FACC

POSITION REPORT

Annual Financial Report 2021

STRENGTH THROUGH DIVERSITY

Group Management Report of FACC AG for the financial year 2021

1. INDUSTRY ENVIRONMENT

The repercussions of the Covid-19 pandemic were still clearly felt throughout the aviation industry in 2021. Although air traffic volumes made a marked recovery worldwide at the beginning of the year, this upward trend started to vary across regions as the year progressed. Due to ongoing travel restrictions and various entry regulations in individual countries, international air traffic for the year as a whole only reached approximately one quarter of its pre-pandemic volume. Meanwhile, the development of continental air traffic shows that people still have a strong desire to fly. Wherever restrictions were eased, demand for flights to these destinations recovered quickly. Once again, international cargo traffic recorded further growth. In addition to transporting life-saving medical equipment, vaccines were also distributed quickly and efficiently across the globe, thus making an indispensable contribution to the fight against the pandemic.

2021: financial year fraught with numerous challenges

Although the aviation industry made a noticeable recovery, a number of challenges had to be assessed and overcome in 2021. Global economic growth thus slowed in the second half of the year due to supply chain issues, bottlenecks in the labor market and fluctuations in global markets. While demand for certain goods increased, the lack of containers and delays in shipping traffic put a damper on global recovery. The lack of available transport capacities is expected to ease only gradually in the future. According to Deutsche Industriebank, approximately 300 freighters were waiting for clearance in mid-2021, and empty containers were only put back into circulation after substantial delays of up to one week. In addition to disrupted supply chains, the eurozone and the USA in particular were affected by high inflation. Besides raw material shortages, this development was primarily driven by soaring energy prices. At the end of 2021, wholesale gas prices were more than five times higher than in the previous year. According to calculations by the Austrian Energy Agency, the Austrian gas price index (ÖGPI) increased by 30.9 percent, from September to October 2021, in just one month.

Airbus and Boeing increase aircraft deliveries

Airbus delivered a total of 611 aircraft in 2021, which is 8 percent more than in the previous year. Over the same period, Boeing recorded deliveries of 340 aircraft. In total, the two manufacturers delivered 951 aircraft to airline customers in 2021 (2020: 723 aircraft). Relative to 2020, this corresponds to an increase of 228 aircraft. New orders placed with Airbus and Boeing in 2021 totaled 1,042 aircraft (net view). Although the load factor with international flights remains low, the aircraft industry is optimistic about its post-pandemic prospects. Due to the positive developments on the continental markets (USA, Europe, Asia), the airlines are adjusting their demand to the current conditions. Particularly the demand and construction rates for small and medium-haul aircraft are increasing noticeably.

Aviation and sustainability

Air traffic is often falsely portrayed as a mode of transport with an enormous environmental impact. However, the truth of the matter is that aviation only accounts for approximately 2.7 percent of global CO_2 emissions. The aviation industry is intensifying its efforts to become even more sustainable, with the declared goal of achieving carbon-neutral air travel by 2050. The consumption of sustainable aircraft fuel thus increased from 8 million liters in 2016 to more than 100 million liters in 2021. In recent months, the International Air Transport Association (IATA) published a clear roadmap towards net-zero emissions by 2050. This is to be achieved through a combination of sustainable aircraft fuels, alternative propulsion methods and a seamless materials cycle. As part of its Strategy 2030, FACC has also set itself ambitious goals in terms of climate protection. The company aims to achieve these targets on the basis of its outstanding lightweight construction expertise and in close cooperation with its customers.

2. GENERAL INFORMATION

2.1 Information pursuant to Section 243 of the Austrian Commercial Code (UGB)

The FACC Group based in Ried im Innkreis is an Austrian group of companies specializing in the development, production and maintenance of components for the aerospace industry.

Its product range includes structural components (components for fuselages and tail units, fan cowls and composite components for engines, wing parts and winglets) as well as systems for aircraft interiors (complete aircraft cabin systems for passenger aircraft, overhead stowage compartments, cabin linings, service units, interior solutions for business jets, cabin retrofit solutions, etc.).

In addition, the FACC Strategy 2030 was presented in the 2020 financial year. The company's core business will thus be expanded to include drones and autonomous flight mobility as well as lightweight construction systems for space travel. FACC AG is already actively involved in both areas. The first space contract, which was secured in 2021, represents a particularly gratifying achievement.

Due to different applications of the products, three operative segments were created.

- **Aerostructures** is responsible for the development, production, distribution and repair of structural components.
- **Engines & Nacelles** covers the production, distribution and repair of engine components.
- **Cabin Interiors** focuses on the development, production, distribution and repair of interior solutions.
- The product portfolio has been expanded to include **after-market services**, which are of relevance to all three divisions.

After customer contracts have been concluded and the orders processed, the individual orders are then manufactured in the Group's six plants. In addition to the three operative segments, the Group also comprises the central services Finance and Controlling, Internal Audit, Human Resources, Legal, Quality Assurance, Research and Development, Communication & Marketing, Purchasing, IT (including engineering services), Investor Relations, Facility Management and Logistics. The central services support the operating segments in the fulfillment of their tasks within the framework of a matrix organization.

3. DEVELOPMENT OF THE FACC GROUP

	SFY 2019 in EUR million[1)]	2019 unaudited in EUR million[2)]	2020 in EUR million	2021 in EUR million
Revenues	653.1	801.3	526.9	497.6
of which product revenues	592.4	725.7	497.7	455.8
of which revenues from development services	60.6	75.6	29.2	41.8
EBIT (reported)	22.1	15.1	–74.4	–25.1
one-time effects	0.0	–13.1	–47.6	29.4
EBIT (operating)	35.2	28.2	–26.8	4.3
EBIT margin (operating)	5.4 %	3.5 %	–5.1 %	0.9 %
Earnings per share	0.24	0.16	–1.68	–0.52

[1)] Short fiscal year from 1 March 2019 to 31 December 2019
[2)] Period from 1 January 2019 to 31 December 2019 (unaudited)

In the 2021 financial year, the FACC Group generated revenues of EUR 497.6 million, representing a decrease of EUR 29.3 million compared to the previous year. Revenues generated in the 2020 financial year are of limited suitability as a consistent reference value as the first quarter was not affected by the Covid-19 pandemic. In all three FACC segments, the programs of the Airbus A320 family constitute a major revenue driver. Moreover, encouraging year-on-year revenue increases were achieved by the products for the Airbus A220 platform. The ARJ-21 program of the Chinese customer COMAC also recorded substantial growth.

Reported earnings before interest and taxes (EBIT) amounted to EUR -25.1 million in the 2021 financial year (2020: EUR -74.4 million). EBIT for the financial year 2021 includes one-time effects, which largely resulted from extraordinary expenses incurred on account of the unexpected negative arbitration ruling on a legal dispute with a supplier.

Despite ongoing major challenges posed by the Covid-19 pandemic, a modest operating result of EUR 4.3 million was achieved in the 2021 financial year (excluding one-time effects).

The optimization program announced at the beginning of the 2020 financial year to sustainably reduce the group-wide cost structure is taking effect, and generated substantial positive results in the 2021 financial year. The measures implemented to cut costs and increase efficiency have been successful and are creating a solid foundation for sustainably improving earnings in the long term when sales will start to rise again more strongly.

3.1 Financial position

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

Financing instruments

The banking policy, procedures for the approval of banking relationships and financing agreements, liquidity and financial asset management, and the management of currency and interest rate risks are set down in FACC's treasury principles. In accordance with the Group's policy, credit lines are managed throughout the Group by the Treasury department.

For information on the company's capacity to raise funds through authorized and conditional capital and on its funding sources, please refer to Note 38 of the Consolidated Financial Statements. FACC has thus created the essential prerequisites for sustainable and stable financing.

In August 2018, FACC Operations GmbH subscribed to a syndicated loan in the amount of EUR 225 million with seven participating banks. FACC AG serves as a guarantor. The loan volume was increased by a further EUR 60 million as of 30 June 2020 (KRR Covid-19 framework credit for large enterprises of the Austrian Kontrollbank). All syndicate banks participated according to their quotas.

A net financial debt/EBITDA ratio of < 3.5 was defined as a financial covenant in August 2018. Due to the proven impact of changed accounting standards (IFRS 15, IFRS 16), the limit was increased from 3.5 to 4.0 in agreement with the syndicate banks with effect from 31 August 2019. The ratio is checked every six months (31 December and 30 June). The creditors have a right of termination in the event that the ratio is exceeded.

The effects of the Covid-19 pandemic also resulted in a persistent decline in earnings and the cash flow in the second half of 2020. They thus had a direct negative impact on the mandatory covenant test as of 31 December 2020. For this reason, FACC proactively initiated negotiations with its syndicate banks in August 2020 in order to temporarily adjust the syndicate agreement to the changed overall conditions. An agreement was reached on 21 December 2020. In addition, the agreement stipulates that no profit distributions are to be undertaken before 30 June 2022. As part of the agreement, the margin grid was also adjusted to the new circumstances.

Due to the ruling of a London arbitration court on the legal dispute with a supplier, which had a negative impact on the earnings and financial situation of the FACC Group, the financial covenant of net financial debt/EBITDA in the syndicated loan agreement had to be readjusted in November 2021. The negotiations with the syndicate banks were successfully concluded on 30 December 2021. The following adjustment to the financial covenant was made:

	31.12.2021	30.06.2022	31.12.2022	30.06.2023
Net financial debt/EBITDA	5.25 [1]	5.25 [2]	4.5	4.0

[1] The result will be corrected for the negative effects of the London arbitration ruling.

[2] EBITDA for the first half of 2022 extrapolated on a 12-month basis

As of the test date 30 June 2023, FACC will reinstate the originally agreed covenant of net financial debt/EBITDA of 4.0.

The EUR 70 million promissory note loan issued in July 2019 contains a clause specifying an interest rate increase of 50 basis points should the net debt/EBITDA ratio exceed a value of 3.75. The ratio is tested annually (31 December).

3.1.1. Liquidity analysis

	SFY 2019 in EUR million	2020 in EUR million	2021 in EUR million
Cash flow from operating activities	48.0	13.8	82.3
Cash flow from investing activities	–18.2	–15.2	–11.7
Free cash flow	**29.8**	**–1.4**	**70.5**
Cash flow from financing activities	–43.5	20.7	–45.2
Net change in cash and cash equivalents	**–13.8**	**18.2**	**25.3**
Valuation effects from foreign exchange rate differences	–0.5	–1.5	–2.9
Cash and cash equivalents at the beginning of the period	**90.1**	**75.8**	**92.5**
Cash and cash equivalents at the end of the period	**75.8**	**92.5**	**115.0**

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

Cash flow from operating activities

At EUR 82.3 million, cash flow from operating activities in the reporting year 2021 was EUR 68.5 million higher than the previous year's figure of EUR 13.8 million. This increase is mainly attributable to the positive changes in working capital for inventories, receivables, liabilities and provisions.

Cash flow from investing activities

Cash flow from investing activities amounted to EUR -11.7 million in the reporting year 2021, compared to EUR -15.2 million in the previous year, and includes investments in buildings and machinery for the new production plant in Croatia.

Cash flow from financing activities

In the reporting year 2021, cash flow from financing activities stood at EUR -45.2 million (2020: EUR 20.7 million). Unlike in the previous year, no new financing arrangements were concluded in the financial year 2021.

3.1.2. Net debt

Net debt amounted to EUR 177.8 million on 31 December 2021 (2020: EUR 232.1 million). As of the balance sheet date, cash and cash equivalents of the FACC Group totaled EUR 115.0 million (2020: EUR 92.5 million).

	31.12.2019 in EUR million	31.12.2020 in EUR million	31.12.2021 in EUR million
Promissory note loans	70.0	70.0	70.0
Bonds 2013-20 (ISIN AT00000A10J83)	89.8	0.0	0.0
Other financial liabilities	129.1	254.6	222.8
Gross financial liabilities	289.0	324.6	292.8
Less			
Cash and cash equivalents	75.8	92.5	115.0
Financial assets	75.8	92.5	115.0
Net debt	213.2	232.1	177.8

Net financial debt/EBITDA, a key indicator for group financing, developed as follows:

	31.12.2019 in EUR million [1]	31.12.2020 in EUR million	31.12.2021 in EUR million
Earnings before interest and taxes (EBIT)	22.1	–74.4	–25.1
Plus/less			
Depreciation, amortization and impairment	18.8	50.1	22.8
Amortization of contract performance costs	13.3	11.8	13.9[2]
Impairment of contract performance costs	0.0	2.9	0.0
Negative effects from the London arbitration court ruling			25.5
EBITDA	54.1	–9.6	37.2
Net debt/EBITDA	3.28	N/A	4.79

1) Value based on an extrapolation over 12 months due to the short financial year 2019.
2) Amortization of contract performance costs of EUR 21.9 million less one-time payments in December 2021 in the amount of EUR 8.1 million

3.2 Asset position

	31.12.2019 in EUR million[1]	31.12.2020 in EUR million	31.12.2021 in EUR million
Non-current assets	375.7	326.9	323.7
Current assets	361.0	322.7	320.8
Assets	736.7	649.5	644.5
Equity	310.6	243.2	206.0
Non-current liabilities	188.5	179.6	172.6
Current liabilities	237.7	226.7	265.9
Debt	426.1	406.4	438.5
Equity and debt	736.7	649.5	644.5
Equity ratio	42.2 %	37.4 %	32.0 %

[1] Value based on an extrapolation over twelve months due to the short financial year 2019.

3.2.1. Assets

The non-current assets of the FACC Group decreased by EUR 3.2 million to EUR 323.7 million relative to the balance sheet date of 31 December 2020.

Current assets decreased by EUR 1.9 million compared to the same period of the previous year. In contrast, cash and cash equivalents increased by EUR 22.5 million to EUR 115 million as of the balance sheet date of 31 December 2021. Inventories decreased by EUR 14.8 million to EUR 90.8 million, and trade receivables fell by EUR 8.4 million to EUR 53 million.

3.2.2. Equity

Equity of the FACC Group stood at EUR 206.0 million at the end of the reporting year. This corresponds to an equity ratio of 32 percent as of 31 December 2021 (2020: 37.4 percent).

3.2.3. Debt

Within non-current liabilities, other financial liabilities decreased by EUR 3.6 million to EUR 9.6 million.

Within current liabilities, trade payables increased by EUR 26.3 million to EUR 53.3 million relative to the previous year. This increase is the result of active working capital management.

Other financial liabilities were subject to only minor fluctuations in the financial year 2021. Compared to the previous year, no new financing agreements were concluded in the year under review.

4. DEVELOPMENT OF THE SEGMENTS

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

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

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

4.1 Aerostructures segment

	SFY 2019 in EUR million	2020 in EUR million	2021 in EUR million
Revenues	240.2	184.7	167.5
EBIT (reported)	22.6	–26.7	–28.5
EBIT margin (reported)	9.4 %	–14.5 %	–17.0 %
One-time effects	–8.3	–22.2	27.8
EBIT before one-time effects	30.9	–4.5	–0.8
EBIT margin (before one-time effects)	12.8 %	–2.5 %	–0.4 %

Revenues in the Aerostructures segment amounted to EUR 167.5 million in the 2021 financial year (2020: EUR 184.7 million). With regard to the previous financial year, the revenues generated in the first quarter of 2020 are of particular importance. They are only suitable as a reference value to a limited extent as Q1 2020 was not affected by the Covid-19 pandemic. FACC's production share on long-haul aircraft platforms in the Aerostructures segment is higher than in other areas. As the Covid-19 pandemic continues to impact intercontinental air traffic in particular, the market for long-haul aircraft is recovering at a much slower pace. Due to the lack of demand, construction rates are only slowly being raised to their pre-pandemic levels.

In the Aerostructures segment, reported earnings before interest and taxes (EBIT) amounted to EUR -28.5 million in the 2021 financial year (2020: EUR -26.7 million). Reported EBIT in this segment was significantly influenced by the provisions for the lost legal dispute.

4.2 Engines & Nacelles segment

	SFY 2019 in EUR million	2020 in EUR million	2021 in EUR million
Revenues	152.4	115.3	103.7
EBIT (reported)	6.0	–22.9	8.7
EBIT margin (reported)	3.9 %	–19.9 %	8.4 %
One-time effects	–1.2	–11.9	0.9
EBIT (before one-time effects)	7.1	–11.0	9.6
EBIT margin (before one-time effects)	4.7 %	–9.6 %	9.3 %

Revenues in the Engines & Nacelles segment totaled EUR 103.7 million in the 2021 financial year (2020: EUR 115.3 million). In this segment, revenues were impacted in particular by the reduced construction rates of the Boeing 787 and Airbus A350 programs. In addition to the products of the Airbus A320 family, the business jet platforms also made a positive contribution to earnings.

In the Engines & Nacelles segment, reported earnings before interest and taxes (EBIT) in the financial year 2021 amounted to EUR 8.7 million (2020: EUR -22.9 million).

4.3 Cabin Interiors segment

	SFY 2019 in EUR million	2020 in EUR million	2021 in EUR million
Revenues	260.5	226.9	226.4
EBIT (reported)	–6.5	–24.7	–5.2
EBIT margin (reported)	–2.5 %	–10.9 %	–2.3 %
One-time effects	–3.7	–13.5	0.7
EBIT (before one-time effects)	–2.9	–11.2	–4.5
EBIT margin (before one-time effects)	–1.1 %	–4.9 %	–2.0 %

Revenues in the Cabin Interiors segment stood at EUR 226.4 million in the 2021 financial year (2020: EUR 226.9 million). In addition to the Airbus A320 family, particularly the ARJ 21 program of the Chinese customer COMAC recorded significant growth in the Cabin Interiors segment.

Reported earnings before interest and taxes (EBIT) in the Cabin Interiors segment amounted to EUR -5.2 million in the 2021 financial year (2020: EUR -24.7 million).

4.4 Segmental representation of one-time effects

	Aerostructures	Engines & Nacelles	Cabin Interiors	Total in EUR million
Revenues	167.5	103.7	226.4	497.6
Earnings before interest and taxes (EBIT)	–28.5	8.7	–5.2	–25.1
thereof legal disputes	25.5	0	0	25.5
thereof staff reduction costs	0.7	0.9	0.7	2.3
Changes in estimates	1.6	0.0	0.0	1.6
Adjusted EBIT	–0.8	9.6	–4.5	4.3
EBIT margin	–0.4 %	9.3 %	–2.0 %	0.9 %

5. RISK REPORT

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

The respective risk owner bears direct responsibility for risk management. The Vice President Controlling/Investor Relations/Enterprise Risk Management reports directly to the Management Board, which assumes overall responsibility for risk management. As part of the risk management process, both risks that have occurred and potential future risks are continuously monitored and evaluated by the operative units and reported to the Management Board twice a year in the course of the Management Reviews. In addition, the top-15 risks in the Group are reviewed in detail every quarter. Exceptional events, moreover, are reported immediately to the responsible risk owner or to the Vice President Controlling/Investor Relations/Enterprise Risk Management. The latter decides whether the Management Board is to be notified straight away, which in turn informs the Supervisory Board at its meetings.

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

The following key risk areas have been identified:

5.1 Management risks

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

Short-term changes in the market constitute the greatest risk. In addition, successful operational implementation must be continuously questioned and reassessed due to external factors, which often can scarcely be influenced.

FACC's management is responsible for monitoring the consistent policy implementation while promptly responding to short-term changes in line with the defined strategy. In doing so, it must be ensured that the strategic direction of the company as well as the planned revenue and earnings targets continue to be observed.

5.2 Sales risks

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

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

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

5.3 Procurement and supplier risks

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

5.4 Business interruption risk

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

5.5 Project management

Project management at FACC is responsible for implementing the objectives defined by management by way of concrete projects. In this regard, projects are differentiated according to whether FACC is to assume development responsibility or not. Feasibility is assessed for each contract, and the risks associated with the project are identified, evaluated as well as closely monitored and analyzed during the course of the project in order to initiate and implement appropriate measures, if deemed necessary. The major risks concern external factors, which the project team encounters via the company's interfaces or via third parties.

5.6 Product liability and quality risks

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

Projects for which FACC bears development responsibility are subject to greater risks due to the possibility of construction errors. This can, however, be effectively minimized through systematic action. Regular controls at all stages of development mitigate risks early on. Moreover, FACC operates an archive system for quality records, which are either contractually stipulated or go beyond contractual obligations in individual cases. This is to demonstrate that services were rendered and products manufactured according to specifications defined and approved by both customers and the aviation authorities.

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

5.7 Financial risks

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

5.7.1. Currency risks

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

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

The risk management conducted by the Group's Accounting & Treasury department pursues the objective of an average hedge ratio of 80 percent of expected net cash flows in USD (revenues less purchases of raw materials) for the following 12 months (on a rolling monthly basis). If market levels are favorable, hedging periods can be extended to up to 36 months. Sensitivity analyses showing the effects of hypothetical changes in exchange rates on the Consolidated Profit and Loss Statement and on equity were carried out for the currency risks of financial instruments. According to IFRS 7, currency risks result from financial instruments of a monetary nature that are not denominated in the reporting company's functional currency. As a consequence, receivables, liabilities, means of payment and foreign currency derivatives serve as the basis for calculating the sensitivity of the Consolidated Profit and Loss Statement. The sensitivity of equity also reflects the valuation effects of the cash flow hedges for foreign currency risks recorded in other comprehensive income. Translation differences from the translation of financial statements drawn up in a currency other than the Group currency were not included in the calculation. A change in the EUR-USD exchange rate of +5% would have resulted in a change in equity in the amount of kEUR 6,924 in the 2021 financial year (2020: kEUR 3,338). A change in the EUR-USD exchange rate of -5% would have resulted in a change in equity in the amount of kEUR -7,653 in the 2021 financial year (2020: kEUR -3,689).

5.7.2. Interest rate risks

Interest rate risks depend on the average financing term and the type of interest. Fixed interest rates are subject to the risk of falling interest rates, whereas variable interest rates carry the risk of rising interest rates. In addition, the persistently low interest rates in the euro area entail the risk of banks charging negative interest on current account balances denominated in euros.

An increase in interest rates by 50 basis points in 2021 would have resulted in a reduction in earnings after taxes and in equity of kEUR 616 (2020: kEUR 620). A reduction in interest rates by 50 basis points would have resulted in an increase in earnings after taxes and in equity in the amount of kEUR 621 (2020: kEUR 620). The calculation is based on variable interest-bearing assets and liabilities. In the course of the financial year, all core banks of FACC in the euro area started to charge negative interest on balances exceeding defined thresholds. The resulting interest costs amounted to kEUR 23 (2020: kEUR 10) and are recorded in the financial result.

5.8 Risks related to administrative and production systems

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

5.9 Risks related to information security

Information security risks are on the rise, while cyber threats are constantly evolving. FACC is also exposed to these risks due to its increasing vulnerability to attacks as a result of ongoing digitalization and the growing number of work activities performed from home. Incidents resulting in the loss, corruption or encryption of critical or sensitive data can lead to reputational damage and financial losses. FACC counteracts these risks through regular training sessions to raise awareness among its staff, and by implementing systemic measures.

5.10 Risks related to intellectual property

Intellectual property from research and development activities is a key success factor for securing FACC's competitiveness in the long run. Protecting intellectual property against misuse and theft is therefore a key concern of the company. To this end, FACC makes use of instruments such as confidentiality agreements and patents. However, this does not completely exclude misuse or potential negative consequences resulting from patent disputes.

Furthermore, FACC operates in a growing high-tech environment with a very large patent landscape. In order to avoid unintentional patent infringements as far as possible, FACC conducts extensive patent research; nevertheless, a residual risk always remains.

5.11 Risks resulting from legal disputes

FACC is occasionally involved in various civil lawsuits. For some of these proceedings, provisions are created to cover potential liabilities, in line with the assessment of the legal advisors involved.

These provisions, however, do not cover cases where a negative outcome of certain proceedings is highly unlikely, or where the outcome can currently not be quantified. Negative developments in legal proceedings may, under certain circumstances, damage the reputation of FACC.

