POSITION REPORT

Annual Report 2019

FACC

SEEING IS DECIDING

WE CHANGE PERSPECTIVES.
TO CREATE FUTURE SUCCESS.

		2017/18	2018/19	**2019 SFY**
Revenues	EUR million	747.6	781.6	**665.0**
of which Aerostructures	EUR million	332.8	335.7	**243.5**
of which Engines & Nacelles	EUR million	161.4	168.5	**152.4**
of which Cabin Interiors	EUR million	253.4	277.4	**269.2**
EBITDA	EUR million	93.0	74.8	**59.7**
EBIT	EUR million	60.1	43.6	**34.6**
of which Aerostructures	EUR million	35.9	37.6	**31.3**
of which Engines & Nacelles	EUR million	15.9	9.5	**6.0**
of which Cabin Interiors	EUR million	8.3	–3.5	**–2.6**
EBIT in percent of revenues	%	8.0	5.6	**5.2**
Cashflow from operating activities	EUR million	63.1	63.3	**47.7**
Cashflow from investing activities	EUR million	–35.1	–35.7	**–17.9**
Headcount (at the balance sheet date)	FTE	3,402	3,465	**3,371**
Net working capital	EUR million	126.0	69.7	**156.3**
Net financial debt	EUR million	182.0	180.9	**213.3**
Net financial debt/EBITDA	x	1.96	2.42	**2.97**[1]
Equity	EUR million	323.1	299.0	**316.1**
Equity ratio	%	45.9	41.2	**42.6**
Balance sheet total	EUR million	703.6	725.8	**739.4**
Trading volume	Shares	43,784,504	64,075,748	**39,977,526**
Average daily trading volume	Shares	175,810	259,416	**159,910**
Yearly high	EUR	21.8	24.25	**15.2**
Yearly low	EUR	6.48	12.64	**9.06**
Closing price	EUR	21.5	13.82	**11.20**
Annual performance	%	208.9	–35.4	**–20.1**
Market capitalization	EUR million	984.5	632.8	**510.1**
Dividend per share	EUR	0.11	0.15	**–**

[1] The value is based on a projection to twelve months.

EUR 665 million
revenues

EUR 35 million
EBIT

EUR 30 million
free cash flow

43%
equity ratio

USD 800 million
new orders

CONTENTS

SUCCESSFUL THROUGH INNOVATION

In 2019, we celebrated several anniversaries: 30 years of company history, ten years of AVIC as majority shareholder, five years of being listed on the Vienna Stock Exchange. A good occasion to look back and review what we have achieved. At the same time, it is also an incentive to strive for excellence in the future. Over the past three decades, FACC has developed from an Upper Austrian SME into a global group and now ranks among the valued partners of all major aircraft manufacturers. We have achieved this on the basis of high innovative strength, a consistent customer focus, uncompromising quality, great flexibility, a global network and being constantly open to new ideas and developments.

Today, these values still embody the essential principles and assets of our activities: Together with our customers, we are developing the technologies, materials and processes for the aircraft generation of the future. In doing so, we consciously think beyond horizons and actively participate in the development of completely novel concepts and solutions. Our partnership with EHang is just one example of this. At the same time, we are working even more intensively to enhance our impact and efficiency. This is because we wish to continue to be a reliable and sustainable partner for our customers – and to accompany them on their way to future success, even in these particularly challenging times. After all – despite corona – our claim remains unchanged: **Beyond Horizons.**

Yours,
Robert Machtlinger

A STRONG GLOBAL PLAY

Hardly any aircraft takes off without a FACC product on board. The company develops and manufactures central components such as control surfaces and fan cowls as well as cabins for passenger aircraft and business jets. The Group's customers include all leading aircraft manufacturers worldwide. For more than three decades, FACC has exploited its strong positioning in a market segment with highly attractive long-term perspectives to achieve continuous growth for the benefit of its customers, employees and investors.


ER

- 13 countries
- 5 production sites

Global presence

FACC attends to its customers' needs at subsidiaries in 13 countries. In addition to five production locations in Austria, the company operates service units and agencies all over the world – from China and India to the USA and Canada. As a strategic Tier-1 partner of all large aerospace OEMs, FACC thus always remains in close proximity to its customers.

Technological leader

In collaboration with its customers and partners, FACC continuously refines the manufacturing technologies and materials of its products. The combination of innovative spirit, know-how and experience gives rise to ever new solutions that make the use of aircraft more efficient and their production more economical.

A focus on long-term growth

Since its foundation over 30 years ago, FACC has established an excellent market position. This positive development is due, on the one hand, to the steady growth of the aerospace market and, on the other hand, to the fact that FACC has been able to continuously expand its market share through innovative solutions in the most important aircraft platforms. FACC aims to further pursue this strategy in the future, which is facilitated by good predictability of the demand for aircraft parts, which is typical for the industry. This is because the platforms that FACC is involved in are usually produced over a period of several years. In order to achieve above-average market growth, FACC also relies on a strong presence in the growth markets of the Asia-Pacific region.

Market segments

01 Aerostructures

Lightweight components for wings, tail units and fuselages have been FACC's core area of expertise for more than 30 years. In addition to manufacturing, the company's service portfolio also includes the development, qualification and certification of these parts. Customers of FACC thus benefit from complete turnkey solutions from a single source.

SUPPLIED PLATFORMS

Winglets
Boeing 737NG, Airbus A320, A350, Embraer E2, COMAC C919, business jets

Spoilers
Boeing 787, Airbus A330, A350, Embraer E2, C919

Ailerons
Embraer E2, Suchoi Superjet 100

Flaps
Airbus A320, Suchoi Superjet 100

THE LARGEST PRODUCER OF WINGLETS WORLDWIDE

> **10,000**
pairs of winglets since market entry

> **100**
shipsets per month

02
Engines & Nacelles

Plastic components that are used in and around engines are exposed to high mechanical stress. However, they also have to be lightweight and fulfill high standards in terms of sound absorption and aerodynamics. FACC develops and manufactures these parts using the latest manufacturing technologies.

SUPPLIED PLATFORMS

Translating sleeves
Boeing 787, Airbus A350, A32F

Fan cowls
Airbus A330, A320neo, Gulfstream G450

Engine components
Airbus A380, A320neo

20 YEARS' EXPERIENCE WITH NACELLES

- **3,000** translating sleeves
- **10,000** fan cowl doors
- **500,000** engine components
- **Since 2011** exclusive supplier of composite parts to Rolls-Royce


GE RH
910

03
Cabin Interiors

From overhead stowage compartments to washrooms – FACC supplies ready-to-install cabin interiors for aircraft manufacturers and airlines in large series as well as individual solutions for business jets. In addition to low weight, functionality and a long service life, cabin interiors also have to be pleasing to the touch and eye. Here, too, FACC offers complete solutions from a single source.

SUPPLIED PLATFORMS

Passenger cabins
COMAC C919, ARJ21, Suchoi Superjet 100, Boeing 717

Overhead stowage compartments, ceiling and light panels, entrance areas
Airbus A320, A350

Door panels
Airbus A350

Customized high-end cabins
Bombardier and Embraer business jets

40% MARKET SHARE FOR OVERHEAD STOWAGE COMPARTMENTS

> 300,000
delivered systems

> 10,000
shipsets

And we guarantee long-lasting performance:

Aftermarket Services

FACC guarantees long-lasting performance of its products through an efficient service network for maintenance, repair and retrofits in America, Asia and Europe. Where required, aircraft fitted with FACC parts are maintained, repaired or retrofitted on site and can thus take off again more quickly and at lower cost.

SUCCESSFUL POSITIONING IN A GROWTH MARKET

> x5
revenues have increased more than fivefold since 2018

> New strategic pillar

> EUR 100 million
medium-term sales target

Products

FACC has been continuously developing its portfolio ever since it was founded. Today, the company is represented on almost all major platforms and in a wide range of aircraft areas – from elevators and nose cones to overhead stowage compartments and fan cowls.

AERODYNAMIC LIFT

Flaps
Leading edge panels
Wing boxes
Wing panels

PROPULSION

Translating systems

Engine maintenance flaps and inlets

Exhaust nozzles

Bypass ducts

Engine components made of carbon

FLIGHT CONTROLS

Ailerons

Elevators

Rudders

Spoilers and airbrakes

AERODYNAMICS/FUEL BURN SAVINGS

Flap track fairings
Secondary structures
Pylon fairings
Winglets
Wing-to-body fairings

COMFORT

Entrance door and service door linings
Main cabins
Galleys and washrooms
Overhead bins
Side wall and ceiling panels
Business jet cabins

Technologies

Material development
Process design
Manufacturing processes

GREATER AGILITY STRUCTURES, HI ABILITY

FACC gets fit for the future

Y, LEANER GHER PROFIT-

The aircraft market has been undergoing changes in recent years. While market growth in the period from 2008 to 2018 was still at 5 percent p.a., it is expected to be only around 2.5 percent in the next years – effects of the corona crisis not taken into consideration. FACC wishes to exploit this phase of slightly dampened growth to prepare for the new dynamics that the aircraft market expects from 2025 onwards.

The management of FACC should actually be quite satisfied with sales targeted to grow by approximately 5 percent annually over the next five years. This growth rate is, after all, significantly higher than that of the global aircraft market. Nevertheless, the group has resolved to implement far-reaching structural changes in order to secure a sustainable and sound market position whilst increasing its earning power. FACC will not change its basic sales strategy, however: Growth is to be generated primarily through higher market shares in platforms on which FACC is already represented.

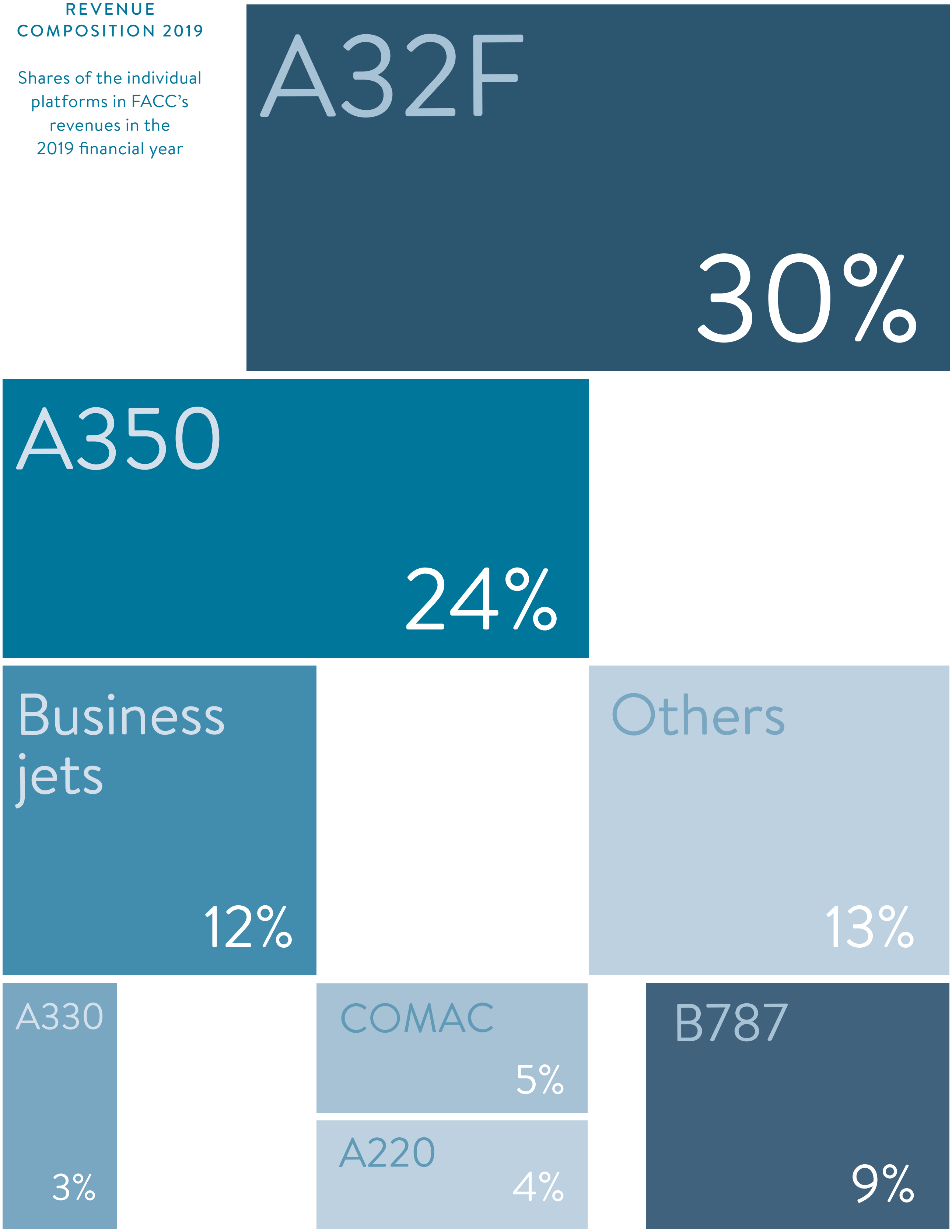
Represented on all major platforms

In view of the fact that the rate forecasts for the coming years have recently been revised downwards and the market has clearly lost momentum, this strategic approach seems entirely plausible. This holds all the more true given that FACC has been successfully following this path for many years and intends to continue to outperform the market in terms of growth. Group sales increased from EUR 750 million to EUR 780 million in the 2018/19 financial year, and the company also achieved a slight plus of 2 percent in the short financial year 2019, extrapolated to twelve months. FACC has thus once again kept up with the growth rates of previous years. This increase was also made possible by new start-up projects which fully compensated for the expired winglet program for the B737.

Meanwhile, the group result fell short of this development. Standing at just over EUR 40 million in 2018/19, it was around EUR 20 million lower than in the previous year, a trend which continued with a result of EUR 35 million in the short financial year 2019. In terms of profitability, there is thus still room for improvement. And this is what FACC wishes to tackle. Group management has set the medium-term goal of an EBIT margin of 8 to 10 percent. In early 2020, FACC therefore introduced an ambitious roadmap for adjusting its cost structure.

REVENUE COMPOSITION 2019

Shares of the individual platforms in FACC's revenues in the 2019 financial year



Cost savings and increased added value

Specifically, FACC aims to generate annual cost savings of up to EUR 50 million in the areas of materials and purchasing, production and fixed costs. With EUR 32 million, the Cabin Interiors division is expected to make the biggest contribution to achieving this savings goal. This division, which accounted for 35 percent of sales and had a slightly negative effect on FACC's EBIT last year, is to be positioned more strongly on the market, for instance by intensifying its activities in the business jet segment or by insourcing the production of strategic component groups. One such measure is the planned construction of a new production plant in Croatia. Further information on this location is available on page 51. The Aerostructures division most recently achieved the best group-wide results by generating 43 percent of sales and accounting for 83 percent of the operating profit in 2019. With a sales share of 22 percent, the Engines & Nacelles segment accounted for 19 percent of EBIT in the past financial year. In Cabin Interiors, the biggest challenge lies in comprehensive configuration possibilities for customers. Nevertheless, FACC Cabin Interiors boasts an excellent market position with the division holding a market share of more than 40 percent in the overhead stowage market. This places FACC among the top 3 players in this product segment worldwide.

NEW STRUCTURE, NEW PRIORITIES

FACC on the way to a simplified, digitized and more agile organization.

Streamlined structure enables faster decision-making

Fixed cost optimization at all levels

Performance-based systems

Multi-year target settings

Investment in further improvements and long-term growth

Fitness regime for the entire group

Although the greatest need for action can currently be found in the Cabin Interiors segment, the planned structural measures will affect the entire group. The continuous upward trend in FACC's sales of the past years should not distract from the recent downward adjustments or postponements of the projected call-off rates of the most important platforms, to which FACC has structurally aligned itself in the last few years. FACC is adapting to this new situation with a series of lean initiatives and optimization programs. In addition to a targeted EBIT margin of 8 to 10 percent, goals include: annual sales growth in excess of 5 percent, a net debt ratio of approximately 2.5 and a dividend payout ratio of 20 to 30 percent.

With these measures, FACC is not only responding to the changed market environment, but is also preparing itself for exciting challenges that lie ahead. FACC is already making an active contribution to the next generation of aircraft, which should be launched in the next five to ten years, by engaging in intensive development work. These programs provide FACC with the tools to undertake future pioneering work and to address the challenges arising from the expansion of its service portfolio. The company has thus recently established a strong foothold in the Aftermarket Services segment with innovative new solutions. Furthermore, FACC played a leading role in the development of EHang's first self-flying air taxi from the very beginning.

CABIN INTERIORS ON TRACK

By 2023 the Cabin Interiors segment is to be put on a sustainable growth course.

Increase efficiency through lean manufacturing

Material cost reduction

Vertical integration

Founding of FACC Croatia for labor cost reduction

40% market share for overhead bins

Sustained high demand in the long term

In the long term, global demand for conventional aircraft is expected to further increase in the years and decades to come. In 2018, aircraft were used as a means of transport by nearly 5 billion travelers, yet approximately 80 percent of the global population had never boarded an aircraft. The potential is therefore enormous: In markets such as China, India and Indonesia, prosperity is steadily growing – and with it the demand for passenger kilometers. This growth will also benefit FACC as the company's products are already represented on board all major commercial aircraft – and FACC's order book is full for years to come. New orders with a value of USD 800 million were acquired in the period from March to December 2019 alone, and a look into the past provides impressive evidence that the probability of positive market forecasts becoming reality is very high.

The outlook for urban air mobility is also promising. FACC estimates the global market potential for inner-city air traffic involving autonomous aircraft at USD 30 billion per year. Growing megacities and increasingly heavy traffic could raise this figure even further. In this market segment of the future, FACC has long since moved into pole position together with EHang.

Future market Urban Air Mobility

Keeping on track for the future

FACC is also counting on further long-term growth potential for another reason: While air passenger volumes could quadruple by 2050, the share of CO_2 emissions resulting from air traffic is to be cut by almost half over the same period. This goal highlights the enormous efforts that will be required in terms of (material) development. With its lightweight construction solutions, FACC will play a central role in this regard – provided, of course, that the company manages to maintain its standing on the market, with its customers and in terms of competitiveness, innovativeness and technology by acting with great agility in the future. Here, too, FACC wishes to optimally prepare itself through its fitness program and intensify its activities around three central pillars: innovation and customer benefit, know-how and stability, and growth and diversity.

Financing strategy

Greater agility is also at the heart of a new group financing strategy. The aim is to reduce the number of different financial instruments in the medium term in order to lower complexity and cut costs. In addition, FACC also plans to take out loans denominated in US dollars in order to reduce currency risks.

After a year in which FACC celebrated its thirtieth corporate anniversary and had every reason to proudly look back on its past successes, the company is now more strongly focusing on the future. Strategic and structural adjustments have been launched in many areas of the company, all of which are aimed at making FACC even more agile, leaner and more profitable – and thus fit for further high-altitude flights in the future.

Sustainable and profitable growth

Innovation & customer benefit

Development of innovative solutions

Turnkey solutions for the entire product life cycle

Expertise & stability

Focus on the three divisions plus Aftermarket Services

Profitability through automation, LCC (Life-Cycle Costing), lean and best-in-class initiatives

Growth & diversification

Expansion of market shares and processing of new markets, e.g. urban air mobility, non-aerospace

Organic and inorganic growth

Building on three pillars, FACC wishes to maintain a strong market position and accelerate its growth course in the future.

NEWS 2019

Once again FACC looks back on a financial year which saw the company experience further dynamic developments. This is demonstrated by numerous new orders as well as awards received and forward-looking ideas.

New orders

With its forward-looking solutions in the Engines & Nacelles segment, FACC is considerably expanding its market share in the A320neo.

FACC aims to be represented with components on board every modern aircraft – this will remain a central goal of its corporate strategy in the future. New orders with a total volume of USD 800 million have once again brought FACC closer to reaching this target in 2019.

Increased market share in the A320neo

The A320neo is one of the most successful products of the Airbus group. More than 1,000 aircraft of this aircraft family have been delivered since 2012. FACC is set to increase its share in this success story in the future as, in addition to Cabin Interiors and Aerostructures parts, FACC will also be manufacturing engine cowls for the A320neo. FACC received the order from Bombardier. The company manufactures the jet in cooperation with Airbus. The new order with a volume of several million US dollars further expands FACC's customer and product portfolio along with its market share in this platform.

FACC expects ongoing high production rates at the Reichersberg plant specializing in Engines & Nacelles.

As of 2020, aircraft such as the Bombardier Global 7500 business jet will be taking off with a “nose” made by FACC.

Collins Aerospace: cooperation extended

FACC has been supplying the US engine manufacturer Collins Aerospace with translating sleeves for the engine programs of Boeing 787 and Airbus A350 XWB since 2005. Since then, modules for approximately 1,400 aircraft have rolled off the production line. In September 2019, this cooperation was extended for another ten years. The robust lightweight components are manufactured at the highly automated FACC plant in Reichersberg.

Bombardier orders radomes from FACC

FACC was commissioned to produce so-called radomes for various aircraft programs of Bombardier Aerospace, including the Airbus A220, in late August 2019. Radomes protect the radar antenna, which is located in the aircraft nose cone, from external influences. They are required to fulfill strict requirements such as high stability, low weight and minimal attenuation of the signals sent and received by the antenna.

Crew

Employee know-how and teamwork play a key role in the search for ever new technological solutions and innovations. FACC supports this with a variety of training programs and awards for special achievements.

Innovation in the spotlight: The Leonardo Team Award honors pioneering teamwork.

Takeoff into the future

FACC presents the Leonardo Team Award each year in recognition of commitment, competence and passion. The prize is awarded to in-house projects that are the product of outstanding teamwork. December 2019 marked the sixth edition of the Leonardo Team Award. The project “Wing of Tomorrow – Lower Cover” was selected as the winner from among a total of 24 submissions. The winning team had successfully developed a novel concept for the highly automated series production of lower covers, which are the main component of a composite wing for the next generation of aircraft. The trophies were awarded at the FACC Christmas party on 7 December in front of approximately 1,300 colleagues. Congratulations!

What do they get up to?

FACC employees produce fan cowls constructed of composites under strictly controlled climatic conditions at Plant 4 in Reichersberg. In the so-called cleanroom, temperature, humidity, air pressure and dust content are closely monitored. FACC experts are required to exercise maximum care and precision when applying carbon layers, adhesive films and honeycomb cores to component molds before these are cured in autoclaves. Only then can it be ensured that the various materials used are seamlessly combined into a single high-strength composite component that is able to withstand the highest loads over a long period of time.

Ivana Tomasevic, 33, with FACC since 2011
“Having a good eye is not enough. A laser helps us to position the individual layers in exactly the right place.”

