

Consolidated Financial Statements

as at

28 February 2013

I CONSOLIDATED FINANCIAL STATEMENTS OF AEROSPACE INNOVATION INVESTMENT GMBH

(a) Consolidated Statement of Financial Position

	Note	Balance as at 29 February 2012	Balance as at 28 February 2013
		EUR'000	EUR'000
ASSETS			
Non-current assets			
Intangible assets	5	100,117	103,713
Property, plant and equipment	6	72,552	91,530
Other non-current financial assets	7	1,347	1,538
Non-current receivables	9	16,141	20,878
		190,157	217,659
Current assets			
Inventories	8	44,763	56,365
Trade receivables	9	63,978	97,165
Receivables from construction contracts	9	11,964	28,198
Other receivables and deferred items	9	8,355	5,906
I/C receivables	9	6,400	802
Derivative financial instruments	14	2,851	4,760
Cash and cash equivalents	10	19,292	36,958
		157,603	230,154
Total assets		347,760	447,813
EQUITY			
Share capital	11	35	35
Capital reserve	11	144,006	144,006
Currency translation reserve		-74	-75
Revenue reserves	11	-15	-15
Other reserves	11	606	570
Retained earnings		34,431	55,203
Total equity		178,989	199,724
LIABILITIES			
Non-current liabilities			
Promissory note loans	12	0	45,000
Other financial liabilities	13	17,275	18,187
Derivative financial instruments	14	7,625	11,734
Investment grants	15	11,765	10,538
Employee benefit obligations	16	4,760	5,314
Deferred taxes	31	11,838	13,245
		53,263	104,018
Current liabilities			
Trade payables	17	35,467	55,453
Other liabilities and deferred income	18	14,370	18,073
Bonds	12	20,000	0
Other financial liabilities	13	35,973	49,921
Derivative financial instruments	14	0	688
Other provisions	19	7,560	13,896
Investment grants	15	1,170	1,233
Income tax liabilities	20	968	4,807
		115,508	144,071
Total liabilities		168,771	248,089
Total equity and liabilities		347,760	447,813

The Notes on pages 6 to 48 are an integral part of these consolidated financial statements.

(b) Consolidated Statement of Comprehensive Income

	<u>Note</u>	<u>2011/2012</u>	<u>2012/2013</u>
		EUR'000	EUR'000
Revenue	4	355,624	434,615
Changes in inventories	21	1,542	5,523
Own work capitalised	22	4,995	4,741
Cost of materials and purchased services	23	-210,133	-257,105
Staff costs	24	-91,799	-110,519
Depreciation and amortisation	26	-16,364	-17,214
Other operating income and expenses	27	-20,474	-25,327
Earnings before interest, taxes and fair value measurement of derivative financial instruments		23,391	34,714
Finance costs	28	-1,763	-2,722
Interest income from financial instruments	29	220	26
Fair value measurement of derivative financial instruments	30	-9,229	-4,969
Profit before taxes		12,619	27,049
Income taxes	31	-2,160	-6,277
Profit after taxes		10,459	20,772
Currency translation differences from consolidation		5	-1
Fair value measurement of securities (net of tax)		0	14
Cash flow hedges (net of tax)	11	-621	-50
Other comprehensive income for the year		-616	-37
Total comprehensive income for the year		9,843	20,735
Attributable to:			
Equity holders of the parent		9,843	20,735

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(c) Consolidated Statement of Changes in Equity

For the fiscal year ended 29 February 2012

	Share capital	Capital reserve	Currency translation reserve	Revenue reserves	Available- for-sale securities	Hedging reserve	Retained earnings	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Balance as at 1 March 2011	35	144,006	-79	-15	-69	1,296	23,972	169,146
Total comprehensive income								
Profit after taxes	0	0	0	0	0	0	10,459	10,459
Other comprehensive income								
Currency translation differences from consolidation	0	0	5	0	0	0	0	5
Cash flow hedges (net of tax)	0	0	0	0	0	-621	0	-621
Total other comprehensive income	0	0	5	0	0	-621	0	-616
Total comprehensive income	0	0	5	0	0	-621	10,459	9,843
Balance as at 29 February 2012	35	144,006	-74	-15	-69	675	34,431	178,989

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For the fiscal year ended 28 February 2013

	<u>Share capital</u>	<u>Capital reserve</u>	<u>Currency translation reserve</u>	<u>Revenue reserves</u>	<u>Available- for-sale securities</u>	<u>Hedging reserve</u>	<u>Retained earnings</u>	<u>Total</u>
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Balance as at 1 March 2012	35	144,006	-74	-15	-69	675	34,431	178,989
Total comprehensive income								
Profit after taxes	0	0	0	0	0	0	20,772	20,772
Other comprehensive income								
Currency translation differences from consolidation	0	0	-1	0	0	0	0	-1
Fair value measurement of securities (net of tax)	0	0	0	0	14	0	0	14
Cash flow hedges (net of tax)	0	0	0	0	0	-50	0	-50
Total other comprehensive income	0	0	-1	0	14	-50	0	-37
Total comprehensive income	0	0	-1	0	14	-50	20,772	20,735
Balance as at 28 February 2013	35	144,006	-75	-15	-55	625	55,203	199,724

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(d) Consolidated Statement of Cash Flows

	<u>2011/2012</u>	<u>2012/2013</u>
	EUR'000	EUR'000
Operating activities		
Earnings before interest, taxes and fair value measurement of derivative financial instruments	23,391	34,714
Fair value measurement of derivative financial instruments	-9,229	-4,969
	<u>14,162</u>	<u>29,745</u>
Plus/minus		
Release of investment grants	-1,754	-1,164
Depreciation and amortisation	16,364	17,214
Losses/(gains) on disposal of non-current assets	7,063	848
Changes in financial instruments ¹	8,854	2,887
Change in non-current receivables	-16,141	-4,737
Change in employee benefit obligations, non-current	250	554
	<u>28,798</u>	<u>45,347</u>
Changes in net current assets		
Change in inventories	-7,362	-11,602
Changes in receivables and deferred items	-20,731	-41,372
Change in trade payables	11,946	19,985
Change in current provisions	3,016	6,270
Change in other current liabilities	549	2,685
Cash generated from operations	<u>16,216</u>	<u>21,313</u>
Interest received	219	25
Tax paid	-85	-193
Net cash generated from operating activities	<u>16,350</u>	<u>21,145</u>
Investment activities		
Purchase of non-current financial assets	-124	-173
Purchase of property, plant and equipment	-10,745	-30,464
Purchase of intangible assets	-3,273	-3,405
Payments for addition to development costs	-12,259	-6,575
Net cash used in investing activities	<u>-26,401</u>	<u>-40,617</u>
Financing activities		
Proceeds from financial loans	32,116	63,378
Repayments of financial loans and bonds	-19,281	-23,518
Payments of interest on financial loans and bonds	-1,763	-2,722
Net cash generated from/(used in) financing activities	<u>11,072</u>	<u>37,138</u>
Net change in cash and cash equivalents	1,021	17,666
Cash and cash equivalents at the beginning of the period	<u>18,271</u>	<u>19,292</u>
Cash and cash equivalents at the end of the period	<u>19,292</u>	<u>36,958</u>

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

The Notes on pages 6 to 48 are an integral part of these consolidated financial statements.

II NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General

In the following the notes are presented for the two reporting periods ended 29 February 2012 and 28 February 2013.

(a) Company history and reorganisation

Aerospace Innovation Investment GmbH (“AIIG”), domiciled in Vienna, was founded on 16 November 2009, after the former owners of FACC AG and Xi’an Aircraft Industry (Group) Company Ltd. (“XAC”) had signed an agreement dated 3 October 2009 on XAC’s (seated in Xian (China)) acquisition of the majority shares in FACC AG. XAC – majority-owned company by Aviation Industry Corporation of China (“AVIC”), seated in Beijing – is specialised in the development and production of structural components for large and medium-sized aircraft. The AVIC Group covers the entire value chain of the aviation industry from the development and production to the distribution of aircraft, including their financing. Although the majority of the shares in AIIG are held by XAC, shares are also held indirectly by other holding companies headquartered in Hong Kong.

AIIG’s corporate purpose is the carrying out of the function of a holding company; the management of own assets, including but not limited to the acquisition; possession and management of participating interests in other entities and domestic and foreign companies, the management of AIIG group companies and the rendering of services for those companies (group services) as well as taking on management tasks.

On 3 December 2009, AIIG acquired 100% of the shares in Salinen Holding GmbH, which at that time in turn held 48.125% of the shares in FACC AG. Upon completion of this transaction, Salinen Holding GmbH was renamed to Aero Vision Holding GmbH (“AVH”) and the company’s corporate seat was moved to Ried (Upper Austria). On that same day, AIIG acquired 43.125% of the shares in FACC AG then held by ACC Kooperationen und Beteiligungen GmbH (“ACC”) seated in Linz. Upon completion of these two transactions, AIIG – directly and indirectly via AVH – held more than 91.25% of the shares in FACC AG.

FACC AG, headquartered in Ried im Innkreis, is a company incorporated in Austria for the development, production and servicing of aircraft components. The company was founded in 1989. The principal activities of the FACC AG Group are the manufacturing of structural components, such as engine cowlings or wing claddings or control surfaces, as well as interiors for modern commercial aircraft. The components are manufactured using mainly composites. In the components made of such composites, the FACC subgroup also integrates metallic components of titanium, high-alloy steel and other metals, and supplies these components to the aircraft final assembly lines ready for fitting.