5.12 Special risks in connection with the Covid-19 pandemic

The Covid-19 pandemic resulted in a massive drop in revenues and earnings throughout the entire aircraft industry. Against this backdrop, FACC implemented an extensive bundle of adjustment measures (e.g. efficiency enhancement programs, adjustment of its headcount, vertical integration of components/component groups, application for government support programs, and reduction of fixed costs). In spite of these measures, the global impact of the pandemic on virtually all areas of civil aviation and the resulting effects on FACC's liquidity and earnings directly reduced the Group's risk-bearing capacity. Risk management processes at FACC therefore focus more strongly on the following risks, which increased in the wake of the Covid-19 pandemic.

There is an increased risk of a rise in corporate insolvencies in the industry once the direct financial support schemes granted by governments worldwide come to an end. Moreover, a continuation of the pandemic and the associated restrictions may impose constraints on both FACC and its business partners (e.g. due to official orders, the loss of key employees, the interruption of supply and logistics chains). This can potentially affect the entire production and value chain and lead to increased uncertainties at FACC, especially with regard to supplier stability, the availability of materials, revenue and earnings planning, as well as liquidity planning.

A decline in the planned sales figures due to a prolongation of the Covid-19 pandemic and the associated travel restrictions may lead to negative deviations in the planned revenue and earnings development. A resulting decline in cash flow or earnings could increase the risk of breaching the adjustment provision of the financial covenant (net debt/EBITDA) in the syndicated loan agreed with FACC's core banks in December 2021. This could theoretically give rise to a right of termination on the part of the syndicate banks.

These specific risks are monitored and evaluated as part of the risk management process and mitigated by appropriate countermeasures (e.g. intensification of risk assessments in the supplier and customer areas, increased personnel marketing activities, strict cost and investment controlling, rigorous collection of receivables).

6. RESEARCH, DEVELOPMENT AND INNOVATION

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

In the 2021 financial year, FACC spent EUR 43.9 million, i.e. just under 9 percent of its revenues, on business-related and customer-specific research and development activities.

FACC considers being active, and responding promptly, in the field of research and innovation to be a fundamental guarantee of the future success of the company, and will therefore continue to regard this as the main approach in order to distinguish itself from its competitors on the market. FACC is working intensively on the efficient production of fiber composite components and their carbon impact in order to support the achievement of the stipulated climate targets. The core objective of FACC's Research and Development department is to explore new manufacturing technologies that allow for high-rate and climate-friendly production.

At a general level, FACC is constantly working on new product solutions and manufacturing technologies. The company is currently focusing its research on five major topics:

- Urban Air Mobility (UAM) and space
- Thermoplastic manufacturing processes and rate increases in FACC's core business
- Sustainable and fast-curing materials

Patents and awards

In 2021, FACC was presented with the Best Supplier Award in the category Program Development by Embraer. Furthermore, several patents were once again successfully registered.

UAM and space

Urban Air Mobility (UAM) offers the possibility of industry-specific product diversification. FACC views the application of aviation know-how and the relevant production standards, also in this growth market, as an opportunity and a mission. In the 2021 financial year, further development projects were launched in the area of freight transport by means of UAM. Through intensive cooperation with various customers, additional know-how that will support further development activities was generated. Another milestone supporting the implementation of FACC's Strategy 2030 is the project launch of the Astris kick stage, a structural system of the ARIANE 6 family of launch vehicles. The objective of FACC is to supply the load-bearing structure of the kick stage, made of carbon fiber-reinforced plastic, by drawing on its lightweight construction expertise in the field of aviation. The focus is on developing an efficient production solution with reduced weight.

Thermoplastic manufacturing processes and rate increases

FACC has been working on the efficient processing of thermoplastic fiber composites (TPC) for the high-rate production of structural components for civil aviation for several years. In 2021, two Airbus structural components of the "Wing of Tomorrow" research project were successfully manufactured from TPC. The individual components were formed in just a few minutes using press molds, and then joined by means of induction welding. Further research is being conducted at the LIT Factory in Linz and at the TPRC in Enschede in order to ensure the rapid development of the technology.

Sustainable and fast-curing materials

Implementing a circular economy and meeting EU climate targets are challenges that can be supported by an intelligent choice of materials and manufacturing processes. FACC is working on material systems based on renewable resources and fast-curing material systems in order to reduce process times and energy consumption in manufacturing. FACC is part of the Airbus LCA Supplier Council in order to evaluate the CO_2 reduction targets and is also involved in the collection of data for the subsequent life cycle assessment.

7. EMPLOYEES

As of 31 December 2021, the total headcount of the FACC Group amounted to 2,538 full-time equivalents (2020: 2,655 FTE).

In Austria, 2,202 FTE were employed as of 31 December 2021. This corresponds to approximately 86.8 percent of the Group's total workforce.

	Blue-collar	White-collar	Total
Central Services	183.1	388.2	571.3
Aerostructures	473.5	162.7	636.2
Engines & Nacelles	192.3	89.1	281.5
Cabin Interiors	480.5	145.3	625.8
Subsidiaries	130	252	382
FACC AG	0	41.1	41.1
Total	1 459.5	1 078.4	2 538.0

The international nature of FACC is also reflected in its personnel structure. Employees from 42 different countries and from all continents are currently working at the Austrian locations. 58 percent of the workforce has Austrian citizenship, and 18 percent are German nationals. For a technology company, FACC's share of women in the total workforce remains high at 27 percent. The fact that nearly 54 percent of FACC's apprentices are women is particularly pleasing.

7.1 Corona management at FACC

FACC decided at an early stage to introduce a proactive and comprehensive corona crisis management, led by a corona task force. In addition to the Management Board and company physicians, this panel also includes selected management and staff representatives. A dedicated 24/7 corona hotline was available from the outset to address employees' questions and concerns. Numerous protective measures were implemented, including the distribution of mouth and nose protection and FFP2 masks, free of charge. Where possible, employees worked from their home office, and teams were divided into two shifts, with shift work in production adjusted accordingly. Internal corona tests were also introduced at an early stage. To date, more than 60,000 Covid-19 tests have been carried out at the Austrian locations. A very high participation rate of approximately 99 percent testifies to the strong acceptance of the measures among the workforces. As a result, there were fewer Covid-19 infections compared to nationwide figures. This was also reinforced by in-house vaccination lines. After a continuous increase in 2021, an immunization rate (vaccinated or recovered) of 82 percent was achieved at the Austrian sites in January 2022. Employees at all locations had the opportunity to take part in a vaccination lottery and win one of ten new iPhone 13 devices.

7.2 Motivation and health: FACC as a pioneer of employee satisfaction

In challenging times, having a motivated and committed workforce becomes all the more important. FACC recognized this early on and has therefore been offering a wide range of measures to maintain and promote employee health, motivation and satisfaction as part of its "Healthy and Happy" campaign for several years. However, also in 2021, numerous activities had to be canceled due to the Covid-19 pandemic. Nevertheless, many of the familiar and popular measures were continued to the extent possible. FACC thus offers its employees subsidized childcare both throughout the year and during the summer holidays in its Kids Clubs. Alongside St. Martin, a new Kids Club was opened in Ried in the spring of 2021 in order to provide even more employees with high-quality childcare for their children. In addition, a large number of employees took advantage of the opportunity to get vaccinated against TBE and influenza on the company premises. As one of the first companies in Austria, FACC was able to offer its employees and their next of kin the opportunity to receive a Covid-19 vaccination at work. With the first vaccination line introduced in early summer and the second one in the fall, FACC has made an active contribution to supporting immunization through easily accessible vaccinations. The distribution of isotonic beverages in production during the summer months, and a blood drive in the fall, are further contributions that FACC makes to the health of its employees. These and other measures are implemented within the scope of the "Healthy and Happy" campaign, for which FACC was awarded the seal of approval for workplace health promotion (BGF) by the Upper Austrian Regional Health Insurance Fund in 2017. Recertification until

2022 was successfully completed in 2019. In Austria, the BGF seal of approval is regarded as a visible sign and recognized standard for high-quality workplace health promotion.

7.3 FACC Academy

Continuous investment in the human capital of its entire workforce is a key factor contributing to the corporate success of FACC. The Group is committed to lifelong learning and, for this purpose, offers its employees a wide range of extra-occupational education and further training opportunities. The FACC Academy, which serves as the central hub for all training activities, organized 196 internal training sessions with a total of 1,452 participants in the 2021 financial year. In addition, 24 external training sessions attended by 282 employees were held.

In order to make responsible use of its employees' time resources, FACC has been offering selected training courses via e-learning for a long time. E-learning content is also created by internal developers, thus specifically tailoring the offering to the requirements of the workforce and the company. In addition to e-learning in the areas of "SAP Basic", "SAP Advanced" and "System Management", web-based training courses are also available on topics such as "Export Control Advanced", "Known Consignor", "Counterfeit & Suspected Unapproved Parts", "Construction Deviation", "Material Flow", "Foreign Object Damage" (FOD; refers to the damage to aircraft or aircraft components caused by foreign bodies or substances), "Emergency Preparedness & Response", "Waste Separation and Wrong Objections", "Fire Protection", "General Documentation" and "Health & Safety for White-Collar". The learning units can be completed directly at the workplace via FACC's SAP system.

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

7.4 Global family

As an international corporation with employees from 42 countries, FACC attaches great importance to cross-cultural dialogue. In order to ensure good cooperation between staff, a large number of its employees attend language and intercultural training courses. Unfortunately, in 2021, substantial cuts had to be made here too due to the Covid-19 pandemic.

Traditional company-wide events such as anniversary celebrations and the Christmas party regrettably had to be cancelled. Nevertheless, FACC was able to hold a family day in October. Employees as well as their families and friends were invited to celebrate FACC's return to a more stable environment after the downturn in the aviation industry caused by the Covid-19 crisis. Corporate formats such as the quarterly "Flight Club", on the other hand, were transferred to the internet. The numerous cooperative partnerships with authorities, foundations, schools and research-related institutions were continued, wherever possible, to ensure that FACC will be in a position to bring the right employees and the right know-how back on board quickly, also after the crisis has been overcome.

7.5 In-house development of young talents

FACC also gives high priority to the training of its apprentices. At the end of the 2021 financial year, a total of 37 apprentices were enrolled in six different apprentice training programs at FACC. As a visible recognition of the quality of its apprentice training, the company was awarded the "State-Honoured Training Company" prize by the Federal Ministry of Science, Research and Economy.

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

7.6 FACC grant

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

8. SUSTAINABILITY MANAGEMENT

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

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

9. REPORT ON BRANCH OFFICES

FACC AG does not operate any branch offices.

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

10.1 Reporting on the key features of the internal control and risk management system with regard to accounting procedures

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

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

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

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

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

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

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

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

The FACC Group's share capital amounted to EUR 45,790,000 as of 31 December 2021 and is divided into 45,790,000 no-par value bearer shares. All shares have been admitted to trading in the Prime Market segment of the Vienna Stock Exchange. Each share corresponds to one vote at the Annual General Meeting.

As of 31 December 2021, AVIC Cabin Systems Co. Limited (formerly FACC International Company Limited) held, either directly or indirectly, 55.5 percent of the shares of FACC.

As of the balance sheet date of 31 December 2021, no other shareholders were known to hold more than 10 percent of the share capital.

The free float of FACC shares amounted to 44.5 percent or 20,397,364 shares on 31 December 2021.

There are no shares conferring special control rights.

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

10.3 Authorized capital

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

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

10.4 Conditional capital

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

10.5 Provisions for the appointment of the Management Board and Supervisory Board

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

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

10.6 Other disclosures

As of 31 December 2021, FACC AG held no treasury shares.

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

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

Agreements regarding the promissory note loan of 2019 and the syndicated loan financing of 2018 include change-of-control clauses. Lenders shall be entitled to exercise their right of termination if

- a person or a group of persons acting in concert acquires (direct or indirect) control over the guarantor (FACC AG), or
- the guarantor (FACC AG) no longer directly or indirectly holds or controls at least 75 percent of the capital shares or voting rights of the borrower (FACC Operations GmbH).

11. OUTLOOK

11.1 Global influences and trends

Air traffic volumes before and after corona

Following the virtual standstill of passenger air traffic for the first time in history at the beginning of 2020, the market has been showing signs of positive development in recent months, and the forecasts for 2022 and beyond remain promising. Travel restrictions are increasingly being eased, and the demand for flights is on the rise again. A key indicator used in the aviation industry is revenue passenger kilometers (RPK) per year. As already mentioned in the general market section, revenue passenger kilometers worldwide increased by 18 percent in 2021. The majority of forecasts for passenger air traffic predict renewed annual growth of 3 to 4 percent in the medium term, thus building on pre-pandemic dynamics. Private travel, in particular, is recovering fast. Once restrictions are eased or lifted altogether, the number of travelers is set to increase again. Video conferencing has been a substitute for business travel in the last two years, but here, too, an upturn is in sight in the medium term.

Global fleet

Whereas a year ago the headlines were dominated by the high number of grounded aircraft, peaking at almost 7,200, the sustained growth in flight bookings in mid-2021 reduced the amount to 3,400 inactive aircraft, the lowest number since the onset of the pandemic.

In addition to the annual growth in passenger traffic volumes, the need for more fuel-efficient aircraft is also increasing. Airline demand is therefore shifting from fleet expansion to fleet renewal. The rising price of oil is further fuelling this trend. According to Airbus and Boeing, the demand for short and medium-haul aircraft such as the Airbus A220 and Airbus A320 families is expected to amount to approximately 30,000 over the next 20 years. The need for long-haul aircraft such as the Airbus A350 or the Boeing B787 is estimated at around 4,000 aircraft by 2040. The demand for wide-body aircraft (Airbus A350, Boeing B787) is expected to return to its pre-pandemic level by 2023/2024 at the latest, according to current estimates.

Development of individual market segments (short and long-haul aircraft, business jets)

Key aviation markets continued to stabilize in the second half of 2021, resulting in an increase in customer call-offs, particularly for short and medium-haul aircraft. According to current forecasts, the continental markets in the USA, Asia and Europe should continue to develop positively. Airlines are beginning to restock their fleets, especially on short and medium-haul platforms. In line with the rising demand, OEMs are starting to steadily increase their production rates. FACC therefore expects the Airbus A320 family to ramp up as scheduled. This platform is of particular importance to FACC, as it generates approximately 30 percent of its annual revenue from products for this aircraft.

Demand for wide-body and long-haul aircraft remains stable, thereby still falling short of the pre-pandemic construction rates, as international travel between continents remains severely curtailed. Due to the ongoing restrictions placed on international travel as a result of the Covid-19 pandemic, the market for long-haul aircraft is recovering at a slower pace than anticipated. Planning at FACC for the Airbus A350 and Boeing B787 platforms therefore still assumes constant production rates.

The business jet segment is also developing satisfactorily, and demand is therefore expected to continue to grow steadily. This is of key importance for FACC's business development, as approximately 15 percent of its product sales are generated in the business jet segment.

Climate targets and effects on the aircraft industry

With the Green Deal, the European Union has set itself the binding goal of becoming carbon-neutral by 2050. As an intermediate step, emissions are to be reduced by at least 55 percent by 2030 relative to 1990.

In addition to the challenges this entails, it also opens up numerous opportunities. With the increasing shift to environmentally friendly road traffic, the reduction of emissions in international air and maritime transport is becoming another primary goal.

FACC is already actively working on novel materials and product technologies. Two major goals go hand in hand: systematic sustainability and continuously increasing competitive strength. FACC is intensively researching new lightweight materials and their processing methods. These combine several advantages: they are resistant and durable, offer a long service life, and save fuel and thus

CO_2 in flight operations due to their low weight. Consistent innovation and improvement steps are also being taken in manufacturing: one focus is on reducing the curing time of components, which saves energy and reduces CO_2 emissions.

The recyclability of components will constitute another focus of research and development in the coming years. Chemical product components are thus to be replaced by biological materials, for instance from the sugar cane industry.

11.2 The FACC Group

FACC is able to benefit from the increasing demand in the short and medium-haul aircraft segment and its business jet projects, and signed contracts with a volume in excess of USD 1 billion in 2021. To respond to the increased order intake for 2022, FACC is hiring more than 200 new members of staff at its Upper Austrian locations and will be investing EUR 150 million over the next five years.

Main projects in the 2022 financial year

The overarching goal of FACC remains to secure sustainable profitability. By increasing manufacturing rates and new orders, FACC is ensuring stable growth in 2022, and is now benefiting from the efficiency enhancement measures implemented in 2020 and 2021.

- An important cornerstone of the ongoing working capital optimization for 2022 is the roll-out of a supply chain financing program. This will also provide financial support to the FACC supply chain. In order to support and ensure the stability of its supplier structure, FACC launched a supply chain task force in 2021, intended to ensure a smooth ramp-up of rates.

- The new site in Croatia successfully started the ramp-up of production in December 2021. The first Interiors programs are currently being manufactured successfully at the new plant, with production ramped up step by step. In parallel, evaluations are being conducted to further increase production capacities in Croatia. The first contributions to improving profitability in the Cabin Interiors segment are expected for the first half of 2023.

- The 2022 investment program will continue to be implemented in a targeted manner, with a focus on new customer projects, and is planned at the level of the previous year. Innovation projects relating to the development of new processes and materials will be driven forward, particularly with regard to sustainability.

- Compensatory damages and the reimbursement of costs arising from the London arbitration ruling were not settled in the 2021 financial year, and will be paid in the second half of 2022 at the earliest. FACC expects a cash charge of up to USD 22 million with an impact on liquidity. All effects on earnings resulting from the London arbitration proceedings were processed in 2021.

- Activities in the new UAM and space segments will be further intensified in 2022. Rate ramp-ups in the area of drones with a second customer are planned for 2022.

After a year of stabilization, FACC AG is back on track for growth in 2022. For the current financial year, an increase in revenues of approximately 10 percent is expected. Accordingly, planned EBIT is set to develop positively and reach a low double-digit EUR million range. Specifically, management expects operating EBIT to triple in the 2021 financial year.

With regard to the Ukraine-Russia conflict, FACC is not able to make any assessments of general risks (e.g. gas price development, etc.) or the general economic development. There are no significant customer or supplier relationships and therefore the direct risk is classified as low.

Ried im Innkreis, 11 March 2022

Robert Machtlinger
Chairman of the Management Board

Andreas Ockel
Member of the Management Board

Aleš Stárek
Member of the Management Board

Yongsheng Wang
Member of the Management Board

Consolidated Profit and Loss Statement

for the period from 1 January 2021 to 31 December 2021

	Note	2020 EUR'000	2021 EUR'000
Revenues	9	526,891	497,554
COGS – Cost of Goods Sold	10	–519,400	–462,836
Gross profit		**7,490**	**34,718**
Research and development expenses	11	–1,043	–1,457
Selling expenses	12	–10,841	–6,056
Administration expenses	13	–46,020	–41,226
Other operating income	14	9,804	18,309
Other operating expenses and impairment	15	–33,741	–29,353
Earnings before interest and taxes (EBIT)		**–74,351**	**–25,066**
Financing expenses	18	–8,657	–7,067
Other financial result	18	1,855	1,655
Financial result		**–6,802**	**–5,412**
Earnings before taxes (EBT)		**–81,153**	**–30,478**
Income taxes	19	4,160	6,885
Earnings after taxes		**–76,993**	**–23,594**
thereof attributable to non-controlling interests		19	0
thereof attributable to shareholders of the parent company		**–77,012**	**–23,594**
Diluted (=undiluted) earnings per share (in EUR)	**20**	**–1.68**	**–0.52**
Issued shares (in shares)		**45,790,000**	**45,790,000**

Consolidated Statement of Comprehensive Income

for the period from 1 January 2021 to 31 December 2021

	Note	2020 EUR'000	2021 EUR'000
Earnings after taxes		**–76,993**	**–23,594**
Currency translation differences from consolidation	33	–333	399
Cash flow hedges	33	12,967	–18,727
Tax effect	19	–3,242	4,682
Items subsequently reclassified to profit and loss		**9,392**	**–13,647**
Revaluation effects of termination benefits	35	323	193
Fair value measurement of securities (fair value through other comprehensive income)	33	1	–3
Tax effect	19	–81	–47
Items not subsequently reclassified to profit and loss		**244**	**142**
Other comprehensive income after taxes		**9,636**	**–13,505**
Total comprehensive income		**–67,357**	**–37,098**
thereof attributable to non-controlling interests	33	19	0
thereof attributable to shareholders of the parent company		**–67,376**	**–37,098**

Consolidated Statement of Financial Position

as of 31 December 2021

ASSETS

	Note	31.12.2020 EUR'000	31.12.2021 EUR'000
Intangible assets	21	4,468	5,354
Property, plant and equipment	22	167,890	166,830
Receivables from customer-related engineering	23	32,968	27,742
Contract assets	24	3,021	2,576
Contract costs	25	95,887	88,306
Other financial assets	26	501	497
Receivables from related companies	27, 48	5,416	5,638
Derivative financial instruments	45	2,109	0
Other receivables	28	9,405	9,987
Deferred taxes	19	5,187	16,762
Non-current assets		**326,852**	**323,694**
Inventories	29	105,571	90,775
Customer-related engineering	30	5,566	6,170
Trade receivables	31	61,374	53,023
Receivables from related companies	48	18,610	18,749
Current tax income receivables		263	197
Derivative financial instruments	45	14,362	0
Other receivables and deferred items	31	24,376	36,892
Cash and cash equivalents	32	92,548	114,966
Current assets		**322,670**	**320,772**
Balance sheet total		**649,522**	**644,465**

EQUITY AND LIABILITIES

	Note	31.12.2020 EUR'000	31.12.2021 EUR'000
Share capital	33	45,790	45,790
Capital reserve	33	221,459	221,459
Currency translation reserve	33	–954	–555
Other reserves	33	5,551	–8,352
Retained earnings	33	–28,757	–52,340
Equity attributable to shareholder of the parent company		**243,089**	**206,002**
Non-controlling interests		68	0
Equity		**243,157**	**206,002**
Promissory note loans	38	70,000	70,000
Lease liabilities	38	77,192	72,853
Other financial liabilities	38	13,209	9,580
Derivative financial instruments	45	0	1,737
Investment grants	34	9,125	8,405
Employee benefit obligations	35	9,658	9,600
Other liabilities		63	0
Deferred tax liabilities	19	384	377
Non-current liabilities		**179,630**	**172,553**
Lease liabilities	38	5,011	6,726
Other financial liabilities	38	159,219	133,610
Derivative financial instruments	45	0	6,448
Contract liabilities from customer-related engineering	36	6,026	12,714
Trade payables		26,956	53,305
Liabilities towards related companies	48	8,479	10,237
Investment grants	34	858	1,124
Income tax liabilities		271	290
Other provisions	37	2,182	30,691
Other liabilities and deferred items	39	17,734	10,766
Current liabilities		**226,735**	**265,911**
Balance sheet total		**649,522**	**644,465**

Consolidated Statement of Changes in Equity

For the period from 1 January 2021 to 31 December 2021

		Attributable to shareholders of the parent company			
	Note	Share capital EUR'000	Capital reserves EUR'000	Currency translation reserve EUR'000	
As of 1 January 2020		**45,790**	**221,459**	**–621**	
Earnings after taxes		0	0	0	
Other comprehensive income after taxes	33	0	0	–333	
Total comprehensive income		**0**	**0**	**–333**	
Dividend payment	33	0	0	0	
As of 31 December 2020		**45,790**	**221,459**	**–954**	
As of 1 January 2021		**45,790**	**221,459**	**–954**	
Derecognition of non-controlling interests	33	0	0	0	
Earnings after taxes		0	0	0	
Other comprehensive income after taxes	33	0	0	399	
Total comprehensive income		**0**	**0**	**399**	
Dividend payment	33	0	0	0	
As of 31 December 2021		**45,790**	**221,459**	**–555**	

	Attributable to shareholders of the parent company						
	Other reserves						
	Securities – fair value through other comprehensive income EUR'000	Cash flow hedges EUR'000	Reserves IAS 19 EUR'000	Retained earnings EUR'000	Total EUR'000	Non-controlling interests EUR'000	Total equity EUR'000
	9	**–1,026**	**–3,401**	**48,332**	**310,543**	**49**	**310,591**
	0	0	0	–77,012	–77,012	19	–76,993
	1	9,725	243	–78	9,558	0	9,558
	1	**9,725**	**243**	**–77,090**	**–67,454**	**19**	**–67,435**
	0	0	0	0	0	0	0
	10	**8,699**	**–3,159**	**–28,757**	**243,089**	**68**	**243,157**
	10	**8,699**	**–3,159**	**–28,757**	**243,089**	**68**	**243,157**
	0	0	0	11	11	–68	–57
	0	0	0	–23,594	–23,594	0	–23,594
	–2	–14,045	145	0	–13,505	0	–13,505
	–2	**–14,045**	**145**	**–23,583**	**–37,087**	**–68**	**–37,155**
	0	0	0	0	0	0	0
	8	**–5,346**	**–3,014**	**–52,340**	**206,002**	**0**	**206,002**

Consolidated Statement of Cash Flows

	Note	2020 EUR'000	2021 EUR'000
Earnings before taxes (EBT)		–81,153	–30,478
plus financial result	18	6,802	5,412
Earnings before interest and taxes (EBIT)		**–74,351**	**–25,066**
plus/minus			
Depreciation, amortization and impairment [1]	17	50,074	22,826
Amortization contract costs	25	11,819	21,930
Additions contract costs		–13,057	–11,624
Impairment contract costs	25	2,873	0
Impairment customer-related engineering	30	1,780	0
Income from the reversal of investment grants	34	–348	–453
Change in employee benefit obligations	35	–675	134
Other non-cash expenses/income	40	8,909	2,087
Gross cash flow		**–12,976**	**9,834**
Change in working capital			
Change in inventory and customer-related engineering	29, 30	16,783	15,316
Change in trade receivables and other receivables, receivables from customer-related engineering and contract assets	28, 31	52,476	10,899
Change in trade payables and other liabilities	39	–43,835	17,726
Change in current provisions	37	1,302	28,509
Cash flow from ongoing activities		13,751	82,285
Interest received	41	156	35
Taxes paid	19	–1,175	–68
Cash flow from operating activities		**12,732**	**82,253**
Payments for the acquisition of non-current assets	21, 22, 42	–15,241	–11,822
Proceeds from the disposal of non-current assets	21, 22, 42	63	110
Cash flow from investing activities		**–15,178**	**–11,712**
Proceeds from interest-bearing liabilities	38	142,437	163
Repayment of bonds	38	–90,000	0
Repayments of interest-bearing liabilities	38	–14,721	–29,400
Outflows from leasing agreements	38	–7,980	–8,302
Interest paid	41	–9,044	–7,677
Cash flow from financing activities		**20,692**	**–45,216**
Net changes in cash and cash equivalents		**18,246**	**25,325**
Cash and cash equivalents at the beginning of the period		75,790	92,548
Effects from foreign exchange rates		–1,488	–2,907
Cash and cash equivalents at the end of the period		**92,548**	**114,966**

[1] The financial year 2020 includes impairment of goodwill in the amount of kEUR 18,757 and property, plant and equipment in the amount of kEUR 7,685.

