
Annual Report

FACC AG,
Ried im Innkreis

Annual Report as of 28 February 2014

Consolidated Financial Statements

(Translation)

FACC AG,
Ried im Innkreis

Consolidated Financial Statements as of 28 February 2014,
Management Report for the Group and Auditor's Report

Consolidated Financial Statements

as at

28 February 2014

I CONSOLIDATED FINANCIAL STATEMENTS OF FACC AG

(a) Consolidated Statement of Financial Position

	Note	Balance as at 1 March 2012 (adjusted) EUR'000	Balance as at 28 February 2013 (adjusted) EUR'000	Balance as at 28 February 2014 EUR'000
ASSETS				
Non-current assets				
Intangible assets	5	82,914	86,510	109,103
Property, plant and equipment	6	72,235	92,157	130,789
Other non-current financial assets	7	1,347	1,538	1,730
Non-current receivables	9	16,141	20,878	16,676
		172,637	201,083	258,298
Current assets				
Inventories	8	44,763	56,365	81,049
Trade receivables	9	63,978	97,165	100,111
Receivables from construction contracts	9	11,964	28,198	25,144
Other receivables and deferred income	9	8,309	5,893	19,017
Receivables from affiliated companies	9	6,714	112	13,912
Derivative financial instruments	14	2,851	4,759	3,590
Cash and cash equivalents	10	19,169	35,834	46,064
		157,748	228,327	288,887
Total assets		330,385	429,410	547,185
EQUITY				
Equity attributable to equity holders of the parent				
Share capital	11	80,000	80,000	80,000
Capital reserve	11	3,000	3,000	3,000
Currency translation reserve		(79)	(80)	(132)
Revenue reserves	11	9,915	10,894	11,297
Other reserves*	11	(9)	(685)	(1,434)
Retained earnings		67,964	86,130	108,606
		160,791	179,258	201,337
Non-controlling interests		-	-	(5)
Total equity		160,791	179,258	201,332
LIABILITIES				
Non-current liabilities				
Promissory note loans	12	-	45,000	45,000
Bonds	12	-	-	88,893
Other financial liabilities	13	17,275	18,187	57,028
Derivative financial instruments	14	7,625	11,734	9,953
Investment grants	15	11,765	10,538	9,776
Employee benefit obligations*	16	5,471	6,868	7,581
Deferred taxes*	30	12,063	13,016	20,818
		54,199	105,343	239,049
Current liabilities				
Trade payables	17	35,430	55,450	55,542
Other liabilities and deferred income	18	14,350	18,031	23,363
Other financial liabilities	13	35,973	49,921	10,817
Bonds		20,000	-	-
Derivative financial instruments	14	-	688	-
Other provisions	19	7,510	13,784	10,353
Investment grants	15	1,170	1,233	836
Income tax liabilities		962	-	-
Liabilities to affiliated companies	18	-	5,702	5,893
		115,395	144,809	106,804
Total liabilities		169,594	250,152	345,853
Total equity and liabilities		330,385	429,410	547,185

* Adjustment of prior year values pursuant to IAS 8.19 b), reference to notes to the consolidated financial statements, Note 2(a) adjustment pursuant to IAS 8 on the basis of the application of IAS 19 in the version as of 16 June 2011.

The Notes on pages 6 to 49 are an integral part of these consolidated financial statements.

(b) Consolidated Statement of Comprehensive Income

	Note	2012/2013 (adjusted)	2013/2014
		EUR'000	EUR'000
Revenue	4	433,925	546,482
Changes in inventories.....	20	5,523	(8,186)
Own work capitalised	21	4,741	9,758
Cost of materials and purchased services.....	22	(257,105)	(308,959)
Staff costs.....	23	(110,129)	(142,025)
Depreciation and amortisation	25	(16,267)	(17,362)
Other operating income and expenses.....	26	(25,027)	(37,215)
Earnings before interest, taxes and fair value measurement of derivative financial instruments		35,661	42,493
Finance costs.....	27	(2,718)	(7,495)
Interest income from financial instruments.....	28	24	275
Fair value measurement of derivative financial instruments.....	29	(4,969)	1,781
Profit before taxes		27,998	37,054
Income taxes	30	(6,853)	(8,180)
Profit after taxes		21,145	28,874
Items subsequently reclassified to profit or loss			
Currency translation differences from consolidation		(1)	(52)
Fair value measurement of securities (net of tax)		14	10
Cash flow hedges (net of tax)	11	(50)	(549)
Items subsequently not reclassified to profit or loss			
Revaluation effects of pensions and termination benefits (net of tax)*	16	(640)	(210)
Other comprehensive income for the year*		(677)	(801)
Total comprehensive income for the year*		20,468	28,073
		=	
	Note	2012/2013	2013/2014
Profit after taxes			
attributable to:			
Equity holders of the parent		21,145	28,894
Non-controlling equity holders		-	(20)
Total comprehensive income for the year			
attributable to:			
Equity holders of the parent		20,468	28,093
Non-controlling equity holders		-	(20)
Earnings per share, in relation to the profit after taxes attributable to equity holders of the parent during the year (expressed in EUR per share)			
Basic	35	0.53	0.72

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(c) Consolidated Statement of Changes in Equity

For the fiscal year ended 28 February 2013

	Other reserves								Total equity EUR'000		
	Share capital EUR'000	Capital reserve EUR'000	Currency translation reserve EUR'000	Revenue reserves EUR'000	Available-for-sale securities EUR'000	Hedging reserve EUR'000	Reserve IAS 19 EUR'000	Retained earnings EUR'000		Equity attributable to equity holders of the parent EUR'000	Non-controlling interests EUR'000
Balance as at 1 March 2012 (as reported)	80,000	3,000	(79)	9,915	(69)	599	0	67,964	161,330	—	161,330
Effects from the adjustment of accounting policies (Note 2(a))	—	—	—	—	—	—	(539)	—	(539)	—	(539)
Balance as at 1 March 2012 (adjusted)	80,000	3,000	(79)	9,915	(69)	599	(539)	67,964	160,791	—	160,791
Profit after taxes	—	—	—	979	—	—	—	20,166	21,145	—	21,145
Other comprehensive income											
Currency translation differences from consolidation	—	—	(1)	—	—	—	—	—	(1)	—	(1)
Fair value measurement of securities (net of tax)	—	—	—	—	14	—	—	—	14	—	14
Revaluation effects of pension and termination benefits (net of tax)*	—	—	—	—	—	—	(640)	—	(640)	—	(640)
Cash flow hedges (net of tax)	—	—	—	—	—	(50)	—	—	(50)	—	(50)
Total other comprehensive income	—	—	(1)	—	14	(50)	(640)	—	(677)	—	(677)
Total comprehensive income*	—	—	(1)	979	14	(50)	(640)	20,166	20,468	—	20,468
Dividends paid	—	—	—	—	—	—	—	(2,000)	(2,000)	—	(2,000)
Balance as at 28 February 2013	80,000	3,000	(80)	10,894	(55)	549	(1,179)	86,130	179,258	—	179,258

* Adjustment of prior year values pursuant to IAS 8.19 b), reference to notes to the consolidated financial statements, Note 2(a) adjustment pursuant to IAS 8 on the basis of the application of IAS 19 in the version as of 16 June 2011.

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For the fiscal year ended 28 February 2014

	Other reserves									
	Share capital EUR'000	Capital reserve EUR'000	Currency translation reserve EUR'000	Revenue reserves EUR'000	Available-for-sale securities EUR'000	Hedging reserve EUR'000	Reserve IAS 19 EUR'000	Equity attributable to equity holders of the parent EUR'000	Non-controlling interests EUR'000	Total equity EUR'000
Balance as at 1 March 2013 (adjusted)	80,000	3,000	(80)	10,894	(55)	549	(1,179)	179,258	—	179,258
Profit after taxes	—	—	—	403	—	—	—	28,894	(20)	28,874
Other comprehensive income										
Currency translation differences from consolidation	—	—	(52)	—	—	—	—	(52)	—	(52)
Fair value measurement of securities (net of tax)	—	—	—	—	10	—	—	10	—	10
Revaluation effects of pension and termination benefits (net of tax)*	—	—	—	—	—	—	(210)	(210)	—	(210)
Cash flow hedges (net of tax)	—	—	—	—	—	(549)	—	(549)	—	(549)
Total other comprehensive income	—	—	(52)	—	10	(549)	(210)	(801)	—	(801)
Total comprehensive income*	—	—	(52)	403	10	(549)	(210)	28,093	(20)	28,073
Dividends paid	—	—	—	—	—	—	—	(6,000)	—	(6,000)
Other changes	—	—	—	—	—	—	—	(15)	—	(15)
Effects from initial consolidation	—	—	—	—	—	—	—	—	15	15
Balance as at 28 February 2014	80,000	3,000	(132)	11,297	(45)	—	(1,389)	201,337	(5)	201,332

* Adjustment of prior year values pursuant to IAS 8.19 b), reference to notes to the consolidated financial statements, Note 2(a) adjustment pursuant to IAS 8 on the basis of the application of IAS 19 in the version as of 16 June 2011.

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(d) Consolidated Statement of Cash Flows

	2012/2013 (adjusted)	2013/2014
	EUR'000	EUR'000
Operating activities		
Earnings before interest, taxes and fair value measurement of derivative financial instruments	35,661	42,493
Fair value measurement of derivative financial instruments	(4,969)	1,781
	<u>30,692</u>	<u>44,274</u>
Plus/minus		
Change in investment grants	(1,164)	1,587
Depreciation and amortisation.....	16,267	17,362
Losses/(gains) on disposal of non-current assets.....	849	17,568
Changes in financial instruments ¹	2,887	(1,299)
Change in non-current receivables	(4,737)	4,202
Revaluation effects of pensions and termination benefits*	(853)	(280)
Change in employee benefit obligations, non-current*	1,397	713
	<u>45,338</u>	<u>84,127</u>
Changes in net current assets		
Change in inventories	(11,602)	(24,684)
Changes in receivables and deferred items.....	(40,403)	(25,782)
Change in trade payables.....	20,021	91
Change in current provisions.....	6,275	(3,432)
Change in other current liabilities	3,494	6,738
	<u>23,123</u>	<u>(37,058)</u>
Cash generated from operations	24	275
Interest received	(1,012)	(159)
Tax paid.....	<u>22,135</u>	<u>37,174</u>
Net cash generated from operating activities.....		
Investment activities		
Purchase of non-current financial assets	(173)	(173)
Acquisition of subsidiaries, net of cash acquired	—	391
Purchase of property, plant and equipment	(30,459)	(58,470)
Purchase of intangible assets	(3,405)	(6,055)
Payments for addition to development costs	(6,575)	(36,374)
	<u>(40,612)</u>	<u>(100,681)</u>
Net cash used in investing activities		
Financing activities		
Proceeds from financial loans and bonds	62,778	132,568
Repayments of financial loans and bonds	(22,918)	(45,337)
Payments of interest on financial loans and bonds	(2,719)	(7,494)
Dividends paid.....	(2,000)	(6,000)
	<u>35,141</u>	<u>73,737</u>
Net cash generated from/(used in) financing activities		
Net change in cash and cash equivalents.....	16,664	10,230
Cash and cash equivalents at the beginning of the period.....	19,170	35,834
Cash and cash equivalents at the end of the period	<u>35,834</u>	<u>46,064</u>

¹ Includes changes in financial instruments not considered part of net current assets, i.e. mainly derivatives.

* Adjustment of prior year values pursuant to IAS 8.19 b) reference to notes to the consolidated financial statements, Note 2(a) adjustment pursuant to IAS 8 on the basis of the application of IAS 19 in the version as of 16 June 2011.

The Notes on pages 6 to 49 are an integral part of these consolidated financial statements.

II NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General

In the following the notes are presented for the two reporting periods ended 28 February 2013 and 28 February 2014.

(a) Parent company

FACC AG, headquartered in A-4910 Ried im Innkreis, Fischerstraße 9, is a company incorporated in Austria for the development, production and servicing of aircraft components. The Company was founded in 1989. The principal activities of the FACC AG Group are the manufacturing of structural components, such as engine cowlings, wing claddings or control surfaces, as well as interiors for modern commercial aircraft. The components are manufactured using mainly composites.

In the components made of such composites, the Group also integrates metallic components of titanium, high-alloy steel and other metals, and supplies these components to the aircraft final assembly lines ready for fitting.

On 3 October 2009 the owners of FACC AG and Xi'an Aircraft Industry (Group) Company Ltd. ("XAC") signed an agreement on XAC's (seated in Xian (China)) acquisition of the majority share in FACC AG. XAC is specialised in the development and production of structural components for large and medium-sized aircraft.

On 3 December 2009 (acquisition date), XAC officially became the majority shareholder of FACC AG. 91.25% of the shares in FACC AG thus were transferred to XAC via the holding companies Aerospace Innovation Investment GmbH, seated in Ried im Innkreis, and Aero Vision Holding GmbH, seated in Ried im Innkreis, by way of two separate share purchase agreements dated 3 December 2009.

For the remaining 8.75% of the shares in FACC AG, two separate option agreements were entered into on the same date, i.e. on 3 December 2009, between XAC and the former owners. By way of these option agreements XAC via its Austrian holding companies (AIIG and AVH) economically acquired these stakes at the acquisition date by taking over the risks and rewards pertaining to these shares.

Shortly after the closing of the transaction, XAC decided to increase the capital of FACC AG from EUR 40 million to EUR 80 million to provide additional funding for the planned economic development of this company. After execution of the capital increase the holding companies Aerospace Innovation Investment GmbH (headquartered in Ried im Innkreis) and Aero Vision Holding GmbH (headquartered in Ried im Innkreis) held 95.625% of the shares in FACC AG.

The holding companies Aerospace Innovation Investment GmbH (headquartered in Ried im Innkreis) and Aero Vision Holding GmbH (headquartered in Ried im Innkreis) acquired a total of 4.375% of the shares in FACC AG held by minority shareholders. Upon completion of this reorganisation on 23 February 2011, the holding companies held 100% of the shares in FACC AG.

2 Summary of significant accounting policies

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

(a) Basis of preparation

The consolidated financial statements as at 28 February 2014 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and the provisions of Section 245a of the Austrian Commercial Code (UGB).

The consolidated financial statements have been prepared under the historical cost convention, with the exception of financial assets and financial liabilities (including derivative instruments) that were measured at fair value.

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

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

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

The following new and amended standards and interpretations have been adopted for the first time for the fiscal year 2013/14 and have a material impact on the Group:

Amendment to IAS 1, “Presentation of Financial Statements”. The amendment relates to the presentation of other comprehensive income. The material amendment is that entities are required to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently. The amendments do not address which items are presented in other comprehensive income.

IAS 19, ‘Employee benefits’, was amended in June 2011. The impact will be as follows: to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). Actuarial gains or losses (“corridor approach”) are no longer recognised with a time delay; these revaluation effects are instead directly recognised in other comprehensive income. The impact of the amendments with regard to figures arising from the elimination of the “corridor approach” is set out in Note 16. The Group does not hold any plan assets.

IFRS 13, ‘Fair value measurement’, aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP.

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

A number of new standards and amendments to standards and interpretations will be effective in subsequent fiscal years. Such standards were not applied in preparing these consolidated financial statements.

IFRS 9, ‘Financial instruments’, addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39, ‘Financial instruments: Recognition and measurement’, that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity’s business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group intends to adopt IFRS 9 no later than the accounting period beginning after 1 January 2015. Furthermore, the Group will analyse the additional phases of IFRS 9 as soon as it is adopted by the IASB.

IFRS 10, ‘Consolidated financial statements’, builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The impact of the standard is likely to be immaterial, because no change in the consolidated group is expected. The Group intends to adopt IFRS 10 no later than in the following fiscal year.

IFRS 12, ‘Disclosure of interests in other entities’, includes the revised disclosure requirements of IAS 27 or IFRS 10, IAS 31 or IFRS 11 and IAS 28 in one single standard. The impact of the standard is likely to be immaterial. The Group intends to adopt IFRS 12 no later than the accounting period beginning on or after 1 January 2014.

Amendment to IAS 36 “Impairment of assets”: Disclosure on the recoverable amount for non-financial assets. This amendment removed the obligation to provide specific information on the recoverable amount of cash generating units. Such information was previously required under IAS 36 and is now covered by IFRS 13. This amendment will only become effective in the following fiscal year.

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

(b) Use of assumptions and estimates

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

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

(i) Employee benefit obligations

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

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

The actuaries use assumptions and estimates and evaluate and update these assumptions at least on an annual basis. Judgement is required to determine the principal actuarial assumptions to determine the present value of defined benefit obligations and service costs. Changes to the principal actuarial assumptions can significantly affect the present value of plan obligations and service costs in future periods. The discount rate is a potential volatile parameter. Reference is made to Note 16.

(ii) Deferred taxes

Change in taxable profits, within the planning period specified for the accounting and measurement of deferred taxes, may result in changes to the deferred taxes recognised for losses carried forward. The unrecognised deferred taxes for losses carried forward amount to EUR nil (28 February 2013) and EUR 195,493.58 (28 February 2014).

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

(iii) Scheduled amortisation of development costs

The calculation for amortisation of capitalised development costs is based on the number of shipsets to be supplied. This number of shipsets is an assumption based on a defined assessment procedure (refer to Note 2(d)(ii) "Research and development costs"). Increasing the estimated number of shipsets by 10% would result in a decrease in amortisation of EUR 271,000 (28 February 2013) and EUR 312,000 (28 February 2014). Decreasing the estimated number of shipsets by 10% would result in an increase in amortisation of EUR 331,000 (28 February 2013) and EUR 383,000 (28 February 2014).

(iv) Receivables from construction contracts

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

(v) Impairment assessment of delivery rights and development costs

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

Should the discount rate change by + 50 basis points at the end of the reporting period, an impairment adjustment would not be required with regard to delivery rights and development costs. As discount rate, the Group uses the weighted average cost of capital (WACC), which was 8.54% as at 28 February 2014 and 8.78% as at 28 February 2013. A change in the EUR/USD exchange rate by 10 cents (+ or -) would not result in the need to recognise impairment.

(vi) Useful lives of property, plant and equipment

The useful life of the Group's property, plant and equipment is defined as the period over which it is expected to be available for use by the Group. The estimation of the useful life is a matter of judgement based on management's experience. Periodic reviews by management could result in a change in depreciable lives and therefore depreciation expense in future periods. In the asset class "tooling", useful life was amended from 6 to 8 years in the fiscal year 2013/14; for further information see Section (e).

(vii) Derivative financial instruments

All derivatives are recognised at their fair value. Gains and losses resulting from changes in fair value are accounted for depending on the use of the derivatives and whether they are designated and qualify for hedge accounting under IAS 39. Where derivative financial instruments entered into by the Group qualify for cash flow hedge accounting, the movement in their fair value is recorded under the caption of hedging reserve in equity. Where derivative financial instruments entered into by the Group do not qualify for hedge accounting, or hedge accounting is not applied, the movement in their fair value is recorded in the consolidated statement of comprehensive income. The sensitivity analysis with regard to derivative financial instruments is presented in Note 3(2)(a) below.

(c) Consolidation

The financial statements of subsidiaries included in the consolidated financial statements were prepared as at the end of the reporting period applicable throughout the Group, i.e. as at 28 February 2013 and 28 February 2014, and in accordance with IFRS as adopted by the EU.

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights.

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

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

(i) Consolidated group

The consolidated group is determined according to the principles of IAS 27 in conjunction with SIC 12.

The Group has the following subsidiaries:

<u>Company</u>	<u>Place of incorporation</u>	<u>Issued and fully paid share capital</u>	<u>Interest held</u>	<u>Principal activities</u>
FACC Solutions (Canada) Inc.	Montreal / Canada	CAD 10,000	100%	Customer service
FACC Solutions Inc.	Wichita, Kansas / USA	USD 10,000	100%	Customer service
FACC Solutions s.r.o.	Bratislava / Slovakia	EUR 6,639	100%	Design & Engineering
FACC (Shanghai) Co., Ltd.	Shanghai / China	RMB 2,000,000	100%	Design & Engineering
ITS GmbH	Steinebach / Germany	EUR 25,000	100%	Design & Engineering
ITS digitech Pvt. Ltd.	Bhau Patil marg / India	INR 800,000	100%	Design & Engineering
etc Prüf und Test GmbH (now CoLT Prüf und Test GmbH)	St. Martin / Austria	EUR 35,000	91%	Design & Engineering

(ii) Changes in the consolidated group

During the 2013/14 reporting period, two new subsidiaries – ITS GmbH and ITS digitech Pvt. Ltd. – were acquired. At the same time, the subsidiary etc Prüf und Test GmbH (now CoLT Prüf und Test GmbH) was founded. The newly acquired or founded subsidiaries were subsequently added to the scope of consolidation of the Group. For further information on the acquisitions see Note 33.

(iii) Consolidation methods

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

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

Goodwill is initially measured as the excess of the aggregate of the consideration transferred over the fair value of the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly through profit or loss.

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

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

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iv) Currency translation

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

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

Exchange rate differences arising from the translation of transactions and monetary items in the consolidated statement of financial position denominated in foreign currencies are recognised in profit or loss at the rates applicable at the time of the transaction or valuation. Foreign currency translation in relation to foreign currency derivatives is set out in Section (q).

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

	<u>Year-end rate 28 February 2013</u>	<u>Average rate</u>
1 EUR / CAD FY 2012/13	1.3380	1.2873
1 EUR / USD FY 2012/13	1.3097	1.2890
1 EUR / RMB FY 2012/13.....	8.1720	8.1147
	<u>Year-end rate 28 February 2014</u>	<u>Average rate</u>
1 EUR / CAD FY 2013/14	1.5330	1.3957
1 EUR / USD FY 2013/14	1.3757	1.3332
1 EUR / RMB FY 2013/14.....	8.4882	8.1601

(d) Intangible assets

(i) Software and delivery rights

Purchased intangible assets are measured at acquisition cost in the consolidated statement of financial position, and are generally amortised on a straight-line basis over their respective useful life (3 to 10 years). Delivery rights are amortised on the basis of the shipsets supplied or outstanding.

(ii) Research and development costs

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

- a) It is technically feasible to complete the intangible asset so that it will be available for use or sale;
- b) The intention to complete the intangible asset in order to use or sell it;
- c) The ability to use or sell the intangible asset;
- d) It can be demonstrated how the intangible asset will generate probable future economic benefits. Proof that, among other things, a market exists for the products of the intangible asset or the intangible asset as such or, if it is intended for internal use, the benefit of the intangible asset;
- e) Availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- f) The expenditure attributable to the intangible asset during its development can be reliably measured.

The Group capitalises the development costs in accordance with IAS 38, based on project-related costs. All eligible development costs for each project are capitalised. The capitalised development costs are treated as “construction in process”. Amortisation starts when series production is ready, based on shipsets supplied, with reference to the sales framework, as determined by the management. The sales framework is determined based on the Airline Monitor (= market forecast by third parties), as used throughout the aviation industry, and current customer forecasts. This sales framework is re-assessed at the end of each reporting period. Depending on the status of the project (new project or ongoing project with residual terms) the planning horizon of the sales framework is a maximum of 20 years. This amortisation method ensures that changes in the order volume have a direct effect on the development costs. The costs of research projects are recognised as an expense as incurred.

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

(e) *Property, plant and equipment*

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

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

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

	Useful life in years	
	from	to
Buildings.....	10	50
Leasehold improvements*	10	20
Technical equipment and machinery	4	8
Fixtures and fittings	3	10
Vehicles	5	8

* or over the lease terms, whichever is shorter

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

In the asset class “tooling” (technical equipment and machinery), useful life was amended from 6 to 8 years on the basis of experience. The change in the estimated useful life resulted in a depreciation value of EUR 1,724,148 in the “tooling” asset class. If a useful life of 6 years had been retained, the resulting depreciation would have been at EUR 2,600,804.

(f) *Assets from rental and leasing contracts*

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

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

(g) Other non-current financial assets

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

All securities are classified as "available for sale", and are initially measured at cost at the time of acquisition and subsequently carried at fair value. The changes in value are recognised in other comprehensive income, and in case of impairment or when the security is sold through profit or loss. The fair value of the securities is based on the share price at the end of the reporting period.

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

The Group assesses at the end of each reporting period whether there is objective evidence that assets are impaired. If such evidence exists, the Group establishes the value in use or fair value less costs to sell of the specific asset. If this value is below the carrying amount determined for this asset, it is written down to that amount.

The calculated impairment loss is recognised through profit or loss. If the reasons for impairment cease to exist, the impairment loss is reversed through profit or loss up to the amortised original acquisition or production cost.

Capitalised development costs not yet subject to annual amortisation are tested for impairment annually. This also applies to goodwill.

