, ATX Prime, WBI
Share class	Ordinary shares
Ticker symbol	FACC
Reuters symbol	FACC.VI
Bloomberg symbol	FACC AV
Shares outstanding	45,790,000 shares

FACC share: Performance indicators

		2015/16	2016/17	2017/18
Trading volume	Shares	23,188,628	16,483,970	43,784,504
Average daily trading volume	Shares	93,503	65,935	175,810
Yearly high	EUR	8.49	7.37	21.8
Yearly low	EUR	4.50	4.00	6.48
Closing price February	EUR	5.23	7.00	21.5
Earnings per share	EUR	–1.14	0.33[1)]	0.87
Divided by share	EUR	0	0	0,11[2)]
Market capitalization	MEUR	239.3	320.6	984.5
Annual performance	%	–38.4	40.4	208.9
Dividend yield	%	0	0	0.5[2) 3)]

[1)] Due to an error correction according to IAS 8, previous years' figures have been adjusted retrospectively (see Note 3).
[2)] Proposal to the Annual General Meeting
[3)] Based on the closing price on the Vienna Stock Exchange on 28 February 2018

ANALYST COVERAGE

Four financial institutions published reports on FACC shares at the end of the 2017/18 financial year:

ERSTE GROUP
Hauck & Aufhäuser
Kepler Cheuvreux
RCB

Transparent communication with all investors

Ensuring that all capital market participants have rapid access to all relevant information at the same time is a top priority at FACC. A key element of investor relations is personal communication with all investors through an open and active dialogue. For this reason, a large number of presentations and roadshows were held in important international financial centres such as London, New York, Zurich, Frankfurt and Vienna during the 2017/18 reporting period. The FACC Investor Relations team also attended several conferences, where it was able to directly address questions from institutional investors and analysts. In the 2017/18 financial year, one-on-one meetings and group presentations with members of the Management Board and investors were held on more than 40 days at roadshows and conferences in the most important financial centres. In addition, FACC also maintained regular telephone and personal contact with its investors.

A Shareholders' Day was held for the second time in St. Martin on 11 February 2018. As in the previous year, this event organised exclusively for retail shareholders attracted more than 200 guests.

In addition to direct communication, the company website www.facc.com is a key source of information for all interested parties. Comprehensive information for both current and potential shareholders can be accessed online or downloaded directly from the website.

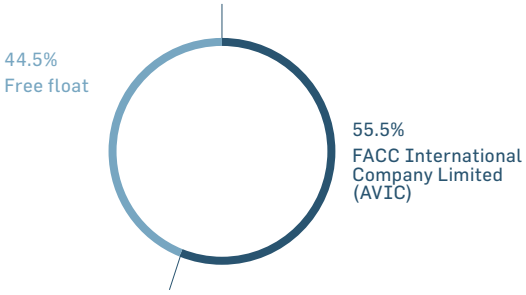
SHAREHOLDER STRUCTURE AND SHARE CAPITAL

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

FACC AG held no treasury shares as of the balance sheet date 28 February 2018.

FACC AG received no voting rights notifications pursuant to Section 91 of the Austrian Stock Exchange Act (BörseG) in the 2017/18 financial year.

Shareholder structure



DIVIDEND POLICY

The Management Board and Supervisory Board of FACC AG will propose the distribution of a dividend of EUR 0.11 per ordinary share for the 2017/18 financial year to the Annual General Meeting. This corresponds to a total dividend distribution of EUR 5.04 million or a payout ratio of some 24 percent in relation FACC AG's retained earnings. In order to guarantee shareholders an adequate share in the company's success in the future, we continue to aim at a payout ratio of 20 to 30 percent.

FINANCIAL CALENDAR 2018/19

16 May 2018	Publication of the Annual Financial Report and Annual Report 2017/18
29 June 2018	Annual General Meeting
5 July 2018	Ex-dividend date
6 July 2018	Record date
11 July 2018	Interim Report Q1 2018/19
12 July 2018	Payment date (dividends)
16 October 2018	Half Year Financial Report 2018/19

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Corporate Governance

CORPORATE GOVERNANCE REPORT

The Austrian Code of Corporate Governance (ÖCGK) provides Austrian stock corporations with a framework for corporate management and control. It contains both internationally recognised standards for good corporate management and the relevant provisions of Austrian corporation law. The Code is designed to ensure the responsible management and control of companies and groups with a view to creating sustainable and long-term value.

Ensuring a high level of transparency for all stakeholders and securing long-term and sustainable growth in shareholder value are key elements of active corporate governance policies. These include efficient cooperation between executive bodies, safeguarding shareholders' interests and open corporate communication.

DECLARATION OF COMMITMENT

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

The commitment to comply with the Code's provisions was evaluated by an external auditor for the first time in the 2016/17 financial year. The evaluation results show that corporate governance at FACC is alive and well and can be accessed by all interested parties on the company website www.facc.com. A re-evaluation is scheduled for the 2018/19 financial year.

FACC AG is obliged to prepare a Corporate Governance Report in accordance with Rule L-60 ÖCGK. The reports prepared so far are also available to the public on the website of FACC AG www.facc.com (Rule C-61 ÖCGK).

The assessment of the functionality of the risk management system by the auditor was assigned in the 2017/18 financial year (Rule C-83 ÖCGK).

EXECUTIVE BODIES OF FACC AG

Management Board

Organisation and operation of the Management Board

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

The Management Board conducts the business of FACC AG in conformance with legal provisions and the company's 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 Board. Furthermore, the Management Board has undertaken to fully comply with the rules of the Austrian Code of Corporate Governance.

Robert MACHTLINGER (1967)
Chairman of the Management Board
First appointed: 2014
End of current term of office: 6/2020
Areas of responsibility: Strategy, Customer Relations, Business Development, Marketing, Programme 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 current term of office: 10/2020
Areas of responsibility: Production, Development, Purchasing, Human Resources, Real Estate, Worldwide Subsidiaries
Supervisory Board mandates in other companies: none

Aleš STÁREK (1970)
Member of the Management Board
First appointed: 2016
End of current term of office: 10/2019
Areas of responsibility: Financial Accounting, 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 current term of office: 9/2019
Areas of responsibility: Internal Audit, China Business Relations
Supervisory Board mandates in other companies: none

Supervisory Board

The Supervisory Board's actions are bound by the laws and regulations applicable to companies listed in Austria such as the Austrian Stock Corporation Act and the Austrian Stock Exchange Act. Furthermore, the Supervisory Board has committed itself to the rules of the Austrian Code of Corporate Governance. As regards the company's internal regulations, the Articles of Association and the Rules of Procedure are of prime importance. The Supervisory Board consists of at least three and at most ten members elected by the Annual General Meeting in accordance with the Articles of Association of FACC AG.

According to section 11.2 of the Articles of Association of FACC AG, FACC International Company Limited is entitled to delegate Supervisory Board members. It may delegate up to one third of all members provided that it holds a stake of at least 25 percent in the current share capital.

When electing members of the Supervisory Board, 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. Due regard must also be paid to diversity in terms of gender, age distribution and internationality. Newly elected Supervisory Board members must be reasonably informed of the organisation and activities of the company as well as of the tasks and responsibilities of 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 since 2009
First appointed: 2014
End of current term of office: Annual General Meeting deciding on the 2017/18 financial year
Supervisory Board mandates in other companies: none

Shengqiang HE (1966)
Deputy Chairman
First appointed: 2016
Supervisory Board mandates in other companies: none

In June 2016, FACC International Company Limited made use of its statutory right to delegate up to one third of all members, provided that it holds a stake of at least 25 percent in the current share capital, according to section 11.2 of the Articles of Association of FACC AG and appointed Shengqiang He a member of the Supervisory Board of FACC AG.

Li LI (1976)
Member of the Supervisory Board
First appointed: 2017
Supervisory Board mandates in other companies: none

In November 2017, FACC International Company Limited made use of its statutory right to delegate up to one third of all members, provided that it holds a stake of at least 25 percent in the current share capital, according to section 11.2 of the Articles of Association of FACC AG and appointed Li Li a member of the Supervisory Board of FACC AG.

Yanzheng LEI (1965)
First appointed: 2014
End of current term of office: Annual General Meeting deciding on the 2017/18 financial year
Supervisory Board mandates in other companies: none

Weixi GONG (1962)
First appointed: 2014
End of current term of office: Annual General Meeting deciding on the 2017/18 financial year
Supervisory Board mandates in other companies: none

George MAFFEO (1954)
First appointed: 2016
End of current term of office: Annual General Meeting deciding on the 2017/18 financial year
Supervisory Board mandates in other companies: none

Junqi SHENG (1972)
First appointed: 2017
End of current term of office: Annual General Meeting deciding on the 2017/18 financial year
Supervisory Board mandates in other companies: none

Hao LIU (1975)
First appointed: 2017
End of current term of office: Annual General Meeting deciding on the 2017/18 financial year
Supervisory Board mandates in other companies: none

Members of the Supervisory Board delegated by the Works Council

Peter KROHE (1959)
First appointed: 2014

Ulrike REITER (1960)
First appointed: 2014

Barbara HUBER (1965)
First appointed: 2014

Karin KLEE (1981)
First appointed: 2018

Members of the Supervisory Board who retired in the 2017/18 financial year

Chunsheng Yang, Jun Tang, Xuejun Wang and Birol Mutlu, who was delegated by the Works Council, retired from the Supervisory Board in the 2017/18 financial year.

Independence of the Supervisory Board members

The Supervisory Board has adopted the guidelines for 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 (Rule C-53 ÖCGK).

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

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 the accounting process as well as the audit and group audit, the effectiveness of the internal control and risk management system is also monitored.

Furthermore, the Audit Committee is responsible for reviewing the Corporate Governance Report, which is presented at the Annual General Meeting. The Audit Committee held three meetings during the 2017/18 financial year. A total of four Supervisory Board meetings were held during the reporting period.

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

Aside from 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 shown below.

Supervisory Board committees

Audit Committee

Members
- Hao LIU (Chairman)
- Li LI
- Yanzheng LEI
- George MAFFEO
- Barbara HUBER

Personnel and Compensation Committee (Nominating Committee)

Members
- Ruguang GENG (Chairman)
- Shengqiang HE
- Yanzheng LEI
- Weixi GONG
- Hao LIU
- Junqi SHENG

Strategy Committee

Members
- Shengqiang HE (Chairman)
- Ruguang GENG
- Yanzheng LEI
- Weixi GONG
- George MAFFEO
- Junqi SHENG
- Ulrike REITER

Transactions of the Supervisory Board requiring approval

In the 2017/18 financial year, no transactions requiring approval pursuant to Rule L-48 ÖCGK were concluded by members of the Supervisory Board.

Cooperation of the Management Board and Supervisory Board

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 profit situation. 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 Management Board members

When deciding on the total remuneration of the Management Board members, the Supervisory Board must ensure that the remuneration is commensurate with the tasks and performance of the individual Management Board members, the company situation 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 in addition to the performance-related achievement of targets agreed individually with the Management Board member.

An upper limit has not been set for the variable remuneration.

In the 2017/18 financial year, variable remuneration accounted for 0 percent of the total remuneration of all members of the Management Board.

A stock options programme has not been set up for members of the Management Board nor for executives.

The total remuneration of the Management Board members amounted to kEUR 1,158 in the 2017/18 financial year (previous year: kEUR 734).

Remuneration of active members of the Management Board of FACC AG in the 2017/18 financial year:

EUR'000	
Robert Machtlinger	487
Andreas Ockel	169
Aleš Stárek	297
Yongsheng Wang	205

A D&O insurance 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 totaled kEUR 94 in the 2017/18 financial year (previous year: kEUR 8).

In the event of premature termination of management contracts by the Supervisory Board, claims exist with regard to base salaries. In the case of regular termination, claims to termination benefits depending on the length of service arise in accordance with the statutory provisions.

Remuneration of Supervisory Board members

The remuneration of the Supervisory Board members for the 2016/17 financial year, resolved at the Annual General Meeting on 18 July 2017, amounted to EUR 177,850 and is broken down as follows:

EUR	
Chairman of the Supervisory Board	35,000
Deputy Chairmen of the Supervisory Board	10,700
Committee chairmen	8,800
Members of the Supervisory Board	123,350

DIVERSITY

When electing members of the Supervisory Board, 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. Due regard must also be paid to diversity in terms of gender, age distribution and internationality. Newly elected Supervisory Board members must be reasonably informed of the organisation and activities of the company as well as of the tasks and responsibilities of Supervisory Board members. Women have been represented on the Supervisory Board of FACC AG since the company was first listed on the Vienna Stock Exchange. At the end of the 2017/18 financial year, the proportion of female members of the Supervisory Board was 30 percent (4 out of 12).

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

Two 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

FACC AG did not report any transactions by persons subject to reporting requirements in the 2017/18 financial year.

Changes after the balance sheet date

No changes in circumstances subject to mandatory reporting occurred between the balance sheet date and the editorial deadline of this report.

Auditor

Ernst & Young Wirtschaftsprüfungs GmbH, Linz, was proposed by the Supervisory Board as auditor and group auditor of FACC AG for the 2017/18 financial year. The motion was adopted by the Annual General Meeting on 18 July 2017 with the required majority.

Expenses for auditing services in the 2017/18 financial year amounted to kEUR 183 (previous year: kEUR 185). The breakdown into individual services is shown in the Notes to the Consolidated Financial Statements.

2017/18 FINANCIAL REPORT

Group Management Report of FACC AG for the 2017/18 Financial Year

- With a growth rate of 3.7%, the global economy experienced the biggest upturn of the decade.
- High passenger volumes and the persistently low price of oil had a positive impact on the aviation industry.
- In 2017, airlines generated the third highest revenues in history. Airbus and Boeing delivered 1,481 aircraft.
- The order backlog for aircraft with more than 100 seats remained high at 13,800.

1. BUSINESS ENVIRONMENT

The global economy was shaped by a broad economic recovery in 2017. According to estimates by the International Monetary Fund (IMF), global economic output rose by 3.7% after an increase of 3.2% in 2016, while growth in the industrialised countries rose to 2.3% (previous year: 1.7%) following a slowdown in the previous year. In the emerging and developing countries, economic growth remained high at 4.7% (previous year: 4.4%). According to the IMF, also the USA and China, the world's two major economies, each recorded an increase in economic growth in 2017: The United States are currently undergoing a robust economic recovery. In 2017, the US economy grew by 2.2% (previous year: 1.5%), with consumers being 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 6.8% (previous year: 6.7%) as shown by economic data. The shift of the Chinese economy to an increasingly consumer-oriented economy is still in full swing.

The eurozone economy ended 2017 on a strong note as well: After five years of moderate recovery, growth in the European Union sped up with an increase of 2.5% compared to 1.8% in the previous year. This acceleration was mainly driven by consumer spending. Investment activity remained strong and exports were on the rise. Moreover, these growth dynamics within the eurozone are spreading to more and more member states of the European Union.

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

2. INDUSTRY ENVIRONMENT

Airlines recently continued their positive earnings trend, which was caused in part by strong demand, and implemented efficiency improvements and successful consolidations. The persistently 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) announced an above-average increase of 7.5% in global passenger traffic in 2017, with demand increases varying by region: 4.0% in North America, 8.0% in Europe and 10.0% in Asia. Confronted with increasing passenger volumes, the airlines expanded their fleets, with the global fleet growing by 5.2% in 2017. IATA calculated industry-wide profits of USD 34.5 billion for 2017, which is the third year in a row in which airlines exceeded the USD 30 billion profit mark.

Airbus and Boeing delivered 1,481 aircraft in 2017. During the same period, airlines ordered 2,021 aircraft from Airbus and Boeing. The order backlog for aircraft with more than 100 seats slightly increased to around 13,800 aircraft. Assuming that production rates remain constant, this order backlog corresponds to a calculated production period of nine years.