Notes to the Consolidated Financial Statements

GENERAL INFORMATION

1. General information

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

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

FACC AG is part of the consolidation scope of AVIC Cabin Systems Co., Limited (ACS) with headquarters in Hong Kong (Room 2201, 22/F, Fairmont House, 8 Cotton Tree Drive, Admiralty, Hong Kong), company number 1394811.

2. Basis of preparation of the Consolidated Financial Statements

The Consolidated Financial Statements of FACC AG as of 31 December 2021 were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretations of the IFRS Interpretations Committee (IFRSIC) as adopted by the European Union (EU). According to section 245a of the Austrian Company Code (UGB), these Consolidated Financial Statements are subject to exception under Austrian law. All additional requirements of section 245a (1) of the Austrian Company Code (UGB) have been fulfilled.

The Consolidated Financial Statements are prepared as of the balance sheet date of the parent company, FACC AG. The financial year begins on 1 January and ends on 31 December 2021. The annual financial statements of the individual domestic and foreign companies included in the Consolidated Financial Statements are prepared as of the reporting date of the Consolidated Financial Statements.

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

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

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

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

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

In order to improve the informative value of the Consolidated Financial Statements, individual items and presentations have been reclassified compared to the previous year. In the Consolidated Statement of Cash Flows additions from contract costs were reclassified from the line "Change in trade receivables and other receivables, receivables from customer-related engineering and contract assets" to the line "Additions contract costs". The reference values have also been adjusted accordingly.

3. Consolidated companies

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

The group of consolidated companies of FACC as of 31 December 2021 changed compared to 31 December 2020 in that the non-controlling interests of CoLT Prüf und Test GmbH were acquired. The group comprises nine companies, including FACC AG.

FACC AG comprised the following subsidiaries on 31 December 2021 or 31 December 2020:

Company	Headquaters	Issued and fully paid nominal capital	Currency	Direct share	Primary activities
FACC Operations GmbH	Ried im Innkreis, Austria	127,000,000	EUR	100%	Development & production of aircraft components; customer service & repair
FACC Solutions (Canada) Inc.	Montreal, Canada	10,000	CAD	100%	Production; customer service & repair
FACC Solutions Croatia d.o.o.	Zagreb, Croatia	20,000	HRK	100%	Production
FACC Solutions Inc.	Wichita, Kansas, USA	10,000	USD	100%	Customer service & repair
FACC Solutions s.r.o.	Bratislava, Slovakia	6,639	EUR	100%	Design & engineering
FACC (Shanghai) Co., Ltd	Shanghai, China	2,000,000	RMB	100%	Design & engineering
FACC Solutions Private Limited	Pune, India	20,420,530	INR	100%	Design & engineering
CoLT Prüf und Test GmbH	St. Martin, Austria	35,000	EUR	100% (2020: 91%)	Design & engineering

4. Consolidation methods

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

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

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

5. Currency conversion

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

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

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

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

Currency conversion differences between the closing conversion rate or historical rates on the balance sheet and the average rate on the Profit and Loss Statement are recorded as part of the other comprehensive income in equity.

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

The following exchange rates were used for currency conversions:

		Closing rate		Average rate	
Currency	Abbrev.	31.12.2020	**31.12.2021**	2020	**2021**
Canadian dollar	CAD	1.5633	1.4393	1.5300	1.4826
Indian rupee	INR	89.6605	84.2292	84.6392	87.4392
Croatian kuna	HRK	7.5519	7.5156	7.5384	7.5284
Chinese renminbi yuan	RMB	8.0225	7.1947	7.8747	7.6282
US dollar	USD	1.2271	1.1326	1.1422	1.1827

6. Effects of COVID-19

In financial years 2020 and 2021, estimates and margins of discretion were affected in the following areas in particular:

- In the financial year 2020, the COVID-19 crisis gave rise to indications of impairment according to IAS 36, thus necessitating impairment tests of cash-generating units with goodwill (see Note 21 – Intangible assets and goodwill).
- In the case of receivables from customer-related engineering, changes in estimates occurred with regard to postponed deliveries of parts and increased interest rates (see Note 23 – Receivables from customer-related engineering).
- The assessment of the extent to which customer engineering can be capitalized and is recoverable led to adjustments due to postponed deliveries of parts and increased interest rates (see Note 25 – Contract costs and see Note 30 – Customer-related engineering).
- Hedge accounting can be applied to cash flow hedges if the occurrence of the hedged item is highly probable. For existing hedging relationships, this assessment is evaluated regularly. With regard to hedge accounting, assessments of the occurrence of expected transactions were updated. As of 31 December 2021, these are still assumed to be highly probable and therefore did not result in any changes (see Note 45 – Derivative financial instruments, hedge accounting and fair value hedge).
- The COVID-19 crisis led to sharp fluctuations of the credit risk of contractual partners, which was taken into account in the calculation models for expected credit losses (see Note 31 – Receivables).
- Furthermore, the capitalization of deferred tax assets resulting from temporary differences and loss carryforwards was assessed with regard to the probability of future taxable income. Due to the prevailing uncertainties, deferred tax assets could not be recognized for all tax loss carryforwards (see Note 19 – Income taxes and deferred tax assets).

Depending on the development of the COVID-19 crisis, there may also be implications for the 2022 financial year in the areas mentioned.

These changes in estimates as well as significant accounting and valuation effects are presented in the following table:

Effects on EBIT	Explanation	Balance sheet effects 2020 EUR'000	Balance sheet effects 2021 EUR'000
Impairment test (IAS 36)	Impairment of goodwill See Note 21 – Intangible assets and goodwill	–18,757	0
Impairment test (IAS 36)	Impairment of property, plant and equipment See Note 22 – Property, plant and equipment	–7,685	0
Development projects (IFRS 15)	Changes in estimates of receivables from customer-related engineering See Note 23 – Receivables from customer-related engineering	–3,777	–1,582
Development projects (IFRS 15)	Impairment of contract costs See Note 25 – Contract costs	–2,873	0
Development projects (IFRS 15)	Impairment of customer-related engineering See Note 30 – Customer-related engineering	–1,780	0
Personnel costs (IAS 19/IAS 20)	Claims from short-time work recognized in profit or loss See Note 16 – Personnel costs	27,299	3,293
Personnel costs (IAS 19/IAS 20)	Costs from personnel reductions See Note 16 – Personnel costs	–11,945	–2,312
Other operating income	Fixed-cost subsidy I See Note 14 – Other operating income	3,292	0
Other operating income	Loss compensation See Note 14 – Other operating income	0	7,000
Expected credit loss on financial instruments (IFRS 9)	Value adjustments of trade receivables and receivables from customer-related engineering See Note 31 – Receivables and Note 23 – Receivables from customer-related engineering	–853	1,053
		–17,078	**7,451**

EBIT-neutral effects	Explanation
Deferred taxes (IAS 12)	Due to the negative business development in the 2020 and 2021 financial years as well as the changed planning assumptions, deferred tax assets could not be recognized for all tax loss carryforwards. See Note 19 – Income taxes and deferred tax assets
Equity	The proposed dividend of EUR 0.15 per share stated in the Notes to the Annual Report of FACC AG as of 31 December 2019 was not distributed following the resolution of the Annual General Meeting on 26 June 2020. See Note 33 – Equity
Financial liabilities (IFRS 9)	In the context of the COVID-19 pandemic, a new credit facility in the amount of kEUR 60,000 (KRR COVID-19 framework credit for large enterprises of the Austrian Kontrollbank) was concluded on 26 June 2020 and integrated into the base contract See Note 38 – Financial liabilities
Other liabilities (IFRS 9)	As of the balance sheet date 31. December 2020, deferrals of taxes and duties in the amount of kEUR 17,819 were in place. These were paid in full in January 2021. See Note 39 – Other current liabilites

7. Use of assumptions and estimates

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

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

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

Contract costs were **tested for impairment** in the course of the 2021 financial year to the extent that there were indications of impairment, such as expected losses within the framework of multi-year planning. The intrinsic value was assessed by calculating the value in use of the development projects using the discounted cash flow method. The recoverable amount depends to a large extent on expected cash inflows from the respective projects and the applied cost of capital. With respect to these parameters, management calculates estimates and makes assumptions relating to FACC's future surplus payments and capital costs expected in the planning periods as well as the individual cash-generating units. Estimates are made to the best of our knowledge and belief subject to the going concern assumption, build on our experience and take remaining uncertainty into account in an appropriate manner.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

FACC is a defendant in several proceedings in Austria and abroad. Estimates have to be made with regard to the prospects of success. These assessments are based on letters from external lawyers and evaluations by the internal legal department.

8. Business segments

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

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

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

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

	Aerostructures EUR'000	Engines & Nacelles EUR'000	Cabin Interiors EUR'000	Total EUR'000
Financial year 2020				
Revenues	184,741	115,277	226,873	**526,891**
Earnings before interest and taxes (EBIT)	–26,709	–22,939	–24,703	**–74,351**
Investments	5,798	3,997	5,446	**15,241**
Depreciation, amortization and impairment	–20,101	–14,168	–15,805	**–50,074**
Assets on 31 December 2020	266,653	125,828	257,041	**649,522**
thereof non-current assets 31 December 2020	141,412	56,818	106,003	**304,234**

	Aerostructures EUR'000	Engines & Nacelles EUR'000	Cabin Interiors EUR'000	Total EUR'000
Financial year 2021				
Revenues	167,543	103,661	226,350	**497,554**
Earnings before interest and taxes (EBIT)	–28,549	8,699	–5,216	**–25,066**
Investments	5,703	672	5,447	**11,822**
Depreciation, amortization and impairment	–10,875	–5,215	–6,736	**–22,826**
Assets on 31 December 2021	269,810	122,962	251,693	**644,465**
thereof non-current assets 31 December 2021	138,418	46,228	106,164	**290,809**

In the Aerostructures segment, impairment losses were recognized for goodwill in the amount of kEUR 0 (previous year: kEUR 10,365), for contract costs in the amount of kEUR 0 (previous year: kEUR 1,915), and for customer-related engineering in the amount of kEUR 0 (previous year: kEUR 1,780).

In the Engines & Nacelles segment, impairment losses were recognized for goodwill in the amount of kEUR 0 (previous year: kEUR 3,054), for property, plant and equipment in the amount of kEUR 0 (previous year: kEUR 4,393), and for contract costs in the amount ofkEUR 0 (previous year: kEUR 958).

In the Cabin Interiors segment, impairment losses were recognized for goodwill in the amount of kEUR 0 (previous year: kEUR 5,339), and for property, plant and equipment in the amount of kEUR 0 (previous year: kEUR 3,292).

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

For the financial year ending 31 December 2021, the Group generated revenues of kEUR 245,286 (previous year: kEUR 243,490) with one external customer, of which exceeded 10% of total revenues. Sales revenues were generated from these customers in all three segments.

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

NOTES TO THE CONSOLIDATED PROFIT AND LOSS STATEMENT

9. Revenues

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

	2020	2021	2020	2021	2020	2021	2020	2021
	Aero-structures EUR'000	Aero-structures EUR'000	Engines & Nacelles EUR'000	Engines & Nacelles EUR'000	Cabin Interiors EUR'000	Cabin Interiors EUR'000	Total EUR'000	Total EUR'000
Production	172,967	153,549	105,288	94,197	219,452	208,018	497,707	455,764
Engineering and services	11,774	13,993	9,988	9,464	7,422	18,333	29,184	41,790
	184,741	167,543	115,277	103,661	226,873	226,350	526,891	497,554

	2020 EUR'000	2021 EUR'000
Germany	197,926	189,610
Canada	73,334	86,879
USA	82,715	80,871
Great Britain	58,370	57,652
China	31,365	30,700
Other countries	83,181	51,842
	526,891	**497,554**

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

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

Expected future sales for performance obligations not fulfilled (or partially not fulfilled) in the reporting period under existing contracts amount to kEUR 0 (previous year: kEUR 0). These performance obligations refer to fixed orders of shipsets still to be delivered or services still to be provided.

10. Cost of goods sold

	2020 EUR'000	2021 EUR'000
Material expenses	–354,870	–307,209
Personnel costs	–136,216	–126,088
Depreciation and amortization	–18,692	–17,880
General administration expenses	–9,623	–11,658
	–519,400	**–462,836**

11. Research and development expenses

	2020 EUR'000	2021 EUR'000
Material expenses	–82	–221
Personnel costs	–745	–807
Depreciation and amortization	–45	–240
General administration expenses	–172	–189
	–1,043	**–1,457**

12. Selling expenses

	2020 EUR'000	2021 EUR'000
Material expenses	–374	–398
Personnel costs	–5,595	–4,225
Depreciation and amortization	–109	–93
General administration expenses	–4,764	–1,340
	–10,841	**–6,056**

13. Administration expenses

	2020 EUR'000	2021 EUR'000
Material expenses	–1,013	–695
Personnel costs	–18,167	–18,573
Depreciation and amortization	–4,787	–4,613
Effects from foreign exchange rates	–6,211	1,765
General administration expenses	–15,842	–19,110
	–46,020	**–41,226**

14. Other operating income

	2020 EUR'000	2021 EUR'000
Income from public funding and tax-free grants	8,640	14,329
Other	1,164	3,980
	9,804	**18,309**

Income from public funding and tax-free grants mainly relates to loss compensation, the research premium and the energy tax rebate.

The item “Other” mainly includes income from compensation for damages.

15. Other operating expenses and impairment

	2020 EUR'000	2021 EUR'000
Impairment goodwill	–18,757	0
Impairment property, plant and equipment	–7,685	0
Impairment contract costs	–2,873	0
Impairment customer-related engineering	–1,780	0
Legal disputes	0	–25,505
Other	–2,646	–3,849
	–33,741	**–29,353**

The item “Other” mainly includes expenses from prior periods.

Due to the decision of a London arbitration court in connection with a supplier, EUR 25.5 million was recognized as an expense.

16. Personnel costs

Expenses for termination benefits and benefits to corporate employee pension funds included payments to corporate employee pension funds of kEUR 1,453 (previous year: kEUR 1,891).

	2020 EUR'000	2021 EUR'000
Wages and salaries	116,580	119,224
Expenses for statutory, compulsory social security contributions and benefits	37,305	28,693
Expenses for termination benefits and benefits to corporate employee pension funds	3,780	1,888
Pensions	1,143	698
Other social expenses	1,915	–810
	160,722	**149,693**

The total amount of short-time work subsidies from the Austrian Public Employment Service (AMS) recognized was kEUR 3,293 (previous year: kEUR 27,298), of which kEUR 5,259 (previous year: kEUR 25,533) had already been paid out as of the balance sheet date.

Total costs incurred for personnel reductions in 2020 and 2021 amounted to kEUR 2,312 (previous year: kEUR 11,945) and had been paid out in full as of the balance sheet dates.

The positive change in the position "Other social expenses" results from changes in other personnel-related provisions.

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

	31.12.2020 Number	31.12.2021 Number
Blue collar	1,535	1,460
White collar	1,119	1,078
	2,655	**2,538**
thereof in Austria	2,410	2,202
thereof abroad	245	336

17. Depreciation

	2020 EUR'000	2021 EUR'000
Intangible assets	1,056	1,089
Property, plant and equipment	22,576	21,737
	23,632	22,826

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

18. Financial result

	2020 EUR'000	2021 EUR'000
Interest from bank deposits	128	–21
Valuation of financial assets	7	7
Other financial income	21	48
Accumulation	1,699	1,620
Other financial result	**1,855**	**1,655**
Interest expenses of bonds	–1,816	0
Interest expenses of bank loans	–2,004	–2,825
Interest expenses of lease liabilities	–2,118	–1,923
Other interest and similar expenses	–2,720	–2,319
Financing expenses	**–8,657**	**–7,067**
Financial result	**–6,802**	**–5,412**

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

31 December 2020	Operating result			Financial result		
	Valuation allowance EUR'000	Currency translation EUR'000	Valuation of derivate financial instruments EUR'000	Interests EUR'000	Result from fair value measurement EUR'000	Net financial result EUR'000
Financial assets at amortized costs	–6,681	–18,494	0	472	0	**–24,704**
Financial liabilities at amortized costs	0	17,167	0	–3,820	0	**13,347**
Fair value through profit and loss	0	0	5,428	0	0	**5,428**
Fair value through other comprehensive income	0	0	0	7	0	**7**

31 December 2021	Operating result			Financial result		
	Valuation allowance EUR'000	Currency translation EUR'000	Valuation of derivate financial instruments EUR'000	Interests EUR'000	Result from fair value measurement EUR'000	Net financial result EUR'000
Financial assets at amortized costs	–88	17,029	0	610	0	**17,551**
Financial liabilities at amortized costs	0	–3,638	0	–2,825	0	**–6,463**
Fair value through profit and loss	0	0	–5,929	0	0	**–5,929**
Fair value through other comprehensive income	0	0	0	7	0	**7**

19. Income taxes and deferred tax assets

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

	2020 EUR'000	2021 EUR'000
Current taxes ongoing	482	–62
Deferred taxes	3,678	6,946
	4,160	6,885

The reasons for the difference between the Austrian corporate tax rate of 25% valid in the 2021 financial year (previous year: 25%) and the recorded group taxation rate are as follows:

	2020 EUR'000	2021 EUR'000
Income before taxes	**–81,153**	**–30,478**
Calculated income taxes 25%	–20,288	–7,620
Deviating foreign tax rates	–48	210
Tax losses for which no deferred taxes were capitalized	10,440	775
Tax-free income	–1,336	–1,277
Expenses that cannot be deducted for tax purposes	4,932	1,080
Tax effect from previous years	–680	0
Effects loss carryback	1,861	0
Other effects	959	–54
Reported income tax expense	**–4,160**	**–6,885**
Effective tax rate in %	5.1%	22.6%

Deferred taxes are calculated on the basis of the tax rates that are in force or announced in the individual countries according to the current legal situation. In Austria, a corporate tax rate of 25% applies. For foreign companies, deferred taxes are calculated on the basis of the corresponding country-specific tax rates. In the 2020 financial year, these ranged from 16% to 27% (previous year: 21% to 27%).

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

	2020			**2021**		
	Gross EUR'000	Tax EUR'000	Net EUR'000	Gross EUR'000	Tax EUR'000	Net EUR'000
Fair value measurement of securities	1	0	1	–3	1	–2
Cash flow hedges	12,967	–3,242	9,725	–18,727	4,682	–14,045
Revaluation effects of termination benefits	323	–81	243	193	–48	145
	13,291	**–3,323**	**9,969**	**–18,538**	**4,634**	**–13,903**

Deferred taxes developed as follows:

				As of 31 December 2020		
	As of 01.01.2020 EUR'000	Change in profit and loss EUR'000	Change in other comprehensive income EUR'000	Net EUR'000	Deferred tax assets EUR'000	Deferred tax liabilities EUR'000
Intangible assets	279	–699	0	–420	0	–420
Property, plant and equipment	–15,760	1,530	0	–14,230	0	–14,230
Receivables from customer-related engineering	–1,150	–64	0	–1,214	0	–1,214
Contract assets	–559	–77	0	–637	0	–637
Contract costs	–20,944	–3,028	0	–23,972	0	–23,972
Other financial assets	423	–438	0	–15	0	–15
Trade receivables	265	–795	0	–530	0	–530
Inventories	228	1,071	0	1,299	1,299	0
Customer-related engineering	–3,824	3,824	0	0	0	0
Other receivables and deferred items	–42	–1,491	0	–1,533	0	–1,533
Investment grants	–178	178	0	0	0	0
Employee benefit obligations	731	469	–81	1,120	1,120	0
Provisions	–121	52	0	–69	0	–69
Contract liabilities from customer-related engineering	150	–150	0	0	0	0
Trade payables	12,708	–12,678	0	30	30	0
Financial liabilities	8,393	12,272	0	20,665	20,665	0
Derivative financial instruments	481	2,761	–3,242	0	0	0
Other assets (including cash and cash equivalents)	–561	154	0	–407	0	–407
Tax loss carry forwards	22,070	2,647	0	24,717	24,717	0
Effects loss carryback	0	–1,861	0	0	0	0
Tax assets (liabilities) before netting	**2,587**	**3,678**	**–3,323**	**4,803**	**47,831**	**–43,027**
Netting of taxes					–42,643	42,643
Net tax assets (liabilities)	**2,587**	**3,678**	**–3,323**	**4,803**	**5,188**	**–384**

	As of 01.01.2021	Change in profit and loss	Change in other comprehensive income	As of 31 December 2021 Net	Deferred tax assets	Deferred tax liabilities
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Intangible assets	–420	322	0	–98	0	–98
Property, plant and equipment	–14,230	48	0	–14,182	0	–14,182
Receivables from customer-related engineering	–1,214	–716	0	–1,930	0	–1,930
Contract assets	–637	–7	0	–644	0	–644
Contract costs	–23,972	1,895	0	–22,077	0	–22,077
Other financial assets	–15	0	1	–15	0	–15
Trade receivables	–530	530	0	0	0	0
Inventories	1,299	–952	0	347	347	0
Customer-related engineering	0	0	0	0	0	0
Other receivables and deferred items	–1,533	1,392	0	–141	0	–141
Investment grants	0	0	0	0	0	0
Employee benefit obligations	1,120	–36	–48	1,036	1,036	0
Provisions	–69	54	0	–15	0	–15
Contract liabilities from customer-related engineering	0	0	0	0	0	0
Trade payables	30	203	0	233	233	0
Financial liabilities	20,665	–1,127	0	19,538	19,538	0
Derivative financial instruments	0	–2,636	4,682	2,046	2,046	0
Other assets (including cash and cash equivalents)	–407	–436	0	–843	0	–843
Other liabilities	0	92	0	92	92	0
Tax loss carry forwards	24,717	8,320	0	33,037	33,037	0
Effects loss carryback	0		0	0	0	0
Tax assets (liabilities) before netting	**4,803**	**6,946**	**4,634**	**16,384**	**56,328**	**–39,944**
Netting of taxes					–39,567	39,567
Net tax assets (liabilities)	**4,803**	**6,946**	**4,634**	**16,384**	**16,761**	**–377**

The capitalized loss carryforwards originate exclusively from FACC Operations GmbH amounting to kEUR 132,149 as of 31 December 2021 (previous year: kEUR 98,869). On the basis of tax planning calculations, no deferred tax assets were recognized in the current 2021 financial year for loss carryforwards amounting to kEUR 45,021 (previous year: kEUR 41,762). This includes losses in connection with the Fake President Incident which have not yet been assessed for tax. The realization of the capitalized loss carryforwards can be considered sufficiently certain on the basis of medium-term planning.