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

Shortly after the closing of the corporate acquisition, XAC decided to increase the capital of FACC AG from EUR 40 million to EUR 80 million to provide additional funding for the planned economic development of this company. After execution of the capital increase the holding companies AIIG and AVH held 95.625%, ACC held 2.5%, and Stephan GmbH (headquartered in Salzburg) held 1.875% of the shares in FACC AG.

As the final step in the reorganisation, based on the two separate option agreements dated 23 February 2011, AVH acquired the remaining shares (in total 4.375%) in FACC AG held by ACC and Stephan GmbH. Upon completion of this reorganisation, the two holding companies held 100% of the shares in FACC AG.

On 23 April 2012, Dr. Bernhard Matzner was granted single power of attorney (*Einzelprokura*) for the entire business of AIIG effective as of the date of registration in the Austrian commercial register. Since 3 May 2012, Dr. Matzner represents the Company independently.

On 28 September 2012, the Company’s corporate seat was transferred from Vienna to Ried im Innkreis.

2 Summary of significant accounting policies

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

(a) Basis of preparation

The consolidated financial statements as at 28 February 2013 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and the provisions of Section 245a of the Austrian Commercial Code (UGB).

By decision of 31 January 2011, Aerospace Innovation Investment GmbH's request to change the fiscal year was accepted. Since then, the new end of the reporting period has been 28 (29) February; the reporting period thus covers the period from 1 March to 28 (29) February. The first altered end of the reporting period therefore was 28 February 2011 and related to a short fiscal year of two months (1 January 2011 to 28 February 2011).

These consolidated financial statements cover the period from 1 March 2012 to 28 February 2013 (previous year: 1 March 2011 to 29 February 2012).

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

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

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

There are no new and/or amended standards and interpretations effective for the first time for fiscal year 2012/13 that would be expected to have a material impact on the Group.

The following standards and amendments to existing standards have already been published but are not yet subject to mandatory application, and have not been adopted early by the AIIG Group.

Amendment to IAS 1, "Presentation of Financial Statements". The amendment relates to the presentation of other comprehensive income. The material amendment is that entities are required to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently. The amendments do not address which items are presented in other comprehensive income. The Group has not yet assessed the full impact of the amendments and will apply the amended standard in the accounting period beginning on or after 1 March 2013.

IAS 19, 'Employee benefits', was amended in June 2011. The impact will be as follows: to eliminate the corridor approach and recognise all actuarial gains and losses in OCI as they occur; to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). The amendment, which is applied by the Group for the first time in fiscal year 2013/14, will result in the recognition of actuarial gains and losses with regard to pension and termination benefit obligations in other comprehensive income.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39, 'Financial instruments: Recognition and measurement', that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2015, and has not yet assessed the full impact of the amendments.

IFRS 10, 'Consolidated financial statements', builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group has not yet assessed the full impact of IFRS 10 and intends to adopt IFRS 10 no later than the accounting period beginning on or after 1 January 2014.

IFRS 12, 'Disclosure of interests in other entities', includes the revised disclosure requirements of IAS 27 or IFRS 10, IAS 31 or IFRS 11 and IAS 28 in one single standard. The Group has not yet assessed the full impact of IFRS 12 and intends to adopt IFRS 12 no later than the accounting period beginning on or after 1 January 2014.

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The Group intends to adopt IFRS 13 no later than the accounting period beginning on or after 1 January 2013, and thus has yet to assess the full impact of the amendments.

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

(b) Use of assumptions and estimates

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

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

(i) Employee benefit obligations

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

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

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

(ii) Deferred taxes

Change in taxable profits, within the planning period specified for the accounting and measurement of deferred taxes, may result in changes to the deferred taxes recognised for losses carried forward. The unrecognised deferred taxes for losses carried forward amount to EUR 83,000 (29 February 2012) and EUR 82,000 (28 February 2013).

Should the estimated taxable profits change by +/- 10%, this would affect the losses carried forward only slightly. The tax loss may be carried forward indefinitely. Reference is made to Note 31 "Income taxes".

(iii) Scheduled amortisation of development costs

The calculation for amortisation of capitalised development costs is based on the number of shipsets to be supplied. This number of shipsets is an assumption based on a defined assessment procedure (refer to Note 2(d)(ii) "Research and development costs"). Increasing the estimated number of shipsets by 10% would result in a decrease in amortisation of EUR 232,000 (29 February 2012) and EUR 271,000 (28 February 2013). Decreasing the estimated number of shipsets by 10% would result in an increase in amortisation of EUR 283,000 (29 February 2012) and EUR 331,000 (28 February 2013).

(iv) Impairment assessment of delivery rights and development costs

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

Should the discount rate change by + 50 basis points at the end of the reporting period, an impairment adjustment is not required. As discount rate, the Group uses the weighted average cost of capital (WACC), which was 8.78% as at 28 February 2013 and 8.63% as at 29 February 2012.

(v) Useful lives of property, plant and equipment

The useful life of the Group's property, plant and equipment is defined as the period over which it is expected to be available for use by the Group. The estimation of the useful life is a matter of judgement based on management's experience. Periodic reviews by management could result in a change in depreciable lives and therefore depreciation expense in future periods.

(vi) Derivative financial instruments

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

(vii) Receivables from construction contracts

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

(c) Consolidation

The financial statements of subsidiaries included in the consolidated financial statements were prepared as at the end of the reporting period applicable throughout the Group, i.e. as at 29 February 2012 and 28 February 2013, and in accordance with IFRS as adopted by the EU.

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

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

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

(i) Consolidated group

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

Domestic and foreign subsidiaries of the Group are as follows:

<u>Company</u>	<u>Place of incorporation</u>	<u>Issued and fully paid share capital</u>	<u>Interest held</u>	<u>Principal activities</u>
Aero Vision Holding GmbH	Ried im Innkreis	EUR 35,000	100.0000%	Participation in and administration of companies
FACC AG	Ried im Innkreis	EUR 80,000,000	71.5625%	Development & production of aircraft components
FACC Solutions (Canada) Inc.	Montreal / Canada	CAD 10,000	100.0000%	Customer services
FACC Solutions Inc.	Wichita, Kansas / USA	USD 10,000	100.0000%	Customer services
FACC Solutions s.r.o.	Bratislava / Slovakia	EUR 6,639	100.0000%	Design & Engineering
FACC (Shanghai) Co., Ltd	Shanghai / China	RMB 1,000,000	100.0000%	Design & Engineering

(ii) Changes in the consolidated group

In the reporting period 2011/12, the Group established a new subsidiary in Shanghai/China. The newly established subsidiary FACC (Shanghai) Co., Ltd. was accordingly included within the consolidated group. In the reporting period 2012/13, no changes in the consolidated group occurred.

(iii) Consolidation methods

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

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

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

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

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

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

(iv) Currency translation

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

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

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

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

	<u>Year-end rate 29 February 2012</u>	<u>Average rate</u>
1 EUR / CAD FY 2011/12	1.3363	1.3715
1 EUR / USD FY 2011/12	1.3426	1.3847
1 EUR / RMB FY 2011/12	8.4608	8.8911
	<u>Year-end rate 28 February 2013</u>	<u>Average rate</u>
1 EUR / CAD FY 2012/13	1.3380	1.2873
1 EUR / USD FY 2012/13	1.3097	1.2890
1 EUR / RMB FY 2012/13	8.1720	8.1147

(d) Intangible assets

(i) Software and delivery rights

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

(ii) Research and development costs

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

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

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

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

(e) Property, plant and equipment

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

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

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

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

* or over the lease terms, whichever is shorter

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

(f) Assets from rental and leasing contracts

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

(g) Other non-current financial assets

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

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

(h) Impairment of intangible assets and property, plant and equipment

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

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

Capitalised development costs not yet subject to annual amortisation are tested for impairment annually.

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

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

(i) Inventories

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

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

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

(j) Receivables and other assets

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

(k) Cash and cash equivalents

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

(l) Employee benefits

(i) Pension obligations

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

This provision is determined in accordance with IAS 19 using the projected unit credit method. The present value of future obligations, determined on the basis of realistic assumptions, builds up according to an actuarial calculation over the period in the course of which the beneficiary acquires rights under this obligation. The expert opinion of an actuary is obtained to calculate the amount of the required provision on the specific end of the reporting period.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are not recognised, unless the cumulative unrecognised gain or loss of the previous reporting period exceeds 10% of the present value of the pension obligation or exceeds 10% of the scheme assets or liabilities (known as the corridor approach). If this is the case, these actuarial gains and losses are recognised through profit or loss and written off over the remaining years of service.

(ii) Defined contribution plans

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

(iii) Termination benefit obligations

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

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

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are not recognised, unless the cumulative unrecognised gain or loss of the previous reporting period exceeds 10% of the present value of the obligation or 10% of the scheme assets or liabilities (known as the corridor approach). If this is the case, the actuarial gains and losses are recognised through profit or loss and written off over the employee's remaining years of service.

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

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

(v) Other non-current employee obligations

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

This provision is measured according to the methods and assumptions—exclusive of the corridor approach—applied for the provision of termination benefit obligations.