3. GENERAL INFORMATION

The FACC Group based in Ried im Innkreis is an Austrian group of companies which specialises 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, etc.).

Due to different applications of the products, three operating segments were created. The Aerostructures segment is responsible for the development, production, distribution and repair of structural components, while the Cabin Interiors segment is responsible for the development, production, distribution and repair of cabin interiors 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 operating segments, the Group also comprises the central services Finance and Controlling, Human Resources, Quality Assurance, Purchasing and IT (including Engineering Services). The central services support the operating segments in fulfilling their duties within the framework of a matrix organisation.

4. DEVELOPMENT OF THE FACC GROUP

	2015/16 MEUR	2016/17 MEUR	**2017/18 MEUR**
Revenues	**580.2**	**705.7**	**750.7**
One-time effects	0.0	0.0	5.7
Of which product revenues	518.6	646.1	691.0
Of which revenues from development services	61.6	59.6	59.7
EBIT	**–58.8**	**25.0**	**63.8**
One-time effects	–41.9	0.0	15.2
EBIT adjusted for one-time effects	–16.9	25.0	48.6
EBIT margin (adjusted)	**–10.1%**	**3.8%**	**6.5%**
Earnings after taxes	**–52.3**	**15.2**	**39.7**
Earnings per share	**–1.14**	**0.33**	**0.87**

In the 2017/18 financial year, the FACC Group generated revenues of EUR 750.7 million, which represents an increase of EUR 45.0 million or 6.4% compared to the previous year.

Revenues from product deliveries increased by 6.9% to EUR 691.0 million. The main drivers of product sales in the 2017/18 financial year were the programmes for the Airbus A320 family, Airbus A350 XWB, Boeing 787 as well as the Bombardier and Embraer Business Jets. All other programmes, 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 fueled by the increasing rate ramp ups for the new major B787 and A350 aircraft programmes and the growing demands of the A320 aircraft family. It should be noted that the B737 winglet programme, which has been manufactured exclusively by FACC since 2001, is losing significance after 18 years of series production. Revenues from this project decreased from approximately EUR 50 million in the 2016/17 financial year to EUR 40 million in the 2017/18 financial year. Call-offs from this project will be gradually reduced over the next two years and will cease completely by 2020. The orders received in recent years and new winglet programmes more than compensate for the loss of sales, but will be accompanied by a temporary slowdown in growth in the structural division until 2019/20.

Revenues from the offsetting of development services remained constant at EUR 59.7 million (previous year: EUR 59.6 million).

The cost of materials increased by EUR 7.6 million from EUR 443.0 million to EUR 450.6 million in the 2017/18 financial year. This increase was brought about by a higher operating performance.

The materials ratio (cost of materials/revenues) decreased by 3 percentage points to 60.0% (previous year: 63.0%) due to further measures to increase efficiency in the manufacturing environment and adjustments to supply chain management (new tenders and allocation of new supplier contracts).

Group personnel expenses increased by EUR 11.2 million from EUR 173.2 million to EUR 184.4 million in 2017/18. The personnel cost ratio (personnel expenses/sales revenues) increased by 0.1 percentage points compared to the previous year to 24.6%. In production, however, the personnel cost ratio was significantly reduced. The workforce was expanded with particular emphasis on white-collar workers to meet the requirements of the development projects and secure future growth.

In the past financial year, earnings before interest and taxes (EBIT) amounted to EUR 63.8 million (previous year: EUR 24.9 million).

The one-time effects in the amount of EUR 15.2 million were largely due to the conclusion of customer negotiations. As a consequence of the amendments to IAS 8, the relevant receivables were value-adjusted or provisions were established in previous periods.

4.1. Financial position

The main objectives of financial management are 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, including corporate bonds, promissory note loans, loan agreements with banks and lease arrangements.

Financing instruments

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

For information on the company's capacity to raise funds through authorised and conditional capital increases and on funding sources, please refer to Notes 30. 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 investing activities.

	2015/16 MEUR	2016/17 MEUR	**2017/18 MEUR**
Cash flow from operating activities	–9.3	20.0	63.1
Cash flow from investing activities	–50.9	–34.4	–35.1
Free cash flow	**–60.2**	**–14.4**	**26.0**
Cash flow from financing activities	3.9	6.0	–12.9
Net change in cash and cash equivalents	**–56.3**	**–8.4**	**15.0**
Valuation effects from currency translation differences	1.5	0.5	0.2
Cash and cash equivalents at the beginning of the period	**111.0**	**56.2**	**48.3**
Cash and cash equivalents at the end of the period	**56.2**	**48.3**	**63.5**

Cash flow from operating activities

The cash flow from operating activities in the 2017/18 financial year amounted to EUR 63.1 million, which corresponds to an increase of EUR 43.1 million compared to the previous year's figure of EUR 20.0 million. In addition to a favourable revenue and earnings development in the year under review, this growth was mainly driven by an increase in working capital of EUR 43.1 million.

Cash flow from investing activities

The cash outflow resulting from investing activities in the 2017/18 financial year amounted to EUR –35.1 million compared with EUR –34.4 million in the previous year.

Project investments were mainly driven by development and tooling costs for the Airbus A350-1000, A330neo, Bombardier C Series and Embraer-E2 jets models as well as by investments in the duplication of various tools to safeguard future production rates.

Capital expenditures on property, plant and equipment are mainly attributable to the expansion of production capacities at the Austrian plant 2 in St. Martin and plant 4 in Reichersberg, the ramp up of new programmes as well as the support of increasing call-up orders within the framework of ongoing projects. In the course of the financial year, new investments were made in production plants for capacity expansion, additional automation measures, the optimisation of existing production facilities and infrastructure along with maintenance investments.

Cash flow from financing activities

In the 2017/18 financial year, cash flow from financing activities amounted to EUR –12.9 million (previous year: EUR 6.0 million). In the year under review, the cash inflow from financing activities amounted to EUR 11.9 million (previous year: EUR 24.6 million).

Cash inflows were essentially offset by cash outflows resulting from the repayment of loans totaling EUR 6.8 million, the redemption of a tranche of the promissory note loan amounting to EUR 8.0 million as well as the payment of interest on both loans and bonds in the amount of EUR 10.1 million.

4.1.2. Net debt

On 28 February 2018, net debt amounted to EUR 181.9 million (previous year: EUR 197.0 million). On the balance sheet date, the Group's cash and cash equivalents amounted to EUR 63.5 million (previous year: EUR 48.3 million).

	2015/16 MEUR	2016/17 MEUR	**2017/18 MEUR**
Promissory note loans	42.0	42.0	34.0
Of which promissory note loans 2012–2017	8.0	8.0	0.0
Of which promissory note loans 2012–2019	34.0	34.0	34.0
Bonds 2013–20 (ISIN AT0000A10J83)	89.2	89.4	89.6
Other financial liabilities	96.9	71.9	121.7
Gross financial liabilities	**228.0**	**245.3**	**245.2**
Less			
Cash and cash equivalents	56.2	48.3	63.5
Financial assets	**56.2**	**48.3**	**63.5**
Net debt	**172.0**	**197.0**	**181.9**

4.2. Net asset position

The balance sheet total increased by EUR 18.2 million to EUR 703.6 million compared to the previous year.

	29.02.2016 MEUR	28.02.2017 MEUR	**28.02.2018 MEUR**
Non-current assets	357.9	357.5	351.2
Current assets	311.3	327.9	352.4
Assets	**669.2**	**685.4**	**703.6**
Equity	**267.1**	**269.7**	**323.1**
Non-current liabilities	250.7	242.2	211.1
Current liabilities	164.2	173.5	169.4
Debt	**414.9**	**415.7**	**380.5**
Equity and liabilities	**669.2**	**685.4**	**703.6**

4.2.1. Assets

Non-current assets of the FACC Group decreased by EUR 6.3 million to EUR 351.2 million compared to the balance sheet date on 28 February 2017.

Current assets increased by EUR 24.5 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 15.2 million to EUR 63.5 million as of the balance sheet date on 28 February 2018.

4.2.2. Equity

FACC Group's equity amounted to EUR 323.1 million at the end of the reporting period. This corresponds to an equity ratio of 45.9% as of 28 February 2018 (previous year: 39.4%).

4.2.3. Debt

Within non-current liabilities, other financial liabilities decreased by EUR 11.5 million to EUR 56.1 million.

Within current liabilities, trade payables decreased by EUR 9.3 million to EUR 48.9 million. Other financial liabilities increased by EUR 19.5 million to EUR 65.8 million. The second tranche of the EUR 8.0 million promissory note loan recorded under current liabilities was repaid in June 2017.

5. DEVELOPMENT OF THE BUSINESS SEGMENTS

Segment reporting follows the internal management and reporting of FACC AG. 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 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:** development, production, distribution and repair of cabin interiors

In the 2017/18 financial year, major new contracts were signed in all segments of the Group to ensure the sustainable implementation of the FACC strategy. Contracts worth the equivalent of approximately EUR 750 million were signed and implemented in the course of the 2017/18 financial year. Revenues from these contracts will contribute to further growth of the FACC divisions from the 2019/20 financial year onwards.

5.1. Aerostructures segment

Revenues in the Aerostructures segment amounted to EUR 334.4 million in the 2017/18 financial year (previous year: EUR 331.0 million). Revenues from product deliveries increased by EUR 1.2 million or 0.4% to EUR 305.1 million. Revenues from development activities increased by 18.3% from EUR 27.1 million to EUR 32.0 million in the period under review.

Earnings before interest and taxes (EBIT) in the Aerostructures segment stood at EUR 38.1 million in the 2017/18 financial year (previous year: EUR 51.2 million).

This positive development in the Aerostructures segment was mainly influenced by the increasing demand for components of the Airbus A350 aircraft and the continued ramp up of production rates for Airbus A320, Airbus A321 and Bombardier C Series products. On the other hand, the launch of the Boeing 737 MAX led to a decline in sales of Boeing 737 NG winglets (see also the Notes in section 4).

5.2. Engines & Nacelles segment

Revenues in the Engines & Nacelles segment reached EUR 161.9 million in the 2017/18 financial year (previous year: EUR 142.0 million). This corresponds to an increase of 14.1%.

Revenues from product deliveries increased significantly by 12.7% from EUR 133.8 million to EUR 150.7 million. Revenues from development services increased by EUR 1.8 million from EUR 8.2 million to EUR 10.0 million.

Earnings before interest and taxes (EBIT) in the Engines & Nacelles segment stood at EUR 16.9 million in the 2017/18 financial year (previous year: EUR –13.8 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.

The ramp up of the series production for the A350 Translating Sleeve (TRSL) project had a positive effect on the development of the Engines & Nacelles segment. This segment also benefited from a steady increase in demand for engine components for the Airbus A320neo family of aircraft and the planned production ramp up of the A330 Neo Fan Cowl Doors.

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 to the development of the business according to plan.

5.3. Cabin Interiors segment

The Cabin Interiors segment was once again able to achieve considerable growth compared to the previous year with revenues amounting to EUR 254.3 million in the 2017/18 financial year (previous year: EUR 232.8 million). This segment thus once more recorded a significant increase compared to the previous year. Total product sales in 2017/18 amounted to EUR 235.1 million (previous year: EUR 208.5 million). Growth of 12.8% was driven by a continuous increase in the new programmes for the Airbus A350, with rev-

enues from development services falling by EUR 6.6 million from EUR 24.3 million to EUR 17.7 million.

Earnings before interest and taxes (EBIT) in the Interiors segment amounted to EUR 8.8 million in the 2017/18 financial year (previous year: EUR –12.4 million).

The financial performance of the Interiors segment was positively influenced by the systematic continuation of measures introduced in the 2016/17 financial year, meaning that positive operating EBIT was already generated in the second half-year.

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 Risk Management reports directly to the Board of Management, 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 operating units and reported to the Management Board twice a year once they have been reviewed by management. Exceptional events are immediately reported to the responsible risk owner or Director Risk Management. The latter decides whether the Management Board is to be notified straight away, who in turn reports to 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 jeopardise the company's ability to continue as a going concern.

The following key risk areas can be identified:

6.1. Management risks

Based on market observations and analyses, a five-year business plan is drawn up, which defines the basic corporate strategy and is reviewed and approved by the Supervisory Board. The specific business objectives for each financial year are derived from this plan, which is updated on an annual basis.

Short-term changes in the market pose the greatest risk. In addition, successful operational implementation is also repeatedly jeopardised by external factors which can often scarcely be influenced.

FACC's management is responsible for implementing policy consistently, while promptly responding to short-term changes in line with the defined corporate strategy. 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 jets 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 current aircraft models.

6.3. Purchasing and supplier risk

The purchasing department regularly carries out risk assessments of the company's suppliers to identify potential threats and risks at an early stage. This is done in order to be able to set the priorities for the planning and the execution of audits and support the decision-making process when awarding new contracts. The selection of new suppliers requires the involvement of the "Procurement Quality Assurance" (PQA) department to make sure that the necessary qualifications and approvals 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 minimise product risk. The ongoing quality-compliant and timely delivery of materials and of semi-finished and finished products is assessed via SAP on a regular basis. This evaluation is also an integral part of the overall risk assessment. Deviations from the targeted component quality and delivery performance are systematically tracked, analysed, evaluated and benchmarked against defined goals. Noticeable variations are reported to the Management Board following the management reviews.

6.4. Business interruption risk

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

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

As to projects for which FACC bears development responsibility, a higher risk exists due to the possibility of construction errors. This can, however, be effectively minimised through systematic action. Regular controls at all stages of development are intended to mitigate risks early on. Besides, FACC operates an archive system with regard to quality records, which are either contractually stipulated or go beyond contractual obligations on a case-by-case basis. This is to demonstrate that products were manufactured and services rendered according to defined criteria, while keeping in line with the guidelines approved by both customers and the aviation authority/ authorities.

Despite 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 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 minimise 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 department identifies, evaluates and hedges financial risks in close collaboration with the Group's operating units.

6.7.1. 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. 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.

The hedging strategies employed by the Group's treasury department are designed to control and minimise 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 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 12 months (on a rolling monthly basis) (hedge ratio). If market levels are favourable, 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 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 255 (previous year: kEUR 270). 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.

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. However, the company also cooperates with customers in order to further optimise products.

In the 2017/18 financial year, FACC spent EUR 3.5 million, or 0.5% of its sales, on basic research and advance development. Additional contract developments were carried out in collaboration with customers – project-related expenses were passed on to the development partners.

The consistent focus on technology development is a cornerstone of FACC's commercial success. Increasing competition, especially from competitors in low-wage countries, can only be countered by optimised processes and innovative products.

From the company's perspective, active research and innovation are a prerequisite for maintaining FACC's position as a leading development partner and systems supplier to its customers. Since FACC is often required to work with proprietary customer patents and processes, in-house developments help to secure existing orders and open up new business areas. Backed by a strong network of customers, suppliers and scientific partners, FACC develops new technologies for use in future series orders.

FACC is constantly working on new product solutions and production technologies. The company is currently focusing its research on four major projects aimed primarily at optimising the efficiency of components and their production.

Out of Autoclave

New production technologies are designed to enable the curing of fibre composite components without autoclaves, for instance in convection ovens or squeezers. Such alternatives consume less energy and can also help to increase the level of automation.

New materials

The use of new materials such as thermoplastic or fast-curing matrix systems enables a reduction in cycle times in component production. This is essential in order to be able to meet the required production rate of lightweight components in the future. Furthermore, the use of the appropriate matrix system can significantly reduce waste and thus greatly reduce production costs. FACC is committed to sustainable product design by using biological matrix systems made from sugar cane waste, which are applied in the Cabin Interiors segment.