As of 31 December 2021, there were temporary differences in connection with shares in subsidiaries ("outside basis differences") amounting to kEUR 2,279 (previous year: kEUR 1,624), for which no deferred tax liabilities were recognized in accordance with IAS 12.39. This is because FACC AG is in a position to control the development over time, and because these temporary differences will not be eliminated in the near future.

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

20. Earnings per share

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

Earnings per share of EUR –0.52 (previous year: EUR –1.68) were calculated by dividing the result by the weighted number of shares attributable to the shareholders of the parent company.

NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

21. Intangible assets and goodwill

Intangible assets developed as follows:

	Goodwill EUR'000	Software EUR'000	Rights EUR'000	Research and development costs EUR'000	Advance payment on intangible assets EUR'000	Total EUR'000
Historical costs						
As of 1 January 2020	**18,685**	**22,548**	**2,732**	**1,030**	**75**	**45,069**
Changes in foreign exchange rates	73	–43	0	0	0	30
Additions	0	261	30	1,259	142	1,692
Disposals	–18,757	0	0	0	0	–18,757
Transfers	0	428	0	0	0	428
As of 31 December 2020	**0**	**23,194**	**2,762**	**2,289**	**216**	**28,461**
Changes in foreign exchange rates	0	44	0	0	0	44
Additions	0	854	9	523	13	1,399
Transfers	0	794	0	0	–229	564
As of 31 December 2021	**0**	**24,885**	**2,772**	**2,812**	**0**	**30,468**
Accumulated amortization and impairment						
As of 1 January 2020	**0**	**20,871**	**2,101**	**0**	**0**	**22,972**
Changes in foreign exchange rates	0	–35	0	0	0	–35
Amortization	0	981	74	0	0	1,056
Impairment	18,757	0	0	0	0	18,757
Disposals	–18,757	0	0	0	0	–18,757
As of 31 December 2020	**0**	**21,817**	**2,176**	**0**	**0**	**23,993**
Changes in foreign exchange rates	0	32	0	0	0	32
Amortization	0	1,012	77	0	0	1,089
As of 31 December 2021	**0**	**22,861**	**2,252**	**0**	**0**	**25,113**
Carrying amount on 31 December 2020	**0**	**1,377**	**586**	**2,289**	**216**	**4,469**
Carrying amount on 31 December 2021	**0**	**2,024**	**519**	**2,812**	**0**	**5,355**

Research and development expenses (which include company and customer-related development services) amounted to kEUR 43,862 in the 2021 financial year (previous year: kEUR 55,872).

22. Property, plant and equipment

	Properties and buildings EUR'000	Technical facilities EUR'000	Operating and office equipment EUR'000	Facilities under construction EUR'000	Right of Use EUR'000	Total EUR'000
Historical costs						
As of 1 January 2020	**80,319**	**114,414**	**36,553**	**5,045**	**93,725**	**330,057**
Changes in foreign exchange rates	–105	0	–244	–6	–105	–461
Additions	151	2,389	3,129	5,782	5,332	16,782
Disposals	–9	–452	–420	–49	–4	–935
Transfers	90	828	763	–2,109	0	–428
As of 31 December 2020	**80,445**	**117,179**	**39,781**	**8,663**	**98,947**	**345,015**
Changes in foreign exchange rates	119	2	264	7	113	505
Additions	363	1,853	1,387	11,847	5,603	21,053
Disposals	0	–2,833	–344	0	0	–3,177
Transfers	11,735	4,777	612	–17,689	0	–564
As of 31 December 2021	**92,662**	**120,978**	**41,701**	**2,828**	**104,664**	**362,832**
Accumulated amortization and impairment						
As of 1 January 2020	**30,046**	**82,609**	**24,416**	**0**	**11,371**	**148,441**
Changes in foreign exchange rates	0	0	–141	0	–26	–168
Amortization	2,593	8,230	3,359	0	8,395	22,576
Impairment	3,289	4,396	0	0	0	7,685
Disposals	0	–332	–540	0	–538	–1,410
As of 31 December 2020	**35,928**	**94,901**	**27,093**	**0**	**19,202**	**177,125**
Changes in foreign exchange rates	0	0	165	0	41	206
Amortization	2,428	7,011	3,539	0	8,760	21,737
Disposals	0	–2,783	–285	0	0	–3,067
As of 31 December 2021	**38,356**	**99,129**	**30,513**	**0**	**28,003**	**196,001**
Carrying amount on 31 December 2020	**44,517**	**22,277**	**12,688**	**8,663**	**79,745**	**167,890**
Carrying amount on 31 December 2021	**54,305**	**21,848**	**11,188**	**2,828**	**76,661**	**166,830**

Property and buildings as well as rights of use include land values of properties in the amount of kEUR 7,666 (previous year: kEUR 7,723). Certain properties and buildings serve as collaterals for liabilities to financial institutions (see Note 38 – Financial liabilities).

The obligations to purchase property, plant and equipment amounted to kEUR 1,057 (previous year: kEUR 6,436) on the reporting date. In addition, there were internally approved acquisitions in the amount of kEUR 8,977 (previous year: kEUR 26,917) which have not yet given rise to contractual obligations.

The carrying amounts of the rights of use developed as follows in the 2021 financial year:

	Properties and buildings EUR'000	Technical facilities and vehicles EUR'000	IT EUR'000	Total EUR'000
As of 1 January 2020	**72,297**	**7,472**	**2,584**	**82,354**
Changes in foreign exchange rates	–78	0	0	–78
Additions	441	3,123	1,768	5,332
Disposals	–538	–4	0	–542
Depreciation and amortization	–4,792	–1,838	–1,765	–8,395
As of 31 December 2020	**68,405**	**8,752**	**2,587**	**79,745**
Changes in foreign exchange rates	72	0	0	72
Additions	916	3,080	1,608	5,603
Disposals	0	0	0	0
Depreciation and amortization	–4,900	–2,343	–1,517	–8,760
As of 31 December 2021	**64,494**	**9,489**	**2,678**	**76,661**

As of 31 December 2021, the indications according to IAS 36 were reviewed with regards to the implementation of an impairment test. There was no need to perform an impairment test as of 31 December 2021, so the figures for the valuation as of 31 December 2020 are presented below:

The key valuation parameters for determining the value in use are as follows:

	31.12.2020
Detailed planning period (five years)	
Revenue growth (average)	8.75%
EBIT margin (average)	4.46%
EUR-USD exchange rate	1.20
Growth rate after detailed planning period for all CGUs	1.00%
Discount rate for all CGUs (WACC before tax)	11.20%

The sensitivity analysis shows that the following additional impairments would have arisen depending on the development of the key valuation parameters:

Balance sheet date **31 December 2020**	Aerostructures EUR'000	Engines & Nacelles EUR'000	Cabin Interiors EUR'000
Increase of discount rate by 50 basis points	12,566	4,255	10,806
Increase in USD exchange rate per EUR 1 by 0.05	51,042	23,793	42,145
Reduction of the EBIT by 10%	19,632	6,527	16,743

In addition to the impairment of goodwill in the 2020 financial year, impairment losses in the amount of kEUR 7,685 were recognized for property, plants and equipment on the basis of the impairment test.

23. Receivables from customer-related engineering

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

	31.12.2020 EUR'000	31.12.2021 EUR'000
As of 1 January	**50,626**	**32,968**
Changes in estimates	–3,777	–1,582
Partial settlements	–11,582	–7,391
Valuation allowance	–366	450
Interest	1,083	847
Currency translation	–3,016	2,450
	32,968	**27,742**

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

	31.12.2020 EUR'000	31.12.2021 EUR'000
As of 1 January	**109**	**475**
Additions	385	18
Reversal/use	–19	–468
	475	**25**

24. Contract assets

Contract assets can be broken down as follows:

	31.12.2020 EUR'000	31.12.2021 EUR'000
Development projects (period-related)	2,725	146
Payment to customers	296	2,429
	3,021	**2,576**

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

	31.12.2020 EUR'000	31.12.2021 EUR'000
As of 1 January	**5,433**	**3,021**
Additions and Partial profit	0	2,560
Partial settlements	–2,259	–389
Reclassification	0	–2,725
Currency translation	–153	109
	3,021	**2,576**

25. Contract costs

Contract costs can be broken down as follows:

	31.12.2020 EUR'000	31.12.2021 EUR'000
As of 1 January	**97,521**	**95,887**
Additions	13,057	11,624
Reclassification	0	2,725
Amortization contract costs	–11,819	–21,930
Impairment	–2,873	0
	95,887	**88,306**

The item "Amortization contract costs" includes an amount of kEUR 8,060 resulting from the receipt of one-time payments in December 2021.

In the 2021 financial year, development projects capitalized as contract costs were subjected to an impairment test. The recoverable amount was determined on the basis of the value in use by applying the discounted cash flow method. The potential cash flows resulting from the respective development projects were determined on the basis of the budget approved by the Supervisory Board for the coming financial year and the medium-term planning for the next five years (detailed planning period). For the duration of specific development projects going beyond the detailed planning period, the planning assumptions of the last planning year were applied, limited by the rates published by Airline Monitor. The maximum term is 20 years.

26. Other non-current financial assets

	31.12.2020 EUR'000	31.12.2021 EUR'000
Securities measured at fair value	429	426
Shares	71	71
	501	**497**

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

In addition, an 18% stake in AIRlabs Austria GmbH, Graz, was acquired at the beginning of the 2020 financial year. The capital contribution of FACC Operations GmbH amounted to kEUR 27.

27. Non-current receivables from related companies

	31.12.2020 EUR'000	31.12.2021 EUR'000
Non-current receivables in which the parent undertaking is involved	5,416	5,638

28. Other receivables

The other receivables item consists of advance payments and deposits amounting to kEUR 9,987 (previous year: kEUR 9,405).

29. Inventories

	31.12.2020 EUR'000	31.12.2021 EUR'000
Raw, auxiliary and operating materials	59,401	56,061
Unfinished products	29,132	27,555
Finished products	16,676	6,970
Advance payments made	363	189
	105,571	**90,775**
Gross inventories	114,872	98,953
Valuation allowance	9,301	8,177
Net inventories	**105,571**	**90,775**

Inventories were reduced by kEUR 14,796. This decrease is attributable to the focused implementation of the project to improve working capital.

Inventories recorded as material expenses in the reporting period amount to kEUR 241,398 (previous year: kEUR 291,506).

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

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

30. Customer-related engineering

	31.12.2020 EUR'000	31.12.2021 EUR'000
As of 1 January	**8,715**	**5,566**
Additions	7,599	6,379
Disposals	–8,968	–5,776
Impairment	–1,780	0
	5,566	6,170

Customer-related engineering recorded as material expenses in the reporting period amounted to kEUR 3,618 (previous year: kEUR 6,225).

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

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

31. Receivables

	31.12.2020 EUR'000	31.12.2021 EUR'000
Gross trade receivables	67,672	58,784
Less valuation allowance	–6,298	–5,762
Net trade receivables	**61,374**	**53,023**
thereof current	59,799	51,365
thereof non-current	1,575	1,658

FACC maintains a non-recourse assignment agreement with two financial institutions in connection with receivables from several customers. The sold receivables (factoring) are derecognized in accordance with IFRS 9. Trade receivables were sold to third parties in the amount of kEUR 38,192 (previous year: kEUR 17,722) as of the reporting date.

The impairment of trade receivables developed as follows:

	31.12.2020 EUR'000	31.12.2021 EUR'000
As of 1 January	**2,520**	**5,544**
Additions	6,342	1,140
Reversal/use	–3,318	–1,074
	5,544	**5,611**

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

	31.12.2020 EUR'000	31.12.2021 EUR'000
As of 1 January	**267**	**753**
Additions	570	0
Reversal/use	–84	–603
	753	**150**

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

	Specific bad-debt allowance		Standardized bad-debt allowance	
	31.12.2020 EUR'000	31.12.2021 EUR'000	31.12.2020 EUR'000	31.12.2021 EUR'000
Receivables from customer-related engineering	0	0	475	25
Contract assets	0	0	0	0
Trade receivables	5,544	5,611	753	150
Receivables from related companies	0	0	0	0
Other financial assets	0	0	0	0

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

	Gross amount		Valuation allowance	
	31.12.2020 EUR'000	31.12.2021 EUR'000	31.12.2020 EUR'000	31.12.2021 EUR'000
Receivables from customer-related engineering	33,443	27,768	475	25
Contract assets	3,021	2,576	0	0
Trade receivables	67,672	58,784	6,298	5,762
Receivables from related companies (current and non-current)	24,025	24,387	0	0
Other financial liabilities (current and non-current)	20,352	21,580	0	0

The age structure of trade receivables is as follows:

	31.12.2020 EUR'000	31.12.2021 EUR'000
Trade receivables	61,374	53,023
thereof not overdue and not impaired	32,325	40,867
thereof overdue and not impaired	23,469	7,980
1 to 60 days	12,871	3,108
61 to 150 days	3,025	204
151 to 365 days	4,953	2,994
More than 365 days	2,620	1,674
thereof impaired	5,581	4,175

The carrying amount of impaired trade receivables developed as follows:

	31.12.2020 EUR'000	31.12.2021 EUR'000
Carrying amount prior to impairment	11,125	9,787
Less valuation allowance	–5,544	–5,611
Carrying amount after impairment	5,581	4,175

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

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

Other receivables and deferred items include:

	31.12.2020 EUR'000	31.12.2021 EUR'000
Other current financial assets		
Receivables from the Fake President Incident	10,860	10,860
Other	87	733
	10,947	**11,593**
Other current non-financial assets		
Other tax receivables (particularly VAT)	2,074	20,651
Deferred items	2,758	2,608
Other	8,596	2,040
	13,429	**25,300**
	24,376	**36,892**

The item "Other" under other current non-financial assets includes receivables from the fixed-cost subsidy I in the amount of kEUR 3,292 as of 31 December 2020. Fixed-cost subsidy I relates to the subsidy created by the Austrian federal government for fixed cost shortfalls due to COVID-19-related sales shortfalls.

In the 2015/2016 reporting period, the Group lost kEUR 52,847 in cash and cash equivalents as a result of an externally controlled case of fraud (Fake President Incident). As a result of directly initiated measures, we were able to block kEUR 10,860 to receiver accounts in China. Subsequently, the funds attributable to FACC Operations GmbH were retransferred to an account of the Republic of Austria in May 2019. As there is a legal claim to these funds, the management of FACC Operations GmbH assumes that a transfer of the funds from the Republic Austria to FACC Operations GmbH can be expected within the next twelve months. The amount of kEUR 10,860 was therefore reported unchanged as a current other receivable as of the balance sheet date of 31 December 2021.

Other receivables do not include any significant amounts of overdue receivables. Furthermore, no significant valuation allowances were recognized on these receivables.

32. Cash and cash equivalents

	31.12.2020 EUR'000	31.12.2021 EUR'000
Bank deposits	92,535	114,958
Cash balance	13	8
	92,548	**114,966**

33. Equity

The development of the Group's equity in the financial year 2020 and 2021 is shown in the Consolidated Statement of Changes in Equity.

The share capital of FACC AG amounted to kEUR 45,790 on the balance sheet date 31 December 2021, is unchanged from the balance sheet date 31 December 2020, and is fully paid. It is divided into 45,790,000 shares with a par value of EUR 1 each.

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

Other reserves comprise the following items, all of which are recorded in other comprehensive income.

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

The hedging reserve (after taxes) developed as follows:

	31.12.2020 EUR'000	31.12.2021 EUR'000
As of 1 January	–1,026	8,699
Changes in unrealized profits (+)/losses (–)	–5,428	–4,772
Realized profits (+)/losses (–) subsequently reclassified to profit or loss – recognized in earnings before interest and taxes	15,153	–9,274
	8,699	**–5,346**

The non-controlling interests refered to CoLT Prüf und Test GmbH, St. Martin, Austria, with a quota of 9%. These non-controlling interests were purchased in the financial year 2021. The balance sheet total and earnings before taxes amounted to less than 1% of the Group values, which was why the presentation of aggregated financial information on subsidiaries with non-controlling interests has been dispensed with.

Capital management

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

	31.12.2020 EUR'000	31.12.2021 EUR'000
Equity	243,157	206,002
Balance sheet total	649,522	644,465
Equity ratio in %	**37.4%**	**32.0%**

An earlier loan agreement of the Group contains a financial covenant governing the equity ratio in the Group, non-compliance with which would trigger an early repayment of financial liabilities. All relevant capital requirements were met in the year under review (see also Note 38 – Financial liabilities).

Dividend per share

	Total EUR'000	Number of shares	Dividend per share
Dividend proposed for the financial year 2020 (Annual General Meeting of 01 July 2021)	0	45,790,000	0.00
Dividend proposed for the financial year 2021 (Annual General Meeting of 31 May 2022)	0	45,790,000	0.00

34. Investment grants

	31.12.2020 EUR'000	31.12.2021 EUR'000
Investment grants, current	858	1,124
Investment grants, non-current	9,125	8,405
	9,983	**9,530**

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

35. Employee benefit obligations

	31.12.2020 EUR'000	31.12.2021 EUR'000
Termination benefits	6,972	7,130
Anniversary bonuses	2,686	2,470
	9,658	**9,600**

In the 2022 financial year, the expected payments from termination benefit and anniversary bonus obligations towards employees will amount to kEUR 0 and kEUR 85, respectively.

Termination benefits

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

	31.12.2020 EUR'000	31.12.2021 EUR'000
As of 1 January	**7,881**	**6,972**
Service cost	350	256
Interest expenses	94	62
Termination benefit payments	–1,122	–190
Revaluation effects in the period	–323	–193
Other effects	93	223
	6,972	**7,130**
Duration in years	15.01	13.98

The revaluation effects are composed of the following factors:

	31.12.2020 EUR'000	31.12.2021 EUR'000
Changes in expected values	–618	3
Changes in underlying demographic assumptions	24	3
Changes in underlying financial assumptions	271	–199
	–323	**–193**

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

The valuation is based on the following assumptions:

	31.12.2020	31.12.2021
Discounting interest rate	1.00%	1.23%
Salary increases	2.00%	2.00%
Fluctuations of salaried staff/employees	2.80%/6.59%	2.41%/6.92%
Retirement age for women/men	65/individually	65/individually
Life expectancy	AVÖ 2018-P	AVÖ 2018-P

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

	Decrease by 0.25 percentage points EUR'000	Increase by 0.25 percentage points EUR'000
Change in obligations as of 31 December 2020	320	–306
Change in obligations as of 31 December 2020	288	–276

Anniversary bonuses

	31.12.2020 EUR'000	31.12.2021 EUR'000
As of 1 January	**2,776**	**2,686**
Service cost	383	329
Interest expenses	31	22
Termination benefit payments	–19	–24
Revaluation effects in the period	–485	–542
	2,686	**2,470**

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

In the 2021 financial year, kEUR 1,821 (previous year: kEUR 2,570) were paid into defined contribution plans (pension fund and employee pension fund in Austria).

36. Contract liabilities from customer-related engineering

	31.12.2020 EUR'000	31.12.2021 EUR'000
As of 1 January	4,845	6,026
Increase	8,772	11,727
Reduction	–7,591	–5,038
	6,026	12,714

Contract liabilities consist of advance payments received and relate to tool and development activities. The amount of kEUR 6,026 (previous year: kEUR 4,845) reported under contract liabilities at the beginning of the period was recognized as sales revenue of kEUR 5,038 (previous year: kEUR 7,591) in the 2021 financial year.

37. Other provisions

						Term	
	As of 01.01.2020 EUR'000	Additions EUR'000	Use EUR'000	Disposal EUR'000	As of 31.12.2020 EUR'000	Less than 1 year EUR'000	More than 1 year EUR'000
Provision for warranty claims	688	770	–378	–245	835	835	0
Provisions for legal and other disputes	108	216	0	–19	305	305	0
Other	84	1,038	–18	–62	1,042	1,042	0
	879	2,025	–395	–327	2,182	2,182	0

						Term	
	As of 01.01.2021 EUR'000	Additions EUR'000	Use EUR'000	Disposal EUR'000	As of 31.12.2021 EUR'000	Less than 1 year EUR'000	More than 1 year EUR'000
Provision for warranty claims	835	793	–770	–65	793	793	0
Provisions for legal and other disputes	305	28,929	0	–220	29,014	29,014	0
Other	1,042	835	–742	–251	884	884	0
	2,182	30,558	–1,513	–536	30,691	30,691	0

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

The provision for legal and other disputes includes the expected cash outflows resulting from the decision of a Londoner arbitration court. For other legal disputes, provisions in the amount of the expected cash outflows have been recognized based on the external legal opinions obtained in conjunction with internal estimates.

In addition, FACC is a defendant in several lawsuits in Austria and abroad. The enforceability of these claims is currently classified as remote or cannot be reliably estimated due to the early stages of the proceedings.

38. Financial liabilities

	Carrying amount 31.12.2020 EUR'000	Less than 1 year 31.12.2020 EUR'000	1 to 2 years 31.12.2020 EUR'000	3 to 5 years 31.12.2020 EUR'000	More than 5 years 31.12.2020 EUR'000 (Remaining term)	Nominal interest %
Promissory note loans						
Fixed interest rate (nominal capital: kEUR 29,500)	29,500	0	0	16,500	13,000	1,10 to 1,648
Variable interest rate (nominal capital: kEUR 40,500)	40,500	0	0	8,000	32,500	6M-Euribor + 1.10 to 1.30
Bond FACC Operations GmbH						
Fixed interest rate (nominal capital: kEUR 90,000)	0	0	0	0	0	4.00
Liabilities towards credit institutions						
Fixed interest rate	19,640	5,057	4,167	10,417	0	1,00 to 1,507
Variable interest rate	112,060	111,027	1,033	0	0	OeKB interest rate, 3M-Euribor + 1.00 to 1.75
Lease liabilities						
Fixed interest rate	64,774	6,874	6,436	15,577	35,887	1.40 to 4.83
Variable interest rate	17,428	544	553	1,712	14,619	6M-Euribor + 1.95
Other interest-bearing liabilities	40,728	40,728	0	0	0	1.00 to 1.507
	324,631	**164,230**	**12,188**	**52,206**	**96,006**	

	Carrying amount 31.12.2021 EUR'000	Less than 1 year 31.12.2021 EUR'000	1 to 2 years 31.12.2021 EUR'000	3 to 5 years 31.12.2021 EUR'000	More than 5 years 31.12.2021 EUR'000 (Remaining term)	Nominal interest %
Promissory note loans						
Fixed interest rate (nominal capital: kEUR 29,500)	29,500	0	0	27,000	2,500	1.60 to 2,148
Variable interest rate (nominal capital: kEUR 40,500)	40,500	0	0	40,500	0	6M-Euribor + 1.10 to 1.80
Liabilities towards credit institutions						
Fixed interest rate	14,583	4,167	4,167	6,250	0	3.207
Variable interest rate	111,033	111,033	0	0	0	OeKB interest rate, 3M-Euribor + 1.00 to 1.75
Lease liabilities						
Fixed interest rate	62,695	7,010	7,315	16,711	31,659	1.40 to 4.83
Variable interest rate	16,884	553	562	1,740	14,029	6M-Euribor + 1.95
Other interest-bearing liabilities	17,574	17,574	0	0	0	1.00 to 1.507
	292,769	**140,336**	**12,044**	**92,201**	**48,188**	

Accrued interest expenses are included in current financial liabilities.