(m) Other provisions

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

(n) Taxes

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

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

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

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

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

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

(o) Borrowings

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

(p) Trade and other payables

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

(q) Derivative financial instruments

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

Cash flow hedge:

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

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

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

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

Derivatives not qualified for hedge accounting:

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

(r) Foreign currency measurement

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

(s) Investment grants

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

(t) Borrowing costs

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

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

(u) Revenue recognition

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

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

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

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

3 Financial risk management

1) Principles of financial risk management

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

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

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

2) Financial risk factors

a) Market risk

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

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

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

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

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

A change in exchange rates against all currencies as at 29 February 2012 and 28 February 2013 would basically impact the Group only with regard to the USD currency, on the one hand due to the effects from the measurement at the end of the reporting period of the USD items in the consolidated financial statements, and on the other hand due to the effect from the change in fair values of the derivative financial instruments in connection with currency hedges.

A change in the EUR/USD exchange rate as at 29 February 2012 and 28 February 2013 by +5% (average exchange rate at the end of the reporting period: 1.3426 and 1.3097, respectively) would result in a decrease in profit (after taxes) and equity by EUR 2,190,000 and EUR 3,301,000 due to the measurement at the end of the reporting period, as well as an increase in total comprehensive income and equity by EUR 2,566,000 and EUR 5,036,000 due to the change in fair values of derivative financial instruments in connection with currency hedges.

A change in the EUR/USD exchange rate as at 29 February 2012 and 28 February 2013 by -5% (average exchange rate as at the end of the reporting period: 1.3426 and 1.3097, respectively) would result in an increase of the profit (after taxes) and equity by EUR 2,420,000 and EUR 3,649,000 due to the measurement at the end of the reporting period, as well as a decrease in total comprehensive income and equity by EUR 4,135,000 and EUR 6,695,000 due to the change in fair values of derivative financial instruments in connection with currency hedges.

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

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

If the market interest rate level had been higher / lower by 50 basis points as at 29 February 2012 and 28 February 2013 the profit (after taxes) and equity would have been lowered / increased by EUR 226,000 and EUR 286,000, respectively. The calculation was based on the financial assets and liabilities bearing variable interest rates.

b) Liquidity risk

It is a key element of the Group's business policy to, at all times, ensure adequate availability of cash and cash equivalents as liquidity reserve to be able to meet current and future obligations. This is assured by the reported total amount of cash and cash equivalents and extensive unused credit facilities (EUR 14,632,000 as at 29 February 2012 and EUR 20,640,000 as at 28 February 2013). Working capital is constantly monitored and reported to the management board. Timely financing is a top priority in financing considerations. Surplus cash and cash equivalents are invested in non-speculative, highly liquid financial instruments as required. These include mainly money market certificates, call money, securities and other money market papers that generally mature in less than three months. Refer to Note 3(5) for a maturity analysis of the financial assets and liabilities.

c) Credit risk

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

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

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

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

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

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

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

	Residual term			Total USD'000
	up to 1 year	1 to 5 years	more than 5 years	
	USD'000	USD'000	USD'000	
Balance as at 29 February 2012				
Currency hedging agreements				
Forward foreign exchange contracts - USD	81,000	0	0	81,000
Structured currency options ¹	120,000	0	0	120,000
Balance as at 28 February 2013				
Currency hedging agreements				
Forward foreign exchange contracts - USD	205,000	0	0	205,000
Structured currency options ¹	0	0	0	0

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

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

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

	Residual term			Total
	up to 1 year	1 to 5 years	more than 5 years	
	USD'000	USD'000	USD'000	
Balance as at 29 February 2012				
Interest rate swaps	20,000	20,000	0	40,000
Balance as at 28 February 2013				
Interest rate swaps	0	20,000	0	20,000

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

	Volume	Volume	Fair Value
	USD'000	EUR'000	EUR'000
Balance as at 29 February 2012			
Forward foreign exchange contracts - USD	81,000	0	1,990
Structured currency options - USD	120,000	0	688
Interest rate swaps	0	40,000	(7,452)
Balance as at 28 February 2013			
Forward foreign exchange contracts - USD	205,000	0	4,072
Structured currency options - USD	0	0	0
Interest rate swaps	0	20,000	(11,734)

4) Carrying amounts and fair values of financial instruments

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

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

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

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

	Category IAS 39 ¹⁾	Carrying amount as at 29 February 2012 EUR'000	Fair value as at 29 February 2012 EUR'000	Carrying amount as at 28 February 2013 EUR'000	Fair value as at 28 February 2013 EUR'000
ASSETS					
Measurement at (amortised) cost					
Non-current receivables	LaR	16,141	16,141	20,878	20,878
Trade receivables	LaR	63,978	63,978	97,165	97,165
Receivables from services not yet invoiced	LaR	11,964	11,964	28,198	28,198
I/C receivables	LaR	6,400	6,400	802	802
Cash and cash equivalents	LaR	19,292	19,292	36,958	36,958
Measurement at fair value					
Book-entry securities (not listed)	AfS	995	995	1,167	1,167
Securities (listed)	AfS	352	352	371	371
Derivatives with positive fair value (interest rate swaps)	AtFVtP&L	173	173	0	0
Derivatives with positive fair value (forward foreign exchange contracts)	—	1,990	1,990	4,760	4,760
Derivatives with positive fair value (structured currency options)	AtFVtP&L	688	688	0	0
Total financial assets		121,972	121,972	190,299	190,299
LIABILITIES					
Measurement at (amortised) cost					
Bonds / promissory note loans	FLAC	20,000	20,000	45,000	43,385
Bank borrowings	FLAC	53,248	53,936	68,108	68,697
Trade payables	FLAC	35,467	35,467	55,453	55,453
Measurement at fair value					
Derivatives with negative fair value (interest rate swaps)	AtFVtP&L	7,625	7,625	11,734	11,734
Derivatives with negative fair value (forward foreign exchange contracts)	—	0	0	688	688
Total financial liabilities		116,340	117,028	180,982	179,957

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

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

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

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

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

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

The fair value of the financial instruments on the assets and the liabilities sides is the estimated amount the Group would have to pay or would receive if the transactions were settled on 29 February 2012 and 28 February 2013.

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

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

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	EUR'000	EUR'000	EUR'000	EUR'000
Balance as at 29 February 2012				
<u>Assets</u>				
Non-current assets				
Non-current financial assets	352	995	0	1,347
Derivative financial instruments	0	0	0	0
Current assets				
Derivative financial instruments	0	2,851	0	2,851
<u>Liabilities</u>				
Non-current liabilities				
Derivative financial instruments	0	7,625	0	7,625
Current liabilities				
Derivative financial instruments	0	0	0	0
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	EUR'000	EUR'000	EUR'000	EUR'000
Balance as at 28 February 2013				
<u>Assets</u>				
Non-current assets				
Non-current financial assets	371	1,167	0	1,538
Derivative financial instruments	0	0	0	0
Current assets				
Derivative financial instruments	0	4,760	0	4,760
<u>Liabilities</u>				
Non-current liabilities				
Derivative financial instruments	0	11,734	0	11,734
Current liabilities				
Derivative financial instruments	0	688	0	688

5) Residual terms and cash flow analysis of financial liabilities

The residual terms of the financial liabilities are as follows:

	Category IAS 39 ¹⁾	Carrying amount as at 29 February 2012	Residual term			
			year 1	year 2	years 3-5	in more than 5 years
			EUR'000	EUR'000	EUR'000	EUR'000
LIABILITIES						
Measurement at (amortised) cost						
Bonds	FLAC	20,000	20,000	0	0	0
Bank borrowings	FLAC	53,248	35,973	2,268	9,831	5,176
Trade payables	FLAC	35,467	35,467	0	0	0
Measurement at fair value						
Derivatives with negative fair value (interest rate swaps)	AtFVtP&L	7,625	0	0	7,625	0
Derivatives with negative fair value (forward foreign exchange contracts)	—	0	0	0	0	0
Derivatives with negative fair value (structured currency options)	AtFVtP&L	0	0	0	0	0
Total financial liabilities		116,340	91,440	2,268	17,456	5,176

	Category IAS 39 ¹⁾	Carrying amount as at 28 February 2013	Residual term			
			year 1	year 2	years 3-5	in more than 5 years
			EUR'000	EUR'000	EUR'000	EUR'000
LIABILITIES						
Measurement at (amortised) cost						
Promissory note loans	FLAC	45,000	0	0	11,000	34,000
Bank borrowings	FLAC	68,108	49,921	3,634	9,377	5,176
Trade payables	FLAC	55,453	55,453	0	0	0
Measurement at fair value						
Derivatives with negative fair value (interest rate swaps)	AtFVtP&L	11,734	0	0	11,734	0
Derivatives with negative fair value (forward foreign exchange contracts)	—	688	688	0	0	0
Derivatives with negative fair value (structured currency options)	AtFVtP&L	0	0	0	0	0
Total financial liabilities		180,983	106,062	3,634	32,111	39,176

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

The following contractually agreed payment obligations (interest payments and redemptions) arise in the subsequent years from the financial liabilities as at 29 February 2012:

Category IAS 39 ¹⁾	Carrying amount as at 29 February 2012 EUR'000	Fiscal year 2012/13			Fiscal year 2013/14 to 2016/17			Fiscal year 2017/18 ff.			
		Fixed interest	Variable interest	Redemption	Fixed interest	Variable interest	Redemption	Fixed interest	Variable interest	Redemption	
		EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	
LIABILITIES											
Measurement at (amortised) cost											
Bonds	FLAC	20,000	-825	0	-20,000	0	0	0	0	0	0
Bank borrowings	FLAC	53,248	-88	-581	-35,973	-183	-733	-12,098	0	-271	-5,177
Trade payables	FLAC	35,467	0	0	-35,467	0	0	0	0	0	0
Measurement at fair value											
Derivatives with negative fair value (interest rate swaps)	AtFVtP&L	7,625	0	0	0	0	0	0	0	0	0
Derivatives with negative fair value (forward foreign exchange contracts)	—	0	0	0	0	0	0	0	0	0	0
Derivatives with negative fair value (structured currency options)	AtFVtP&L	0	0	0	0	0	0	0	0	0	0
Total financial liabilities		116,340	-913	-581	-91,440	-183	-733	-12,098	0	-271	-5,177

¹⁾ FLAC Financial Liabilities at Amortised Cost
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²⁾ Due to the high volatility of the current interest rate environment, a reasonable presentation of the interest payments based on an assessment of the interest rate development up to the maturity of the interest derivative (in 2016) cannot be presented. Therefore, no presentation is given for the following fiscal years.