Integral and differential construction

An optimal blend of integral and differential design results in robust production processes and consequently in a reduction in production costs. In this context, it is crucial to consider the entire process chain, from the design of components and tools to component production and assembly. Differential design relies on several simple fibre composite components that are connected to form an assembly by means of intelligent bonding techniques. The advantage of this design lies in the high process stability of the production of the fibre composite components. The downside, however, is that this increases the assembly costs of final assembly. Integral design is based on the opposite principle. Reinforcement profiles such as top-hat profiles are not cured and assembled separately as with differential design. They are already joined to form a complex assembly in the clean room and are then cured in a single step. Due to the reduced assembly effort and the lack of connecting elements such as screws or rivets, integral design brings about a significant reduction in costs and weight.

Intelligent production systems

Intelligent production systems and innovative testing methods are intended to make production more robust, faster and more cost-effective. Examples include the use of intelligent detection methods for detecting foreign objects in fibre composite laminates as early as during the manufacturing process or increasing the digitisation level in production. FACC is thus taking an important step towards Industry 4.0.

Patents and prizes

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

8. EMPLOYEES

As of 28 February 2018, the total headcount of the FACC Group stood at 3,402 full-time equivalents (FTE); (previous year: 3,393 FTE).

In Austria, 3,177 FTE were working for the company as of 28 February 2018. This corresponds to roughly 90% of the entire workforce.

	Blue collar	White collar	Total headcount
Central Services	131	320	451
Aerostructures	842	245	1,087
Engines & Nacelles	478	125	603
Cabin Interiors	724	234	958
Subsidiaries	74	189	263
FACC AG	–	40	40
Total	**2,249**	**1,153**	**3,402**

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

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 recognised 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 human capital 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, organised 495 internal training sessions with a total of 6,550 participants in 2017 alone. In addition, 145 external training sessions attended by 930 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 such as "Export Control Advanced" and "System Management" via e-learning. Meanwhile, e-learning content specifically tailored to the company's needs is being created by internal developers. The "SAP Material Flow" module has also been available online since spring 2018, with the "Foreign Object Damage (FOD)" course scheduled to follow in September 2018. 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 38 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 top priority at FACC. In the 2017/18 financial year, a total of 41 apprentices were enrolled in six different training programmes 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 specialised training programmes in plastics engineering, milling, cutting and machining techniques, design, information technology and, since 2017, also in process technology. 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.

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 operating units cooperate closely with each other.

FACC's first Sustainability Report for the 2017 financial year will be 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).

10. REPORT ON BRANCH OFFICES

FACC AG does not operate any branch offices.

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

11.1. Report on the key features of the Group's internal control and risk management systems with regard to accounting procedures

Pursuant to section 243a paragraph 2 of the Austrian Commercial Code (UGB), FACC is required to describe the key features of the 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 systems are laid down in FACC's risk management manual. This manual describes and identifies key finance and controlling processes and their associated risks.

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

The measures and rules include, amongst others, the separation of functions, the dual control principle, rules governing authorised signatories, joint signatory powers for authorising payments only, which are restricted to a small number of persons, as well as system-supported checks by the EDP-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 centre. Every cost centre manager is responsible for keeping in line with the budgeted costs and 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 2018 and is divided into 45,790,000 no-par value 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 2018, FACC International Company Ltd., Hong Kong held, either directly or indirectly, 55.5% of the shares of FACC AG. As of the balance sheet date on 28 February 2018, no other shareholders were known to hold more than 10% of the share capital.

The free float of FACC shares amounted to 44.5% on 28 February 2018.

There are no shares with 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. Authorised capital

At the Extraordinary General Meeting on 23 June 2014, authorised capital was approved. Accordingly, the Management Board is authorised, subject to prior approval by the Supervisory Board and within five years of the date on which the authorised capital was entered in the commercial register, to increase the company's share capital by up to a nominal figure of EUR 19,895,000 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.

At the Extraordinary General Meeting on 23 June 2014, authorised capital was approved. Accordingly, the Management Board is authorised, subject to prior approval by the Supervisory Board and within five years of the date on which the authorised capital was entered in the commercial register, to increase the share capital by up to a nominal figure of EUR 3,000,000 by issuing up to 3,000,000 new shares in order to grant share options to employees, executives and members of the Management Board of the company or of one of its affiliated companies. New shares can also be issued excluding shareholders' subscription rights.

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 FACC International Company Ltd., Hong Kong, holds a stake in FACC AG of at least 25% of the company's share capital, it shall have the right to appoint up to one third of all members of the Supervisory Board in accordance with section 11 of the Articles of Association of FACC.

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 2018, 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 when

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 appoint the majority of the members of the Management or Supervisory Board of the borrowers.

12. OUTLOOK

12.1. The civil aviation market

The growth trend in the civil aviation industry is expected to remain strong in the future. Current market forecasts of OEMs confirm the constant annual increase in passenger volumes of around 4.5%. Over the next two decades, the global aircraft fleet, which currently amounts to 20,500 large commercial aircraft (source: Airbus' Global Market Forecast), will more than double to roughly 42,530 aircraft by 2036. 12,870 aircraft from the existing fleet will reach the end of their service life and be replaced by modern aircraft models. Based on these estimates, a total of 34,900 new aircraft with more than 100 seats will be required by 2036.

However, a significant shift towards the new growth markets China and India is also expected to occur. Traffic volumes (flights per year and per capita) are expected to quadruple in these markets by 2036. In the US and Europe, where air travel is already widespread, the number of flights per capita is also expected to increase by an additional 40%.

Last year, Airbus and Boeing delivered a total of 1,481 new aircraft to their customers. In the same period, 2,021 aircraft were sold to airlines, with a book-to-bill ratio of well over 1.

12.2. The FACC Group

FACC will continue to pursue the sales target of EUR 1 billion by the end of the 2020/21 financial year in line with the company's "Vision 2020" strategy. In the coming years, the company expects to gradually increase the production rates of its most important programmes. Thanks to FACC's balanced and modern product and customer portfolio, the company is able to profit from the general growth trend currently underway in almost all aircraft families.

FACC is particularly focused on processing the new orders signed last year, which are worth around EUR 750 million. It is expected that the first revenues from these new orders will be generated in the first half of the 2019/20 financial year.

Based on current market assessments and the Group's existing product mix, FACC expects revenue growth in the single-digit percentage range in the 2018/19 financial year. The initiatives to increase the level of automation and productivity and to outsource the production of simple composite parts to the supply chain will continue. This will lead to a substantial improvement in earnings.

By way of conclusion, the FACC Group will continue to strengthen its business activities, ranging from development and production to global supply chain management, whilst sustainably expanding 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 for Airbus, Boeing, Bombardier, Embraer and all renowned engine manufacturers has top priority.

Ried im Innkreis, 2 May 2018

Robert Machtlinger Chairperson of the Management Board	Andreas Ockel Member of the Management Board	Aleš Stárek Member of the Management Board	Yongsheng Wang Member of the Management Board

Consolidated Profit and Loss Statement

for the period from 1 March 2017 to 28 February 2018

	Note	2016/17 restated[1] EUR'000	2017/18 EUR'000
Revenues	9	705,695	750,668
Changes in inventory of finished and unfinished products	10	6,959	11,099
Own work capitalised	11	11,145	8,763
Other operating income	12	41,025	28,867
Cost of materials and purchased services	13	–443,027	–450,595
Personnel costs	14	–173,236	–184,426
Depreciation, amortisation and impairment	15	–30,798	–32,895
Other operating expenses	16	–92,777	–67,721
Eearings before interest and taxes (EBIT)		**24,986**	**63,760**
Financing expenses	17	–11,184	–11,465
Interest income from financial instruments	17	635	134
Fair value measurement of derivative financial instruments	17	5,098	0
Financial result		**–5,451**	**–11,331**
Earnings before taxes (EBT)		**19,535**	**52,429**
Income taxes	18	–4,296	–12,700
Earnings after taxes		**15,238**	**39,729**
Of which attributable to non-controlling interests		10	–9
Of which attributable to shareholders of the parent company		**15,229**	**39,738**
Diluted (= undiluted) earnings per share (in EUR)	**19**	**0.33**	**0.87**
Issued shares (in shares)		**45,790,000**	**45,790,000**

[1] Due to an error correction according to IAS 8, previous year's figures have been restated retrospectively (see Note 3).

Consolidated Statement of Comprehensive Income

for the period from 1 March 2017 to 28 February 2018

	Note	2016/17 restated[1] EUR'000	2017/18 EUR'000
Earnings after taxes		**15,238**	**39,729**
Revaluation effects of pensions and termination benefits	32	–223	364
Tax effect	18	56	–91
Items not subsequently reclassified to profit or loss		**–167**	**273**
Currency translation differences from consolidation	30	104	–650
Fair value measurement of securities	30	14	–8
Cash flow hedges	30	377	18,734
Tax effect	18	–98	–4,669
Items subsequently reclassified to profit or loss		**397**	**13,407**
Other comprehensive income after taxes		**230**	**13,680**
Total comprehensive income		**15,469**	**53,408**
Of which attributable to non-controlling interests		10	–9
Of which attributable to shareholders of the parent company		**15,459**	**53,417**

[1] Due to an error correction according to IAS 8, previous year's figures have been restated retrospectively (see Note 3).

Consolidated Statement of Financial Position as of 28 February 2018

ASSETS

	Note	01.03.2016 restated[1] EUR'000	28.02.2017 restated[1] EUR'000	28.02.2018 EUR'000
Intangible assets	20	145,867	149,743	147,660
Property, plant and equipment	21	165,234	166,116	173,704
Non-current receivables	22	29,494	27,866	24,614
Non-current receivables from related companies	23	0	0	4,750
Other non-current financial assets	24	451	465	457
Deferred taxes		16,833	13,285	0
Non-current assets		**357,878**	**357,475**	**351,185**
Inventories	25	107,823	113,379	130,562
Trade receivables	26	92,626	98,875	86,061
Receivables from construction contracts	28	20,243	18,788	17,212
Receivables from related companies		19,060	28,533	13,626
Current income tax receivables		45	8	30
Derivative financial assets	27	0	0	14,591
Other receivables and deferred items	26	15,292	20,039	26,803
Cash and cash equivalents	29	56,215	48,275	63,488
Current assets		**311,303**	**327,897**	**352,373**
Balance sheet total		**669,181**	**685,372**	**703,558**

[1] Due to an error correction according to IAS 8, previous year's figures have been restated retrospectively (see Note 3).

EQUITY AND LIABILITIES

	Note	01.03.2016 restated[1] EUR'000	28.02.2017 restated[1] EUR'000	28.02.2018 EUR'000
Share capital	30	45,790	45,790	45,790
Capital reserve	30	221,459	221,459	221,459
Currency translation reserve	30	–250	–146	–797
Other reserves	30	–13,476	–13,349	981
Retained earnings	30	678	15,907	55,644
Equity attributable to shareholders of the parent company		**254,201**	**269,660**	**323,077**
Non-controlling interests		17	26	17
Equity		**254,218**	**269,686**	**323,094**
Promissory note loans	34	42,000	34,000	34,000
Bonds	34	89,242	89,416	89,589
Other financial liabilities	34	75,213	67,581	56,093
Derivative financial instruments	36	3,948	3,544	681
Investment grants	31	12,385	12,381	11,405
Employee benefit obligations	32	10,759	9,045	9,268
Other provisions	33	17,190	26,195	8,819
Deferred tax liabilities		0	0	1,246
Non-current liabilities		**250,738**	**242,163**	**211,101**
Trade payables		68,655	58,182	48,875
Liabilities towards related companies		425	1,813	3,548
Other liabilities and deferred items	35	25,526	27,433	30,248
Other financial liabilities	34	21,634	46,295	65,762
Promissory note loans	34	0	8,000	0
Advance payments received from construction contracts		4,023	1,627	7,907
Derivative financial instruments	36	29,528	15,634	0
Other provisions	33	13,359	12,969	9,249
Investment grants	31	904	1,165	1,130
Income tax liabilities		171	404	2,645
Current liabilities		**164,225**	**173,523**	**169,363**
Balance sheet total		**669,181**	**685,372**	**703,558**

[1] Due to an error correction according to IAS 8, previous year's figures have been restated retrospectively (see Note 3).

Consolidated Statement of Changes in Equity

for the period from 1 March 2017 to 28 February 2018

		Attributable to shareholders of the parent company			
	Note	Share capital EUR'000	Capital reserve EUR'000	Currency translation reserve EUR'000	
As of 1 March 2017 (previous)		**45,790**	**221,459**	**–250**	
Error correction according to IAS 8[1)]	3	0	0	0	
As of 1 March 2016 (adjusted)		**45,790**	**221,459**	**–250**	
Earnings after taxes		0	0	0	
Other comprehensive income/loss	30	0	0	104	
Reclassification		0	0	0	
Total comprehensive income		**0**	**0**	**104**	
As of 28 February 2017		**45,790**	**221,459**	**–146**	
As of 1 March 2017 (previous)		**45,790**	**221,459**	**–146**	
Error correction according to IAS 8[1)]	3	0	0	0	
As of 1 March 2017 (adjusted)		**45,790**	**221,459**	**–146**	
Earnings after taxes		0	0	0	
Other comprehensive income/loss	30	0	0	–650	
Total comprehensive income		**0**	**0**	**–650**	
As of 28 February 2018		**45,790**	**221,459**	**–797**	

	Attributable to shareholders of the parent company						
	Other reserves						
	Securities – available for sale	Cash flow hedges	Reserves IAS 19	Retained earnings	Total	Non-controlling intersts	Total equity
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
	–27	**–9,727**	**–3,722**	**13,571**	**267,094**	**17**	**267,111**
	0	0	0	–12,893	–12,893	0	–12,893
	–27	**–9,727**	**–3,722**	**679**	**254,201**	**17**	**254,218**
	0	0	0	15,229	15,229	10	15,238
	10	283	–167	0	230	0	230
	21	–22	1	0	0	0	0
	31	**261**	**–166**	**15,229**	**15,459**	**10**	**15,469**
	4	**–9,466**	**–3,888**	**15,907**	**269,660**	**26**	**269,686**
	4	**–9,466**	**–3,888**	**30,240**	**283,993**	**26**	**284,019**
	0	0	0	–14,333	–14,333	0	–14,333
	4	**–9,466**	**–3,888**	**15,907**	**269,660**	**26**	**269,686**
	0	0	0	39,738	39,738	–9	39,729
	–6	14,063	273	0	13,680	0	13,680
	–6	**14,063**	**273**	**39,738**	**53,418**	**–9**	**53,408**
	–1	**4,597**	**–3,615**	**55,644**	**323,077**	**17**	**323,094**

[1] Due to an error correction according to IAS 8, previous year's figures have been restated retrospectively (see Note 3).

Consolidated Statement of Cash Flows

	2016/17 restated[1] EUR'000	2017/18 EUR'000
Operating activities		
Earnings before taxes	19,535	52,429
Plus financial result	5,451	11,331
Earnings before interest and taxes	**24,986**	**63,760**
Plus/minus		
Depreciation, amortisation and impairment	30,798	32,895
Income from the reversal of investment grants	–805	–1,821
Change in other non-current provisions	9,005	–17,376
Change in employee benefit obligations	–1,937	603
Other non-cash expenses/income	–4,507	10,000
	57,540	88,062
Change in working capital		
Change in inventory	–5,956	–18,626
Change in trade receivables and other receivables	–24,926	–27,960
Change in trade payables and other liabilities	–6,540	25,572
Change in current provisions	15	–3,842
Cash flow from ongoing activities	20,133	63,206
Interest received	73	134
Taxes paid	–173	–266
Cash flow from operating activities	**20,033**	**63,074**
Payments for the acquisition of intangible assets, plant, property and equipment	–34,406	–35,068
Proceeds from the disposal of intangible assets, plant, property and equipment	0	3
Cash flow from investing activities	**–34,406**	**–35,064**
Proceeds from non-current interest-bearing liabilities	0	7,267
Repayments of promissory note loans	0	–8,000
Repayments of non-current interest-bearing liabilities	–7,817	–6,819
Change in current interest-bearing liabilities	24,661	4,642
Interest paid	–10,865	–10,069
Cash flow from financing activities	**5,979**	**–12,979**
Net changes in cash and cash equivalents	**–8,393**	**15,030**
Cash and cash equivalents at the beginning of the period	56,215	48,275
Effects from foreign exchange rates	453	183
Cash and cash equivalents at the end of the period	**48,275**	**63,489**

[1] Due to an error correction according to IAS 8, previous year's figures have been restated retrospectively (see Note 3).