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

On 29 August 2018, FACC Operations GmbH subscribed to a syndicated loan of kEUR 225,000 with seven participating banks. FACC AG acts as guarantor. The existing short-term lines of credit, which can be terminated at any time, were bundled and expanded under a single contract. The syndicated loan has a term of five years plus a two-year extension option. The contract contains four financing facilities with different intended uses. All facilities, with the exception of the funding framework provided by the Oesterreichische Kontrollbank AG, which is also part of the syndicated loan agreement, are unsecured. In the context of the corona pandemic, a new credit facility in the amount of kEUR 60,000 (KRR COVID-19 framework credit for large enterprises of the Austrian Kontrollbank) was concluded on 26 June 2020 and integrated into the base contract. As a result, the total volume of the syndicated loan increased to kEUR 285,000, and the number of available credit facilities to five.

In the original syndicated loan agreement of 2018, a financial covenant of net financial debt/EBITDA <3.5 was defined. Due to the proven effects of changed accounting standards (IFRS 15, IFRS 16), the limit was increased from 3.5 to 4.0 with effect from 31 August 2019 in agreement with the syndicate banks. The ratio is tested every six months. The creditors have a right of termination if the ratio is exceeded. The ratio is assessed every six months. The creditors have the right to terminate the agreement in the event that this ratio is exceeded.

The effects of the corona pandemic also led to a persistent decline in earnings and cash flow in the second half of 2020, and thus had a direct negative impact on the prescribed covenant test of 31 December 2020. FACC therefore proactively entered into negotiations with the syndicate banks in August 2020 in order to temporarily adjust the syndicate agreement to the changed circumstances. An agreement was reached on 21 December 2020. In addition, the agreement stipulates that no dividends are to be distributed until 30 June 2022. Within the scope of the agreement, the margin grid was also adjusted in line with the new circumstances.

Due to decisions made in a London arbitration proceeding with a supplier, which have a negative impact on the earnings and financial situation of the FACC Group, a new adjustment of the financial covenant Net Financial Debt/EBITDA in the syndicated loan agreement became necessary in November 2021. The negotiations with the syndicate banks were successfully concluded on 30 December 2021. The following adjustments were made to the financial covenant:

	31.12.2021	30.06.2022	31.12.2022	30.06.2023
Net Financial Debt/EBITDA	5.25 [1]	5.25 [2]	4.5	4.0

[1] Negative effects of the London arbitration decision will be corrected.
[2] EBITDA first half year 2022 extrapolated on a 12-month basis.

As of the test date 30 June 2023, FACC will return to the originally agreed covenant of Net Financial Debt/EBITDA 4.0.

In the course of the amendment negotiations, the term of the KRR COVID-19 line of Österreichische Kontrollbank (OEKB) in the amount of EUR 60 million included in the syndicated loan was also extended by one year (31 March 2023) and the availability of the M&A facility in the amount of EUR 50 million also included was restricted.

All other material provisions of the amendment agreement dated 18 December 2020 were adopted unchanged.

On 31 July 2019, promissory note loans totaling kEUR 70,000 were issued. The individual tranches carry both fixed and variable interest rates and are due for repayment after five, seven and ten years. The financing agreements contain an interest rate increase clause of 50 basis points if Net Debt/EBITDA exceeds 3.75. This interest rate increase clause was applied in the 2020 financial year due to the effects of the COVID-19 crisis. The promissory note loans issued in 2019 were not adversely affected by the economic impact of the London arbitration decision of November 2021 cited above. The ratio is tested annually.

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

	31.12.2020 EUR'000	31.12.2021 EUR'000
Up to one year	9,647	10,051
Two to five years	31,415	32,515
More than five years	57,348	51,352
	98,410	**93,917**
Less future financing expenses	–16,207	–14,338
Present value of lease obligation	**82,203**	**79,579**

In the 2021 financial year, the following amounts relating to leases were recognized in profit or loss:

	31.12.2020 EUR'000	31.12.2021 EUR'000
Depreciation expense of right-of-use assets	–8,395	–8,760
Interest expense on lease liabilities	–2,118	–1,923
Expense relating to short-term leases (included in cost of sales)	–1,091	–1,076
Expense relating leases of low-value assets	–15	–19
Total amount recognized in profit or loss	**–11,618**	**–11,778**

The total cash outflows for leases amounted to kEUR 9,397 in the 2021 financial year (previous year: kEUR 9,086).

39. Other current liabilities

	31.12.2020 EUR'000	31.12.2021 EUR'000
Other current financial liabilities		
Liabilities to employees/salaried staff	9,058	6,083
Other	0	35
	9,058	**6,118**
Other current non-financial liabilities		
Liabilities from social security	6,949	2,937
Liabilities to tax authorities	934	273
Deferred items	184	1,065
Other	610	373
	8,676	**4,648**
	17,734	**10,766**

The item "Social Security obligations and liabilities to the tax authorities" includes as balance sheet date 31 December 2020 deferrals of taxes and duties in the amount of kEUR 17,819 on a net basis.

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

40. Other non-cash expenses/income

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

	2020 EUR'000	2021 EUR'000
Effects from foreign exchange rates	9,967	–3,280
Measurement of derivatives in earnings before interest and tax (hedging)	–5,428	5,929
Recognition of deferred tax assets/liabilities	–1,143	25
Impairment on inventories	1,812	–1,124
Valuation allowance of receibables	–542	–986
Changes in estimates of receivables from customer-related engineering	3,777	1,582
Remaining other non-cash expenses/income	466	–60
	8,909	**2,087**

		Cash change	Non-cash changes			
	Carrying amount 01.01.2020 EUR'000	Change EUR'000	Lease liabilities EUR'000	Transaction costs EUR'000	Other EUR'000	Carrying amount 31.12.2020 EUR'000
Promissory note loans (current and non-current)	70,000	0	0	0	0	70,000
Bond	89,916	–90,000	0	84	0	0
Other financial liabilities (current and non-current)	44,712	127,716	0	0	0	172,428
Lease liabilities (current and non-current)	84,395	–7,980	5,865	0	–77	82,203
	289,022	**29,736**	**5,865**	**84**	**–77**	**324,631**

	Cash change		Non-cash changes			
	Carrying amount 01.01.2021 EUR'000	Change EUR'000	Lease liabilities EUR'000	Transaction costs EUR'000	Other EUR'000	Carrying amount 31.12.2021 EUR'000
Promissory note loans (current and non-current)	70,000	0	0	0	0	70,000
Bond	0	0	0	0	0	0
Other financial liabilities (current and non-current)	172,428	–29,238	0	0	0	143,190
Lease liabilities (current and non-current)	82,203	–8,302	5,603	0	75	79,579
	324,631	**–37,539**	**5,603**	**0**	**75**	**292,769**

41. Interest received and interest paid

In the 2021 financial year, all interest received was recognized under other financial result.

In the 2021 financial year, all interest paid was recorded to profit or loss under financing expenses.

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

In the course of the 2021 financial year, the FACC Group acquired assets that were not yet included in the cash flow as they had not been (fully) paid as of the balance sheet date. At the same time, liabilities from capital investments that had already been acquired in the previous year and are therefore included in the cash flow of this financial year were repaid. This resulted in a decrease in the cash flow from investments of kEUR 5,026 in the 2021 financial year (previous year: increase of kEUR 2,864).

NOTES TO FINANCIAL INSTRUMENTS

43. Determination of fair value

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

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

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

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

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

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

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

44. Classifications and fair values

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

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

					Fair value
	Carrying amount 31.12.2020 EUR'000	Total 31.12.2020 EUR'000	Level 1 31.12.2020 EUR'000	Level 2 31.12.2020 EUR'000	Level 3 31.12.2020 EUR'000
Valuation at amortized cost					
Other financial assets – securities (unquoted)	71	0	0	0	0
Receivables from related companies, non-current	5,416	0	0	0	0
Other receivables	9,405	0	0	0	0
Trade receivables	61,374	0	0	0	0
Receivables from related companies, current	18,610	0	0	0	0
Other receivables and assets	10,947	0	0	0	0
Cash and cash equivalents	92,548	0	0	0	0
	198,371	**0**	**0**	**0**	**0**
Fair value through other comprehensive income					
Trade receivables (within factoring)	0	0	0	0	0
Other financial assets - securities (quoted)	429	429	429	0	0
	429	**429**	**429**	**0**	**0**
Fair value through profit and loss					
Derivative financial instruments	16,471	16,471	0	16,471	0
	16,471	**16,471**	**0**	**16,471**	**0**
Valuation at amortized cost					
Financial liabilities	242,428	242,428	0	0	242,428
Trade payables	26,956	0	0	0	0
Liabilities towards related companies	8,479	0	0	0	0
Other financial liabilities	9,058	0	0	0	0
	286,921	**242,428**	**0**	**0**	**242,428**

	Carrying amount 31.12.2021 EUR'000	Fair value Total 31.12.2021 EUR'000	Level 1 31.12.2021 EUR'000	Level 2 31.12.2021 EUR'000	Level 3 31.12.2021 EUR'000
Valuation at amortized cost					
Other financial assets – securities (unquoted)	71	0	0	0	0
Receivables from related companies, non-current	5,638	0	0	0	0
Other receivables	9,987	0	0	0	0
Trade receivables	53,023	0	0	0	0
Receivables from related companies, current	18,749	0	0	0	0
Other receivables and assets	11,593	0	0	0	0
Cash and cash equivalents	114,966	0	0	0	0
	214,027	0	0	0	0
Fair value through other comprehensive income					
Trade receivables (within factoring)	0	0	0	0	0
Other financial assets - securities (quoted)	426	426	426	0	0
	426	426	426	0	0
Fair value through profit and loss					
Derivative financial instruments	0	0	0	0	0
	0	0	0	0	0
Valuation at amortized cost					
Financial liabilities	213,190	213,190	0	0	213,190
Trade payables	53,305	0	0	0	0
Liabilities towards related companies	10,237	0	0	0	0
Other financial liabilities	6,118	0	0	0	0
	282,849	213,190	0	0	213,190
Fair value through profit and loss					
Derivative financial instruments	8,185	8,185	0	8,185	0
	8,185	8,185	0	8,185	0

45. Derivative financial instruments, hedge accounting and fair value hedge

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

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

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

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

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

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

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

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

Furthermore, forward exchange contracts in US dollars (volume: kUSD 35,000; previous year: kUSD 100,000) were concluded for the purpose of hedging the exchange rate of receivables from customer-related engineering. These transactions, however, were reversed by the end of the balance sheet date.

Derivative financial instruments with a positive market value

		Remaining term	
	Carrying amount 31.12.2020 EUR'000	Less than 1 year 31.12.2020 EUR'000	More than 1 year 31.12.2020 EUR'000
Forward exchange transactions with positive fair value	16,471	14,362	2,109

		Remaining term	
	Carrying amount 31.12.2021 EUR'000	Less than 1 year 31.12.2021 EUR'000	More than 1 year 31.12.2021 EUR'000
Forward exchange transactions with positive fair value	0	0	0

Derivative financial instruments with a negative market value

		Remaining term	
	Carrying amount 31.12.2020 EUR'000	Less than 1 year 31.12.2020 EUR'000	More than 1 year 31.12.2020 EUR'000
Forward exchange transactions with negative fair value	0	0	0

		Remaining term	
	Carrying amount 31.12.2021 EUR'000	Less than 1 year 31.12.2021 EUR'000	More than 1 year 31.12.2021 EUR'000
Forward exchange transactions with negative fair value	8,185	6,448	1,737

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

			Remaining term		
	Currency	Volume in thousands	Less than 1 year in thousands	1 to 2 years in thousands	3 to 5 years in thousands
As of 31 December 2020: Foreign currency derivatives	USD	220,000	200,000	20,000	0
As of 31 December 2021: Foreign currency derivatives	USD	335,000	215,000	120,000	0

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

Cash flow hedges (OCI) 31 December 2020	Instrument	Average exchange rate	Notional value in foreign currency	Notional value in local currency	Change in fair value used for calculating hedge ineffectiveness	Fair value
			USD'000	EUR'000	EUR'000	EUR'000
Sell USD, buy EUR	FX Forward	1.1224	145,000	129,184	11,599	11,599

Cash flow hedges (OCI) 31 December 2021	Instrument	Average exchange rate	Notional value in foreign currency	Notional value in local currency	Change in fair value used for calculating hedge ineffectiveness	Fair value
			USD'000	EUR'000	EUR'000	EUR'000
Sell USD, buy EUR	FX Forward	1.1783	275,000	233,396	–7,128	–7,128

	Change in value used for calculating hedge ineffectiveness		Carrying amount cash flow hedge reserve	
	31.12.2020 EUR'000	31.12.2021 EUR'000	31.12.2020 EUR'000	31.12.2021 EUR'000
Sell USD, buy EUR	–11,599	7,128	8,699	–5,346

The following table shows the effectiveness of the hedging relationships, and the amounts either reclassified from the reserv e for cash flow hedges and fair value hedges to profit or loss or directly recognized in profit or loss:

	Current period hedging gains (losses) recognized in OCI		Amount reclassified to profit and loss		Line item in profit and loss in which reclassification adjustment is included
	31.12.2020 EUR'000	31.12.2021 EUR'000	31.12.2020 EUR'000	31.12.2021 EUR'000	
Sell USD, buy EUR	11,599	–7,128	5,428	–5,929	Revenues

46. Financial risk

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

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

Currency risk

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

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

	31.12.2020 EUR'000	31.12.2021 EUR'000
Receivables from customer-related engineering	32,968	27,742
Contract assets	3,021	2,576
Receivables from related companies, non-current	5,416	5,638
Other receivables	9,405	9,987
Trade receivables, current	61,374	53,023
Receivables from related companies, current	18,610	18,749
Other receivables and assets	24,376	36,892
Cash and cash equivalents	92,548	114,966
	247,718	**269,573**
US dollar	173,850	186,942
EUR	73,868	82,631
	247,718	**269,573**

	31.12.2020 EUR'000	31.12.2021 EUR'000
Financial liabilities	324,631	292,769
Trade payables	26,956	53,305
Liabilities towards related companies	8,479	10,237
Other financial liabilities	9,058	6,118
	369,124	362,428
US dollar	64,833	62,048
EUR	304,291	300,380
	369,124	**362,428**

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

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

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

Revaluation (+)/devaluation (–)	5% devaluation		5% revaluation	
	31.12.2020 EUR'000	31.12.2021 EUR'000	31.12.2020 EUR'000	31.12.2021 EUR'000
Changes in Consolidated Profit and Loss Statement	3,385	3,964	–3,062	–3,587
Changes in comprehensive income/loss	–7,074	–11,617	6,400	10,511
Changes to equity	**–3,689**	**–7,653**	**3,338**	**6,924**

Interest rate risk

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

An increase in interest rates of 50 basis points would have resulted in a reduction in earnings after taxes and equity of kEUR 616 (previous year: kEUR 691). A reduction in interest rates by 50 basis points would have resulted in an increase in earnings after taxes and in equity of kEUR 621 (previous year: kEUR 620). During the 2020 financial year, all core banks of FACC in the euro area switched to charging negative interest on credit balances. Interest expenses were incurred in the amount of kEUR 23 (previous year: kEUR 10) and are recognized in the financial result.

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

Liquidity risk

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

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

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

On the balance sheet date 31 December 2021, FACC had unused credit lines amounting to kEUR 100,000 (previous year: kEUR 150,000) at its disposal.

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

			Payment obligations		
	Carrying amount 31.12.2020 EUR'000	Total 31.12.2020 EUR'000	Less than 1 year 31.12.2020 EUR'000	1 to 5 years 31.12.2020 EUR'000	More than 5 years 31.12.2020 EUR'000
Valuation at amortized cost					
Promissory note loans	70,000	76,371	875	29,013	46,482
Bond FACC Operations GmbH	0	0	0	0	0
Liabilities towards credit institutions	131,700	133,811	116,786	17,025	0
Lease liabilities	82,203	92,382	8,638	28,395	55,349
Other interest-bearing liabilities	40,728	40,728	40,728	0	0
Financial liabilities	**324,631**	**343,291**	**167,027**	**74,432**	**101,831**
Trade payables	26,956	26,956	26,956	0	0
Liabilities towards related companies	8,479	8,479	8,479	0	0
Other financial liabilities	9,058	9,058	9,058	0	0
	369,124	**387,784**	**211,520**	**74,432**	**101,831**
Fair value through profit and loss					
Derivative financial instruments	0	0	0	0	0
Carrying amounts/contractual cash flows	**369,124**	**387,784**	**211,520**	**74,432**	**101,831**

			Payment obligations		
	Carrying amount 31.12.2021 EUR'000	Total 31.12.2021 EUR'000	Less than 1 year 31.12.2021 EUR'000	1 to 5 years 31.12.2021 EUR'000	More than 5 years 31.12.2021 EUR'000
Valuation at amortized cost					
Promissory note loans	70,000	75,526	1,228	71,637	2,661
Liabilities towards credit institutions	125,616	127,738	116,567	11,171	0
Lease liabilities	79,579	88,260	9,006	29,546	49,708
Other interest-bearing liabilities	17,574	17,574	17,574	0	0
Financial liabilities	**292,769**	**309,098**	**144,375**	**112,354**	**52,369**
Trade payables	53,305	53,305	53,305	0	0
Liabilities towards related companies	10,237	10,237	10,237	0	0
Other financial liabilities	6,118	6,118	6,118	0	0
	362,428	**378,757**	**214,034**	**112,354**	**52,369**
Fair value through profit and loss					
Derivative financial instruments	8,185	8,185	6,448	1,737	0
Carrying amounts/contractual cash flows	**370,613**	**395,576**	**220,482**	**114,092**	**52,369**

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

Credit risks

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

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

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

OTHER INFORMATION

47. Board member remuneration

The remuneration of the members of the Management Board of FACC AG and the Supervisory Board of FACC AG, who perform the same duties for FACC Operations GmbH, as of 31 December 2021 was as follows:

Name	Non-success-related 2020 EUR'000	Success-related 2020 EUR'000	Termination benefit 2020 EUR'000	Employer contribution to pension fund 2020 EUR'000	Total 2020 EUR'000
Robert Machtlinger	388	0	0	349[1)]	737
Andreas Ockel	377	0	52	100	529
Aleš Stárek	327	0	45	5	377
Yongsheng Wang	321	0	–5	0	316
	1,412	**0**	**92**	**454**	**1,958**

[1)] Contains rollups from previous years

Name	Non-success-related 2021 EUR'000	Success-related 2021 EUR'000	Termination benefit 2021 EUR'000	Employer contribution to pension fund 2021 EUR'000	Total 2021 EUR'000
Robert Machtlinger	418	0	26	170	613
Andreas Ockel	377	0	52	100	529
Aleš Stárek	327	0	45	60	432
Yongsheng Wang	312	0	100[1)]	0	412
	1,432	**0**	**223**	**330**	**1,985**

[1)] Contains rollups from previous years

The expenses for Supervisory Board members recorded in the Annual Financial Statements amounted to kEUR 175 (previous year: kEUR 293).

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

48. Transactions with related companies and persons

Transactions with related companies and persons outside the consolidated companies of FACC AG were concluded in the period from 1 January 2021 to 31 December 2021 at arm's length terms.

	Receivables 31.12.2020 EUR'000	Liabilities 31.12.2020 EUR'000	Revenues and other income 2020 EUR'000	Expenses 2020 EUR'000
Companies with significant influence on the Group	48	0	1,050	0
Joint venture in which the parent undertaking is involved	23,977	8,479	29,830	17,210
	24,025	**8,479**	**30,880**	**17,210**

	Receivables 31.12.2021 EUR'000	Liabilities 31.12.2021 EUR'000	Revenues and other income 2021 EUR'000	Expenses 2021 EUR'000
Companies with significant influence on the Group	95	0	209	0
Joint venture in which the parent undertaking is involved	24,292	10,237	30,426	27,574
	24,387	**10,237**	**30,635**	**27,574**

In addition, a consulting agreement with Maffeo Aviation Consulting, Woodinville, USA, which is controlled by a Supervisory Board, was in place in the 2021 financial year. The consulting agreement amounted to kEUR 61 (previous year: kEUR 50) in the financial year, of which kEUR 13 (previous year: kEUR 0) had not yet been paid on the balance sheet date.

Transactions with related parties are subject to the general provisions for allowances. Guarantees were neither granted nor received.

ACCOUNTING AND VALUATION POLICIES

49. Accounting and valuation policies

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

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

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

Software and rights	Amortization over a period of 3 to 4 years (linear)

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

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

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

Measurement is conducted at acquisition or production costs.

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

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

Goodwill (IFRS 3, IAS 36)

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

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

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

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

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

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

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

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

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

Linear amortization over the useful life:

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

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

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

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

Leasing (IFRS 16):

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

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

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

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

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

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

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

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

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

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

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

In the case of contracts with contractually enforceable claims, engineering and customer-specific tool developments are recognized at a point in time in revenues. At the time of revenue recognition, customer-related engineering is recognized as expenses, liabilities from customer-related engineering as revenues and variable compensation is recognized as present value in revenues or in receivables from customer-related engineering in accordance with IFRS IFRS 15.50 et seq.

Receivables from customer-related engineering are subsequently reduced through ongoing amortization (progress billing).

To the extent that engineering and customer-specific tool developments constitute separate performance obligations with claims that can be contractually enforced at any time, and revenues have already been partially recognized over a period of time, the former are reported as contract assets from the outset.

If engineering and customer-specific tool developments are not remunerated separately or not at all, but are paid for by customers as a mark-up on the price of series parts, the level of revenues may be dependent on whether the expected quantities of series products are sold. In the case of contracts with contractually enforceable claims, this constitutes variable consideration pursuant to IFRS 15.50 et seq., which is recognized as receivables from customer-related engineering and reassessed on a regular basis within the scope of a prudent estimate.

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

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

Contract costs (IFRS 15)

Contract costs are measured at amortized cost.

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

Inventories (IAS 2)

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

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

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

Customer-related engineering (IAS 2)

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

Government grants (IAS 20)

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

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

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

Employee benefit obligations (IAS 19)

Defined benefit plans

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

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

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

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

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

Defined contribution plans

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

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

Other non-current employee benefit obligations

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

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

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

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

Contract liabilities from customer-related engineering (IFRS 15)

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

Other provisions (IAS 37)

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

Income taxes (IAS 12)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

<u>Other non-current financial assets (securities)</u>

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

<u>Receivables and other assets</u>

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

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

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

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

- **12-month expected credit loss:** Expected loan defaults due to possible default events within twelve months of the balance sheet date.

- **Lifetime expected credit loss:** Expected loan defaults due to all possible default events which can occur during the expected term of a financial instrument.

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

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

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

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

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

Cash and cash equivalents

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

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

Liabilities

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

Derivative financial instruments

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

Cash flow hedges and fair value hedges

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

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

In addition, the Group enters into forward exchange contracts to hedge the exchange rates of certain balance sheet items.

Revenue recognition (IFRS 15)

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

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

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

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

In addition to the absence of an alternative use, a prerequisite for the recognition of revenue over a period of time is, in particular, the legal entitlement to receive payment at any time for services already rendered (costs plus profit share). This criterion implies that individual contracts must be recognized as revenue at a point in time in accordance with IFRS 15. Until the transfer of control, services provided at a specific point in time are recognized in the balance sheet in the amount of the associated costs.