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

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

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

Category IAS 39 ¹⁾	Carrying amount as at 28 February 2013	Fiscal year 2013/14			Fiscal year 2014/15 to 2017/18			Fiscal year 2018/19 ff.			
		Fixed interest	Variable interest	Redemption	Fixed interest	Variable interest	Redemption	Fixed interest	Variable interest	Redemption	
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	
LIABILITIES											
Measurement at (amortised) cost											
Promissory note loans	FLAC	45,000	-626	-567	0	-2,470	-2,114	-11,000	-901	-715	-34,000
Bank borrowings	FLAC	68,108	-79	-332	-49,921	-209	-413	-13,011	0	-76	-5,176
Trade payables	FLAC	55,453	0	0	-55,453	0	0	0	0	0	0
Measurement at fair value											
Derivatives with negative fair value (interest rate swaps)	AtFVtP&L	11,734	0	0	0	0	0	0	0	0	0
Derivatives with negative fair value (forward foreign exchange contracts)	—	688	0	0	-688	0	0	0	0	0	0
Derivatives with negative fair value (structured currency options)	AtFVtP&L	0	0	0	0	0	0	0	0	0	0
Total financial liabilities		180,983	-705	-899	-106,062	-2,679	-2,527	-24,011	-901	-791	-39,176

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

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

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

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

The Group has access to the following credit facilities:

	Balance as at 29 February 2012	Balance as at 28 February 2013
	EUR'000	EUR'000
Total credit facilities agreed		
RLB OÖ	8,000	14,600
UniCredit Bank Austria	3,000	3,000
Oberbank	3,040	3,040
KRR export credit facility	30,000	30,000
Total	<u>44,040</u>	<u>50,640</u>
	Balance as at 29 February 2012	Balance as at 28 February 2013
	EUR'000	EUR'000
Credit facilities unused		
RLB OÖ	5,592	14,600
UniCredit Bank Austria	3,000	3,000
Oberbank	3,040	3,040
KRR export credit facility (working capital financing facility)	3,000	0
Total	<u>14,632</u>	<u>20,640</u>

6) Net result from financial instruments

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

	For the fiscal year ended 29 February 2012				
	from interest	from subsequent measurement		from disposal	Total
	EUR'000	at fair value EUR'000	change in value EUR'000	EUR'000	EUR'000
Loans and receivables	49	0	(372)	0	(323)
Financial assets available for sale	0	0	0	0	0
Financial assets measured at fair value through profit or loss	190	9,229	0	0	(9,039)
Financial liabilities measured at amortised cost	(2,323)	0	0	0	(2,323)
Total	<u>(2,084)</u>	<u>9,229</u>	<u>(372)</u>	<u>0</u>	<u>(11,685)</u>
	For the fiscal year ended 28 February 2013				
	from interest	from subsequent measurement		from disposal	Total
	EUR'000	at fair value EUR'000	change in value EUR'000	EUR'000	EUR'000
Loans and receivables	43	0	(727)	0	(684)
Financial assets available for sale	0	(19)	0	0	(19)
Financial assets measured at fair value through profit or loss	(770)	(4,969)	0	0	(5,739)
Financial liabilities measured at amortised cost	(2,000)	0	0	0	(2,000)
Total	<u>(2,727)</u>	<u>(4,988)</u>	<u>(727)</u>	<u>0</u>	<u>(8,442)</u>

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

4 Segment reporting

For the fiscal year ended 29 February 2012	Segments			
	Structures	Engines & Nacelles	Interiors	Total
		EUR'000		
<u>Information on profitability</u>				
Revenue	172,924	76,866	105,834	355,624
Earnings before interest, taxes and fair value measurement of derivative financial instruments	17,219	-3,096	9,268	23,391
Depreciation and amortisation	6,628	5,530	4,206	16,364
Earnings before interest, taxes, fair value measurement of derivative financial instruments, depreciation and amortisation	23,847	2,435	13,474	39,755
<u>Information on assets</u>				
Assets	150,676	107,911	89,173	347,760
Capital expenditure in the fiscal year	13,950	4,587	7,599	26,135

For the fiscal year ended 28 February 2013	Segments			
	Structures	Engines & Nacelles	Interiors	Total
		EUR'000		
<u>Information on profitability</u>				
Revenue	219,886	96,308	118,421	434,615
Earnings before interest, taxes and fair value measurement of derivative financial instruments	25,810	375	8,527	34,713
Depreciation and amortisation	7,439	6,221	3,554	17,214
Earnings before interest, taxes, fair value measurement of derivative financial instruments, depreciation and amortisation	33,250	6,596	12,081	51,927
<u>Information on assets</u>				
Assets	213,179	117,817	116,817	447,813
Capital expenditure in the fiscal year	21,190	5,933	13,547	40,670

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

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

services). In the form of a matrix organisation, these central services support the operating segments in the completion of their tasks.

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

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

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

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

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

Revenue

Value as at 29 February 2012	Austria	USA	Canada	Germany	Other countries	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Revenue	1,401	91,973	29,727	151,699	80,824	355,624

Value as at 28 February 2013	Austria	USA	Canada	Germany	Other countries	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Revenue	794	120,206	70,544	151,871	91,200	434,615

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

For the fiscal year ended 29 February 2012, the Group generated revenue from two external customers which both exceeded more than 10% of the total revenue amounting to EUR 118,445,000 and EUR 40,963,000, respectively.

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

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

	Balance as at 29 February 2012	Balance as at 28 February 2013
	EUR'000	EUR'000
Production	287,699	339,663
Engineering and services (Note a)	67,925	94,952
Total revenue	355,624	434,615

Note a:

In the fiscal year ended 29 February 2012, revenue in the amount of EUR 11,000,000 was recognised for engineering services and relevant manufacturing tools in connection with an interior project relating to a Chinese civil aircraft. Revenue recognition is based on a contract concluded with Fesher Aviation Component (Zhenjiang) Co., Ltd. under which all prospects and risks regarding to the project are transferred to the purchaser. Transfer of prospects and risks and trade receivables incurred in the course of the contract were confirmed by the purchaser. Any additional engineering services ordered in future periods will be rendered under an extra service agreement. Discounted revenue in the amount of EUR 10,601,695 due to the aforementioned business transaction is reported in the consolidated financial statements. The carrying amounts at the time of disposal of production tools (EUR 1,980,000) and of capitalised development costs (EUR 5,052,000) are included in “Cost of materials and purchased services”.

5 Intangible assets

For the two fiscal years ended 29 February 2012 and 28 February 2013

	Goodwill	Software	Delivery rights	Development costs	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Acquisition costs					
Balance as at 28 February 2011	17,203	8,729	31,600	79,326	136,858
Additions	0	2,786	487	12,259	15,532
Disposals	0	0	-3,873	-5,106	-8,979
Balance as at 29 February 2012	17,203	11,515	28,214	86,479	143,411
Additions	0	3,284	162	6,575	10,021
Disposals	0	-5	0	-912	-917
Balance as at 28 February 2013	17,203	14,794	28,376	92,142	152,515
Accumulated scheduled amortisation and write-downs					
Balance as at 28 February 2011	0	7,549	13,387	21,683	42,619
Scheduled amortisation	0	992	1,063	2,547	4,602
Write-down	0	0	0	0	0
Disposals	0	0	-3,873	-54	-3,927
Balance as at 29 February 2012	0	8,541	10,577	24,176	43,294
Scheduled amortisation	0	1,565	1,035	2,977	5,577
Write-down	0	0	0	0	0
Disposals	0	-5	0	-64	-69
Balance as at 28 February 2013	0	10,101	11,612	27,089	48,802
Carrying amounts as at 29 February 2012	17,203	2,974	17,637	62,303	100,117
Carrying amounts as at 28 February 2013	17,203	4,693	16,764	65,053	103,713

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

Research expenses of EUR 2,482,000 (29 February 2012) und EUR 2,642,000 (28 February 2013) were recognised through profit or loss.