With regard to determining the recoverability of capitalised development costs, the significant parameters to determine the values in use on the basis of the discounted cash flow method were the following: a company-typical weighted average cost of capital, the planned costs and returns per shipset (based on external data (Airline Monitor)), and product-specific learning curve effects. The planning period with regard to the future cash flows depends on the terms and conditions of the respective customer contract. In this context, a specific period, a specific quantity of deliveries or the term of such a "Life of program" contract can be of importance. The contractual term of a "Life of program" is derived from estimated aircraft deliveries based on external data (Airline Monitor). The maximum duration for cash flow projections is limited to 20 years.

Capitalised delivery rights are tested for impairment annually, based on a projection of future cash flows with regard to contracted revenue derived from the sales price calculation. The projected cash flows are discounted by using the weighted average cost of capital. The duration of the cash flow projection depends on the term of the relevant customer contract.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value at the end of the reporting period.

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

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

(j) Receivables and other assets

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

(k) Cash and cash equivalents

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

(l) Employee benefits

(i) Pension obligations

Based on an individual commitment, the Group is obligated to pay a pension to an executive employee when he retires. This defined benefit obligation is measured by a qualified and independent actuary at the end of each reporting period.

The liability recognised in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

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

(ii) Defined benefit obligations

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

(iii) Termination benefit obligations

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

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

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

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

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

(v) Other non-current employee obligations

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

This provision is measured according to the methods and assumptions applied for the measurement of termination benefit obligations.

(m) Other provisions

Other provisions are recorded if the Group has a present legal or constructive obligation towards a third party as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation. The provisions are recorded at the value determined according to best estimates made at the time the consolidated financial statements are prepared. A provision is not recognised if the amount cannot be reasonably assessed (in exceptional cases).

(n) Taxes

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

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

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements prepared in accordance with the IFRSs. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

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

(o) Borrowings

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

(p) Trade and other payables

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

(q) Derivative financial instruments

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

Cash flow hedge:

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

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

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

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

Derivatives not qualified for hedge accounting:

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

(r) Foreign currency measurement

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

(s) Public grants

Investment grants are shown within liabilities under "Investment grants" and are released over the useful life of the underlying investment. General grants, i.e. those which are not directly linked to a specific investment, are recognised over the period to which they relate within "Other operating income and expenses" in the consolidated statement of comprehensive income.

(t) Borrowing costs

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

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

(u) Revenue recognition

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

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

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

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

3 Financial risk management

1) Principles of financial risk management

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

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

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

2) Financial risk factors

a) Market risk

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

Foreign exchange risk—The Group is exposed to foreign exchange risk arising from revenue generated mainly in USD and cost of materials to be paid in USD. Consequently, the USD/EUR exchange rate affects the Group's profit or future cash flows, but is limited by the extent to which the Group uses financial instruments to hedge its current and future net foreign currency position. The Group treasury's hedging strategies are designed to control and minimise the influence of exchange rate fluctuations on profit or future cash flows. The management board approves the strategies and reports to the supervisory board on a regular basis. This is an ongoing process. The goal is to minimise the inherent risk in market fluctuations by pursuing the right strategy.

The Group treasury's risk management policy is to hedge anticipated USD cash flows (arising from revenue and purchases of raw materials) for the subsequent 12 to 15 months by forward foreign exchange contracts. These USD cash flows qualify as 'highly probable' forecast transactions with regard to hedge accounting purposes; the Group therefore applies hedge accounting for the forward foreign exchange contracts in accordance with the rules of hedge accounting.

The Group also enters into currency option contracts (zero-cost option contracts) by buying pairs of USD put options and selling European USD call options at twice the volume of the put options purchased. The European USD call options sold by the Group partly have knock-in features defining a threshold with regard to the appreciation of the USD. This threshold has to be exceeded before the counter-party is entitled to exercise the call option at maturity. To a certain extent, the Group may thus benefit from a revaluation of the USD and is also protected from a devaluation of the USD.

These currency option contracts do not qualify for hedge accounting under IAS 39. The Group is exposed to credit risk on purchased options only, and only to the extent of their carrying value amount, which is their fair value.

A change in exchange rates against all currencies as at 28 February 2013 and 28 February 2014 would basically impact the Group only with regard to the USD currency, on the one hand due to the effects from the measurement at the end of the reporting period of the USD items in the consolidated financial statements, and on the other hand due to the effect from the change in fair values of the derivative financial instruments in connection with currency hedges.

A change in the EUR/USD exchange rate as at 28 February 2013 and 28 February 2014 by +5% (average exchange rate at the end of the reporting period: 1.3097 and 1.3757, respectively) would result in a decrease in profit (after taxes) and equity by EUR 3,301,000 and EUR 4,437,000 due to the measurement at the end of the reporting period, as well as an increase in total comprehensive income and equity by EUR 5,036,000 and EUR 2,250,000 due to the change in fair values of derivative financial instruments in connection with currency hedges.

A change in the EUR/USD exchange rate as at 28 February 2013 and 28 February 2014 by -5% (average exchange rate at the end of the reporting period: 1.3097 and 1.3757, respectively) would result in an increase of the profit (after taxes) and equity by EUR 3,649,000 and EUR 4,903,000 due to the measurement at the end of the reporting period, as well as a decrease in total comprehensive income and equity by EUR 6,695,000 and EUR 4,288,000 due to the change in fair values of derivative financial instruments in connection with currency hedges.

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

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

If the market interest rate level had been higher / lower by 50 basis points as at 28 February 2013 and 28 February 2014, the profit (after taxes) and equity would have been lowered / increased by EUR 286,000 and EUR 48,000. The calculation was based on the financial assets and liabilities bearing variable interest rates.

b) Liquidity risk

It is a key element of FACC's business policy to, at all times, ensure adequate availability of cash and cash equivalents as liquidity reserve to be able to meet current and future obligations. This is assured by the reported total amount of cash and cash equivalents and extensive unused credit facilities (EUR 20,640,000 as at 28 February 2013 and EUR 72,000,000 as at 28 February 2014). Working capital is constantly monitored and reported to the management board. Timely financing is a top priority in financing considerations. Surplus cash and cash equivalents are invested in non-speculative, highly liquid financial instruments as required. These include mainly money market certificates, call money, securities and other money market papers that generally mature in less than three months. Refer to Note 3(5) for a maturity analysis of the financial assets and liabilities.

c) Credit risk

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

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

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

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

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

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

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

	Residual term			
	up to 1 year	1 to 5 years	more than 5 years	Total
	USD'000	USD'000	USD'000	USD'000
Balance as at 28 February 2013				
Currency hedging agreements				
Forward foreign exchange contracts - USD.....	205,000	—	—	205,000
Structured currency options ¹	—	—	—	—
Balance as at 28 February 2014				
Currency hedging agreements				
Forward foreign exchange contracts - USD.....	155,000	—	—	155,000
Structured currency options ¹	—	—	—	—

¹ Incl. USD put and call options as described above.

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

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

	Residual term			Total
	up to 1 year	1 to 5 years	more than 5 years	
	EUR'000	EUR'000	EUR'000	
Balance as at 28 February 2013				
Interest rate swaps.....	—	20,000	—	20,000
Balance as at 28 February 2014				
Interest rate swaps.....	—	20,000	—	20,000

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

	Volume USD'000	Volume EUR'000	Fair value EUR'000
Balance as at 28 February 2013			
Forward foreign exchange contracts – USD	205,000	—	4,072
Structured currency options - USD	—	—	—
Interest rate swaps	—	20,000	(11,734)
Balance as at 28 February 2014			
Forward foreign exchange contracts – USD	155,000	—	3,590
Structured currency options - USD	—	—	—
Interest rate swaps	—	20,000	(9,953)

4) Carrying amounts and fair values of financial instruments

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

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

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

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

	Category IAS 39 ¹⁾	Carrying amount as at 28 February 2013 EUR'000	Fair value as at 28 February 2013 EUR'000	Carrying amount as at 28 February 2014 EUR'000	Fair value as at 28 February 2014 EUR'000
ASSETS					
Measurement at (amortised) cost					
Non-current receivables	LaR	20,878	20,878	16,676	16,676
Trade receivables	LaR	97,165	97,165	100,111	100,111
Receivables from construction contracts	LaR	28,198	28,198	25,144	25,144
Receivables from affiliated companies	LaR	112	112	13,912	13,912
Cash and cash equivalents	LaR	35,834	35,834	46,064	46,064
Measurement at fair value					
Book-entry securities (not listed)	AfS	1,167	1,167	1,346	1,346
Securities (listed)	AfS	371	371	384	384
Derivatives with positive fair value (interest rate swaps)	AtFVtP&L	—	—	—	—
Derivatives with positive fair value (forward foreign exchange contracts)	—	4,759	4,759	3,590	3,590
Derivatives with positive fair value (structured currency options)	AtFVtP&L	—	—	—	—
Total financial assets		188,484	188,484	207,227	207,227
		=			
	Category IAS 39 ¹⁾	Carrying amount as at 28 February 2013 EUR'000	Fair value as at 28 February 2013 EUR'000	Carrying amount as at 28 February 2014 EUR'000	Fair value as at 28 February 2014 EUR'000
LIABILITIES					
Measurement at (amortised) cost					
Promissory note loans	FLAC	45,000	45,000	45,000	45,000
Bonds	FLAC	—	—	88,893	92,691
Bank borrowings	FLAC	68,108	67,641	67,845	67,845
Trade payables	FLAC	55,450	55,450	55,542	55,542
Measurement at fair value					
Derivatives with negative fair value (interest rate swaps)	AtFVtP&L	11,734	11,734	9,953	9,953
Derivatives with negative fair value (forward foreign exchange contracts)	—	688	688	—	—
Derivatives with negative fair value (structured currency options)	AtFVtP&L	—	—	—	—
Total financial liabilities		180,980	180,513	267,233	271,031
		=			

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

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

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

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

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

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

The fair value of the financial instruments on the assets and the liabilities sides is the estimated amount the Group would have to pay or would receive if the transactions were settled on 28 February 2013 and 28 February 2014.

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

- Level 1: The fair values are determined based on quoted prices in active markets for identical financial instruments.
- Level 2: If quoted market prices in active markets are not available, the fair values are determined based on the results of a measurement method that corresponds to the greatest possible extent to market prices.
- Level 3: In this case, the fair values are determined using measurement models which are not based on observable market data.

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

	<u>Level 1</u> EUR'000	<u>Level 2</u> EUR'000	<u>Level 3</u> EUR'000	<u>Total</u> EUR'000
Balance as at 28 February 2013				
<u>Assets</u>				
Non-current assets				
Non-current financial assets.....	371	1,167	—	1,538
Derivative financial instruments	—	—	—	—
Current assets				
Derivative financial instruments	—	4,759	—	4,759
<u>Liabilities</u>				
Non-current liabilities				
Derivative financial instruments	—	11,734	—	11,734
Current liabilities				
Derivative financial instruments	—	688	—	688
Balance as at 28 February 2014				
<u>Assets</u>				
Non-current assets				
Non-current financial assets.....	384	1,346	—	1,730
Derivative financial instruments	—	—	—	—
Current assets				
Derivative financial instruments	—	3,590	—	3,590
<u>Liabilities</u>				
Non-current liabilities				
Derivative financial instruments	—	9,953	—	9,953
Current liabilities				
Derivative financial instruments	—	—	—	—

5) Residual terms and cash flow analysis of financial liabilities

The residual terms of the financial liabilities are as follows:

		Carrying amount as at 28 February	Residual term			
	Category IAS 39 ¹⁾	2013	year 1	year 2	years 3-5	in more than 5 years
		EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
LIABILITIES						
Measurement at (amortised) cost						
Bonds	FLAC	—	—	—	—	—
Promissory note loans	FLAC	45,000	—	—	11,000	34,000
Bank borrowings	FLAC	68,108	49,921	3,634	9,377	5,176
Trade payables	FLAC	55,450	55,450	—	—	—
Measurement at fair value						
Derivatives with negative fair value (interest rate swaps).....	AtFVtP&L	11,734	—	—	11,734	—
Derivatives with negative fair value (forward foreign exchange contracts).....	—	688	688	—	—	—
Derivatives with negative fair value (structured currency options).....	AtFVtP&L	—	—	—	—	—
Total financial liabilities		180,980	106,059	3,634	32,111	39,176

		Carrying amount as at 28 February		Residual term		
	Category IAS 39 ¹⁾	2014	year 1	year 2	years 3-5	in more than 5 years
		EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
LIABILITIES						
Measurement at (amortised) cost						
Bonds	FLAC	88,893	—	—	—	88,893
Promissory note loans	FLAC	45,000	—	3,000	8,000	34,000
Bank borrowings	FLAC	67,845	10,817	5,223	22,680	29,125
Trade payables	FLAC	55,542	55,542	—	—	—
Measurement at fair value						
Derivatives with negative fair value (interest rate swaps)	AtFVtP&L	9,953	—	—	9,953	—
Derivatives with negative fair value (forward foreign exchange contracts)	—	—	—	—	—	—
Derivatives with negative fair value (structured currency options)	AtFVtP&L	—	—	—	—	—
Total financial liabilities		267,233	66,359	8,223	40,633	152,018

¹⁾ FLAC Financial Liabilities at Amortised Cost
AtFVtP&L At Fair Value through Profit and Loss

The following contractually agreed payment obligations (interest payments and redemptions) arise in the subsequent years from the financial liabilities as at 28 February 2013:

Category IAS 39 ¹⁾	Carrying amount as at 28 February 2013	Fiscal year 2013/14				Fiscal years 2014/15 to 2017/18				Fiscal year 2018/19 ff.			
		Fixed interest		Variable interest		Redemption		Fixed interest		Variable interest		Redemption	
		EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
LIABILITIES													
Measurement at (amortised) cost													
Promissory note loans		45,000	(626)	(567)	—	(2,470)	(2,114)	(11,000)	(901)	(715)	(34,000)		
Bank borrowings	FLAC	68,108	(79)	(332)	(49,921)	(209)	(413)	(13,011)	—	(76)	(5,176)		
Trade payables	FLAC	55,450	—	—	(55,450)	—	—	—	—	—	—		
Measurement at fair value													
Derivatives with negative fair value (interest rate swaps) ²⁾	AtFVp&L	11,734	—	—	—	—	—	—	—	—	—		
Derivatives with negative fair value (forward foreign exchange contracts) ³⁾	—	688	—	—	—	—	—	—	—	—	—		
Derivatives with negative fair value (structured currency options) ³⁾	AtFVp&L	—	—	—	—	—	—	—	—	—	—		
Total financial liabilities		180,980	(705)	(899)	105,371	(2,679)	2,527	(24,011)	(901)	(791)	(39,176)		

¹⁾ FLAC Financial Liabilities at Amortised Cost
AtFVp&L At Fair Value through Profit and Loss

²⁾ Due to the high volatility of the current interest rate environment, a reasonable presentation of the interest rate development up to the maturity of the interest derivative (in 2016) cannot be presented. Therefore, no presentation is given for the following fiscal years.

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

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

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

Category IAS 39 ¹⁾	Carrying amount as at 28 February 2014	Fiscal year 2014/15				Fiscal years 2015/16 to 2018/19				Fiscal year 2019/20 ff.			
		Fixed interest		Variable interest		Fixed interest		Variable interest		Fixed interest		Variable interest	
		EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
LIABILITIES													
Measurement at (amortised) cost													
Promissory note loans													
Bonds													
	FLAC	45,000	(626)	(569)	—		(2,049)	(1,952)	(11,000)	(166)		(34,000)	
	FLAC	88,893	(3,600)	—	—		(14,400)	—	—	—		(90,000)	
Bank borrowings	FLAC	67,845	(198)	(936)	(10,817)	(567)	(3,425)	(27,903)		(9,539)		(29,125)	
Trade payables	FLAC	55,542	—	—	(55,542)	—	—	—	—	—	—	—	—
Measurement at fair value													
Derivatives with negative fair value (interest rate swaps) ²⁾	AtFVp&L	9,953	—	—	—	—	—	—	—	—	—	—	—
Derivatives with negative fair value (forward foreign exchange contracts) ³⁾	—	—	—	—	—	—	—	—	—	—	—	—	—
Derivatives with negative fair value (structured currency options) ³⁾	AtFVp&L	—	—	—	—	—	—	—	—	—	—	—	—
Total financial liabilities		267,233	(4,424)	(1,505)	(66,359)	(17,016)	(5,377)	(38,903)		(9,705)		(153,125)	

¹⁾ FLAC Financial Liabilities at Amortised Cost
AtFVp&L At Fair Value through Profit and Loss

²⁾ Due to the partially high volatility of the interest rate environment, a reasonable presentation of the interest rate development up to the maturity of the interest derivative (in 2016) cannot be presented. Therefore, no presentation is given for the following fiscal years.

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

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

The Group has access to the following credit facilities:

	Balance as at 28 February 2013	Balance as at 28 February 2014
	EUR'000	EUR'000
Total credit facilities agreed.....	50,640	72,000
	Balance as at 28 February 2013	Balance as at 28 February 2014
	EUR'000	EUR'000
Total credit facilities unused	20,640	72,000

6) Net result from financial instruments

The net result from the Group's financial instruments according to classes or measurement categories pursuant to IAS 39 comprises net gains and losses, total interest income and expenses and impairment losses, and is as follows:

For the fiscal year ended 28 February 2013					
	from subsequent measurement				
	from interest	at fair value	change in value	from disposal	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Loans and receivables.....	43	—	(727)	—	(684)
Financial assets available for sale.....	—	(19)	—	—	(19)
Financial assets measured at fair value through profit or loss	(770)	(4,969)	—	—	(5,739)
Financial liabilities measured at amortised cost	(2,000)	—	—	—	(2,000)
Total	<u>(2,727)</u>	<u>(4,988)</u>	<u>(727)</u>	<u>—</u>	<u>(8,442)</u>
For the fiscal year ended 28 February 2014					
	from subsequent measurement				
	from interest	at fair value	change in value	from disposal	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Loans and receivables.....	67	—	887	—	954
Financial assets available for sale.....	—	(13)	—	—	(13)
Financial assets measured at fair value through profit or loss	(2,104)	1,781	—	—	(323)
Financial liabilities measured at amortised cost	(4,847)	—	—	—	(4,847)
Total	<u>(6,884)</u>	<u>1,768</u>	<u>887</u>	<u>—</u>	<u>(4,229)</u>

The changes of the provision made with regard to impaired loans and receivables are shown under “Other operating income and expenses”. The subsequent measurement at fair value of the financial assets available for sale is shown in other comprehensive income under “Fair value measurement of securities”. The remaining components of the net result are mainly included in “Finance costs”, “Interest income from financial instruments” and in “Fair value measurement of derivative financial instruments”.

4 Segment reporting

For the fiscal year ended 28 February 2013	Segments			
	Aerostructures	Engines & Nacelles	Interiors	Total
	EUR'000	EUR'000	EUR'000	EUR'000
<u>Information on profitability</u>				
Revenue	219,537	96,155	118,233	433,925
Earnings before interest, taxes and fair value measurement of derivative financial instruments	26,289	586	8,786	35,661
Depreciation and amortisation	6,960	6,011	3,296	16,267
Earnings before interest, taxes and fair value measurement of derivative financial instruments and depreciation and amortisation	33,249	6,596	12,081	51,926
<u>Information on assets</u>				
Assets	203,520	113,587	111,615	428,722
Capital expenditure in the fiscal year	21,190	5,933	13,542	40,665

For the fiscal year ended 28 February 2014	Segments			
	Aerostructures	Engines & Nacelles	Interiors	Total
	EUR'000	EUR'000	EUR'000	EUR'000
<u>Information on profitability</u>				
Revenue	304,921	100,926	140,635	546,482
Earnings before interest, taxes and fair value measurement of derivative financial instruments	41,430	(5,353)	6,416	42,493
Depreciation and amortisation	8,042	5,588	3,732	17,362
Earnings before interest, taxes and fair value measurement of derivative financial instruments and depreciation and amortisation	49,472	235	10,148	59,855
<u>Information on assets</u>				
Assets	270,655	129,864	146,666	547,185
Capital expenditure in the fiscal year	61,456	8,067	31,158	100,681

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

Segment reporting is consistent with the internal management and reporting of FACC. Due to the product’s different applications, three operating segments were created. The “FACC Aerostructures” segment covers development, manufacture and sales of structural components, the “FACC Interiors” segment handles the development, manufacture and sales of interiors, and the “FACC Engines & Nacelles” segment is responsible for the manufacture and sales of engine components. After conclusion of the customer agreements and order processing, the individual orders are manufactured in the four plants. Apart from these three operating segments, the Company as a whole includes the central services of finances and controlling, personnel, quality management, purchasing and IT (including engineering services). In the form of a matrix organisation, these central services support the operating segments in the completion of their tasks.

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

The segmented assets as well as expenses and income are assigned to the three segments by means of a defined procedure. As a rule, services between the segments are exchanged at transfer prices charged at arm’s length. The entire segment revenue represents external revenue from third parties.

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

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

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

Revenue

<u>Value as at 28 February 2013</u>	<u>Austria</u>	<u>USA</u>	<u>Canada</u>	<u>Germany</u>	<u>Other countries</u>	<u>Total</u>
	<u>EUR'000</u>	<u>EUR'000</u>	<u>EUR'000</u>	<u>EUR'000</u>	<u>EUR'000</u>	<u>EUR'000</u>
Revenue	794	120,206	70,544	151,871	90,510	433,925

<u>Value as at 28 February 2014</u>	<u>Austria</u>	<u>USA</u>	<u>Canada</u>	<u>Germany</u>	<u>Other countries</u>	<u>Total</u>
	<u>EUR'000</u>	<u>EUR'000</u>	<u>EUR'000</u>	<u>EUR'000</u>	<u>EUR'000</u>	<u>EUR'000</u>
Revenue	1,373	184,224	51,084	200,809	108,992	546,482

As regards revenue, segmentation into geographical areas is based on the customer’s corporate seat. The majority of segment assets are located in Austria.

For the fiscal year ended 28 February 2013, the Group generated revenue from two external customers which both exceeded 10% of the total revenue, with the excess amounting to EUR 116,028,000 and EUR 43,124,000, respectively.

For the fiscal year ended 28 February 2014, the Group generated revenue from two external customers which both exceeded 10% of the total revenue, with the excess amounting to EUR 160,586,000 and EUR 59,908,000, respectively.

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

	<u>Balance as at 28 February 2013</u>	<u>Balance as at 28 February 2014</u>
	<u>EUR'000</u>	<u>EUR'000</u>
Production.....	339,124	415,465
Engineering and services	94,801	131,017
Total revenue	<u>433,925</u>	<u>546,482</u>

5 Intangible assets

For the two fiscal years ended 28 February 2013 and 28 February 2014

	<u>Goodwill</u> EUR'000	<u>Software</u> EUR'000	<u>Delivery rights</u> EUR'000	<u>Development costs</u> EUR'000	<u>Total</u> EUR'000
Acquisition costs					
Balance as at 1 March 2012	—	11,515	28,214	86,479	126,208
Additions	—	3,284	162	6,575	10,021
Disposals	—	(5)	—	(912)	(917)
Balance as at 28 February 2013	—	14,794	28,376	92,142	135,312
Additions	—	2,982	3,073	36,374	42,429
From initial consolidation	1,392	60	(1)	—	1,451
Reclassification to current assets	—	—	(6,117)	(10,407)	(16,524)
Disposals	—	(47)	—	—	(47)
Balance as at 28 February 2014	1,392	17,789	25,331	118,109	162,621
Accumulated scheduled amortisation and write-downs					
Balance as at 1 March 2012	—	8,541	10,557	24,176	43,294
Scheduled amortisation	—	1,565	1,035	2,977	5,577
Write-downs	—	—	—	—	—
Disposals	—	(5)	—	(64)	(69)
Balance as at 28 February 2013	—	10,101	11,612	27,089	48,802
Scheduled amortisation	—	2,181	1,400	3,437	7,018
Write-downs	—	—	—	—	—
Reclassification to current assets	—	—	—	(2,271)	(2,271)
Disposals	—	(31)	—	—	(31)
Balance as at 28 February 2014	—	12,251	13,012	28,255	53,518
Carryings amounts as at 28 February 2013	<u>—</u>	<u>4,693</u>	<u>16,764</u>	<u>65,053</u>	<u>86,510</u>
Carrying amounts as at 28 February 2014	<u>1,392</u>	<u>5,538</u>	<u>12,319</u>	<u>89,854</u>	<u>109,103</u>

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

Research expenses of EUR 2,642,000 (28 February 2013) and EUR 3,437,000 (28 February 2014), respectively, were recognised through profit or loss.

With respect to additions to goodwill, reference is made to Note 33 “Business combinations”.

The reclassification to current assets (inventories) relates to the sale of a development project (see Note 20).