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

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

Recognition of expenses

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

Foreign currency valuation (IAS 21)

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

Consolidated statement of cash flows (IAS 7)

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

50. Effects of new and amended standards (revised)

The following new and amended standards were mandatorily effective for the first time in the 2021 financial year:

Standard/interpretation		Mandatory application acc. to IASB for financial years beginning with	Adoption by the EU as of 31.12.2021
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (amended)	Interest Rate Benchmark Reform – Phase 2	01.01.2021	Yes
IFRS 4 (amended)	Insurance Contracts – Deferral of IFRS 9	01.01.2021	Yes
IFRS 16 (amended)	COVIS-19-Related Rent Concessions	01.04.2021	Yes

The first-time application of these new or revised standards has no material impact on FACC's Consolidated Financial Statements.

The International Accounting Standards Board (IASB) is currently working on a number of projects that will affect financial years beginning on or after 1 January 2022. The following new, revised or amended standards and IFRIC interpretations that have already been published by the IASB but are not yet mandatory in the EU have not been applied early by the FACC Group and are therefore not relevant to these Consolidated Financial Statements:

Standard/interpretation		Published by IASB	Mandatory application acc. to IASB	Adoption by the EU as of 10.12.2021	Effects on the Consolidated Financial Statement
IFRS 3 (amended)	Business Combinations	14.05.2020	01.01.2022	Yes	No
IAS 16 (amended)	Property, plant and equipment	14.05.2020	01.01.2022	Yes	No
IAS 37 (amended)	Provisions, Contingent Liabilities and Contingent Assets	14.05.2020	01.01.2022	Yes	No
Miscellaneous	Annual Improvements to IFRS Standards 2018–2020 Cycle	14.05.2020	01.01.2022	Yes	No
IFRS 17	Insurance Contracts	18.05.2017	01.01.2023	Yes	No
IFRS 17 (amended)	Insurance Contracts	25.06.2020	01.01.2023	Yes	No
IAS 1 (amended)	Disclosure of Accounting policies	12.02.2021	01.01.2023	No	No
IAS 8 (amended)	Definition of Accounting Estimates	12.02.2021	01.01.2023	No	No
IAS 1 (amended)	Classification of Liabilities as Current or Non-current	23.01.2020	01.01.2023	No	No
IAS 1 (amended)	Classification of liabilities as current or non-current – Deferral of effective date	15.07.2020	01.01.2023	No	No
IAS 12 (amended)	Income Taxes: Deferred Taxes related to Assets and Liabilities arising from a Single Transaction	07.05.2021	01.01.2023	No	No
IFRS 17 (amended)	Initial application of IFRS 17	09.12.2021	01.01.2023	No	No
IFRS 9 (amended)	Comparative Information	09.12.2021	01.01.2023	No	No

51. Fees of the Group auditor

The expenses attributable to the 2021 financial year for the auditor Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. of the Consolidated Financial Statements are as follows:

	2020 EUR'000	2021 EUR'000
Group and annual audit	141	161
Other consulting services	25	3
	167	**164**

52. Events after the balance sheet date

The tax reform was passed on 20 January 2022 in its third reading in the plenary session of the National Council. Among other things, it provides for a gradual reduction of the corporate income tax rate from 25% to 23% (2023: 24%, from 2024: 23%). As of 31 December 2021, FACC reports deferred tax assets in the amount of kEUR 16,762. A calculation of these deferred tax assets with a corporate tax rate of 23% results in an impact of maximum kEUR 1,341 as of 31 December 2021.

With regard to the Ukraine-Russia conflict, FACC is not able to make any assessments of general risks (e.g. gas price development, etc.) or the general economic development. There are no significant customer or supplier relationships and therefore the direct risk is classified as low.

There were no other events requiring disclosure.

53. Proposed appropriation of net income

In the 2021 financial year the retained earnings of FACC Group amounted to kEUR –52,340. The Management Board and the Supervisory Board will propose a dividend of EUR 0.00 per share to the Annual General Meeting on 31 May 2022.

54. Approval for publication

These Consolidated Financial Statements were prepared by the Management Board and are scheduled to be submitted by the Management Board to the Supervisory Board for review on 28 March 2022. The Consolidated Financial Statements will then be submitted to the Annual General Meeting for approval. The Supervisory Board may arrange for amendments to be made to the Consolidated Financial Statements within the scope of its duties as assessor.

55. Management and Supervisory Boards

Members of the Management Board

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

Members of the Supervisory Board

Zhen Pang (Chairman)
Qinghong Liu
Jiajia Dai
Jing Guo
Junqi Sheng
Weixi Gong
George Maffeo
Tom Williams
Jürgen Fischer (employee representative) (since 1 January 2021)
Barbara Huber (employee representative)
Karin Klee (employee representative)
Ulrike Reiter (employee representative)

Ried im Innkreis, 11 March 2022

The Management Board

Robert Machtlinger m. p.
Chairman of the Management Board

Andreas Ockel m. p.
Member of the Management Board

Aleš Stárek m. p.
Member of the Management Board

Yongsheng Wang m. p.
Member of the Management Board

Statement of all Legal Representatives

According to section 82 paragraph 4 number 3 Börsegesetz (Austrian Stock Exchange Act)

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

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

Ried im Innkreis, 11 March 2022

The Management Board

Robert Machtlinger m. p.
Chairman of the Management Board

Andreas Ockel m. p.
Member of the Management Board

Aleš Stárek m. p.
Member of the Management Board

Yongsheng Wang m. p.
Member of the Management Board

Auditor's Report[1)]

Report on the Consolidated Financial Statements

AUDIT OPINION

We have audited the consolidated financial statements of

FACC AG, Ried im Innkreis

and of its subsidiaries (the Group) comprising the consolidated statement of financial position as of December 31, 2021, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year then ended and the notes to the consolidated financial statements.

Based on our audit the accompanying consolidated financial statements were prepared in accordance with the legal regulations and present fairly, in all material respects, the assets and the financial position of the Group as of December 31, 2021 and its financial performance for the year then ended in accordance with the International Financial Reportings Standards (IFRS) as adopted by EU, and the additional requirements under Section 245a Austrian Company Code UGB.

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

BASIS FOR OPINION

We conducted our audit in accordance with the regulation (EU) no. 537/2014 (in the following "EU regulation") and in accordance with Austrian Standards on Auditing. Those standards require that we comply with International Standards on Auditing (ISA). Our responsibilities under those regulations and standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the Austrian General Accepted Accounting Principles and professional requirements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained until the date of this auditor's report is sufficient and appropriate to provide a basis for our opinion by this date.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the financial year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We considered the following matters as key audit matters for our audit:

1. Other receivables in connection with the Fake-President-Incident-Fraud case in fiscal year 2015/2016

2. Other provisions for litigation

1. Other receivables in connection with the Fake-President-Incident-Fraud case in fiscal year 2015/2016

Description

At the end of the 2015/16 fiscal year, the FACC Group was confronted with a fake-president-incident-fraud case, which led to a cash outflow of EUR 52.9 million from FACC Operations GmbH (a subsidiary of FACC AG). Of this amount, an amount of approximately EUR 10.9 million was frozen in bank accounts in China and transferred to accounts of the Republic of Austria in the 2019 business year but not yet retransferred to FACC Operations GmbH. On the basis of a legal assessment obtained from management as of December 31, 2021, the amount of EUR 10.9 million was recognized in the other current receivables in the balance sheet.

The main risk is that a re-patriation of money withdrawn by fraudulent actions with support of the state is very rare and therefore a new legal territory was entered.

The information on the explanations, with regard to management's assessments of the Fake President Inicident Fraud Case, is of particular importance and is provided in Note 31 in the financial statements (receivables and other assets).

How we have addressed the facts of the case in the course of the audit:

Our audit activities included the following activities:

- Discussing current developments in connection with the retransfer with the management and the head of the legal department of FACC Operations GmbH

- Assessment of a legal opinion required by the company by an independent lawyer whether the re- transfer of the money is legally possible and the company has the right to demand the repayment

- Review whether the criteria to recognize an account receivable are met

- Review if the recoverability of the receivable is given

- Assessment of the adequacy of the information provided in the notes on other receivables

2. Other provisions for litigations

Description

Based on the ruling of an arbitration process with a supplier FACC estimates obligations to pay EUR 27.1 million, which have been provided as provision in 2021. For additional risks related to litigations a provision amounting to EUR 7.2 million was recognized.

The risk in course of our audit is amongst others, that related to the expected cash outflow from litigations estimates and judgements have to to be made. The disclosures related to these estimates are in the notes in notes disclosure 7 (estimates and judgements) and in note disclosure 15 (other operating expenses) and 37 (other provisions).

How we have addressed the facts of the case in the course of the audit:

Our audit activities included the following activities:

- Review if the recognized provision is in line with the ruling of the arbitration court

- Request of lawyers' letters

- Discussion and inquiry of the status of the litigations with the head of legal

- Assessment of the estimates and judgements of the management especially the conclusions reached and the accounting impact.

- Request of legal opinions and analysis- if the management estimates are consistent

- Assessment of the adequacy of the information provided in the notes

OTHER INFORMATION

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the Group's management report and the auditor's report thereon. The annual report is estimated to be provided to us after the date of the auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, as soon as it is available, and, in doing so, to consider whether - based on our knowledge obtained in the audit - the other information is materially inconsistent with the consolidated financial statements or otherwise appears to be materially misstated.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU regulation and in accordance with Austrian Standards on Auditing, which require the application of ISA, always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the EU regulation and in accordance with Austrian Standards on Auditing, which require the application of ISA, we exercise professional judgment and maintain professional scepticism throughout the audit.

We also

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Comments on the Management Report for the Group

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

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

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

Opinion

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

Statement

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

Additional information in accordance with article 10 EU regulation

We were elected as auditor by the ordinary general meeting at July 1, 2021. We were appointed by the Supervisory Board on July 23, 2021. We are auditors without cease since financial year 2016/17.

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

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

RESPONSIBLE AUSTRIAN CERTIFIED PUBLIC ACCOUNTANT

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

Linz, 11 March 2022

Ernst & Young
Wirtschaftsprüfungsgesellschaft m.b.H.

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

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

Glossary

Technology

Autoclave	Gas-tight, sealable autoclave for curing fiber composites
Composites	A composite material is a material made from two or more constituent materials that, when combined, feature characteristics different from the individual components
Fibrous composite material	Material of reinforcing fibers and a pastic mix
OEM	Original Equipment Manufacturer - manufacturer of components, which produces these in its own factories, but does not bring them to retail himself
Retrofit	Modernization or expansion of existing (mostly older and no longer produced) models
Shipset	A delivery unit, i.e. a complete set of parts for an aircraft
Spoiler	Movable device on the upper side of the wings to reinforce a descent, for faster breaking after landing and partly to support the turning flight
Thermoplastic	Plastic that can be deformed in a certain temperature range
Urban Air Mobility	Extension of urban transportation systems into the airspace
Winglet	Parts attached to the wingtips of aircraft wings aiming to reduce the aircraft`s drag

Financials

CAD	Canadian dollar
Cash flow	Net amount of cash and cash equivalents being transferred into and out of a business in a specific period
CGU	Cash-generating unit
D&O insurance	Directors and officers liability insurance –liability insurance payable to the directors and officers of a company
EBIT	Earnings before interest and taxes
EUR'000	Euro thousands
Equity ratio in %	Equity/balance sheet total in %
FTE	Full-time equivalents of employees
GBP	Great Britain pound
HRK	Croatian kuna
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards, including International Accounting Standards
INR	Indian rupee
Investments	Additions to intangible assets, property, plant and equipment
ISIN	International Securities Identification Number for shares
kEUR	Euro thousands
RMB	Ranminbi/Yuan - Chinese currency
SFY	Short financial year
USD	United States dollar

Contact

Michael Steirer
m.steirer@facc.com
Phone +43 59 616 1468
www.facc.com

Note

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

Editorial deadline: 11 March 2022

Imprint

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

Project manager: Michael Steirer

Project team: Tanja Maisenberger, Elisabeth Murauer, Andrea Schachinger, Jakob Reichsöllner, Robert Briewasser

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Pictures: Airbus, Dassault Falcon, ArianeGroup, Andreas Maringer, FACC AG, Bombardier, Michael Liebert, Robert Gortana, Werner Bartsch, Christian Huber, Christoph Scherhammer, Industriemagazin, EHang

4. AUDITOR'S REPORT *)

Report on the Financial Statements

Audit Opinion

We have audited the financial statements of

FACC AG, Ried im Innkreis,

These financial statements comprise the balance sheet as of December 31, 2021, the income statement for the financial year then ended and the notes.

Based on our audit the accompanying financial statements were prepared in accordance with the legal regulations and present fairly, in all material respects, the assets and the financial position of the Company as of December 31, 2021 and its financial performance for the financial year then ended in accordance with Austrian Generally Accepted Accounting Principles.

Basis for Opinion

We conducted our audit in accordance with the regulation (EU) no. 537/2014 (in the following "EU regulation") and in accordance with Austrian Standards on Auditing. Those standards require that we comply with International Standards on Auditing (ISA). Our responsibilities under those regulations and standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the Austrian General Accepted Accounting Principles and professional requirements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained until the date of this auditor's report is sufficient and appropriate to provide a basis for our opinion by this date.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the financial year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We considered the following matters as key audit matters for our audit:

1. Valuation of investments in group companies and recoverability of receivables against group companies

Description

FACC AG discloses in the financial statements as of December 31, 2021 investments in group companies (267.8 Mio. €) and accounts receivables against group companies (25.1 Mio. €).

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

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

The disclosures for the investments in group companies and accounts receivables against group companies are in the notes in the accounting and valuation policies for investments and receivables and other assets and in the development of longterm assets as December 31, 2021.

How our audit addressed the matter

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

- Audit of the model used and audit of the correctness of the calculations and evaluation of the discount rate
- Evaluation if there are any indications for impairment
- Evaluation of detailed plans and budgets and analysis of the main drivers (revenue, expenses, capex, change in working capital) under consideration of Covid 19 to verify the adequateness of the planning figures
- Audit of completeness of disclosures

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual financial report, but does not include the financial statements, the management report and the auditor’s report thereon, whereby the consolidated corporate governance report was made available to us before the date of the auditor's report. The separate consolidated non-financial report was submitted to us in draft. The full annual financial report and the final non-financial report are expected to be made available to us after the date of the audit opinion.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, as soon as it is available, and, in doing so, to consider whether - based on our knowledge obtained in the audit - the other information is materially inconsistent with the financial statements or otherwise appears to be materially misstated. We have nothing to report regarding the other information already available.

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

Management is responsible for the preparation of the financial statements in accordance with Austrian Generally Accepted Accounting Principles, for them to present a true and fair view of the assets, the financial position and the financial performance of the Company and for such internal controls as management determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU regulation and in accordance with Austrian Standards on Auditing, which require the application of ISA, always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the EU regulation and in accordance with Austrian Standards on Auditing, which require the application of ISA, we exercise professional judgment and maintain professional scepticism throughout the audit.

We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Comments on the Management Report

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

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

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

Opinion

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

Statement

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

Additional information in accordance with Article 10 EU regulation

We were elected as auditor by the ordinary general meeting at July 1, 2021. We were appointed by the Supervisory Board on July 23, 2021. We are auditors without cease since fiscal year 2016/2017.

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

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

Responsible Austrian Certified Public Accountant

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

Linz, March 11, 2022

Ernst & Young
Wirtschaftsprüfungsgesellschaft m.b.H.

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

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

Financial statements and management report

as of December 31, 2021

FACC AG, Ried im Innkreis

FACC AG,
Ried im Innkreis

Annex I/1

Balance Sheet as of 31 December 2021

Assets

	31.12.2020 EUR'000	31.12.2021 EUR
A. Fixed assets		
I. Intangible assets:		
1. Concessions and rights	0	23,782.27
2. Advance payments	14	0.00
	14	23,782.27
II. Financial assets:		
1. Investments in affiliated companies	267,823	267,822,715.00
2. Securities (book-entry securities)	1,977	1,976,625.29
	269,800	269,799,340.29
	269,814	**269,823,122.56**
B. Current assets:		
I. Accounts Receivable and other assets:		
1. Accounts Receivable from affiliated companies	24,588	25,112,184.34
thereof with a remaining term of more than one year	*0*	*0.00*
2. Other receivables and assets	5,304	6,415,702.78
thereof with a remaining term of more than one year	*0*	*0.00*
	29,892	31,527,887.12
II. Cash balances, cheques, bank deposits	401	392,329.13
	30,293	**31,920,216.25**
C. Deferred items	343	**536,374.39**
D. Deferred tax assets	24,084	**33,320,031.40**
TOTAL ASSETS	324,534	**335,599,744.60**

FACC AG,
Ried im Innkreis

Annex I/2

Liabilities

	31.12.2020 EUR'000	31.12.2021 EUR
A. Equity:		
I. Called, acquired and paid share capital	45,790	45,790,000.00
II. Capital reserves:		
1. Appropriated	134,215	134,215,000.00
2. Unappropriated	95,041	95,041,250.00
	229,256	229,256,250.00
III. Retained earnings *(thereof profit carryforward EUR 15,614,600.75; previous year: TEUR 24,110)*	15,615	16,251,555.47
	290,661	**291,297,805.47**
B. Provisions:		
1. Provisions for severance payments	889	1,112,511.00
2. Provisions for pensions	1,977	1,976,625.29
3. Tax provisions	23,892	33,048,815.92
4. Other provisions	644	703,352.19
	27,402	**36,841,304.40**
C. Liabilities:		
1. Trade payables	883	920,327.60
thereof with a remaining term of up to one year	*883*	*920,327.60*
thereof with a remaining term of more than one year	*0*	*0.00*
2. Liabilities towards affiliated companies	5,348	6,401,255.90
thereof with a remaining term of up to one year	*5,348*	*6,401,255.90*
thereof with a remaining term of more than one year	*0*	*0.00*
3. Other liabilities	240	139,051.23
thereof with a remaining term of up to one year	*240*	*139,051.23*
thereof with a remaining term of more than one year	*0*	0.00
thereof taxes	10	*9,070.61*
thereof with a remaining term of up to one year	*10*	*9,070.61*
thereof with a remaining term of more than one year	*0*	0.00
thereof relating to social security	*149*	*73,151.14*
thereof with a remaining term of up to one year	*149*	*73,151.14*
thereof with a remaining term of more than one year	*0*	*0.00*
Total liabilities	6,471	**7,460,634.73**
thereof with a remaining term of up to one year	*6,471*	*7,460,634.73*
thereof with a remaining term of more than one year	*0*	*0.00*
TOTAL LIABILITIES	324,534	**335,599,744.60**

FACC AG,

Ried im Innkreis

Annex I/3

Income Statement
for the Financial Year from 1 January 2021 to 31 December 2021

	2020 EUR'000	2021 EUR
1. Sales revenue	11,710	10,789,000.00
2. Own work capitalized	7	12,774.33
3. Other operating income		
a) Income from the reversal of provisions	3	0.00
b) Other	451	319,553.13
	454	319,553.13
4. Personnel expenses		
a) Salaries	-3,937	-3,755,696.53
b) Social expenses	-1,568	-1,462,683.46
thereof expenses for pensions	*-504*	*-342,794.91*
aa) expenses for severance payments and contributions to corporate employee pension funds	*-139*	*-259,727.34*
bb) expenses for statutory social security contributions as well as income-dependent levies and compulsory contributions	-866	*-810,523.66*
less COVID-19 short-time work subsidies received	*240*	0.00
	-5,505	-5,218,379.99
5. Depreciation and amortization		
a) of intangible assets and property, plant and equipment	-5	-4,754.53
	-5	-4,754.53
6. Other operating expenses		
a) Other	-5,476	-5,419,952.40
7. Subtotal of items 1 to 6 **(EBIT)**	**1,185**	**478,240.54**
8. Other interest and similar income	81	80,604.17
thereof affiliated companies	*81*	*80,604.17*
9. Expenses from financial assets and securities held as current assets	-7,000	0.00
thereof affiliated companies	*-7,000*	*0.00*
10. Interest and similar expenses	-2	-1,042.49
thereof affiliated companies	*0*	*0.00*
11. Subtotal of items 7 to 10 **(financial result)**	**-6,921**	**79,561.68**
12. Result before taxes	**-5,736**	**557,802.22**
13. Taxes on income (and earnings)	-2,759	79,152.50
thereof deferred taxes	*-2,758*	*85,402.50*
Corporate income tax from group taxation	-2	-6,250.00
thereof carried over to the group member	*-8*	*0.00*
14. Result after taxes	**-8,495**	**636,954.72**
15. Net loss / profit for the year	**-8,495**	**636,954.72**
16. Profit carryforward from the previous year	24,110	15,614,600.75
17. Net profit	**15,615**	**16,251,555.47**

Notes for the Financial Year from 1 January to 31 December, 2021 of FACC AG, Ried im Innkreis

1. GENERAL

These Annual Financial Statements for the financial year from 1 January to 31 December 2021 were prepared by the Management Board of the company in accordance with the provisions of the Austrian Commercial Code (UGB).

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

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

FACC AG, headquartered in Ried im Innkreis, prepares the Consolidated Financial Statements as the parent company of FACC Operations GmbH, which are published at the Commercial Court of Ried im Innkreis.

FACC AG is included in the scope of consolidation of AVIC Cabin Systems Co., Limited (ACS) headquartered in Hong Kong (Room 2201, 22/F, Fairmont House, 8 Cotton Tree Drive, Admiralty, Hong Kong), company register number 1394811.

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

2. ACCOUNTING AND MEASUREMENT METHODS

The Annual Financial Statements for the financial year from 1 January to 31 December 2021 were prepared in accordance with generally accepted accounting principles and in compliance with the general standard of presenting a true and fair view of the net asset position, financial position and profit situation of the company.

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

Valuation was based on the going concern assumption.

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

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

All discernible risks and pending losses, which occurred in the financial year from 1 January to 31 December 2021 or in a previous financial year, were taken into account.

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

Issues relating to the Covid-19 pandemic

The following issues were taken into account with respect to personnel costs:

	2020 EUR'000	2021 EUR
a) Salaries	–3,937	–3,755,696.53
of which short-time work subsidies of the AMS	240	0.00
of which costs incurred for personnel reductions	–31	0.00
b) Social expenses	–1,568	–1,462,683.46
of which expenses for old-age pensions	–504	–342,794.91
aa) Expenses for termination benefits and contributions to corporate employee pension funds	–139	–259,727.34
bb) Expenses for statutory, compulsory social security contributions and income-dependent taxes and compulsory contributions	–866	–810,523.66
	–5,505	–5,218,379.99

The total amount of short-time work subsidies from the Austrian Public Employment Service (AMS) recognized was EUR 0.00 (previous year: kEUR 240).

Total costs incurred for personnel reductions amounted to EUR 0.00 (previous year: kEUR 31).

On the balance sheet date, deferrals of duties in the amount of EUR 0.00 (previous year: kEUR 74) were in place. These were paid in full in January 2021.

As per 30 June 2020, the volume of the syndicated loan was increased by a further EUR 60,000,000.00 (Covid-19 KRR of the Oesterreichische Kontrollbank AG). FACC AG acts as guarantor (see contingent liabilities).

Receivables from FACC Operations GmbH recognized in the Financial Statements of FACC AG as of 31 December 2019, in connection with the same-period profit distribution in the amount of EUR 7,000,000.00 were fully depreciated in the 2020 financial year.

Due to the negative business development in the 2021 financial year as well as the changed planning assumptions, deferred tax assets could not be recognized for all tax loss carryforwards.

Fixed assets

Acquired intangible assets are valued at acquisition cost less scheduled amortization. The scheduled amortization of software and licenses is performed linearly over a period of 3 years.

Property, plant and equipment are valued at acquisition or production cost less scheduled depreciation. Low-value assets (individual acquisition value up to EUR 800.00) are capitalized in the year of acquisition and are immediately depreciated. According to tax regulations, additions made in the first half of the year are depreciated at the full annual rate, while additions made in the second half of the year are depreciated at half the annual rate.

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

Investments in affiliated companies are generally valued at acquisition cost. Unscheduled amortization is recognized if the fair value on the balance sheet date is lower than the carrying amount and the impairment is expected to be permanent. The fair value is determined according to KFS/BW 1 using the discounted cashflow method.

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

Receivables and other assets

Receivables and other assets are recognized at their nominal value or the lower fair value.