Katja Weilhartner, 22, with FACC since 2018
“Above all, we must take care to prevent or keep air pockets between layers as small as possible. This is how we ensure that the layers are optimally compacted in the autoclave.”

Marco Delazer, 23, with FACC since 2016
“When positioning the individual layers, you have to remain completely focused at all times. Even the slightest imprecision can result in the part not passing the quality inspection and therefore not being delivered.”

Andreas Sartov, 30, with FACC since 2012
“We manufacture products that have to meet the highest quality and safety standards. Millions of people place their trust in our components every single day. Our work in the cleanroom therefore requires us to take the utmost care.”

Ready for the next generation: The new composite wing developed jointly by FACC and Airbus is produced according to a highly efficient manufacturing concept.

Prestigious awards from customers and institutions confirm the positive market response to FACC's novel ideas and product solutions.

Airbus honors FACC

In October 2019, one of the latest innovations developed by FACC experts was honored with the Airbus Innovation Award. Within the scope of the "Wing of Tomorrow" research project and in collaboration with Airbus, FACC developed the main component of a novel composite wing and a highly efficient manufacturing concept enabling cycle times and costs to be significantly reduced.

Management contracts

In June and September 2019, the Supervisory Board of FACC AG renewed the management contracts of Aleš Stárek and Yongsheng Wang. This was followed in March 2020 by the extension of Robert Machtlinger's appointment as CEO.

Robert Machtlinger

Robert Machtlinger has been serving as Chairman of the Management Board of FACC since 2016. His responsibilities include Strategy, Customer Relations, Business Development, Marketing, Human Resources, Program Management, Quality, Corporate Communications as well as Innovation and Research. His contract, which was extended in March 2020, runs until 2025.

Aleš Stárek

As CFO, Aleš Stárek has been responsible for Finance, Controlling, Taxes, Treasury, IT, Risk Management, Legal and Investor Relations of FACC AG since 2016. In June 2019, his contract was extended by five years until 2024.

Yongsheng Wang

Yongsheng Wang has also been a member of the Management Board of FACC AG since 2016. His responsibilities include Internal Audit, M&A and China Business Relations. In September 2019, the Supervisory Board extended his CCO contract by four years until 2023.

Awards & innovations

In the past financial year, FACC once again put its pioneering spirit to the test in various areas. Examples include the presentation in Austria of an air taxi suitable for series production or the launch of the first aviation podcast in German-speaking countries. These achievements are visibly appreciated by partners, suppliers and the public at large.

Honored for top performances

The objective of the Airbus Group's Supplier Quality Improvement Plan is to promote optimized and economical production systems. The focus lies on the development of group-wide production systems spanning the entire supply chain, which combine sustainability and outstanding quality. This year, FACC received the Best Performer Award for its exceptional contributions in this area.

Eye-catcher for private investors

In April, FACC attended the Invest fair in Stuttgart and used the opportunity to introduce its company to German private investors. The focus was on new developments as well as its customer and product portfolio. An original winglet for the Airbus A350 drew attention to FACC's exhibition booth.

Apprenticeship training with great opportunities

As a committed and modern training company, FACC offers young people a wide range of apprenticeship training programs, and thus an excellent starting point for a successful future career. In recognition of its commitment in this field, the Upper Austrian Chamber of Commerce presented FACC with the INEO Award in 2019.

Responsible export champion

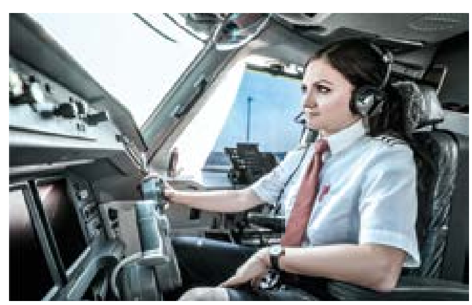
In June 2019, the Austrian Export Prize was once again awarded to FACC. With this prize, the jury of the Austrian Federal Economic Chamber honored FACC for its above-average export share and its presence in global growth markets. In addition, FACC was admitted to the group of leading Austrian companies. This distinction is bestowed upon companies that are particularly committed to sustainable business success, innovation and social responsibility.

Young FACC talents take center stage

FACC apprentices once again put their skills to the test at the apprentice competition of the Upper Austrian Chamber of Commerce. In June 2019, a total of 712 apprentices from 87 companies competed for victory in various disciplines. Apprentices representing FACC secured three podium places in the categories plastics engineering and women in technology.

EHang lands in Vienna

Self-flying air taxis could soon become reality. In early April 2019, FACC presented the EHang 216 to media representatives and the general public in Vienna in collaboration with EHang. In this pioneering project, FACC is responsible for the development of materials and processes for the series production of the multicopter.



First episode goes on air

Flightcast, the first German-language podcast dedicated to aviation, went on air for the first time in June. The project was jointly launched by Austrian Airlines, Vienna Airport, Frequentis and FACC. The series introduces its listeners to the multifaceted world of flying – its potential is enormous as the community interested in aviation in German-speaking countries comprises around 100,000 people.

"... WE ARE POSITIONING OURSELVES TODAY FOR THE AIRCRAFT GENERATION OF TOMORROW ..."

An interview with the management team of FACC AG, Robert Machtlinger (CEO), Andreas Ockel (COO), Aleš Stárek (CFO) and Yongsheng Wang (CCO), on innovation, new fields of business and long-term profitable growth in a very challenging market

Mr. Machtlinger, FACC celebrated several anniversaries in 2019: 30 years of company history, ten years of AVIC as majority shareholder, five years of being listed on the Vienna Stock Exchange. This is the perfect occasion to take a look back, isn't it?

Robert Machtlinger:
Absolutely, our company has undergone a truly impressive development. Over the past three decades, FACC has developed from a SME to a global corporation. A strategically significant Chinese aerospace group has accompanied us on this path as our main shareholder over the past ten years, and we have been able to count on many other institutional and private investors in the last five years. In order to take a look back on these multiple anniversaries with us, the aircraft industry from all corners of the globe came together in Upper Austria in June 2019. We were particularly pleased that all of our major customers from day one were also present. You could sum it up with the short formula "A-B-C" – Airbus, Boeing, Collins – because these three customers have been with us from the very beginning, which creates a special bond and motivates us to try new things. Fortunately, it didn't just stay at these three customers, so we were able to welcome all of our numerous customers including our most recent partner EHang, with which we are jointly developing brand new technology. In addition to our customers and partners, we of course also celebrated with our employees on the FACC Campus. However, we are not dwelling on the past, but are instead focusing on the future ...

Before we take a look into the future – which is currently difficult to anticipate due to the coronavirus in particular – let's stay in the recent past. What was 2019 like overall?

Robert Machtlinger:
2019 was another eventful year, both on the market and at FACC itself. As far as the aerospace industry is concerned, we are currently experiencing consolidation dynamics at an unprecedented scale. On the one hand, I am thinking here of OEM mergers such as that of Airbus and Bombardier, followed by Boeing and the commercial division of Embraer. On the other hand, we are also witnessing significant consolidations of individual segments, such as Spirit's takeover of Bombardier's structural production in Ireland. At the same time, issues relating to the B737 MAX are affecting the entire industry.

The B737 MAX scarcely affected us directly, at least in the past, as we have already compensated for the phasing out of the predecessor model Boeing 737 NG – for which we manufactured parts worth approximately USD 80 million a year – with orders for other platforms. The same applies to the early phase-out of the Airbus A380, with which we still generated sales revenues of USD 60 million in 2014, but whose rates have now gone down to almost zero. In total, we were able to offset sales revenues of around USD 140 million with new orders. This is a remarkable achievement, which was made possible by our good balance between customers and platforms enabling us to compensate for any shifts. However, our growth has suffered somewhat as a result of these shifts and was most recently at the level of overall market growth, and no longer above it as in the past. In the meantime, as is well known, COVID-19 has fundamentally changed the world.

By the way, the development work for the EHang progressed very satisfactorily in the past year: In just ten months, we managed to get this entirely novel urban air mobility vehicle ready for series production from just a prototype. The necessary tools have been manufactured, and the first flight testing prototypes have been produced. Tests are underway, with series production set to begin once they have been successfully completed. EHang is now listed on the New York Stock Exchange. This confirms the attractiveness of the concept and creates a stable financial basis for further development.

Moreover, a simplifying innovation was introduced in 2019 with the change of our financial year to the calendar year. Although this means that comparability of the figures of the last full financial year 2018/19 with those of the short financial year 2019 is limited, we will be able to make meaningful comparisons with other companies of our industry from 2020 onwards.

You already mentioned COVID-19 and the corona crisis: Can the repercussions on the aerospace industry already be assessed from today's perspective?

Robert Machtlinger:
Given the current developments in the international aerospace industry in connection with COVID-19, we have to assume that the crisis will not only affect the supply side. As things currently stand, we expect to see a noticeable drop in demand in manufacturing rates over the next quarters. At this stage, it is difficult to estimate the impact on our group's earnings performance for 2020 and 2021 at the very least.

With this in mind and also with a view to protecting our workforce, we adopted a first comprehensive package of measures in the last few days and weeks and also communicated them to our shareholders on 24 March as part of our transparent communication policy. Furthermore, we are reviewing the situation and any further necessary measures on a daily basis by means of a task force set up specifically for this purpose.

"We wish to further expand our core competence in the field of aviation by gaining market shares on existing platforms and by developing new business areas."

Robert Machtlinger

And how did production develop in 2019, Mr. Ockel?

Andreas Ockel:
As has been predicted in the last few years, we have grown at a slightly slower rate than originally planned for the reasons mentioned before. However, production functioned very well in 2019. Our new projects got off to a good start, particularly the XL bins for the Airbus A320. We were awarded this attractive contract which, after all, concerns the aircraft platform with the currently highest assembly rate in the industry, because we belong to the top 3 suppliers worldwide in the development and production of such systems. As in previous projects, we operate as a single-source supplier, so the demands placed on us are even higher – we were able to fulfill these perfectly. The new, larger overhead stowage compartments are now becoming a standard feature on all A320 aircraft, both new and retrofit.

In 2019, we also focused once again on the topic of lean manufacturing: It is our goal to constantly strive for further improvement, to become increasingly agile and flexible and to thus continuously increase our profitability.

You also made substantial investments in 2019 ...

Andreas Ockel:
Indeed, in 2019 we invested approximately EUR 25 million in new projects and efficiency improvements in the space of just ten months. We installed more efficient machines, particularly in Plant 3, which belongs to the Aerostructures division. Other areas of focus include the evaluation of a new manufacturing execution system and further improvements in the field of computer-aided quality. At the same time, we are advancing the networking of production, which is a long-term project that will extend over the next two years and take us to the next level in terms of digitization.

Finally, we started the planning work for our new plant in Croatia. We had initially planned to launch production in the second quarter of 2021. However, given the current situation in connection with the COVID-19 crisis, management decided to reassess the investments in the Croatian site and proceed with their implementation with a delay following a reevaluation of the prevailing market situation. However, the importance of the site for reducing production costs in the medium and long term can not be doubted. The rationale behind this investment is not so much additional growth but rather the development of our global footprint in the direction of best-cost countries while staying close to our customers. In addition, this step will strengthen the vertical integration of our group as we will be able to insource process steps such as surface treatments and painting.

“Production functioned very well in 2019. Our new projects got off to a good start.”

Andreas Ockel

"We have sufficient financial resources to support our long-term growth."

Aleš Stárek

And what is the effect of all this on key earnings figures?

Aleš Stárek:
Our group revenues for the period from March to December 2019 which, as already mentioned, constitutes a short financial year and is therefore not directly comparable with the previous period, stood at EUR 665 million. Extrapolated pro rata, this represents a slight increase. The main revenue drivers were the A320, A350 and Boeing 787 platforms as well as the newly launched XL bins project for the A320.

The operating result (EBIT) in 2019 amounted to EUR 35 million, and the EBIT margin stood at 5.2%, which is slightly less than in the previous year. Free cash flow was significantly positive at EUR 30 million.

Broken down by division, Aerostructures remained stable at the targeted level with a double-digit EBIT margin, and Engines & Nacelles also generated a stable single-digit EBIT margin. Cabin Interiors, however, is back in the red following the interim recovery in the 2017/18 financial year, with the first two quarters of 2019 adversely affected by the start-up of new projects. Our targeted efficiency measures have nevertheless been taking effect since the beginning of the third quarter.

In January 2020, you launched an efficiency enhancement program for the entire group. This suggests that you are not entirely satisfied with these figures ...

Robert Machtlinger:
Although the result for 2019 is in line with our expectations, it is of course unsatisfactory. Our fixed costs, which were calculated for a larger business volume and are therefore simply too high at the moment, represent our biggest burden. As already mentioned, our customers' rate forecasts have been steadily declining of late and are likely to fall even further in the near future due to COVID-19. In order to prepare for this, we have launched an efficiency enhancement program as publicly announced, with the aim of making our company competitive and profitable in the long term. To this end, we are planning to streamline our supply chain, for instance, by stepping up vertical integration – such as by insourcing the production of strategic component groups – and optimizing business processes throughout the group. This will also include measures in the field of human resources. Overall, we foresee potential savings in the region of EUR 50 million per year.

Another way of raising profits is to increase sales. Does the market currently offer opportunities in this regard?

Robert Machtlinger:
I believe that the long-term market outlook will remain unchanged. Airbus and Boeing have once again confirmed their long-term forecasts in 2019, which anticipate a further increase in passenger volumes and thus in the demand for new aircraft. In the short term, however, we do not expect rates to rise, but rather to fall. In general, the market for wide-bodied aircraft is saturated to a certain extent, which is further compounded by a noticeable and wide-spread uncertainty. On the other hand, rising prosperity in numerous emerging markets and current demographic trends point to a further increase in travel activity. At present, only around 20 percent of the world's population has ever seen an aircraft from the inside – this percentage is bound to increase significantly in the coming decades.

Do you see further potential for growth "above the line" in addition to the long-term upward trend of your traditional market?

Robert Machtlinger:
Yes, we see a whole range of other exciting opportunities which we would like to exploit systematically. I will just mention our activities in cooperation with EHang, which have enabled us to enter a completely new niche in air mobility. An interesting new field of activity is also the retrofit or MRO business, which we operate under the name "Aftermarket Services". Here, too, we are making good progress. Business jets are another promising area.

Sustainability issues – and thus the topic of lightweight construction – are becoming increasingly important, not least fueled by the Fridays for Future movement. Here, for instance, we are working together with Airbus on innovative wing components for the next generation of aircraft in the "Wing of Tomorrow" project. And we are also participating in the development of Rolls-Royce's UltraFan engine with lightweight components. But we are also working on new biological materials such as those made from sugarcane molasses, which could replace petrochemical raw materials in the future. In short, we are already positioning ourselves today with new technologies, materials and processes for the aircraft generation of tomorrow.

Talking about strategy: Your "Vision 2020" presented on the occasion of the company going public will soon come to an end – what's next?

Robert Machtlinger:
We are continuing with our growth strategy, which focuses on both volume and value creation. We specified the goals for this last year: We are aiming for revenue growth of more than 5 percent and an EBIT margin in the range of 8 to 10 percent; the ratio of net debt to EBITDA should be 2.5 and the payout ratio between 20 and 30 percent. In order to achieve this, we wish to further expand our core competence in the field of aviation by gaining market shares on existing platforms and, as I have just mentioned, by developing new business areas, above all the Aftermarket Services business launched in 2018. In 2019, we already generated revenues in excess of EUR 20 million in this area, and in a few years' time we anticipate revenues in the lower regions of a triple-digit million euro amount. The second topic is urban air mobility, which I have already mentioned. Experts estimate the annual sales potential in this field to be at around EUR 30 billion by 2030, and we would like to secure part of this. At the same time, we are gaining experience with new materials in this area, which can then be used for the further development of large aircraft.

Are there plans for inorganic growth as well?

Robert Machtlinger:
Absolutely, that is also an important topic. We have identified three main avenues, which can also be combined: firstly, additional technologies, secondly, additional volume in our core business and thirdly, expansion of our product portfolio.

What is the situation on the Chinese market, Mr. Wang?

Yongsheng Wang:
In the next two decades, China is going to be undisputedly the world's largest market for aircraft; Airbus and Boeing have reconfirmed their forecasts in 2019, and these will not undergo any fundamental changes as a result of the corona crisis. As a member of the AVIC Group, FACC has significant potential in this market. The projects of the group affiliate COMAC, in which FACC is involved, are also intact: The COMAC C919, for which FACC produces cockpit and cabin interiors, spoilers and winglets, is scheduled to go into operation in 2022, and the rates for the COMAC ARJ21 have been rising according to plan since the first commissioning in 2015. This means that the supply volume of FACC will also develop as expected. In total, the annual sales volume from the two projects could amount to as much as EUR 250 million.

"As a member of the AVIC Group, FACC has significant potential in the Chinese market."

Yongsheng Wang

The capital market has recently been rather reserved in its appraisal of your performance ...

Aleš Stárek:
Our share price actually lost in value in the past year, and we recently dropped out of the ATX due to the decline in our market capitalization. Part of this can definitely be attributed to the fact that our performance was not in line with market expectations. Geopolitical factors – I will only mention the punitive tariffs imposed on Airbus and rising protectionism on the part of individual states – also contributed to this downward trend. We are actually in good company: Companies such as Airbus, Boeing, Saffron, Spirit and Lufthansa have also seen substantial losses in value in recent months.

And what about the company's financing? A bond is due to be refinanced in June 2020 ...

Aleš Stárek:
Following the successful issue of a EUR 70 million promissory note loan in July 2019, we enjoy a strong position in this regard. Combined with our existing credit lines, this will enable us to repay the expiring bond and also provide us with sufficient financial resources to support our long-term growth. Incidentally, the promissory note loan has also allowed us to optimize our maturity profile and, by including a US tranche, to address our strong exposure to the US dollar.

Have funds been retransferred yet following the investigation of the Fake President Incident at the end of 2015?

Aleš Stárek:
Unfortunately, the situation remains unchanged. From an economic point of view, we have left the incident behind four years ago now, but the wrap-up has proved to be a complex and lengthy process, as expected, and is likely to continue beyond 2020. Given the excellent cooperation with the Austrian authorities regarding the restitution of the frozen funds to Austria, it is surprising that the transfer of the funds to us now requires legal action against the Republic ...

Finally, could you please give us a brief outlook for the year 2020? What developments can your shareholders expect?

Robert Machtlinger:
Given the fact that corona has further increased uncertainty, any forecast is of course questionable at present. In any case, we will continue on our growth course in line with our market assessment made in December 2019 and on the basis of our extensive customer and product portfolio and our wide range of activities in new areas of business and in the field of innovation. At the same time, we will be vigorously implementing our efficiency enhancement program that we have launched.

PROFITABLE GROWTH ON SOLID FOUNDATIONS

The main objective of FACC's strategy is sustainable and profitable growth. FACC pursues this goal by focusing on three pillars designed to consolidate its strong market position in the long term.

Sustainable and profitable growth

Innovation & customer benefit

Expansion of the product portfolio

FACC encourages active development work through which it continuously improves and develops new products and manufacturing technologies. In addition, FACC is also proactively exploring new forms of aviation.

Complete solutions for the entire product life cycle

Supported by its global production, service and partner network, FACC handles the entire value chain of a product – from design and manufacturing to long-term maintenance, updating and other services.

Expertise & stability

Focus on three business segments plus MRO

FACC operates as a Tier-1 supplier to all major aircraft manufacturers in the business segments Aerostructures, Engines & Nacelles and Cabin Interiors. Moreover, the company has established a strong positioning in the market for maintenance, repair and overhaul.

Profitability through efficiency

Automation, life cycle costing, lean management and a consistent best-in-class approach ensure FACC's competitiveness and profitability in the long run. Methods and initiatives developed in Austria are used throughout the entire FACC network.

Growth & diversification

Expanding market shares and exploration of growth markets

By actively participating in the development of new aircraft programs, FACC strengthens its standing with its customers. The company also explores promising growth markets in Asia and is involved in innovations such as urban air mobility.

Organic and inorganic growth

In addition to promoting its organic growth, FACC is constantly screening the market for companies that are suitable candidates for acquisitions. Through inorganic growth, FACC wishes to strengthen its market presence and continuously expand its know-how and service portfolio.

Innovation & customer benefit

Shaping the future with innovation

FACC's long-standing economic success is largely the result of its great innovative strength and the passionate commitment of its employees. On this basis, the company has earned itself an excellent reputation with customers and partners over the past three decades. FACC stands for quality, efficiency, reliability and best-in-class solutions.

In order to maintain its strong position in a turbulent market environment, FACC is committed to continuous further development. Being open to new ideas, lifelong learning and a forward-looking approach are among the key elements of FACC's corporate culture. Since change processes within the aerospace industry are gathering pace, only players who react quickly and flexibly to new market trends will profit from the positive developments within the industry. FACC faces these ongoing challenges head-on: Using state-of-the-art technologies and the materials of tomorrow, the company is shaping the mobility of the future in a sustainable and economical manner.

Expertise & stability

Facing a market in motion with agility

In the medium to long term, FACC's EBIT margin is expected to settle in the region of 8 to 10 percent. The company strives to achieve this goal independent of its sales development. To this end, the company has carefully analyzed its cost structure across all divisions and identified optimization opportunities. The result: Total gross annual savings of EUR 50 million could be achieved across the main cost drivers that are material and purchasing, added value and fixed costs.

Under the title F.A.C.T. (FACC Over-all Cost Transformation), FACC subsequently introduced specific measures and initiatives – including the optimization of production areas and production management.

A substantial part of these strategic measures consists of the integration of previously outsourced processes and products into the value chain of FACC. By introducing highly automated and scalable systems, the company wishes to create even more added value, become more flexible and prevent supply chain risks in the future. At the same time, new products – especially those for the growing business jet segment – are to be introduced onto the market.

Ultimately, increased efficiency and deepened value creation should not only result in greater profitability: FACC also wishes to ensure the agility that it requires for ongoing innovations in a market that is itself constantly in motion.

Growth & diversification

Full thrust for new growth

With the planned construction of a new high-tech composite plant in Croatia, FACC is taking an important step in its organic growth strategy. Cutting-edge technology, automation and Industry 4.0 are set to become reality in Jakovlje in the coming years. The plant will contribute to increasing the earning power of FACC, thereby also strengthening the importance of its Austrian locations.

FACC is planning to invest up to a total of EUR 60 million in the construction of its new production plant near Zagreb. On an area of approximately 12,200 square meters, up to 600 highly qualified employees will manufacture lightweight components for passenger cabins of commercial aircraft and business jets. With the establishment of this new plant and the associated increase in its production capacities, FACC is responding to the continuing increase in demand in the global aerospace market. The good availability of technically highly qualified personnel played a decisive role in choosing Croatia as a location. In future, FACC will make significant investments in the further training of its Croatian employees and will also establish a dual training system for aviation professions in cooperation with vocational schools.