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 2018 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 Commercial Code (UGB), these Consolidated Financial Statements are subject to exception under Austrian law. All additional requirements of section 245a (1) of the Austrian Commercial 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 total cost convention.

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 realised 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 (kEUR). 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 43). A description of the accounting and valuation principles is given in Note 42.

In order to improve the informative value of the Consolidated Financial Statements, individual items and presentations have been restructured as of 28 February 2018 compared to the previous year. In addition, the Notes have been put into a different order, and the explanations contained therein have been adjusted or supplemented. The reference values have also been adjusted accordingly.

3. Changes in accounting estimates and errors

The audit according to section 2 paragraph 1 number 2 of the Accounting Control Act (audit without special reason) was completed by the Financial Market Authority (FMA) by decision of 28 August 2017. All detected violations, with the exception of "adjustment of provisions for pending losses" (violation of IAS 37.14 and IAS 37.66), were corrected in the Consolidated Financial Statements as of 28 February 2017 and explained in the Notes to the Consolidated Financial Statements during the ongoing proceedings in accordance with IAS 8.42. The Notes to the Consolidated Financial Statements as of 28 February 2017 refer to the final clarification regarding the provision for onerous contracts, which was still outstanding at that time. A final presentation of all facts and circumstances (including the adjustment of provisions for pending losses) was given in the abridged Notes of the Half Year Financial Report 2017/18.

Up to now, the time sequence, interdependence and link between cash flows have been analysed and examined in detail in order to assess whether individual agreements in the assessment of the existence of an impending loss according to IAS 38 are to be regarded as separate contracts or as a single contract with customers. On

this basis, two contracts concluded with the same customer were qualified as a single contract in order to calculate pending losses. As a result of this qualification, no pending losses were identified for two concrete contracts.

This approach has now been modified to the extent that the criteria pursuant to IAS 37.14 and IAS 37.66 have not been fully met in order for the two contracts to be considered as one. When assessing pending losses, the contracts must therefore be viewed separately as the delivery obligations were negotiated separately and refer to different products and types of aircraft. In addition, the customer had the right to unilaterally terminate the contracts.

This resulted in additional provisions of kEUR 17,190 as of 1 March 2016 (29 February 2016) and kEUR 19,110 as of 28 February 2017. The increase of kEUR 1,920 in the 2016/17 financial year was recorded under other operating expenses.

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

	28.02.2017 = 01.03.2017		
	Previous EUR'000	Correction EUR'000	Restated EUR'000
Revenues	705,695	0	705,695
Changes in inventory of finished and unfinished products	6,959	0	6,959
Own work capitalised	11,145	0	11,145
Other operating income	41,024	0	41,024
Cost of materials and purchased services	–443,027	0	–443,027
Personnel costs	–173,236	0	–173,236
Depreciation, amortisation and impairment	–30,798	0	–30,798
Other operating expenses	–90,857	–1,920	–92,777
Earnings before interest and taxes (EBIT)	**26,905**	**–1,920**	**24,986**
Financing expenses	–11,184	0	–11,184
Interest income from financial instruments	635	0	635
Fair value measurement of derivative financial instruments	5,098	0	5,098
Earnings before taxes (EBT)	**21,454**	**–1,920**	**19,535**
Income taxes	–4,776	480	–4,296
Earnings after taxes	**16,678**	**–1,440**	**15,238**
Items subsequently reclassified to profit or loss			
Currency translation differences from consolidation	104	0	104
Fair value measurement of securities (after tax)	10	0	10
Cash flow hedges (after tax)	283	0	283
Items not subsequently reclassified to profit or loss			
Revalution effects of termination benefits (after tax)	–167	0	–167
Consolidated comprehensive income	**16,908**	**–1,440**	**15,468**
Income after taxes attributable to:			
Shareholders of the parent company[1)]	16,669	1,440	15,228
Non-controlling interests	10	0	10
Consolidated comprehensive income attributable to:			
Shareholders of the parent company	16,899	1,440	15,458
Non-controlling interests	10	0	10
[1)] Earnings per share, based on income after tax to which the shareholders of the parent company are entitled in the financial year (in EUR per share)	0.36		0.33

Correction accoording to IAS 8 of the Consolidated Statement of Financial Position

	29.02.2016 = 01.03.2016			28.02.2017 = 01.03.2017		
	Previous EUR'000	Correction EUR'000	Restated EUR'000	Previous EUR'000	Correction EUR'000	Restated EUR'000
Assets						
Intangible assets	145,867	0	145,867	149,743	0	149,743
Property, plant and equipment	165,234	0	165,234	166,116	0	166,116
Non-current receivables	29,494	0	29,494	27,866	0	27,866
Other non-current financial assets	451	0	451	465	0	465
Deferred taxes	12,536	4,297	16,833	8,508	4,777	13,285
Total non-current assets	**353,581**	**4,297**	**357,878**	**352,698**	**4,777**	**357,475**
Inventories	107,823	0	107,823	113,379	0	113,379
Trade receivables	92,626	0	92,626	98,875	0	98,875
Receivables from construction contracts	20,243	0	20,243	18,788	0	18,788
Receivables from related companies	19,060	0	19,060	28,533	0	28,533
Current income tax receivables	45	0	45	8	0	8
Other receivables and deferred items	15,292	0	15,292	20,039	0	20,039
Cash and cash equivalents	56,215	0	56,215	48,275	0	48,275
Total current assets	**311,303**	**0**	**311,303**	**327,897**	**0**	**327,897**
Total assets	**664,884**	**4,297**	**669,181**	**680,595**	**4,777**	**685,372**
Equity and liabilities						
Equity attributable to shareholders of the parent company						
Share capital	45,790	0	45,790	45,790	0	45,790
Capital reserve	221,459	0	221,459	221,459	0	221,459
Currency translation reserve	–250	0	–250	–146	0	–146
Other reserves	–13,476	0	–13,476	–13,349	0	–13,349
Retained earnings	13,571	–12,893	678	30,239	–14,333	15,907
Equity of the owners of the parent company	**267,094**	**–12,893**	**254,201**	**283,993**	**–14,333**	**269,660**
Non-controlling interests	17	0	17	26	0	26
Total equity	**267,111**	**–12,893**	**254,218**	**284,019**	**–14,333**	**269,686**
Promissory note loans	42,000	0	42,000	34,000	0	34,000
Bonds	89,242	0	89,242	89,416	0	89,416
Other financial liabilities	75,213	0	75,213	67,581	0	67,581
Derivative financial instruments	3,948	0	3,948	3,544	0	3,544
Investment grants	12,385	0	12,385	12,381	0	12,381
Employee benefit obligations	10,759	0	10,759	9,045	0	9,045
Other provisions	0	17,190	17,190	7,085	19,110	26,195
Total non-current liabilities	**233,548**	**17,190**	**250,738**	**223,053**	**19,110**	**242,163**
Trade payables	68,655	0	68,655	58,182	0	58,182
Liabilities towards related companies	425	0	425	1,813	0	1,813
Other liabilities and items	25,526	0	25,526	27,433	0	27,433
Other financial liabilities	21,634	0	21,634	46,295	0	46,295
Promissory note loans	0	0	0	8,000	0	8,000
Advance payments received from construction contracts	4,023	0	4,023	1,627	0	1,627
Derivative financial instruments	29,528	0	29,528	15,634	0	15,634
Other provisions	13,359	0	13,359	13,373	0	13,373
Investment grants	904	0	904	1,165	0	1,165
Income tax liabilities	171	0	171	0	0	0
Total current liabilities	**164,225**	**0**	**164,225**	**173,523**	**0**	**173,523**
Total equity and liabilities	**664,884**	**4,297**	**669,181**	**680,595**	**4,777**	**685,372**

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

	28.02.2017 = 01.03.2017		
	Previous	Correction	Restated
	EUR'000	EUR'000	EUR'000
Earnings before taxes (EBT)	**21,455**	**–1,920**	**19,534**
Financial result	5,451	0	5,451
Earnings before interest and taxes (EBIT)	**26,905**	**–1,920**	**24,985**
Expenses/depreciation	30,798	0	30,798
Income from the release of investment grants	–805	0	–805
Change in long-term provisions	7,085	1,920	9,005
Change in obligations towards employees	–1,937	0	–1,937
Other non-cash expenses/income	–4,506	0	–4,506
Changes in working capital	–37,408	0	–37,408
Received interest	73	0	73
Paid taxes	–173	0	–173
Cash flow from operating activities	**20,033**	**0**	**20,033**
Cash flow from investing activities	–34,406	0	–34,406
Cash flow from financing activities	5,979	0	5,979
Net changes in cash and cash equivalents	**–8,393**	**0**	**–8,393**

4. 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 2018 remained unchanged compared to 28 February 2017 and comprises eight companies, including FACC AG.

FACC AG comprised the following subsidiaries on 28 February 2018 and 28 February 2017:

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

5. 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 recognised at fair value on initial consolidation; any remaining positive difference between the procurement costs and the revalued equity share is capitalised as goodwill in the respective segment in the respective national currency. A negative difference is recognised 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 42 and Note 20).

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.

6. 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 organisational 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, unrealised 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.**	**28.02.17**	**28.02.18**	**2016/17**	**2017/18**
Canadian dollar	CAD	1.3984	1.5608	1.4435	1.4869
US dollar	USD	1.0597	1.2214	1.1012	1.1567
Chinese renminbi yuan	RMB	7.2728	7.7285	7.3700	7.7126
Indian rupee	INR	70.6290	79.6230	73.9357	74.6447

7. 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** and of **capitalised development projects 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".

Capitalised development projects were **tested for impairment** in the course of the 2017/18 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 **amortisation of capitalised 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).

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 42.

Non-current 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** 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.

When accounting for **construction contracts,** management of FACC AG assumes that the earnings from construction contracts cannot be reliably determined. Contract revenue is therefore only recognised to the extent that the contract costs incurred can likely be recovered from the customer. Profit is recorded upon completion of the construction contract.

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 32.

The calculation of **deferred tax assets** requires assumptions to be made regarding future taxable earnings and the timing of the realisation 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 standardised 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 recognised 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. This assessment was changed in the 2017/18 financial year (see Note 3). No agreements for assessing pending losses were grouped together in the 2017/18 financial year.

With the exception of changes to the assessment of provisions for pending losses, no significant changes in estimates or discretionary decisions were made in the 2017/18 financial year.

8. 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:** 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, Purchasing and IT (including Engineering Services). The central services support the operating segments in fulfilling their duties within the framework of a matrix organisation. Their earnings and outlays are allocated to the three segments using a specific method.

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 9.

In the 2017/18 financial year there was no impairment.

In the Aerostructures segment, development costs and tools were impaired by kEUR 1,334 in the 2016/17 financial year due to changes in market estimates. In the Engines & Nacelles segment, development costs and tools were impaired by kEUR 368 in the 2016/17 financial year due to changes in market estimates. In the Cabin Interiors segment, development costs and tools were impaired by kEUR 91 in the 2016/17 financial year due to changes in market estimates. The value in use of the impaired development costs and tools amounts to kEUR 0 in total.

For the financial year ending 28 February 2018, the Group generated revenues of kEUR 319,611 (previous year: kEUR 288,279) and kEUR 81,578 (previous year: kEUR 67,473) 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 are located mainly in Austria like in the previous year.

	Aerostructures EUR'000	Engines & Nacelles EUR'000	Cabin Interiors EUR'000	Total EUR'000
Financial year 2016/17				
Revenues	330,954	141,957	232,784	**705,695**
Earnings before interest and taxes (EBIT)	51,219	–13,840	–12,393	**24,986**
Investments	16,621	7,620	10,165	**34,406**
Amortisation and impairment	17,432	4,138	9,228	**30,798**
Assets on 28 February 2017	339,733	137,255	208,384	**685,372**
Financial year 2017/18				
Revenues	334,447	161,923	254,298	**750,668**
Earnings before interest and taxes (EBIT)	38,081	16,898	8,782	**63,760**
Investments	9,356	12,832	12,880	**35,068**
Amortisation and impairment	18,230	5,243	9,422	**32,895**
Assets on 28 February 2018	335,110	149,136	219,312	**703,558**

NOTES TO THE CONSOLIDATED PROFIT AND LOSS STATEMENT

9. Revenues

Revenues from external customers are generated through the production of aircraft components, engineering services and other services in connection with the production of aircraft components. Revenues are broken down by the geographical area according to the location of the customer. Revenues according to type and geographical segmentation are broken down as follows:

	2016/17 EUR'000	2017/18 EUR'000
Production	646,092	690,953
Engineering and services	59,603	59,715
	705,695	**750,668**

	2016/17 EUR'000	2017/18 EUR'000
Germany	327,490	366,195
USA	178,221	180,626
Canada	66,809	80,976
Austria	1,966	2,480
Other countries	131,209	120,391
	705,695	**750,668**

10. Changes in inventory

	2016/17 EUR'000	2017/18 EUR'000
Unfinished products	1,085	4,348
Finished products	5,874	6,751
	6,959	**11,099**

11. Own work capitalised

	2016/17 EUR'000	2017/18 EUR'000
Capitalisation of research and development costs	10,851	8,639
Other	295	124
	11,146	**8,763**

12. Other operating income

	2016/17 EUR'000	2017/18 EUR'000
Income from the reversal of accruals	6,108	18,074
Income from the reversal of receivable impairments	1,709	621
Income from public funding and tax-free grants	4,799	845
Effects from foreign exchange rates	16,548	3,615
Other	11,861	5,712
	41,025	**28,867**

13. Cost of materials and other purchased services

	2016/17 EUR'000	2017/18 EUR'000
Material expenses	402,550	399,691
Expenses of commissioned services	40,477	50,904
	443,027	**450,595**

14. Personnel costs

Termination benefits and payments to corporate employee pension funds included payments to corporate employee pension funds of kEUR 1,763 (previous year: kEUR 1,729).

	2016/17 EUR'000	2017/18 EUR'000
Wages and salaries	133,529	139,766
Expenses for statutory, compulsory social security contributions and benefits	36,750	37,075
Expenses for termination benefits and benefits to corporate employee pension funds	2,037	1,874
Pensions	–1,874	127
Other social expenses	2,794	5,584
	173,236	184,426

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

	28.02.17 Number	28.02.18 Number
Employees	2,323	2,249
Salaried staff	1,070	1,153
	3,393	**3,402**
Of which in Austria	3,171	3,177
Of which abroad	222	225

15. Depreciation, amortisation and impairment

With regard to the allocation of impairments to the individual segments, reference is made to segment reporting in Note 8.