6 Property, plant and equipment

For the two fiscal years ended 28 February 2013 and 28 February 2014

	Land and buildings	Technical equipment	Factory and office equipment	Prepayments, construction in process	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Acquisition costs					
Balance as at 1 March 2012	60,629	86,725	14,102	6,390	167,846
Additions.....	3,295	9,474	1,784	16,091	30,644
Transfers	—	2,258	—	(2,258)	—
Disposals.....	—	(1,426)	(511)	—	(1,937)
Balance as at 28 February 2013.....	63,924	97,031	15,375	20,223	196,553
 Additions.....	 22,011	 15,662	 5,084	 15,713	 58,470
From initial consolidation		(271)	25	—	(246)
Transfers	23	13,416	229	(13,668)	—
Reclassification to current assets	—	(3,730)	—	—	(3,730)
Disposals.....	(54)	(8,672)	(1,548)	—	(10,274)
Balance as at 28 February 2014.....	85,904	113,436	19,165	22,268	240,773
 Accumulated amortisation					
Balance as at 1 March 2012	14,538	70,248	10,825	—	95,611
Scheduled amortisation	1,835	7,486	1,369	—	10,690
Disposals.....	—	(1,422)	(483)	—	(1,905)
Balance as at 28 February 2013.....	16,373	76,312	11,711	—	104,396
Scheduled amortisation	2,135	6,709	1,500	—	10,344
Disposals.....	0	(4,206)	(550)	—	(4,756)
Balance as at 28 February 2014.....	18,508	78,815	12,661	—	109,984
 Carrying amounts as at 28 February 2013	47,551	20,719	3,664	20,223	92,157
Carrying amounts as at 28 February 2014	67,396	34,621	6,504	22,268	130,789

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

Group finance lease agreements are related to land and buildings at acquisition costs in the amount of EUR 22,010,818. This means a depreciation expense for this fiscal year amounting to EUR 179,118, resulting in a net book value of the assets of EUR 21,831,700.

7 Other non-current financial liabilities

	Securities	Book-entry securities	Total
	EUR'000	EUR'000	EUR'000
Fair value as at 1 March 2012.....	352	995	1,347
Additions	—	172	172
Unrealised changes in fair value.....	19	—	19
Fair value as at 28 February 2013.....	371	1,167	1,538
Additions	—	179	179
Unrealised changes in fair value.....	13	—	13
Fair value as at 28 February 2014.....	384	1,346	1,730

Securities (listed)

Securities available for sale serve as coverage of pension provisions in accordance with the provisions of Sections 14 and 116 of the Austrian Income Tax Act (EStG). The carrying amount corresponds to the market value as at the respective end of the reporting period (28 February 2013 and 28 February 2014).

Book-entry securities (unlisted)

Book-entry securities relate to the cash surrender values of the pension re-insurance for the Group's pension obligations, which are valued at the cash surrender value at the end of the reporting period as confirmed by the insurance company. This value approximates the cash inflows to be expected if the insurance policy is cancelled at the end of the reporting period, which reflects the best possible value determination available at the end of the reporting period. Furthermore, the Group holds shares in Techno-Z Ried Technologiezentrum GmbH, Ried im Innkreis.

	Share	Carrying amount as at 28 February 2013	Carrying amount as at 28 February 2014
		EUR'000	EUR'000
Techno-Z Ried Technologiezentrum GmbH, Ried im Innkreis.....	3.14%	44	44
Pension re-insurance		1,123	1,302
Balance		<u>1,167</u>	<u>1,346</u>

All non-current financial assets are denominated in EUR.

8 Inventories

Carrying amount	As at 28 February 2013	As at 28 February 2014
	EUR'000	EUR'000
Raw materials and consumables	31,964	47,320
Unfinished goods	22,519	29,051
Finished goods	1,882	4,678
Balance (net of valuation adjustments)	<u>56,365</u>	<u>81,049</u>

Based on a detailed inventory analysis, valuation adjustments of inventories were made for slow-moving inventory and due to lower net selling prices in the amount of EUR 3,743,000 (28 February 2013) and EUR 4,830,000 (28 February 2014). The valuation adjustments of inventories in the amount of EUR 330,000 (28 February 2013) and EUR 1,087,000 (28 February 2014) were recognised through profit or loss.

9 Trade receivables, receivables from construction contracts, other receivables and deferred items, receivables from affiliated companies and non-current receivables

Carrying amount	As at 28 February 2013	As at 28 February 2014
	EUR'000	EUR'000
Trade receivables	97,165	100,111
Receivables from construction contracts (= costs incurred)	28,198	25,144
Receivables from customers	125,363	125,255
Other receivables	4,975	16,777
Accruals and deferrals	918	2,240
Receivables from affiliated companies	112	13,912
Balance	131,368	158,184

The FACC Group applies the zero profit method to account for construction contracts in accordance with IAS 11, as the outcome of a construction contract can frequently not be estimated reliably due to the individual specifications of such contracts. Contract revenue is therefore recognised only to the extent of contract costs incurred being likely to be recoverable from the customer. In the fiscal year 2013/14, construction costs incurred (= contract revenue) in the amount of EUR 52,723k were recognised.

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

Carrying amount	As at 28 February 2013	As at 28 February 2014
	EUR'000	EUR'000
Total costs incurred	28,198	25,144
Less partial settlements	-	-
Receivables from construction contracts	28,198	25,144

One project, which had originally been classified as a construction contract, was reclassified as an intangible asset pursuant to IAS 38 (capitalised development costs) as a result of a contract amendment in the fiscal year 2013/14. An amount of EUR 20,350,113 was reclassified.

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

Prepayments made by customers in connection with construction contracts, which are not yet offset by services rendered, were recognised as trade payables showing a carrying amount of EUR 3,113k (previous year: EUR 485k).

	Balance as at 28 February 2013	Balance as at 28 February 2014
	EUR'000	EUR'000
Trade receivables and receivables from construction contracts	127,264	126,639
Less valuation adjustments for trade receivables	(1,901)	(1,384)
Trade receivables and receivables from construction contracts	125,363	125,255
Other receivables	4,975	16,777
Accruals and deferrals	918	2,240
Receivables from affiliated companies	112	13,912
Balance	131,368	158,184

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

As at 28 February 2013 and 28 February 2014, trade receivables of EUR 10,975,000 and EUR 33,688,000 were past due but not impaired. These receivables relate to a number of independent customers for whom there is no recent history of default. At the end of the reporting period, there are no indications that the debtors will not meet their obligations.

Trade receivables	Total	0-30 days	31-60 days	61-90 days	91-120 days	more than 120 days
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Balance as at 28 February 2013	10,975	6,750	381	794	83	2,967
Balance as at 28 February 2014	33,688	17,436	1,702	2,010	796	11,744

In connection with the trade receivables from four customers, FACC AG has a cession agreement without recourse with a financial institution. The ceded amount reduces FACC AG's trade receivables.

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

	Balance as at 28 February 2013	Balance as at 28 February 2014
	EUR'000	EUR'000
Valuation adjustment of trade receivables at the beginning of the period	1,259	1,901
Utilisation	(85)	-
(Reversal) / addition	727	(517)
Valuation adjustment of trade receivables at the end of the period	1,901	1,384

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

Other receivables include:

Carrying amount	As at 28 February 2013	As at 28 February 2014
	EUR'000	EUR'000
Credit balance with tax authority	3,913	13,956
Other	1,062	5,061
Balance	4,975	19,017

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

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

Receivables from affiliated companies include:

The Group shows receivables from the direct holding companies of Aerospace Innovation Investment GmbH and Aero Vision Holding GmbH as well as other associates (Future Aviation International Investment Co. Ltd. (formerly FACC Holding Company Limited) and FACC International Co. Ltd.) under receivables from affiliated companies in the consolidated statement of financial position. In addition, a receivable from Fesher Aviation Component (Zhenjiang) Co., Ltd. is included. These companies are holding companies which are not included in the consolidated group of the FACC Group since they are superordinated companies.

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

All receivables have residual terms of less than one year.

Non-current receivables include:

Carrying amount	As at 28 February 2013	As at 28 February 2014
	EUR'000	EUR'000
Non-current trade receivables	15,737	8,913
Prepayments	5,141	7,763
Balance	20,878	16,676

With the exception of a receivable from the customer Goodrich Aerospace, Chula Vista, USA, with a notional amount of EUR 3,820,945.11 (which corresponds to a present value of EUR 3,705,551.11) and an annual redemption plan (starting on 15 January 2015 and ending on 15 January 2019), and another receivable with a notional amount of EUR 5,883,593.75 (which corresponds to a present value of EUR 5,206,674.48) and a long-term redemption plan that depends on units delivered per year starting on 1 March 2014 and ending on the date when 1,108 units will have been delivered, all trade receivables and receivables from affiliated companies – as in the previous year – have residual terms of less than one year.

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

	Balance as at 28 February 2013	Balance as at 28 February 2014
	EUR'000	EUR'000
GBP	613	319
USD	121,281	109,563
EUR	9,474	48,302
	<u>131,368</u>	<u>158,184</u>

10 Cash and cash equivalents

	As at 28 February 2013	As at 28 February 2014
	EUR'000	EUR'000
Carrying amount		
Bank balances	34,425	44,651
Cash in hand.....	10	17
Cheques received	1,399	1,396
Balance	<u>35,834</u>	<u>46,064</u>

11 Equity and capital management

(a) Share capital

	Number of shares (Thousand)	Nominal value of shares EUR'000
As at 28 February 2013 = as at 28 February 2014.....	<u>40,000</u>	<u>80,000</u>

The share capital amounts to EUR 80,000,000 and is fully paid in. The Group issued 40 million shares at a nominal value of EUR 2 per share to the shareholders of FACC AG. The shares are bearer shares.

(b) Capital reserve

The capital reserve is an unappropriated reserve and has arisen from a shareholder contribution in the amount of EUR 3,000,000.

(c) Revenue reserves

Revenue reserves consist of a statutory reserve and free reserves. The statutory reserve amounted to EUR 3,160,779 as at 28 February 2013 and to EUR 3,564,000 as at 28 February 2014. Free reserves amounted to EUR 7,733,000 as at 28 February 2013 and 28 February 2014.

(d) Reserves for cash flow hedges

The reserves for cash flow hedges result from changes in the fair value of currency hedging instruments that have to be recognised directly in equity pursuant to IAS 39 (cash flow hedges). The effective portion of the changes in the fair value was entered in the hedging reserve with no effect on profit/loss. These changes in equity are presented net of taxes in other comprehensive income. The non-effective portion of the changes in the fair value in the amount of EUR nil (28 February 2013) and EUR nil (28 February 2014) was recognised in profit or loss. The fair value of currency hedging instruments is reclassified through profit or loss from the hedging reserve to the consolidated statement of comprehensive income when the underlying hedged items affect profit or loss.

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

	EUR'000
Balance as at 1 March 2012	590
Reclassification to the consolidated statement of comprehensive income, net.....	(590)
Change in fair values of hedging instruments, net.....	549
Balance as at 28 February 2013	549
Reclassification to the consolidated statement of comprehensive income, net.....	(540)
Other changes — recognised through profit and loss	(9)
Change in fair values of hedging instruments, net.....	-
Balance as at 28 February 2014	-

(e) Revaluation effects of pensions and termination benefits

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

(f) Dividends

In the reporting period, a dividend was paid in the amount of EUR 6,000,000 (previous year: EUR 2,000k) to the shareholders.

(g) Capital management

It is the goal of capital management to maintain a strong capital base to meet the specific corporate risks (growth and development risk) by creating a balanced capital structure. Management considers capital to be only the equity as shown in the consolidated statement of financial position in accordance with IFRSs. The target is to achieve an equity ratio of at least 30%. As at the end of the reporting period, the equity ratio (i.e. the ratio of equity to total assets) was 42% (28 February 2013) and 37% (28 February 2014).

12 Bonds and promissory note loans

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

	Nominal value	Carrying amount as at 28 February 2013	Carrying amount as at 28 February 2014
	EUR'000	EUR'000	EUR'000
Promissory note loan 2012 to 2015.....	3,000	3,000	3,000
Promissory note loan 2012 to 2017.....	8,000	8,000	8,000
Promissory note loan 2012 to 2019.....	34,000	34,000	34,000
FACC bond 2013-20 (ISIN AT0000A10J83).....	90,000	-	88,893
Balance	135,000	45,000	133,893

In connection with the promissory note loans 2012 to 2015, 2012 to 2017 and 2012 to 2019, a covenant was agreed upon under which FACC AG, in its capacity as the issuer of the promissory note (borrower), is obligated to meet a specific equity ratio. If this ratio is not met, the promissory note loans may fall due. At the end of the reporting period, i.e. 28 February 2014, there was no breach of the covenant by the Group.

With respect to the bond 2013 to 2020, FACC AG as the issuer gave assurances regarding a certain amount of dividend in relation to the net income for the year and in relation to a certain equity ratio. If these assurances are not met, the bond may fall due. At the end of the reporting period, i.e. 28 February 2014, there was no breach of the covenant by the Group.

13 Financial liabilities

	Balance as at 28 February 2013		
	Non-current	Current	Total
	EUR'000	EUR'000	EUR'000
Bank borrowings			
Investkredit AG, ERP A380	2,143	1,071	3,214
UniCredit BA, Kontrollbank export loan	—	30,000	30,000
RLB OÖ / Oberbank, loan with AWS guaranty	3,555	395	3,950
RLB OÖ / Oberbank, loan with security transfer	5,209	801	6,010
Investkredit AG, ERP loan	4,100	—	4,100
UniCredit BA, ERP loan with AWS guaranty	3,180	—	3,180
RLB OÖ EUR	—	7,808	7,808
RLB OÖ GBP	—	1,400	1,400
RLB cash advance	—	6,600	6,600
Accrual, interest and expenses	—	1,783	1,783
Other	—	63	63
Balance	18,187	49,921	68,108

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

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

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

Certain bank borrowings are secured by liens on Company properties, by AWS (Austrian Credit Agency) guarantees, federal guarantees for loans within the framework of support agreements by the *Forschungsförderungsgesellschaft* (Austrian Research Promotion Agency) and transfers of titles on machines by way of security. The export loan under the *Austrian Kontrollbank's* procedure is secured by export receivables in the amount of 120% of the framework made available. Certain conditions must be complied with in order to claim the favourable interest rates on research promotion loans. The collaterals for certain bank borrowings in connection with land and buildings amounted to EUR 22,519,000 as at 28 February 2013 and 28 February 2014.

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

Carrying amount	2012/13	2013/14
	EUR'000	EUR'000
6 months or less	55,830	10,789
6 to 12 months	27,500	55,085
Balance	83,330	65,874

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

	2012/13 carrying amount	2012/13 fair value	2013/14 carrying amount	2013/14 fair value
	EUR'000		EUR'000	
Investkredit AG, ERP loan	3,214	3,084	2,033	2,033
Investkredit AG, ERP loan (increase of loan 2013/14).....	4,100	3,934	4,831	4,831
BACA ERP loan	3,180	3,009	3,035	3,035
Oberbank FFG loan (new loan 2013/14)	-	-	1,738	1,738
Erste Bank ERP loan (new loan 2013/14).....	-	-	6,598	6,598
RLB ERP loan (new loan 2013/14)	-	-	5,938	5,938
Borrower's note 5Y 18/07/2017	2,500	2,500	2,500	2,500
Borrower's note 7Y 18/07/2019	15,000	15,000	15,000	15,000
Bond 2013-20 (new bond 2013/14)	-	-	88,893	92,691
Balance	<u>27,994</u>	<u>27,527</u>	<u>130,566</u>	<u>134,364</u>

The carrying amounts of current borrowings approximate the fair value, since the impacts of discounts are immaterial. The fair values of non-current borrowings bearing fixed interest are based on discounted cash flows calculated according to the market interest rates.

Finance lease liabilities

Finance lease liabilities – minimum lease payments

	2012/14 EUR'000	2013/14 EUR'000
No later than 1 year	-	978
Later than 1 year and no later than 5 years	-	3,855
Later than 5 years	-	22,270
Future finance charges on finance lease liabilities	-	(6,651)
Present value of finance lease liabilities	-	20,452
	=	

The present value of finance lease liabilities is as follows:

	2012/13 EUR'000	2013/14 EUR'000
No later than 1 year	-	960
Later than 1 year and no later than 5 years	-	3,567
Later than 5 years	-	15,925
	-	20,452
	=	

14 Derivative financial instruments

The notional amounts of derivative financial instruments are as follows:

Forward foreign exchange contracts

	Balance as at 28 February 2013	Balance as at 28 February 2014
	USD'000	USD'000
Forward foreign exchange contracts	205,000	155,000
Structured currency options	—	—
Total current	<u>205,000</u>	<u>155,000</u>

Interest rate swaps

	Balance as at 28 February 2013	Balance as at 28 February 2014
	EUR'000	EUR'000
Interest rate swaps.....	20,000	20,000
Total	20,000	20,000
Less non-current portion		
Interest rate swaps.....	20,000	20,000
	—	—
Current portion.....	—	—

The full fair value of a derivative financial instrument is classified as a non-current asset or liability if the residual term exceeds 12 months. If the residual term is less than 12 months, it is classified as a current asset or liability.

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

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

(a) Forward foreign exchange contracts and structured currency options

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

The hedged transactions denominated in foreign currency are expected to occur during the next 12 months. Gains and losses recognised in the hedging reserve in equity on forward foreign exchange contracts are recognised in the consolidated statement of comprehensive income in the period or periods during which the hedged forecast transaction affects the consolidated statement of comprehensive income. This is generally within 12 months from the end of the reporting period unless the gain or loss is included in the initial amount recognised for the purchase of fixed assets.

(b) Interest rate swaps

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

15 Investment grants

Non-current and current investment grants amount to EUR 11,771,000 (28 February 2013) and EUR 10,612,000 (28 February 2014). As a rule, the significant part of the investment grants is subject to conditions defined by the granting authority that have to be fulfilled for a period of 3-5 years upon acceptance of the final settlement. This essentially entails a minimum number of employees that must be retained, as well as the obligation not to move the supported assets from the project location or sell them. The other investment grants relate to subsidies for development projects and are released over the term of the projects.

16 Employee benefit obligations

	Balance as at 28 February 2013 EUR'000	Balance as at 28 February 2014 EUR'000
Obligations recognised in the consolidated statement of financial position for		
Pension obligations (a)*	1,885	2,114
Provision for termination benefits (b)*	4,146	4,598
Provision for anniversary bonuses (c)	766	838
Provision for early retirement benefits	71	31
	<u>6,868</u>	<u>7,581</u>
Expenses shown in the consolidated statement of comprehensive income		
Pension obligations*	352	229
Termination benefits (exclusive of contributions to the staff provision fund)*	907	402
Anniversary bonuses	155	72
Early retirement benefits	(16)	(40)
	<u>1,398</u>	<u>663</u>

(a) Pension obligations

The amounts recognised in the consolidated statement of financial position are as follows:

	For the fiscal year ended 28 February 2013 EUR'000	For the fiscal year ended 28 February 2014 EUR'000
Present value of the pension obligations as at 1 March*	1,534	1,885
Service costs	124	142
Interest expense	61	61
Revaluation effects*	166	26
Reversal due to retirement of beneficiaries	—	—
Present value of the pension obligations at the end of the period (DBO)*	<u>1,885</u>	<u>2,114</u>

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

	For the fiscal year ended 28 February 2013 EUR'000	For the fiscal year ended 28 February 2014 EUR'000
Service costs	124	142
Interest expense	62	61
Revaluation effects (recognised in other comprehensive income, net of deferred taxes)*	166	26
Past service cost	—	—
Total	<u>352</u>	<u>229</u>

As the corridor approach has been eliminated, the recognised provision for pensions as at 28 February 2013 and 28 February 2014 increased by EUR 166k and EUR 26k, respectively. The revaluation effects (actuarial gains/losses) mentioned in the table above were recognised net of deferred taxes in other comprehensive income.

* Adjustment of prior year values pursuant to IAS 8.19 b), reference to notes to the consolidated financial statements, Note 2(a) adjustment pursuant to IAS 8 on the basis of the application of IAS 19 in the version as of 16 June 2011.

The principal actuarial assumptions used were as follows:

	For the fiscal year ended 28 February 2013	For the fiscal year ended 28 February 2014
	EUR'000	EUR'000
Interest rate	3.25%	3.30%
Pension and salary increases	2.00%	2.00%
Staff turnover – employees	none	none
Pensionable age – men	60 years	60 years
Mortality rate (Note)	AVÖ 2008-P	AVÖ 2008-P

Note:

Assumptions regarding future mortality rates are set based on actuarial advice in accordance with published statistics and experience in each territory. Mortality assumptions are based on the post-retirement mortality tables in Austria (published by the Austrian Actuarial Association).

All expenses associated with pensions are shown under “Staff costs” in the consolidated statement of comprehensive income.

(b) Provisions for termination benefits

	For the fiscal year ended 28 February 2013	For the fiscal year ended 28 February 2014
	EUR'000	EUR'000
Present value of provision for termination benefit obligations as at the beginning of the period*	3,239	4,146
Service costs	203	249
Interest expense	130	135
Revaluation effects (recognised in other comprehensive income net of deferred taxes)*	701	253
Termination benefits paid	(127)	(235)
Present value of provision for termination benefit obligations at the end of the period (DBO)*	<u>4,146</u>	<u>4,548</u>

The calculations as at 28 February 2013 and 28 February 2014 are based on the following assumptions:

	Balance as at 28 February 2013	Balance as at 28 February 2014
Interest rate	3.25%	3.30%
Pension and salary increases	2.00%	2.00%
Staff turnover – employees	12.10%	12.60%
Staff turnover – workers	12.30%	12.30%
Pensionable age – women	60 years	60 years
Pensionable age – men	65 years	65 years
Mortality rate	AVÖ 2008-P	AVÖ 2008-P

The statutory transitional provisions regarding the pensionable age were taken into account.

As the corridor approach has been eliminated, the recognised provision for termination benefits as at 28 February 2013 and 28 February 2014 increased by EUR 701k and EUR 253k, respectively. The revaluation effects (actuarial gains/losses) mentioned in the table above were recognised net of deferred taxes in other comprehensive income

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

* Adjustment of prior year values pursuant to IAS 8.19 b), reference to notes to the consolidated financial statements, Note 2(a) adjustment pursuant to IAS 8 on the basis of the application of IAS 19 in the version as of 16 June 2011.

(c) Provisions for anniversary bonuses

	For the fiscal year ended 28 February 2013	For the fiscal year ended 28 February 2014
	EUR'000	EUR'000
Present value of provision for anniversary bonuses as at the beginning of the period	566	710
Service costs	89	120
Interest expense	23	23
Actuarial gain/loss for the period.....	59	(47)
Anniversary bonuses paid.....	(27)	(19)
Present value of provision for anniversary bonuses at the end of the period.....	710	787
Non-wage labour costs	56	51
Recognised provision for anniversary bonuses	766	838

All expenses associated with anniversary bonuses were shown under the item “Staff costs” in the consolidated statement of comprehensive income.

Defined contribution plans

Contributions in the amount of EUR 91,000 (28 February 2013) and EUR 97,000 (28 February 2014) were made to the multi-employer pension fund for the respective fiscal years.

Defined contribution plans (staff provision fund – new Austrian severance payment scheme, “Abfertigung ‘neu’”)

Contributions in the amount of EUR 999,000 (28 February 2013) and EUR 1,270,000 (28 February 2014) were made to the staff provision fund in the respective fiscal years.

17 Trade payables

The age analysis of trade payables as at 28 February 2013 and 28 February 2014 is as follows:

	Balance as at 28 February 2013	Balance as at 28 February 2014
	EUR'000	EUR'000
Within 90 days	55,331	55,487
Over 90 days and within 360 days	119	55
	<u>55,450</u>	<u>55,542</u>

18 Other liabilities and deferred income, liabilities to affiliated companies

	Carrying amount as at 28 February 2013	Carrying amount as at 28 February 2014
	EUR'000	EUR'000
Social security payables	2,519	2,975
Other liabilities	2,806	1,380
Liabilities towards employees.....	12,587	17,697
Accruals and deferrals.....	119	1,311
Balance	<u>18,031</u>	<u>23,363</u>

Liabilities to affiliated companies include:

Liabilities to affiliated companies mainly include an income tax liability from group taxation owed to the group parent.

19 Other provisions

	<u>Employees</u>	<u>Warranties</u>	<u>Other</u>	<u>Total</u>
	EUR'000	EUR'000	EUR'000	EUR'000
Balance as at 1 March 2012	39	4,193	3,278	7,510
Utilisation	(39)	(254)	(1,842)	(2,135)
Reversal	—	(1,528)	(835)	(2,363)
New provisions	<u>49</u>	<u>1,773</u>	<u>8,951</u>	<u>10,773</u>
Balance as at 28 February 2013	<u>49</u>	<u>4,184</u>	<u>9,552</u>	<u>13,785</u>
Of which current	49	4,184	9,552	13,785
Of which non-current	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

In addition to specific obligations, provisions for warranties include a best estimate of possible warranty obligations in the amount of EUR 2,630,000 (previous year: EUR 2,219,000). Management assesses the related provision for future warranty claims on the basis of historical warranty claim information, as well as recent trends that might suggest that past cost information may differ from future claims. The Group generally offers a warranty period of four years for its products.