FROM AN SME TO A GLOBAL PLAYER

With the majority takeover of FACC by the Aviation Industry Corporation of China, the Austrian plastics specialist entered a new era in 2009. In the space of just one decade, the company evolved from a medium-sized enterprise into a global corporation.

There is hardly anyone who is not familiar with global players such as Airbus or Boeing. However, only very few know that the Aviation Industry Corporation of China (AVIC) is one of the world's largest aircraft manufacturers. The Fortune 500-group comprises the impressive number of around 100 subsidiaries with a total workforce in excess of 450,000. 28 of these companies are listed on the stock exchange, including FACC, in which AVIC has held a majority stake since 2009.

The underlying rationale behind the takeover was the creation of a strategic alliance that would soon prove to be a success story for both sides. With this acquisition, the AVIC Group gained access to FACC's immense know-how in the fields of lightweight construction and aerospace. At the same time, the Chinese group has invested approximately EUR 500 million in the technology and location development of FACC since 2009.

This commitment has enabled the construction of two new plants. In addition, approximately 2,000 attractive new jobs have been created, and FACC AG went public in 2014. Most importantly, the partnership has given FACC access to the Chinese market and thus to one of the largest growth regions in the aviation industry.

The boost given to FACC through the takeover by AVIC is clearly illustrated by the development of group sales: Whereas these amounted to approximately EUR 250 million in 2008/09, they already stood at EUR 782 million in the 2018/19 financial year. Within just one decade, group sales had thus more than tripled.

This positive development, however, is not limited to sales. FACC is currently represented with parts on all important aircraft platforms and enjoys an excellent reputation as a reliable partner and innovation driver throughout the industry. Today, ten years after its acquisition, FACC has become an indispensable part of the AVIC group structure, the core business of which is the research, development and manufacture of aircraft.

Treasures in the heart of Europe

For ten years, Ruguang Geng held the position of Chairman of the Supervisory Board of FACC, from which he retired at the end of 2019. He now looks back on a period marked by great successes for AVIC and FACC.

Mr. Geng, about ten years ago AVIC became the majority owner of FACC. How did such a large corporate group become aware of a company, which at that time was still a medium-sized Upper Austrian company?

Since its founding in 1993, AVIC has developed into one of the most important aerospace groups in the world. Much of this success is the result of our own efforts. However, our global partners and subsidiaries, whose know-how perfectly complements AVIC's portfolio, also have a major role to play. We became aware of their critical importance very early on. When screening the market for potential shareholdings, we therefore do not primarily focus on high sales, but rather on qualitative criteria. And this is where FACC convinced us immediately.

Have FACC and AVIC benefited from this partnership in equal measure?

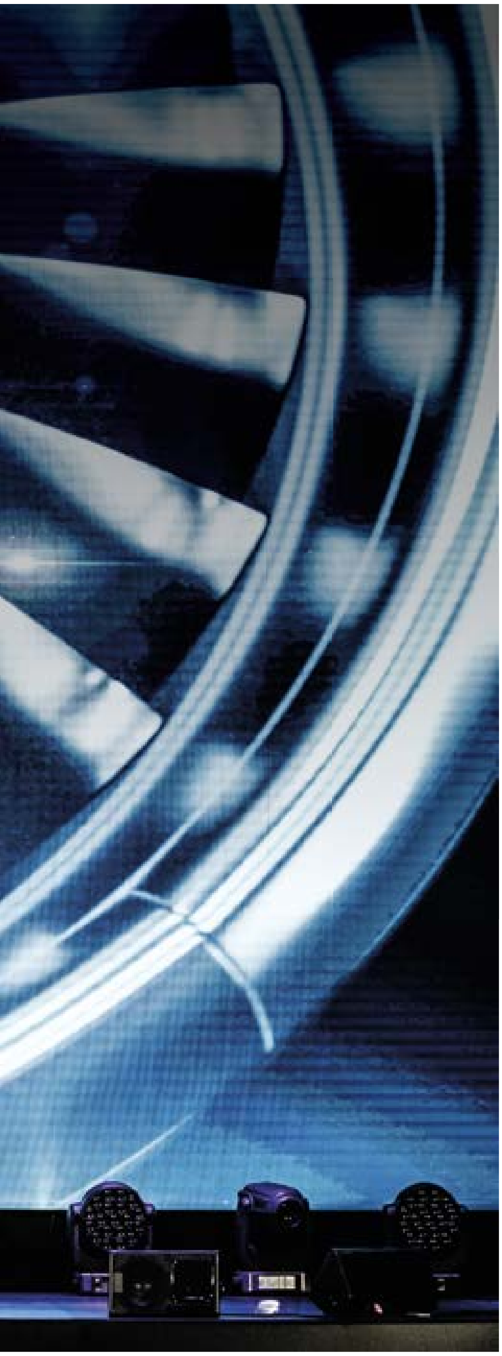
That I am certain of! In the past ten years, FACC has tripled its sales, more than doubled its workforce, commissioned two new plants and entered into entirely different markets. This would have been nearly impossible without the commitment of AVIC. On the other hand, FACC is now our main supplier of composite parts for our COMAC passenger aircraft and therefore makes a substantial contribution to the success of this aircraft program.

You have been living in Austria now since many years. Do you already feel at home here?

Yes, you could say that. Particularly Austria's pristine nature, the mountains, forests and lakes, impressed me from the very beginning. Later on, I also got to discover the diverse cultural offer and Austria's fascinating history. This small country in the heart of Europe has great treasures to offer. This is something all Austrians should remember.

THREE DECADES OF FULL THRUST

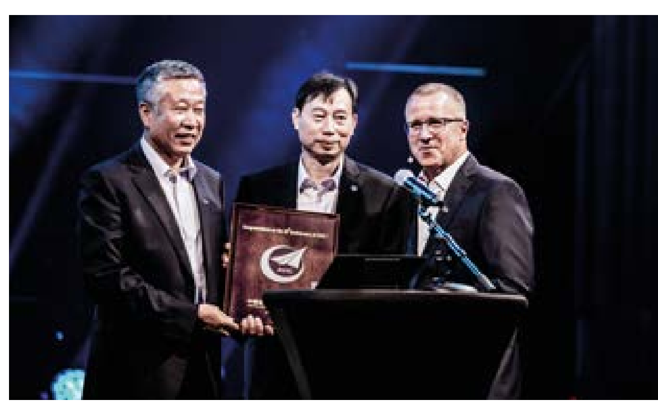
Long-standing partners, companions and friends came together at Lake Wolfgang to celebrate FACC's 30th anniversary in June 2019. Although the company's history was, of course, the main focus, there were also a number of surprises in store.



A pas de deux performed by two solo dancers of the Vienna State Opera on an aerodynamically inspired stage kept guests in awe.

CEO Robert Machtlinger welcomed long-standing customers, business partners and employees as well as renowned representatives from business and politics.

Petra Nixon (Collins), Klaus Richter (Airbus), presenter Nadja Bernhard (ORF), Elizabeth Lund (Boeing) and Jeff Luckey (formerly Boeing) talking on stage



30 years of success: AVIC president Ronghuai Luo congratulated Ruguang Geng (Chairman of the Supervisory Board of FACC until the end of 2019) and Robert Machtlinger on their corporate anniversary.

THE 2019 FINANCIAL YEAR

INVESTOR RELATIONS

TRANSPARENT COMMUNICATION

Ensuring that all capital market participants have rapid access to all relevant information at the same time is a top priority at FACC. A key element of the company's investor relations work is personal communication with all investors through an open and active dialogue. For this reason, a large number of presentations and roadshows were held in important international financial centers such as London, New York, Paris, Geneva, Frankfurt and Vienna during the 2019 reporting period.

The FACC IR team also attended several conferences, where it was able to directly address questions from institutional investors and analysts. In 2019, one-on-one meetings and group presentations with members of the Management Board and investors were held on more than 50 days at roadshows and conferences in the most important financial centers. Moreover, FACC maintained regular telephone and personal contact with its investors.

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

FACC SHARE: KEY FIGURES

		2017/18	2018/19	2019
Trading volume	Shares	43,784,504	64,075,748	39,977,526
Average daily trading volume	Shares	175,810	259,416	159,910
Yearly high	EUR	21.8	24.25	15.2
Yearly low	EUR	6.48	12.64	9.06
Closing price	EUR	21.5	13.82	11.20
Earnings per share	EUR	0.87	0.38	0.46
Dividend per share	EUR	0.11	0.15	–
Market capitalization	MEUR	984.5	632.8	510.1
Annual performance	%	208.9	–35.4	–20.1
Dividend yield	%	0.5	1.1	-

ANNUAL GENERAL MEETING

The 5th Annual General Meeting of FACC AG was held on 9 July 2019 in Ried im Innkreis. All proposed resolutions were approved by a large majority of votes. The Annual General Meeting also resolved to distribute a dividend of EUR 0.15.

Detailed information on the Annual General Meeting, proposed resolutions and voting results can be accessed on the FACC AG website.

ANALYST COVERAGE

Six financial institutions published reports on FACC shares at the end of the 2019 financial year:

Financial institution	Recommendation	Target price in EUR
Baader Bank	BUY	13.0
ERSTE GROUP	BUY	14.5
Hauck & Aufhäuser	BUY	18.0
Kepler Cheuvreux	BUY	15.0
Pareto Securities	BUY	14.0
RCB	BUY	14.5

SHAREHOLDER STRUCTURE AND SHARE CAPITAL

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

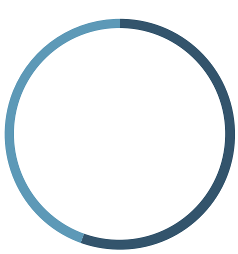
FACC AG received voting rights notifications pursuant to Section 91 of the Austrian Stock Exchange Act (BörseG) in the short financial year 2019. These were published within the statutory time limits and can be accessed on the company website.

No other shareholder held more than 4 percent of the share capital or voting rights of FACC AG at the time of the editorial deadline for this Annual Report.

TREASURY SHARES

FACC AG held no treasury shares as of the balance sheet date 31 December 2019.

Shareholder structure



DIVIDEND POLICY

Financial year	Dividend per share in EUR	Payment date	Yield in %
2018/19	0.15	17 July 2019	1.1
2017/18	0.11	12 July 2018	0.5

The company intends to distribute dividends in the range of 20 to 30 percent of the company's group earnings after taxes in accordance with IFRS in the future.

In view of the COVID-19 crisis and the need to strengthen the company's liquidity, the Supervisory Board and Management Board will propose to the Annual General Meeting that no dividend be paid for the short financial year 2019.

No dividends were paid for the financial years 2014/15 to 2016/17.

BASIC INFORMATION

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

FINANCIAL CALENDAR 2020

20 May 2020	Interim Report Q1 2020
26 June 2020	Annual General Meeting
20 August 2020	Half Year Financial Report 2020
20 November 2020	Interim Report Q3 2020

CONTACT

Manuel Taverne
Director Investor Relations
Phone +43 59 616 2819
Mobile +43 66 80119 2819
m.taverne@facc.com

CORPORATE GOVERNANCE REPORT

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

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

DECLARATION OF COMMITMENT

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

FACC AG is obliged to prepare a Corporate Governance Report in accordance with Rule L-60 ÖCGK. All previous reports are also available to the public on the company's website at www.facc.com (Rule C-61 ÖCGK).

Pursuant to Rule C-62 of the Austrian Code of Corporate Governance, the company is obliged to commission an external evaluation of compliance with the Code's C-Rules on a regular basis, but at least once every three years. FACC most recently commissioned KPMG Advisory GmbH to evaluate the Corporate Governance Report for the 2019 financial year. The evaluation concluded that FACC's declaration of compliance with the Austrian Code of Corporate Governance in its current version (2018) is factually accurate. The evaluation results can be viewed by all interested parties on the company website at www.facc.com.

The risk management system was assessed by an auditor in the 2019 financial year (Rule C-83 ÖCGK).

EXECUTIVE BODIES OF FACC AG

Management Board

Organization and operation of the Management Board

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

The Management Board conducts the business of FACC AG in conformance with legal provisions and the company's Articles of Association and Rules of Procedure. Business is distributed among the Management Board members in accordance with the Rules of Procedure, which also govern collaboration within the Management Board. Furthermore, the Management Board has undertaken to fully comply with the rules of the Austrian Code of Corporate Governance.

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

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

Aleš STÁREK (1970)
Member of the Management Board
First appointed: 2016
End of current term of office:
10/2024
Areas of responsibility: Financial Accounting, Controlling, Taxes, Treasury, IT, Legal, Investor Relations
Supervisory Board mandates in other companies: none

Yongsheng WANG (1963)
Member of the Management Board
First appointed: 2016
End of current term of office:
05/2023
Areas of responsibility: Internal Auditing, China Business Relations, Risk Management
Supervisory Board mandates in other companies: none

Supervisory Board

The Supervisory Board's actions are bound by the laws and regulations applicable to companies listed in Austria such as the Austrian Stock Corporation Act and the Austrian Stock Exchange Act. Furthermore, the Supervisory Board has undertaken to observe the rules of the Austrian Code of Corporate Governance. The company's Articles of Association and the Rules of Procedure constitute its most important internal regulations. The Supervisory Board consists of at least three and at most ten members elected by the Annual General Meeting as stipulated by the Articles of Association of FACC AG.

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

When electing members of the Supervisory Board, the Annual General Meeting must pay due attention to the requirements with respect to professional and personal qualifications as well as the balanced composition of expert know-how. Due regard must also be paid to diversity in terms of gender, age distribution and internationality. Newly elected Supervisory Board members are obliged to obtain adequate information on the organization and activities of the company and on the tasks and responsibilities of supervisory boards. The members of the Supervisory Board are required to conduct an annual self-evaluation to assess their own performance.

Ruguang GENG (1957)
Chairman of the Supervisory Board since 2009
First appointed: 2014
End of current term of office:
Annual General Meeting deciding on the 2021 financial year
Supervisory Board mandates in other companies: none

On 13 December 2019, the Chairman of the FACC Supervisory Board, Mr. Ruguang GENG, informed the Management Board of the company that he would be resigning from his position with effect from 31 December 2019 and would thus be retiring from the Supervisory Board before the end of his term of office, which was due to expire at the Annual General Meeting in 2022?.

The Supervisory Board has appointed Mr. Zhen PANG, who previously held the position of Vice Chairman, as the new Chairman of the Supervisory Board with effect from 1 January 2020.

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

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

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

Wenbiao HAN (1980)
First appointed: 2018
End of current term of office: April 2019
Supervisory Board mandates in other companies: none

On 12 April 2019, FACC AG announced that Mr. Wenbiao HAN, member of the Supervisory Board and Chairman of the Audit Committee of FACC AG, had resigned from office for personal reasons with effect from 29 April 2019. Mr. Wenbiao HAN had been on the Supervisory Board of the company since June 2018. AVIC Cabin Systems Co., Limited (formerly FACC International) delegated Mrs. Jiajia DAI, born 1978, as a new member of the Supervisory Board of FACC AG pursuant to section 11.2 of the Articles of Association of FACC AG.

Jiajia DAI (1978)
First delegated: April 2019
Supervisory Board mandates in other companies: none

Qinghong LIU (1973)
First appointed: 2018
End of current term of office:
Annual General Meeting deciding on the 2021 financial year
Supervisory Board mandates in other companies: none

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

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

Members of the Supervisory Board delegated by the Works Council:

Peter KROHE (1959)
First delegated: 2014

Barbara HUBER (1965)
First delegated: 2014

Ulrike REITER (1960)
First delegated: 2014

Karin KLEE (1981)
First delegated: 2018

Participation in meetings of the Supervisory Board and the committees:

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

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

Independence of the Supervisory Board members

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

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

Supervisory Board committees

As required by the Austrian Stock Corporation Act, the Supervisory Board of FACC AG has set up an Audit Committee to perform planned supervisory and control functions. In addition to examining the accounting process as well as the audit and Group audit, it also monitors the effectiveness of the internal control and risk management system. Furthermore, the Audit Committee is responsible for reviewing the Corporate Governance Report, which is presented at the Annual General Meeting. The Audit Committee held three meetings in the 2019 financial year. A total of three Supervisory Board meetings were held during the reporting period.

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

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

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

Supervisory Board committees in the 2019 financial year

Audit Committee

Members
- Jiajia DAI (Chairwoman)
- Jing GUO
- George MAFFEO
- Barbara HUBER (until 12.09.2019)

Personnel and Compensation Committee

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

Strategy Committee

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

Transactions of the Supervisory Board requiring approval (Rule L-48 ÖCGK)

No transactions requiring approval were approved for members of the Supervisory Board in the 2019 financial year.

A consulting agreement was concluded in the 2018/19 financial year with George Maffeo due to his experience with and knowledge of the US market.

Collaboration between the Management Board and the Supervisory Board

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

Furthermore, the Management Board regularly informs the Supervisory Board of the business development and the situation of the company and the Group as a whole with respect to forecasts, taking into account future developments.

REMUNERATION REPORT

Remuneration of the Management Board members

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

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

An upper limit has been set for the variable remuneration component.

In the 2019 financial year, variable remuneration accounted for 23 percent of the total remuneration of all members of the Management Board.

No stock options program has been put in place for members of the Management Board or for executive employees.

Total remuneration of the Management Board members amounted to kEUR 1,359 in the 2019 financial year (previous year: kEUR 1,749). The variable component of total remuneration relates to the 2017/18 financial year.

In kEUR	Fixed	Variable	Total
Robert Machtlinger	332	106	438
Andreas Ockel	322	20	342
Aleš Stárek	260	71	341
Yongsheng Wang	190	56	246

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

Members of the Management Board are enrolled in a defined-contribution pension plan, expenses for which totaled kEUR 176 in the 2019 financial year (previous year: kEUR 200).

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

Remuneration of the Supervisory Board members

The remuneration of the Supervisory Board members for the 2018/19 financial year, resolved at the 2019 Annual General Meeting, amounts to kEUR 275. The attendance allowance is broken down as follows:

An attendance allowance is granted for participation in Supervisory Board meetings. Depending on the respective function (chairpersons), responsibilities (committee members), expertise and experience, the amount ranges between EUR 2,000 and EUR 2,500, and between EUR 1,000 and EUR 1,250 (chairpersons) for preparing and attending the Annual General Meeting. As a second component, fixed remuneration in the range of EUR 25,000 to EUR 37,500 including, where applicable, mandatory taxes is paid according to the volume of preparatory work and cooperation with the Management Board.

	Name	Attendance allowance in EUR	Fixed remuneration in EUR
Chairman of the Supervisory Board	Ruguang Geng	2,500	31,250
Vice Chairman of the Supervisory Board	Zhen Pang	2,300	-
Committee chairpersons	Ruguang Geng Zhen Pang Wenbiao Han Jiajia Dai	-	-
Committee members	Jiajia Dai	2,200	-
	Jing Guo	2,000	-
	George Maffeo	2,000	20,833
	Qinghong Liu	2,000	-
	Weixi Gong	2,000	20,833
	Junqi Sheng	2,200	20,833
	Jing Guo	2,200	-

In addition, members of the Supervisory Board receive a one-off attendance allowance in the range of EUR 1,000 to EUR 1,250 for preparatory activities in connection with the Annual General Meeting and constituent meetings.

Members delegated by the Works Council are not entitled to an attendance allowance.

DIVERSITY

When electing members of the Supervisory Board, the Annual General Meeting must pay due attention to the requirements with respect to professional and personal qualifications as well as the balanced composition of expert know-how. Due regard must also be paid to diversity in terms of gender, age distribution and internationality. Newly elected Supervisory Board members are obliged to obtain adequate information on the organization and activities of the company and on the tasks and responsibilities of supervisory boards. Women have been represented on the Supervisory Board of FACC AG since the company was first listed on the Vienna Stock Exchange. At the end of the 2019 financial year, the proportion of female members of the Supervisory Board was 40% (5 out of 12).

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

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

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

Shareholder rights

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

Directors' Dealings

Share purchases and sales by members of the Management Board and Supervisory Board are disclosed in accordance with applicable legal provisions (Article 19 of the Austrian Market Abuse Directive). Share purchases and sales are published on the company homepage at www.facc.com.

Changes after the balance sheet date

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

Auditor

Ernst & Young Wirtschaftsprüfungs GmbH, Linz, was proposed by the Supervisory Board as auditor and Group auditor of FACC AG for the 2019 financial year. The motion was adopted by the Annual General Meeting on 9 July 2019 with the requisite majority.

Expenses for auditing services in the 2019 financial year amounted to kEUR 273 (previous year: kEUR 180). The breakdown according to individual areas is shown in the Notes to the Consolidated Financial Statements.

2019 FINANCIAL REPORT

Group Management Report of FACC AG for the short financial year 2019

- **The growth of the global economy slowed down to 2.9%, after 3.6% in the previous year.**
- **Passenger volumes in air traffic continue to grow as planned.**
- **Airbus and Boeing delivered 1,243 aircraft with 681 firm orders for new aircraft booked in the same period.**
- **The order backlog for aircraft with more than 100 seats remained high at 12,913.**

1. BUSINESS ENVIRONMENT

The global economy is experiencing a slowdown in growth. According to estimates of the International Monetary Fund (IMF), global economic output rose by 2.9% after an increase of 3.6% in 2018, while growth in industrialized countries slightly decreased to 1.7% following a stronger performance in the previous year (previous year: 2.2%). In the emerging and developing countries, economic growth remained high at 3.7% (previous year: 4.5%). According to the IMF, the world's two largest economies, the USA and China, each recorded an increase in economic growth in 2019, with the United States currently undergoing a robust economic recovery. In 2019, the US economy grew by 2.3% (previous year: 2.9%).

China and India, whose economies continued to grow unabated, were the main drivers of global economic growth. The countries grew by 6.1% and 4.8%, respectively (previous year: 6.6% and 6.8%, respectively) as shown by economic data.

The eurozone economy, in contrast, experienced slightly weaker growth in 2019: After years of continuous recovery, albeit at a low level, growth in Europe once again significantly decreased to 1.2% compared to 1.9% in the previous year.

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

2. INDUSTRY ENVIRONMENT

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

The International Air Transport Association (IATA) reported an increase of 4.5% in global passenger volumes in 2019, with demand increases varying by region. With growth rates of 18.6% in India, 11.7% in China and 9.0% in Russia, Asia can be considered the largest growth driver. Confronted with increasing passenger volumes, the airlines decided to expand their fleets. IATA calculated industry-wide profits of USD 25.9 billion for 2019, which therefore proved to be a successful year for the airlines in spite of a slightly lower result compared to the previous year.