6 Property, plant and equipment

For the two fiscal years ended 29 February 2012 and 28 February 2013

	<u>Land and buildings</u>	<u>Technical equipment</u>	<u>Factory and office equipment</u>	<u>Prepayments, construction in process</u>	<u>Total</u>
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Acquisition costs					
Balance as at 28 February 2011	56,615	88,712	12,710	4,107	162,144
Additions	1,063	3,571	1,543	4,427	10,604
Transfers	0	2,127	17	-2,144	0
Disposals	0	-2,124	-137	0	-2,261
Balance as at 29 February 2012	<u>57,678</u>	<u>92,286</u>	<u>14,133</u>	<u>6,390</u>	<u>170,487</u>
Additions	3,295	9,474	1,789	16,091	30,649
Transfers	0	2,258	0	-2,258	0
Disposals	0	-1,426	-513	0	-1,939
Balance as at 28 February 2013	<u>60,973</u>	<u>102,592</u>	<u>15,409</u>	<u>20,223</u>	<u>199,197</u>
Accumulated depreciation					
Balance as at 28 February 2011	12,658	63,942	9,825	0	86,425
Scheduled depreciation	1,622	8,996	1,140	0	11,759
Disposals	0	-113	-136	0	-249
Balance as at 29 February 2012	<u>14,280</u>	<u>72,825</u>	<u>10,830</u>	<u>0</u>	<u>97,935</u>
Scheduled depreciation	1,720	8,543	1,374	0	11,637
Disposals	0	-1,422	-483	0	-1,905
Balance as at 28 February 2013	<u>16,000</u>	<u>79,946</u>	<u>11,721</u>	<u>0</u>	<u>107,668</u>
Carrying amounts as at 28 February 2011	<u>43,957</u>	<u>24,770</u>	<u>2,885</u>	<u>4,107</u>	<u>75,719</u>
Carrying amounts as at 29 February 2012	<u>43,398</u>	<u>19,460</u>	<u>3,304</u>	<u>6,390</u>	<u>72,552</u>
Carrying amounts as at 28 February 2013	<u>44,973</u>	<u>22,646</u>	<u>3,688</u>	<u>20,223</u>	<u>91,530</u>

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

7 Other non-current financial liabilities

	<u>Securities</u>	<u>Book-entry securities</u>	<u>Total</u>
	EUR'000	EUR'000	EUR'000
Fair value as at 28 February 2011	352	870	1,222
Additions	0	125	125
Unrealised changes in fair value	0	0	0
Fair value as at 29 February 2012	352	995	1,347
Additions	0	172	172
Unrealised changes in fair value	19	0	19
Fair value as at 28 February 2013	371	1,167	1,538

Securities (listed)

Securities available for sale serve as coverage of pension provisions in accordance with the provisions of Sections 14 and 116 of the Austrian Income Tax Act (EStG). The carrying amount corresponds to the market value as at the respective end of the reporting period (29 February 2012 and 28 February 2013).

	<u>Carrying amount as at 29 February 2012</u>	<u>Carrying amount as at 28 February 2013</u>
	EUR'000	EUR'000
Kepler Vorsorge Mixfonds	112	125
A 3 shares	240	246
Balance	<u>352</u>	<u>371</u>

Book-entry securities (unlisted)

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

	<u>Share</u>	<u>Carrying amount as at 29 February 2012</u>	<u>Carrying amount as at 28 February 2013</u>
		EUR'000	EUR'000
Techno-Z Ried Technologiezentrum GmbH, Ried im Innkreis	3.14%	44	44
Pension re-insurance		951	1,123
Balance		<u>995</u>	<u>1,167</u>

All non-current financial assets are denominated in EUR.

8 Inventories

	<u>As at 29 February 2012</u>	<u>As at 28 February 2013</u>
	EUR'000	EUR'000
Carrying amount		
Raw materials and consumables	25,885	31,964
Unfinished goods and services not yet invoiced	16,449	22,519
Finished goods	2,429	1,882
Balance (net of valuation adjustments)	<u>44,763</u>	<u>56,365</u>

Based on a detailed inventory analysis, valuation adjustments of inventories were made for slow-moving inventory and due to lower net selling prices in the amount of EUR 4,073,000 (29 February 2012) and EUR 3,743,000 (28 February 2013). The valuation adjustments of inventories in the amount of EUR 785,000 as at 29 February 2012 and EUR 330,000 as at 28 February 2013 were recognised through profit or loss.

9 Trade receivables, receivables from construction contracts, other receivables and deferred items, I/C receivables and non-current receivables

Carrying amount	As at	As at
	29 February 2012	28 February 2013
	EUR'000	EUR'000
Trade receivables	63,978	97,165
Receivables from construction contracts (= cost incurred)	11,964	28,198
Receivables from customers	75,942	125,363
Other receivables	7,418	4,984
Accruals and deferrals	937	922
I/C receivables	6,400	802
Balance	90,697	132,071

The AIIG Group applies the zero profit method to account for construction contracts in accordance with IAS 11, as the outcome of a construction contract can frequently not be estimated reliably due to the specific specifications of such contracts. Contract revenue is therefore recognised only to the extent of contract costs incurred being likely to be recoverable from the customer.

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

Carrying amount	As at	As at
	29 February 2012	28 February 2013
	EUR'000	EUR'000
Receivables from construction contracts	11,964	28,198
Balance	11,964	28,198

The contract revenue of EUR 16,234,374 (previous year: EUR 5,693k) recognised in connection with construction contracts in the current fiscal year corresponds to the contract costs incurred.

Construction contracts in progress

Carrying amount	As at	As at
	29 February 2012	28 February 2013
	EUR'000	EUR'000
Receivables from construction contracts	11,964	28,198
Less partial settlement	0	0
Balance	11,964	28,198

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

Prepayments made by customers in connection with construction contracts, which are not yet offset by services rendered, were recognised as trade payables showing a carrying amount of EUR 485,577 (previous year: EUR 1,952k).

	Balance as at 29 February 2012	Balance as at 28 February 2013
	EUR'000	EUR'000
Trade receivables	77,201	127,264
Less valuation adjustments for trade receivables	-1,259	-1,901
Trade receivables, net	75,942	125,363
Other receivables	7,418	4,984
Accruals and deferrals	937	922
I/C receivables	6,400	802
Balance	90,697	132,071

The majority of the Group's revenue is based on payment terms between 30 and 120 days calculated from date of invoice. The ageing analysis of the trade receivables based on the invoice date is as follows:

	Balance as at 29 February 2012	Balance as at 28 February 2013
	EUR'000	EUR'000
Up to 3 months	69,044	112,068
3 to 6 months	6,559	12,449
Over 6 months	339	846
	75,942	125,363

As at 29 February 2012 and 28 February 2013, trade receivables of EUR 5,841,000 and EUR 10,975,000 were past due but not impaired. These receivables relate to a number of independent customers for whom there is no recent history of default. At the end of the reporting period, there are no indications that the debtors will not meet their obligations.

Trade receivables	Total	0-30 days	31-60 days	61-90 days	91-120 days	more than 120 days
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Balance as at 29 February 2012	5,841	997	1,434	1,298	—	2,112
Balance as at 28 February 2013	10,975	6,750	381	794	83	2,967

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

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

	Balance as at 29 February 2012	Balance as at 28 February 2013
	EUR'000	EUR'000
Valuation adjustment of trade receivables at the beginning of the period	971	1,259
Utilisation	(84)	(85)
(Reversal) / addition	372	727
Valuation adjustment of trade receivables at the beginning of the period	1,259	1,901
Utilisation	1,259	1,901

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

Other receivables include:

Carrying amount	As at	As at
	29 February 2012	28 February 2013
	EUR'000	EUR'000
Credit balance with tax authority	6,418	3,914
Other	1,000	1,070
Balance	7,418	4,984

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

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

I/C receivables include:

The Group shows receivables from other associates (Future Aviation International Investment Co., Ltd, formerly FACC Holding Company, Limited) under I/C receivables in the consolidated statement of financial position. This company is a holding company which is not included in the consolidated group of the AIIG Group, since it is a superordinated company.

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

All receivables have residual terms of less than one year.

Non-current receivables include:

Carrying amount	As at	As at
	29 February 2012	28 February 2013
	EUR'000	EUR'000
Non-current trade receivables	11,000	15,737
Prepayments	5,141	5,141
Balance	16,141	20,878

All receivables shown under non-current receivables have residual terms of more than one year and include a receivable in the amount of EUR 11,000,000 due at the end of 2014 as well as another receivable in the amount of EUR 4,736,842 due at the beginning of 2019.

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

	Carrying amount as at	Carrying amount as at
	29 February 2012	28 February 2013
	EUR'000	EUR'000
GBP	476	613
USD	72,299	121,281
EUR	17,922	10,177
	90,697	132,071

10 Cash and cash equivalents

Carrying amount	As at	As at
	29 February 2012	28 February 2013
	EUR'000	EUR'000
Bank balances	17,497	35,549
Cash in hand	19	10
Cheques received	1,776	1,399
Balance	19,292	36,958

11 Equity and capital management

(a) Share capital

The share capital amounts to EUR 35,000 and is fully paid in. FACC International Company Limited, Hong Kong, is the sole shareholder of Aerospace Innovation Investment GmbH.

(b) Capital reserve

The unappropriated capital reserve results from

- A capital injection (grandparent contribution) in the amount of EUR 136,000,000 from Xi'an Aircraft Industry (Group) Company Limited and
- From a capital injection carried out via Aerospace Innovation Investment GmbH (grandparent contribution) of FACC International Company Limited to Aero Vision Holding GmbH in the amount of EUR 8,006,250 given for the acquisition of the shares held by ACC Kooperationen und Beteiligungen GmbH (now ACC Kooperationen und Beteiligungen GmbH in Liquidation) and Stephan GmbH in FACC AG.

(c) Reserves for cash flow hedges

The reserves for cash flow hedges result from changes in the fair value of currency hedging instruments that have to be recognised directly in equity pursuant to IAS 39. The effective portion of the changes in the fair value was entered in the hedging reserve with no effect on profit/loss. These changes in equity are presented net of taxes in other comprehensive income. The non-effective portion of the changes in the fair value in the amount of EUR nil (29 February 2012) and EUR nil (28 February 2013) was recognised in profit or loss. The fair value of currency hedging instruments is reclassified through profit or loss from the hedging reserve to the consolidated statement of comprehensive income when the underlying hedged items affect profit or loss.