Other provisions include a provision for follow-up costs in relation to several development projects in the amount of EUR 4,224,000 as well as a provision for outstanding travel expenses in the amount of EUR 290,000 and a provision for the repayment of funds granted by FFG in the amount of EUR 1,346,000.

	<u>Employees</u>	<u>Warranties</u>	<u>Other</u>	<u>Total</u>
	EUR'000	EUR'000	EUR'000	EUR'000
Balance as at 1 March 2013	49	4,184	9,552	13,785
Utilisation	(49)	(74)	(7,995)	(8,118)
Reversal	—	(4,141)	(665)	(4,806)
New provision.....	<u>68</u>	<u>1,657</u>	<u>7,767</u>	<u>9,492</u>
Balance as at 28 February 2014	<u>68</u>	<u>1,626</u>	<u>8,659</u>	<u>10,353</u>
Of which current	68	1,626	8,659	10,353
Of which non-current	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

The best estimate of possible warranty obligations in the amount of EUR 2,630,000 from the previous year was subjected to a review that is carried out periodically. Such review revealed that the trends assumed in previous years regarding the development of Group warranties did not prevail. Provisions were thus only made for specific obligations.

Other provisions include a provision for follow-up costs in the amount of EUR 3,431,000 for various development projects, a provision for outstanding travel expenses in the amount of EUR 119,000, a provision for additional electricity costs in the amount of EUR 144,000 and a provision for legal disputes in the amount of EUR 620,000.

20 Changes in inventories

	<u>For the fiscal year ended 28 February 2013</u>	<u>For the fiscal year ended 28 February 2014</u>
	EUR'000	EUR'000
Finished goods	(546)	(14,718)
Unfinished goods	<u>6,069</u>	<u>6,532</u>
Total	<u>5,523</u>	<u>(8,186)</u>

A development project was settled as a result of a contract amendment in the fiscal year 2013/14. Previously, the development project had been recognised pursuant to IAS 38 as capitalised development costs and delivery right in intangible assets or, pursuant to IAS 16, as property, plant and equipment (tooling). Prior to the settlement, a reclassification (see statement of fixed assets) to inventory and, as a result, a recognition of the disposal as part of changes in inventories was made.

21 Own work capitalised

	For the fiscal year ended 28 February 2013	For the fiscal year ended 28 February 2014
	EUR'000	EUR'000
Capitalisation of development costs	4,509	9,557
Other	232	201
Total	<u>4,741</u>	<u>9,758</u>

22 Cost of materials and purchased services

	For the fiscal year ended 28 February 2013	For the fiscal year ended 28 February 2014
	EUR'000	EUR'000
Cost of materials	224,449	285,276
Cost of purchased services	32,656	23,683
Total	<u>257,105</u>	<u>308,959</u>

23 Staff costs

	For the fiscal year ended 28 February 2013	For the fiscal year ended 28 February 2014
	EUR'000	EUR'000
Wages and salaries	84,288	109,636
Expenses for statutory social contributions and benefits	22,233	27,433
Expenses for termination benefits and contributions to staff provision funds	1,351	2,032
Expenses for pensions	269	288
Other social expenses	1,988	2,636
Total (including remuneration of the management board)	<u>110,129</u>	<u>142,025</u>

Expenses for termination benefits and contributions to staff provision funds include contributions to staff provision funds in the amount of EUR 999,000 (28 February 2013) and EUR 1,270,000 (28 February 2014).

The number of staff employed by the Group is 2,963 persons (1,687 workers and 1,276 employees) as at 28 February 2014 compared to 2,377 persons (1,397 workers and 980 employees) as at 28 February 2013.

24 Remuneration of members of the supervisory and management board

The remuneration of each member of the supervisory and management board for the period ended 28 February 2013 is set out below:

<u>Name</u>	<u>Fee</u> EUR'000	<u>Salary</u> EUR'000	<u>Discretionary bonus</u> EUR'000	<u>Termination benefits</u> EUR'000	<u>Employer's contribution to retirement scheme</u> EUR'000	<u>Total</u> EUR'000
Supervisory board						
Geng Ruguang	6	—	—	—	—	6
Meng Xiangkai	5	—	—	—	—	5
Huang Hang	5	—	—	—	—	5
Yi Xiaosu (until 20 April 2013).....	5	—	—	—	—	5
Peters Greg.....	3	—	—	—	—	3
Tang Jun	7	—	—	—	—	7
Wang Yongsheng.....	7	—	—	—	—	7
Xu Chunlin.....	3	—	—	—	—	3
Gong Weixi (since 20 April 2013).....	—	—	—	—	—	—

Management board

Stephan Walter DI	—	251	187	—	186	624
Gu Minfen Dipl.-Kauffr.....	—	225	139	—	—	364
Machtlinger Robert	—	186	139	—	4	329
	<u>41</u>	<u>662</u>	<u>465</u>	<u>—</u>	<u>190</u>	<u>1,358</u>

The remuneration of each member of the supervisory and management board for the period ended 28 February 2014 is set out below:

<u>Name</u>	<u>Fee</u> EUR'000	<u>Salary</u> EUR'000	<u>Discretionary bonus</u> EUR'000	<u>Termination benefits</u> EUR'000	<u>Employer's contribution to retirement scheme</u> EUR'000	<u>Total</u> EUR'000
Supervisory board						
Geng Ruguang	11	—	—	—	—	11
Meng Xiangkai	8	—	—	—	—	8
Huang Hang	6	—	—	—	—	6
Yi Xiaosu (until 20 April 2013).....	2	—	—	—	—	2
Peters Greg.....	5	—	—	—	—	5
Tang Jun	7	—	—	—	—	7
Wang Yongsheng.....	4	—	—	—	—	4
Xu Chunlin (until 21 February 2014)	7	—	—	—	—	7
Gong Weixi (since 20 April 2013).....	5	—	—	—	—	5
Zhao Huimin (since 19 June 2013)	3	—	—	—	—	3

Management board

Stephan Walter DI	—	254	325	198	495	1,272
Gu Minfen Dipl.-Kauffr.....	—	225	243	18	—	486
Machtlinger Robert	—	239	250	58	5	552
	<u>58</u>	<u>718</u>	<u>818</u>	<u>274</u>	<u>500</u>	<u>2,368</u>

In this fiscal year, additional termination benefits amounting to EUR 274,530 were promised to the members of the management board.

25 Depreciation and amortisation

	For the fiscal year ended 28 February 2013	For the fiscal year ended 28 February 2014
	EUR'000	EUR'000
Of intangible assets	5,577	7,018
Of property, plant and equipment	10,690	10,344
Total	<u>16,267</u>	<u>17,362</u>

26 Other operating income and expenses

	For the fiscal year ended 28 February 2013	For the fiscal year ended 28 February 2014
	EUR'000	EUR'000
Maintenance, servicing and third-party repairs	5,008	7,089
Shipping costs	5,935	8,486
Material testing and certification costs, technical support	2,390	3,726
Rents, leases and building rights costs	3,841	5,033
Travel expenses	3,951	3,997
Allowances, grants and other income	(8,581)	(20,960)
Miscellaneous expenses	12,483	29,844
Total	<u>25,027</u>	<u>37,215</u>

Miscellaneous expenses include among other things exchange rate differences amounting to EUR 11,154,616, storage costs amounting to EUR 3,171,920.22 as well as insurance expenses of EUR 1,152,117.

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

	For the fiscal year ended 28 February 2013	For the fiscal year ended 28 February 2014
	EUR'000	EUR'000
Audit of the financial statements and the consolidated financial statements	66	79
Other consultancy services	21	43
Tax consulting services	18	24
Total	<u>105</u>	<u>146</u>

27 Finance costs

	For the fiscal year ended 28 February 2013	For the fiscal year ended 28 February 2014
	EUR'000	EUR'000
Interest and bank charges	2,626	4,875
Interest expense – bonds	92	2,620
Total	<u>2,718</u>	<u>7,495</u>

28 Interest income from financial instruments

	For the fiscal year ended 28 February 2013	For the fiscal year ended 28 February 2014
	EUR'000	EUR'000
Bank interest	12	265
Income from interest rate swaps	—	—
Income from securities.....	12	10
Total	<u>24</u>	<u>275</u>

29 Fair value measurement of derivative financial instruments

The recognition of changes in the fair values of derivative financial instruments in the consolidated statement of comprehensive income is as follows:

	Volume USD'000	Volume EUR'000	Fair value EUR'000	Recognised in "Fair value measurement of derivative financial instruments"	Recognised in "Cash flow hedges (net of tax)"	Recognised in "Other operating income and expenses"
	USD'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Balance as at 28 February 2013						
Forward foreign exchange contracts – USD	205,000	—	4,072	—	67	(2,149)
Structured currency options – USD	—	—	—	(688)	—	—
Interest rate swaps	—	20,000	(11,734)	(4,282)	—	—
Balance as at 28 February 2014						
Forward foreign exchange contracts – USD	155,000	—	3,590	—	(720)	238
Structured currency options – USD	—	—	—	—	—	—
Interest rate swaps	—	20,000	(9,953)	1,781	—	—

30 Income taxes

	For the fiscal year ended 28 February 2013	For the fiscal year ended 28 February 2014
	EUR'000	EUR'000
Corporate income tax, current.....	—	159
Tax compensation from group taxation	5,676	3
Foreign withholding tax	12	—
Deferred taxes	1,175	8,051
	6,863	8,213
Tax expenses, previous years.....	(10)	(33)
Total	<u>6,853</u>	<u>8,180</u>

The income tax on the Group's profit before taxes differs from the calculated income tax expense that would arise if the results of the fiscal years were subjected to a tax rate of 25%. This is broken down as follows:

	For the fiscal year ended 28 February 2013	For the fiscal year ended 28 February 2014
	EUR'000	EUR'000
Profit before taxes	27,998	37,054
Calculated income tax expense 25%	6,999	9,264
Tax effects from:		
*Deviating foreign tax rates	—	(38)
*Tax free income	(23)	(1,630)
*Expenses not deductible for tax purposes	27	330
*Utilisation of previously unrecognised tax losses	382	—
*Tax losses for which no deferred income tax asset was recognised	—	195
Other effects/valuation adjustments – deferred taxes	(522)	87
Adjustment in respect of prior years	(10)	(32)
Minimum corporate income tax and withholding taxes	—	4
Recognised income tax expense	6,853	8,180

The deferred taxes changed as follows:

	Balance as at 1 March 2012* (adjusted)	Changes in the consolidated statement of comprehensive income	Changes in other comprehensive income	Balance as at 28 February 2013* (adjusted)
	EUR'000	EUR'000	EUR'000	EUR'000
Deferred tax assets				
Financial assets	3	—	(5)	(2)
Other receivables and assets	52	24	—	76
Investment grants	1,640	(93)	—	1,547
Obligations towards employees	196	51	—	247
Derivative financial instruments	(712)	(322)	17	(1,017)
Provisions	758	696	210	1,664
Liabilities	(111)	(248)	—	(359)
Tax-loss carryforwards	1,322	(1,322)	—	—
Intangible assets (development costs)	(15,576)	(680)	—	(16,256)
Property, plant and equipment	(19)	—	—	(19)
Inventories	105	(105)	—	—
Trade receivables (mainly differences from USD valuation)	265	587	—	852
Other	14	237	—	251
	<u>(12,063)</u>	<u>(1,175)</u>	<u>222</u>	<u>(13,016)</u>

* Adjustment of prior year values pursuant to IAS 8.19 b), reference to notes to the consolidated financial statements, Note 2(a) adjustment pursuant to IAS 8 on the basis of the application of IAS 19 in the version as of 16 June 2011.

	Balance as at 1 March 2013* (adjusted)*	Changes in the consolidated statement of comprehensive income	Changes in other comprehensive income	Balance as at 28 February 2014
	EUR'000	EUR'000	EUR'000	EUR'000
Deferred tax assets				
Financial assets	(2)	(49)	(3)	(54)
Other receivables and assets	76	56	—	132
Investment grants	1,547	(773)	—	774
Obligations towards employees	247	483	—	730
Derivative financial instruments	(1,017)	(60)	180	(897)
Provisions	1,664	(1,338)	73	399
Liabilities	(359)	7,006	—	6,647
Tax-loss carryforwards	—	—	—	—
Intangible assets (development costs)	(16,256)	(6,229)	—	(22,485)
Property, plant and equipment	(19)	(6,870)	—	(6,889)
Inventories	—	—	—	—
Trade receivables (mainly differences from USD valuation)	852	(86)	—	766
Other	—	(274)	—	(274)
	<u>251</u>	<u>82</u>	<u>—</u>	<u>333</u>
	<u>(13,016)</u>	<u>(8,052)</u>	<u>250</u>	<u>(20,818)</u>

* Adjustment of prior year values pursuant to IAS 8.19 b), reference to notes to the consolidated financial statements, Note 2(a) adjustment pursuant to IAS 8 on the basis of the application of IAS 19 in the version as of 16 June 2011.

Deferred income tax assets and liabilities are offset and recognised in the consolidated statement of financial position as an asset or a liability when there is a legally enforceable right to offset current income tax assets against current tax income liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority.

As at 28 February 2013 and 28 February 2014, deferred income tax liabilities in the amount of EUR 13,016,000 and EUR 20,818,000 are shown in the consolidated statement of financial position, respectively.

Within the next 12 months, deferred income tax assets in the amount of EUR 2,895,000 and EUR 2,908,000 are expected to be realised and deferred income tax liabilities amounting to EUR 2,404,000 and EUR 4,720,000 are expected to be settled as at 28 February 2013 and 28 February 2014, respectively.

Deferred income tax assets on loss carryforwards are recognised to the extent that their utilisation seems likely. The Group assesses the probability based on available planning data.

The Group did not recognise deferred income tax assets of EUR nil as at 28 February 2013 and of EUR 195,494 as at 28 February 2014 in respect of losses amounting to EUR 781,974 that can be carried forward against future taxable income in the country of origin of the subsidiary involved.

	For the fiscal year ended 28 February 2013			For the fiscal year ended 28 February 2014		
	Gross	Tax	Net	Gross	Tax	Net
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Fair value measurement of securities	19	(5)	14	13	(3)	10
Cash flow hedge	(67)	17	(50)	(732)	183	(549)
Total	(48)	12	(36)	(719)	180	(539)

31 Commitments to acquire assets

	Balance as at 28 February 2013	Balance as at 28 February 2014
	EUR'000	EUR'000
Property, plant and equipment		
Authorised but without contractual obligation	65,516	37,345
Contractual obligation, not yet incurred	24,486	11,025
	<u>90,002</u>	<u>48,370</u>

32 Rental and leasing commitments

The total of future accumulated minimum lease payments from operating leases in connection with property, plant and equipment amount to:

	Balance as at 28 February 2013	Balance as at 28 February 2014
	EUR'000	EUR'000
No later than 1 year	3,022	3,851
Later than 1 year and no later than 5 years	7,380	9,999
Later than 5 years	4,973	6,698
Total	15,375	20,548

33 Business combinations

On 1 September 2013, the Group acquired 100% of the shares in ITS GmbH, Germany, as well as 100% of the shares in ITS digitech Pvt. Ltd., India, for a purchase price of EUR nil and EUR 14k, respectively.

The acquired companies render engineering services. The main reason for this acquisition was the expansion of engineering capacities. The Group is expected to be able to improve its cost structure in the field of engineering services as a result of this acquisition.

The following table summarises the purchase price paid for the acquisition, the value of assets identified and the liabilities assumed at the acquisition date.

	ITS GmbH, Germany	ITS digitech Pvt. Ltd., India
	EUR '000	EUR '000
Purchase price (1 September 2013)		
Payment made	—	14
Total consideration paid	—	14
Amounts of identifiable assets acquired and liabilities assumed		
Cash and cash equivalents	403	1
Property, plant and equipment	6	14
Intangible assets	10	71
Trade and other receivables	741	216
Trade payables	(216)	(124)
Other liabilities	(936)	(131)
Bank borrowings	(1,400)	—
Net assets	(1,392)	47
Goodwill	1,392	(33)

Since 1 September 2013, ITS GmbH and ITS digitech Pvt. Ltd. contributed revenue in the amount of EUR 255k to the revenue recognised in the consolidated statement of comprehensive income of the FACC AG Group.

The goodwill which arose from the acquisition of ITS GmbH, Germany, was allocated on a prorated basis to the “Aerostructures” segment in the amount of EUR 1,322k and to the “Interiors” segment in the amount of EUR 70k. An impairment test was performed at the level of these segments and did not result in any need to recognise impairment.

The difference on the liabilities side resulting from the initial consolidation of ITS digitech Pvt. Ltd. in the amount of EUR 33k was released to profit and loss.

34 Related-party transactions

FACC AG entered into and executed several transactions with associates of the consolidated group as part of ordinary business operations. The transactions were fully consolidated.

Related-party transactions outside of the consolidated group for the period 1 March 2012 to 28 February 2013

With the related company Shanghai Aircraft Manufacturing Co., Ltd. revenue was generated in the amount of EUR 10,349,987 (previous year: EUR 3,243,423).

With the related company Future Aviation International Investment Co. Ltd. (formerly FACC Holding Company, Limited) revenue was generated in the amount of EUR nil (previous year: EUR 3,000,000).

With the related company Fesher Aviation Component (Zhenjiang) Co., Ltd. revenue was generated in the amount of EUR 462,406 (previous year: EUR 11,000,000). Receivables in the amount of EUR 11,183,459 (previous year: EUR 11,000,000) are shown in the consolidated statement of financial position.

With the related company Future Aviation International Investment Co., Ltd. revenue was generated in the amount of EUR nil (previous year: EUR 3,400,000). Receivables in the amount of EUR nil (previous year: EUR 3,400,000) are shown in the consolidated statement of financial position.

With the related company Aerospace Innovation Investment GmbH revenue was generated in the amount of EUR 126,498 (previous year: EUR 420,998). Liabilities in the amount of EUR 5,701,975 (previous year: EUR 309,485) are shown in the consolidated statement of financial position.

With the related company Aero Vision Holding GmbH revenue was generated in the amount of EUR nil (previous year: EUR 25,057). Receivables in the amount of EUR nil (previous year: EUR 4,859) are shown in the consolidated statement of financial position.

With the related company Comac Shanghai Aircraft revenue was generated in the amount of EUR 2,838,346 (previous year: EUR 500,000). Receivables in the amount of EUR 4,511,278 (previous year: EUR nil) are shown in the consolidated statement of financial position.

Remuneration – Total remuneration of members of the management board amounted to EUR 1,232,000 (29 February 2012) and EUR 1,317,000 (28 February 2013). No loans or advances were granted to members of the management board.

Related-party transactions outside of the consolidated group for the period 1 March 2013 to 28 February 2014

With the related company Shanghai Aircraft Manufacturing Co., Ltd. revenue was generated in the amount of EUR 15,503,388 (previous year: EUR 10,349,987). Receivables in the amount of EUR 14,201,326 (previous year: EUR 6,709,362) are shown in the consolidated statement of financial position.

With the related company Fesher Aviation Component (Zhenjiang) Co., Ltd. revenue was generated in the amount of EUR 1,218,457 (previous year: EUR 462,406). Receivables in the amount of EUR 11,371,955 (previous year: EUR 11,183,459) are shown in the consolidated statement of financial position.

With the related company Future Aviation International Investment Co. Ltd. revenue was generated in the amount of EUR 2,800,000 (previous year: EUR nil). Receivables in the amount of EUR 2,800,000 (previous year: EUR nil) are shown in the consolidated statement of financial position.

With the related company Aerospace Innovation Investment GmbH revenue was generated in the amount of EUR 82,223 (previous year: EUR 126,498). Liabilities in the amount of EUR 5,893,258 (previous year: EUR 5,701,975) are shown in the consolidated statement of financial position.

With the related company Comac Shanghai Aircraft revenue was generated in the amount of EUR nil (previous year: EUR 2,838,346). Receivables in the amount of EUR nil (previous year: EUR 4,511,278) are shown in the consolidated statement of financial position.

Remuneration – Total remuneration of members of the management board amounted to EUR 1,317,000 (28 February 2013) and EUR 2,310,000 (28 February 2014). No loans or advances were granted to members of the management board.

Key management compensation

	<u>Balance as at 28 February 2013</u>	<u>Balance as at 28 February 2014</u>
	<u>EUR'000</u>	<u>EUR'000</u>
Salaries and other short-term employee benefits	1,127	1,536
Retirement scheme contributions.....	190	500
Allocation to provision for termination benefits	<u>—</u>	<u>274</u>
	<u><u>1,317</u></u>	<u><u>2,310</u></u>

35 Earnings per share

Basic earnings per share are calculated pursuant to IAS 33 by dividing the profit for the year by the number of shares in issue.

	<u>Balance as at 28 February 2013</u>	<u>Balance as at 28 February 2014</u>
	<u>EUR'000</u>	<u>EUR'000</u>
Profit after taxes attributable to equity holders of the parent	21,145	28,894
Average number of shares in issue	40m shares	40m shares
Basic earnings per share.....	0.53	0.72

36 Events after the reporting period

No significant events occurred after the reporting period with the following exception:

A loan in the amount of EUR 13 million is granted to the parent company of FACC AG, Aerospace Innovation Investment GmbH, Ried im Innkreis, in April 2014.

Ried im Innkreis, 30 April 2014

The Management Board:

Walter Stephan, m.p.
Chairman of the Management Board

Minfen Gu, m.p.
Chief Financial Officer

Robert Machtlinger, m.p.
Chief Technical Officer

FACC AG, Ried im Innkreis**Management Report for the Group for Fiscal Year 2013/14****Financial position and financial performance (IFRS FACC Group)**

In fiscal year 2013/14, the FACC Group generated revenue in the amount of €546.5 million, meaning an increase by €112.6 million, or 26%, year-on-year. Earnings before interest and tax (EBIT) was €42.5 million, which was an increase of €6.8 million, or 19%, compared to the previous year. The consolidated result after taxes and interest amounted to €28.9 million (previous year: €21.1 million).

The total amount of the consolidated statement of financial position of the FACC Group increased by €117.8 million, or 27%, to €547.2 million compared to the previous year. Due to capital expenditure in the fiscal year, non-current assets rose by €57.2 million, or 28%, to €258.3 million. Current assets rose from €228.3 million to €288.9 million. Inventories as part of current assets rose by €24.7 million. This increase is due to the rise in raw materials and consumables (€+15 million), unfinished goods (€+6.5 million) as well as finished goods and merchandise (€+2.8 million). Owing to the efficient measures of the receivables management, trade receivables as at 28 February 2014 remained almost stable on the previous year (€125 million) in spite of an increase in revenue. As a result of the reclassification from non-current to current receivables, receivables from affiliated companies rose by €13.8 million to €13.9 million as at 28 February 2014.

Credit balances with tax authorities and receivables from lease prepayments led to an increase in other receivables of €13.1 million to €19.0 million. Cash and cash equivalents rose by €10.2 million to €46.1 million.

On the liabilities side, the nominal share capital remained unchanged at €80 million on the previous year; equity, however, increased by €22.1 million to €201.3 million. In fiscal year 2013/14, dividends were paid in the amount of €6 million. Retained earnings for the fiscal year amounted to €108.6 million, meaning an increase of €22.5 million year-on-year (previous year: €86.1 million).

Public grants amounted to €8.3 million, which is a decline of €3.5 million year-on-year. In the fiscal year, a bond was issued amounting to €90 million which thus led to an increase in liabilities from bonds and promissory note loans of €88.9 million compared to the previous year. Non-current financial liabilities increased from €18.2 million by €38.8 million to €57 million. This increase resulted, among other things, from finance leases for Plant 5 and liabilities from the sale-and-lease-back agreement for Plant 2.

As the consolidated result in accordance with IFRS strongly deviates from the result in accordance with the tax law, deferred taxes increased from €13.0 million by €7.8 million to €20.8 million.

Current financial liabilities declined by €39.1 million to €10.8 million. Trade payables remained almost unchanged compared to the previous year. Other provisions fell by €3.4 million from €13.8 million. As research promotion loans and promotional loans were recognised on the liabilities side and liabilities towards employees due to overtime increased, other liabilities and deferred items rose from €18 million by €5.3 million to €23.3 million.

Aerostructures business unit

Due to the sustained demand of airlines for modern weight-optimised aircraft and engines with increased efficiency, production rates in the aviation industry increased also in the past fiscal year. Revenue from serial production could thus be generated as planned and even exceeded the previous year by more than 20%.

Investments made in new projects and the resulting receivables to customers as well as receivables due to changes in the contractually agreed scope of work still constitute a major part of the Aerostructures revenue which in turn positively affected total revenue.