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

Deferred tax assets

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

Provisions

Provisions for severance payments are calculated according to actuarial principles using the "projected unit credit" method in accordance with IAS 19. The end date of the employment relationship was taken to be 65, taking into account the probability of early retirement in accordance with the age limits of section 607 paragraph 10 of the Austrian General Social Security Act (ASVG) and section 3 of Austrian Federal Constitutional Law on Age Limits (BVG), an actuarial interest rate of 1.31 % (previous year: 1.10 %) and planned salary increases of 2.00 % (previous year: 2.00 %). As in the previous year, no fluctuation discount was applied in the calculation.

Provisions for anniversary bonuses are made in accordance with IAS 19; provisions are calculated applying an interest rate of 1.10 % (previous year: 0.90 %) and a salary increase of 2.00 % per year (previous year: 2.00 %). The end date of the employment relationship was taken to be 65, taking into account the probability of early retirement in accordance with the age limits of section 607 paragraph 10 of the Austrian General Social Security Act (ASVG) and section 3 of Austrian Federal Constitutional Law on Age Limits (BVG). In addition, a fluctuation discount of 12.77 % (previous year: 8.26 %) was applied. Employee fluctuation is determined on a company-specific basis.

Service costs are spread over the entire service period from joining the company until reaching the statutory retirement age.

The actuarial interest rate for provisions for severance payments and anniversary bonuses is derived from the interest rate on the balance sheet date based on market interest rates of companies with a high credit rating and a remaining term of 20 years for provisions for severance payments and 15 years for provisions for anniversary bonuses.

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

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

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

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

Liabilities

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

3. EXPLANATORY NOTES TO THE BALANCE SHEET

Intangible and tangible fixed assets

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

Financial assets

Investments in affiliated companies

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

	Capital share %	Currency	Equity EUR	Annual net loss EUR	Balance sheet date
Affiliated companies					
FACC Operations GmbH, Ried im Innkreis	100	EUR	131,854,996.61	–27,090,083.43	31.12.2021

Investment securities (book-entry securities)

The book-entry securities represent the surrender values of the pension reinsurance policy for the Group's pension obligations for the financial year from 1 January to 31 December 2021. These are valued at the actuarial reserve confirmed by the insurance company on the balance sheet date.

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

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

Receivables and other assets

Receivables from affiliated companies include receivables from the provision of funds in the amount of EUR 5,300,000.00 (previous year: kEUR 5,300), from the ongoing settlement of accounts in the amount of EUR 14,956,972.93 (previous year: kEUR 14,433), from tax allocation in the amount of EUR 4,855,211.41 (previous year: kEUR 4,855)

Receivables from profit distribution as of 31 December 2019 in the amount of EUR 7,000,000.00 were depreciated in full based on the resolution of the General Meeting of Shareholders of 14 July 2020 to carry forward the entire retained earnings to new account.

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

Deferred items

For the purpose of accrual accounting, deferred items in the amount of EUR 536,374.39 (previous year: kEUR 343) were recorded in the balance sheet as of the balance sheet date 31 December 2021.

Deferred tax assets

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

	31.12.2020 EUR'000	31.12.2021 EUR
Personnel provisions	789	1,130,861.00
Tax loss carry forwards	95,547	132,149,263.60
	96,336	133,280,124.60
Thereof deferred tax assets	24,084	33,320,031.40

The deferred tax assets developed as follows:

As of 01 January 2021		24,084,127.29
Changes recorded for profit or loss		9,235,904.11
As of 31 December 2021		33,320,031.40

In the 2021 financial year, no deferred tax assets were recognized for tax loss carryforwards amounting to EUR 45,020,644,91. The recognition of deferred tax assets on tax loss carryforwards is justified as sufficiently positive results can be expected in the coming financial years.

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

Equity

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

Authorized capital

At the Annual General Meeting on 9 July 2019, a resolution was passed approving the creation of authorized capital. The Management Board is thus entitled, subject to the approval of the Supervisory Board, to increase the share capital by a nominal amount of up to EUR 9,000,000.00 by issuing up to 9,000,000 new shares against cash or non-cash contributions within a maximum of five years from the registration of the authorized capital in the commercial register. The new shares may also be issued to the exclusion of shareholders' subscription rights.

Conditional capital

At the Annual General Meeting on 9 July 2019, a resolution was passed approving the creation of conditional capital. The Management Board is thus entitled, subject to the approval of the Supervisory Board, to increase the share capital by a nominal amount of up to EUR 3,000,000.00 by issuing up to 3,000,000 new shares against cash or non-cash contributions within a maximum of five years from the registration of the authorized conditional capital in the commercial register. This authorized conditional capital serves the purpose of granting stock options to employees, senior executives and members of the Management Board of the company or one of its affiliated companies as part of the company's stock option plan. The capital increase is earmarked for a specific purpose and may only be effected to the extent that option holders exercise their options under a stock option plan of the company.

Provisions

The provisions can be broken down as follows:

	31.12.2020 EUR'000	31.12.2021 EUR
Provisions for severance payments	889	1,112,511.00
Pension provisions	1,977	1,976,625.29
Tax provisions	23,892	33,048,815.92
Other provisions		
Personnel provisions	528	343,501.20
Other	116	359,850.99
	27,402	36,841,304.40

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

Liabilities

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

The liability towards affiliated companies in the amount of EUR 6,401,255.90 exclusively comprises sales tax credits of the Group member FACC Operations GmbH, which is offset via FACC AG due to the fact that both are members of a value added tax group (previous year: kEUR 5,348).

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

	31.12.2020 EUR'000	31.12.2021 EUR
Liabilities towards the regional health care fund	149	73,151.14
	149	73,151.14

No real securities have been provided.

Contingent liabilities

	31.12.2020 EUR'000	31.12.2021 EUR
Other contingent liabilities (guarantees)	198,750	194,583,333.35
	198,750	194,583,333.35
thereof towards affiliated companies	198,750	194,583,333.35

The company has provided guarantees for a loan in the amount of EUR 124,583,333.35 (previous year kEUR 128,750) and for a promissory note loan in the amount of EUR 70,000,000.00 (previous year kEUR 70,000) of FACC Operations GmbH.

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

Total financial obligations arising from the use of property, plant and equipment not recognized in the balance sheet for the next five years amount to EUR 84,718.25 (previous year: kEUR 93). Of this amount, EUR 51,014.46 (previous year: kEUR 63) is attributable to the following year.

4. NOTES TO THE PROFIT AND LOSS STATEMENT

Sales revenue

	2020 EUR'000	2021 EUR
Domestic revenues		
Revenues from managerial activities	11,710	10,789,000.00
	11,710	10,789,000.00

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

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

	2020 EUR'000	2021 EUR
Management	97	230,254.50
Other employees	42	29,472.84
	139	259,727.34

Expenses for pensions are made up as follows:

	2020 EUR'000	2021 EUR
Management	462	331,912.38
Other employees	42	10,882.53
	504	342,794.91

Expenses for severance payments and contributions to corporate employee pension funds include expenses for severance payments of EUR 223,043.00 (previous year: kEUR 98) and contributions to corporate employee pension funds of EUR 36,684.34 (previous year: kEUR 41).

Salary and payroll obligations include expenses of EUR 2,716.00 (previous year: kEUR 6) from the change in provisions for anniversary bonuses.

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

Other operating expenses

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

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

Taxes on income and earnings

Taxes on income and earnings reduced earnings before taxes by EUR – 79,152.50 (previous year: kEUR 2,759). Due to the group agreement no tax amount has been charged to the Group parent in the 2021 financial year (previous year: kEUR 8). Taxes on income include expenses from the reversal of deferred tax assets in the amount of EUR - 85,402.50 (previous year: kEUR 2,758).

As of 13/15 February 2012, Aerospace Innovation Investment GmbH (now FACC AG) as Group parent and the former Aero Vision Holding GmbH and FACC AG (now FACC Operations GmbH) as Group members concluded a group and tax allocation agreement in accordance with the provisions of section 9 of the Austrian Corporation Tax Act (KStG) with first-time effect for the 2012 financial year. On 28 February 2017, a new group agreement was concluded by and between FACC AG and FACC Operations GmbH. In the financial 2021, Colt Prüf und Test GmbH was included in the Group by way of an amendment to the Group agreement dated February 28, 2017.

The tax allocation agreement is in principle based on the stand-alone method according to which a tax allocation amounting to 25% of the positive income attributed by the Group member to the Group parent is to be made. The positive income of the Group member is to be balanced with carried forward negative income of the Group member (loss carryforward), whereby a limited loss deduction of the Group parent has to be taken into consideration. In the event a Group member earns negative income, a negative tax allocation of 25% is to be made to the extent that the negative income is covered by positive comprehensive income of the Group parent.

An agreement on settlement payments of loss carryforwards of the Group member not yet accounted for has been made.

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

5. SUPPLEMENTARY INFORMATION

Events after the balance sheet date

The tax reform was passed on 20 January 2022 in its third reading in the plenary session of the National Council. Among other things, it provides for a gradual reduction of the corporate income tax rate from 25% to 23% (2023: 24%, from 2024: 23%). As of 31 December 2021, FACC AG reports deferred tax assets in the amount of EUR 33,320,031.40. A calculation of these deferred tax assets with a corporate tax rate of 23% results in an impact of maximum EUR 2,665,602.51 as of 31 December 2021.

With regard to the Ukraine-Russia conflict, FACC is not able to make any assessments of general risks (e.g. gas price development, etc.) or the general economic development. There are no significant customer or supplier relationships and therefore the direct risk is classified as low.

There were no other events requiring disclosure.

Non-financial reporting

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

Appropriation of net income

It is proposed to distribute a dividend of EUR 0.00 from the balance sheet profit of EUR 16,251,555.47 and to carry forward the remaining amount to new account.

Relations to related parties and persons

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

Employees

	2020 Heads	2021 Heads
White collar	43	40
	43	40

Management Board

The Management Board of the company consists of the following members:

Robert Machtlinger, Hohenzell
Andreas Ockel, Bubing
Yongsheng Wang, Ried im Innkreis
Aleš Stárek, Salzburg

The members of the Management Board each have joint power of representation together with a further member of the Management Board or an authorized signatory.

The remuneration of the members of the Management Board for the period 1 January to 31 December 2021 was as follows:

	Non-success-related 2021 EUR	Success-related 2021 EUR	Termination benefit 2021 EUR	Employer contribution to pension fund 2021 EUR	Total 2021 EUR
Robert Machtlinger	417,671.38	0.00	25,714.00	170,000.00	613,385.38
Andreas Ockel	376,520.02	0.00	52,145.00	100,000.00	528,665.02
Aleš Stárek	326,520.00	0.00	45,000.00	60,000.00	431,520.00
Yongsheng Wang	311,663.94	0.00	99,999.00[1)]	0.00	411,662.94
	1,432,375.34	0.00	222,858.00	330,000.00	1,985,233.34

[1)]Contains rollups from previous years

Supervisory Board

The Supervisory Board consisted of the following members in the financial year:

Zhen Pang (Chairman)
Weixi Gong
Jiajia Dai
Jing Guo
Qinghong Liu
George Maffeo
Junqi Sheng
Tom Williams
Jürgen Fischer (employee representative since 01 January 2021)
Barbara Huber (employee representative)
Ulrike Reiter (employee representative)
Karin Klee (employee representative)

No members left the Supervisory Board in the 2021 financial year.

The expenses for Supervisory Board members recorded in the Financial Statements amounted to EUR 175,122.22 (previous year: kEUR 257).

Ried im lnnkreis, 11 March 2022

Robert Machtlinger m.p.
Chairman of the Management Board

Andreas Ockel m.p.
Member of the Management Board

Aleš Stárek m.p.
Member of the Management Board

Yongsheng Wang m.p.
Member of the Management Board

Annexes to the Notes:

Annex 1 to the Notes: Table of Assets

FACC AG
Ried im Innkreis

Annex 1
to the Notes

Table of Fixed Assets as of 31.12.2021

	Acquisition and production cost					Accumulated depreciation				Net carrying amounts	
	Balance as of 01.01.2021 EUR	Additions EUR	Transfers EUR	Disposals EUR	Balance as of 31.12.2021 EUR	Balance as of 01.01.2021 EUR	Additions EUR	Disposals EUR	Balance as of 31.12.2021 EUR	Carrying amount 31.12.2021 EUR	Carrying amount 31.12.2020 EUR
I. Intangible assets:											
1. Concessions and rights	0.00	12,774.33	14,405.41	0.00	27,179.74	0.00	3,397.47	0.00	3,397.47	23,782.27	0.00
2. Advance payments	14,405.41	0.00	-14,405.41	0.00	0.00	0.00	0.00	0.00	0.00	0.00	14,405.41
	14,405.41	**12,774.33**	**0.00**	**0.00**	**27,179.74**	**0.00**	**3,397.47**	**0.00**	**3,397.47**	**23,782.27**	**14,405.41**
II. Tangible assets:											
1. Other equipment, furniture and fixtures thereof low-value assets according to section 13 of the Austrian Income Tax Act (EStG)	0.00	1,357.06	0.00	1,357.06	0.00	0.00	1,357.06	1,357.06	0.00	0.00	0.00
	0.00	**1,357.06**	**0.00**	**1,357.06**	**0.00**	**0.00**	**1,357.06**	**1,357.06**	**0.00**	**0.00**	**0.00**
III. Financial assets:											
1. Investments in affiliated companies	267,822,715.00	0.00	0.00	0.00	267,822,715.00	0.00	0.00	0.00	0.00	267,822,715.00	267,822,715.00
2. Securities (book-entry securities)	1,976,625.29	0.00	0.00	0.00	1,976,625.29	0.00	0.00	0.00	0.00	1,976,625.29	1,976,625.29
	269,799,340.29	0.00	0.00	0.00	269,799,340.29	0.00	0.00	0.00	0.00	269,799,340.29	269,799,340.29
	269,813,745.70	14,131.39	0.00	1,357.06	269,826,520.03	0.00	4,754.53	1,357.06	3,397.47	269,823,122.56	269,813,745.70

Management Report of FACC AG for the financial year 2021

1. INDUSTRY ENVIRONMENT

The repercussions of the Covid-19 pandemic were still clearly felt throughout the aviation industry in 2021. Although air traffic volumes made a marked recovery worldwide at the beginning of the year, this upward trend started to vary across regions as the year progressed. Due to ongoing travel restrictions and various entry regulations in individual countries, international air traffic for the year as a whole only reached approximately one quarter of its pre-pandemic volume. Meanwhile, the development of continental air traffic shows that people still have a strong desire to fly. Wherever restrictions were eased, demand for flights to these destinations recovered quickly. Once again, international cargo traffic recorded further growth. In addition to transporting life-saving medical equipment, vaccines were also distributed quickly and efficiently across the globe, thus making an indispensable contribution to the fight against the pandemic.

2021: financial year fraught with numerous challenges

Although the aviation industry made a noticeable recovery, a number of challenges had to be assessed and overcome in 2021. Global economic growth thus slowed in the second half of the year due to supply chain issues, bottlenecks in the labor market and fluctuations in global markets. While demand for certain goods increased, the lack of containers and delays in shipping traffic put a damper on global recovery. The lack of available transport capacities is expected to ease only gradually in the future. According to Deutsche Industriebank, approximately 300 freighters were waiting for clearance in mid-2021, and empty containers were only put back into circulation after substantial delays of up to one week. In addition to disrupted supply chains, the eurozone and the USA in particular were affected by high inflation. Besides raw material shortages, this development was primarily driven by soaring energy prices. At the end of 2021, wholesale gas prices were more than five times higher than in the previous year. According to calculations by the Austrian Energy Agency, the Austrian gas price index (ÖGPI) increased by 30.9 percent, from September to October 2021, in just one month.

Airbus and Boeing increase aircraft deliveries

Airbus delivered a total of 611 aircraft in 2021, which is 8 percent more than in the previous year. Over the same period, Boeing recorded deliveries of 340 aircraft. In total, the two manufacturers delivered 951 aircraft to airline customers in 2021 (2020: 723 aircraft). Relative to 2020, this corresponds to an increase of 228 aircraft. New orders placed with Airbus and Boeing in 2021 totaled 1,042 aircraft (net view). Although the load factor with international flights remains low, the aircraft industry is optimistic about its post-pandemic prospects. Due to the positive developments on the continental markets (USA, Europe, Asia), the airlines are adjusting their demand to the current conditions. Particularly the demand and construction rates for small and medium-haul aircraft are increasing noticeably.

Aviation and sustainability

Air traffic is often falsely portrayed as a mode of transport with an enormous environmental impact. However, the truth of the matter is that aviation only accounts for approximately 2.7 percent of global CO_2 emissions. The aviation industry is intensifying its efforts to become even more sustainable, with the declared goal of achieving carbon-neutral air travel by 2050. The consumption of sustainable aircraft fuel thus increased from 8 million liters in 2016 to more than 100 million liters in 2021. In recent months, the International Air Transport Association (IATA) published a clear roadmap towards net-zero emissions by 2050. This is to be achieved through a combination of sustainable aircraft fuels, alternative propulsion methods and a seamless materials cycle. As part of its Strategy 2030, FACC has also set itself ambitious goals in terms of climate protection. The company aims to achieve these targets on the basis of its outstanding lightweight construction expertise and in close cooperation with its customers.

2. GENERAL INFORMATION

2.1 Information pursuant to Section 243 of the Austrian Commercial Code (UGB)

The FACC Group based in Ried im Innkreis is an Austrian group of companies specializing in the development, production and maintenance of components for the aerospace industry.

Its product range includes structural components (components for fuselages and tail units, fan cowls and composite components for engines, wing parts and winglets) as well as systems for aircraft interiors (complete aircraft cabin systems for passenger aircraft, overhead stowage compartments, cabin linings, service units, interior solutions for business jets, cabin retrofit solutions, etc.).

In addition, the FACC Strategy 2030 was presented in the 2020 financial year. The company's core business will thus be expanded to include drones and autonomous flight mobility as well as lightweight construction systems for space travel. FACC AG is already actively involved in both areas. The first space contract, which was secured in 2021, represents a particularly gratifying achievement.

Due to different applications of the products, three operative segments were created.

- **Aerostructures** is responsible for the development, production, distribution and repair of structural components.
- **Engines & Nacelles** covers the production, distribution and repair of engine components.
- **Cabin Interiors** focuses on the development, production, distribution and repair of interior solutions.
- The product portfolio has been expanded to include **after-market services**, which are of relevance to all three divisions.

After customer contracts have been concluded and the orders processed, the individual orders are then manufactured in the Group's six plants. In addition to the three operative segments, the Group also comprises the central services Finance and Controlling, Internal Audit, Human Resources, Legal, Quality Assurance, Research and Development, Communication & Marketing, Purchasing, IT (including engineering services), Investor Relations, Facility Management and Logistics. The central services support the operating segments in the fulfillment of their tasks within the framework of a matrix organization.

3. DEVELOPMENT OF FACC AG

FACC AG is subject to the duties and responsibilities of a holding company. As the parent company of FACC Operations GmbH, it performs managerial activities and is responsible for the financial services of the Group. The figures of the individual financial statements of FACC AG are prepared in accordance with the Austrian Commercial Code (UGB), and those of the consolidated financial statements of the FACC Group according to IFRS.

The revenues of EUR 10.8 million in the 2021 financial year (2020: EUR 11.7 million) resulted from the settlement of management services to FACC Operations GmbH.

The earnings before taxes of FACC AG amounted to EUR 0.6 million (2020 EUR -5.7 million). The change was mainly based on the fact that the balance sheet profit of FACC Operations GmbH as of 31 December 2019, contrary to the preliminary financial statements, was carried forward in full to a new account, with the result that the receivable from the same phase profit distribution in the amount of EUR 7.0 million in the financial year 2020 had to be written off in full.

FACC AG achieved annual earnings of EUR 0.6 million in the financial year 2021 (2020 annual net loss of EUR -8.5 million). Equity changed in the financial year to EUR 291.2 million compared to EUR 290.7 million in the previous year.

As of the balance sheet date of 31 December 2021, the equity ratio of FACC AG stood at 86.8 percent (2020: 89.6 percent).

4. DEVELOPMENT OF FACC AG

	SFY 2019 in EUR million[1]	2019 unaudited in EUR million[2]	2020 in EUR million	2021 in EUR million
Revenues	653.1	801.3	526.9	497.6
of which product revenues	592.4	725.7	497.7	455.8
of which revenues from development services	60.6	75.6	29.2	41.8
EBIT (reported)	22.1	15.1	–74.4	–25.1
one-time effects	0.0	–13.1	–47.6	29.4
EBIT (operating)	35.2	28.2	–26.8	4.3
EBIT margin (operating)	5.4%	3.5%	–5.1%	0.9%
Earnings per share	0.24	0.16	–1.68	–0.52

[1] Short fiscal year from 1 March 2019 to 31 December 2019
[2] Period from 1 January 2019 to 31 December 2019 (unaudited)

In the 2021 financial year, the FACC Group generated revenues of EUR 497.6 million, representing a decrease of EUR 29.3 million compared to the previous year. Revenues generated in the 2020 financial year are of limited suitability as a consistent reference value as the first quarter was not affected by the Covid-19 pandemic. In all three FACC segments, the programs of the Airbus A320 family constitute a major revenue driver. Moreover, encouraging year-on-year revenue increases were achieved by the products for the Airbus A220 platform. The ARJ-21 program of the Chinese customer COMAC also recorded substantial growth.

Reported earnings before interest and taxes (EBIT) amounted to EUR -25.1 million in the 2021 financial year (2020: EUR -74.4 million). EBIT for the financial year 2021 includes one-time effects, which largely resulted from extraordinary expenses incurred on account of the unexpected negative arbitration ruling on a legal dispute with a supplier.

Despite ongoing major challenges posed by the Covid-19 pandemic, a modest operating result of EUR 4.3 million was achieved in the 2021 financial year (excluding one-time effects).

The optimization program announced at the beginning of the 2020 financial year to sustainably reduce the group-wide cost structure is taking effect, and generated substantial positive results in the 2021 financial year. The measures implemented to cut costs and increase efficiency have been successful and are creating a solid foundation for sustainably improving earnings in the long term when sales will start to rise again more strongly.

4.1 Financial position

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

Financing instruments

The banking policy, procedures for the approval of banking relationships and financing agreements, liquidity and financial asset management, and the management of currency and interest rate risks are set down in FACC's treasury principles. In accordance with the Group's policy, credit lines are managed throughout the Group by the Treasury department.

For information on the company's capacity to raise funds through authorized and conditional capital and on its funding sources, please refer to Note 38 of the Consolidated Financial Statements. FACC has thus created the essential prerequisites for sustainable and stable financing.

In August 2018, FACC Operations GmbH subscribed to a syndicated loan in the amount of EUR 225 million with seven participating banks. FACC AG serves as a guarantor. The loan volume was increased by a further EUR 60 million as of 30 June 2020 (KRR Covid-19 framework credit for large enterprises of the Austrian Kontrollbank). All syndicate banks participated according to their quotas.

A net financial debt/EBITDA ratio of < 3.5 was defined as a financial covenant in August 2018. Due to the proven impact of changed accounting standards (IFRS 15, IFRS 16), the limit was increased from 3.5 to 4.0 in agreement with the syndicate banks with effect from 31 August 2019. The ratio is checked every six months (31 December and 30 June). The creditors have a right of termination in the event that the ratio is exceeded.

The effects of the Covid-19 pandemic also resulted in a persistent decline in earnings and the cash flow in the second half of 2020. They thus had a direct negative impact on the mandatory covenant test as of 31 December 2020. For this reason, FACC proactively initiated negotiations with its syndicate banks in August 2020 in order to temporarily adjust the syndicate agreement to the changed overall conditions. An agreement was reached on 21 December 2020. In addition, the agreement stipulates that no profit distributions are to be undertaken before 30 June 2022. As part of the agreement, the margin grid was also adjusted to the new circumstances.