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

	EUR'000
Balance as at 1 March 2011	1,211
Reclassification to the consolidated statement of comprehensive income, net	-1,211
Change in fair values of hedging instruments, net	590
Balance as at 29 February 2012	590
Reclassification to the consolidated statement of comprehensive income, net	-590
Change in fair values of hedging instruments, net	540
Balance as at 28 February 2013	540

(d) Dividends

No dividends were paid or proposed by the Company in the reporting period.

(e) Capital management

It is the goal of capital management to maintain a strong capital base to meet the specific corporate risks (growth and development risk) by creating a balanced capital structure. Management considers capital to be only the equity as shown in the consolidated statement of financial position in accordance with IFRSs. As at the end of the reporting period, the equity ratio (i.e. the ratio of equity to total assets) was 51.5% (29 February 2012) and 44.6% (28 February 2013).

12 Bonds and promissory note loans

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

	Nomi- nal value	Carrying amount as at 29 February 2012	Carrying amount as at 28 February 2013
	EUR'000	EUR'000	EUR'000
4.125% FACC bond, 2005 to 2012	20,000	20,000	0
Promissory note loan 2012 to 2015	3,000	0	3,000
Promissory note loan 2012 to 2017	8,000	0	8,000
Promissory note loan 2012 to 2019	34,000	0	34,000
Balance	<u>65,000</u>	<u>20,000</u>	<u>45,000</u>

The bond 2005 to 2012 was placed at the Third Market on the Vienna Stock Exchange.

The bond 2005 to 2012 is subject to covenants under which the Group is required to meet certain ratios of net debt to equity and net debt to EBITDA. If the Group exceeds these ratios, the bond may fall due. At the end of the reporting period, i.e. 29 February 2012, there was no breach of covenants by the Group (this is not of relevance as at 28 February 2013).

In connection with the promissory note loans 2012 to 2015, 2012 to 2017 and 2012 to 2019, a covenant was agreed upon under which the Group is obligated to meet a specific equity ratio. If this ratio is exceeded, the promissory note loans may fall due. At the end of the reporting period, i.e. 28 February 2013, there was no breach of the covenant by the Group.

13 Financial liabilities

	Balance as at 29 February 2012		
	Non-current	Current	Total
	EUR'000	EUR'000	EUR'000
Bank borrowings			
Investkredit Bank AG, ERP A380	3,215	1,071	4,286
UniCredit BA, Kontrollbank export credit	0	27,000	27,000
ERSTE Bank, research promotion loan	0	0	0
RLB OÖ, research promotion loan	0	0	0
RLB OÖ, ERP loan, Plant IV	0	1,000	1,000
RLB OÖ / Oberbank, research promotion loan	0	847	847
RLB OÖ / Oberbank, credit with AWS guaranty	3,950	0	3,950
RLB OÖ / Oberbank, credit with security transfer	6,010	0	6,010
Investkredit AG, ERP credit	4,100	0	4,100
RLB OÖ EUR	0	2,408	2,408
RZB USD	0	1	1
Sparkasse OÖ EUR	0	3,000	3,000
Sparkasse USD	0	3	3
Accrual, interest and expenses	0	643	643
Other	0	0	0
Balance	<u>17,275</u>	<u>35,973</u>	<u>53,248</u>

The interest rates of the financial liabilities vary from 1.5% to 3.0%.

	Balance as at 28 February 2013		
	Non-current	Current	Total
	EUR'000	EUR'000	EUR'000
Bank borrowings			
Investkredit AG, ERP A380	2,143	1,071	3,214
UniCredit BA, Kontrollbank export credit	0	30,000	30,000
ERSTE Bank, research promotion loan	0	0	0
RLB OÖ, research promotion loan	0	0	0
RLB OÖ, ERP credit, Plant IV	0	0	0
RLB OÖ / Oberbank, research promotion loan	0	0	0
RLB OÖ / Oberbank, credit with AWS guaranty	3,555	395	3,950
RLB OÖ / Oberbank, credit with security transfer	5,209	801	6,010
Investkredit AG, ERP credit	4,100	0	4,100
UniCredit BA, ERP credit with AWS guaranty	3,180	0	3,180
RLB OÖ EUR	0	7,808	7,808
RLB OÖ GBP	0	1,400	1,400
RLB cash advance	0	6,600	6,600
Accrual, interest and expenses	0	1,783	1,783
Other	0	63	63
Balance	<u>18,187</u>	<u>49,921</u>	<u>68,108</u>

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

Certain bank borrowings are secured by liens on Company properties, by AWS (Austrian Credit Agency) guarantees, federal guarantees for loans within the framework of support agreements by the *Forschungsförderungsgesellschaft* (Austrian Research Promotion Agency) and transfers of titles on machines by way of security. The export loan under the *Austrian Kontrollbank's* procedure is secured by export receivables in the amount of 120% of the framework made available. Certain conditions must be complied with in order to claim the favourable interest rates on research promotion loans. The collaterals for certain bank borrowings in connection with properties and buildings amounted to EUR 22,519,000 as at 29 February 2012 and 28 February 2013.

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

Carrying amount	2011/12	2012/13
	EUR'000	EUR'000
6 months or less	42,754	55,830
6 to 12 months	0	27,500
Balance	<u>42,754</u>	<u>8,330</u>

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

	2011/12	2011/12	2012/13	2012/13
	carrying amount	fair value	carrying amount	fair value
	EUR'000		EUR'000	
Investkredit AG, ERP A380	4,286	5,140	3,214	4,140
Investkredit AG, ERP credit	4,100	3,934	4,100	3,934
BACA ERP credit (new credit 2012/13)	0	0	3,180	3,009
Borrower's note 5J 18.07.2017 (new borrower's note 2012/13)	0	0	2,500	2,269
Borrower's note 7J 18.07.2019 (new borrower's note 2012/13)	0	0	15,000	13,616
Balance	<u>8,386</u>	<u>9,074</u>	<u>27,994</u>	<u>26,969</u>

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

14 Derivative financial instruments

The notional amounts of derivative financial instruments are as follows:

Forward foreign exchange contracts

	<u>Balance as at 29 February 2012</u>	<u>Balance as at 28 February 2013</u>
	USD'000	USD'000
Forward foreign exchange contracts	81,000	205,000
Structured currency options	120,000	0
Total current	<u>201,000</u>	<u>205,000</u>

Interest rate swaps

	<u>Balance as at 29 February 2012</u>	<u>Balance as at 28 February 2013</u>
	EUR'000	EUR'000
Interest rate swaps	40,000	20,000
Total	<u>40,000</u>	<u>20,000</u>
Less non-current portion		
Interest rate swaps	20,000	20,000
	<u>20,000</u>	<u>0</u>
Current portion	<u>20,000</u>	<u>0</u>

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

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

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

(a) Forward foreign exchange contracts and structured currency options

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

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

(b) Interest rate swaps

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

As at 29 February 2012, the fixed interest rates vary from 4.1% to 3.0%.

As at 28 February 2013, the fixed interest rates vary from 2.7% to 0%.

15 Investment grants

Non-current and current investment grants amount to EUR 12,935,000 (29 February 2012) and EUR 11,771,000 (28 February 2013). As a rule, the significant part of the investment grants is subject to conditions defined by the granting authority that have to be fulfilled for a period of 3-5 years upon acceptance of the final settlement. This essentially entails a minimum number of employees that must be retained, as well as the obligation not to move the supported assets from the project location or sell them. The other investment grants relate to subsidies for development projects and are released over the term of the projects.

16 Employee benefit obligations

	Balance as at 29 February 2012	Balance as at 28 February 2013
	EUR'000	EUR'000
Obligations recognised in the consolidated statement of financial position for		
Pension obligations (a)	1,434	1,619
Provision for termination benefits (b)	2,628	2,858
Provision for anniversary bonuses (c)	611	766
Provision for early retirement benefits	87	71
	<u>4,760</u>	<u>5,314</u>
Expenses shown in the consolidated statement of comprehensive income		
Pension obligations	171	185
Termination benefits (exclusive of contributions to the staff provision fund)	-72	230.02
Anniversary bonus	129	155
Early retirement benefits	20	-16
	<u>248</u>	<u>554</u>

(a) Pension obligations

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

	For the fiscal year ended 29 February 2012	For the fiscal year ended 28 February 2013
	EUR'000	EUR'000
Present value of the pension obligations as at 1 March	1,233	1,534
Service costs	109	124
Interest expense	62	61
Actuarial gain/loss of the period	130	166
Reversal due to retirement of beneficiaries	0	0
Present value of the pension obligations at the end of the period	<u>1,534</u>	<u>1,885</u>
Cumulative actuarial gain/loss	(100)	(266)
Liability recognised in the consolidated statement of financial position at the end of the fiscal year	<u>1,434</u>	<u>1,619</u>

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

	For the fiscal year ended 29 February 2012	For the fiscal year ended 28 February 2013
	EUR'000	EUR'000
Service costs	109	124
Interest expense	62	61
Past service costs	0	0
Total	<u>171</u>	<u>185</u>

The principal actuarial assumptions used were as follows:

	For the fiscal year ended 29 February 2012	For the fiscal year ended 28 February 2013
	EUR'000	EUR'000
Interest rate	4%	3.25%
Pension and salary increases	2.00%	2.00%
Staff turnover – employees	none	none
Pensionable age – men	60 years	60 years
Mortality rate (Note)	AVÖ 2008-P	AVÖ 2008-P