Boeing Aerostructures

Revenue and revenue increases from existing serial products did not only develop as expected but even exceeded the budgeted revenue by approx. 8% and increased by more than 20% year-on-year. This is generally due to the continuous strong demand for serial products and further rate increases, most notably with regard to the B787 programmes and the new B737 split scimitar winglet (SSW) programme for the customer Aviator Partners Boeing (APB).

The industrialisation of the B737 SSW was completed in the last quarter of the fiscal year to support the upcoming ramp up of rates for the winglet modifications at the sites in Ried as well as in Wichita. At the site in Wichita, about 30 new members of staff have to date been taken on and trained in order to create the necessary conditions so that the Company can produce and deliver the winglet modifications for the forthcoming years.

The components certified by the FAA after the successful development of the components at FACC's engineering office in Seattle further improve efficiency and performance by reducing fuel consumption; and the previously positive feedback from the market (as indicated by large order quantities) point to the successful development of this programme.

Due to this new programme but also due to consistently high rates with regard to the B787 programmes, the revenue in the Boeing Aerostructures business unit will again increase also in the subsequent fiscal year.

Business development

In addition to ongoing requests for new projects concerning the B737MAX and 777X programmes, a new customer — Embraer — could be won in Brazil in the field of Aerostructures. FACC will be responsible for the development, qualification and testing activities, the design and manufacturing of tools as well as the construction of the wing components spoiler, ailerons and wingtips for the successive series "E2" of Embraer's successful regional jet programme E175/E190/E195.

A joint plateau phase on site in San Jose dos Campos was successfully completed by the end of December having reached PDR maturity, and the first components for the first flight are to be delivered upon completion of the development activities and toolmaking in February 2015.

It is a clear objective of FACC's programme management for the current fiscal year to gain additional new orders with regard to the key types B737MAX and B787 in order to further expand the Tier 1 relationship with Boeing and to create sustained revenue growth.

Airbus Aerostructures

As in the previous year, the portion of production deliveries in the revenue of the Airbus Aerostructures business unit could be further increased this year by more than 15% compared to fiscal year 2012/13. Continued high demand for the A380 and A330 projects as well as further rate increases for the A320 and A350XWB projects are planned by the customer for the next period.

The strategic cooperation of FACC with the supply chain partner STRATA in the United Arab Emirates was successfully continued with the relocation of the A380 flap track fairings and the major part of the A330/340 spoiler package from the Austrian production sites to STRATA in Al Ain. The full implementation of the relocation activities with regard to the Airbus spoilers for the A330/340 as well as further components, such as the B787 spoiler, is currently being worked on and expected to be completed as planned in the current fiscal year.

After the first delivery of the A350XWB wing components wingtip and winglet as well as spoilers and droop panels in 2012, additional components were delivered in the past fiscal year that are currently produced at a monthly rate of 1 shipset. The further ramp up of rates relating to these components in the subsequent years will contribute to a large portion of additional revenue in the Airbus Aerostructures business unit.

In August 2013, the A321 outboard flaps (OBF) were also delivered for the first time followed by a steep ramp up of rates to currently 10 shipsets per month. Disproportionately high sales figures are reported for the A321, which is why Airbus plans to reach monthly rates of 22 shipsets in 2016 in its current programme planning. This programme will thus make an important contribution in terms of an additional sales volume also in the future. With the successful installation and implementation of ATL and hot forming processes in the A321 OBF production, additional technological progress could be made that will be of use for future programmes in terms of reducing cost and increasing efficiency. This will also be ensured by a further use of robot technology in the testing and assembly of components.

Business development

In addition to numerous ongoing invitations to tender for the Airbus single aisle family (wing-to-body-fairings, sharklets, etc.), FACC also participates in several invitations to tender for the A350XWB-1000. Also here, it is the clear objective of FACC's programme management to ensure sustained revenue growth in the forthcoming years with the help of additional orders in the important field of A320NEO models and the A350XWB.

Moreover, also the development of the A350XWB-1000 with regard to spoiler and winglet is to be forged ahead and completed in the current fiscal year. This is meant to lead to an additional sales volume in the years to come.

New Business Aerostructures

In the past fiscal year, the focus was among other things on the completion of the development, industrialisation and the already started first delivery of the control surfaces for the Russian passenger jet SSJ 100 (contract with United Aircraft Corporation (UAC)) for the performance of full-scale tests in the course of the certification activities. After these tests (planned for the third quarter of 2014) have been positively completed, the serial production of the components spoiler and airbrakes, inboard and outboard flaps, ailerons, rudder, elevator and pylon fairings can be continued. The first components were produced by FACC in Ried, and it is planned to gradually relocate the production of the components to the future supplier Aerocomposit to the site in Kazan/Russia.

Another first delivery could also be carried out for a Chinese customer: The first 12 spoilers for the Chinese passenger aircraft C919 (customer: Shanghai Aircraft Manufacturing Corporation (SAMC) or Commercial Aircraft Corporation of China (COMAC)) to be used with the "Ironbird" (test configuration) in February 2014 were, for example, delivered after the development activities had been completed and the required tools had been procured in February 2014. Upon completion of the development of the C919 winglets, which has already started, these components will also be delivered for the first time in the fall of 2014.

In the past year, a total of 7 sets of wing-to-body-fairings for the C series model have been delivered to the customer Bombardier in Canada to be used with the test aircraft and also the first customer aircraft. Simultaneously, the Company continued the development of the wing-to-body-fairings for the Global 7000/8000 business jet. These components are to be expected to be delivered for the first time at the end of 2014.

International cooperation

In addition to expanding the already existing cooperation with STRATA Manufacturing PJSC in the Emirate of Abu Dhabi, Tata Advanced Materials Ltd. in India and United Aircraft Cooperation in Kazan/Russia, the Company particularly worked on the realisation of the future supply chain in China (company Fesher in Zhenjiang) in the past fiscal year.

The completion of the construction and the installation of the required equipment was fostered in order to be able to start with the relocation of the first components of the Aerostructures portfolio in 2014 so as to generate cost advantages and to reduce the dependence on the US dollar and to also be able to fulfil the offset obligations for the customers.

In the course of this cooperation, FACC will continue to contribute its existing expertise with respect to industrialisation and relocation activities, and will obtain the necessary aircraft industry certifications for the plant, and will introduce and implement an adequate quality management system and render additional services.

Engines & Nacelles business unit

Since the production rates increase as planned with regard to the Boeing 787 and due to the stable demand for products from ongoing serial projects, Engines & Nacelles once more reported a considerable revenue growth compared to the previous year.

Engines

The business development in the “Engines” business unit is overall very positive and resulted from the combination of several factors. While the latest serial projects for the Airbus A380 and some medium to large size business jets generated stable revenue from these projects, the more recent projects for the Boeing 787 as well as a to date still unpublished corporate jet application led to a growth that considerably exceeded expectations. Another positive effect resulted from the consistently strong demand for spare parts from older projects. It was only in the field of smaller business jets that products could not live up to the expected sales figures due to a lack of demand.

Nacelles

The redesign activities that were implemented as planned as well as the ramp up of rates with regard to the translating sleeves for the Boeing 787 were the most important basis for the good development of the Nacelles business unit. This development could be reinforced due to the consistently strong demand for Airbus A320 fan cowls that significantly exceeded the budgeted sales figures. While revenue from products for the Airbus A380 can be considered stable, a substantial delay with regard to the project of the Airbus A350 XWB programme had a negative effect on the relating thrust reverser project; this negative effect could not even be compensated by the satisfactory progress of the remaining projects and thus resulted in revenue below the budget in the Nacelles business unit.

New projects:

Boeing 787 translating sleeves

After the previous 787-8 was redesigned to the new 787-9 configuration in the past fiscal year and following the ramp up of the production quantities, serial production can now be considered to have started. Additional activities with regard to this project focus on enhancing efficiency and cutting costs.

A350 translating sleeves

After some components have been completed in the course of the first serial production, some modifications were carried out in order to particularly optimise weight in line with the sister project 787 translating sleeves. After the start of the production of this new version, the delay of several months with regard to the overall project is now also affecting the ramp up of series.

Pratt & Whitney Canada bypass ducts

In parallel to the start of the serial production concerning the new bypass duct projects, several technical optimisation measures are assessed and implemented which focus on reducing weight and cost as well as on improving technical properties.

Trent XWB composite components

FACC works simultaneously on structural components for the basic and the extended variant of the engine which are to be used with the A350-800 and A350-900. Some parts of these structural components could be transferred to the beginning serial production as planned; however, some parts were still in the planning and industrialisation stage (including the manufacturing of tools) at the end of the fiscal year.

A320neo

Two projects with regard to the Airbus A320neo were successfully industrialised in the past fiscal year, meaning that tools were manufactured and transferred to the production of first samples and/or the production of the first test structural components which were delivered to the customer on time. Further project work focuses on stabilising processes and preparing serial production.

Interiors business unit

With regard to Interiors, fiscal year 2013/14 was characterised by a growth of 25.06% in product supplies compared to the period of the previous year. Product revenue from commercial jets increased by approx. 24.44% and product revenue from business jets grew by approx. 26%, with both sectors therefore clearly exceeding planned targets. The positive increase in the business jet sector is especially due to a slight increase in rates of the CL300 programme, but resulted most notably also from excellent rates of the Phenom 300 programme. The first deliveries of the Legacy 500 cabins contribute to this growth. Nevertheless, however, it has to be noted that the market volume for business jets is still far from the volume in the record year 2008, and the road to recovery is still long. The increase in the commercial jet segment, however, partially resulted from the increased rates with regard to the A320 family, but the major part of the increase resulted from the ramp up of series with regard to the SSJ100 cabins. New programmes (e.g. the A350 programme) also contributed to the growth in product revenue, but this was generally due to deliveries of first

shipsets, which means that the contribution made here to the total revenue is still relatively small.

30 shipsets were delivered for the Airbus A380 programme. The further increase in the delivery volume of the Airbus Single Aisle programme is particularly pleasing. 493 shipsets were delivered for this aircraft family in the fiscal year.

For the Chinese regional aircraft ARJ21 only 2 shipset were delivered in the past fiscal year. This programme thus still performs significantly below expectations. Five aircraft are currently in the test phase. The approval and first delivery of the aircraft was again postponed and will probably be carried out in the first half of 2015. A rise in production rates can only be expected after entry into service.

With regard to the redevelopment of the cabin for the Embraer Legacy 500, the major change of the cabin design was completed with the delivery of 2 shipsets. Entry into service is planned for the end of 2014.

It has already been mentioned as a positive factor that the revenue volume of the business jet Phenom 300 continued to develop very positively and that 83 cabin fitting sets could be delivered in the past fiscal year.

The following focal points existed in the industrialisation of new cabins and cabin modifications in the past fiscal year: Examples are the cabins for the CL350 and Legacy 500, the production of the first shipsets for the A350 passenger door linings as well as the A350 overhead stowage compartments and the complete cabin for the SSJ100 (including toilets and lavatories). Important milestones were thus reached in all of these projects.

In the past fiscal year, the scope of the terms and conditions could, among other things, be expanded for almost all new projects. With regard to the C919 programme, first CDR milestones could be reached in some parts, such as the cockpit.

As a general outlook for the next year, the Company expects a stabilisation with regard to the start of new projects in terms of design changes and industrialisation. The Interiors business unit will show a growth similar to the growth in fiscal year 2013/14.

The consolidation of the supplier industry in the aircraft cabin sector continues further. In this regard, FACC may purchase companies.

Production

The trend shown of a significant revenue growth continued in the second half of fiscal year 2013/14. Along with a revenue growth of 25.9% (22% in the first half-year), the degree of capacity utilisation of all production sites of FACC was very high.

Planned product relocations to the UAE and India as well as the outsourcing of various production stages such as surface treatment and painting as well as the machining of various components (e.g. CNC milling and drilling, preassembly with regard to subassemblies) support FACC's production strategies to operate on a global market and thus to reduce the dependence on the US dollar.

In line with the existing revenue growth and the medium-term and long-term strategies, capital expenditure was used in a targeted way to expand production capacity. A material investment to sustainably strengthen FACC was the construction of the technology centre at the site in St. Martin; this investment (worth €22 million) was completed and put into operation in September 2013. Moreover, land improvement operations were commenced at Plant 2 (Ort im Innkreis) with regard to an additional mounting area of 4,000m² to process new structure and interior orders. In connection with the expansion of this plant, value and material flows for production and interior components were considerably reassessed. After the additional mounting area is completed, considerable parts of the interior product portfolio will be produced in scheduled production lines (currently cell production).

In Ried im Innkreis, where Plant 1 is located, the 20-year old surface area was renewed in the first step of the construction. Another construction phase is carried out during fiscal year 2014/15 in the course of which the surface area and painting capacity will be further expanded to live up to increasing quantity and quality requirements.

Due to the basically good order level and the increasing production rates with regard to the Airbus A350 XWB and Boeing 787 projects, as well as due to the impending serial production of various Interiors and Nacelles projects, the plant capacity was expanded by an additional autoclave, two 5-axle CNC milling machines as well as the latest measuring and testing systems (CMM, laser inspection, ultrasound and X-ray inspection).

In addition to the annually planned increases in productivity through learning curve improvements and process stabilisation for new projects, extensive cost-cutting initiatives were launched and implemented concerning the projects "Operational Excellence" and "Passion for Quality". In addition to the reduction of production costs, programmes to cut back administrative and fixed costs are being implemented.

Despite the high proportion of new projects, quality costs remain mainly stable. After the start-up costs of new projects have been considered, quality costs will once more be reduced as planned.

With the aim of further promoting automation, automatic tape layer machines and fully automatic hot forming systems were installed and put into operation in connection with new orders. The construction of robot-supported measuring stations launched in the past fiscal year has been completed. These stations have been successfully integrated in the

production environment. Test times could be reduced by almost 70% with the help of the new measuring stations.

With the aim to further develop automation in the production of composites, the business unit “Automation” was established in the field of Industrial Engineering. This unit carries out research with regard to robot and novel technology in close cooperation with R&D. Based on the acquired knowledge, machinery and equipment are designed and constructed that will considerably increase the degree of automation of FACC's production.

The reorganisation of the overall inventories logistics (from the delivery of raw materials, incoming goods inspection, picking and distribution to the point of use at the four production sites) was carried out on time. Since 1 January 2014, this logistics process has been performed independently by a partner at the site in St. Martin at a logistics building constructed by this partner. Areas formerly used by FACC for logistics purposes have been made available for value-added activities.

Strategic procurement

The strategic goal of the purchase department is to exploit the overall market potential in the short, medium and long term in order to secure FACC AG's competitiveness. The past fiscal year 2013/14 was challenging with regard to ensure availability of materials used for production in order to support the large number of new projects and also with regard to the increase of serial projects. Delivery times developed differently depending on the supplier and/or the respective goods. Taking into account bonus agreements and savings potentials used, purchase prices could be reduced by 1.75% compared to the previous year.

Due to transport optimisations in relation with the increasing demand, the logistics costs could be reduced with regard to imports and exports compared to the budgeted figure.

Despite a negative USD exchange rate trend during the fiscal year, a purchase value of more than 92% based on the US dollar could be reached.

In order to reduce the share of costs with regard to external engineering, appropriate measures such as limited duration contracts or increased use of own resources were taken.

In order to secure the supply of raw materials within the FACC supply chain and in connection with a sustained price guaranty, an agreement (FACC Enablement) was concluded with a metal supplier.

In North America the supply chain network was expanded by including the subsidiary FSI.

Research and development

In the past fiscal year, FACC invested a total amount of €51 million, or 9.3%, of revenue in research and development. This amount covered fundamental research with a technology readiness level (TRL) of 2 to 4 in line with the medium-term demand of FACC's business units.

The major part of the work shows a TRL greater than 5 and relates to engineering activities that are to lead to components for prototype testing within at least three years and that are to contribute to the production volume within a period of five years from the moment the project is launched.

Here, FACC carries out research with university and external research institutions as well as with national and international business partners. In the past fiscal year, a CD laboratory was set up together with the University of Leoben. This laboratory works on the automation of production processes in the field of composites.

In addition to this CD laboratory, research topics were still worked on under the PCCL-K1 programme where FACC is a shareholder.

The company CoLT was founded in the reporting period with the land of Upper Austria. This company carries out laboratory activities and endurance tests of FACC's products. FACC has a controlling interest of 91%, the land of Upper Austria (via Techno-Z Ried) an interest of 9%. The decision to found this company was to better utilise test capacities by accepting external orders.

The Company received numerous national and international awards for its research activities in the reporting period:

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

FACC continued to participate in numerous international and national research programmes:

- Clean Sky of the European Union
- TAKE OFF Programme of the Austrian Research Promotion Agency (FFG)
- Basic programmes of FFG.

Internal Control System (ICS)

Pursuant to Section 243a (2) of the Austrian Commercial Code (UGB), FACC is obligated to describe the key characteristics of the internal control and risk management system with regard to the accounting process.

The management board of FACC bears the full responsibility for the implementation of an adequate internal control and risk management system with regard to the accounting process.

A comprehensive description of the internal control process in Finance and Controlling of FACC was laid down in the FACC quality manual. This manual describes and identifies the key finance and controlling processes and the relating risks. Moreover, this manual sets forth measures to avoid risks, e.g. functional separation, dual control, signature policy as well as regular controls of authorised signatories (authorisation of payments), etc.

The budget of the individual cost centres is planned in the course of the budgeting process of FACC. After approval of FACC's management board, the total budget is presented to the supervisory board for approval. Every cost centre manager is responsible for the compliance with the budgeted costs and the planned investments. The management board has to approve of all investment plans. A report on the current financial position in comparison with the budget is presented in the monthly held extended management meetings with particular attention being paid to the main business risks and the respective measures.

In the course of the monthly financial reporting of the management board to the supervisory board, a comparison is made/reported between the actual and the budgeted figures and the supervisory board is also particularly informed of the main business risks and the respective measures.

In the supervisory board's audit committee, an audit meeting is held at least once a year in the course of which FACC's management board reports on the general business and financial development and also on the internal control system.

In the course of the audit of the financial statements, the certified public accountant also performs IT and system audits. Both the management board as well as the supervisory board of FACC are at all times informed of the audit results. Moreover, the control systems of individual business units are also audited by the certified public accountant in the course of the audit of the financial statements and the consolidated financial statements to the extent that these control systems are of relevance for the preparation of the financial statements and the consolidated financial statements and the presentation of a true and fair view of FACC's financial position and of its financial performance.

With regard to IT security, measures have been considered and implemented with regard to authorisation concepts, separation of functions and system security. For more than 10 years, FACC has used SAP in almost all areas. The regularity of the SAP systems has been ensured in all relevant business processes. The SAP system was extended to the subsidiary in the USA as well as to the supply chain in China in the past fiscal year.

Quality management

Quality policy

Management defined the quality policy as well as its targets and the obligations and laid this down in the quality management manual. Management accepts its responsibility for ensuring that the quality policy is communicated throughout the entire organisation.

The key principle of FACC AG reads as follows:

“Deliver value to the customer”.

In order to achieve this goal, it is necessary to understand the high customer expectations and requirements to make sure that they are fulfilled.

The established quality management system focuses on failure prevention instead of failure detection. The optimisation measures of business and production processes are continuously applied in order to meet these expectations on a durable basis.

The quality management manual describes work flows for all business units and locations of the Company; each department is aware of its responsibilities.

FACC's certifications

In order for FACC to be able to supply goods and render services in the aviation industry, the Company requires numerous licenses and certifications. Under the relevant EASA (European Aviation Safety Agency) regulations, we gained approval as a Production Organization (“POA” in compliance with “EASA Part 21 Section A Subpart G”) and as a Maintenance Organization (“MOA” in compliance with “EASA Part 145”) from the Austrian Civil Aviation Authority. All production sites of FACC AG are covered by these two approvals.

In the past year, the Aviation Authority performed surveillance audits as to the extension of the approvals. The surveillance audits were successfully completed. The changes that had taken place were presented to and approved by the Aviation Authority.

The approvals of the Aviation Authority relate to the development and manufacture of component assemblies for aircraft and engines made from composite materials as well as the equipment and production of component assemblies. They also cover maintenance.

The approval as an “MOA” in compliance with EASA Part 145 means that FACC is in the position to carry out individual repair orders for final customers on favourable economic terms. In addition, FACC implemented a quality management system in compliance with

international aviation industry standards and in order to meet customer requirements in a sustained way. This quality management system complies with the standard EN/AS9100 Revision C. Auditing and certification pursuant to this standard must be performed by a certification body (CB) approved by the aviation industry. The certification was reissued in 2012 and is valid for three years.

The related surveillance audit which is to be carried out annually was performed in compliance with aviation industry requirements at all FACC locations, these being Ried, Ort, Reichersberg, Vienna, Bratislava and Montreal. Any deviations found in the course of this audit were identified and successfully rectified. The certification in accordance with this standard thus continues to be secured.

FACC's process certifications

In addition to the approvals of the Austrian Civil Aviation Authority (EASA and Austro Control) and the EN/AS9100 certification of the quality management system in place, there are several additional process certifications. These have to be maintained through periodic, usually annual, audits and could be completed successfully.

General process certifications were granted in accordance with NADCAP by PRI, an organisation established by the aviation industry that is thus recognised worldwide. The "Composite Manufacturing" and "NDT – Non-destructive Testing" certifications were audited at all locations in Austria and are currently valid and in place. The "Chemical Processing" certification, previously in place at the locations in Ried and Reichersberg, was extended to the facility in Ort im Innkreis. Due to recurring and successfully completed audits, Composite and NDT hold "merit status". As a consequence, the inspection interval will be extended from originally 12 to 18 months, and has now been extended to the maximum duration of 24 months.

Risk management

The Company is exposed to unpredictable situations in its everyday business operations depending on the transaction. These situations may have negative effects. In order to be adequately prepared and to be able to deal with any such situations appropriately, FACC AG established a risk management system which covers management, finance, project management, customers, procurement and suppliers as well as production and product quality.

Any occurring or potential risks are continuously monitored, assessed and reported by the operating units within the framework of this system twice a year to the management board by way of management reviews. Exceptional events are reported immediately to the competent vice president, who decides if the management board is to be notified without delay. The management board, in turn, reports to the supervisory board in its meetings. This is to ensure that significant risks can be detected in due time and that measures to avoid or mitigate these risks can be taken.

In the opinion of the management board, the potential risks currently identified are manageable and controllable and, therefore, do not endanger the Company's ability to continue as a going concern.

To support the timely identification and assessment of risks, effective internal risk control systems have been introduced which provide reliable results. Software tools such as the executed FMEA (Failure Mode and Effects Analysis) are well integrated and significantly support this process of minimising risk already in the development of the product and also later during ongoing production by applying preventive measures.

A: Management risks

Based on market observations and analyses, a 5-year business plan is created, which defines the basic strategy of the Company and is reviewed and approved by the supervisory board. This plan will be updated annually. The specific business objectives for each fiscal year are derived from this plan. Short-term market changes pose the biggest risk here. Nevertheless, the success of the implementation is consistently endangered due to external factors which often can hardly be influenced. FACC's management is responsible for consistently monitoring the implementation and quickly responding to short-term changes according to the defined vision. In doing so, attention has to be paid to ensure that the strategic orientation is still obeyed, also with regard to the projected sales and profit targets.

A1: Business interruption risk

The Company's production sites and plants are constantly maintained and serviced, reducing the risk of breakdowns or lengthy production downtimes to a minimum. The Company also took out an insurance policy with regard to the business interruption risk with an indemnity period of 18 months.

A2: Financial risks

Risk management falls under the treasury function in the finance and accounting department. The treasury department assesses and hedges financial risks in close cooperation with the operating business segments and the Company's banks.

A3: Interest rate risk

The interest rate risk – the possible fluctuation in value of financial instruments due to changes in market rates or future cash flows – arises in connection with medium and long-term receivables and liabilities (especially bonds and borrowings). Attention is paid to the fact that part of the interest rate risk is reduced through fixed-interest bearing credits. Overall, there is an interest rate swap to hedge the interest rate risk.

A4: Foreign currency risk

Sales in the aviation industry are almost exclusively carried out in US dollars. All transaction and translation risks are constantly monitored to hedge foreign currency risks. In order to reduce the USD risk, purchases are by now carried out almost exclusively in USD, thus

creating a so-called “natural hedging”. Derivative financial instruments are used to protect the remaining open items. These instruments mainly cover currency options and forward foreign exchange contracts. The use of derivative financial instruments and future foreign currency assets and liabilities being set in the form of contracts clearly reduce the risk of exchange rate fluctuations.

B: Project management

FACC's project management is responsible for the implementation of the objectives defined by management by way of projects. In doing so, numerous risks have to be considered. With regard to projects, distinctions are made as to whether development responsibility was assumed. Feasibility has to be assessed for each contract, the relating risks are identified, evaluated as well as closely monitored and analysed during processing in order to initiate and implement the necessary measures, if any. The major risks lie in the availability of resources of any kind (manpower, equipment, materials, etc.) as well as in external factors, which the project team either encounters via intercompany interfaces or via third parties.