	2016/17 EUR'000	2017/18 EUR'000
Depreciation and amortisation		
Intangible assets	11,947	13,942
Property, plant and equipment	17,058	18,953
Impairment		
Intangible assets	883	0
Property, plant and equipment	910	0
	30,798	**32,895**

16. Other operating expenses

	2016/17 EUR'000	2017/18 EUR'000
Service, maintenance and third-party repairs expenses	9,123	10,374
Freight expenses	12,898	10,026
Material testing and certification expenses	4,720	1,723
Rental fees and leasing expenses	5,541	6,716
Travel expenses	2,780	3,835
Expenses related to consulting services	10,818	7,379
Storage expenses	6,178	6,768
Expenses related to warranty obligations	13,681	10,760
Expenses related to impairments	1,111	1,628
Various expenses	25,928	8,512
	92,777	**67,721**

17. Financial result

	2016/17 EUR'000	2017/18 EUR'000
Interest income from bank deposits	45	105
Interest income from trade receivables	562	0
Valuation of financial assets	8	8
Other financial income	20	22
Financial income	**635**	**134**
Interest expenses of bonds and promissory note loans	–3,556	–3,734
Interest expenses of bank loans	–1,656	–1,640
Other interest and similar expenses	–5,973	–6,091
Financial expenses	**–11,184**	**–11,465**
Valuation of derivative financial instruments	5,098	0
Financial result	**–5,451**	**–11,331**

The financial result is broken down according to the categories of IAS 39 as follows:

	Total 2016/17 EUR'000	Loans and receivables 2016/17 EUR'000	FLAC[1] 2016/17 EUR'000	AfS[2] 2016/17 EUR'000	Derivates 2016/17 EUR'000
Interest income	635	627	0	8	0
Interest expenses	–11,051	–145	–6,638	0	–4,268
Net interest income from defined benefit obligations	–133				
Net interest income	**–10,549**	**482**	**–6,638**	**8**	**–4,268**
Market valuation of derivatives	5,098	0	0	0	5,098
Other financial result	**5,098**	**0**	**0**	**0**	**5,098**
Total	**–5,451**	**482**	**–6,638**	**8**	**830**

[1] Financial liabilities at amortised cost
[2] Available-for-sale financial instruments

	Total 2017/18 EUR'000	Loans and receivables 2017/18 EUR'000	FLAC[1] 2017/18 EUR'000	AfS[2] 2017/18 EUR'000	Derivates 2017/18 EUR'000
Interest income	134	126	0	8	0
Interest expenses	–11,345	–970	–10,375	0	0
Net interest income from defined benefit obligations	–120	0	0	0	0
Net interest income	**–11,331**	**–844**	**–10,375**	**8**	**0**
Market valuation of derivatives	0	0	0	0	0
Other financial result	**0**	**0**	**0**	**0**	**0**
Total	**–11,331**	**–844**	**–10,375**	**8**	**0**

[1] Financial liabilities at amortised cost
[2] Available-for-sale financial instruments

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.

	2016/17 EUR'000	2017/18 EUR'000
Current taxes ongoing	790	2,930
Deferred taxes	3,506	9,771
	4,296	**12,700**

The reasons for the difference between the Austrian corporate tax rate of 25% valid in the 2017/18 financial year (previous year: 25%) and the recorded group taxation rate are as follows:

	2016/17 EUR'000	2017/18 EUR'000
Income before taxes	**19,535**	**52,429**
Calculated income taxes 25%	4,884	13,107
Deviating foreign tax rates	–329	–166
Tax-free income	–616	–964
Expenses that cannot be deducted for tax purposes	105	721
Prior year adjustment	107	0
Minimum corporate tax and withholding taxes	–741	565
Consolidation effects	886	–563
Reported income tax expense	**4,296**	**12,700**
Effective tax rate in%	–22.00%	–24.20%

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 2017/18 financial year, these ranged from 0% to 39%.

The H.R. 1 – Tax Cuts and Jobs Act was signed into law in the U.S. on 22 December 2017. This tax law has led to a number of changes in the accounting for tax expenses in consolidated financial statements. The present Consolidated Financial Statements have already been prepared on the basis of the announced change in the federal corporate tax rate from 35% to 21%.

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

	2016/17			2017/18		
	Gross EUR'000	Tax EUR'000	Net EUR'000	Gross EUR'000	Tax EUR'000	Net EUR'000
Fair value measurement of securities	14	–3	10	–8	2	–6
Cash flow hedges	377	–94	283	18,734	–4,671	14,063
Revaluation effects of termination benefits	–223	56	–167	364	–91	273
	168	**–42**	**126**	**19,090**	**–4,760**	**14,330**

Deferred taxes developed as follows:

				28.02.2017		
	01.03.2016 EUR'000	Change in profit and loss EUR'000	Change in other comprehensive income/loss EUR'000	Net EUR'000	Deferred tax assets EUR'000	Deferred tax liabilities EUR'000
Intangible assets (development costs)	–27,879	–1,804	0	–29,683	0	–29,683
Property, plant and equipment	–7,922	221	0	–7,701	0	–7,701
Other non-current assets	413	39	–3	449	449	0
Trade receivables	–4,167	1,816	0	–2,351	0	–2,351
Other receivables and assets	104	–44	0	60	60	0
Investment grants	1,182	–147	0	1,035	1,035	0
Employee benefit obligations	908	–407	56	557	557	0
Provisions	4,039	525	0	4,564	4,564	0
Liabilities	10,773	–1,114	0	9,659	9,659	0
Derivates	7,095	–2,205	–94	4,795	4,795	0
Other items	–1,008	882	0	–126	0	–126
Tax loss carryforwards	33,295	–1,268	0	32,027	32,027	0
Tax assets (liabilities) before netting	16,833	–3,506	–42	13,285	53,145	–39,861
Netting of taxes					–39,861	39,861
Net tax assets (liabilities)	**16,833**	**–3,506**	**–42**	**13,285**	**13,285**	**0**

				28.02.2018		
	01.03.2017	Change in profit and loss	Change in other comprehensive income/loss	Net	Deferred tax assets	Deferred tax liabilities
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	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 non-current assets	449	–1	2	450	450	0
Trade receivables	–2,351	4,508	0	2,157	2,157	0
Other receivables and assets	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
Liabilities	9,659	–777	0	8,882	8,882	0
Derivates	4,795	–2,402	–4,671	–2,278	0	–2,278
Other items	–126	126	0	0	0	0
Tax loss carryforwards	32,027	–5,825	0	26,202	26,202	0
Tax assets (liabilities) before netting	13,285	–9,771	–4,760	–1,246	39,541	–40,787
Netting of taxes					–39,541	39,541
Net tax assets (liabilities)	**13,285**	**–9,771**	**–4,760**	**–1,246**	**0**	**–1,246**

The capitalised loss carryforwards originate from FACC Operations GmbH and amounted to kEUR 93,723 as of 28 February 2018 (previous year: kEUR 116,440) and from FACC AG amounting to kEUR 11,082 (previous year: kEUR 13,611), with deferred taxes being recognised for all loss carryforwards.

As of 28 February 2018, there were temporary differences in connection with shares in subsidiaries ("outside basis differences") amounting to kEUR 63,726 (previous year: kEUR 33,207) for which no deferred tax assets were recognised 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.

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 0.87 (previous year: EUR 0.33) 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. 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 2016	**18,595**	**19,191**	**29,175**	**172,043**	**239,004**
Changes in foreign exchange rates	0	16	0	0	16
Additions	0	287	60	16,368	16,715
Disposals	0	–1	0	0	–1
As of 28 February 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
Disposals	0	0	0	0	0
As of 28 February 2018	**18,682**	**20,956**	**29,266**	**198,652**	**267,555**
Accumulated amortisation and impairment					
As of 1 March 2016	**0**	**16,995**	**15,472**	**60,671**	**93,137**
Changes in foreign exchange rates	0	24	0	0	24
Amortisation	0	1,447	2,219	8,281	11,947
Impairment	0	0	0	883	883
Disposals	0	0	0	0	0
As of 28 February 2017	**0**	**18,465**	**17,691**	**69,835**	**105,991**
Changes in foreign exchange rates	0	–38	0	0	–38
Amortisation	0	930	1,965	11,047	13,942
Impairment	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**
Carrying amount on 28 February 2017	**18,595**	**1,029**	**11,544**	**118,576**	**149,743**
Carrying amount on 28 February 2018	**18,682**	**1,598**	**9,610**	**117,770**	**147,660**

Goodwill

	28.02.2017 EUR'000	28.02.2018 EUR'000
Aerostructures	10,211	10,293
Engines & Nacelles	3,054	3,054
Cabin Interiors	5,330	5,335
	18,595	18,682

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:

	28.02.2017 EUR'000	28.02.2018 EUR'000
Detailed planning period (five years/six years in the previous year)		
Revenue growth (average)	5.40%	8.70%
EBIT margin (average)	7.70%	8.04%
EUR-USD exchange rate	1.15	1.20
Growth rate after detailed planning period for all CGUs	1,50%	1,50%
Discount rate for all CGUs (WACC after taxes)	7.44%	8.18%

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 2017	Aerostructures EUR'000	Engines & Nacelles EUR'000	Cabin Interiors EUR'000
Increase of the discount rate by 50 basis points	0	0	0
Change of the EUR/USD exchange rate to 1.25	0	0	18,473
Reduction of the EBIT by 10%	0	0	0

Balance sheet date 28 February 2018	Aerostructures EUR'000	Engines & Nacelles EUR'000	Cabin Interiors EUR'000
Increase of the discount rate by 50 basis points	0	0	0
Change of the EUR-USD exchange rate to 1.25	0	0	3,399
Reduction of the EBIT by 10%	0	0	0

Development costs

Capitalised development projects for which there were indications of impairment as well as development projects which had not yet been amortised were tested for impairment in the 2017/18 financial year. The recoverable amount was calculated on the basis of the value in use by means of the discounted cash flow method. The 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). The planning premises of the last planning year were updated, taking into consideration the rates of the Airline Monitor, for the years following the detailed planning period of specific development projects. The maximum term is 20 years.

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

In the 2017/18 financial year, impairment losses on development costs amounting to kEUR 0 (previous year: kEUR 883) were recognised.

A sensitivity analysis has shown that, just as in the previous year, an increase in the discount rate of 50 basis points and a 10% reduction in cash flows would not have led to any additional impairment losses.

Development costs were subject to scheduled amortisation based on the quantity still to be delivered (shipsets) of kEUR 11,047 (previous year: kEUR 8,281) in the course of the financial year. An increase or decrease of 10% in the number of shipsets to be delivered would result in the following change to scheduled amortisation:

Change in scheduled annual amortisation	28.02.2017 EUR'000	28.02.2018 EUR'000
10% increase in the number of shipsets	–814	–992
10% decrease in the number of shipsets	845	1,243

An amount of kEUR 3,544 (previous year: kEUR 2,317) was recorded under expenses as research expenditure in the financial year.

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
Procurement costs					
As of 1 March 2016	**101,527**	**162,957**	**24,598**	**22,482**	**311,564**
Changes in foreign exchange rates	0	0	64	0	64
Additions	983	12,479	1,748	3,615	18,824
Disposals	0	–9	–547	0	–557
Transfers	1,809	10,378	252	–12,438	0
As of 28 February 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**
Accumulated amortisation and impairment					
As of 1 March 2016	**23,335**	**106,773**	**16,222**	**0**	**146,330**
Changes in foreign exchange rates	0	–8	30	0	22
Amortisation	3,032	11,788	2,238	0	17,058
Impairment	0	910	0	0	910
Disposals	0	–1	–539	0	–540
Transfers	0	0	0	0	0
As of 28 February 2017	**26,367**	**119,461**	**17,952**	**0**	**163,780**
Changes in foreign exchange rates	0	0	–105	0	–105
Amortisation	3,160	13,435	2,358	0	18,953
Impairment	0	0	0	0	0
Disposals	0	0	–381	0	–381
Transfers	0	0	0	0	0
As of 28 February 2018	**29,527**	**132,895**	**19,824**	**0**	**182,246**
Carrying amount on 28 February 2017	**77,951**	**66,343**	**8,163**	**13,658**	**166,116**
Carrying amount on 28 February 2018	**77,405**	**73,725**	**7,942**	**14,632**	**173,704**

Property and buildings include land values of properties in the amount of kEUR 3,842 (previous year: kEUR 3,831). Certain properties and buildings serve as collaterals for liabilities to financial institutions (see Note 34).

Additions to technical facilities in the 2017/18 financial year included investments amounting to kEUR 2,110 (previous year: kEUR 0) as additions from finance leases that were non-cash.

Additions to properties and buildings in the 2017/18 financial year included investments amounting to kEUR 491 (previous year: kEUR 0) as additions from finance leases that were non-cash.

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

	28.02.2017 EUR'000	28.02.2018 EUR'000
Procurement costs	20,632	21,123
Accumulated depreciation	–1,443	–1,900
Net carrying amount	**19,189**	**19,223**

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:

	28.02.2017 EUR'000	28.02.2018 EUR'000
Up to one year	5,430	5,014
After more than one year and up to five years	22,330	18,430
After more than five years	3,893	2,497
	31,653	**25,940**

The following obligations to purchase property, plant and equipment amounted to kEUR 11,053 (previous year: kEUR: 7,150) on the reporting date. In addition, there were internally approved acquisitions in the amount of kEUR 32,495 (previous year: kEUR 41,232) which have not yet given rise to contractual obligations.

22. Non-current receivables

	28.02.2017 EUR'000	28.02.2018 EUR'000
Receivables from the Fake President Incident	10,860	10,352
Non-current trade receivables	8,684	6,462
Advance payments and deposits	8,322	7,800
	27,866	**24,614**

In the reporting period 2015/2016, the Group lost kEUR 52,847 in cash flows as a result of an externally initiated 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 recognised as a non-current receivable as the subsidiary FACC Operations GmbH sees itself as the legal owner of the money and expects to receive a refund by bank transfer on the basis of a legal opinion. The assumption is that the funds blocked in the recipient accounts will not be returned in the short run.

The receivables from the Fake President Incident were discounted as of the reporting date.

Non-current trade receivables relate to long-term repayment agreements with customers based on future shipset volumes to be delivered.

23. Non-current receivables from related companies

	28.02.2017 EUR'000	28.02.2018 EUR'000
Non-current receivables in which the parent undertaking is involved	0	4,750
	0	**4,750**

24. Other non-current financial assets

	28.02.2017 EUR'000	28.02.2018 EUR'000
Securities measured at fair value	421	413
Shares	43	43
	465	**457**

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

25. Inventories

	28.02.2017 EUR'000	28.02.2018 EUR'000
Raw, auxiliary and operating materials	65,703	71,650
Unfinished products	35,943	40,371
Finished products	11,733	18,404
Advance payments made	0	137
	113,379	**130,562**
Gross inventories	117,418	136,533
Valuation allowance	4,039	5,971
Net inventories	**113,379**	**130,562**

As of 28 February 2018, the carrying amounts of inventories written down to net realisable value amounted to kEUR 59,484 (previous year: kEUR 57,329).

26. Trade receivables

	28.02.2017 EUR'000	28.02.2018 EUR'000
Gross trade receivables	109,964	96,797
Less valuation allowance	–2,405	–4,273
Net trade receivables	**107,559**	**92,523**
Of which current	98,875	86,061
Of which non-current	8,684	6,462

FACC maintains a non-recourse assignment agreement with a financial institution in connection with receivables from seven customers. The sold receivables (factoring) are derecognised in accordance with IAS 39. Trade receivables were sold to third parties in the amount of kEUR 65,431 (previous year: kEUR 86,173) as of the reporting date.

The impairment of trade receivables developed as follows:

	2016/17 EUR'000	2017/18 EUR'000
As of 1 March	3,196	2,405
Addition	1,111	5,334
Reversal/use	–1,902	–3,466
As of 28 February	**2,405**	**4,273**

The age structure of trade receivables is as follows:

	28.02.2017 EUR'000	28.02.2018 EUR'000
Trade receivables	**107,559**	**92,523**
Of which not overdue and not impaired	84,342	65,016
Of which overdue and not impaired	20,622	23,462
0 to 30 days	7,688	13,799
31 to 60 days	2,302	3,427
61 to 90 days	164	350
91 to 120 days	2,349	479
121 to 180 days	63	912
181 to 365 days	2,473	1,369
More than 365 days	5,583	3,126
Of which impaired	2,595	4,046

The carrying amount of impaired trade receivables developed as follows:

	28.02.2017 EUR'000	28.02.2018 EUR'000
Carrying amount prior to impairment	5,000	8,319
Less impairment	–2,405	–4,273
Carrying amount after impairment	**2,595**	**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 honour their payment obligations on the reporting date.