In 2019, Airbus and Boeing delivered a total of 1,243 aircraft. During the same period, airlines placed orders for 681 aircraft with Airbus and Boeing. The order backlog for aircraft with more than 100 seats remained virtually unchanged at 12,913 aircraft.

The decline relative to the previous year is mainly due to the temporary grounding of the Boeing 737 MAX.

3. GENERAL INFORMATION

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

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

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

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

3.2 Initial application of the International Financial Reporting Standard IFRS 16:

With effect from 1 March 2019, the FACC Group adopted IFRS 16 Leases, which has resulted in changes to the accounting and valuation principles. For the adoption of IFRS 16, the FACC Group applied the modified retrospective method.

3.3 Change of the financial year to the calendar year:

At the 5th Annual General Meeting held on 9 July 2019, a resolution was passed to change the financial year to the calendar year. 2019 is therefore a short financial year ending on 31 December 2019 (1 March 2019 - 31 December 2019. The financial year of the FACC Group has thus been adjusted to the reporting date of the Aviation Industry Corporation of China. The figures for the short financial year can only be compared with the previous year to a limited extent.

4. DEVELOPMENT OF THE FACC GROUP

	2017/18 in EUR million	2018/19 in EUR million	**SFY 2019 in EUR million**
Revenues	747.6	781.6	665.0
One-time effects	5.7	0.0	0.0
Of which product revenues	691.0	700.1	592.4
Of which revenues from development services	56.6	81.5	72.6
EBIT (reported)	60.1	43.6	34.6
One-time effects	15.2	–11.4	0.0
EBIT (operating)	44.9	55.0	34.6
EBIT margin (operating)	6.0%	7.0%	5.2%
Earnings after taxes	37.0	30.3	21.1
Earnings per share (in EUR)	0.81	0.66	0.46

In the short financial year 2019, the FACC Group generated revenues of EUR 665.0 million, which represent a decrease of EUR 116.5 million, or 14.9%, compared to the previous year. The figures for the short financial year can only be compared with the previous year to a limited extent.

Revenues from product deliveries decreased by 15.4% to EUR 592.4 million. The main drivers of product sales in the 2019 short financial year were the programs for the Airbus A320 family, Airbus A350 XWB, Airbus A330Neo, Boeing 787 as well as the Bombardier and Embraer Business Jets. All other programs, including all components for the equipment of Rolls-Royce and Pratt & Whitney engines, developed in line with FACC management plans and contributed to the Group's growth.

The stable production rates for the major aircraft programs of the customers Airbus, Boeing, Bombardier, Embraer and Comac along with the ongoing transition from development projects to series production ensured further growth in relative terms.

Revenues from the offsetting of development work amounted to EUR 72.6 million (previous year: EUR 81.5 million).

The cost of goods sold fell by EUR 102.9 million from EUR 701.2 million to EUR 598.3 million in the short financial year 2019. This decline is attributable to the shorter financial year. The ratio of this figure to revenues remained constant at 90%.

Reported earnings before interest and taxes (EBIT) amounted to EUR 34.6 million in the short financial year under review (previous year: EUR 43.6 million).

4.1 Financial position

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

Financing instruments

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

For information on the company's capacity to raise funds through authorized and conditional capital and on funding sources, please refer to Note 33. Through these diverse measures, FACC has created a stable and sustainable basis to meet its future funding requirements.

4.1.1. Liquidity analysis

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

	2017/18 in EUR million	2018/19 in EUR million	**SFY 2019 in EUR million**
Cash flow from operating activities	63.1	63.3	47.7
Cash flow from investing activities	–35.1	–35.7	–17.9
Free cash flow	28.0	27.6	29.8
Cash flow from financing activities	–12.9	–0.8	–43.6
Net change in cash and cash equivalents	15.0	26.8	–13.8
Effects from foreign exchange rates	0.2	–0.2	–0.5
Cash and cash equivalents at the beginning of the period	**48.3**	**63.5**	**90.1**
Cash and cash equivalents at the end of the period	**63.5**	**90.1**	**75.8**

Cash flow from operating activities

At EUR 47.7 million, cash flow from operating activities in the 2019 reporting year was EUR 15.6 million lower than the previous year's figure of EUR 63.3 million.

Cash flow from investing activities

Cash flow from investing activities amounted to EUR –17.9 million in the 2019 reporting year, compared with EUR –35.7 million in the previous year.

The main cost drivers of project investments were development and tooling costs for various aircraft types such as the A320 Entrance Area project as well as investments in various tool duplications to secure future production rates.

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

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

Cash flow from financing activities

In the 2019 reporting year, the cash flow from financing activities stood at EUR –43.6 million (previous year: EUR –0.8 million).

4.1.2. Net debt

On 31 December 2019, net debt amounted to EUR 213.2 million (previous year: EUR 180.9 million).The increase is mainly due to the adoption of IFRS 16. On the balance sheet date, the Group's cash amounted to EUR 75.8 million (previous year: EUR 90.1 million).

	28.02.2018 in EUR million	28.02.2019 in EUR million	31.12.2019 in EUR million
Promissory note loans	34.0	34.0	70.0
Bonds 2013-20 (ISIN AT00000A10J83)	89.6	89.8	89.9
Other financial liabilities	121.9	147.2	129.1
Gross financial liabilities	245.5	271.0	289.0
Less			
Cash and cash equivalents	63.5	90.1	75.8
Financial assets	63.5	90.1	75.8
Net debt	182.0	180.9	213.2

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

	28.02.2018 in EUR million	28.02.2019 in EUR million	31.12.2019 in EUR million
Earnings before interest and taxes (EBIT)	**60.1**	**43.6**	**34.6**
Plus/minus			
Depreciation, amortization and impairment	32.9	15.8	18.8
Amortization contract costs		8.0	6.3
Impairment contract costs		7.3	0.0
EBITDA	**93**	**74.8**	**59.7**
Net debt/EBITDA	**1.96**	**2.42**	**2.97**[1]

[1] The value is based on an extrapolation over 12 months.

4.2 Net asset position

The balance sheet total increased by EUR 13.6 million to EUR 739.4 million compared to the previous year.

	28.02.2018 in EUR million	28.02.2019 in EUR million	31.12.2019 in EUR million
Non-current assets	344.7	324.9	378.4
Current assets	358.8	400.9	361.0
Assets	703.5	725.8	739.4
Equity	323.1	299.0	316.1
Non-current liabilities	211.1	185.7	186.3
Current liabilities	169.4	241.1	237.0
Debt	380.5	426.8	423.3
Equity and liabilities	703.6	725.8	739.4

4.2.1. Assets

Non-current assets of the FACC Group increased by EUR 53.5 million to EUR 378.4 million compared to the balance sheet date on 31 December 2019.

Current assets decreased by EUR 39.8 million compared to the same period of the previous year. Cash and cash equivalents decreased by EUR 14.3 million to EUR 75.8 million as of the balance sheet date on 31 December 2019.

4.2.2. Equity

The FACC Group's equity amounted to EUR 316.1 million at the end of the reporting period. This corresponds to an equity ratio of 42.8% as of 31 December 2019 (previous year: 41.2%).

4.2.3. Debt

Within non-current liabilities, other financial liabilities decreased by EUR 34.4 million to EUR 43.8 million.

Within current liabilities, trade payables increased by EUR 8.6 million to EUR 83.5 million. Other financial liabilities decreased by EUR 43.0 million to EUR 26.0 million.

5. DEVELOPMENT OF THE BUSINESS SEGMENTS

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

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

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

In the 2019 short financial year, numerous new contracts were signed to ensure the sustainable implementation of the FACC strategy. Implementation of these projects began in the course of the 2019 short financial year. Revenues from these orders will also contribute to the further growth of the business segments.

5.1 Aerostructures

	2017/18 in EUR mill.	2018/19 in EUR mill.	SFY 2019 in EUR mill.
Revenues	332.8	335.7	243.5
EBIT (reported)	35.9	37.6	31.3
EBIT margin (reported)	10.8%	11.2%	12.8%
One-time effects	–1.6	–8.3	0.0
EBIT (before one-time effects)	37.5	45.9	31.3
EBIT margin (before one-time effects)	11.3%	13.7%	12.8%

Revenues in the Aerostructures segment amounted to EUR 243.5 million in the 2019 short financial year (previous year: EUR 335.7 million). Revenues from product deliveries decreased by EUR 67.0 million, or 24.0%, to EUR 212.4 million. Growth in the segment continues to be driven by rising revenues from the Airbus A350 and A320 programs.

Revenues from development activities declined by 44.8% from EUR 56.3 million to EUR 31.1 million in the period under review.

Earnings before interest and taxes (EBIT) in the Aerostructures segment stood at EUR 31.3 million in the 2019 short financial year (previous year: EUR 45.9 million).

New orders, which are currently in the series ramp-up phase, could not compensate for the loss of sales arising from the B737NG and A380 programs.

5.2 Engines & Nacelles

	2017/18 in EUR mill.	2018/19 in EUR mill.	SFY 2019 in EUR mill.
Revenues	161.4	168.5	152.4
EBIT (reported)	15.9	9.5	6.0
EBIT margin (reported)	9.9%	5.6%	3.9%
One-time effects	13.1	–1.2	0.0
EBIT (before one-time effects)	2.8	10.7	6.0
EBIT margin (before one-time effects)	1.7%	6.4%	3.9%

Revenues in the Engines & Nacelles segment reached EUR 152.4 million in the 2019 short financial year (previous year: EUR 168.5 million). This corresponds to a decrease of 9.6%.

Revenues from product deliveries decreased by 11.4% from EUR 161.1 million to EUR 142.7 million. Revenues from development activities increased by EUR 2.3 million from EUR 7.4 million to EUR 9.7 million.

Earnings before interest and taxes (EBIT) in the Engines & Nacelles segment stood at EUR 6.0 million in the 2019 short financial year (previous year: EUR 9.5 million).

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

5.3 Cabin Interiors

	2017/18 in EUR mill.	2018/19 in EUR mill.	SFY 2019 in EUR mill.
Revenues	253.4	277.4	269.2
EBIT (reported)	8.3	–3.5	–2.6
EBIT margin (reported)	3.3%	–1.3%	–1.0%
One-time effects	3.6	–2.0	0.0
EBIT (before one-time effects)	4.7	–1.5	–2.6
EBIT margin (before one-time effects)	1.9%	–0.5%	–1.0%

Revenues in the Cabin Interiors segment amounted to EUR 269.2 million in the 2019 short financial year (previous year: EUR 277.4 million). Thus the segment was able keep revenues almost constant despite the short financial year.

Revenues from product deliveries in 2019 totaled EUR 237.3 million (previous year: EUR 259.6 million). Significant revenues were achieved with the COMAC programs. Revenues from these programs increased from EUR 21.3 million to EUR 24.8 million despite the short financial year. In the Business Jet division, substantial revenues were generated with the programs for the EMBRAER Legacy 450/500.

Revenues from development activities increased by EUR 14.1 million from EUR 17.8 million to EUR 31.9 million.

Reported earnings before interest and taxes (EBIT) of the Cabin Interiors segment stood at EUR –2.6 million in the 2019 short financial year (previous year: EUR –3.5 million).

6. RISK REPORT

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

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

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

The following key risk areas have been identified:

6.1 Management risks

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

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

FACC's management is responsible for implementing policy consistently, while promptly responding to short-term changes in line with the defined corporate strategy. In doing so, it must be ensured that the strategic direction of the company as well as the planned revenue and earnings targets are taken into due account.

6.2 Sales risks

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

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

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

6.3 Purchasing and supplier risks

FACC's Purchasing department regularly carries out risk assessments of the company's suppliers to identify potential threats and risks at an early stage. This is done in order to be able to set the priorities for the planning and the execution of audits and support the decision-making process when awarding new contracts. The selection of new suppliers requires the involvement of the "Procurement Quality Assurance" (PQA) department to make sure that the necessary qualifications and approvals have been obtained and that there are no identifiable risks. When new projects are launched, suppliers are subjected to a mandatory first sample test to minimize product risk. The ongoing quality-compliant and timely delivery of materials and of semi-finished and finished products is assessed via SAP on a regular basis. This evaluation is also an integral part of the overall risk assessment. Deviations from the targeted component quality and delivery performance are systematically tracked, analyzed, evaluated and benchmarked against defined goals. Noticeable variations are reported to the Management Board following the Management Reviews.

6.4 Business interruption risk

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

6.5 Project management

FACC's project management is responsible for implementing the objectives defined by management by way of projects. In this regard, distinctions are made as to whether FACC is to assume development responsibility or not. Feasibility has to be assessed for each contract and associated risks identified, evaluated as well as closely monitored and analyzed during the course of the project in order to initiate and implement appropriate measures, if deemed necessary. The major risks concern the availability of resources of any kind (manpower, equipment, materials, etc.) as well as external factors, which the project team encounters via the company's interfaces or via third parties.

6.6 Product liability and quality risks

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

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

Despite product liability risks being adequately insured, quality problems may negatively affect the company's net asset position, financial position and profit position

6.7 Financial risks

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

6.7.1. Currency risks

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

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

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

6.7.2. Interest rate risks

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

An increase in interest rates by 50 basis points would have resulted in a reduction in earnings after taxes and in equity of kEUR 615 (previous year: kEUR 568). A reduction in interest rates by 50 basis points would have resulted in an increase in earnings after taxes and in equity in the amount of kEUR 587 (previous year: kEUR 568). Calculation is based on interest-bearing assets and liabilities subject to variable interest rates.

6.8 Risks related to administrative and production systems

Within the scope of its business processes, FACC is also exposed to IT and system risks which, in extreme cases, can lead to the impairment of administrative and production facilities. Risk factors falling under this category include, for instance, standard cybercrime risks (cybercrime attacks such as hacking, phishing, ransomware, etc.) as well as typical fraud scenarios (social engineering) and the risk of unauthorized persons physically entering sensitive production or company areas. FACC has taken appropriate systemic security precautions for IT-related areas. Within the framework of fraud prevention, FACC relies on continuous training in sensitive areas and on information campaigns within the company. Physical plant security is ensured by measures such as access controls.

7. RESEARCH, DEVELOPMENT AND INNOVATION

FACC continuously invests in research and development in order to strengthen business relationships with its customers and develop new fields of business. Here, the main focus lies on proprietary in-house development in order to be able to use the expertise acquired for all current and future customers of the company. Moreover, FACC forms strategic alliances with customers and research institutions to further optimize its products.

In the 2019 financial year, FACC spent EUR 59.5 million, i.e. 9.0% of its revenues, on business-related and customer-specific research and development activities.

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

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

- Weight reduction
- Robust manufacturing processes
- Sustainable materials
- Increased production rates
- Digitization and artificial intelligence

Thermoplastic extruded components

In the past financial year, the aviation industry clearly showed a heightened interest in thermoplastic carbon fiber reinforced materials. High-performance plastics such as LM-PAEK (low-melting polyaryletherketone) and PEEK (polyetheretherketone) in particular are becoming increasingly important in structural applications. Processing in combination with a high-rate, automated and robust extrusion process ensures that carbon fiber reinforced components are manufactured quickly, cost-effectively and in high quality. A major advantage of thermoplastics is that they can be upcycled. Waste (milling waste, offcuts, etc.) can be shredded and then reconverted into components in a further pressing step. This recycling process enables FACC to further reduce the amount of waste in the future and to contribute to the sustainable production of carbon fiber reinforced components. In the course of the Wing of Tomorrow project, FACC is developing thermoplastic carbon fiber reinforced structures in collaboration with AIRBUS in order to continue to provide new manufacturing technologies for series production in the future.

Induction welding

In the aerospace industry, individual components are usually joined mechanically by means of screws and rivets. However, this reliable joining method involves considerable effort in the assembly of components, and the large number of connecting elements results in greater component weight. One advantage of thermoplastics is that they can be melted and cooled repeatedly, thus making components suitable for joining by means of induction welding. In this process, an induction coil induces eddy currents which, due to heat loss in the carbon fibers, cause the fabric layers in the laminate to heat up. The joining partners are connected under pressure. By applying the induction welding process, the number of joining elements can be significantly reduced, thereby further decreasing the weight of the component. A further advantage is the high degree of automatability of the production process, enabling robust component production.

Integral hollow structures and resin injection methods

Integral carbon fiber reinforced structures are increasingly gaining in importance as they offer weight-saving potential by reducing the number of connecting elements and fittings and streamline the supply chain. For this reason, FACC is intensifying its research and development activities also in this field of technology. The manufacture of integral hollow structures in particular allows flaps, ailerons, elevators and rudders, for instance, to be produced in one curing cycle. The resin injection methods used include resin transfer molding (RTM) and membrane-assisted resin infusion (MARI) patented by FACC. In combination with fast-curing matrix systems, both manufacturing processes lead to a significant reduction in cycle times while simultaneously increasing the degree of automation in production. Moreover, the lower number of connecting elements results in shorter assembly times in production. FACC also collaborates closely with AIRBUS in the field of integral hollow structures in order to apply the technological advantage gained to series development.

Digitization and technology management

Digitization and technology management are becoming increasingly significant as a means of implementing future development projects quickly, cost-effectively and according to high quality standards. The digitization of the entire value chain plays a decisive role in this context. The goal is to ensure a continuous process chain, from brainstorming and product development through to production, quality control and the delivery of carbon fiber reinforced components. Technology management aims to make greater use of existing knowledge and to make it accessible to all corporate areas so that resources can be used more efficiently within the company.

Patents and awards

In order to further consolidate its technological lead in the composite sector, FACC strives for a high degree of independence in its process portfolio. Furthermore, the company seeks to gradually expand its component portfolio in order to develop new sales opportunities. FACC's research and development efforts were honored with the AIRBUS Innovation Award. Both growth areas are flanked by an extended patent strategy, of which the main objective is to guarantee maximum protection of intellectual property.

8. EMPLOYEES

As of 31 December 2019, the total headcount of the FACC Group stood at 3,371 full-time equivalents (FTE; previous year: 3,465 FTE).

In Austria, 3,125 FTE were working for the company as of 31 December 2019. This corresponds to approximately 93% of the Group's entire workforce.

	Blue-collar	White-collar	Total
Central Services	139	485	624
Aerostructures	705	218	923
Engines & Nacelles	418	124	542
Cabin Interiors	765	171	936
Subsidiaries	61	238	299
FACC AG	-	47	47
Total	2,088	1,283	3,371

The international nature of FACC is also reflected in its personnel structure. Employees from 47 different countries and from all continents are currently working at its Austrian locations. 55% of the workforce have Austrian citizenship, and 20% are German nationals. As a technology company, FACC's share of women in the total workforce remains high at nearly 30%. The fact that nearly 50% of the FACC Group's apprentices are women is particularly pleasing.

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

FACC's commitment to the motivation, satisfaction and health of its employees is demonstrated by a wide range of measures and initiatives. FACC thus offers its employees subsidized childcare both throughout the year and during the summer holidays. This service is very popular among the workforce – the daycare center in St. Martin is fully booked. The distribution of isotonic beverages in production during the summer months, anti-smoking seminars as well as vaccination and blood donor campaigns are further contributions that FACC makes to the health of its employees. These and numerous other measures are implemented within the scope of the "Healthy & Happy" project, for which FACC was awarded the seal of approval for workplace health promotion (BGF) by the Upper Austrian Regional Health Insurance Fund in 2017. Recertification for 2020-2022 was successfully completed in 2019. In Austria, the BGF seal of approval is regarded as a visible sign and recognized standard for high-quality workplace health promotion. Independent experts verify whether the stringent quality criteria of the European network have been met for the BGF seal of approval through an objective and transparent procedure.

FACC Academy

Continuous investment in the human capital of its entire workforce is a key factor contributing to the success of FACC. The Group is committed to lifelong learning and, for this purpose, offers its employees a wide range of extra-occupational education and further training opportunities. The FACC Academy, which serves as the central hub for all training activities, organized 343 internal training sessions with a total of 4,239 participations in the 2019 financial year alone. In addition, 100 external training sessions attended by 542 employees were held.

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

Moreover, to ensure that employees meet all job requirements, the training matrix for both the Austrian and international FACC locations was completely revised. The so-called "LSO Learner" in SAP provides each manager and employee with an overview in real time of the qualifications they have obtained or still need to acquire for their respective job. Internal training sessions can be booked directly, and additional training needs can be registered at any time with the FACC Academy. The ongoing expansion of the training portfolio includes new, targeted training courses for foremen, executives and employees working in project management.

Global family

As an internationally operating company with employees from 47 countries, FACC attaches great importance to cross-cultural dialogue. In order to ensure good teamwork between staff, a large number of its employees attend language and intercultural training courses.

In addition to the numerous social benefits, company events such as the anniversary celebration, an employee party or the traditional Christmas party offered the perfect occasion to celebrate joint successes. Company-wide formats such as the quarterly "Flight Club" provide opportunities for networking and for discussing the world of work and other challenges of the future with renowned experts. Numerous cooperations with authorities, foundations, schools, research-related institutions and appearances at job fairs ensure that FACC has the right employees and the right know-how on board tomorrow.

In-house development of young talents

FACC also gives high priority to the training of its apprentices. At the end of the 2019 financial year, a total of 40 young people were enrolled in six different apprentice training programs at FACC. As a visible recognition of the quality of its apprentice training, the company was awarded the "State-Honoured Training Company" prize by the Federal Ministry of Science, Research and Economy.

FACC offers aspiring young apprentices highly specialized training programs in design engineering, milling, cutting and machining techniques, plastics engineering, process engineering, information technology and application development. At FACC, apprentices get access to the latest technologies and equipment in the company as soon as they start their training. This gives them the opportunity to make use of their innovative spirit and commitment to develop into the experts of the future. In the 2019 financial year, both current and future apprentices together with their families got to see all this for themselves at the Apprentice Day of the zukunft.lehre.österreich. initiative in Mattighofen as well as at the Long Night of Apprenticeship – including trying out seats inside the new EHang 216 air taxi.

FACC grant

The FACC grant with a total value of approximately EUR 100,000 was awarded for the first time in the 2019 financial year in the study course "Lightweight Design and Composite Materials". Four candidates receive monthly financial support for the duration of their studies. In addition, FACC covers their tuition fees, offers internships in its plants, provides guidance and assistance through competent FACC supervisors and allows students to take part in training courses as well as numerous other perks.

9. SUSTAINABILITY MANAGEMENT

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

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

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

10. REPORT ON BRANCH OFFICES

FACC AG does not operate any branch offices.