C: Customer risk

The Company applies a strict credit policy. The creditworthiness of existing customers is constantly monitored, and new customers are subjected to a credit evaluation. In the event of possible defaults, valuation allowances for specific doubtful accounts are made, following an in-depth assessment of the risk.

D: Purchase and supplier risk

The purchase department regularly conducts risk assessments of our suppliers to identify potential hazards and risks at an early stage. This is done in order to lay down the priorities for planning and conducting audits and to support the decision process when awarding new contracts. When selecting new suppliers, the “Procurement Quality Assurance” (PQA) department is included to ensure that the necessary qualifications and approvals are in place and that there are no identifiable risks. At the onset of new projects, the product risk is reduced by requiring the suppliers to provide a mandatory first sample. Continuous quality-compliant and punctual supply of materials as well as semi-finished and finished products is assessed regularly via SAP. This evaluation is also part of the risk assessment. Deviations from the quality of the component assembly as well as from delivery performance are systematically tracked, analysed, evaluated and checked against defined goals. Noticeable variations and problems are reported to the management board as part of the management reviews.

E: Product liability and quality risk

The products designed and manufactured by the Company are intended for installation in aircraft or for engines. Defects or malfunctions of the manufactured products may, directly or indirectly, endanger 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 consumers or third parties by way of sales agreements. Each product developed and/or

manufactured within the Company and leaving the Company is subjected to several specific checks with regard to quality and functionality.

With regard to projects for which FACC AG bears the development responsibility, a higher risk exists due to the possibility of construction errors that are, however, minimised by acting systematically. Regular control steps at all stages of development mitigate risks early. FACC AG operates an archive system with regard to quality recordings ("Quality Records") which are either stipulated or individually even go beyond contractual obligations. This is to demonstrate that products were manufactured and services rendered according to defined criteria approved by customers and the aviation authority/authorities.

Despite the product liability risk being appropriately insured, the occurrence of any possible quality problems may negatively affect the Company's financial position and financial performance.

Staff

The dynamic trend noticeable in recruitment over the last few years has continued in fiscal year 2013/14, with a total of 578 additional blue and white collar employees joining the Company. This includes 38 staff members of CoLT (formerly etc) and 80 of ITS Germany and India.

Total staff numbers in Austria amounted to 2,633 (+16%) as at 28 February 2014. Of these, 1,649 (+17%) were blue collar employees and 984 (+14%) white collar employees. On average, FACC AG has 2,446 employees in Austria. At the reporting date, 330 (+113%) staff members were working for the Company abroad.

As a result of the enormous growth in orders, greater efforts were required in HR marketing on both a regional and international basis in engineering in particular, and personnel recruitment was carried out on an international scale for this reason. The steep rise in blue collar workers came as a result of delays in the relocation projects.

In order to increase the Company's attractiveness as an employer as well as improve staff retention, an extensive employer branding strategy was devised, with implementation having already begun. Initial measures included the increase in the number of employee magazine issues to six per year, the introduction of a monthly management board newsletter, the expansion of public relations and the putting together of a social media strategy.

As in previous years, internal and external staff training has been a focus for the HR department. In particular, a special emphasis has been placed on the development of management skills of employees in preparation for the anticipated global expansion drives. Therefore, extensive management training programmes were implemented within the scope of the FACC Academy, which bundles all training measures under the same roof.

In addition to management training, the integration of our new staff members on a regional and international basis has always been a high priority. A total of 430 internal training courses with 6,210 participants and 266 external training courses with 1,369 participants

were held. Language courses to integrate new employees were held as part of basic staff training in addition to foreign language courses for FACC staff.

During the fiscal year, the project “healthy and satisfied at FACC” (*G’sund und zufrieden bei FACC*) was further implemented. Within the scope of 90 workshops, workload situations were analysed and measures were deducted. A total of 728 measures were defined. By the end of the fiscal year, 305 of these measures had already been concluded. The implementation of any open measures will be pushed in the next fiscal year. Through this project, employee satisfaction in the workplace and the readiness to perform have been increased, and fluctuation could already be reduced by 30% during the fiscal year. The aim is to further increase levels of satisfaction at the workplace and increase productivity.

Events after the balance sheet date

After the balance sheet date, an IC loan amounting to €13 million was granted to the parent company of All (Aerospace Innovation Investment GmbH).

Branches

The Company does not operate any branches.

Planning and outlook for 2014/15

Conditions in the aviation industry remained very positive in 2013 and were marked by record highs in the delivery of large aircraft by Airbus and Boeing (+7%). Both aircraft manufacturers are set to exceed this value again by at least 5% this year. This is due in particular to the rate increases of single aisle aircraft. The driving factors behind this success continues to be growth in passenger numbers of more than 4% globally, although this is strongly concentrated on Asia/Pacific, the Middle East and Africa, and a high retirement rate of existing aircraft fleets, which is in turn due to the relatively high energy prices. Worldwide, airlines are delivering profits (a total of approx. €11.7 billion), thus providing an incentive for the leasing industry and/or the financial world in general to finance aircraft.

Aircraft orders thus reached a record high of 3,150 planes in 2013 for the Airbus and Boeing duopoly, this being the largest order volume in the history of aviation.

FACC has once again made massive investments in the development of new products for its customers in the past fiscal year. Special mention must be made in particular of initial deliveries for the A350 XWB, C series and Boeing 787-9 aircraft. The latter successfully completed its first flight in 2013.

By making these investments, FACC aims at achieving in the next three years an average two-digit growth in sales and, as a result, in EBIT and EBITDA as well. In the planning for the current fiscal year 2014/15, FACC acts on the assumption that growth will be in the single-digit percentage range since customers reduce their lead times for the new aircraft mentioned above and engineering services will decline as a result.

The growth in the “business jets” segment, having witnessed a massive setback in 2007, still falls well short of expectations. Given the licensing planned for the second quarter of both the Embraer Legacy 500 and the Bombardier Challenger 350, for which FACC delivers the entire new cabin interiors, a disproportionately strong growth as compared to the market is to be expected for the coming years as well. Production volumes will significantly increase in this area, particularly in fiscal year 2015/16.

The order backlog increased slightly in the reporting period and now amounts to 5.5 times the production volume of 2013/14.

FACC continues to expand its role as a preferred partner in the aviation industry. The business owner supports the continued growth path of FACC and has used a comfort letter to officially confirm the financial autonomy of the Company to customers, authorities and other stakeholders (financing banks) in turn. As a result, FACC has been able to maintain the status of first tier supplier to the customers Airbus, Boeing, Bombardier and Embraer.

Our Western customers are receiving support from FACC in completing countertrades in the aviation growth markets of China, the Middle East, India and Russia through the relocation of production programmes to low wage countries. The aforementioned joint projects with STRATA (Middle East), Tata (India) and UAC/Aerocomposit (Russia) in cooperation with our customers Airbus, Boeing, Bombardier, Embraer and Rolls-Royce will further reinforce these aims. This should increase FACC’s profitability and make the Company more independent of currency fluctuations surrounding the US dollar (natural hedging).

Ried im Innkreis, 30 April 2014

The Management Board:

Walter Stephan, m.p.
Chief Executive Officer

Minfen Gu, m.p.
Chief Financial Officer

Robert Machtlinger, m.p.
Chief Technical Officer

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

Auditor's Report

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of FACC AG, Ried im Innkreis, for the fiscal year from 1 March 2013 to 28 February 2014. These consolidated financial statements comprise the consolidated balance sheet as of 28 February 2014, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the fiscal year ended 28 February 2014, and the notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements and for the Accounting System

The Company's management is responsible for the group accounting system and for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and in accordance with the statutory provisions of Section 245a UGB. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility and Description of Type and Scope of the Statutory Audit

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing as well as in accordance with International Standards on Auditing (ISA) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with professional guidelines and that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

Opinion

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as of 28 February 2014 and of its financial performance and its cash flows for the fiscal year from 1 March 2013 to 28 February 2014 in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Comments on the Management Report for the Group

Pursuant to statutory provisions, the management report for the Group is to be audited as to whether it is consistent with the consolidated financial statements and as to whether the other disclosures are not misleading with respect to the Company's position. The auditor's report also has to contain a statement as to whether the management report for the Group is consistent with the consolidated financial statements.

In our opinion, the management report for the Group is consistent with the consolidated financial statements.

Linz, 30 April 2014

PwC Oberösterreich
Wirtschaftsprüfung und
Steuerberatung GmbH

signed:

Friedrich Baumgartner
Austrian Certified Public Accountant

Disclosure, publication and duplication of the Consolidated Financial Statements together with the auditor's report according to Section 281 (2) UGB in a form not in accordance with statutory requirements and differing from the version audited by us is not permitted. Reference to our audit may not be made without prior written permission from us.

Financial Statements

(Translation)

FACC AG,
Ried im Innkreis

Financial Statements as of 28 February 2014,
Management Report and Auditor's Report

Balance Sheet as of 28 February 2014

Assets

Shareholders' equity and liabilities

	28/2/2014	28/2/2013
	EUR	EUR '000
A. Fixed assets		
I. Intangible assets		
Industrial property and similar rights	16,877,392.29	20,991
II. Tangible assets		
1. Land, similar rights and buildings including buildings on leasehold land	40,243,317.67	47,550
2. Technical equipment and machinery	32,457,470.46	20,702
3. Other equipment, factory and office equipment	4,602,663.61	3,401
4. Prepayments and construction in process	22,268,634.75	20,224
	99,572,086.49	91,877
III. Financial assets		
1. Shares in affiliated companies	430,720.84	139
2. Securities	1,711,160.12	1,532
3. Other loans	1,657,641.25	0
	3,799,522.21	1,671
	120,249,000.99	114,539
B. Current assets		
I. Inventories		
1. Raw materials and supplies	46,898,117.79	31,890
2. Unfinished goods	29,050,753.30	22,519
3. Finished goods	4,678,178.99	1,883
4. Services not yet invoiced	25,144,216.74	28,198
	105,771,266.82	84,490
II. Receivables and other assets		
1. Trade receivables	111,456,908.92	116,256
2. Receivables from affiliated companies	20,643,098.43	1,429
3. Other assets	15,924,315.77	9,366
	148,024,323.12	127,051
III. Cash on hand, checks, bank balances	45,168,456.88	35,621
	298,964,046.82	247,162
C. Prepaid expenses and deferred charges		
	8,000,863.02	919
	427,213,910.83	362,620

Contingent liabilities

1,835,694.72 265

Income Statement for the Fiscal Year 2013/14

	2013/14	2012/13
	EUR	EUR '000
1. Net sales	519,348,847.47	423,782
2. Increase or decrease in finished and unfinished goods and services not yet invoiced	-5,850,735.83	21,757
3. Other own work capitalized	201,298.97	233
4. Other operating income		
a) Income from the retirement of fixed assets excluding financial assets	6,808,203.13	1
b) Income from the reversal of accruals	4,806,153.93	2,788
c) Other	18,362,479.27	7,010
	29,976,836.33	9,799
5. Cost of materials and purchased services		
a) Cost of materials	-277,554,833.85	-224,296
b) Cost of purchased services	-47,037,336.79	-39,638
	-324,592,170.64	-263,934
6. Personnel expenses		
a) Wages	-54,815,612.89	-42,312
b) Salaries	-46,411,560.11	-37,898
c) Expenses for severance payments and contributions to staff provision funds	-3,591,143.33	-1,351
d) Expenses for pensions	-579,919.08	-268
e) Expenses for statutory social security, payroll-related taxes and mandatory contributions	-27,433,423.99	-22,233
f) Other social benefits	-2,635,717.23	-1,988
	-135,467,376.63	-106,050
7. Depreciation and amortization of fixed intangible and tangible assets	-13,702,435.96	-13,081
8. Other operating expenses		
a) Taxes not included in line 15	-606,649.78	-639
b) Other	-55,758,979.93	-39,789
	-56,365,629.71	-40,428
9. Subtotal of lines 1 to 8 (Operating result)	13,548,634.00	32,078
10. Income from other long-term securities	10,442.32	12
11. Other interest and similar income, of which from affiliated companies EUR 61,787.91 (prior year: EUR 30k)	259,451.16	43
12. Interest and similar expenses	-5,988,643.23	-6,926
13. Subtotal of lines 10 to 12 (Financial result)	-5,718,749.75	-6,871
14. Net operating income	7,829,884.25	25,207
15. Taxes on income, thereof recharged to group parent EUR -29,676.08 (prior year: EUR 5,631k)	29,676.08	-5,631
16. Special item from contribution in kind	197,086.25	0
17. Net income for the year	8,056,646.58	19,576
18. Appropriation to earnings reserves	-402,832.32	-979
19. Prior period unappropriated retained earnings brought forward	33,054,875.24	20,458
20. Unappropriated retained earnings	40,708,689.50	39,055

Notes to the financial statements for the fiscal year 2013/14 of FACC AG, Ried im Innkreis

1. Accounting and valuation principles

1.1. General principles

The financial statements, prepared in accordance with the Austrian Commercial Code (UGB) as amended and under Austrian generally accepted accounting principles, present a true and fair view of the financial position and financial performance of the Company.

In preparing the financial statements, the principle of completeness has been observed.

The principles of individual valuation and going concern were applied in the valuation of assets and liabilities.

The principle of prudence is taken into account and requires that only profits realized at the balance sheet date may be recorded. Provision has been made for all identifiable risks and contingent losses.

Until 22 February 2011, the Company was a 95.625% subsidiary of Xi'an Aircraft Industry (Group) Company Ltd. ("XAC"), headquartered in Xi'an (People's Republic of China). XAC is related to its shareholder and its affiliated companies as a group company via the holding companies Aerospace Innovation Investment GmbH, domiciled in Ried im Innkreis, and Aero Vision Holding GmbH, domiciled in Ried im Innkreis. On 23 February 2011, the remaining 4.375% of the shares were purchased by the two holding companies. Therefore, Xi'an Aircraft Industry (Group) Company Ltd. ("XAC") holds 100% of the shares via the holding companies Aerospace Innovation Investment GmbH, domiciled in Ried im Innkreis, and Aero Vision Holding GmbH, domiciled in Ried im Innkreis.

Aerospace Innovation Investment GmbH, as parent company of FACC AG, prepares the consolidated financial statements.

FACC AG prepares subgroup financial statements, which are published under the same commercial register number.

1.2. Fixed assets

Intangible assets

Purchased intangible assets are valued at acquisition cost less scheduled straight-line amortization.

Scheduled amortization of software and licenses is charged using the straight-line method. The unit-of-production method of amortization is used for delivery rights.

Scheduled amortization is based on the following useful lives:

	<u>Years</u>
IT software	3 - 4

Tangible assets

Depreciable tangible assets are valued at acquisition or production cost less scheduled straight-line depreciation.

Scheduled depreciation is charged using the straight-line method over the estimated useful life.

Scheduled depreciation is based on the following useful lives:

	<u>Years</u>
Land, similar rights and buildings including buildings on leasehold land	10 - 50
Technical equipment and machinery	4 - 8
Other equipment, factory and office equipment	3 - 10

In the asset class “tooling”, which belongs to technical equipment and machinery, the useful life was changed from 6 to 8 years.

Low-value assets pursuant to Section 13 of the Austrian Income Tax Act (EStG) 1988 are fully written off in the year of acquisition and shown as additions and disposals in the statement of fixed assets.

Self-constructed assets were capitalized at production cost based on direct costs plus proportionate material and manufacturing overheads.

For additions during the first half of the fiscal year, the full annual depreciation/amortization was charged, for additions during the second half of the fiscal year, half of the annual depreciation/amortization was charged.

Financial assets

Financial assets are stated at acquisition costs.

Securities are stated at acquisition costs.

In the fiscal year no write-downs were made.

1.3. Inventories

Raw materials and supplies

Raw materials and supplies are valued at acquisition cost or the lower of cost or fair value as at the balance sheet date.

Acquisition cost is determined based on the average price method.

Unfinished und finished goods

Unfinished and finished goods are valued at the lower of cost or fair value as at the balance sheet date. Cost includes direct material and manufacturing costs as well as proportionate material and manufacturing overheads. Social expenses and borrowing costs are not included with regard to the valuation.

Services not yet invoiced

Services not yet invoiced at the balance sheet date are valued at production costs, which include direct material and manufacturing costs.

1.4. Receivables and other assets

Receivables and other assets are stated at nominal amounts. In the case of identifiable individual risks, the lower fair value is recognized.

1.5. Accruals

Accruals for severance payments and Accruals for similar liabilities

Accruals for severance payments are set up for statutory and contractual claims; accruals amount to 60.28% (prior year: 40.42%) of the severance payment entitlements as at the balance sheet date. The calculation was made in accordance with IAS 19, using a discount rate of 3.30% (prior year: 3.25%) and an increase in salary of 2.00% per year (prior year: 2.00%). A pensionable age of 65 years for men and 60 years for women was used. Furthermore, a staff turnover rate of 12.6% (prior year: 12.3%) for white-collar workers and 12.3% (prior year: 12.1%) for blue-collar workers was considered.

The measurement method used to calculate the accruals for severance payments has been changed compared to the previous year. This change resulted from the revised version of IAS 19 and a deviation from the corridor approach. This change in the measurement method affected the result because previously unrecognised actuarial losses of EUR 1,558,910 were recognised in the income statement in the fiscal year 2013/14. The accrual amounts to EUR 4,547,724.00 (prior year: EUR 2,840k).

Accruals for liabilities similar to severance payments are set up for anniversary bonuses in accordance with IAS 19; the provision was made using a discount rate of 3.30% (prior year: 3.25%) and an increase in salary of 2.00% per year (prior year: 2.00%). A pensionable age of 65 years for men and 60 years for women was used. Furthermore, a staff turnover rate of 12.6% (prior year: 12.3%) for white-collar workers and 12.3% (prior year: 12.1%) for blue-collar workers was considered. The actuarial gains and losses are immediately recognized in the income statement.

Accruals for pensions

Accruals for entitlements to pensions based on individual commitments are calculated pursuant to actuarial methods in accordance with IAS 19, using a discount rate of 3.30% (prior year: 3.25%). A pensionable age of 60 years for men was used.

The measurement method used to calculate the accruals for pensions has been changed compared to the previous year. This change resulted from the revised version of IAS 19 and a deviation from the corridor approach. This change in the measurement method affected the result because previously unrecognised actuarial losses of EUR 292,234 were recognised in the income statement in the fiscal year 2013/14. The accrual amounts to EUR 2,114,224.00 (prior year: EUR 1,620k).

Other accruals

In accordance with the principle of prudence, other accruals account for all significant risks as at the balance sheet date and for liabilities uncertain regarding their amount or legal basis at amounts according to reasonable entrepreneurial judgement.

1.6. Accounts payable

In accordance with the principle of prudence, accounts payable are stated at the amount repayable.

1.7. Currency translation

If exchange hedging transactions are used as coverage, the valuation will be done in consideration of the secured forward rate. On the balance sheet date, all foreign currency receivables and foreign currency liabilities in USD were hedged by forward exchange transactions.

Receivables in foreign currencies are translated using the mean exchange rate as at the date of the original transaction or the lower bank buying rate as at the balance sheet date, unless exchange hedging transactions were made. If exchange hedging transactions are used as coverage, a hedged forward rate will be considered in the valuation.

Liabilities in foreign currencies are translated using the mean exchange rate as at the date of the original transaction or the higher bank buying rate as at the balance sheet date, unless exchange hedging transactions were made. If exchange hedging transactions are used as coverage, a hedged forward rate will be considered in the valuation.

2. Comments on the balance sheet and income statement

2.1. Allocation of receivables and liabilities

Receivables from affiliated companies include the provision of funds in the amount of EUR 6,221,591.24 (prior year: EUR 1,317k) and trade receivables in the amount of EUR 14,421,507.19 (prior year: EUR 112k).

In the previous year, receivables from Fesher Aviation Component (Zhenjiang) Co., Ltd., China (EUR 11,000,000) were reported under trade receivables and were reclassified to receivables from affiliated companies in the fiscal year 2013/14.

The payables to affiliated companies mainly include an income tax liability from the prior year due to the group parent from group taxation.

2.2. Comments on the balance sheet

Fixed assets

The development of individual items of fixed assets and the breakdown of the annual depreciation/amortization by item are presented in the statement of fixed assets (see enclosure to the notes).

The land value included in land and buildings amounts to EUR 1,603,744.77 (prior year: EUR 2,308k).

The item “loans” includes deposits for a real estate lease. The remaining maturity is more than one year.

Receivables and other assets

Except for a receivable due from the customer Goodrich Aerospace, Chula Vista, USA, in the notional amount of EUR 3,820,945.11 (which corresponds to a present value of EUR 3,705,551.11) with an annual redemption plan starting on 15 January 2015 and ending on 15 January 2019 and another receivable in the notional amount of 5,883,593.75 (which corresponds to a present value of EUR 5,206,674.48) with a long-term redemption plan that depends on units delivered per year starting on 1 March 2014 and ending on the date when 1,108 units will have been delivered, all trade receivables as well as receivables from affiliated companies - as in the prior year - have remaining maturities of less than one year.

Other assets, among others, include EUR 13,956,453.66 (prior year: EUR 3,916k) of short-term receivables from fiscal authorities from current clearing und tax assessment (particularly research premiums) and a long-term lease prepayment in connection with a real estate lease contract in the amount of EUR 0.00 (prior year: EUR 5,141k).

The item “other assets” mainly includes a research premium in the amount of EUR 8,599,348.22 that will affect cash flow only after the balance sheet date.

Prepaid expenses and deferred charges

This item includes, among other things, prepayments made in the amount of EUR 6,106,320.00 for a real estate lease that started in the fiscal year 2014.

Equity

Share capital

The share capital amounts to EUR 80,000,000 as at the balance sheet date. The share capital consists of 40 million bearer shares with a nominal value of EUR 2 per share.

Untaxed reserves

Balance
1/3/2013 =
Balance
28/2/2014
EUR

Valuation reserve due to special depreciation

Valuation reserve pursuant to Section 10 (3) EStG:

Production hall expansions

77,932.76

Subsidies from public funds

Balance 1/3/2013 EUR	Utilisation EUR	Balance 28/2/2014 EUR
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Investment grants

5,669,390.46	510,712.26	5,158,678.20
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Accruals

Accruals	Balance 1/3/2013 EUR	Utilisation EUR	Reversal EUR	Transfer EUR	Balance 28/2/2014 EUR
Accruals for severance payments	2,840,217.00	0.00	0.00	1,707,507.00	4,547,724.00
Accruals for pensions	1,619,311.00	0.00	0.00	494,913.00	2,114,224.00
Other accruals					
Accruals for personnel	6,687,425.62	6,687,425.62	0.00	10,820,233.97	10,820,233.97
Warranty obligations	4,184,392.05	73,782.00	4,140,912.00	1,656,738.00	1,626,436.05
Sundry	21,190,217.54	9,681,206.15	665,241.93	5,333,134.68	16,176,904.14
Total other accruals	32,062,035.21	16,442,413.77	4,806,153.93	17,810,106.65	28,623,574.16
Total	36,521,563.21	16,442,413.77	4,806,153.93	20,012,526.65	35,285,522.16

Other accruals mainly include accruals for unconsumed vacation, warranties, legal proceedings, follow-up costs relating to various development projects, impending losses from the negative market value of a hedging transaction (see also item 2.3.) and other uncertain liabilities.

The best estimate of possible warranty obligations in the amount of EUR 2,630,000.00 from the prior year was subjected to a periodic review in the course of which it was established that the trends assumed in the previous years with regard to the development of Group warranties did not prevail. An accrual is thus only made for individual risks.

Accrued bonus payments in the amount of EUR 2,890,000.00 (prior year: EUR 2,175k) are reported under "other liabilities".

Accounts payable

The breakdown of accounts payable by maturity is as follows:

	Book value EUR	thereof remaining maturity < 1 year EUR	thereof remaining maturity 1 - 5 years EUR	thereof remaining maturity > 5 years EUR
Bonds	90,000,000.00	0.00	0.00	90,000,000.00
prior year in EUR '000	0	0	0	0
Bank loans and overdrafts	83,593,423.07	7,432,489.73	37,651,933.34	38,509,000.00
prior year in EUR '000	112,038	48,851	25,207	37,980
Customer advances	3,748,298.87	3,748,298.87	0.00	0.00
prior year in EUR '000	485	485	0	0
Trade payables	52,770,151.91	52,770,151.91	0.00	0.00
prior year in EUR '000	56,250	56,250	0	0
Payables to affiliated companies	7,251,278.48	7,251,278.48	0.00	0.00
prior year in EUR '000	6,683	6,683	0	0
Other liabilities	14,216,679.43	14,216,679.43	0.00	0.00
prior year in EUR '000	11,828	11,828	0	0
	251,579,831.76	85,418,898.42	37,651,933.34	128,509,000.00
prior year in EUR '000	187,284	124,097	25,207	37,980

The item "other liabilities" includes the following material expenses that will affect cash flow only after the balance sheet date:

	28/2/2014	28/2/2013
	EUR	EUR '000
Wage and salary payables	5,088,711.91	4,358
Payables to regional health insurance fund	2,943,955.67	2,486

The following collaterals were provided for accounts payable:

Balance sheet item	Type and form of collaterals	EUR
Bank loans and overdrafts	Mortgage deed on real property GB 46014, EZ 685	3,276,000.00
	Mortgage deed on real property GB 46014, EZ 685	5,200,000.00
	Mortgage on real property GB 46149, EZ 3016	1,489,793.00
	Mortgage on real properties GB 46149, EZ 3016 and GB 46014, EZ 684, EZ 685, EZ 678, EZ 654	6,000,000.00
	Mortgage on real properties GB 46149, EZ 3016 and GB 46014, EZ 684, EZ 685, EZ 678, EZ 654	6,521,000.00

With respect to an investment loan, a chattel mortgage on machines was provided as collateral.