Other receivables and deferred items include:

	28.02.2017 EUR'000	28.02.2018 EUR'000
Other current financial assets		
Other	775	302
	775	302
Other current non-financial assets		
Other tax receivables (particularly VAT)	15,048	21,532
Deferred items	1,454	3,054
Other	2,761	1,914
	19,263	26,500
	20,039	**26,803**

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

27. Derivative financial assets

		Remaining term		
	Carrying amount 28.02.2017 EUR'000	Less than 1 year 28.02.2017 EUR'000	1 to 2 years 28.02.2017 EUR'000	3 to 5 years 28.02.2017 EUR'000
Forward exchange transactions with positive fair value	0	0	0	0
	0	**0**	**0**	**0**

		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
Forward exchange transactions with positive fair value	14,591	14,591	0	0
	14,591	**14,591**	**0**	**0**

28. Receivables from construction contracts

	28.02.2017 EUR'000	28.02.2018 EUR'000
Costs incurred up to the reporting date (gross)	18,788	17,212
Less advance payments received	–1,627	–7,907
Receivables from construction contracts (net)	**17,161**	**9,304**
Of which amount due from construction contracts as an asset	18,788	17,212
Of which amount due from construction contracts as a liability	–1,627	–7,907

Revenues (equal to accrued order costs) of kEUR 16,743 (previous year: kEUR 13,697) were recognised in the 2017/18 financial year.

29. Cash and cash equivalents

	28.02.2017 EUR'000	28.02.2018 EUR'000
Bank deposits	48,248	63,476
Cash balance	27	12
	48,275	**63,488**

30. Equity

The development of the Group's equity in the financial years 2016/17 and 2017/18 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":** value adjustments of other financial assets recognised at fair value
- **Actuarial profits/losses**: revaluation effects in accounting for defined benefit obligations toward 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:

	2016/17 EUR'000	2017/18 EUR'000
As of 1 March	–9,727	–9,466
Changes in unrealised profits (+)/ losses (–)	–9,466	4,598
Realised profits (+)/losses (-) subsequently reclassified to profit or loss – recognised in earnings before interest and taxes	9,727	9,466
As of 28 February	**–9,466**	**4,598**

The non-controlling interests pertain 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%.

	28.02.2017 EUR'000	28.02.2018 EUR'000
Equity	269,686	323,094
Balance sheet total	685,372	703,558
Equity ratio in %	**39.3%**	**45.9%**

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 34).

31. Investment grants

	28.02.2017 EUR'000	28.02.2018 EUR'000
Investment grants, short-term component	1,165	1,130
Investment grants, long-term component	12,381	11,405
	13,546	**12,535**

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 subsidised assets remain at the project location and are not disposed of.

32. Employee benefit obligations

	28.02.2017 EUR'000	28.02.2018 EUR'000
Termination benefits	7,333	7,449
Anniversary bonuses	1,712	1,819
	9,045	**9,268**

Termination benefits

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

	2016/17 EUR'000	2017/18 EUR'000
As of 1 March	7,288	7,333
Service costs	350	349
Interest costs	133	120
Termination benefit payments	–308	–111
Revaluation effects in the period	223	–364
Other effects	–353	122
As of 28 February	**7,333**	**7,449**
Duration in years	14.77	13.75

The revaluation effects are composed of the following factors:

	2016/17 EUR'000	2017/18 EUR'000
Changes in expected values	–31	–190
Changes in underlying demographic assumptions	–42	15
Changes in underlying financial assumptions	296	–189
	223	**–364**

All statutory transitional provisions 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:

	28.02.2017	28.02.2018
Discounting interest rate	1.70%	1.90%
Salary increases	2.00%	2.00%
Fluctuations of salaried staff/employees	4.16%/3.57%	3.85%/3.44%
Retirement age for women/men	60/65 years	60/65 years
Life expectancy	AVÖ 2008-P	AVÖ 2008-P

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

	Decrease by 0.25 percentage points EUR'000	Increase by 0.25 percentage points EUR'000
Change in obligations as of 28 February 2017	322	–307
Change in obligations as of 28 February 2018	303	–290

Anniversary bonuses

	2016/17 EUR'000	2017/18 EUR'000
As of 1 March	1,463	1,712
Service costs	224	291
Interest costs	29	26
Anniversary bonus payments	–40	–17
Revaluation effects in the period	36	–193
As of 28 February	**1,712**	**1,819**

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

In the 2017/18 financial year, kEUR 1,936 (previous year: kEUR 1,862) were paid into defined contribution plans (pension fund and employee pension fund in Austria).

33. Other provisions

						Term	
	01.03.2016 EUR'000	Addition EUR'000	Use/ disposal EUR'000	Accu- mulation EUR'000	28.02.2017 EUR'000	Less than 1 year EUR'000	More than 1 year EUR'000
Provision for warranty claims	2,898	7,967	–2,736	0	8,128	8,128	0
Project-related provision	17,190	9,371	0	0	26,561	366	26,195
Provisions for legal disputes	713	762	–713	0	761	761	0
Other	9,748	4,119	–10,152	0	3,714	3,714	0
	30,549	**22,219**	**–13,601**	**0**	**39,164**	**12,969**	**26,195**

						Term	
	01.03.2017 EUR'000	Addition EUR'000	Use/ disposal EUR'000	Accu- mulation EUR'000	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	–7,398	0	4,075	4,075	0
Project-related provision	26,561	1,063	–18,905	101	8,819	0	8,819
Provisions for legal disputes	761	297	–277	0	781	781	0
Other	3,714	3,383	–2,704	0	4,393	4,393	0
	39,164	**8,088**	**–29,285**	**101**	**18,068**	**9,249**	**8,819**

Other provisions include provisions for personnel related matters of kEUR 2,438.

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

34. Financial liabilities

		Remaining term				
	Carrying amount 28.02.2017 EUR'000	Less than 1 year 28.02.2017 EUR'000	1 to 2 years 28.02.2017 EUR'000	3 to 5 years 28.02.2017 EUR'000	More than 5 years 28.02.2017 EUR'000	Nominal interest in %
Bond FACC Operations GmbH						
Fixed interest rate (nominal capital: kEUR 90,000)	89,416	0	0	89,416	0	4.00
Promissory note loans						
Fixed interest rate (nominal capital: kEUR 17,500)	17,500	2,500	0	15,000	0	2.82 to 3.70
Variable interest rate (nominal capital: kEUR 24,500)	24,500	5,500	0	19,000	0	6M-Euribor +1.20 to 2.25
Liabilities towards credit institutions						
Fixed interest rate	52,879	7,823	14,457	16,551	14,048	0.50 to 4.83
Variable interest rate	32,168	27,027	1,027	3,081	1,033	3M-Euribor +0.80 to 1.75
Liabilities from finance leasing						
Variable interest rate	18,996	878	582	1,796	15,740	6M-Euribor +1.95
Other interest-bearing liabilities	9,833	10,567	0	–734	0	
	245,292	**54,295**	**16,066**	**144,110**	**30,821**	

		Remaining term				
	Carrying amount 28.02.2018 EUR'000	Less than 1 year 28.02.2018 EUR'000	1 to 2 years 28.02.2017 EUR'000	3 to 5 years 28.02.2017 EUR'000	More than 5 years 28.02.2018 EUR'000	Nominal interest in %
Bond FACC Operations GmbH						
Fixed interest rate (nominal capital: kEUR 90,000)	89,589	0	0	89,589	0	4.00
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
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**	

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 capitalised development costs. In the event that FACC Operations GmbH fails to comply with these covenants, the creditors are entitled to terminate the agreement.

In connection with the re-financing frame of OKB (carrying amount of kEUR 33,000) FACC Operations GmbH as borrower guaranteed a group equity ratio of 35% as covenant. In the event that FACC Operations GmbH fails to comply with these covenants, the creditors are entitled to terminate the agreement.

All covenants were fulfilled as of 28 February 2018 and 28 February 2017 respectively.

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

	28.02.2017 EUR'000	28.02.2018 EUR'000
Up to one year	961	1,270
Two to five years	4,716	5,021
More than five years	18,753	19,969
	24,430	26,260
Less future financing expenses	–5,434	–5,268
Present value of liabilities from finance lease	**18,996**	**20,993**

35. Other current liabilities

	28.02.2017 EUR'000	28.02.2018 EUR'000
Other current financial liabilities		
Liabilities to employees/salaried staff	16,979	20,555
Other	318	16
	17,297	20,571
Other current non-financial liabilities		
Liabilities from social security	3,925	3,884
Liabilities to tax authorities	138	228
Deferred items	873	530
Other	5,201	5,035
	10,136	9,677
	27,433	**30,248**

36. Derivative financial instruments

		Remaining term		
	Carrying amount 28.02.2017 EUR'000	Less than 1 year 28.02.2017 EUR'000	1 to 2 years 28.02.2017 EUR'000	3 to 5 years 28.02.2017 EUR'000
Forward exchange transactions with negative fair value	19,179	15,634	3,544	0
	19,179	**15,634**	**3,544**	**0**

		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
Forward exchange transactions with negative fair value	681	0	681	0
	681	**0**	**681**	**0**

The contract volume of interest rate and 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	330,000	270,000	60,000	0
As of 28 February 2017: Forward exchange transactions	USD	360,000	260,000	100,000	0

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 in accordance with IAS 39. Forward exchange transactions which are not recorded as cash flow hedges are recorded as free-standing derivatives.

Hedged transactions in foreign currencies are expected to occur in the course of the hedging period. Gains and losses from forward exchange transactions recognised directly in equity in the hedging-reserve are transferred to profit or loss in the period(s) in which the hedged anticipated transaction affects the Consolidated Profit and Loss Statement. This generally takes place within a maximum of 36 months after the balance sheet date.

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

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 neutralised.

	2016/17 EUR'000	2017/18 EUR'000
Effects from foreign currency exchange rates	3,621	20,346
Measurement of derivatives in earnings before interest and tax	–8,822	–14,354
Recognition of deferred tax assets/liabilities	–788	–581
Impairments on inventories	400	1,444
Remaining other non-cash income/expenses	1,082	3,145
	–4,507	**10,000**

The remaining other non-cash income/expenses 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**

NOTES TO DERIVATIVE FINANCIAL INSTRUMENTS

37. Determination of fair value

Financial instruments are classified at three levels reflecting their valuation certainty. 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	Non-applicable	Non-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.	Non-applicable	Non-applicable
Financial instruments not measured at fair value			
Bonds	Current stock market price on the balance sheet date	Non-applicable	Non-applicable
Other interest-bearing liabilities	Discounting of cash flows	Risk premium for own credit risk	Non-applicable

No shifts occurred between the individual valuation levels in the financial year.

38. Classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels 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			
	Carring amount 28.02.2017 EUR'000	Total 28.02.2017 EUR'000	Level 1 28.02.2017 EUR'000	Level 2 28.02.2017 EUR'000	Level 3 28.02.2017 EUR'000
Financial assets not measured at fair value category "loans and receivables"					
Non-current trade receivables	27,866	0	0	0	0
Other non-current assets – securities (unquoted)	44	0	0	0	0
Trade receivables	98,875	0	0	0	0
Receivables from construction contracts as an asset	18,788	0	0	0	0
Receivables from related companies	28,533	0	0	0	0
Other receivables and deferred items	775	0	0	0	0
Cash and cash equivalents	48,275	0	0	0	0
	223,156	**0**	**0**	**0**	**0**
Financial assets not measured at fair value category "available for sale"					
Other non-current assets – securities (quoted)	421	421	421	0	0
	421	**421**	**421**	**0**	**0**
Financial liabilities not measured at fair value category "other financial liabilities"					
Financial liabilities	245,292	251,843	95,967	0	155,876
Trade payables	58,182	0	0	0	0
Receivables from construction contracts as a liability	1,627	0	0	0	0
Liabilities to related companies	1,813	0	0	0	0
Other finanancial liabilities	17,297	0	0	0	0
	324,211	**251,843**	**95,967**	**0**	**155,876**
Financial liabilities not measured at fair value category "fair value – hedging instruments"					
Derivative financial liabilities	19,179	19,179	0	19,179	0
	19,179	**19,179**	**0**	**19,179**	**0**

		Fair value			
	Carring 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
Financial assets not measured at fair value category "loans and receivables"					
Non-current trade receivables	24,614	0	0	0	0
Other non-current assets – securities (unquoted)	43	0	0	0	0
Trade receivables	86,061	0	0	0	0
Receivables from construction contracts as an asset	17,212	0	0	0	0
Receivables from related companies	13,626	0	0	0	0
Other receivables and deferred items	302	0	0	0	0
Cash and cash equivalents	63,488	0	0	0	0
	205,347	**0**	**0**	**0**	**0**
Financial assets not measured at fair value category "available for sale"					
Other non-current assets – securities (quoted)	413	413	413	0	0
	413	**413**	**413**	**0**	**0**
Financial assets not measured at fair value category "fair value – hedging instruments"					
Derivative financial assets	14,591	14,591	0	14,591	0
	14,591	**14,591**	**0**	**14,591**	**0**
Financial liabilities not measured at fair value category "other financial liabilities"					
Financial liabilities	245,443	252,208	96,354	0	155,854
Trade payables	48,875	0	0	0	0
Receivables from construction contracts as a liability	7,907	0	0	0	0
Liabilities to related companies	3,548	0	0	0	0
Other finanancial liabilities	20,571	0	0	0	0
	326,345	**252,208**	**96,354**	**0**	**155,854**
Financial liabilities not measured at fair value category "fair value – hedging instruments"					
Derivative financial liabilities	681	681	0	681	0
	681	**681**	**0**	**681**	**0**

39. Financial risks

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 minimise 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 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 in terms of currency.

	28.02.2017 EUR'000	28.02.2018 EUR'000
Trade receivables, current	98,875	86,061
Trade receivables, non-current	8,684	2,299
Receivables from construction contracts	18,788	17,212
Receivables from related companies, current	28,533	13,626
Receivables from related companies, non-current	0	4,750
Other receivables and assets	20,039	26,803
Non-current receivables	19,182	22,315
	194,101	**173,066**
USD	119,582	114,540
EUR	74,519	58,526
	194,101	**173,066**

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.

The hedging strategies employed by the Group's treasury department are designed to control and minimise 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 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 favourable, 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.

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

Revaluation (+)/devaluation (–)	5% devaluation		5% revaluation	
	28.02.2017 EUR'000	28.02.2018 EUR'000	28.02.2017 EUR'000	28.02.2018 EUR'000
Changes to the Consolidated Profit and Loss Statement	4,134	3,748	–3,740	–3,391
Changes to other comprehensive income/loss	–12,006	–13,422	11,108	8,696
Changes to equity	**–7,872**	**–9,674**	**7,368**	**5,305**

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 255 (previous year: kEUR 270). 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 2018, FACC had unused credit lines amounting to kEUR 64,000 (previous year: kEUR 61,000) 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 28.02.2017 EUR'000	Total 28.02.2017 EUR'000	Less than 1 year 28.02.2017 EUR'000	2 to 5 years 28.02.2017 EUR'000	More than 5 years 28.02.2017 EUR'000
Financial liabilities not measured at fair value category "other financial liabilities"					
Bond FACC Operations GmbH	89,416	104,400	3,600	100,800	0
Promissory note loans	42,000	44,736	9,050	35,686	0
Liabilities towards credit institutions	85,047	97,931	36,367	40,027	21,537
Liabilities from finance leasing	18,996	22,574	961	3,784	17,829
Other interest-bearing liabilities	9,833	9,832	10,567	–735	
Financial liabilities	245,292	279,473	60,545	179,562	39,366
Trade payables	58,182	58,182	58,182	0	0
Receivables from construction contracts as liability	1,627	1,627	1,627	0	0
Liabilities to related companies	1,813	1,813	1,813	0	0
Other financial liabilities	17,297	17,297	17,297	0	0
	324,211	358,392	139,464	179,562	39,366
Financial liabilities measured at fair value category "fair value – hedging instruments"					
Derivative financial liabilities	19,179	19,179	15,635	3,544	0
Carrying amounts/contractual cash flows	**343,390**	**377,571**	**155,098**	**183,106**	**39,366**

			Payment obligations		
	Carrying amount 28.02.2018 EUR'000	Total 28.02.2018 EUR'000	Less than 1 year 28.02.2018 EUR'000	2 to 5 years 28.02.2018 EUR'000	More than 5 years 28.02.2018 EUR'000
Financial liabilities not measured at fair value category "other financial liabilities"					
Bond FACC Operations GmbH	89,589	100,800	3,600	97,200	0
Promissory note loans	34,000	35,686	939	34,747	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	0
Financial liabilities	245,443	264,693	67,998	161,504	35,191
Trade payables	48,875	48,875	48,875	0	0
Receivables from construction contracts as liability	7,907	7,907	7,907	0	0
Liabilities to related companies	3,548	3,548	3,548	0	0
Other financial liabilities	20,571	20,571	20,571	0	0
	326,344	345,594	148,899	161,504	35,191
Financial liabilities measured at fair value category "fair value – hedging instruments"					
Derivative financial liabilities	681	681	0	681	0
Carrying amounts/contractual cash flows	**327,025**	**346,275**	**148,899**	**162,185**	**35,191**

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 age structure of not written-down trade receivables is shown in Note 26.