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

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

Pursuant to section 243a paragraph 2 of the Austrian Commercial Code (UGB), FACC is required to give an account of the key features of its internal control and risk management system with regard to the accounting process. Pursuant to section 82 of the Austrian Stock Corporations Act (AktG), the Management Board of FACC has to ensure the establishment of an accounting and internal control system that complies with the company's requirements. Thus, the Management Board bears full responsibility for the implementation of an adequate internal control and risk management system with regard to the accounting process.

The key features of the risk management and internal control system are laid down in FACC's risk management and finance manuals. These manuals describe and identify key finance and controlling processes and their associated risks.

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

The measures and rules include, amongst others, the separation of functions, the dual control principle, rules governing authorized signatories, joint signatory powers for authorizing payments only, which are restricted to a small number of persons, as well as system-supported checks by the IT software in use (SAP).

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

In the course of monthly reporting to the Management Board and second-level management, especially comparisons between actual and budgeted figures are made. During its quarterly meetings, the Supervisory Board of FACC AG is informed about business performance and forecasts regarding the Group's further course of business. In its meetings, the Audit Committee of the Supervisory Board dealt, amongst others, with topics such as the internal control system, risk management and measures to mitigate internal control risks.

Within the framework of the budgeting process, budget costs are planned for each individual cost center. Every cost center manager is responsible for not exceeding budgeted costs and keeping in line with planned investments. All investment projects are subject to prior approval by the Management Board. Investments running over budget are also subject to prior approval by the Supervisory Board.

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

The FACC Group's share capital amounted to EUR 45,790,000 as of 31 December 2019 and is divided into 45,790,000 no-par value bearer shares. All shares have been admitted to trading in the prime market segment of the Vienna Stock Exchange. Each share corresponds to one vote at the Annual General Meeting.

As of 31 December 2019, AVIC Cabin Systems Co. Limited (formerly FACC International Company Limited) held, either directly or indirectly, 55.5% of the shares of FACC. As of the balance sheet date on 31 December 2019, no other shareholders were known to hold more than 10% of the share capital.

The free float of FACC shares amounted to 44.5% or 20,397,364 shares on 31 December 2019.

There are no shares conferring special control rights.

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

11.3 Authorized capital

At the Extraordinary General Meeting on 9 July 2019, authorized capital was approved. Accordingly, the Management Board is authorized, subject to prior approval by the Supervisory Board and within five years from the date on which the authorized capital was entered in the commercial register, to increase the company's share capital by up to a nominal figure of EUR 9,000,000 by issuing up to 9,000,000 new shares against cash or non-cash contributions. New shares can also be issued excluding shareholders' subscription rights.

The authorized capital was entered in the commercial register on 29 November 2019.

11.4 Conditional capital

At the Annual General Meeting on 9 July 2019, a resolution was passed approving the creation of conditional capital. The Management Board is thus entitled, subject to the approval of the Supervisory Board, to increase the share capital by a nominal amount of up to EUR 3,000,000 by issuing up to 3,000,000 new shares against cash or non-cash contributions within a maximum of five years from the registration of the authorized conditional capital in the commercial register. This authorized conditional capital serves the purpose of granting stock options to employees, senior executives and members of the Management Board of the company or one of its affiliated companies as part of a company stock option plan. The capital increase is earmarked and may only be carried out to the extent that option holders exercise their options under a stock option plan of the company.

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

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

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

11.6 Other disclosures

As of 31 December 2019, FACC AG did not hold any treasury shares.

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

No compensation agreements exist between FACC and the members of the Management and Supervisory Boards in the event of a public takeover bid.

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

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

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

12. OUTLOOK

12.1 The civil aviation market

The market forecasts published by Airbus and Boeing in 2019 once again confirm that, from today's perspective, the long-term growth trend in the civil aviation industry should continue in the future. Studies by OEMs currently confirm a constant annual increase in passenger volumes of around 4.5%. Between 2019 and 2037, approximately 40,000 new aircraft will be needed. Compared to the 2018 forecast, this represents an increase of 2,500 aircraft. The latest rate forecasts for the next two years, in contrast, show that the increase of some aircraft types has stabilized and will be somewhat flatter than anticipated a year ago. From today's perspective, production rates for the long-haul market are not expected to grow in the coming 24-36 months; in individual cases (B787), a short-term adjustment of production rates (from 14 aircraft per month to 12 or 10 aircraft per month) is projected from Q4/2020 onwards. Short-term sales trends in the aircraft supply industry already stabilized at a high level in 2019, as predicted; according to the current outlook, it can be assumed that this situation will not change significantly in 2020. The approval and associated resumption of regular flight operations of the B737 MAX will constitute a major industry milestone in 2020 – an official date for the new approval has not yet been announced.

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

In the past year, Airbus and Boeing together delivered 1,243 new commercial aircraft to their customers (1,606 in 2018). During the same period, 681 aircraft were sold to airlines (1,640 in 2018). Owing to the well-known issues surrounding the B737 MAX, comparability of both figures (deliveries and new orders) with the key figures of 2018 is limited. Deliveries of Boeing 737 MAX aircraft to existing customers have been temporarily suspended as of March 2018. Airbus, in turn, delivered 863 aircraft in 2019 (800 in 2018) and received 786 new orders (747 in 2018). The order backlog of all aircraft sold currently stands at 12,913 aircraft. Assuming current annual delivery rates, the industry will be working to capacity for approximately 7 years.

A distinguishing feature of the industry is the acceleration of takeovers and the formation of new alliances. The acquisition of the Bombardier C-Series program by Airbus as of 1 July 2018 has made further progress. In addition, Bombardier has divested its aerostructures manufacturing facilities and sold them to Spirit. The negotiations between Boeing and Embraer with the aim of following the example of Airbus have been concluded. Boeing will take over the commercial aircraft division of Embraer, and Embraer will focus on the development and manufacturing of business jet products and on non-commercial areas.

COMAC continues to drive forward the series production of its AR21 aircraft and will reach further program milestones in the development of the C919 aircraft in 2019. From today's perspective, the COMAC 919 is scheduled to enter service in 2021, with 815 orders for the aircraft already placed.

12.2 Global influences and trends

As mentioned above, a general slowdown in global economic growth can be observed, which has a particularly strong impact on the long-haul market. As a result, the demand for wide-bodied aircraft with more than 350 seats has stabilized at a high level, with individual aircraft types potentially experiencing rate reductions in the short term (see information provided in section 12.1).

The future development of the corona virus epidemic and the associated effects on global consumption, tourism and industry still remain unclear at present. Initial forecasts predict a noticeable slowdown in global growth in 2020 due to the outbreak of the virus. Prolonged travel restrictions in the Asian growth markets in particular could lead to short-term excess capacities in the airline industry. Aircraft delivery and construction rates may be adversely impacted if existing travel restrictions remain in place in the long term, but the precise effects remain unclear.

Sustainable mobility concepts combined with the need to significantly reduce CO_2 emissions have increasingly become the focus of the general discussion. Private transport in particular, but also the aircraft industry will have to adapt to these trends and contribute to goal achievement with the appropriate technological innovations. The total CO_2 share of the aviation industry amounts to 2.7%. This value has already been halved over the last 50 years despite a fourfold increase in passenger volumes over the same period. The goal of the aircraft industry is to reduce its CO_2 share to less than 1.5% by 2050. Due to its acquired expertise in lightweight construction and the growing demand to further increase the efficiency of new aircraft, FACC is able to offer the market additional solutions that contribute to achieving this goal.

12.3 FACC Group

Due to its well balanced and broad customer and product portfolio as well as the planned series ramp-up of new projects, FACC will continue on its growth course in the 2020 financial year.

The development work for these new and promising products is well on track, approval tests are proceeding according to plan and the start-up of series production is underway. The rate ramp-ups initiated in the 2019 financial year will be continued, and further series ramp-ups, particularly in the field of engine systems, will enter series production in the course of the year. Production rates for these projects will also be gradually ramped up in 2020 and 2021.

Based on current market assessments and the Group's latest product mix, FACC expects stable to moderately increasing sales in line with market growth for the 2020 financial year. The activities carried out in recent years to increase profitability will be further intensified with the aim of compensating for natural cost increases.

In addition, the following activities are being initiated:

- The construction of a new production facility in Croatia will commence in 2020, and the additional capacities will be ready for use from 2021 as planned.

- The path taken towards vertical integration of core competencies into the FACC production network in the 2015 financial year will be sustainably reinforced. The goal is to simplify the value stream, further cut material and purchasing costs and significantly reduce dependency on individual supply chains. To this end, appropriate investments were made in the 2019 financial year. The production launch of metallic components will constitute a major milestone in this regard. These have so far been exclusively procured via supply chains. The manufacture of aluminum fittings will start in 2020 in a highly automated FACC manufacturing cell. Expertise development in the area of high-quality aircraft furnishings is also progressing according to plan; in addition to investments in the production environment, new materials have been developed, approved and patented. Production will commence in the 2020 financial year, with a continuous increase in added value in 2021 and 2022.

- A general efficiency enhancement program in the amount of EUR 50 million was adopted. This program is centered around several fields of action and comprises the following main areas:

    - Increasing general manufacturing efficiency through learning curve and production cycle effects

    - Reducing material costs by (i) consolidating the existing supply chains and (ii) vertically integrating (insourcing) component groups with high purchase values or systems which are part of FACC's core competency

    - Further optimization of administrative and operative processes and the associated streamlining of organizational structures

    - Partial relocation of production to the FACC plant in Croatia, resulting in significantly lower manufacturing costs for products with a high labor cost share.

Along with its planned sales growth, FACC intends to gradually increase the profitability of the company with the aim of achieving an EBIT margin in excess of 8% within the first three years following the implementation of the aforementioned measures. Due to the introduction of the new projects described above, particularly in the field of Cabin Interiors, the margins in the first half of 2020 will be in line with the margins of the previous year. The main objective is to lead the strongly growing Cabin Interiors division into a stable profit zone from the second half of 2020 onwards and to subsequently drive forward a gradual improvement in margins. Given the current market situation, we expect earnings in the Aerostructures and Engines & Nacelles segments to remain at the same levels as in 2019.

FACC will continue its efforts to reach the sales target of EUR 1 billion by actively shaping the market in the 2020 financial year.

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

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Ried im Innkreis, 6 March 2020

Robert Machtlinger m.p.

Chairman of the Management Board

Andreas Ockel m.p.

Member of the Management Board

Aleš Stárek m.p.

Member of the Management Board

Yongsheng Wang m.p.

Member of the Management Board

Consolidated Profit and Loss Statement

for the period from 1 March 2019 to 31 December 2019 (Short Financial Year)

	Note	2018/19 EUR'000	2019 EUR'000
Revenues	9	781,553	665,036
COGS – Cost of goods sold	10	–701,160	–598,260
Gross profit		**80,393**	**66,776**
Research and development expenses	11	–2,464	–901
Selling expenses	12	–7,848	–6,653
Administration expenses	13	–28,485	–35,312
Other operating income	14	12,590	12,040
Other operating expenses	15	–10,582	–1,339
Earnings before interest and taxes (EBIT)		**43,605**	**34,611**
Financing expenses	18	–10,050	–10,417
Other financial result	18	3,198	2,716
Financial result		**–6,852**	**–7,701**
Earnings before taxes (EBT)		**36,753**	**26,910**
Income taxes	19	–6,414	–5,833
Earnings after taxes		**30,339**	**21,077**
of which attributable to non-controlling interests		17	15
of which attributable to shareholders of the parent company		**30,322**	**21,062**
Diluted (=undiluted) earnings per share (in EUR)	**20**	**0.66**	**0.46**
Issued shares (in shares)		**45,790,000**	**45,790,000**

Consolidated Statement of Comprehensive Income

for the period from 1 March 2019 to 31 December 2019 (Short Financial Year)

	Note	2018/19 EUR'000	2019 EUR'000
Earnings after taxes		**30,339**	**21,077**
Currency translation differences from consolidation	33	132	44
Cash flow hedges	33	–13,948	3,954
Tax effect	19	3,487	–988
Items subsequently reclassified to profit and loss		**–10,329**	**3,009**
Revaluation effects of termination benefits	35	383	–98
Fair value measurement of securities (Fair value through other comprehensive income)	33	–1	15
Tax effect	19	–96	21
Items not subsequently reclassified to profit and loss		**287**	**–62**
Other comprehensive income after taxes		**–10,042**	**2,947**
Total comprehensive income		**20,297**	**24,024**
of which attributable to non-controlling interests		17	15
of which attributable to shareholders of the parent company		**20,280**	**24,009**

Consolidated Statement of Financial Position

as of 31 December 2019 (Short Financial Year)

ASSETS

	Note	28.02.2019 EUR'000	**31.12.2019 EUR'000**
Intangible assets	21	21,309	22,096
Property, plant and equipment	22	139,084	181,616
Receivables from customer-related engineering	23	86,053	109,166
Contract assets	24	15,099	5,433
Contract costs	25	39,976	42,665
Other financial assets	26	457	472
Receivables from related companies	27, 48	6,156	5,633
Other receivables	28	8,657	8,838
Deferred taxes	19	8,101	2,465
Non-current assets		**324,892**	**378,384**
Inventories	29	123,781	122,798
Customer-related engineering	30	28,851	8,715
Trade receivables	31	95,998	98,824
Receivables from related companies	48	24,218	19,390
Current tax income receivables		38	407
Other receivables and deferred items	31	37,949	35,125
Cash and cash equivalents	32	90,062	75,790
Current assets		**400,898**	**361,049**
Balance sheet total		**725,790**	**739,434**

EQUITY AND LIABILITIES

	Note	28.02.2019 EUR'000	**31.12.2019 EUR'000**
Share capital	33	45,790	45,790
Capital reserve	33	221,459	221,459
Currency translation reserve	33	–665	–621
Other reserves	33	–7,321	–4,418
Retained earnings	33	39,674	53,868
Equity attributable to shareholders of the parent company		**298,937**	**316,078**
Non-controlling interests		34	49
Equity		**298,971**	**316,127**
Promissory note loans	38	0	70,000
Bonds	38	89,769	0
Lease liabilities	38	0	54,732
Other financial liabilities	38	78,130	43,758
Derivative financial instruments	45	64	14
Investment grants	34	7,379	6,494
Employee benefit obligations	35	9,860	10,657
Other provisions	37	12	0
Other liabilities		22	66
Deferred tax liabilities	19	450	609
Non-current liabilities		**185,685**	**186,329**
Promissory note loans	38	34,000	0
Bonds	38	0	89,916
Lease liabilities	38	0	4,622
Other financial liabilities	38	69,021	25,994
Derivative financial instruments	45	10,532	1,910
Contract liabilities from customer-related engineering	36	17,312	4,845
Trade payables		74,819	83,465
Liabilities towards related companies	48	4,623	4,508
Investment grants	34	510	635
Income tax liabilities		2,279	1,210
Other provisions	37	6,621	879
Other liabilities and deferred items	39	21,417	18,994
Current liabilities		**241,134**	**236,978**
Balance sheet total		**725,790**	**739,434**

Consolidated Statement of Changes in Equity

For the period from 1 March 2019 to 31 December 2019 (Short Financial Year)

		Attributable to shareholders of the parent company			
	Note	Share capital EUR'000	Capital reserves EUR'000	Currency translation reserve EUR'000	
As of 1 March 2018 (previous)		**45,790**	**221,459**	**–797**	
First application of IFRS 15		0	0	0	
First application of IFRS 9		0	0	0	
As of 1 March 2018 (adjusted)		**45,790**	**221,459**	**–797**	
Earnings after taxes		0	0	0	
Other comprehensive income after taxes	33	0	0	132	
Total comprehensive income		**0**	**0**	**132**	
Dividend payment	33	0	0	0	
As of 28 February 2019		**45,790**	**221,459**	**–665**	
As of 1 March 2019		**45,790**	**221,459**	**–665**	
Earnings after taxes		0	0	0	
Other comprehensive income after taxes	33	0	0	44	
Total comprehensive income		**0**	**0**	**44**	
Dividend payment	33	0	0	0	
As of 31 December 2019		**45,790**	**221,459**	**–621**	

	Attributable to shareholders of the parent company						
	Other reserves						
	Securities – Fair value through other comprehen-sive income EUR'000	Cash flow hedges EUR'000	Reserves IAS 19 EUR'000	Retained earnings EUR'000	Total EUR'000	Non-controlling interests EUR'000	Total equity EUR'000
	–1	**6,470**	**–3,615**	**53,772**	**323,077**	**17**	**323,094**
	0	0	0	–39,137	–39,137	0	–39,137
	0	0	0	–246	–246	0	–246
	–1	**6,470**	**–3,615**	**14,389**	**283,695**	**17**	**283,712**
	0	0	0	30,322	30,322	17	30,339
	–1	–10,461	287	0	–10,042	0	–10,042
	–1	**–10,461**	**287**	**30,322**	**20,280**	**17**	**20,297**
	0	0	0	–5,037	–5,037	0	–5,037
	–2	**–3,991**	**–3,328**	**39,674**	**298,937**	**34**	**298,971**
	–2	**–3,991**	**–3,328**	**39,674**	**298,937**	**34**	**298,971**
	0	0	0	21,062	21,062	15	21,077
	11	2,965	–73	0	2,947	0	2,947
	11	**2,965**	**–73**	**21,062**	**24,009**	**15**	**24,024**
	0	0	0	–6,869	–6,869	0	–6,869
	9	**–1,026**	**–3,401**	**53,868**	**316,078**	**49**	**316,127**

Consolidated Statement of Cash Flows

	Note	2018/19 EUR'000	2019 EUR'000
Operating activities			
Earnings before taxes (EBT)		36,753	26,910
Plus financial result		6,852	7,701
Earnings before interest and taxes (EBIT)		**43,605**	**34,611**
Plus/minus			
Depreciation, amortization and impairment		15,845	18,794
Amortization contract costs		8,048	6,327
Impairment contract costs		7,287	0
Income from the reversal of investment grants		–2,789	–215
Change in other non-current provisions		–8,808	–12
Change in employee benefit obligations		975	700
Other non-cash expenses/income	40	–1,773	–11,929
		62,390	48,275
Change in working capital			
Change in inventory and customer-related engineering		17,804	20,121
Change in trade receivables and other receivables, receivables from customer-related engineering and contract assets		693	–5,430
Change in trade payables and other liabilities		–14,302	–9,957
Change in current provisions		–2,628	–3,674
Cash flow from ongoing activities		63,957	49,335
Interest received	41	387	746
Taxes paid		–997	–2,355
Cash flow from operating activities		**63,347**	**47,726**
Payments for the acquisition of non-current assets	42	–36,164	–17,905
Proceeds from the disposal of non-current assets		419	17
Cash flow from investing activities		**–35,745**	**–17,888**
Proceeds from promissory note loans		0	70,000
Proceeds from non-current interest-bearing liabilities		41,698	69,356
Repayments of promissory note loans		0	–34,000
Repayments of non-current interest-bearing liabilities		–19,122	–83,800
Change in current interest-bearing liabilities		–6,740	–42,862
Outflows from leasing agreements		–780	–4,913
Dividend payment		–5,037	–6,869
Interest paid	41	–10,843	–10,525
Cash flow from financing activities		**–825**	**–43,612**
Net changes in cash and cash equivalents		**26,776**	**–13,774**
Cash and cash equivalents at the beginning of the period		63,488	90,062
Effects from foreign exchange rates		–202	–498
Cash and cash equivalents at the end of the period		**90,062**	**75,790**

Notes to the Consolidated Financial Statements

GENERAL INFORMATION

1. General information

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

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

FACC AG is part of the consolidation scope of Aviation Industry Corporation of China, Ltd. with headquarters in Hong Kong (Room 2201, 22/F, Fairmont House, 8 Cotton Tree Drive, Admiralty, Hong Kong), commercial registration number 91110000710935732K.

2. Basis of preparation of the Consolidated Financial Statements

The Consolidated Financial Statements of FACC AG as of 31 December 2019 were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretations of the IFRS Interpretations Committee (IFRSIC) as adopted by the European Union (EU). According to section 245a of the Austrian Company Code (UGB), these Consolidated Financial Statements are subject to exception under Austrian law. All additional requirements of section 245a (1) of the Austrian Company Code (UGB) have been fulfilled.

The Consolidated Financial Statements are prepared as of the balance sheet date of the parent company, FACC AG. The short financial year begins on 1 March 2019 and ends on 31 December 2019. The annual financial statements of the individual domestic and foreign companies included in the Consolidated Financial Statements are prepared as of the reporting date of the Consolidated Financial Statements.

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

The Consolidated Profit and Loss Statement has been prepared under the cost-of-sales method.

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

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

The accounting and valuation principles of the previous year, which form the basis for the present Consolidated Financial Statements, were applied unchanged and supplemented by new IFRS standards to be applied from this short financial year onwards (see Note 50 – Effects of new and amended standards (revised)). A description of the accounting and valuation principles is given in Note 49 – Accounting and valuation policies.

At the 5th Annual General Meeting held on 9 July 2019, a resolution was passed to change the financial year to the calendar year. 2019 is therefore a short financial year ending on 31 December 2019 (1 March 2019 - 31 December 2019). The financial year of the FACC Group has thus been adjusted to the reporting date of the Aviation Industry Corporation of China. The figures for the short financial year can only be compared with the previous year to a limited extent.

3. Effects of the first-time application of IFRS 16

With effect from 1 March 2019, the FACC Group adopted IFRS 16 Leases and this has resulted in changes to the accounting and valuation principles. Figures of the previous year (as of 28 February 2019) have not been adjusted. Rights of use were recognized in the amount of the lease liabilities recognized as of 1 March 2019. For the adoption of IFRS 16, the FACC Group applied the modified retrospective method and practical expedients in line with IFRS 16.C10 a), c), d), as well as IFRS 16.C3 were also employed.

The rights of use, which were first recorded as of 1 March 2019, are reported in the Consolidated Statement of Financial Position as of 31 December 2019 as non-current assets under the position property, plant and equipment.

The lease liabilities are recorded under lease liabilities (non-current) and lease liabilities (current).

The adjustments in the balance sheet relating to the first-time application of IFRS 16 are as follows:

01.03.2019 EUR'000	As reported	First-time application of IFRS 16	Balances with adoption of IFRS 16
Property, plant and equipment	139,084	33,782	172,866
Lease liabilities (non-current)	0	48,678	48,678
Lease liabilities (current)	0	5,316	5,316
Other financial liabilities (non-current)	78,130	–19,420	58,710
Other financial liabilities (current)	69,021	–792	68,229
Balance sheet total	**725,790**	**33,782**	**759,572**

The following table shows the reconciliation of the obligation arising from operating leases as of 28 February 2019 to the lease liability recognized as of 1 March 2019. The weighted average incremental borrowing rate applied for the valuation of lease liabilities as of 1 March 2019 was between 2% and 2.5%.