2.3. Other disclosures on the balance sheet

Deferred tax assets

The capitalizable amount pursuant to Section 198 (10) UGB amounts to EUR 2,314,263.00 (prior year: EUR 1,596.4k), but was not capitalized in these financial statements.

Contingent liabilities

In the fiscal year 2013/14, FACC AG, Ried im Innkreis, assumed guarantees for the current account limit of the subsidiary FACC Solutions s.r.o., Bratislava, Slovakia, in the amount of EUR 40,000.00 (prior year: EUR 40k), of the subsidiary FACC Solutions (Canada) Inc., Montreal, Canada, in the amount of EUR 195,694.72 (CAD 300,000) (prior year: EUR 225k (CAD 300k)) and of the subsidiary ITS GmbH, Steinebach, Germany, in the amount of EUR 1,400,000.00 (prior year: EUR 0.00). For the subsidiary etc Prüf und Test GmbH (now CoLT Prüf und Test GmbH), St. Martin im Innkreis, Austria, FACC AG, Ried im Innkreis, issued a letter of comfort in the amount of EUR 200,000.00 (prior year: EUR 0.00) in the fiscal year 2013/14.

Financial obligations from the use of tangible assets not recognized in the balance sheet

The total amount of financial obligations from the use of tangible assets not recognized in the balance sheet amounts to EUR 13,850,020.68 (prior year: EUR 10,402k) for the following 5 years, EUR 3,850,723.62 (prior year: EUR 3,022k) thereof relating to the following year.

Furthermore, a material lease agreement in connection with an expansion investment of Plant 2 (expansion of the production area) was entered into. The amount invested with regard to the expansion investment is approx. EUR 8,200,000.

Derivative financial instruments

	28/2/2014		28/2/2013	
	Nominal capital USD '000	Fair value EUR '000	Nominal capital USD '000	Fair value EUR '000
<u>Currency hedges</u>				
Forward exchange transactions	155,000	3,590	205,000	4,072
Structured foreign currency options	0	0	0	0
	<u>155,000</u>	<u>3,590</u>	<u>205,000</u>	<u>4,072</u>
	28/2/2014		28/2/2013	
	Nominal capital EUR '000	Fair value EUR '000	Nominal capital EUR '000	Fair value EUR '000
<u>Interest rate hedging</u>				
Interest rate swaps	20,000	-9,953	20,000	-11,734

The Company hedges all of its net risk positions resulting from income and expenses in USD by means of forward exchange transactions. On the basis of detailed budgeting with respect to USD income and expenses, the USD exchange rate can be hedged on a rolling basis for the period of the next 12 or 15 months (at best). Foreign exchange based derivatives show a positive market value as at the balance sheet date, which – as impending transaction – is not accounted for.

In 2006, the Company carried out an interest rate swap (nominal value of EUR 20 million). The market value of the hedging transaction was negative on 28 February 2014. An accrual for impending losses in the amount of EUR 9,952,853.00 (prior year: EUR 11,734k) was set up.

2.4. Comments on the income statement

Net sales

	2013/14 EUR	2012/13 EUR '000
Foreign	518,921,356.53	423,364
Domestic	427,490.94	418
	<u>519,348,847.47</u>	<u>423,782</u>

Personnel expenses

Expenses for severance payments and contributions to staff provision funds and pensions include the following:

	Expenses for severance payments and contributions to staff provision funds		Expenses for severance payments and contributions to staff provision funds	
	Pensions		Pensions	
	2013/14		2012/13	
	EUR	EUR	EUR '000	EUR '000
Management Board and executive employees	334,559.06	483,251.99	17	177
Other employees	3,256,584.27	96,667.09	1,334	91
	<u>3,591,143.33</u>	<u>579,919.08</u>	<u>1,351</u>	<u>268</u>

Expenses for severance payments and contributions to staff provision funds include severance payments in the amount of EUR 2,321,187.58 (prior year: EUR 352k) and contributions to staff provision funds in the amount of EUR 1,269,955.75 (prior year: EUR 999k).

Taxes on income

Taxes on income improve the net operating income by EUR 29,676.08 (prior year: EUR -5,631k).

Special item from contribution in kind

This item includes income from the contribution in kind of the branch "materials and component testing" with regard to etc Prüf und Test GmbH (now CoLT Prüf und Test GmbH) as of 28 February 2014.

Group taxation

As of 13th/15th February 2012, Aerospace Innovation Investment GmbH as group parent and Aero Vision Holding GmbH and FACC AG as group members entered into a group and tax compensation agreement pursuant to the provisions of Section 9 KStG (Austrian Corporate Income Tax Act), effective for the first time for the fiscal year 2012. The competent tax authorities were notified of the group and tax compensation agreement by application to form a tax group as of 27 February 2012.

If the group parent and the group member generate a profit, the positive tax allocation that the group member has to pay amounts to 25% of the allocated taxable profit. If, due to losses of the group parent or the group member (irrespective of whether they arose prior to or during the existence of the tax group), a group premium is generated, it is to be allocated according to the “costs-by-cause” principle. The positive tax allocation to be paid by the group member or the negative tax allocation to be obtained by the group member is determined based on the proportional tax burden/group premium plus any minimum tax that would have to be paid without the existence of the tax group (and that is to be paid by the group parent if the group of companies still exists).

3. Other disclosures

3.1. Shares in affiliated companies

28/02/2014

Company	Domicile	Share %	Currency	Shareholders' equity 28/2/2014	Result of the fiscal year 2013/14
FACC Solutions Inc.	Wichita, Kansas, USA	100.0	USD	100,867.60	59,572.28
FACC Solutions s.r.o.	Bratislava, Slovakia	100.0	EUR	894,583.24	358,957.25
FACC Solutions (Canada) Inc.	Montreal, Canada	100.0	CAD	426,324.00	294,983.00
FACC (Shanghai) Co., Ltd.	Shanghai, China	100.0	RMB	2,556,516.49	35,341.52
etc Prüf und Test GmbH (now CoLT Prüf und Test GmbH)	St. Martin, Austria	91.0	EUR	-240,976.65	-405,811.81
ITS GmbH	Steinebach, Germany	100.0	EUR	-1,814,318.49	-500,405.27
ITS digitech Pvt. Ltd.	Bhau Patil marg, India	100.0	EUR	-13,757.00	-58,508.08

28/02/2013					
Company	Domicile	Share %	Currency	Shareholders' equity 28/2/2013	Result of the fiscal year 2012/13
FACC Solutions Inc.	Wichita, Kansas, USA	100.0	USD	40,655.80	1,631.62
FACC Solutions s.r.o.	Bratislava, Slovakia	100.0	EUR	600,918.22	354,883.73
FACC Solutions (Canada) Inc.	Montreal, Canada	100.0	CAD	131,341.00	167,164.00
FACC (Shanghai) Co., Ltd.	Shanghai, China	100.0	RMB	1,515,630.86	514,753.39

3.2. Employees of the Company

In the fiscal year, the average number of staff of the Company was 2,445 persons (1,516 blue-collar workers and 929 white-collar workers) in comparison to 2,073 persons (1,287 blue-collar workers and 786 white-collar workers) in the prior year.

On the balance sheet date, 2,395 persons (1,499 blue-collar workers and 896 white-collar workers) were employed in comparison to 2,029 persons (1,271 blue-collar workers and 758 white-collar workers) at the prior year balance sheet date.

3.3. Expenses for the auditor

	2013/14 EUR	2012/13 EUR
Audit of the consolidated financial statements and the separate financial statements	79,062.50	65,600.00
Other assurance services	43,471.17	21,826.43
Tax consulting services	23,601.01	17,746.47
	<u>146,134.68</u>	<u>105,172.90</u>

3.4. Boards of the Company

In the fiscal year, the **Management Board** included the following members:

Mr. Stephan Walter, Dipl.-Ing., St. Martin im Innkreis

Ms. Gu Minfen, Dipl.-Kauffr., Passau

Mr. Machtlinger Robert, Hohenzell

Total remuneration of the members of the Management Board amounted to EUR 2,036,148 (prior year: EUR 1,127k).

The following persons serve or served on the **Supervisory Board**:

Mr. Geng Ruguang, Ried im Innkreis (Chairman)
 Mr. Tang Jun, Ried im Innkreis (Deputy Chairman)
 Mr. Wang Yongsheng, Ried im Innkreis
 Mr. Meng Xiangkai, Ried im Innkreis
 Mr. Hang Huang, Ried im Innkreis
 Mr. Peters Greg, Ried im Innkreis
 Mr. Xu Chunlin, Ried im Innkreis (until 21 February 2014)
 Mr. Xiaosu Yi, Ried im Innkreis (until 20 April 2013)
 Mr. Gong Weixi, Ried im Innkreis (since 20 April 2013)
 Mr. Huimin Zhao, Ried im Innkreis (since 19 June 2013)
 Mr. Petersen Thomas, Ried im Innkreis (employee representative until 19 June 2013)
 Ms. Zeilinger Christine, Ried im Innkreis (employee representative until 19 June 2013)
 Mr. Neuwirth Rudolf, Ried im Innkreis (employee representative until 19 June 2013)
 Ms. Reiter Ulrike, Ried im Innkreis (employee representative)
 Ms. Huber Barbara, Ried im Innkreis (employee representative)
 Mr. Redhammer Johann, Ried im Innkreis (employee representative)
 Mr. Krohe Peter, Ried im Innkreis (employee representative)

The members of the Supervisory Board received remuneration in the amount of EUR 54,900.00 (prior year: EUR 47k).

Ried im Innkreis, 30 April 2014

The Management Board:

Dipl.-Ing. Walter Stephan, m.p.

Dipl.-Kaufm. Minfen Gu, m.p.

Robert Machtlinger, m.p.

Enclosure to the notes: Statement of fixed assets

Movements in fixed assets:

	Acquisition/Production cost				Accumulated amortization/ depreciation	Net book value		Amortization/ depreciation current year
	Balance 1/3/2013	Additions	Disposals/ Reclassifications	Transfers		Balance 28/2/2014	Balance 28/2/2013	
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
I. Intangible assets								
Industrial property and similar rights	42,435,081.70	5,380,466.06	6,163,592.01	0.00	24,774,563.46	16,877,392.29	20,990,663.69	3,360,409.50
II. Tangible assets								
1. Land, similar rights and buildings including buildings on leasehold land	63,924,354.14	1,378,356.61	9,884,232.07	23,134.05	55,441,612.73	40,243,317.67	47,550,498.59	1,957,388.58
2. Technical equipment and machinery	96,924,046.15	13,345,682.62	12,401,661.70	13,416,316.78	111,284,383.85	32,457,470.46	20,702,188.41	6,823,770.13
3. Other equipment, factory and office equipment *)	14,807,085.18	3,278,790.65	1,299,839.27	228,644.14	17,014,680.70	4,602,663.61	3,400,807.67	1,560,867.75
4. Prepayments and construction in process	20,223,847.79	15,712,881.93	0.00	-13,668,094.97	22,268,634.75	22,268,634.75	20,223,847.79	0.00
	195,879,333.26	33,715,711.81	23,585,733.04	0.00	206,009,312.03	99,572,086.49	91,877,342.46	10,342,026.46
III. Financial assets								
1. Shares in affiliated companies	139,696.96	291,023.88	0.00	0.00	430,720.84	430,720.84	139,696.96	0.00
2. Securities	1,582,232.29	179,339.30	0.00	0.00	1,761,571.59	1,711,160.12	1,531,820.82	0.00
3. Other loans	0.00	1,657,641.25	0.00	0.00	1,657,641.25	1,657,641.25	0.00	0.00
	1,721,929.25	2,128,004.43	0.00	0.00	3,849,933.68	3,799,522.21	1,671,517.78	0.00
	240,036,344.21	41,224,182.30	29,749,325.05	0.00	251,511,201.46	120,249,000.99	114,539,523.93	13,702,435.96

*) thereof low-value assets
in accordance with Section 13 EStG

248,171.14

248,171.14

248,171.14

FACC AG, Ried im Innkreis**Management Report for Fiscal Year 2013/14 (Austrian Commercial Code – UGB)****Financial position and financial performance**

In fiscal year 2013/14, FACC AG generated net sales in the amount of €519.3 million, meaning an increase of €95.5 million, or 22%, year-on-year. The operating result (before taxes and interest) was €13.6 million, which was a decrease of €18.5 million compared to the previous year. Net income for the year, net of taxes and interest, amounted to €8.1 million (previous year: €19.6 million).

The balance sheet total increased by €64.6 million, or 18%, to €427.2 million compared to the previous year. Due to capital expenditure in the fiscal year, fixed assets rose by €5.7 million, or 5%, to €120.2 million. Current assets rose from €247.1 million to €298.9 million. Inventories as part of current assets rose by €21.3 million. This increase is particularly due to the rise in raw materials and supplies (€+15 million), unfinished goods (€+6.5 million) as well as finished goods and merchandise (€+2.8 million). Due to a contractual change with a customer, services not yet invoiced decreased from €28.2 million by €3.1 million to €25.1 million. Trade receivables were by €4.8 million lower than in the previous year, which resulted from the measures of the receivables management at the end of the year. Cash on hand and bank balances increased by €9.5 million to €45.2 million as at the balance sheet date.

On the liabilities side, the nominal share capital remained unchanged at €80 million on the previous year; equity, however, slightly increased by €1.6 million to €40.7 million. A dividend paid to the shareholders led to a decrease in equity of €6 million. Total equity as shown in the balance sheet amounted to €135 million, meaning an increase of €2.1 million compared to the previous year (€132.91 million).

Public grants amounted to €5.2 million, which is a decline of €0.5 million year-on-year.

Accruals slightly decreased from €36.5 million to €35.3 million. While accruals for severance payments and pensions increased by €2.2 million, other accruals and accruals for vacation fell by in total €3.4 million compared to the previous year.

Accounts payable amounted to €251.6 million, meaning an increase of €64.3 million compared to the previous year (€187.3 million). A bond in the amount of €90 million was issued in the fiscal year. As the KRR loan of €30 million was repaid as at the balance sheet date, bank loans and overdrafts decreased from €112 million by €28.4 million to €83.6 million. Trade payables fell by €3.5 million and changed from €56.2 million to €52.7 million.

Aerostructures business unit

Due to the sustained demand of airlines for modern weight-optimised aircraft and engines with increased efficiency, production rates in the aviation industry increased also in the past fiscal year. Revenue from serial production could thus be generated as planned and even exceeded the previous year by more than 20%.

Investments made in new projects and the resulting receivables to customers as well as receivables due to changes in the contractually agreed scope of work still constitute a major part of the Aerostructures revenue which in turn positively affected total revenue.

Boeing Aerostructures

Revenue and revenue increases from existing serial products did not only develop as expected but even exceeded the budgeted revenue by approx. 8% and increased by more than 20% year-on-year. This is generally due to the continuous strong demand for serial products and further rate increases, most notably with regard to the B787 programmes and the new B737 split scimitar winglet (SSW) programme for the customer Aviation Partners Boeing (APB).

The industrialisation of the B737 SSW was completed in the last quarter of the fiscal year to support the upcoming ramp up of rates for the winglet modifications at the sites in Ried as well as in Wichita. At the site in Wichita, about 30 new members of staff have to date been taken on and trained in order to create the necessary conditions so that the Company can produce and deliver the winglet modifications for the forthcoming years.

The components certified by the FAA after the successful development of the components at FACC's engineering office in Seattle further improve efficiency and performance by reducing fuel consumption; and the previously positive feedback from the market (as indicated by large order quantities) point to the successful development of this programme.

Due to this new programme but also due to consistently high rates with regard to the B787 programmes, the revenue in the Boeing Aerostructures business unit will again increase also in the subsequent fiscal year.

Business development

In addition to ongoing requests for new projects concerning the B737MAX and 777X programmes, a new customer — Embraer — could be won in Brazil in the field of Aerostructures. FACC will be responsible for the development, qualification and testing activities, the design and manufacturing of tools as well as the construction of the wing components spoiler, ailerons and wingtips for the successive series "E2" of Embraer's successful regional jet programme E175/E190/E195.

A joint plateau phase on site in San Jose dos Campos was successfully completed by the end of December having reached PDR maturity, and the first components for the first flight are to be delivered upon completion of the development activities and toolmaking in February 2015.

It is a clear objective of FACC's programme management for the current fiscal year to gain additional new orders with regard to the key types B737MAX and B787 in order to further expand the Tier 1 relationship with Boeing and to create sustained revenue growth.

Airbus Aerostructures

As in the previous year, the portion of production deliveries in the revenue of the Airbus Aerostructures business unit could be further increased this year by more than 15% compared to fiscal year 2012/13. Continued high demand for the A380 and A330 projects as well as further rate increases for the A320 and A350XWB projects are planned by the customer for the next period.

The strategic cooperation of FACC with the supply chain partner STRATA in the United Arab Emirates was successfully continued with the relocation of the A380 flap track fairings and the major part of the A330/340 spoiler package from the Austrian production sites to STRATA in Al Ain. The full implementation of the relocation activities with regard to the Airbus spoilers for the A330/340 as well as further components, such as the B787 spoiler, is currently being worked on and expected to be completed as planned in the current fiscal year.

After the first delivery of the A350XWB wing components wingtip and winglet as well as spoilers and droop panels in 2012, additional components were delivered in the past fiscal year that are currently produced at a monthly rate of 1 shipset. The further ramp up of rates relating to these components in the subsequent years will contribute to a large portion of additional revenue in the Airbus Aerostructures business unit.

In August 2013, the A321 outboard flaps (OBF) were also delivered for the first time followed by a steep ramp up of rates to currently 10 shipsets per month. Disproportionately high sales figures are reported for the A321, which is why Airbus plans to reach monthly rates of 22 shipsets in 2016 in its current programme planning. This programme will thus make an important contribution in terms of an additional sales volume also in the future. With the successful installation and implementation of ATL and hot forming processes in the A321 OBF production, additional technological progress could be made that will be of use for future programmes in terms of reducing cost and increasing efficiency. This will also be ensured by a further use of robot technology in the testing and assembly of components.

Business development

In addition to numerous ongoing invitations to tender for the Airbus single aisle family (wing-to-body-fairings, sharklets, etc.), FACC also participates in several invitations to tender for the A350XWB-1000. Also here, it is the clear objective of FACC's programme management to ensure sustained revenue growth in the forthcoming years with the help of additional orders in the important field of A320NEO models and the A350XWB.

Moreover, also the development of the A350XWB-1000 with regard to spoiler and winglet is to be forged ahead and completed in the current fiscal year. This is meant to lead to an additional sales volume in the years to come.

New Business Aerostructures

In the past fiscal year, the focus was among other things on the completion of the development, industrialisation and the already started first delivery of the control surfaces for the Russian passenger jet SSJ 100 (contract with United Aircraft Corporation (UAC)) for the performance of full-scale tests in the course of the certification activities. After these tests (planned for the third quarter of 2014) have been positively completed, the serial production of the components spoiler and airbrakes, inboard and outboard flaps, ailerons, rudder, elevator and pylon fairings can be continued. The first components were produced by FACC in Ried, and it is planned to gradually relocate the production of the components to the future supplier Aerocomposit to the site in Kazan/Russia.

Another first delivery could also be carried out for a Chinese customer: The first 12 spoilers for the Chinese passenger aircraft C919 (customer: Shanghai Aircraft Manufacturing Corporation (SAMC) or Commercial Aircraft Corporation of China (COMAC)) to be used with the "Ironbird" (test configuration) in February 2014 were, for example, delivered after the development activities had been completed and the required tools had been procured in February 2014. Upon completion of the development of the C919 winglets, which has already started, these components will also be delivered for the first time in the fall of 2014.

In the past year, a total of 7 sets of wing-to-body-fairings for the C series model have been delivered to the customer Bombardier in Canada to be used with the test aircraft and also the first customer aircraft. Simultaneously, the Company continued the development of the wing-to-body-fairings for the Global 7000/8000 business jet. These components are to be expected to be delivered for the first time at the end of 2014.

International cooperation

In addition to expanding the already existing cooperation with STRATA Manufacturing PJSC in the Emirate of Abu Dhabi, Tata Advanced Materials Ltd. in India and United Aircraft Cooperation in Kazan/Russia, the Company particularly worked on the realisation of the future supply chain in China (company Fesher in Zhenjiang) in the past fiscal year.

The completion of the construction and the installation of the required equipment was fostered in order to be able to start with the relocation of the first components of the Aerostructures portfolio in 2014 so as to generate cost advantages and to reduce the dependence on the US dollar and to also be able to fulfil the offset obligations for the customers.

In the course of this cooperation, FACC will continue to contribute its existing expertise with respect to industrialisation and relocation activities, and will obtain the necessary aircraft industry certifications for the plant, and will introduce and implement an adequate quality management system and render additional services.

Engines & Nacelles business unit

Since the production rates increase as planned with regard to the Boeing 787 and due to the stable demand for products from ongoing serial projects, Engines & Nacelles once more reported a considerable revenue growth compared to the previous year.

Engines

The business development in the “Engines” business unit is overall very positive and resulted from the combination of several factors. While the latest serial projects for the Airbus A380 and some medium to large size business jets generated stable revenue from these projects, the more recent projects for the Boeing 787 as well as a to date still unpublished corporate jet application led to a growth that considerably exceeded expectations. Another positive effect resulted from the consistently strong demand for spare parts from older projects. It was only in the field of smaller business jets that products could not live up to the expected sales figures due to a lack of demand.

Nacelles

The redesign activities that were implemented as planned as well as the ramp up of rates with regard to the translating sleeves for the Boeing 787 were the most important basis for the good development of the Nacelles business unit. This development could be reinforced due to the consistently strong demand for Airbus A320 fan cowlings that significantly exceeded the budgeted sales figures. While revenue from products for the Airbus A380 can be considered stable, a substantial delay with regard to the project of the Airbus A350 XWB programme had a negative effect on the relating thrust reverser project; this negative effect could not even be compensated by the satisfactory progress of the remaining projects and thus resulted in revenue below the budget in the Nacelles business unit.

New projects:

Boeing 787 translating sleeves

After the previous 787-8 was redesigned to the new 787-9 configuration in the past fiscal year and following the ramp up of the production quantities, serial production can now be considered to have started. Additional activities with regard to this project focus on enhancing efficiency and cutting costs.

A350 translating sleeves

After some components have been completed in the course of the first serial production, some modifications were carried out in order to particularly optimise weight in line with the sister project 787 translating sleeves. After the start of the production of this new version, the delay of several months with regard to the overall project is now also affecting the ramp up of series.

Pratt & Whitney Canada bypass ducts

In parallel to the start of the serial production concerning the new bypass duct projects, several technical optimisation measures are assessed and implemented which focus on reducing weight and cost as well as on improving technical properties.

Trent XWB composite components

FACC works simultaneously on structural components for the basic and the extended variant of the engine which are to be used with the A350-800 and A350-900. Some parts of these structural components could be transferred to the beginning serial production as planned; however, some parts were still in the planning and industrialisation stage (including the manufacturing of tools) at the end of the fiscal year.

A320neo

Two projects with regard to the Airbus A320neo were successfully industrialised in the past fiscal year, meaning that tools were manufactured and transferred to the production of first samples and/or the production of the first test structural components which were delivered to the customer on time. Further project work focuses on stabilising processes and preparing serial production.

Interiors business unit

With regard to Interiors, fiscal year 2013/14 was characterised by a growth of 25.06% in product supplies compared to the period of the previous year. Product revenue from commercial jets increased by approx. 24.44% and product revenue from business jets grew by approx. 26%, with both sectors therefore clearly exceeding planned targets. The positive increase in the business jet sector is especially due to a slight increase in rates of the CL300 programme, but resulted most notably also from excellent rates of the Phenom 300 programme. The first deliveries of the Legacy 500 cabins contribute to this growth. Nevertheless, however, it has to be noted that the market volume for business jets is still far from the volume in the record year 2008, and the road to recovery is still long. The increase in the commercial jet segment, however, partially resulted from the increased rates with regard to the A320 family, but the major part of the increase resulted from the ramp up of series with regard to the SSJ100 cabins. New programmes (e.g. the A350 programme) also

contributed to the growth in product revenue, but this was generally due to deliveries of first shipsets, which means that the contribution made here to the total revenue is still relatively small.