OTHER INFORMATION

40. 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 2018 was as follows:

Name	Salary 2016/17 EUR'000	Termination benefit 2016/17 EUR'000	Employer contribution to pension fund 2016/17 EUR'000	Total 2016/17 EUR'000
Robert Machtlinger	294	–4	8	**298**
Aleš Stárek (since 1 October 2016)	107	15	0	**122**
Yongsheng Wang (since 25 February 2016)	147	0	0	**147**
Walter Stephan (until 24 May 2016)	103	0	0	**103**
	651	**11**	**8**	**670**

Name	Salary 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	39	61	**487**
Andreas Ockel (since 2 November 2017)	116	20	33	**169**
Aleš Stárek	262	36	0	**297**
Yongsheng Wang	174	31	0	**205**
	938	**126**	**94**	**1,158**

In the past financial year, members of the Supervisory Board received a total remuneration of kEUR 161 (previous year: kEUR 177) for their activities.

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

41. 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 2017 to 28 February 2018 on arm's length terms.

	Receivables 28.02.2017 EUR'000	Liabilities 28.02.2017 EUR'000	Sales revenues 2016/17 EUR'000	Expenses 2016/17 EUR'000
Companies with significant influence on the Group:	0	0	0	0
Joint venture in which the parent undertaking is involved	28,533	1,813	16,663	195
	28,533	**1,813**	**16,663**	**195**

	Receivables 28.02.2018 EUR'000	Liabilities 28.02.2018 EUR'000	Sales revenues 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**

ACCOUNTING AND VALUATION POLICIES

42. 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 amortised cost.

Software	Amortisation over a period of 3 to 10 years (linear)
Delivery rights	Amortisation on the basis of delivered 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 recognised 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 amortised 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 amortisation. Impairment tests are performed on an annual basis and if there are signs of impairment. An impairment loss is recognised 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 amortised cost of the asset.

Research and development expenses (IAS 38, IAS 36, IAS 23)

Research and development expenses are immediately recognised with effect to profit or loss.

The Group capitalises development costs on the basis of project-related costs if the criteria set out in IAS 38.57 are met. If the asset is a qualifying asset, borrowing costs in connection with production are capitalised in accordance with IAS 23.

Costs incurred in the development phase are recorded under construction in progress. As long as a development project is still ongoing, the accumulated capitalised amounts are subject to an annual impairment test, provided that there are no additional indications that an impairment may have occurred at other points in time.

Amortisation begins at the time the series is ready for production and is calculated on the basis of the expected shipsets to be delivered. The future delivery volume is determined on the basis of the Airline Monitor used in the aviation industry (market forecast prepared by third parties) and current customer forecasts. The future delivery quantity is reassessed on each balance sheet date, with a

maximum planning horizon of 20 years, depending on the status of the project (new project or ongoing project with a remaining term).

Impairment tests are performed whenever there are signs of impairment. An impairment loss is recognised in the amount by which the carrying amount of the development project (including its directly attributable assets on the valuation date) 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.

Capitalised development costs of completed projects are recorded at production costs less accumulated amortisation.

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 aquisiton above the Group's share of identifiable net assets evaluated at the attributed fair value.

Goodwill is not subject to scheduled amortisation. 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 amortised 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 amortised carrying amount, an impairment loss is recognised 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 amortised 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 amortisation 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 recognised 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 amortised 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 capitalised 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 amortisation 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 instalments and are recorded as expenses in the operating result.

Inventories (IAS 2)

Inventories are measured at the lower value of procurement cost or manufacturing cost and net realisable 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 amortisation, are included on the assumption of normal capacity utilisation.

The net realisable 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.

Construction contracts (IAS 11, IAS 18)

In the case of construction contracts (customer-specific production), contract revenues and contract costs must be recognised according to the stage of completion on the balance sheet date, provided that the outcome of the construction contract can be reliably estimated. The stage of completion is calculated as the ratio of the contract costs incurred up to the balance sheet date to the estimated total contract costs.

If the result of a construction contract cannot be reliably determined, contract revenue shall only be recognised in the amount of the incurred contract costs that are likely to be recoverable ("zero profit" method). The profit is realised upon completion of the production order.

FACC recognises contract revenue using the "zero profit" method as the outcomes of construction contracts cannot be reliably determined on a regular basis due to the specific specifications of the contracts.

Pending losses are immediately recognised as expenses whenever it can be assumed that the total contract costs will exceed the contract revenue.

Government grants (IAS 20)

Government grants are recognised 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 recognised in other comprehensive income in equity for the period in which they arise.

The expected settlement amount is recognised 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 recognised 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.

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

Other provisions (IAS 37)

Other provisions are recognised 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 recognised 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 recognised to the extent to which it is probable that the corresponding tax benefits will be realised.

Deferred tax receivables for loss carryforwards are only recognised to the extent to which it is probable that they will be realised 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, IAS 39, IFRS 7, IFRS 13)

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

The attributed fair value is determined on the basis of market information available on the balance sheet date. Due to varying influencing factors, the values listed here may differ from the values realised later on.

The attributed fair value of financial assets and liabilities reflects the risk of non-performance by the other party. When determining the attributed fair value of a financial asset, the credit risks of banks reflected by their ratings is taken into account; when determining the attributed fair value of a financial liability, the company's own credit risk as given by its own credit ratings is taken into account.

Market prices are available for all derivative financial instruments and securities; the attributed fair value of all other financial instruments is determined on the basis of discounted expected cash flows.

Purchases or sales of financial assets are recognised on the trading date.

Impairments are recorded to profit or loss for all financial instruments. If the reasons for impairment no longer apply, the reversal of the impairment loss is recorded to profit or loss, with the exception of equity instruments in the category "available for sale", which are recognised in other comprehensive income.

Other non-current financial assets (securities)

"Available for sale" category: The subsequent measurement is recorded at fair value (in other comprehensive income). On disposal, the unrealised gain or loss previously recognised directly in equity is recognised in other financial result.

Receivables and other assets

"Loans and receivables" category: Subsequent measurement is recorded at amortised cost less any impairment on impairment accounts. Impairments of trade receivables are recognised due to overdue amounts on the basis of experience values. In addition, customers are assessed on an individual basis, taking into account previous experiences, their creditworthiness and, if available, any guarantees. Uncollectible receivables are derecognised. Long-term receivables are also discounted using the effective interest method.

Cash

Cash and cash equivalents are measured at fair value on the balance sheet date.

Liabilities

Subsequent measurement is recorded at amortised cost using the effective interest method.

Derivative financial instruments

Derivative financial instruments which do not meet the criteria of IAS 39 for hedge accounting are classified as "held for trading purposes" in accordance with IAS 39 and recognised at fair value to profit or loss.

Changes in the attributed fair value are recorded in the Consolidated Profit and Loss Statement under the items "financial income" or "financing expenses" or under "other operating income" or "other operating expenses" (provided these derivatives apply to foreign currency receivables and liabilities).

Interest earnings and interest costs from interest rate derivative transactions are recorded in the financial result in the Consolidated Profit and Loss Statement.

Cash flow hedges

The Group concludes forward exchange transactions which serve to hedge the foreign currency risk in connection with certain planned sales denominated in foreign currencies.

The special provisions of IAS 39 on hedge accounting are applied to offset the effects of the hedged transaction and the hedging instrument in the income statement on an accrual basis. The market values resulting on the balance sheet date are recognised directly in other comprehensive income, taking deferred taxes into account, and reported under "reserves for cash flow hedges". The reserve for cash flow hedges is dissolved to profit or loss in the period in which the underlying hedged transaction affects net income.

Recognition of revenue and expenses (IAS 11, IAS 18)

Revenues from deliveries are recognised when all significant risks and rewards of ownership have been transferred to the buyer. Revenues arising from the rendering of services are recognised over the period in which the services are rendered. As regards the recognition of sales revenues from construction contracts, reference is made to the section "construction contracts (IAS 11, IAS 18)" above.

Operating expenses are recognised at the time the service is used or once they have been incurred. Interest is recognised 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.

43. Effects of new and amended standards (revised)

The following amended standards are mandatorily effective for the first time in the 2017/18 financial year:

- Amendments to IAS 7 (Disclosure Initiative)

  The amendment to IAS 7 (Statement of Cash Flows) requires additional disclosures on incoming and outgoing payments of financial liabilities which are shown in the cash flow from financing activities. With regard to this information, reference is made to section "Note to the Consolidated Statement of Cash Flows" in the Notes.

- Amendments to IAS 12 (Recognition of Deferred Tax Receivables for Unrealised Losses)

  The amendments to IAS 12 clarify the accounting treatment of deferred tax receivables in connection with unrealised losses on acquired debt instruments. Impairments to the lower market value of debt instruments measured at fair value, which result from a change in the market interest rate level, lead to deductible temporary differences. This amendment has no effect on the Consolidated Financial Statements.

The following standards and interpretations, which have already been published, are to be applied in subsequent financial years:

Standard / Interpretation		Published by IASB	Mandatory application acc. to IASB	Adoption by the EU as of 26.03.2018	Effects on the Consolidated Financial Statements
Miscellaneous	Annual Improvements to IFRS Standards 2015–2017 Cycle	12.12.2017	01.01.2019	Yes	No
IFRS 15	Revenue from Contracts with Customers	28.05.2014	01.01.2018	Yes	See below
IFRS 15 (amended)	Revenue from Contracts with Customers – amended	12.04.2016	01.01.2018	Yes	See below
IFRS 4 (amended)	Application of IFRS 9 Financial Instruments (together with IFRS 4 Insurance Contracts)	12.09.2016	01.01.2018	Yes	No
IFRS 9	Financial Instruments	24.07.2014	01.01.2018	Yes	See below
IFRS 2 (amended)	Classification and Measurement of Share-Based Payment Transactions	20.06.2016	01.01.2018	Yes	No
IAS 40 (amended)	Investment Property	08.12.2016	01.01.2018	Yes	No
IFRIC 22	Foreign Currency Transactions and Advance Consideration	08.12.2016	01.01.2018	No	See below
IFRS 16	Leasing	13.01.2016	01.01.2019	Yes	See below
IFRS 9 (amended)	Prepayment Features with Negative Compensation	12.10.2017	01.01.2019	No	No
IAS 28	Sale or Contribution of Assets between an Investor and an Associate or Joint Venture	12.10.2017	01.01.2019	No	No
IAS 28	Long-term Investments in Associates and Joint Ventures	12.10.2017	01.01.2019	No	No
IAS 19	Plan Amendment, Reduction or Settlement of Pension Obligations	07.02.2018	01.01.2019	No	No
IFRIC 23	Uncertainty over Income Tax Treatments	07.06.2017	01.01.2019	No	No
Miscellaneous	Annual Improvements to IFRS Standards 2015–2017 Cycle	12.12.2017	01.01.2019	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 9 Financial Instruments specifies the requirements for the recognition and measurement of financial assets, financial liabilities and a number of contracts for the purchase or sale of non-financial items. This standard supersedes IAS 39 Financial Instruments.

Classification – financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which the assets are held and the characteristics of their cash flows. The standard divides financial assets into three main categories: those measured at amortised cost, those measured at fair value through profit or loss (FVTPL) and those measured at fair value through other comprehensive income (FVOCI). The standard no longer includes the current IAS 39 categories "held to maturity", "loans and receivables" and "available for sale". Derivative financial instruments embedded in financial assets are no longer recognised separately in accordance with IFRS 9 but are assessed as a whole with regard to their allocation to a measurement category fair value through profit or loss.

Impairment – financial assets and contract assets

IFRS 9 replaces the incurred losses model of IAS 39 with a future-oriented model of expected credit losses. This requires significant judgment as to the extent to which expected loan defaults are affected by changes in economic factors. This estimate is determined on the basis of weighted probabilities.

The new impairment model is to be applied to financial assets measured at amortised cost or FVOCI and to contract assets.

Under IFRS 9, expected credit losses are measured at an amount equal to:

- **Twelve-month expected credit losses:** These are expected credit losses which result from those default events on the financial instrument that are possible within twelve months after the reporting date.

- **Full lifetime expected credit losses:** These are expected credit losses which result from all possible default events over the life of the financial instrument.

Credit losses are to be measured according to the concept of full lifetime expected credit loss if the credit risk of a financial asset has increased significantly on the balance sheet date since initial recognition; in all other cases, credit losses shall be measured according to the twelve-month expected credit loss concept. Exceptions are made for trade receivables, contract assets arising under IFRS 15 and lease receivables. For trade receivables and contract assets under IFRS 15 without a significant financing component, all expected losses must be taken into account upon recognition; for trade receivables and contract assets under IFRS 15 with a significant financing component as well as lease receivables, expected losses may be taken into account upon recognition.

The Group has access to capital market data for the majority of its customers, which provide external parameters for the maturity-dependent default risk. In order to determine the expected loss, a term-specific probability for each customer is applied to receivables presenting a high risk of default.

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

The Group assumes that its cash and cash equivalents are subject to a low default risk based on the external ratings of banks and financial institutions. Due to the high creditworthiness and short-term maturity, no additional impairment is made for expected credit losses.

Recognition of hedging transactions

Under IFRS 9, the Group is required to ensure that its hedge accounting is consistent with the objectives and strategy of Group risk management and that a more qualitative and forward-looking approach is employed in assessing the effectiveness of hedging transactions. IFRS 9 also introduces new requirements regarding the reweighting of hedging relationships and prohibits the voluntary termination of hedge accounting.

Transition

The Group will apply IFRS 9 Financial Instruments for the first time in the 2018/2019 financial year. Changes in accounting methods due to the application of IFRS 9 are generally applied retrospectively. The Group shall make use of the relief from restating comparative periods with respect to recognition and measurement (including impairment) at the date of initial application. At the beginning of the first reporting period (1 March 2018), differences between previous carrying amounts and the carrying amounts at the beginning of the first reporting period would then have to be recognised directly in equity due to the application of IFRS 9. Furthermore, the new accounting regulations for hedging transactions must be applied prospectively. The determination of the business model in which a financial asset is held and the exercise of the option to recognise equity instruments that are not held for trading purposes at fair value through other comprehensive income (FVOCI) must be made on the basis of the facts and circumstances existing at the time of the initial application.

Expected effects

Apart from the new general classification of financial assets, the transition as of 1 March 2018 is not expected to have a significant impact on equity for the items reported as of 28 February 2018 with regard to their allocation to balance sheet items.

With regard to the amended impairment model, FACC is of the opinion that the impairment of financial assets with a significant financing component will increase in the future when applying the exception for trade receivables and contract assets in accordance with IFRS 15.