Obligations from operating leases and rental agreements in accordance with IAS 17, information as of 28.02.2019	**25,373**
Exemption from the charge for low-value assets	–33
Exemption from recognition for short-term leases	–1,766
Adjustment due to different treatment of termination, renewal and purchase options	16,207
New contracts/amended contracts	209
Lease liabilities before discounting	**39,991**
Lease liabilities discounted at the incremental borrowing rate at the time of first application	**33,782**
Finance lease liabilities as of 28.02.2019	20,212
Lease liabilities as of 01.03.2019	**53,994**
thereof current	5,316
thereof non-current	48,678

4. Consolidated companies

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

The group of consolidated companies of FACC as of 31 December 2019 increased by one company compared to the scope of consolidated companies as of 28 February 2019 and comprises nine companies, including FACC AG.

The contract for the acquisition of all shares in the Croatian NEMAR d.o.o. was signed on 6 May 2019. The company was renamed FACC Solutions Croatia d.o.o. The purchase price was kHRK 58. The purchase price essentially reflects the fair value of the company's assets. A goodwill in the amount of kEUR 5 was immediately amortized with an effect on net income.

FACC AG comprised the following subsidiaries on 31 December 2019 or 28 February 2019:

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

5. Consolidation methods

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

Goodwill and intangible assets with indefinite useful lives are tested for impairment (impairment test) together with the cash-generating units (business units) to which they are allocated at least annually and, if found to be impaired, are written down to the lower recoverable amount. If events are observed during the year that point to permanent impairment, the relevant cash-generating units are subjected to impairment tests on a case-by-case basis (see Note 49 – Accounting and valuation policies and Note 21 – Intangible assets and goodwill).

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

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

6. Currency conversion

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

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

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

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

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

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

The following exchange rates were used for currency conversions:

		Closing rate		Average rate	
Currency	Abbrev.	28.02.2019	31.12.2019	2018/19	2019
Canadian dollar	CAD	1.5042	1.4598	1.5255	1.4806
Indian rupee	INR	80.8915	80.1870	81.1062	78.4434
Croatian kuna	HRK	-	7.4395	-	7.4154
Chinese renminbi yuan	RMB	7.6309	7.8205	7.7879	7.7421
US dollar	USD	1.1416	1.1234	1.1664	1.1157

7. Use of assumptions and estimates

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

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

A sensitivity analysis was performed to illustrate the effects of changing parameters in the planning calculation on the Consolidated Profit and Loss Statement. The planning assumptions made for the impairment test of goodwill and the sensitivity analysis are explained in more detail in Note 21 – Intangible assets and goodwill.

Contract costs were tested for impairment in the course of the 2019 short financial year to the extent that there were indications of impairment, such as expected losses within the framework of multi-year planning. The intrinsic value was assessed by calculating the value in use of the development projects using the discounted cash flow method. The recoverable amount depends to a large extent on expected cash inflows from the respective projects and the applied cost of capital. With respect to these parameters, management calculates estimates and makes assumptions relating to FACC's future surplus payments and capital costs expected in the planning periods as well as the individual cash-generating units. Estimates are made to the best of our knowledge and belief subject to the going concern assumption, build on our experience and take remaining uncertainty into account in an appropriate manner.

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

The useful life of property, plant and equipment is derived from estimates based on the operation of comparable assets. The useful lives thus determined are constantly checked for their continued validity and, if necessary, adjusted. The average useful lives are specified in Note 49 – Accounting and valuation policies.

Determining the lease term of contracts with renewal and termination options:

The FACC Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The FACC Group has one lease contract that includes extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain that the option to renew or terminate the lease will be exercised or not. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

The FACC Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate to measure lease liabilities. The incremental borrowing rate is the rate of interest that the FACC Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The incremental borrowing rate therefore reflects what FACC 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The FACC Group estimates the incremental borrowing rate using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

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

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

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

Employee benefit obligations are determined on the basis of actuarial calculations made by actuaries. Actuarial valuations are based on assumptions about discount rates, future wage and salary increases and mortality rates. When determining the appropriate discount rate, management bases its calculations on long-term market interest rates. The applied mortality rate is derived from publicly available mortality tables in the respective country. Future wage and salary increases are calculated on the basis of expected future inflation rates for the respective country. All assumptions are reviewed and evaluated at each balance sheet date. Further details on the assumptions made and sensitivities are given in Note 35 – Employee benefit obligations.

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

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

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

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

Within the framework of customer and supplier contracts, estimates must also be made with regard to the outcome of disputes regarding additional claims on the part of FACC and counterclaims of the customer and supplier. These are partially dependent on the outcome of legal disputes. Subsequent claims are only recognized in exceptional cases if an external legal opinion exists that confirms the enforceability of the amount and reason for the subsequent claim with a very high probability. Provisions are also recognized on the basis of the legal opinions obtained to assess the risks from counterclaims of a significant amount, taking into account all opportunities and risks.

8. Business segments

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

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

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

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

	Aerostructures EUR'000	Engines & Nacelles EUR'000	Cabin Interiors EUR'000	Total EUR'000
Financial year 2018/19				
Revenues	335,670	168,479	277,405	781,553
Earnings before interest and taxes (EBIT)	37,600	9,483	–3,478	43,605
Investments	10,775	6,217	19,173	36,164
Depreciation, amortization and impairment	7,511	3,588	4,745	15,845
Assets on 28 February 2019	316,167	152,146	257,477	725,790
thereof non-current assets 28 February 2019	*142,008*	*65,592*	*93,921*	*301,521*

	Aerostructures EUR'000	Engines & Nacelles EUR'000	Cabin Interiors EUR'000	Total EUR'000
Short financial year 2019				
Revenues	243,471	152,383	269,181	665,036
Earnings before interest and taxes (EBIT)	31,273	5,973	–2,635	34,611
Investments	8,463	2,715	6,727	17,905
Depreciation, amortization and impairment	8,217	4,740	5,837	18,794
Assets on 31 December 2019	321,419	153,449	264,565	739,434
thereof non-current assets 31 December 2019	*175,213*	*71,219*	*114,544*	*360,976*

Total segment revenues represent external revenues generated from external parties. Revenues broken down by geographical area are presented according to the location of the customer in Note 9 – Revenues.

For the financial year ending 31 December 2019, the Group generated revenues of kEUR 289,758 (previous year: kEUR 305,248) and kEUR 71,737 (previous year: kEUR 77,938) with two external customers, each of which exceeded 10% of total revenues. Sales revenues were generated from these customers in all three segments.

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

NOTES TO THE CONSOLIDATED PROFIT AND LOSS STATEMENT

9. Revenues

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

	2018/19	2019	2018/19	2019	2018/19	2019	2018/19	2019
	Aero-structures EUR'000	Aero-structures EUR'000	Engines & Nacelles EUR'000	Engines & Nacelles EUR'000	Cabin Interiors EUR'000	Cabin Interiors EUR'000	Total EUR'000	Total EUR'000
Production	279,411	212,416	161,043	142,677	259,636	237,327	700,090	592,419
Engineering and services	56,259	31,056	7,436	9,707	17,768	31,854	81,463	72,616
	335,670	243,471	168,479	152,383	277,405	269,181	781,553	665,036

	2018/19 EUR'000	2019 EUR'000
Germany	274,658	234,848
USA	155,605	122,739
Canada	95,906	82,147
Austria	2,245	1,910
Other countries	253,139	223,392
	781,553	**665,036**

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

Expected future sales for performance obligations not fulfilled (or partially not fulfilled) in the reporting period under existing contracts amount to kEUR 312 (previous year: kEUR 3,721). These performance obligations refer to fixed orders of shipsets still to be delivered or services still to be provided.

10. Cost of goods sold

	2018/19 EUR'000	2019 EUR'000
Material expenses	–535,363	–433,428
Personnel costs	–137,192	–143,105
Depreciation and amortization	–13,690	–14,780
General administration expenses	–14,915	–6,947
	–701,160	**–598,260**

11. Research and development expenses

	2018/19 EUR'000	2019 EUR'000
Material expenses	–193	–113
Personnel costs	–1,229	–631
Depreciation and amortization	–28	–28
General administration expenses	–1,014	–129
	–2,464	**–901**

12. Selling expenses

	2018/19 EUR'000	2019 EUR'000
Material expenses	–436	–267
Personnel costs	–5,019	–4,108
Depreciation and amortization	–62	–90
General administration expenses	–2,331	–2,187
	–7,848	**–6,653**

13. Administration expenses

	2018/19 EUR'000	2019 EUR'000
Material expenses	180	–1,082
Personnel costs	–12,787	–10,311
Depreciation and amortization	–1,336	–3,896
Effects from foreign exchange rates	10,229	–2,350
General administration expenses	–24,771	–17,673
	–28,485	**–35,312**

14. Other operating income

	2018/19 EUR'000	2019 EUR'000
Value recovery	4,049	0
Other	8,541	12,040
	12,590	**12,040**

The item “Other” mainly includes income from research premiums, energy tax rebates, various subsidies and compensation for damages.

15. Other operating expenses

	2018/19 EUR'000	2019 EUR'000
Impairment	–11,375	0
Other	793	–1,339
	–10,582	**–1,339**

The item “Other” mainly includes expenses arising in connection with damages and changes in provisions.

16. Personnel costs

Expenses for termination benefits and benefits to corporate employee pension funds included payments to corporate employee pension funds of kEUR 1,730 (previous year: kEUR 2,003).

	2018/19 EUR'000	2019 EUR'000
Wages and salaries	154,648	123,372
Expenses for statutory, compulsory social security contributions and benefits	39,875	34,059
Expenses for termination benefits and benefits to corporate employee pension funds	3,002	2,285
Pensions	534	722
Other social expenses	5,216	–2,283
	203,274	**158,156**

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

	28.02.2019 Number	31.12.2019 Number
Blue-collar	2,160	2,088
White-collar	1,305	1,283
	3,465	**3,371**
of which in Austria	3,226	3,125
of which abroad	239	246

17. Depreciation

	2018/19 EUR'000	2019 EUR'000
Intangible assets	890	765
Property, plant and equipment	14,955	18,030
	15,845	**18,794**

Please refer to Note 21 – Intangible assets and goodwill and Note 22 – Property, plant and equipment for information on the development of depreciation and amortization.

18. Financial result

	2018/19 EUR'000	2019 EUR'000
Interest from bank deposits	441	727
Valuation of financial assets	7	6
Other financial income	22	13
Accumulation	2,727	1,970
Other financial result	**3,198**	**2,716**

Interest expenses of bonds and promissory note loans	–3,819	–3,160
Interest expenses of bank loans	–1,424	–1,409
Interest expenses of lease liabilities	–1,219	–1,760
Other interest and similar expenses	–3,587	–4,088
Financing expenses	**–10,050**	**–10,417**
Financial result	**–6,852**	**–7,701**

The financial result is broken down according to the categories of IFRS 9 as follows:

28 February 2019	Operating result			Financial result		
	Valuation allowance	Currency translation	Valuation of derivative financial instruments	Interests	Result from fair value measurement	Net financial result
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Financial assets at amortized costs	–1,253	12,750	0	973	0	12,470
Financial liabilities at amortized costs	0	–4,087	0	–3,819	0	–7,906
Fair value through profit and loss	0	0	–5,274	0	0	–5,274
Fair value through other comprehensive income	0	115	0	7	0	123

31 December 2019	Operating result			Financial result		
	Valuation allowance	Currency translation	Valuation of derivative financial instruments	Interests	Result from fair value measurement	Net financial result
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Financial assets at amortized costs	–1,719	–41,706	0	254	0	–43,171
Financial liabilities at amortized costs	0	21,863	0	–4,569	0	17,293
Fair value through profit and loss	0	0	4,718	0	0	4,718
Fair value through other comprehensive income	0	0	0	6	0	6

19. Income taxes and deferred tax assets

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

	2018/19 EUR'000	2019 EUR'000
Current taxes ongoing	–634	–1,008
Deferred taxes	–5,780	–4,825
	–6,414	**–5,833**

The reasons for the difference between the Austrian corporate tax rate of 25% valid in the 2019 short financial year (previous year: 25%) and the recorded group taxation rate are as follows:

	2018/19 EUR'000	2019 EUR'000
Income before taxes	**36,753**	**26,910**
Calculated income taxes 25%	9,188	6,728
Deviating foreign tax rates	–93	98
Tax losses for which no deferred taxes were capitalized	0	98
Tax-free income	–1,075	–1,138
Expenses that cannot be deducted for tax purposes	94	399
Prior year adjustment	3	–351
Minimum corporate tax and withholding taxes	0	0
Tax effect from previous years	–2,159	0
Other effects	457	0
Reported income tax expense	**6,414**	**5,833**
Effective tax rate in %	17.5%	21.7%

Deferred taxes are calculated on the basis of the tax rates that are in force or announced in the individual countries according to the current legal situation. In Austria, a corporate tax rate of 25% applies. For foreign companies, deferred taxes are calculated on the basis of the corresponding country-specific tax rates. In the 2019 short financial year, these ranged from 21% to 27% (previous year: 21% to 35%).

The non-periodic income tax expense results from the alignment of the financial year (1 March to 28 February) with the tax year as a result of the change in the balance sheet date to 31 December 2019.

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

	2018/19			2019		
	Gross EUR'000	Tax EUR'000	Net EUR'000	Gross EUR'000	Tax EUR'000	Net EUR'000
Fair value measurement of securities	–1	0	–1	15	–4	11
Cash flow hedges	–13,948	3,487	–10,461	3,954	–988	2,965
Revaluation effects of termination benefits	383	–96	287	–98	24	–73
	–13,566	**3,391**	**–10,174**	**3,871**	**–968**	**2,904**

Deferred taxes developed as follows:

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

[1) See Annual Report 2018/19 Note 4 – Effects of the first-time application of IFRS 15 and IFRS 9.

	As of 1 March 2019 EUR'000	Change in profit and loss EUR'000	Change in other comprehensive income EUR'000	As of 31 December 2019 Net EUR'000	Deferred tax assets EUR'000	Deferred tax liabilities EUR'000
Intangible assets	648	–369	0	279	279	0
Property, plant and equipment	–10,587	–5,173	0	–15,760	0	–15,760
Receivables from customer-related engineering	–28,099	12,320	0	–15,779	0	–15,779
Contract assets	–4,402	3,843	0	–559	0	–559
Contract costs	–9,994	–645	0	–10,639	0	–10,639
Other financial assets	477	–50	–4	423	423	0
Trade receivables	16,657	–16,392	0	265	265	0
Customer-related engineering	–79	–330	0	–409	0	–409
Inventories	0	228	0	228	228	0
Other receivables and deferred items	–7	–35	0	–42	0	–42
Investment grants	0	0	0	0	0	0
Employee benefit obligations	705	2	24	731	731	0
Provisions	–90	–31	0	–121	0	–121
Contract liabilities from customer-related engineering	4,328	–4,178	0	150	150	0
Trade payables	11,337	1,371	0	12,708	12,708	0
Financial liabilities (without lease liabilities)	0	8,393	0	8,393	8,393	0
Derivative financial instruments	2,649	–1,180	–988	481	481	0
Other assets (incl. cash and cash equivalents)	–283	–277	0	–561	0	–561
Tax loss carryforwards	24,392	–2,322	0	22,070	22,070	0
Tax assets (liabilities) before netting	**7,650**	**–4,825**	**–968**	**1,856**	**45,727**	**–43,871**
Netting of taxes					–43,262	43,262
Net tax assets (liabilities)	**7,650**	**–4,825**	**–968**	**1,856**	**2,465**	**–609**

The capitalized loss carryforwards originate from FACC Operations GmbH amounting to kEUR 77,161 as of 31 December 2019 (previous year: kEUR 90,729) and from FACC AG amounting to kEUR 11,119 (previous year: kEUR 11,082), with deferred taxes being recognized for all loss carryforwards. This includes losses in connection with the Fake President Incident which have not yet been assessed for tax. The realization of the loss carryforwards can be considered sufficiently certain on the basis of medium-term planning.

As of 31 December 2019, there were temporary differences in connection with shares in subsidiaries ("outside basis differences") amounting to kEUR 42,040 (previous year: kEUR 23,021) for which no deferred tax liabilities were recognized in accordance with IAS 12.39. This is because FACC AG is in a position to control the development over time, and because these temporary differences will not be eliminated in the near future.

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

20. Earnings per share

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

Earnings per share of EUR 0.46 (previous year: EUR 0.66) were calculated by dividing the result by the weighted number of shares attributable to the shareholders of the parent company.

NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

21. Intangible assets and goodwill

Intangible assets developed as follows:

	Goodwill EUR'000	Software EUR'000	Rights EUR'000	Research and development costs EUR'000	Advance payment on intangible assets EUR'000	Total EUR'000
Historical costs						
As of 28 February 2018	**18,682**	**20,956**	**29,266**	**198,652**	**0**	**267,555**
First-time application of IFRS 15	0	0	–27,257	–198,652	0	–225,909
As of 1 March 2018	**18,682**	**20,956**	**2,009**	**0**	**0**	**41,646**
Changes in foreign exchange rates	18	–2	0	0	0	16
Additions	0	839	0	318	0	1,156
Transfers	0	46	652	0	0	698
As of 28 February 2019	**18,700**	**21,838**	**2,661**	**318**	**0**	**43,516**
Changes in foreign exchange rates	–15	–3	0	0	0	–18
Additions	0	565	71	712	75	1,423
Transfers	0	148	0	0	0	148
As of 31 December 2019	**18,685**	**22,548**	**2,732**	**1,030**	**75**	**45,069**
Accumulated amortization and impairment						
As of 28 February 2018	**0**	**19,358**	**19,656**	**80,882**	**0**	**119,896**
First-time application of IFRS 15	0	0	–17,692	–80,882	0	–98,575
As of 1 March 2018	**0**	**19,358**	**1,963**	**0**	**0**	**21,321**
Changes in foreign exchange rates	0	–3	0	0	0	–3
Amortization	0	818	72	0	0	890
As of 28 February 2019	**0**	**20,172**	**2,035**	**0**	**0**	**22,207**
Changes in foreign exchange rates	0	1	0	0	0	1
Amortization	0	699	66	0	0	765
As of 31 December 2019	**0**	**20,871**	**2,101**	**0**	**0**	**22,973**
Carrying amount as of 28 February 2019	**18,700**	**1,666**	**625**	**318**	**0**	**21,309**
Carrying amount as of 31 December 2019	**18,685**	**1,676**	**631**	**1,030**	**75**	**22,096**

Goodwill

	28.02.2019 EUR'000	31.12.2019 EUR'000
Aerostructures	10,310	10,296
Engines & Nacelles	3,054	3,054
Cabin Interiors	5,336	5,335
	18,700	**18,685**

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

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

	28.02.2019	31.12.2019
Detailed planning period (five years)		
Revenue growth (average)	8.40%	5.05%
EBIT margin (average)	7.80%	7.60%
EUR-USD exchange rate	1.25	1.20
Growth rate after detailed planning period for all CGUs	1.50%	2.50%
Discount rate for all CGUs (WACC before tax)	11.70%	10.52%

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

Balance sheet date 28.02.2019	Aero-structures EUR'000	Engines & Nacelles EUR'000	Cabin Interiors EUR'000
Increase of discount rate by 50 basis points	0	4,640	5,718
Increase in USD exchange rate per EUR 1 by 0.05	0	26,319	35,747
Reduction of the EBIT by 10%	0	10,334	14,070

Balance sheet date 31.12.2019	Aero-structures EUR'000	Engines & Na-celles EUR'000	Cabin Interiors EUR'000
Increase of discount rate by 50 basis points	0	0	8,528
Increase in USD exchange rate per EUR 1 by 0.05	0	0	68,787
Reduction of the EBIT by 10%	0	0	18,138
Reduction growth rate to 1.50%	0	0	0

The value in use of the Cabin Interiors segment exceeded the carrying amount by kEUR 8,837 as of 31 December 2019 (previous year: kEUR 5,540).

The carrying amount of the Cabin Interiors cash-generating unit would be equivalent to its value in use if the USD/EUR exchange rate increased by 0.57 cents (previous year: 0.67 cents), if EBIT fell by 3.35% (previous year: 2.83%) or if the discount rate increased by 25 basis points (previous year: 24 basis points).

Research and development expenses (which include company and customer-related development services) amounted to kEUR 59,474 in the 2019 short financial year (previous year: kEUR 61,085).

22. Property, plant and equipment

	Properties and buildings EUR'000	Technical facilities EUR'000	Operating and office equipment EUR'000	Facilities under construction EUR'000	Rights of use [1] EUR'000	Total EUR'000
Historical costs						
As of 28 February 2018	**106,932**	**206,621**	**27,766**	**14,632**	**0**	**355,950**
First-time application of IFRS 15	0	–112,456	0	–1,220	0	–113,676
As of 1 March 2018	**106,932**	**94,165**	**27,766**	**13,412**	**0**	**242,275**
Changes in foreign exchange rates	21	0	112	0	0	132
Additions	12,182	6,940	4,779	5,925	0	29,827
Disposals	0	–3	–1,432	0	0	–1,435
Transfers	5,322	7,332	2,092	–15,444	0	–698
As of 28 February 2019	**124,457**	**108,434**	**33,317**	**3,893**	**0**	**270,101**
First-time application of IFRS 16	0	0	0	0	33,782	33,782
Reclassification due to first-time application of IFRS 16	–47,571	–2,110	0	0	49,681	0
As of 1 March 2019	**76,886**	**106,324**	**33,317**	**3,893**	**83,463**	**303,882**
Changes in foreign exchange rates	12	0	48	0	–8	51
Additions	3,130	5,418	3,603	5,053	10,284	27,489
Disposals	0	0	–621	0	–13	–634
Transfers	291	2,672	206	–3,900	0	–731
As of 31 December 2019	**80,319**	**114,414**	**36,553**	**5,045**	**93,725**	**330,057**
Accumulated amortization and impairment						
As of 28 February 2018	**29,527**	**132,895**	**19,824**	**0**	**0**	**182,246**
First-time application of IFRS 15	0	–65,219	0	0	0	–65,219
As of 1 March 2018	**29,527**	**67,677**	**19,824**	**0**	**0**	**117,028**
Changes in foreign exchange rates	0	0	50	0	0	51
Amortization	3,630	8,101	3,224	0	0	14,955
Disposals	0	0	–1,016	0	0	–1,016
As of 28 February 2019	**33,157**	**75,778**	**22,082**	**0**	**0**	**131,017**
First-time application of IFRS 16	0	0	0	0	0	0
Reclassification due to first-time application of IFRS 16	–5,265	–352	0	0	5,617	0
As of 1 March 2019	**27,892**	**75,426**	**22,082**	**0**	**5,617**	**131,017**
Changes in foreign exchange rates	0	0	20	0	–1	19
Amortization	2,154	7,182	2,934	0	5,760	18,030
Disposals	0	0	–620	0	–4	–624
As of 31 December 2019	**30,046**	**82,609**	**24,416**	**0**	**11,371**	**148,441**
Carrying amount as of 28 February 2019	**91,300**	**32,656**	**11,235**	**3,893**	**0**	**139,084**
Carrying amount as of 31 December 2019	**50,273**	**31,806**	**12,138**	**5,045**	**82,354**	**181,616**

[1] See Note 3 – Effects of the first-time application of IFRS 16

Property and buildings, as well as rights of use include land values of properties in the amount of kEUR 5,298 (previous year: kEUR 3,889). Certain properties and buildings serve as collaterals for liabilities to financial institutions (see Note 38 – Financial liabilities).