30 shipsets were delivered for the Airbus A380 programme. The further increase in the delivery volume of the Airbus Single Aisle programme is particularly pleasing. 493 shipsets were delivered for this aircraft family in the fiscal year.

For the Chinese regional aircraft ARJ21 only 2 shipset were delivered in the past fiscal year. This programme thus still performs significantly below expectations. Five aircraft are currently in the test phase. The approval and first delivery of the aircraft was again postponed and will probably be carried out in the first half of 2015. A rise in production rates can only be expected after entry into service.

With regard to the redevelopment of the cabin for the Embraer Legacy 500, the major change of the cabin design was completed with the delivery of 2 shipsets. Entry into service is planned for the end of 2014.

It has already been mentioned as a positive factor that the revenue volume of the business jet Phenom 300 continued to develop very positively and that 83 cabin fitting sets could be delivered in the past fiscal year.

The following focal points existed in the industrialisation of new cabins and cabin modifications in the past fiscal year: Examples are the cabins for the CL350 and Legacy 500, the production of the first shipsets for the A350 passenger door linings as well as the A350 overhead stowage compartments and the complete cabin for the SSJ100 (including toilets and lavatories). Important milestones were thus reached in all of these projects.

In the past fiscal year, the scope of the terms and conditions could, among other things, be expanded for almost all new projects. With regard to the C919 programme, first CDR milestones could be reached in some parts, such as the cockpit.

As a general outlook for the next year, the Company expects a stabilisation with regard to the start of new projects in terms of design changes and industrialisation. The Interiors business unit will show a growth similar to the growth in fiscal year 2013/14.

The consolidation of the supplier industry in the aircraft cabin sector continues further. In this regard, FACC may purchase companies.

Production

The trend shown of a significant revenue growth continued in the second half of fiscal year 2013/14. Along with a revenue growth of 25.9% (22% in the first half-year), the degree of capacity utilisation of all production sites of FACC was very high.

Planned product relocations to the UAE and India as well as the outsourcing of various production stages such as surface treatment and painting as well as the machining of various components (e.g. CNC milling and drilling, preassembly with regard to subassemblies) support FACC's production strategies to operate on a global market and thus to reduce the dependence on the US dollar.

In line with the existing revenue growth and the medium-term and long-term strategies, capital expenditure was used in a targeted way to expand production capacity. A material investment to sustainably strengthen FACC was the construction of the technology centre at the site in St. Martin; this investment (worth €22 million) was completed and put into operation in September 2013. Moreover, land improvement operations were commenced at Plant 2 (Ort im Innkreis) with regard to an additional mounting area of 4,000m² to process new structure and interior orders. In connection with the expansion of this plant, value and material flows for production and interior components were considerably reassessed. After the additional mounting area is completed, considerable parts of the interior product portfolio will be produced in scheduled production lines (currently cell production).

In Ried im Innkreis, where Plant 1 is located, the 20-year old surface area was renewed in the first step of the construction. Another construction phase is carried out during fiscal year 2014/15 in the course of which the surface area and painting capacity will be further expanded to live up to increasing quantity and quality requirements.

Due to the basically good order level and the increasing production rates with regard to the Airbus A350 XWB and Boeing 787 projects, as well as due to the impending serial production of various Interiors and Nacelles projects, the plant capacity was expanded by an additional autoclave, two 5-axle CNC milling machines as well as the latest measuring and testing systems (CMM, laser inspection, ultrasound and X-ray inspection).

In addition to the annually planned increases in productivity through learning curve improvements and process stabilisation for new projects, extensive cost-cutting initiatives were launched and implemented concerning the projects "Operational Excellence" and "Passion for Quality". In addition to the reduction of production costs, programmes to cut back administrative and fixed costs are being implemented.

Despite the high proportion of new projects, quality costs remain mainly stable. After the start-up costs of new projects have been considered, quality costs will once more be reduced as planned.

With the aim of further promoting automation, automatic tape layer machines and fully automatic hot forming systems were installed and put into operation in connection with new orders. The construction of robot-supported measuring stations launched in the past fiscal year has been completed. These stations have been successfully integrated in the

production environment. Test times could be reduced by almost 70% with the help of the new measuring stations.

With the aim to further develop automation in the production of composites, the business unit "Automation" was established in the field of Industrial Engineering. This unit carries out research with regard to robot and novel technology in close cooperation with R&D. Based on the acquired knowledge, machinery and equipment are designed and constructed that will considerably increase the degree of automation of FACC's production.

The reorganisation of the overall inventories logistics (from the delivery of raw materials, incoming goods inspection, picking and distribution to the point of use at the four production sites) was carried out on time. Since 1 January 2014, this logistics process has been performed independently by a partner at the site in St. Martin at a logistics building constructed by this partner. Areas formerly used by FACC for logistics purposes have been made available for value-added activities.

Strategic procurement

The strategic goal of the purchase department is to exploit the overall market potential in the short, medium and long term in order to secure FACC AG's competitiveness. The past fiscal year 2013/14 was challenging with regard to ensure availability of materials used for production in order to support the large number of new projects and also with regard to the increase of serial projects. Delivery times developed differently depending on the supplier and/or the respective goods. Taking into account bonus agreements and savings potentials used, purchase prices could be reduced by 1.75% compared to the previous year.

Due to transport optimisations in relation with the increasing demand, the logistics costs could be reduced with regard to imports and exports compared to the budgeted figure.

Despite a negative USD exchange rate trend during the fiscal year, a purchase value of more than 92% based on the US dollar could be reached.

In order to reduce the share of costs with regard to external engineering, appropriate measures such as limited duration contracts or increased use of own resources were taken.

In order to secure the supply of raw materials within the FACC supply chain and in connection with a sustained price guaranty, an agreement (FACC Enablement) was concluded with a metal supplier.

In North America the supply chain network was expanded by including the subsidiary FSI.

Research and development

In the past fiscal year, FACC invested a total amount of €51 million, or 9.3%, of revenue in research and development. This amount covered fundamental research with a technology readiness level (TRL) of 2 to 4 in line with the medium-term demand of FACC's business units.

The major part of the work shows a TRL greater than 5 and relates to engineering activities that are to lead to components for prototype testing within at least three years and that are to contribute to the production volume within a period of five years from the moment the project is launched.

Here, FACC carries out research with university and external research institutions as well as with national and international business partners. In the past fiscal year, a CD laboratory was set up together with the University of Leoben. This laboratory works on the automation of production processes in the field of composites.

In addition to this CD laboratory, research topics were still worked on under the PCCL-K1 programme where FACC is a shareholder.

The company CoLT was founded in the reporting period with the land of Upper Austria. This company carries out laboratory activities and endurance tests of FACC's products. FACC has a controlling interest of 91%, the land of Upper Austria (via Techno-Z Ried) an interest of 9%. The decision to found this company was to better utilise test capacities by accepting external orders.

The Company received numerous national and international awards for its research activities in the reporting period:

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

FACC continued to participate in numerous international and national research programmes:

- Clean Sky of the European Union
- TAKE OFF Programme of the Austrian Research Promotion Agency (FFG)
- Basic programmes of FFG.

Internal Control System (ICS)

Pursuant to Section 243a (2) of the Austrian Commercial Code (UGB), FACC is obligated to describe the key characteristics of the internal control and risk management system with regard to the accounting process.

The management board of FACC bears the full responsibility for the implementation of an adequate internal control and risk management system with regard to the accounting process.

A comprehensive description of the internal control process in Finance and Controlling of FACC was laid down in the FACC quality manual. This manual describes and identifies the key finance and controlling processes and the relating risks. Moreover, this manual sets forth measures to avoid risks, e.g. functional separation, dual control, signature policy as well as regular controls of authorised signatories (authorisation of payments), etc.

The budget of the individual cost centres is planned in the course of the budgeting process of FACC. After approval of FACC's management board, the total budget is presented to the supervisory board for approval. Every cost centre manager is responsible for the compliance with the budgeted costs and the planned investments. The management board has to approve of all investment plans. A report on the current financial position in comparison with the budget is presented in the monthly held extended management meetings with particular attention being paid to the main business risks and the respective measures.

In the course of the monthly financial reporting of the management board to the supervisory board, a comparison is made/reported between the actual and the budgeted figures and the supervisory board is also particularly informed of the main business risks and the respective measures.

In the supervisory board's audit committee, an audit meeting is held at least once a year in the course of which FACC's management board reports on the general business and financial development and also on the internal control system.

In the course of the audit of the financial statements, the certified public accountant also performs IT and system audits. Both the management board as well as the supervisory board of FACC are at all times informed of the audit results. Moreover, the control systems of individual business units are also audited by the certified public accountant in the course of the audit of the financial statements and the consolidated financial statements to the extent that these control systems are of relevance for the preparation of the financial statements and the consolidated financial statements and the presentation of a true and fair view of FACC's financial position and of its financial performance.

With regard to IT security, measures have been considered and implemented with regard to authorisation concepts, separation of functions and system security. For more than 10 years, FACC has used SAP in almost all areas. The regularity of the SAP systems has been ensured in all relevant business processes. The SAP system was extended to the subsidiary in the USA as well as to the supply chain in China in the past fiscal year.

Quality management

Quality policy

Management defined the quality policy as well as its targets and the obligations and laid this down in the quality management manual. Management accepts its responsibility for ensuring that the quality policy is communicated throughout the entire organisation.

The key principle of FACC AG reads as follows:

“Deliver value to the customer”.

In order to achieve this goal, it is necessary to understand the high customer expectations and requirements to make sure that they are fulfilled.

The established quality management system focuses on failure prevention instead of failure detection. The optimisation measures of business and production processes are continuously applied in order to meet these expectations on a durable basis.

The quality management manual describes work flows for all business units and locations of the Company; each department is aware of its responsibilities.

FACC's certifications

In order for FACC to be able to supply goods and render services in the aviation industry, the Company requires numerous licenses and certifications. Under the relevant EASA (European Aviation Safety Agency) regulations, we gained approval as a Production Organization (“POA” in compliance with “EASA Part 21 Section A Subpart G”) and as a Maintenance Organization (“MOA” in compliance with “EASA Part 145”) from the Austrian Civil Aviation Authority. All production sites of FACC AG are covered by these two approvals.

In the past year, the Aviation Authority performed surveillance audits as to the extension of the approvals. The surveillance audits were successfully completed. The changes that had taken place were presented to and approved by the Aviation Authority.

The approvals of the Aviation Authority relate to the development and manufacture of component assemblies for aircraft and engines made from composite materials as well as the equipment and production of component assemblies. They also cover maintenance.

The approval as an “MOA” in compliance with EASA Part 145 means that FACC is in the position to carry out individual repair orders for final customers on favourable economic terms. In addition, FACC implemented a quality management system in compliance with

international aviation industry standards and in order to meet customer requirements in a sustained way. This quality management system complies with the standard EN/AS9100 Revision C. Auditing and certification pursuant to this standard must be performed by a certification body (CB) approved by the aviation industry. The certification was reissued in 2012 and is valid for three years.

The related surveillance audit which is to be carried out annually was performed in compliance with aviation industry requirements at all FACC locations, these being Ried, Ort, Reichersberg, Vienna, Bratislava and Montreal. Any deviations found in the course of this audit were identified and successfully rectified. The certification in accordance with this standard thus continues to be secured.

FACC's process certifications

In addition to the approvals of the Austrian Civil Aviation Authority (EASA and Austro Control) and the EN/AS9100 certification of the quality management system in place, there are several additional process certifications. These have to be maintained through periodic, usually annual, audits and could be completed successfully.

General process certifications were granted in accordance with NADCAP by PRI, an organisation established by the aviation industry that is thus recognised worldwide. The "Composite Manufacturing" and "NDT – Non-destructive Testing" certifications were audited at all locations in Austria and are currently valid and in place. The "Chemical Processing" certification, previously in place at the locations in Ried and Reichersberg, was extended to the facility in Ort im Innkreis. Due to recurring and successfully completed audits, Composite and NDT hold "merit status". As a consequence, the inspection interval will be extended from originally 12 to 18 months, and has now been extended to the maximum duration of 24 months.

Risk management

The Company is exposed to unpredictable situations in its everyday business operations depending on the transaction. These situations may have negative effects. In order to be adequately prepared and to be able to deal with any such situations appropriately, FACC AG established a risk management system which covers management, finance, project management, customers, procurement and suppliers as well as production and product quality.

Any occurring or potential risks are continuously monitored, assessed and reported by the operating units within the framework of this system twice a year to the management board by way of management reviews. Exceptional events are reported immediately to the competent vice president, who decides if the management board is to be notified without delay. The management board, in turn, reports to the supervisory board in its meetings. This is to ensure that significant risks can be detected in due time and that measures to avoid or mitigate these risks can be taken.

In the opinion of the management board, the potential risks currently identified are manageable and controllable and, therefore, do not endanger the Company's ability to continue as a going concern.

To support the timely identification and assessment of risks, effective internal risk control systems have been introduced which provide reliable results. Software tools such as the executed FMEA (Failure Mode and Effects Analysis) are well integrated and significantly support this process of minimising risk already in the development of the product and also later during ongoing production by applying preventive measures.

A: Management risks

Based on market observations and analyses, a 5-year business plan is created, which defines the basic strategy of the Company and is reviewed and approved by the supervisory board. This plan will be updated annually. The specific business objectives for each fiscal year are derived from this plan. Short-term market changes pose the biggest risk here. Nevertheless, the success of the implementation is consistently endangered due to external factors which often can hardly be influenced. FACC's management is responsible for consistently monitoring the implementation and quickly responding to short-term changes. In doing so, attention has to be paid to ensure that the strategic orientation is still obeyed, also with regard to the projected sales and profit targets.

A1: Business interruption risk

The Company's production sites and plants are constantly maintained and serviced, which is why the risk of breakdowns or lengthy production downtimes can be considered low. The Company also took out an insurance policy with regard to the business interruption risk with an indemnity period of 18 months.

A2: Financial risks

Risk management falls under the treasury function in the finance and accounting department. The treasury department assesses and hedges financial risks in close cooperation with the operating business segments and the Company's banks.

A3: Interest rate risk

The interest rate risk – the possible fluctuation in value of financial instruments due to changes in market rates or future cash flows – arises in connection with medium and long-term receivables and liabilities (especially bonds and borrowings). Attention is paid to the fact that part of the interest rate risk is reduced through fixed-interest bearing credits. Overall, there is an interest rate swap to hedge the interest rate risk.

A4: Foreign currency risk

Sales in the aviation industry are almost exclusively carried out in US dollars. All transaction and translation risks are constantly monitored to hedge foreign currency risks. In order to reduce the USD risk, purchases are by now carried out almost exclusively in USD, thus

creating a so-called “natural hedging”. Derivative financial instruments are used to protect the remaining open items. These instruments mainly cover currency options and forward foreign exchange contracts. The use of derivative financial instruments and future foreign currency assets and liabilities being set in the form of contracts clearly reduce the risk of exchange rate fluctuations.

B: Project management

FACC's project management is responsible for the implementation of the objectives defined by management by way of projects. In doing so, numerous risks have to be considered. With regard to projects, distinctions are made as to whether development responsibility was assumed. Feasibility has to be assessed for each contract, the relating risks are identified, evaluated as well as closely monitored and analysed during processing in order to initiate and implement the necessary measures, if any. The major risks lie in the availability of resources of any kind (manpower, equipment, materials, etc.) as well as in external factors, which the project team either encounters via intercompany interfaces or via third parties.

C: Customer risk

The Company applies a strict credit policy. The creditworthiness of existing customers is constantly monitored, and new customers are subjected to a credit evaluation. In the event of possible defaults, valuation allowances for specific doubtful accounts are made, following an in-depth assessment of the risk.

D: Purchase and supplier risk

The purchase department regularly conducts risk assessments of our suppliers to identify potential hazards and risks at an early stage. This is done in order to lay down the priorities for planning and conducting audits and to support the decision process when awarding new contracts. When selecting new suppliers, the “Procurement Quality Assurance” (PQA) department is included to ensure that the necessary qualifications and approvals are in place and that there are no identifiable risks. At the onset of new projects, the product risk is reduced by requiring the suppliers to provide a mandatory first sample. Continuous quality-compliant and punctual supply of materials as well as semi-finished and finished products is assessed regularly via SAP. This evaluation is also part of the risk assessment. Deviations from the quality of the component assembly as well as from delivery performance are systematically tracked, analysed, evaluated and checked against defined goals. Noticeable variations and problems are reported to the management board as part of the management reviews.

E: Product liability and quality risk

The products designed and manufactured by the Company are intended for installation in aircraft or for engines. Defects or malfunctions of the manufactured products may, directly or indirectly, endanger 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 consumers or third parties by way of sales agreements. Each product developed and/or

manufactured within the Company and leaving the Company is subjected to several specific checks with regard to quality and functionality.

With regard to projects for which FACC AG bears the development responsibility, a higher risk exists due to the possibility of construction errors that are, however, minimised by acting systematically. Regular control steps at all stages of development mitigate risks early. FACC AG operates an archive system with regard to quality recordings ("Quality Records") which are either stipulated or individually even go beyond contractual obligations. This is to demonstrate that products were manufactured and services rendered according to defined criteria approved by customers and the aviation authority/authorities.

Despite the product liability risk being appropriately insured, the occurrence of any possible quality problems may negatively affect the Company's financial position and financial performance.

Staff

The dynamic trend noticeable in recruitment over the last few years has continued in fiscal year 2013/14, with a total of 578 additional blue and white collar employees joining the Company. This includes 38 staff members of CoLT (formerly etc) and 80 of ITS Germany and India.

Total staff numbers in Austria amounted to 2,633 (+16%) as at 28 February 2014. Of these, 1,649 (+17%) were blue collar employees and 984 (+14%) white collar employees. On average, FACC AG has 2,446 employees in Austria. At the reporting date, 330 (+113%) staff members were working for the Company abroad.

As a result of the enormous growth in orders, greater efforts were required in HR marketing on both a regional and international basis in engineering in particular, and personnel recruitment was carried out on an international scale for this reason. The steep rise in blue collar workers came as a result of delays in the relocation projects.

In order to increase the Company's attractiveness as an employer as well as improve staff retention, an extensive employer branding strategy was devised, with implementation having already begun. Initial measures included the increase in the number of employee magazine issues to six per year, the introduction of a monthly management board newsletter, the expansion of public relations and the putting together of a social media strategy.

As in previous years, internal and external staff training has been a focus for the HR department. In particular, a special emphasis has been placed on the development of management skills of employees in preparation for the anticipated global expansion drives. Therefore, extensive management training programmes were implemented within the scope of the FACC Academy, which bundles all training measures under the same roof.

In addition to management training, the integration of our new staff members on a regional and international basis has always been a high priority. A total of 430 internal training courses with 6,210 participants and 266 external training courses with 1,369 participants

were held. Language courses to integrate new employees were held as part of basic staff training in addition to foreign language courses for FACC staff.

During the fiscal year, the project “healthy and satisfied at FACC” (*G’sund und zufrieden bei FACC*) was further implemented. Within the scope of 90 workshops, workload situations were analysed and measures were deducted. A total of 728 measures were defined. By the end of the fiscal year, 305 of these measures had already been concluded. The implementation of any open measures will be pushed in the next fiscal year. Through this project, employee satisfaction in the workplace and the readiness to perform have been increased, and fluctuation could already be reduced by 30% during the fiscal year. The aim is to further increase levels of satisfaction at the workplace and increase productivity.

Events after the balance sheet date

After the balance sheet date, an IC loan amounting to €13 million was granted to the parent company of AllG (Aerospace Innovation Investment GmbH).

Branches

The Company does not operate any branches.

Planning and outlook for 2014/15

Conditions in the aviation industry remained very positive in 2013 and were marked by record highs in the delivery of large aircraft by Airbus and Boeing (+7%). Both aircraft manufacturers are set to exceed this value again by at least 5% this year. This is due in particular to the rate increases of single aisle aircraft. The driving factors behind this success continues to be growth in passenger numbers of more than 4% globally, although this is strongly concentrated on Asia/Pacific, the Middle East and Africa, and a high retirement rate of existing aircraft fleets, which is in turn due to the relatively high energy prices. Worldwide, airlines are delivering profits (a total of approx. €11.7 billion), thus providing an incentive for the leasing industry and/or the financial world in general to finance aircraft.

Aircraft orders thus reached a record high of 3,150 planes in 2013 for the Airbus and Boeing duopoly, this being the largest order volume in the history of aviation.

FACC has once again made massive investments in the development of new products for its customers in the past fiscal year. Special mention must be made in particular of initial deliveries for the A350 XWB, C series and Boeing 787-9 aircraft. The latter successfully completed its first flight in 2013.

By making these investments, FACC aims at achieving in the next three years an average two-digit growth in sales and, as a result, in EBIT and EBITDA as well. In the planning for the current fiscal year 2014/15, FACC acts on the assumption that growth will be in the single-digit percentage range since customers reduce their lead times for the new aircraft mentioned above and engineering services will decline as a result.

The growth in the “business jets” segment, having witnessed a massive setback in 2007, still falls well short of expectations. Given the licensing planned for the second quarter of both the Embraer Legacy 500 and the Bombardier Challenger 350, for which FACC delivers the entire new cabin interiors, a disproportionately strong growth as compared to the market is to be expected for the coming years as well. Production volumes will significantly increase in this area, particularly in fiscal year 2015/16.

The order backlog increased slightly in the reporting period and now amounts to 5.5 times the production volume of 2013/14.

FACC continues to expand its role as a preferred partner in the aviation industry. The business owner supports the continued growth path of FACC and has used a comfort letter to officially confirm the financial autonomy of the Company to customers, authorities and other stakeholders (financing banks) in turn. As a result, FACC has been able to maintain the status of first tier supplier to the customers Airbus, Boeing, Bombardier and Embraer.

Our Western customers are receiving support from FACC in completing countertrades in the aviation growth markets of China, the Middle East, India and Russia through the relocation of production programmes to low wage countries. The aforementioned joint projects with STRATA (Middle East), Tata (India) and UAC/Aerocomposit (Russia) in cooperation with our customers Airbus, Boeing, Bombardier, Embraer and Rolls-Royce will further reinforce these aims. This should increase FACC's profitability and make the Company more independent of currency fluctuations surrounding the US dollar (natural hedging).

Ried im Innkreis, 30 April 2014

The Management Board:

Walter Stephan, m.p.
Chief Executive Officer

Minfen Gu, m.p.
Chief Financial Officer

Robert Machtlinger, m.p.
Chief Technical Officer

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

Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements, including the accounting system, of FACC AG, Ried im Innkreis, for the fiscal year from 1 March 2013 to 28 February 2014. These financial statements comprise the balance sheet as of 28 February 2014, the income statement for the fiscal year ended 28 February 2014, and the notes.

Management's Responsibility for the Financial Statements and for the Accounting System

The Company's management is responsible for the accounting system and for the preparation and fair presentation of the financial statements in accordance with Austrian Generally Accepted Accounting Principles. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility and Description of Type and Scope of the Statutory Audit

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing. Those standards require that we comply with professional guidelines and that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

Opinion

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the financial statements comply with legal requirements and give a true and fair view of the financial position of the Company as of 28 February 2014 and of its financial performance for the fiscal year from 1 March 2013 to 28 February 2014 in accordance with Austrian Generally Accepted Accounting Principles.

Comments on the Management Report

Pursuant to statutory provisions, the management report is to be audited as to whether it is consistent with the financial statements and as to whether the other disclosures are not misleading with respect to the Company's position. The auditor's report also has to contain a statement as to whether the management report is consistent with the financial statements.

In our opinion, the management report is consistent with the financial statements.

Linz, 30 April 2014

PwC Oberösterreich
Wirtschaftsprüfung und
Steuerberatung GmbH

signed:

Friedrich Baumgartner
Austrian Certified Public Accountant

Disclosure, publication and duplication of the financial statements together with the auditor's report according to Section 281 (2) UGB in a form not in accordance with statutory requirements and differing from the version audited by us is not permitted. Reference to our audit may not be made without prior written permission from us.

Statement of all Legal Representatives according to section 82 (4) of the Austrian Stock Exchange Act:

We confirm to the best of our knowledge that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group as required by the applicable accounting standards and that the group management report gives a true and fair view of the development and performance of the business and the position of the group, together with a description of the principal risks and uncertainties the group faces.

We confirm to the best of our knowledge that the separate financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the parent company as required by the applicable accounting standards and that the management report gives a true and fair view of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties the company faces.



Walter A. Stephan
CEO



Minfen Gu
Member of the Board



Robert Machtlinger
Member of the Board