Note:

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

	Balance as at 29 February 2012	Balance as at 28 February 2013
	EUR'000	EUR'000
Recognised pension obligation	1,434	1,619

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

(b) Provisions for termination benefits

	For the fiscal year ended 29 February 2012	For the fiscal year ended 28 February 2013
	EUR'000	EUR'000
Present value of provision for termination benefit obligations as at the beginning of the period	2,622	3,239
Service costs	174	203
Interest expense	131	130
Actuarial gain/loss of the period	697	701
Termination benefits paid	(385)	(127)
Present value of provision for termination benefit obligations at the end of the period	3,239	4,146
Cumulative actuarial gain/loss	(619)	(1,306)
Provisions for termination benefits	<u>2,620</u>	<u>2,840</u>

The calculations as at 29 February 2012 and 28 February 2013 are based on the following assumptions:

	Balance as at 29 February 2012	Balance as at 28 February 2013
Interest rate	4.00%	3.25%
Pension and salary increases	2.00%	2.00%
Staff turnover – employees	12.40%	12.10%
Staff turnover – workers	14.60%	12.30%
Pensionable age – women	60 years	60 years
Pensionable age – men	65 years	65 years
Mortality rate	AVÖ 2008-P	AVÖ 2008-P

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

	Balance as at 29 February 2012	Balance as at 28 February 2013
	EUR'000	EUR'000
Recognised termination benefit obligations	2,628	2,858

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

(c) Provisions for anniversary bonuses

	For the fiscal year ended 29 February 2012	For the fiscal year ended 28 February 2013
	EUR'000	EUR'000
Present value of provision for anniversary bonuses as at the beginning of the period	447	566
Service costs	64	89
Interest expense	22	23
Actuarial gain/loss for the period	58	59
Anniversary bonuses paid	<u>(25)</u>	<u>(27)</u>
Present value of provision for anniversary bonuses at the end of the period	566	710
Non-wage labour costs	<u>45</u>	<u>56</u>
Recognised provision for anniversary bonuses	<u>611</u>	<u>766</u>
	Balance as at 29 February 2012	Balance as at 28 February 2013
	EUR'000	EUR'000
Recognised anniversary bonus obligations	611	766
Fair value of the plan assets	0	0

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

Defined contribution plans

Contributions in the amount of EUR 54,000 (29 February 2012) and EUR 91,000 (28 February 2013) were made to the multi-employer pension fund in the respective fiscal years.

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

Contributions in the amount of EUR 799,000 (29 February 2012) and EUR 1,003,700 (28 February 2013) were made to the staff provision fund in the respective fiscal years.

17 Trade payables

The age analysis of trade payables as at 29 February 2012 and 28 February 2013 is as follows:

	Balance as at 29 February 2012	Balance as at 28 February 2013
	EUR'000	EUR'000
Within 90 days	35,346	55,334
Over 90 days and within 360 days	<u>121</u>	<u>119</u>
	<u>35,467</u>	<u>55,453</u>

18 Other liabilities and deferred income

	Carrying amount as at <u>29 February 2012</u>	Carrying amount as at <u>28 February 2013</u>
	EUR'000	EUR'000
Social security payables	2,029	2,528
Other liabilities	414	2,824
Liabilities towards employees	11,796	12,602
Accruals and deferrals	131	119
Balance	<u>14,370</u>	<u>18,073</u>

Deferrals with regard to profit sharing in the amount of EUR 2,174,500.01 (previous year: EUR 1,627k) have been reported under other liabilities (liabilities to employees) since fiscal year 2012/13. The figures of the previous year have been adjusted accordingly.

19 Other provisions

	Employees	Warranties	Other	Total
	EUR'000	EUR'000	EUR'000	EUR'000
Balance as at 1 March 2011	28	3,574	2,294	5,896
Utilisation	-28	0	-1,085	-1,113
Reversal	0	-1,599	-488	-2,087
New provisions	50	2,218	2,596	4,864
Balance as at 29 February 2012	<u>50</u>	<u>4,193</u>	<u>3,317</u>	<u>7,560</u>
of which current	50	4,193	3,317	7,560
of which non-current	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

In addition to specific obligations, provisions for warranties include a best estimate of possible warranty obligations in the amount of EUR 2,219,000 (previous year: EUR 1,573,000). Management assesses the related provision for future warranty claims on the basis of historical warranty claim information, as well as recent trends that might suggest that past cost information may differ from future claims. The Group generally offers a warranty period of four years for its products.

Other provisions include a provision for follow-up costs (material and transportation) in the amount of EUR 908,000 regarding the completion of a development project, a provision for outstanding travel expenses in the amount of EUR 225,000, and a provision for a settlement payment to a municipality in the amount of EUR 130,000.

	Employees	Warranties	Other	Total
	EUR'000	EUR'000	EUR'000	EUR'000
Balance as at 1 March 2012	50	4,193	3,317	7,560
Utilisation	-50	-254	-1,881	-2,185
Reversal	0	-1,528	-835	-2,363
New provisions	82	1,773	9,029	10,884
Balance as at 28 February 2013	<u>82</u>	<u>4,184</u>	<u>9,630</u>	<u>13,896</u>
of which current	82	4,184	9,630	13,896
of which non-current	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

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

Other provisions include a provision for follow-up costs (material and transportation) in the amount of EUR 4,224,000 for various development projects, a provision for outstanding travel expenses in the amount of EUR 290,000 and a provision for the repayment of funds granted by FFG in the amount of EUR 1,346,000.

20 Income tax liabilities

This item contains the corporate income tax liability of the Group for the assessment year 2012. With regard to group taxation refer to Note 2(n).

21 Changes in inventories

	<u>For the fiscal year ended 29 February 2012</u>	<u>For the fiscal year ended 28 February 2013</u>
	EUR'000	EUR'000
Finished products	218	(546)
Semi-finished products	<u>1,324</u>	<u>6,069</u>
Total	<u><u>1,542</u></u>	<u><u>5,523</u></u>

22 Own work capitalised

	<u>For the fiscal year ended 29 February 2012</u>	<u>For the fiscal year ended 28 February 2013</u>
	EUR'000	EUR'000
Capitalisation of development costs	4,701	4,509
Other	<u>294</u>	<u>232</u>
Total	<u><u>4,995</u></u>	<u><u>4,741</u></u>

23 Cost of materials and purchased services

	<u>For the fiscal year ended 29 February 2012</u>	<u>For the fiscal year ended 28 February 2013</u>
	EUR'000	EUR'000
Cost of materials	188,811	224,449
Cost of purchased services	<u>21,322</u>	<u>32,656</u>
Total	<u><u>210,133</u></u>	<u><u>257,105</u></u>

To ensure a better overview of the Company's results of operations, external engineering costs in the amount of EUR 27,479,270.59 (previous year: EUR 22,470k) were reclassified from "Other operating expenses" to "Cost of purchased services" in fiscal year 2012/13. The previous year figures have been adjusted accordingly.

24 Staff costs

	EUR'000	EUR'000
Wages and salaries	70,370	84,585
Expenses for statutory social contributions and benefits	18,609	22,311
Expenses for termination benefits and contributions to staff provision funds	1,114	1,366
Expenses for pensions	167	269
Other social expenses	<u>1,539</u>	<u>1,988</u>
Total (including remuneration of the management board)	<u><u>91,799</u></u>	<u><u>110,520</u></u>

Expenses for termination benefits and contributions to staff provision funds include contributions to staff provision funds in the amount of EUR 799,000 (29 February 2012) and EUR 1,003,700 (28 February 2013).

The number of staff employed by the Group is 2,383 persons (1,397 workers and 986 employees) as at 28 February 2013 compared to 2,018 persons (1,229 workers and 789 employees) as at 29 February 2012.

25 Remuneration of the members of the management board

Without prejudice to Section 266 (7) UGB, the disclosure of this information is omitted. No loans or advances were granted to the members of the management board.

26 Depreciation and amortisation

	For the fiscal year ended 29 February 2012	For the fiscal year ended 28 February 2013
	EUR'000	EUR'000
Of intangible assets	4,602	5,577
Of property, plant and equipment	11,762	11,637
Total	16,364	17,214

27 Other operating income and expenses

	For the fiscal year ended 29 February 2012	For the fiscal year ended 28 February 2013
	EUR'000	EUR'000
Maintenance, servicing and third-party repairs	3,985	5,009
Shipping costs	5,356	5,935
Material testing and certification costs, technical support	1,825	2,390
Rents, leases and building rights costs	3,715	3,920
Travel expenses	3,551	4,051
Allowances, grants and other income	-7,532	-8,582
Miscellaneous expenses	9,573	12,604
Total	20,473	25,327

To ensure a better overview of the Company's results of operations, external engineering costs in the amount of EUR 27,479,270.59 (previous year: EUR 22,470k) were reclassified from "Other operating expenses" to "Cost of purchased services" in fiscal year 2012/13. The previous year figures have been adjusted accordingly.

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

	For the fiscal year ended 29 February 2012	For the fiscal year ended 28 February 2013
	EUR'000	EUR'000
Audit of the financial statements and the consolidated financial statements	96	96
Other services	9	21
Tax consulting services	15	18
Total	120	135

Other services comprise services in connection with government agreements and government grants as well as similar agreed-upon procedures and accounting advice.