The Group estimates that the application of the impairment provisions of IFRS 9 as of 1 March 2018 will result in an increase in

recognised impairments of approximately 0.1% in relation to total receivables.

FACC is of the opinion that derivative financial instruments which currently meet the requirements for hedge accounting in accordance with IAS 39 will also meet the requirements of IFRS 9.

IFRS 15: Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for determining whether, to what extent and at which point in time sales revenues are to be recognised. It replaces existing guidelines on revenue recognition (such as IAS 18 Revenue and IAS 11 Construction Contracts). Under IFRS 15, the amount received as consideration for the transfer of goods or services to customers is to be recognised as revenue from customer contracts. Revenue is recognised as control over goods or services is passed to the customer, either over a period of time or at a specific point in time. A five-step model is used to determine when and in which amount revenues are to be recorded.

The Group provides its customers with stage-specific services over the product life cycle of its products. Development services are usually rendered at the beginning of the contract term, which serve as a basis for the technical specifications and the manufacturing of the products. In a later stage, tools are developed and manufactured in preparation for serial production. This is followed by the serial production and the supply of spare parts throughout the entire programme period.

As part of the project implementing the requirements of IFRS 15 and the resulting consequential changes within the FACC Group, an analysis with particular focus on the existence of contracts with customers, the modeling of various services over the product life cycle and the transfer of control to customers was carried out.

It has been established that the following issues relating development services and tool development will lead to changes in accounting:

Splitting the contract into individual contractual obligations

One of the main changes under IFRS 15 concerns contracts which include several distinct contractual obligations such as development services, tool development and subsequent serials production. In the past, the overall revenue from these contracts was recognised over the entire production process. However, in accordance with the rulings of IFRS 15, individual performance obligations within a contract must be recognised separately, and the date or period of recognition must be specified separately for each obligation. If development services and the development of customised tools represent separate contractual obligations and control has already been passed, these shall be recorded as contract assets in the balance sheet.

If development services or tool developments are not paid immediately or in full but are charged to the customer as price premiums on series components, actual sales revenues may depend on whether the planned quantity of series products will be achieved. This represents a variable remuneration, which is based on a prudent estimate and is reassessed on a regular basis.

Provided that a significant financing component is determined in the case of long-term amortisation via series deliveries, revenue is only recognised in the amount of the present value of the agreed payments. As compounding effects are recognised as income in the financial result, the payments received are not fully allocated to sales revenues, as was previously the case.

In the absence of an enforceable contractual claim to remuneration for development services and tool development in accordance with IFRS 15, the related expenses are capitalised. The corresponding services constitute a single unit with the serial production. In this case, the cost of development on the price of the tools are added to the price of the series components and are not recognised as sales revenue until the serial parts have been delivered.

Transfer of control and revenue recognition

Sales revenues from the customised development of aircraft components and the production of tools are currently realised on an ongoing basis. IFRS 15 defines different criteria regarding the transfer of control for the recognition of sales revenues over a certain period of time. In addition to a lack of alternative utilisation, especially the legal claim to the payment of services already provided is required (costs plus profit share). This criterion means that individual contracts which were previously recognised over time are now to be recognised as revenue at a point in time in accordance with IFRS 15. Services provided at a point in time are recognised in the balance sheet in the amount of the associated costs until control has passed.

Payments to customers

IFRS 15 also affects the presentation within the profit and loss statement. Payments to customers in connection with development services of the programme are currently capitalised as intangible assets and amortised over their expected useful lives. In accordance with IFRS 15, these intangible assets will in future be reported as other non-current assets and recognised as a reduction in revenue in accordance with the expected useful life of the programme.

Serial production

In accordance with IAS 18, serial parts are currently recognised as revenue at a point in time if the associated risks and rewards of ownership have been transferred in line with the agreed delivery conditions. Under IFRS 15, revenue is recognised either over time or at a point in time as soon as control of the goods has passed to the customer. According to IFRS 15, the timing of the transfer of control generally remains unchanged from the previous procedure.

Transition

IFRS 15 Revenue from Contracts with Customers is mandatorily effective for financial years beginning on or after 1 January 2018. The FACC Group intends to apply the modified retrospective method for the transition to IFRS 15, whereby the cumulative adjustment amounts will be recognised as of 1 March 2018. The comparative period will not be adjusted. IFRS 15.C5 (c) will be used to simplify the transition to IFRS 15.

Expected effects

Under the current assessment, application of this standard will result in a reduction of kEUR 37,000 of the Group's equity as of 1 March 2018.

This effect consists of the transition from revenue recognition at a point in time to revenue recognition over time of kEUR 19,000, consideration of the financing component of kEUR 7,000 and other effects (resulting from currency translation and early revenue recognition in particular) amounting to kEUR 11,000.

The amendments to IFRS 15 will have no effect on the overall margin or cash flows over the lifetime of a contract or programme.

In addition, different descriptions will be applied to individual balance sheet items and further disclosures in the Notes.

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 recognised in the lessee's balance sheet. A lessee recognises 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 amortisation 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.

Planned transition and expected 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 recognised as an adjustment to the opening balance sheet values in equity as of 1 March 2019, without adjusting the comparative disclosures. Furthermore, this method offers practical simplifications, the use of which is still being examined.

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

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.

IFRIC 22: Foreign Currency Transactions and Advance Consideration

IFRIC 22 clarifies to which date the exchange rate of transactions in foreign currencies including the receipt or payment of advance consideration has to be determined. The exchange rate of the underlying asset, income or expense is calculated for the date of initial recognition of the asset or liability arising from the payment or receipt of advance consideration. In the event of multiple payments or receipts of advance consideration, a date of transaction is determined for each payment and payment receipt.

44. 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:

	2016/17 EUR'000	2017/18 EUR'000
Group and annual audit	185	183
Tax consulting services	0	0
Other consulting services	0	7
	185	190

45. Events after the balance sheet date

After the balance sheet date 28 February 2018, there were no events requiring disclosure.

46. Proposed appropriation of net income

In the 2017/18 financial year the retained earnings of FACC Group amounted to kEUR 55,644. The Executive Board and the Supervisory Board will propose a dividend of EUR 0.11 per share to the Annual General Meeting.

47. Approval for publication

These Consolidated Financial Statements are expected to be approved by the Management Board on 15 May 2018 (Consolidated Financial Statements on 28 February 2017: 11 June 2017) 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.

48. Management and Supervisory Boards

Members of the Management Board in the reporting period

Robert Machtlinger, CEO
Andreas Ockel, COO (since 2 November 2017)
Aleš Stárek, CFO
Yongsheng Wang

Members of the Supervisory Board in the reporting period

Ruguang Geng (Chairman)
Shengqiang He (Deputy Chairman)
Jun Tang (Deputy Chairman; until 18 July 2017)
Yanzheng Lei
Weixi Gong
George Maffeo
Junqi Sheng (since 18 July 2017)
Hao Liu (since 18 July 2017)
Li Li (since 1 November 2017)
Xuejun Wang (until 18 July 2017)
Chunsheng Yang (until 13 June 2017)
Peter Krohe (employee representative)
Ulrike Reiter (employee representative)
Barbara Huber (employee representative)
Karin Klee (employee representative; since 8 February 2018)
Birol Mutlu (employee representative; until 8 February 2018)

Ried im Innkreis, 2 May 2018

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, 2 May 2018

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 2018, 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 2018 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. Restated errors in accordance to IAS 8
2. Recoverability of goodwill and development cost
3. Revenue recognition

1. Restated errors in accordance to IAS 8

Description

In connection with the enforcement audit in accordance with accounting control law (Rechnungslegungs-Kontrollgesetz), which was finalised in the 2017/18 financial year, management evaluated specific matters and made a restatement in accordance to IAS 8 for other provisions and deferred taxes, which resulted in adjustments to the Group Comprehensive Income Statement and the Group equity development.

The impact of these restatements on the result after taxes in the 2016/17 financial year was EUR –1.4 million and on the equity as of 28 February 2017 was EUR –14.3 million.

The main risk is the calculation of the amounts to be restated, the correct recognition and presentation of the error corrections in the Group Financial Statement as of 28 February 2018 and the completeness of the Notes for the restatements.

The disclosures for the restated errors are included in the Notes in Note 3.

How our audit addressed the matter

To address the risk we challenged critically the underlying assessments and management estimates and have performed amongst others the following audit procedures:

- Audit of the underlying audit matters that resulted in the error corrections and whether the error corrections are in compliance with IFRS as endorsed within the EU
- Discussion of the restated amounts with management
- Audit of the calculations of the errors
- Evaluation of impacts of the error corrections on other balance sheet items (especially deferred taxes)
- Detailed audit of all corrections made in the Group Financial Statements and audit of completeness of Notes disclosures in accordance to IAS 8

2. Recoverability of goodwill and development cost

FACC AG recognises in the Group Financial Statements goodwill amounting to EUR 18.6 million (previous year: EUR 18.6 million) and capitalised development cost amounting to EUR 117.7 million (previous year: EUR 118.6 million).

In the course of the annual impairment test for goodwill and the development cost not yet in use and the development cost with a trigger for an impairment management has to make significant accounting estimates of value in use, which is derived by a discounted cash flow model. The recoverable amount is highly dependent on the discount rate (WACC) and the expected and planned cash flows in the midterm planning and for the amount used in the terminal value for goodwill. For development cost of programmes with an amortisation period longer then the midterm planning, planning assumptions have to be set depending on the rates of the airline monitor. The expected amortisation period is estimated based on the specific programme.

The main risk is estimation of future cash flows which are the basis for the determination of the impairment of goodwill and capitalised development cost not yet amortised respectively capitalised development cost with a trigger for extraordinary depreciations and the derivation of an adequate discount rate. The estimation of cash flows includes assumptions about future market and economy developments and they are also impacted by internal learning curves for the specific programmes.

The disclosures for goodwill and development cost are included in the Notes in Note 20 and Note 41.

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 CGUs ("Cash Generating Units") definitions and analysis of separation of cash inflows
- Audit of the model used and audit of the correctness of the calculations and evaluation of the discount rate with the involvement of our internal valuation specialists
- Evaluation of detailed plans and budgets and analysis of the main drivers (revenue, expenses, capex, change in working capital)
- Audit of the rates derived from airline monitor
- Evaluation of the planned terms of the programmes and the derived useful life for the development projects
- Audit of the accordance of the planned revenues and profits of the investments for the CGUs ("Cash Generating Units") with the plans approved by the Supervisory Board
- Audit of completeness of disclosures
- Evaluation of sensitivity analysis by calculation of downside valuation scenarios

3. Revenue recognition and recoverabilty of trade account receivables and receivables from construction contracts

FACC AG recognises the revenue from the sale of goods and from engineering and other services. The revenue from services and engineering are realised over a time period and are disclosed as receivables from construction contracts in accordance to IAS 11.

For the revenue recognition from the sale of goods the main risk is, that management has to assess, how probable it is that the economic benefit will flow to the company and if there are uncertainties concerning the time of revenue recognition.

For construction contracts significant estimations for the expected contract revenue and contract cost have to be made, which are due to uncertainties and may be dependent on the outcome of future events. In a further step revenue recognition has to be evaluated, in how far changes in the estimation of recoverability have occurred and accounts receivables need to be impaired.

The disclosures for construction contracts and revenue recognition are in Note 42, for trade accounts receivables in Note 32 and for construction contracts in Note 28.

How our audit addressed the matter

To address the risk we have critically challenged the assumptions and estimates of management and among others performed the following audit procedures:

- Evaluation whether the criteria for revenue recognition in accordance to IAS 18 and IAS 11 for significant contracts were fulfilled
- Analysis of the underlying contracts for significant construction contracts
- Audit of the total recognised cost in significant construction contracts
- Audit of the estimation of contract revenue for significant construction contracts
- Audit of open item list as of 28 February 2018 and identification of trade receivables overdue more than 90 days and audit of recoverability
- Evaluation of external legal opinion in respect of disputed matters in contracts
- Discussion of significant overdue trade receivables with management and division management
- Evaluation of all agreements reached until issuance of the financial statements in the course of disputed receivables
- Audit of completeness of Notes disclosures

RESPONSIBILITIES OF MANAGEMENT AND OF THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation of the Consolidated Financial Statements in accordance with IFRS as adopted by the EU, and the additional requirements under section 245a of the Austrian Company Code (UGB) for them to present a true and fair view of the assets, the financial position and the financial performance of the Group and for such internal controls as management determines are necessary to enable the preparation of Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Financial Statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU regulation and in accordance with 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 of the EU regulation

We were elected as auditor by the Ordinary General Meeting on 18 July 2017. We were appointed by the Supervisory Board on 3 October 2017. 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, 2 May 2018

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

Glossary

Technology

Active thermography	New inspection method for lightweight composite components that uses temperature differences to detect potential faults inside the component
Composites	A composite material is a material made from two or more constituent materials that, when combined, feature characteristics different from the individual components.
Elastomer	Dimensionally stable, but elastically deformable plastics
Fibrous composite material	Material of reinforcing fibres and a plastic matrix
Just-in-sequence	Punctual delivery of workpieces to the assembly line in the correct sequence
Just-in-time	Punctual delivery of workpieces to the assembly line
OEM	Original Equipment Manufacturer – manufacturer of components, which produces these in its own factories, but does not bring them to retail itself
Retrofit	Modernisation or expansion of existing (mostly older and no longer produced) models
Shipset	A delivery unit, i. e. a complete set of parts for an aircraft
Thermoplastic	Plastic that can be deformed in a certain temperature range
Tier-1 supplier	A supplier, which directly supplies OEMs with larger components and systems
Winglet	Parts attached to the wingtips of aircraft wings aiming to reduce the aircraft's drag

Financials

ATX	Austrian Traded Index – the most important stock market index of the Wiener Börse (Vienna Stock Exchange), currently consisting of 20 stocks
Book-to-bill ratio	Ratio of orders received to the amount billed for a specific period
CAD	Canadian Dollar
Cash flow	Net amount of cash and cash-equivalents being transferred into and out of a business in a specific period
CGU	Cash Generating Unit
D&O insurance	Directors and officers liability insurance – liability insurance payable to the directors and officers of a company
EBIT	Earnings before interest and taxes
Equity ratio	Equity/balance sheet total in %
FTE	Full-time equivalents of employees
GBP	Great Britain Pound
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards, including International Accounting Standards (IAS)
INR	Indian Rupee
Investments	Additions to intangible assets, property, plant and equipment
ISIN	International Securities Identification Number for shares
kEUR	Euro thousands
OTC	Over-the-counter trading
RMB	Renminbi/Yuan – Chinese currency
USD	United States Dollar

Contact

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Note

This report was prepared and the data contained therein verified with the utmost care. However, rounding and typesetting errors as well as misprints cannot be entirely ruled out. Where rounded amounts and percentages are aggregated, rounding differences may occur due to the use of automated calculation aids. This annual report contains forward-looking assessments and statements, which were compiled on the basis of information available to the Group at the time the report was prepared. Such forward-looking statements are usually introduced with terms such as “expect”, “plan”, “anticipate”, “estimate” etc. We would draw your attention to the fact that various factors could cause actual conditions and results to deviate from the expectations outlined in this report. This report is also available in German. In cases of doubt, the German version shall prevail.

Editorial deadline: 2 May 2018

Imprint

Media owner and editor:
FACC AG, Fischerstrasse 9, 4910 Ried/Austria

Project team: Manuel Taverne, Andrea Schachinger

Layout, graphics, concept: Heidlmair Kommunikation, Linz

Editing & project management: be.public Corporate & Financial Communications, Vienna

Pictures: Airbus, Boeing, Bombardier Aerospace, Comac, FACC, Fesher, GettyImages/imaginima, GettyImages/Richard Newstead, iDS Hamburg, Irkut, istockphoto/antoniokhr, istockphoto/Okea, istockphoto und REICHLUNDPARTNER, Pratt & Whitney Canada, Rolls-Royce, SFK Technologie Manufaktur, Werner Bartsch