The net book value of the finance leases used by FACC amounted to kEUR 44,064 as of 28 February 2019.

The obligations to purchase property, plant and equipment amounted to kEUR 10,587 (previous year: kEUR: 13,462) on the reporting date.

In addition, there were internally approved acquisitions in the amount of kEUR 19,817 (previous year: kEUR 34,153) which have not yet given rise to contractual obligations.

The rights of use developed as follows in the 2019 short financial year:

	Properties and buildings EUR'000	Technical facilities and vehicles EUR'000	IT EUR'000	Total EUR'000
As of 1 March 2019	**71,932**	**2,851**	**3,063**	**77,846**
Changes in foreign exchange rates	–7	0	0	–7
Additions	4,044	5,488	752	10,285
Disposals	0	–9	0	–9
Depreciation and amortization	–3,672	–857	–1,231	–5,760
As of 31 December 2019	**72,297**	**7,472**	**2,584**	**82,354**

23. Receivables from customer-related engineering

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

	28.02.2019 EUR'000	31.12.2019 EUR'000
As of 1 March	**89,996**	**86,053**
Changes in estimates	2,757	596
Partial settlements	–15,212	–10,614
Derecognition	–1,967	0
Valuation allowance	–9	–100
Interest	2,509	268
Reclassification	1,632	30,176
Currency translation	6,347	2,787
	86,053	**109,166**

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

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

	28.02.2019 EUR'000	31.12.2019 EUR'000
As of 1 March	**0**	**9**
Additions	9	100
	9	**109**

24. Contract assets

Contract assets can be broken down as follows:

	28.02.2019 EUR'000	31.12.2019 EUR'000
Development projects (period-related)	12,581	4,364
Payment to customers	2,518	1,070
	15,099	**5,433**

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

	28.02.2019 EUR'000	31.12.2019 EUR'000
As of 1 March	**10,025**	**15,099**
Additions due to PoC progress	10,510	491
Partial settlements	–2,269	–10,211
Derecognition	–2,121	0
Interest	218	20
Reclassification	–1,632	–1,452
Currency translation	368	1,486
	15,099	**5,433**

25. Contract costs

Contract costs can be broken down as follows:

	28.02.2019 EUR'000	31.12.2019 EUR'000
As of 1 March	**38,251**	**39,976**
Additions	13,012	9,015
Amortization contract costs	–8,048	–6,327
Value recovery	4,049	0
Impairment	–7,287	0
	39,976	**42,665**

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

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

26. Other non-current financial assets

	28.02.2019 EUR'000	31.12.2019 EUR'000
Securities measured at fair value	413	428
Shares	44	44
	457	**472**

These shares refer to the 3.01% stake in Techno-Z Ried Technologiezentrum GmbH, Ried im Innkreis.

27. Non-current receivables from related companies

	28.02.2019 EUR'000	31.12.2019 EUR'000
Non-current receivables in which the parent undertaking is involved	6,156	5,633

28. Other receivables

The other receivables item consists of advance payments and deposits amounting to kEUR 8,838 (previous year: kEUR 8,657).

29. Inventories

	28.02.2019 EUR'000	31.12.2019 EUR'000
Raw, auxiliary and operating materials	67,311	67,320
Unfinished products	41,854	40,220
Finished products	14,216	14,783
Advance payments made	401	474
	123,781	**122,798**

Gross inventories	130,272	130,287
Valuation allowance	6,491	7,489
Net inventories	**123,781**	**122,798**

Inventories recorded as material expenses in the reporting period amount to kEUR 342,958 (previous year: kEUR 405,811).

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

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

30. Customer-related engineering

	28.02.2019 EUR'000	31.12.2019 EUR'000
As of 1 March	**40,395**	**28,851**
Additions	11,100	14,924
Disposals	–22,644	–35,060
	28,851	**8,715**

Customer-related engineering recorded as material expenses in the reporting period amounted to kEUR 9,265 (previous year: kEUR 5,214).

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

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

31. Trade receivables

	28.02.2019 EUR'000	31.12.2019 EUR'000
Gross trade receivables	101,515	101,610
Less valuation allowance	–5,517	–2,787
Net trade receivables	**95,998**	**98,824**
of which current	85,247	97,236
of which non-current	10,751	1,588

FACC maintains a non-recourse assignment agreement with a financial institution in connection with receivables from seven customers. The sold receivables (factoring) are derecognized in accordance with IFRS 9. Trade receivables were sold to third parties in the amount of kEUR 85,026 (previous year: kEUR 89,853) as of the reporting date.

The impairment of trade receivables developed as follows:

	28.02.2019 EUR'000	31.12.2019 EUR'000
As of 1 March	**4,273**	**5,248**
Additions	1,831	1,310
Reversal/use	–856	–4,038
	5,248	**2,520**

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

	28.02.2019 EUR'000	31.12.2019 EUR'000
As of 1 March	**246**	**268**
Additions	137	77
Reversal/use	–114	–78
	268	**267**

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

	Specific bad-debt allowance		Standardized bad-debt allowance	
	28.02.2019 EUR'000	31.12.2019 EUR'000	28.02.2019 EUR'000	31.12.2019 EUR'000
Receivables from customer-related engineering	0	0	9	109
Contract assets	0	0	0	0
Trade receivables	5,248	2,520	268	267
Receivables from related companies	0	0	0	0
Other financial assets	0	0	0	0

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

	Gross amount		Valuation allowance	
	28.02.2019 EUR'000	31.12.2019 EUR'000	28.02.2019 EUR'000	31.12.2019 EUR'000
Receivables from customer-related engineering	86,062	109,275	9	109
Contract assets	15,099	5,433	0	0
Trade receivables	101,515	101,610	5,517	2,787
Receivables from related companies (current and non-current)	30,374	25,023	0	0
Other financial liabilities (current and non-current)	19,553	19,824	0	0

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

Other receivables and deferred items include:

	28.02.2019 EUR'000	31.12.2019 EUR'000
Other current financial assets		
Receivables from the Fake President Incident	10,860	10,860
Other	35	126
	10,895	**10,986**
Other current non-financial assets		
Other tax receivables (particularly VAT)	22,795	17,561
Deferred items	2,366	2,088
Other	1,894	4,489
	27,054	**24,139**
	37,949	**35,125**

In the 2015/2016 reporting period, the Group lost kEUR 52,847 in cash flows as a result of an externally controlled case of fraud (Fake President Incident). As a result of directly initiated measures, we were able to block kEUR 10,860 to receiver accounts in China. Subsequently, the funds attributable to FACC Operations GmbH were retransferred to an account of the Republic of Austria in May 2019. On the basis of the legal opinion obtained and taking into account comparable facts that have already been decided in favor of the aggrieved parties, FACC Operations GmbH assumes that the funds can be expected to be transferred to FACC Operations GmbH within the next twelve months. The amount of kEUR 10,860 was therefore reported unchanged as a current other receivable as of the balance sheet date of 31 December 2019. Other receivables do not include any significant amounts of overdue receivables. Furthermore, no notable impairment was performed on these receivables.

32. Cash and cash equivalents

	28.02.2019 EUR'000	31.12.2019 EUR'000
Bank deposits	90,042	75,777
Cash balance	19	13
	90,062	**75,790**

33. Equity

The development of the Group's equity in the financial year 2018/19 and short financial year 2019 is shown in the Consolidated Statement of Changes in Equity.

The share capital of FACC AG amounted to kEUR 45,790 on the balance sheet date, is unchanged from the balance sheet date 28 February 2019, and is fully paid. It is divided into 45,790,000 shares with a par value of EUR 1 each.

The capital reserve, which remains unchanged from the balance sheet date 28 February 2019, amounts to kEUR 221,459.

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

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

The hedging reserve (after taxes) developed as follows:

	28.02.2019 EUR'000	31.12.2019 EUR'000
As of 1 March	**6,470**	**–3,991**
Changes in unrealized profits (+)/losses (-)	–3,991	–4,718
Realized profits (+)/losses (-) subsequently reclassified to profit or loss – recognized in earnings before interest and taxes	–6,470	7,684
	–3,991	**–1,026**

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

Capital management

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

	28.02.2019 EUR'000	31.12.2019 EUR'000
Equity	298,971	316,127
Balance sheet total	725,790	739,434
Equity ratio in %	**41.2%**	**42.8%**

Certain loan agreements with banks contain financial covenants with regard to the Group's equity ratio, the non-compliance of which would lead to the premature repayment of financial liabilities. All relevant capital requirements were met in the year under review (see also Note 38 – Financial liabilities).

Dividend per share

	Total EUR'000	Number of shares	Dividend per share
Dividend resolved for the financial year 2018/19 (Annual General Meeting of 09 July 2019)	6,869	45,790,000	0.15
Dividend proposed for the short financial year 2019 (Annual General Meeting of 26 June 2020)	6,869	45,790,000	0.15

34. Investment grants

	28.02.2019 EUR'000	31.12.2019 EUR'000
Investment grants, current	510	635
Investment grants, non-current	7,379	6,494
	7,889	**7,128**

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

35. Employee benefit obligations

	28.02.2019 EUR'000	31.12.2019 EUR'000
Termination benefits	7,477	7,881
Anniversary bonuses	2,383	2,776
	9,860	**10,657**

In the 2020 financial year, the expected payments from termination benefit and anniversary bonus obligations towards employees will amount to kEUR 0 and kEUR 25, respectively.

Termination benefits

The net liabilities under defined benefit plans for termination benefits developed as follows:

	28.02.2019 EUR'000	31.12.2019 EUR'000
As of 1 March	**7,449**	**7,477**
Service cost	270	345
Interest expenses	134	98
Termination benefit payments	–493	–282
Revaluation effects in the period	–383	98
Other effects	500	145
	7,477	**7,881**
Duration in years	14.34	14.75

The revaluation effects are composed of the following factors:

	28.02.2019 EUR'000	31.12.2019 EUR'000
Changes in expected values	172	–177
Changes in underlying demographic assumptions	–751	–121
Changes in underlying financial assumptions	196	396
	–383	**98**

All legal transitional regulations relating to retirement age have been taken into account. All expenses in connection with termination benefits are recorded under “Cost of goods sold”, “Research and development expenses”, as well as “Selling expenses” and “Administration expenses”.

The valuation is based on the following assumptions:

	28.02.2019	31.12.2019
Discounting interest rate	1.70%	1.30%
Salary increases	2.00%	2.00%
Fluctuations of salaried staff/employees	3.93%/6.71%	3.57%/6.99%
Retirement age for women/men	60/65 years	65/individual
Life expectancy	AVÖ 2018-P	AVÖ 2018-P

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

	Decrease by 0.25 percentage points EUR'000	Increase by 0.25 percentage points EUR'000
Change in obligations as of 28 February 2019	328	–313
Change in obligations as of 31 December 2019	356	–340

Anniversary bonuses

	28.02.2019 EUR'000	31.12.2019 EUR'000
As of 1 March	1,819	2,383
Service cost	285	285
Interest expenses	33	32
Termination benefit payments	–3	–31
Revaluation effects in the period	249	107
	2,383	2,776

All expenses in connection with anniversary bonuses are recorded under "Cost of goods sold", "Research and development expenses", as well as "Selling expenses" and "Administration expenses".

In the 2019 short financial year, kEUR 2,285 (previous year: kEUR 2,295) were paid into defined contribution plans (pension fund and employee pension fund in Austria).

36. Contract liabilities from customer-related engineering

Contract liabilities consist of advance payments received and relate to tool and development activities. The amount of kEUR 17,312 (previous year: kEUR 7,907) reported under contract liabilities at the beginning of the period was recognized as sales revenue of kEUR 9,254 (previous year: kEUR 6,586) in the 2019 short financial year.

37. Other provisions

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

							Term	
	As of 01.03.2019 EUR'000	Additions EUR'000	Use EUR'000	Disposal EUR'000	Accumulation EUR'000	As of 31.12.2019 EUR'000	Less than 1 year EUR'000	More than 1 year EUR'000
Provision for warranty claims	3,816	251	–1,308	–2,072	0	**688**	688	0
Project-related provisions	12	0	0	–12	0	**0**	0	0
Provisions for legal and other disputes	393	44	–202	–128	0	**108**	108	0
Other	2,411	916	–1,989	–1,254	0	**84**	84	0
	6,632	1,211	–3,498	–3,466	0	879	879	0

Other provisions include provisions for personnel-related matters of kEUR 0 (previous year: kEUR 1,585).

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

38. Financial liabilities

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

	Carrying amount 31.12.2019 EUR'000	Remaining term: Less than 1 year 31.12.2019 EUR'000	1 to 2 years 31.12.2019 EUR'000	3 to 5 years 31.12.2019 EUR'000	More than 5 years 31.12.2019 EUR'000	Nominal interest in %
Promissory note loans						
Fixed interest rate (nominal capital: kEUR 29,500)	29,500	0	0	16,500	13,000	1.10 to 1.648
Variable interest rate (nominal capital: kEUR 40,500)	40,500	0	0	8,000	32,500	6M-Euribor + 1.10 to 1.30
Bond FACC Operations GmbH						
Fixed interest rate (nominal capital: kEUR 90,000)	89,916	89,916	0	0	0	4.00
Liabilities towards credit institutions						
Fixed interest rate	55,919	14,220	4,743	14,503	24,011	1.00 to 4.83
Variable interest rate	3,107	1,047	1,027	1,033	0	3M-Euribor + 1.00 to 1.75
Lease liabilities						
Fixed interest rate	41,390	4,087	4,862	12,350	18,533	1.45 to 1.6222
Variable interest rate	17,964	536	544	1,685	15,199	6M-Euribor + 1.95
Other interest-bearing liabilities	10,726	10,726	0	0	0	1.00 to 4.83
	289,022	**120,532**	**11,176**	**54,071**	**103,243**	

Accrued interest expenses are included in current financial liabilities.

Certain liabilities to financial institutions are secured by mortgages on company real estate, guarantees provided by AWS, state guarantees for loans and chattel mortgages on machinery. The export credit under the Kontrollbank scheme is secured by export receivables in the amount of 120% of the framework provided. In order to benefit from beneficial interest rates for research promotion loans, certain conditions must be met. The guarantee for certain liabilities to financial institutions in connection with land and buildings amounted to kEUR 15,966 (previous year: kEUR 15,966).

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

On 29 August 2018, FACC Operations GmbH subscribed to a syndicated loan of kEUR 225,000 with seven participating banks. FACC AG acts as guarantor. The existing short-term lines of credit, which can be terminated at any time, were bundled and expanded under a single contract. The syndicated loan has a term of five years plus a two-year extension option. The contract contains four financing facilities with different intended uses. All facilities, with the exception of the funding framework provided by the Oesterreichische Kontrollbank AG, which is also part of the syndicated loan agreement, are unsecured. Net Financial Debt/EBITDA < 3.5 was defined as the financial covenant. Due to the proven effects of changed accounting standards (IFRS 15, IFRS 16) the limit was increased from 3.5 to 4.0 with effect from 31 August 2019 in agreement with the syndicate banks.

The ratio is assessed every six months. The creditors have the right to terminate the agreement in the event that this ratio is exceeded.

All covenants were fulfilled as of 31 December 2019 and 28 February 2019, respectively.

On 31 July 2019, new promissory note loans totaling kEUR 70,000 were issued. The individual tranches carry both fixed and variable interest rates and are due for repayment after five, seven and ten years. The financing agreements contain an interest rate increase clause of 50 basis points if Net Debt/EBITDA exceeds 3.75. The ratio is tested annually.

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

	28.02.2019 EUR'000	31.12.2019 EUR'000
Up to one year	1,264	7,381
Two to five years	4,998	23,558
More than five years	18,790	40,159
	25,052	**71,098**
Less future financing expenses	–4,839	–11,744
Present value of liabilities from finance lease	**20,212**	**59,354**

In the short financial year, the following amounts relating to leases were recognized in profit or loss:

	31.12.2019 EUR'000
Depreciation expense of rights of use assets	–5,760
Interest expense on lease liabilities	–1,760
Expense relating to short-term leases (included in cost of sales)	–356
Expense relating to leases of low-value assets	–11
Total amount recognized in profit or loss	**–7,887**

The total cash outflows for leases amounted to kEUR 5,280 in the short financial year 2019.

39. Other current liabilities

	28.02.2019 EUR'000	31.12.2019 EUR'000
Other current financial liabilities		
Liabilities to personnel	11,629	10,160
Other	5	3
	11,633	**10,163**
Other current non-financial liabilities		
Liabilities from social security	4,095	4,389
Liabilities to tax authorities	149	271
Deferred items	485	398
Other	5,055	3,773
	9,784	**8,831**
	21,417	**18,994**

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

40. Other non-cash expenses/income

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

	2018/19 EUR'000	2019 EUR'000
Effects from foreign exchange rates	–12,171	–5,822
Measurement of derivatives in earnings before interest and tax	10,558	–4,718
Recognition of deferred tax assets/liabilities	2,975	–2,469
Impairment on inventories	520	998
Ascription contract costs	–4,049	0
Remaining other non-cash expenses/income	393	82
	–1,773	**–11,929**

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

		Cash change	Non-cash change			
	Carrying amount 01.03.2018 EUR'000	Change EUR'000	Finance lease EUR'000	Transaction costs EUR'000	Other EUR'000	Carrying amount 28.02.2019 EUR'000
Promissory note loans (current and non-current)	34,000	0	0	0	0	34,000
Bond	89,589	0	0	179	0	89,768
Other financial liabilities (current and non-current)	121,854	15,055	9,220	0	1022	147,151
	245,443	**15,055**	**9,220**	**179**	**1,022**	**270,919**

		Cash change	Non-cash change			
	Carrying amount 01.03.2019 EUR'000	Change EUR'000	Lease liabilities EUR'000	Transaction costs EUR'000	Other EUR'000	Carrying amount 31.12.2019 EUR'000
Promissory note loans (current and non-current)	34,000	36,000	0	0	0	70,000
Bond	89,769	0	0	147	0	89,916
Other financial liabilities (current and non-current)	126,939	–57,306	0	0	119	69,752
Lease liabilities (current and non-current)	53,994	–4,913	10,285	0	–11	59,354
	304,701	**–26,219**	**10,285**	**147**	**108**	**289,022**

41. Interest received and interest paid

In the 2019 short financial year, all interest received was recognized under other financial result.

In the 2019 short financial year, all interest paid was recorded to profit or loss under financing expenses.

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

The addition in connection with the first-time application of IFRS 16 for rights of use in the amount of kEUR 33,782 and for lease liabilities in the amount of kEUR 33,782 was recognized as a non-cash investment in the short financial year 2019.

Additions to technical equipment in the 2019 short financial year included investments of kEUR 5,308 (previous year: kEUR 10,000) as additions from non-cash leases.

Additions to land and buildings in the 2019 short financial year included investments of kEUR 0 (previous year: kEUR 0) as additions from non-cash leases.

In the course of the 2019 short financial year, the FACC Group acquired assets that were not yet included in the cash flow as they had not been (fully) paid as of the balance sheet date. At the same time, liabilities from capital investments that had already been acquired in the previous year and are therefore included in the cash flow of this financial year were repaid. This resulted in a decrease in the cash flow from investments of kEUR 356 in the 2019 short financial year (previous year: increase of kEUR 211).

NOTES TO FINANCIAL INSTRUMENTS

43. Determination of fair value

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

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

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

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

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

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

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

44. Classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities by class and measurement category in accordance with IFRS 9, including their positions in the fair value hierarchy.

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

		Fair value			
	Carrying amount 28.02.2019 EUR'000	Total 28.02.2019 EUR'000	Level 1 28.02.2019 EUR'000	Level 2 28.02.2019 EUR'000	Level 3 28.02.2019 EUR'000
Valuation at amortized cost					
Other financial assets – securities (unquoted)	44	0	0	0	0
Receivables from related companies, non-current	6,156	0	0	0	0
Other receivables	8,657	0	0	0	0
Trade receivables	89,430	0	0	0	0
Receivables from related companies, current	24,218	0	0	0	0
Other receivables and assets	10,895	0	0	0	0
Cash and cash equivalents	90,062	0	0	0	0
	229,462	**0**	**0**	**0**	**0**
Fair value through other comprehensive income					
Trade receivables (within factoring)	6,568	6,568	6,568	0	0
Other financial assets – securities (quoted)	413	413	413	0	0
	6,981	**6,981**	**6,981**	**0**	**0**
Valuation at amortized cost					
Financial liabilities	270,920	274,499	93,348	0	181,151
Trade payables	74,819	0	0	0	0
Liabilities towards related companies	4,623	0	0	0	0
Other financial liabilities	11,633	0	0	0	0
	361,995	**274,499**	**93,348**	**0**	**181,151**
Fair value through profit and loss					
Derivative financial instruments	10,596	10,596	0	10,596	0
	10,596	**10,596**	**0**	**10,596**	**0**

	Carrying amount 31.12.2019 EUR'000	Fair value Total 31.12.2019 EUR'000	Level 1 31.12.2019 EUR'000	Level 2 31.12.2019 EUR'000	Level 3 31.12.2019 EUR'000
Valuation at amortized cost					
Other financial assets – securities (unquoted)	44	0	0	0	0
Receivables from related companies, non-current	5,633	0	0	0	0
Other receivables	8,838	0	0	0	0
Trade receivables	98,824	0	0	0	0
Receivables from related companies, current	19,390	0	0	0	0
Other receivables and assets	10,986	0	0	0	0
Cash and cash equivalents	75,790	0	0	0	0
	219,506	**0**	**0**	**0**	**0**
Fair value through other comprehensive income					
Trade receivables (within factoring)	0	0	0	0	0
Other financial assets – securities (quoted)	428	428	428	0	0
	428	**428**	**428**	**0**	**0**
Valuation at amortized cost					
Financial liabilities (without lease liabilities)	229,668	231,354	91,602	0	139,752
Trade payables	83,465	0	0	0	0
Liabilities towards related companies	4,508	0	0	0	0
Other financial liabilities	10,163	0	0	0	0
	327,804	**231,354**	**91,602**	**0**	**139,752**
Fair value through profit and loss					
Derivative financial instruments	1,924	1,924	0	1,924	0
	1,924	**1,924**	**0**	**1,924**	**0**

45. Derivative financial instruments and hedge accounting

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

The risk management conducted by the Group's treasury and risk management department pursues the objective of hedging at least 80% of expected net cash flows in USD (from revenues and purchases of raw materials) for the next twelve months (on a rolling monthly basis) (hedge ratio). If market levels are favorable, hedging periods can be extended to up to 36 months. The Group generally does not use derivative financial instruments for speculative purposes.