28 Finance costs

	For the fiscal year ended 29 February 2012	For the fiscal year ended 28 February 2013
	EUR'000	EUR'000
Interest and bank charges	841	2,630
Interest expense – bonds	922	92
Total	1,763	2,722

29 Interest income from financial instruments

	For the fiscal year ended 29 February 2012	For the fiscal year ended 28 February 2013
	EUR'000	EUR'000
Bank interest	17	13
Income from interest rate swaps	190	0
Income from securities	13	13
Total	220	26

30 Fair value measurement of derivative financial instruments

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

	Volume USD'000	Volume EUR'000	Fair Value EUR'000	Recognised in “Fair value measurement of derivative financial instruments” EUR'000	Recognised in “Cash flow hedges (net of tax)” EUR'000	Recognised in “Other operating income and expenses” EUR'000
Balance as at 29 February 2012						
Forward foreign exchange contracts – USD	81,000	0	1,990	0	-621	1,203
Structured currency options – USD	120,000	0	688	-2,911	0	0
Interest rate swaps	0	40,000	-7,452	-6,318	0	0
Balance as at 28 February 2013						
Forward foreign exchange contracts – USD	205,000	0	4,072	0	-50	-2,149
Structured currency options – USD	0	0	0	-688	0	0
Interest rate swaps	0	20,000	-11,734	-4,282	0	0

31 Income taxes

	For the fiscal year ended 29 February 2012	For the fiscal year ended 28 February 2013
	EUR'000	EUR'000
Corporate income tax, current	83	4,857
Foreign withholding tax	0	12
Deferred taxes	2,074	1,418
	2,157	6,287
Tax expenses, previous years	3	-10
Total	2,160	6,277

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

	<u>For the fiscal year ended 29 February 2012</u>	<u>For the fiscal year ended 28 February 2013</u>
	EUR'000	EUR'000
Profit before taxes	12,619	27,047
Calculated income tax expense 25%	3,155	6,762
<u>Tax reductions:</u>		
Research promotion	-514	0
Tax allowance for training (<i>Bildungsfreibetrag</i>)	-4	-8
Learning subsidy (<i>Bildungsprämie</i>)	-3	0
Other tax free grants	-3	0
Use of tax loss carryforwards	-20	-81
Effects of foreign tax rates	-20	0
Capitalised deferred taxes	-478	478
Amortisation of goodwill	0	-375
Apprenticeship training premium (<i>Lehrlingsausbildungsprämie</i>)	0	-14
<u>Tax increases:</u>		
Non-deductible expenses	43	36
Remuneration for supervisory board members	5	0
Other valuation adjustments – deferred taxes	0	-511
Income taxes, previous years	0	-10
Recognised income tax expense	<u>2,160</u>	<u>6,277</u>

The deferred taxes changed as follows:

	<u>Balance as at 1 March 2011</u>	<u>Changes in the consolidated statement of comprehensive income</u>	<u>Changes in other comprehensive income</u>	<u>Balance as at 29 February 2012</u>
	EUR'000	EUR'000	EUR'000	EUR'000
Deferred tax assets				
Financial assets	3	0	0	3
Other receivables and assets	40	12	0	52
Investment grants	1,895	-255	0	1,640
Obligations towards employees	260	-64	0	196
Derivative financial instruments	-1,367	448	207	-712
Provisions	405	173	0	578
Liabilities	-329	217	0	-112
Tax loss carryforwards	3,895	-2,095	0	1,800
Intangible assets (development costs)	-14,411	-1,165	0	-15,576
Property, plant and equipment	-338	247	0	-91
Inventories	145	-40	0	105
Trade receivables (mainly differences from USD valuation)	-154	419	0	265
Other	-15	29	0	14
	<u>-9,971</u>	<u>-2,074</u>	<u>207</u>	<u>-11,838</u>

	Balance as at 1 March 2012	Changes in the consolidated statement of comprehensive income	Changes in other comprehensive income	Balance as at 28 February 2013
	EUR'000	EUR'000	EUR'000	EUR'000
Deferred tax assets				
Financial assets	3	0	-5	-2
Other receivables and assets	52	24	0	76
Investment grants	1,40	-93	0	1,547
Obligations towards employees	196	51	0	247
Derivative financial instruments	-712	-321	17	-1,016
Provisions	578	696	0	1,274
Liabilities	-112	-247	0	-359
Tax loss carryforwards	1,800	-1,800	0	0
Intangible assets (development costs)	-15,576	-680	0	-16,256
Property, plant and equipment	-91	236	0	144
Inventories	105	-105	0	0
Trade receivables (mainly differences from USD valuation)	265	587	0	852
Other	14	234	0	248
	<u>-11,838</u>	<u>-1,419</u>	<u>12</u>	<u>-13,245</u>

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

As at 29 February 2012 and 28 February 2013, deferred income tax liabilities in the amount of EUR 11,838,000 and EUR 13,245,000 are shown in the consolidated statement of financial position.

Within the next 12 months, deferred income tax assets in the amount of EUR 3,184,000 and EUR 2,895,000 are expected to be realised and deferred income tax liabilities amounting to EUR 2,004,000 and EUR 2,572,000 are expected to be settled as at 29 February 2012 and 28 February 2013, respectively.

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

The Group's unutilised tax losses can be carried forward indefinitely, and the amounts are as follows:

Balance as at 29 February 2012	Base	Tax effect
	EUR'000	EUR'000
Losses carried forward	330	83
Total	<u>330</u>	<u>83</u>
Balance as at 28 February 2013	Base	Tax effect
	EUR'000	EUR'000
Losses carried forward	327	82
Total	<u>327</u>	<u>82</u>

Tax effects on other comprehensive income

	For the fiscal year ended 29 February 2012			For the fiscal year ended 28 February 2013		
	Gross EUR'000	Tax EUR'000	Net EUR'000	Gross EUR'000	Tax EUR'000	Net EUR'000
Fair value measurement of securities	0	0	0	19	-5	14
Cash flow hedge	-828	207	-621	-67	17	-50
Total	-828	207	-621	-48	12	-36

32 Commitments to acquire assets

	Balance as at 29 February 2012 EUR'000	Balance as at 28 February 2013 EUR'000
Property, plant and equipment		
Authorised but without contractual obligation	30,174	65,516
Contractual obligation, not yet incurred	<u>20,485</u>	<u>24,486</u>
	<u>50,659</u>	<u>90,002</u>

33 Rental and leasing commitments

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

	29 February 2012 EUR'000	28 February 2013 EUR'000
No later than 1 year	2,748	3,066
Later than 1 year and no later than 5 years	7,443	7,431
Later than 5 years	6,236	4,973
Total	<u>16,427</u>	<u>15,471</u>

34 Related-party transactions

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

Related-party transactions for the period 1 March 2011 to 29 February 2012

With the related company Shanghai Aircraft Manufacturing Co., Ltd. revenue was generated in the amount of EUR 3,243,422.55 (previous year: EUR 1,883,000).

With the related company Fesher Aviation Component (Zhenjiang) Co., Ltd. revenue was generated in the amount of EUR 11,000,000 (previous year EUR nil). Receivables in the amount of EUR 11,000,000 (previous year: EUR nil) are shown in the consolidated statement of financial position. Reference is also made to Note 4 "Segment information".

With the related company Future Aviation International Investment Co., Ltd. (formerly FACC Holding Company, Limited) revenue was generated in the amount of EUR 6,900,000 (previous year: EUR 12,000,000). Receivables in the amount of EUR 3,400,000 (previous year: EUR nil) are shown in the consolidated statement of financial position.

Related-party transactions for the period 1 March 2012 to 28 February 2013

With the related company Shanghai Aircraft Manufacturing Co., Ltd. revenue was generated in the amount of EUR 10,349,986.76 (previous year: EUR 3,243,422.55).

With the related company Fesher Aviation Component (Zhenjiang) Co., Ltd. revenue was generated in the amount of EUR 462,406.03 (previous year EUR 11,000,000). Receivables in the amount of EUR 11,183,458.65 (previous year: EUR 11,000,000) are shown in the consolidated statement of financial position.

With the related company Future Aviation International Investment Co., Ltd. (formerly FACC Holding Company, Limited) revenue was generated in the amount of EUR 6,900,000 (previous year: EUR 6,900,000). Receivables in the amount of EUR 690,000 (previous year: EUR 3,400,000) are shown in the consolidated statement of financial position.

With the related company Comac Shanghai Aircraft revenue was generated in the amount of EUR 2,838,345.87 (previous year: EUR 500,000). Receivables in the amount of EUR 4,511,278.20 (previous year: EUR nil) are shown in the consolidated statement of financial position.

With the related company FACC International Company Limited revenue was generated in the amount of EUR 690,000 (previous year: EUR 500,000). Receivables in the amount of EUR 690,000 (previous year: EUR nil) are shown in the consolidated statement of financial position.

35 Events after the reporting period

No significant events occurred after the reporting period.

36 Management board and supervisory board

- Yongsheng Wang (since 14 July 2011)
- Yongsheng Wang resigned as managing director on 21 March 2013. Chunlin Xu was appointed new managing director of AIIG on 21 March 2013

were the sole managing directors and sole representatives of the Company in the reporting period.

A supervisory board was appointed for the Company. The supervisory board consists of three members. These members are:

- Ruguang Geng, Ried im Innkreis, chairman
- Jun Tang, Ried im Innkreis, deputy chairman
- Hang Huang, Ried im Innkreis

Ried im Innkreis, 6 June 2013

The Management Board:

signed:

Chunlin Xu