Derivative financial instruments are used to hedge net cash flows in USD. Forward exchange transactions qualifying as hedges are recorded as cash flow hedges according to IFRS 9. Forward exchange transactions which are not recorded as cash flow hedges are recorded as free-standing derivatives of the category "at fair value through profit or loss".

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

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

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

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

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

Derivative financial instruments with a negative market value

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

		Remaining term	
	Carrying amount 31.12.2019 EUR'000	Less than 1 year 31.12.2019 EUR'000	Over 1 year 31.12.2019 EUR'000
Forward exchange transactions with negative fair value	1,924	1,910	14

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

			Remaining term		
	Currency	Volume in thousands	Less than 1 year in thousands	1 to 2 years in thousands	3 to 5 years in thousands
As of 28 February 2019: Foreign currency derivatives	USD	230,000	190,000	40,000	0
As of 31 December 2019: Foreign currency derivatives	USD	335,000	265,000	70,000	0

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

Cash flow hedges (OCI) 28.02.2019	Instrument	Average exchange rate	Notional value in foreign currency	Notional value in local currency	Change in fair value used for calculating hedge ineffectiveness	Fair value
			USD'000	EUR'000	EUR'000	EUR'000
Sell USD, buy EUR	FX Forward	1.2084	160,000	132,410	–5,322	–5,322

Cash flow hedges (OCI) 31.12.2019	Instrument	Average exchange rate	Notional value in foreign currency	Notional value in local currency	Change in fair value used for calculating hedge ineffectiveness	Fair value
			USD'000	EUR'000	EUR'000	EUR'000
Sell USD, buy EUR	FX Forward	1.1502	275,000	239,099	–1,368	–1,368

	Change in value used for calculating hedge ineffectiveness		Carrying amount cash flow hedge reserve	
	28.02.2019 EUR'000	31.12.2019 EUR'000	28.02.2019 EUR'000	31.12.2019 EUR'000
Sell USD, buy EUR	5,322	1,368	–3,991	–1,026

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

	Current period hedging gains (losses) recognized in OCI		Amount reclassified to profit and loss		Line item in profit and loss in which reclassification adjustment is included
	28.02.2019 EUR'000	31.12.2019 EUR'000	28.02.2019 EUR'000	31.12.2019 EUR'000	
Sell USD, buy EUR	–5,322	–1,368	–5,274	4,718	Revenues

46. Financial risk

In addition to financing risks, FACC's operational business is also exposed to interest rate and currency risks. The Group's overall risk management focuses on the unpredictability of developments on the financial markets and aims to minimize potentially negative effects on the Group's financial position.

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

Currency risk

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

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

	28.02.2019 EUR'000	31.12.2019 EUR'000
Receivables from customer-related engineering	86,053	109,166
Contract assets	15,099	5,433
Receivables from related companies, non-current	6,156	5,633
Other receivables	8,657	8,838
Trade receivables, current	95,998	98,824
Receivables from related companies, current	24,218	19,390
Other receivables and assets	37,949	35,125
Cash and cash equivalents	90,062	75,790
	364,193	**358,199**
US dollar	227,601	222,793
EUR	136,592	135,406
	364,193	**358,199**

	28.02.2019 EUR'000	31.12.2019 EUR'000
Financial liabilities	270,920	289,022
Trade payables	74,819	83,465
Liabilities towards related companies	4,623	4,508
Other financial liabilities	11,633	10,163
	361,995	**387,158**
US dollar	36,304	83,787
EUR	325,691	303,372
	361,995	**387,158**

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

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

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

Revaluation (+)/devaluation (-)	5% devaluation		5% revaluation	
	28.02.2019 EUR'000	31.12.2019 EUR'000	28.02.2019 EUR'000	31.12.2019 EUR'000
Changes in the Consolidated Profit and Loss Statement	2,650	2,626	–2,398	–2,376
Changes in comprehensive income/loss	–8,144	–11,623	6,819	10,515
Changes to equity	**–5,494**	**–8,997**	**4,422**	**8,139**

Interest rate risk

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

An increase in interest rates of 50 basis points would have resulted in a reduction in earnings after taxes and equity of kEUR 615 (previous year: kEUR 568). A reduction in interest rates by 50 basis points would have resulted in an increase in earnings after taxes and in equity of kEUR 587 (previous year: kEUR 568).

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

Liquidity risk

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

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

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

On the balance sheet date 31 December 2019, FACC had unused credit lines amounting to kEUR 200,000 (previous year: kEUR 150,000) at its disposal.

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

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

			Payment obligations		
	Carrying amount 31.12.2019 EUR'000	Total 31.12.2019 EUR'000	Less than 1 year 31.12.2019 EUR'000	1 to 5 years 31.12.2019 EUR'000	More than 5 years 31.12.2019 EUR'000
Valuation at amortized cost					
Promissory note loans	70,000	75,723	878	28,009	46,836
Bond FACC Operations GmbH	89,916	91,800	91,800	0	0
Liabilities towards credit institutions	59,026	69,090	15,212	25,569	28,309
Lease liabilities	59,354	68,961	7,117	22,686	39,158
Other interest-bearing liabilities	10,726	10,726	10,726	0	0
Financial liabilities (without lease liabilities)	**289,022**	**316,300**	**125,733**	**76,264**	**114,302**
Trade payables	83,465	83,636	83,636	0	0
Liabilities towards related companies	4,508	4,508	4,508	0	0
Other financial liabilities	10,163	10,163	10,163	0	0
	387,158	**414,607**	**224,040**	**76,264**	**114,302**
Fair value through profit and loss					
Derivative financial instruments	1,924	1,924	1,910	14	0
Carrying amounts/contractual cash flows	**389,082**	**416,531**	**225,950**	**76,278**	**114,302**

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

Credit risks

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

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

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

OTHER INFORMATION

47. Board member remuneration

The remuneration of the members of the Management Board of FACC AG and the Supervisory Board of FACC AG, who perform the same duties for FACC Operations GmbH, as of 31 December 2019 was as follows:

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

Name	Non-success-related 2019 EUR'000	Success-related[1] 2019 EUR'000	Termination benefit[2] 2019 EUR'000	Employer contribution to pension fund 2019 EUR'000	Total 2019 EUR'000
Robert Machtlinger	332	107	0	93	532
Andreas Ockel	322	20	43	83	470
Aleš Stárek	260	71	50	0	380
Yongsheng Wang	190	56	52	0	299
	1,104	**255**	**145**	**177**	**1,681**

[1] Relates to the financial year 2017/18
[2] Due to an adjustment of the provision for severance payments

The expenses for Supervisory Board members recorded in the Annual Financial Statements amounted to kEUR 357 (previous year: kEUR 525).

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

48. Transactions with related companies and persons

Transactions with related companies and persons outside the consolidated companies of FACC AG were concluded in the period from 1 March 2019 to 31 December 2019 at arm's length terms.

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

	Receivables 31.12.2019 EUR'000	Liabilities 31.12.2019 EUR'000	Revenues 2019 EUR'000	Expenses 2019 EUR'000
Companies with significant influence on the Group	1,543	0	2,044	0
Joint venture in which the parent undertaking is involved	23,480	4,508	31,770	23,205
	25,023	**4,508**	**33,815**	**23,205**

In addition, a consulting agreement with Maffeo Aviation Consulting, Woodinville, USA, which is controlled by a Supervisory Board, was in place in the 2019 short financial year. The consulting agreement amounted to kEUR 38 (previous year: kEUR 50) in the short financial year, of which kEUR 13 (previous year: kEUR 0) had not yet been paid on the balance sheet date.

As in the previous year, there were no write-downs of doubtful receivables in connection with transactions with related parties, nor were any expenses recognized for doubtful or irrecoverable receivables in the 2019 short financial year or the previous year. Guarantees were neither granted nor received.

ACCOUNTING AND VALUATION POLICIES

49. Accounting and valuation policies

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

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

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

Software and rights	Amortization over a period of 3 to 10 years (linear)

An impairment test is conducted if an indicator of impairment is present. An impairment loss is recognized in the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of the asset is the higher of its attributed fair value less costs to sell and its value in use.

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

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

Measurement is conducted at acquisition or production costs.

These assets are not subject to scheduled amortization. Impairment tests are performed on an annual basis and if there are signs of impairment. An impairment loss is recognized in the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of the asset is the higher of its attributed fair value less costs to sell and its value in use.

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

Goodwill (IFRS 3, IAS 36)

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

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

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

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

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

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

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

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

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

Linear amortization over the useful life:

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

Impairment tests are performed whenever there are signs of impairment. An impairment loss is recognized in the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of the asset is the higher of its attributed fair value less costs to sell and its value in use.

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

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

Leasing (IAS 17) *until 28 February 2019:*

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

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

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

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

Leasing (IFRS 16) *since 1 March 2019*:

The FACC Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17. The details of accounting policies under IAS 17 are disclosed separately.

At inception of a contract, the FACC Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the FACC Group uses the definition of a lease in IFRS 16.

IFRS 16 will replace the linear expenses for operating leases with amortization charges for right-of-use assets and interest costs for liabilities arising from the lease.

The FACC Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right of use is initially recognized at present value.

The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any occur, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the FACC Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments;
- variable lease payments that depend on an index or a rate;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if there is a change in the FACC Group's estimate of the amount expected to be payable under a residual value guarantee.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The FACC Group has elected not to recognize right of use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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

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

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

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

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

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

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

Contract costs (IFRS 15)

Contract costs are measured at amortized cost.

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

Inventories (IAS 2)

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

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

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

Customer-related engineering (IAS 2)

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

Government grants (IAS 20)

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

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

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

Employee benefit obligations (IAS 19)

Defined benefit plans

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

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

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

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

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

Defined contribution plans

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

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

Other non-current employee benefit obligations

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

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

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

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

Contract liabilities from customer-related engineering (IFRS 15)

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

Other provisions (IAS 37)

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

Income taxes (IAS 12)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Other non-current financial assets (securities)

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

Receivables and other assets

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

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

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

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

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

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

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

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

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

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

Cash

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

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

Liabilities

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

Derivative financial instruments

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

Cash flow hedges

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

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

Revenue recognition (IFRS 15)

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

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

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

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

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

In the case of revenue recognition over a period of time, revenue is allocated according to the cost-to-cost method.

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

Recognition of expenses

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

Foreign currency valuation (IAS 21)

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

Consolidated statement of cash flows (IAS 7)

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

50. Effects of new and amended standards (revised)

The following new and amended standards were mandatorily effective for the first time in the 2019 short financial year:

Standard / Interpretation		Mandatory application acc. to IASB for financial years beginning with	Adoption by the EU as of 31.12.2019
IFRS 16	Leasing	01.01.2019	Yes
IFRIC 23	Uncertainty over Income Tax Treatments	01.01.2019	Yes
Miscellaneous	Annual Improvements to IFRS Standards 2015-2017 Cycle	01.01.2019	Yes
IFRS 9 (amended)	Prepayment Features with Negative Compensation	01.01.2019	Yes
IAS 28	Long-term Investments in Associates and Joint Ventures	01.01.2019	Yes
IAS 19	Plan Amendment, Reduction or Settlement of Pension Obligations	01.01.2019	Yes

With the exception of IFRS 16, the first-time application of these new or revised standards has no material impact on the FACC Consolidated Financial Statements.

- IFRS 16: Leases

IFRS 16 provides for a uniform accounting model according to which leases must be recognized in the lessee's balance sheet. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are exceptions for short-term leases and leases of low-value assets. With regard to these disclosures, please refer to Note 3 - Effects of the first-time application of IFRS 16.

The International Accounting Standards Board (IASB) is currently working on a number of projects that will affect financial years beginning on or after 1 January 2020. The following new, revised or amended standards and IFRIC interpretations that have already been published by the IASB but are not yet mandatory in the EU have not been applied early by the FACC Group and are therefore not relevant to these Consolidated Financial Statements:

Standard / Interpretation		Published by IASB	Mandatory application acc. to IASB	Adoption by the EU as of 23.01.2020	Effects on the Consolidated Financial Statements
IFRS 9, IAS 39, IFRS 7 (amended)	Interest Rate Benchmark Reform	26.09.2019	01.01.2020	Yes	No
Miscellaneous	Amendments to References to the Conceptual Framework in IFRS Standards	29.03.2018	01.01.2020	Yes	No
IAS 1 and IAS 8 (amended)	Definition of Material	31.10.2018	01.01.2020	Yes	No
IFRS 3 (amended)	Business Combinations	22.10.2018	01.01.2020	No	No
IFRS 17	Insurance Contracts	18.05.2017	01.01.2021	No	No
IAS 1	Presentation of Financial Statements: Classification of Liabilities as Current or Non-current	23.01.2020	01.01.2022	No	No
IFRS 14	Regulatory Deferral Accounts	30.06.2014	Unspecified [1]	No	No

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

51. Fees of the Group auditor

The expenses attributable to the 2019 short financial year for the auditor Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. of the Consolidated Financial Statements are as follows:

	2018/19 EUR'000	2019 EUR'000
Group and annual audit	180	217
Other consulting services	103	56
	283	**273**

52. Events after the balance sheet date

After the balance sheet date of 31 December 2019, no event requiring disclosure occurred.

53. Proposed appropriation of net income

In the 2019 short financial year the retained earnings of FACC Group amounted to kEUR 53,868. The Management Board and the Supervisory Board will propose a dividend of EUR 0.15 per share to the Annual General Meeting on 26 June 2020.

54. Approval for publication

These Consolidated Financial Statements are expected to be approved by the Management Board on 25 March 2020 (Consolidated Financial Statements on 28 February 2019: 22 May 2019) for review by the Supervisory Board, presentation to the Annual General Meeting and subsequent publication. The Supervisory Board may arrange for amendments to the Consolidated Financial Statements as part of its duties as assessor.

55. Management and Supervisory Boards

Members of the Management Board

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

Members of the Supervisory Board

Ruguang Geng (Chairman, until 31 December 2019)
Zhen Pang (Deputy Chairman, until 31 December 2019; Chairman, since 01 January 2020)
Qinghong Liu
Jiajia Dai (since 26 March 2019)
Jing Guo
Junqi Sheng
Weixi Gong
George Maffeo
Wenbiao Han (until 28 April 2019)
Ulrike Reiter (employee representative)
Barbara Huber (employee representative)
Peter Krohe (employee representative)
Karin Klee (employee representative)

Ried im Innkreis, 6 March 2020

The Management Board

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

Statement of all Legal Representatives

According to section 82 paragraph 4 number 3 Börsegesetz (Austrian Stock Exchange Act)

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

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

Ried im Innkreis, 6 March 2020

The Management Board

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

Auditor's Report[1)]

Report on the Consolidated Financial Statements

AUDIT OPINION

We have audited the Consolidated Financial Statements of

FACC AG, Ried im Innkreis,

and of its subsidiaries (the Group) comprising the Consolidated Statement of Financial Position as of 31 December 2019, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the short financial year then ended and the Notes to the Consolidated Financial Statements.

Based on our audit the accompanying Consolidated Financial Statements were prepared in accordance with the legal regulations and present fairly, in all material respects, the assets and the financial position of the Group as of 31 December 2019 and its financial performance for the short financial year then ended in accordance with the International Financial Reportings Standards (IFRS) as adopted by the EU, and the additional requirements under section 245a of the Austrian Company Code (UGB).

[1)] This report is a translation of the original report in German, which is solely valid. Publication or sharing with third parties of the Consolidated Financial Statements together with our auditor's opinion is only allowed if the Consolidated Financial Statements and the Management Report for the Group are identical with the German audited version. This audit opinion is only applicable to the German and complete Consolidated Financial Statements with the Management Report for the Group. Section 281 paragraph 2 UGB (Austrian Company Code) applies to alternated versions.

BASIS FOR OPINION

We conducted our audit in accordance with the regulation (EU) no. 537/2014 (in the following "EU regulation") and in accordance with Austrian Standards on Auditing. Those standards require that we comply with International Standards on Auditing (ISA). Our responsibilities under those regulations and standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the Austrian Generally Accepted Accounting Principles and professional requirements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Consolidated Financial Statements of the short financial year. These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We considered the following matters as key audit matters for our audit:

1. First-time adoption of "International Financial Reporting Standard 16 – Leases"
2. Other receivables in connection with the Fake-President-Incident-Fraud case in fiscal year 2015/2016

1. First-time adoption of "International Financial Reporting Standard – Leases"

Description

FACC AG implemented the new standard on leases "International Financial Reporting Standard 16 – Leases" (IFRS 16) as of 1 March 2019 using the modified retrospective approach in accordance with the transitional provisions. FACC AG recorded right-of-use assets of mEUR 33.8 and lease liabilities of mEUR 33.8 (thereof short-term mEUR 4.5) as of 1 March 2019.

FACC AG shows the following amounts of right-of-use assets (mEUR 82.4), short-term lease liabilities (mEUR 4.6) and long-term lease liabilities (mEUR 54.7) in its consolidated financial statements as of December 31, 2019.

FACC AG's disclosures about leases and the first time application of IFRS 16 are included in Note 3 (3. Effects of the first-time application of IFRS 16), 22 (Property, plant and equipment) and 38 (Financial Liabilities) in the consolidated financial state-ments.

We considered the first-time adoption of IFRS 16 as a key audit matter as the related opening balance amounts and their updating throughout the short financial year are significant and the process for assessing the impact and implementing the standard itself is complex and requires judgment, especially regarding the assessment of possible options to extend or termi-nate a contract when determining the lease term and the incremental borrowing rate.

How our audit addressed the matter

Our audit procedures included, among others, the following:

- Regarding the initial application of IFRS 16 as of 1 March 2019, we evaluated the FACC Group's process for assessing the impact and implementing the new standard.
- Assessment of the design and effectiveness of the controls implemented by the management for the correct application of the new standard.
- We challenged the key accounting estimates and judgements made under IFRS 16 (mainly assessment of possible options to extend or terminate a contract when determining the lease term, incremental borrowing rate).
- We performed substantive audit procedures to corroborate the results of the design and implementation assessment of controls over IFRS 16 related processes and IT systems, especially regarding the complete and appropriate recording of the leases in the opening balance and additions during the financial year as well as their updating throughout the short financial year based on a sample selection of individual leasing contracts and
- Finally, we also evaluated the adequacy of disclosures made regarding the initial application of IFRS 16.

2. Other receivables in connetion with the Fake-President-Incicent-Fraud case in fiscal year 2015/2016

Description

At the end of the 2015/16 fiscal year, the FACC Group was confronted with a fake-president-incident-fraud case, which led to a cash outflow of EUR 52.9 million from FACC Operations GmbH (a subsidiary of FACC AG). Of this amount, an amount of ap-proximately EUR 10.9 million was frozen in bank accounts in China and transferred to accounts of the Republic of Austria in the 2019 business year but not yet retransferred to FACC Operations GmbH. On the basis of a legal assessment obtained from management as of 31 December 2019, the amount of EUR 10.9 million was recognized in the other current receivables in the balance sheet.

The information on the explanations, with regard to management's assessments of the Fake President Inicident Fraud Case, is of particular importance and is provided in Note 31 in the financial statements (receivables and other assets).

How we have addressed the facts of the case in the course of the audit:

Our audit activities included the following activities:

- Discussing current developments in connection with the re-transfer with the management and the head of the legal department and the legal representatives of FACC Operations GmbH

- Obtaining a lawyer's letter and evaluation of the included legal judgment in respect of recovery of FACC Operations GmbH and the assessment made therein that with a prompt remittance is expected

- Consultation of the case law of similar cases concerning reimbursement of funds to damaged parties

- Review whether the criteria to recognize an account receivable are met

- Assessment of the adequacy of the information provided in the notes on other receivables

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU regulation and in accordance with Austrian Standards on Auditing, which require the application of ISA, always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the EU regulation and in accordance with Austrian Standards on Auditing, which require the application of ISA, we exercise professional judgment and maintain professional scepticism throughout the audit.

We also

- identify and assess the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Consolidated Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the Consolidated Financial Statements, including the disclosures, and whether the Consolidated Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Comments on the Management Report for the Group

Pursuant to Austrian Generally Accepted Accounting Principles, the Management Report for the Group is to be audited as to whether it is consistent with the Consolidated Financial Statements and as to whether the Management Report for the Group was prepared in accordance with the applicable legal regulations.

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

We conducted our audit in accordance with Austrian Standards on Auditing for the audit of the Management Report for the Group.

Opinion

In our opinion, the Management Report for the Group was prepared in accordance with the valid legal requirements, comprising the details in accordance with section 243a of the Austrian Company Code (UGB), and is consistent with the Consolidated Financial Statements.

Statement

Based on the findings during the audit of the Consolidated Financial Statements and due to the thus obtained understanding concerning the Group and its circumstances no material misstatements in the Management Report for the Group came to our attention.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the Consolidated Financial Statements, the Management Report for the Group and the auditor's report thereon. The annual report is estimated to be provided to us after the date of the auditor's report. Our opinion on the Consolidated Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Consolidated Financial Statements, our responsibility is to read the other information, as soon as it is available, and, in doing so, to consider whether – based on our knowledge obtained in the audit – the other information is materially inconsistent with the Consolidated Financial Statements or otherwise appears to be materially misstated.

Additional information in accordance with article 10 of the EU VO regulation

We were elected as auditor by the Ordinary General Meeting on 9 July 2019. We were appointed by the Supervisory Board on 26 September 2019. We are auditors without cease since financial year 2016/17.

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

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

RESPONSIBLE AUSTRIAN CERTIFIED PUBLIC ACCOUNTANT

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

Linz, 6 March 2020

Ernst & Young
Wirtschaftsprüfungsgesellschaft m.b.H.

Mag. Johanna Hobelsberger-Gruber e. h.
Certified Public Accountant

ppa DI (FH) Hans Eduard Seidel e. h.
Certified Public Accountant

Glossary

Technology

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

Financials

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

Contact

INVESTOR RELATIONS
Manuel Taverne
m.taverne@facc.com
Phone +43 59 616 2819
Fax +43 59 616 82819
www.facc.com

Note

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

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