Due to the ruling of a London arbitration court on the legal dispute with a supplier, which had a negative impact on the earnings and financial situation of the FACC Group, the financial covenant of net financial debt/EBITDA in the syndicated loan agreement had to be readjusted in November 2021. The negotiations with the syndicate banks were successfully concluded on 30 December 2021. The following adjustment to the financial covenant was made:

	31.12.2021	30.06.2022	31.12.2022	30.06.2023
Net financial debt/EBITDA	5.25 [1]	5.25 [2]	4.5	4.0

[1] The result will be corrected for the negative effects of the London arbitration ruling.
[2] EBITDA for the first half of 2022 extrapolated on a 12-month basis

As of the test date 30 June 2023, FACC will reinstate the originally agreed covenant of net financial debt/EBITDA of 4.0.

The EUR 70 million promissory note loan issued in July 2019 contains a clause specifying an interest rate increase of 50 basis points should the net debt/EBITDA ratio exceed a value of 3.75. The ratio is tested annually (31 December).

4.1.1. Liquidity analysis

	SFY 2019 in EUR million	2020 in EUR million	**2021 in EUR million**
Cash flow from operating activities	48.0	13.8	82.3
Cash flow from investing activities	–18.2	–15.2	–11.7
Free cash flow	**29.8**	**–1.4**	**70.5**
Cash flow from financing activities	–43.5	20.7	–45.2
Net change in cash and cash equivalents	**–13.8**	**18.2**	**25.3**
Valuation effects from foreign exchange rate differences	–0.5	–1.5	–2.9
Cash and cash equivalents at the beginning of the period	**90.1**	**75.8**	**92.5**
Cash and cash equivalents at the end of the period	**75.8**	**92.5**	**115.0**

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

Cash flow from operating activities

At EUR 82.3 million, cash flow from operating activities in the reporting year 2021 was EUR 68.5 million higher than the previous year's figure of EUR 13.8 million. This increase is mainly attributable to the positive changes in working capital for inventories, receivables, liabilities and provisions.

Cash flow from investing activities

Cash flow from investing activities amounted to EUR -11.7 million in the reporting year 2021, compared to EUR -15.2 million in the previous year, and includes investments in buildings and machinery for the new production plant in Croatia.

Cash flow from financing activities

In the reporting year 2021, cash flow from financing activities stood at EUR -45.2 million (2020: EUR 20.7 million). Unlike in the previous year, no new financing arrangements were concluded in the financial year 2021.

4.1.2. Net debt

Net debt amounted to EUR 177.8 million on 31 December 2021 (2020: EUR 232.1 million). As of the balance sheet date, cash and cash equivalents of the FACC Group totaled EUR 115.0 million (2020: EUR 92.5 million).

	31.12.2019 in EUR million	31.12.2020 in EUR million	31.12.2021 in EUR million
Promissory note loans	70.0	70.0	70.0
Bonds 2013-20 (ISIN AT00000A10J83)	89.8	0.0	0.0
Other financial liabilities	129.1	254.6	222.8
Gross financial liabilities	289.0	324.6	292.8
Less			
Cash and cash equivalents	75.8	92.5	115.0
Financial assets	75.8	92.5	115.0
Net debt	213.2	232.1	177.8

Net financial debt/EBITDA, a key indicator for group financing, developed as follows:

	31.12.2019 in EUR million[1]	31.12.2020 in EUR million	31.12.2021 in EUR million
Earnings before interest and taxes (EBIT)	22.1	–74.4	–25.1
Plus/less			
Depreciation, amortization and impairment	18.8	50.1	22.8
Amortization of contract performance costs	13.3	11.8	13.9[2]
Impairment of contract performance costs	0.0	2.9	0.0
Negative effects from the London arbitration court ruling			25.5
EBITDA	54.1	–9.6	37.2
Net debt/EBITDA	3.28	N/A	4.79

[1] Value based on an extrapolation over 12 months due to the short financial year 2019.
[2] Amortization of contract performance costs of EUR 21.9 million less one-time payments in December 2021 in the amount of EUR 8.1 million

4.2 Asset position

	31.12.2019 in EUR million[1]	31.12.2020 in EUR million	31.12.2021 in EUR million
Non-current assets	375.7	326.9	323.7
Current assets	361.0	322.7	320.8
Assets	736.7	649.5	644.5
Equity	310.6	243.2	206.0
Non-current liabilities	188.5	179.6	172.6
Current liabilities	237.7	226.7	265.9
Debt	426.1	406.4	438.5
Equity and debt	736.7	649.5	644.5
Equity ratio	42.2%	37.4%	32.0%

[1] Value based on an extrapolation over twelve months due to the short financial year 2019.

4.2.1. Assets

The non-current assets of the FACC Group decreased by EUR 3.2 million to EUR 323.7 million relative to the balance sheet date of 31 December 2020.

Current assets decreased by EUR 1.9 million compared to the same period of the previous year. In contrast, cash and cash equivalents increased by EUR 22.5 million to EUR 115 million as of the balance sheet date of 31 December 2021. Inventories decreased by EUR 14.8 million to EUR 90.8 million, and trade receivables fell by EUR 8.4 million to EUR 53 million.

4.2.2. Equity

Equity of the FACC Group stood at EUR 206.0 million at the end of the reporting year. This corresponds to an equity ratio of 32 percent as of 31 December 2021 (2020: 37.4 percent).

4.2.3. Debt

Within non-current liabilities, other financial liabilities decreased by EUR 3.6 million to EUR 9.6 million.

Within current liabilities, trade payables increased by EUR 26.3 million to EUR 53.3 million relative to the previous year. This increase is the result of active working capital management.

Other financial liabilities were subject to only minor fluctuations in the financial year 2021. Compared to the previous year, no new financing agreements were concluded in the year under review.

5. DEVELOPMENT OF THE SEGMENTS

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

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

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

5.1 Aerostructures segment

	SFY 2019 in EUR million	2020 in EUR million	2021 in EUR million
Revenues	240.2	184.7	167.5
EBIT (reported)	22.6	–26.7	–28.5
EBIT margin (reported)	9.4%	–14.5%	–17.0%
One-time effects	–8.3	–22.2	27.8
EBIT before one-time effects	30.9	–4.5	–0.8
EBIT margin (before one-time effects)	12.8%	–2.5%	–0.4%

Revenues in the Aerostructures segment amounted to EUR 167.5 million in the 2021 financial year (2020: EUR 184.7 million). With regard to the previous financial year, the revenues generated in the first quarter of 2020 are of particular importance. They are only suitable as a reference value to a limited extent as Q1 2020 was not affected by the Covid-19 pandemic. FACC's production share on long-haul aircraft platforms in the Aerostructures segment is higher than in other areas. As the Covid-19 pandemic continues to impact intercontinental air traffic in particular, the market for long-haul aircraft is recovering at a much slower pace. Due to the lack of demand, construction rates are only slowly being raised to their pre-pandemic levels.

In the Aerostructures segment, reported earnings before interest and taxes (EBIT) amounted to EUR -28.5 million in the 2021 financial year (2020: EUR -26.7 million). Reported EBIT in this segment was significantly influenced by the provisions for the lost legal dispute.

5.2 Engines & Nacelles segment

	SFY 2019 in EUR million	2020 in EUR million	2021 in EUR million
Revenues	152.4	115.3	103.7
EBIT (reported)	6.0	–22.9	8.7
EBIT margin (reported)	3.9%	–19.9%	8.4%
One-time effects	–1.2	–11.9	0.9
EBIT (before one-time effects)	7.1	–11.0	9.6
EBIT margin (before one-time effects)	4.7%	–9.6%	9.3%

Revenues in the Engines & Nacelles segment totaled EUR 103.7 million in the 2021 financial year (2020: EUR 115.3 million). In this segment, revenues were impacted in particular by the reduced construction rates of the Boeing 787 and Airbus A350 programs. In addition to the products of the Airbus A320 family, the business jet platforms also made a positive contribution to earnings.

In the Engines & Nacelles segment, reported earnings before interest and taxes (EBIT) in the financial year 2021 amounted to EUR 8.7 million (2020: EUR -22.9 million).

5.3 Cabin Interiors segment

	SFY 2019 in EUR million	2020 in EUR million	2021 in EUR million
Revenues	260.5	226.9	226.4
EBIT (reported)	–6.5	–24.7	–5.2
EBIT margin (reported)	–2.5%	–10.9%	–2.3%
One-time effects	–3.7	–13.5	0.7
EBIT (before one-time effects)	–2.9	–11.2	–4.5
EBIT margin (before one-time effects)	–1.1%	–4.9%	–2.0%

Revenues in the Cabin Interiors segment stood at EUR 226.4 million in the 2021 financial year (2020: EUR 226.9 million). In addition to the Airbus A320 family, particularly the ARJ 21 program of the Chinese customer COMAC recorded significant growth in the Cabin Interiors segment.

Reported earnings before interest and taxes (EBIT) in the Cabin Interiors segment amounted to EUR -5.2 million in the 2021 financial year (2020: EUR -24.7 million).

5.4 Segmental representation of one-time effects

	Aero-structures	Engines & Nacelles	Cabin Interiors	Total in EUR million
Revenues	167.5	103.7	226.4	497.6
Earnings before interest and taxes (EBIT)	–28.5	8.7	–5.2	–25.1
thereof legal disputes	25.5	0	0	25.5
thereof staff reduction costs	0.7	0.9	0.7	2.3
Changes in estimates	1.6	0.0	0.0	1.6
Adjusted EBIT	–0.8	9.6	–4.5	4.3
EBIT margin	–0.4%	9.3%	–2.0%	0.9%

6. RISK REPORT

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

The respective risk owner bears direct responsibility for risk management. The Vice President Controlling/Investor Relations/Enterprise Risk Management reports directly to the Management Board, which assumes overall responsibility for risk management. As part of the risk management process, both risks that have occurred and potential future risks are continuously monitored and evaluated by the operative units and reported to the Management Board twice a year in the course of the Management Reviews. In addition, the top-15 risks in the Group are reviewed in detail every quarter. Exceptional events, moreover, are reported immediately to the responsible risk owner or to the Vice President Controlling/Investor Relations/Enterprise Risk Management. The latter decides whether the Management Board is to be notified straight away, which in turn informs the Supervisory Board at its meetings.

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

The following key risk areas have been identified:

6.1 Management risks

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

Short-term changes in the market constitute the greatest risk. In addition, successful operational implementation must be continuously questioned and reassessed due to external factors, which often can scarcely be influenced.

FACC's management is responsible for monitoring the consistent policy implementation while promptly responding to short-term changes in line with the defined strategy. In doing so, it must be ensured that the strategic direction of the company as well as the planned revenue and earnings targets continue to be observed.

6.2 Sales risks

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

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

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

6.3 Procurement and supplier risks

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

6.4 Business interruption risk

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

6.5 Project management

Project management at FACC is responsible for implementing the objectives defined by management by way of concrete projects. In this regard, projects are differentiated according to whether FACC is to assume development responsibility or not. Feasibility is assessed for each contract, and the risks associated with the project are identified, evaluated as well as closely monitored and analyzed during the course of the project in order to initiate and implement appropriate measures, if deemed necessary. The major risks concern external factors, which the project team encounters via the company's interfaces or via third parties.

6.6 Product liability and quality risks

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

Projects for which FACC bears development responsibility are subject to greater risks due to the possibility of construction errors. This can, however, be effectively minimized through systematic action. Regular controls at all stages of development mitigate risks early on. Moreover, FACC operates an archive system for quality records, which are either contractually stipulated or go beyond contractual obligations in individual cases. This is to demonstrate that services were rendered and products manufactured according to specifications defined and approved by both customers and the aviation authorities.

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

6.7 Financial risks

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

6.7.1. Currency risks

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

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

The risk management conducted by the Group's Accounting & Treasury department pursues the objective of an average hedge ratio of 80 percent of expected net cash flows in USD (revenues less purchases of raw materials) for the following 12 months (on a rolling monthly basis). If market levels are favorable, hedging periods can be extended to up to 36 months. Sensitivity analyses showing the effects of hypothetical changes in exchange rates on the Consolidated Profit and Loss Statement and on equity were carried out for the currency risks of financial instruments. According to IFRS 7, currency risks result from financial instruments of a monetary nature that are not denominated in the reporting company's functional currency. As a consequence, receivables, liabilities, means of payment and foreign currency derivatives serve as the basis for calculating the sensitivity of the Consolidated Profit and Loss Statement. The sensitivity of equity also reflects the valuation effects of the cash flow hedges for foreign currency risks recorded in other comprehensive income. Translation differences from the translation of financial statements drawn up in a currency other than the Group currency were not included in the calculation. A change in the EUR-USD exchange rate of +5% would have resulted in a change in equity in the amount of kEUR 6,924 in the 2021 financial year (2020: kEUR 3,338). A change in the EUR-USD exchange rate of -5% would have resulted in a change in equity in the amount of kEUR -7,653 in the 2021 financial year (2020: kEUR -3,689).

6.7.2. Interest rate risks

Interest rate risks depend on the average financing term and the type of interest. Fixed interest rates are subject to the risk of falling interest rates, whereas variable interest rates carry the risk of rising interest rates. In addition, the persistently low interest rates in the euro area entail the risk of banks charging negative interest on current account balances denominated in euros.

An increase in interest rates by 50 basis points in 2021 would have resulted in a reduction in earnings after taxes and in equity of kEUR 616 (2020: kEUR 691). A reduction in interest rates by 50 basis points would have resulted in an increase in earnings after taxes and in equity in the amount of kEUR 621 (2020: kEUR 620). The calculation is based on variable interest-bearing assets and liabilities. In the course of the financial year, all core banks of FACC in the euro area started to charge negative interest on balances exceeding defined thresholds. The resulting interest costs amounted to kEUR 23 (2020: kEUR 10) and are recorded in the financial result.

6.8 Risks related to administrative and production systems

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

6.9 Risks related to information security

Information security risks are on the rise, while cyber threats are constantly evolving. FACC is also exposed to these risks due to its increasing vulnerability to attacks as a result of ongoing digitalization and the growing number of work activities performed from home. Incidents resulting in the loss, corruption or encryption of critical or sensitive data can lead to reputational damage and financial losses. FACC counteracts these risks through regular training sessions to raise awareness among its staff, and by implementing systemic measures.

6.10 Risks related to intellectual property

Intellectual property from research and development activities is a key success factor for securing FACC's competitiveness in the long run. Protecting intellectual property against misuse and theft is therefore a key concern of the company. To this end, FACC makes use of instruments such as confidentiality agreements and patents. However, this does not completely exclude misuse or potential negative consequences resulting from patent disputes.

Furthermore, FACC operates in a growing high-tech environment with a very large patent landscape. In order to avoid unintentional patent infringements as far as possible, FACC conducts extensive patent research; nevertheless, a residual risk always remains.

6.11 Risks resulting from legal disputes

FACC is occasionally involved in various civil lawsuits. For some of these proceedings, provisions are created to cover potential liabilities, in line with the assessment of the legal advisors involved.

These provisions, however, do not cover cases where a negative outcome of certain proceedings is highly unlikely, or where the outcome can currently not be quantified. Negative developments in legal proceedings may, under certain circumstances, damage the reputation of FACC.

6.12 Special risks in connection with the Covid-19 pandemic

The Covid-19 pandemic resulted in a massive drop in revenues and earnings throughout the entire aircraft industry. Against this backdrop, FACC implemented an extensive bundle of adjustment measures (e.g. efficiency enhancement programs, adjustment of its headcount, vertical integration of components/component groups, application for government support programs, and reduction of fixed costs). In spite of these measures, the global impact of the pandemic on virtually all areas of civil aviation and the resulting effects on FACC's liquidity and earnings directly reduced the Group's risk-bearing capacity. Risk management processes at FACC therefore focus more strongly on the following risks, which increased in the wake of the Covid-19 pandemic.

There is an increased risk of a rise in corporate insolvencies in the industry once the direct financial support schemes granted by governments worldwide come to an end. Moreover, a continuation of the pandemic and the associated restrictions may impose constraints on both FACC and its business partners (e.g. due to official orders, the loss of key employees, the interruption of supply and logistics chains). This can potentially affect the entire production and value chain and lead to increased uncertainties at FACC, especially with regard to supplier stability, the availability of materials, revenue and earnings planning, as well as liquidity planning.

A decline in the planned sales figures due to a prolongation of the Covid-19 pandemic and the associated travel restrictions may lead to negative deviations in the planned revenue and earnings development. A resulting decline in cash flow or earnings could increase the risk of breaching the adjustment provision of the financial covenant (net debt/EBITDA) in the syndicated loan agreed with FACC's core banks in December 2021. This could theoretically give rise to a right of termination on the part of the syndicate banks.

These specific risks are monitored and evaluated as part of the risk management process and mitigated by appropriate countermeasures (e.g. intensification of risk assessments in the supplier and customer areas, increased personnel marketing activities, strict cost and investment controlling, rigorous collection of receivables).

7. RESEARCH, DEVELOPMENT AND INNOVATION

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

In the 2021 financial year, FACC spent EUR 43.9 million, i.e. just under 9 percent of its revenues, on business-related and customer-specific research and development activities.

FACC considers being active, and responding promptly, in the field of research and innovation to be a fundamental guarantee of the future success of the company, and will therefore continue to regard this as the main approach in order to distinguish itself from its competitors on the market. FACC is working intensively on the efficient production of fiber composite components and their carbon impact in order to support the achievement of the stipulated climate targets. The core objective of FACC's Research and Development department is to explore new manufacturing technologies that allow for high-rate and climate-friendly production.

At a general level, FACC is constantly working on new product solutions and manufacturing technologies. The company is currently focusing its research on five major topics:

- Urban Air Mobility (UAM) and space
- Thermoplastic manufacturing processes and rate increases in FACC's core business
- Sustainable and fast-curing materials

Patents and awards

In 2021, FACC was presented with the Best Supplier Award in the category Program Development by Embraer. Furthermore, several patents were once again successfully registered.

UAM and space

Urban Air Mobility (UAM) offers the possibility of industry-specific product diversification. FACC views the application of aviation know-how and the relevant production standards, also in this growth market, as an opportunity and a mission. In the 2021 financial year, further development projects were launched in the area of freight transport by means of UAM. Through intensive cooperation with various customers, additional know-how that will support further development activities was generated. Another milestone supporting the implementation of FACC's Strategy 2030 is the project launch of the Astris kick stage, a structural system of the ARIANE 6 family of launch vehicles. The objective of FACC is to supply the load-bearing structure of the kick stage, made of carbon fiber-reinforced plastic, by drawing on its lightweight construction expertise in the field of aviation. The focus is on developing an efficient production solution with reduced weight.

Thermoplastic manufacturing processes and rate increases

FACC has been working on the efficient processing of thermoplastic fiber composites (TPC) for the high-rate production of structural components for civil aviation for several years. In 2021, two Airbus structural components of the "Wing of Tomorrow" research project were successfully manufactured from TPC. The individual components were formed in just a few minutes using press molds, and then joined by means of induction welding. Further research is being conducted at the LIT Factory in Linz and at the TPRC in Enschede in order to ensure the rapid development of the technology.

Sustainable and fast-curing materials

Implementing a circular economy and meeting EU climate targets are challenges that can be supported by an intelligent choice of materials and manufacturing processes. FACC is working on material systems based on renewable resources and fast-curing material systems in order to reduce process times and energy consumption in manufacturing. FACC is part of the Airbus LCA Supplier Council in order to evaluate the CO_2 reduction targets and is also involved in the collection of data for the subsequent life cycle assessment.

8. EMPLOYEES

As of 31 December 2021, the total headcount of the FACC Group amounted to 2,538 full-time equivalents (2020: 2,655 FTE).

In Austria, 2,202 FTE were employed as of 31 December 2021. This corresponds to approximately 86.8 percent of the Group's total workforce.

	Blue-collar	White-collar	Total
Central Services	183.1	388.2	571.3
Aerostructures	473.5	162.7	636.2
Engines & Nacelles	192.3	89.1	281.5
Cabin Interiors	480.5	145.3	625.8
Subsidiaries	130	252	382
FACC AG	0	41.1	41.1
Total	1 459.5	1 078.4	2 538.0

The international nature of FACC is also reflected in its personnel structure. Employees from 42 different countries and from all continents are currently working at the Austrian locations. 58 percent of the workforce has Austrian citizenship, and 18 percent are German nationals. For a technology company, FACC's share of women in the total workforce remains high at 27 percent. The fact that nearly 54 percent of FACC's apprentices are women is particularly pleasing.

8.1 Corona management at FACC

FACC decided at an early stage to introduce a proactive and comprehensive corona crisis management, led by a corona task force. In addition to the Management Board and company physicians, this panel also includes selected management and staff representatives. A dedicated 24/7 corona hotline was available from the outset to address employees' questions and concerns. Numerous protective measures were implemented, including the distribution of mouth and nose protection and FFP2 masks, free of charge. Where possible, employees worked from their home office, and teams were divided into two shifts, with shift work in production adjusted accordingly. Internal corona tests were also introduced at an early stage. To date, more than 60,000 Covid-19 tests have been carried out at the Austrian locations. A very high participation rate of approximately 99 percent testifies to the strong acceptance of the measures among the workforces. As a result, there were fewer Covid-19 infections compared to nationwide figures. This was also reinforced by in-house vaccination lines. After a continuous increase in 2021, an immunization rate (vaccinated or recovered) of 82 percent was achieved at the Austrian sites in January 2022. Employees at all locations had the opportunity to take part in a vaccination lottery and win one of ten new iPhone 13 devices.

8.2 Motivation and health: FACC as a pioneer of employee satisfaction

In challenging times, having a motivated and committed workforce becomes all the more important. FACC recognized this early on and has therefore been offering a wide range of measures to maintain and promote employee health, motivation and satisfaction as part of its "Healthy and Happy" campaign for several years. However, also in 2021, numerous activities had to be canceled due to the Covid-19 pandemic. Nevertheless, many of the familiar and popular measures were continued to the extent possible. FACC thus offers its employees subsidized childcare both throughout the year and during the summer holidays in its Kids Clubs. Alongside St. Martin, a new Kids Club was opened in Ried in the spring of 2021 in order to provide even more employees with high-quality childcare for their children. In addition, a large number of employees took advantage of the opportunity to get vaccinated against TBE and influenza on the company premises. As one of the first companies in Austria, FACC was able to offer its employees and their next of kin the opportunity to receive a Covid-19 vaccination at work. With the first vaccination line introduced in early summer and the second one in the fall, FACC has made an active contribution to supporting immunization through easily accessible vaccinations. The distribution of isotonic beverages in production during the summer months, and a blood drive in the fall, are further contributions that FACC makes to the health of its employees. These and other measures are implemented within the scope of the "Healthy and Happy" campaign, for which FACC was awarded the seal of approval for workplace health promotion (BGF) by the Upper Austrian Regional Health Insurance Fund in 2017. Recertification until 2022 was successfully completed in 2019. In Austria, the BGF seal of approval is regarded as a visible sign and recognized standard for high-quality workplace health promotion.

8.3 FACC Academy

Continuous investment in the human capital of its entire workforce is a key factor contributing to the corporate success of FACC. The Group is committed to lifelong learning and, for this purpose, offers its employees a wide range of extra-occupational education and further training opportunities. The FACC Academy, which serves as the central hub for all training activities, organized 196 internal training sessions with a total of 1,452 participants in the 2021 financial year. In addition, 24 external training sessions attended by 282 employees were held.

In order to make responsible use of its employees' time resources, FACC has been offering selected training courses via e-learning for a long time. E-learning content is also created by internal developers, thus specifically tailoring the offering to the requirements of the workforce and the company. In addition to e-learning in the areas of "SAP Basic", "SAP Advanced" and "System Management", web-based training courses are also available on topics such as "Export Control Advanced", "Known Consignor", "Counterfeit & Suspected Unapproved Parts", "Construction Deviation", "Material Flow", "Foreign Object Damage" (FOD; refers to the damage to aircraft or aircraft components caused by foreign bodies or substances), "Emergency Preparedness & Response", "Waste Separation and Wrong Objections", "Fire Protection", "General Documentation" and "Health & Safety for White-Collar". The learning units can be completed directly at the workplace via FACC's SAP system.

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

8.4 Global family

As an international corporation with employees from 42 countries, FACC attaches great importance to cross-cultural dialogue. In order to ensure good cooperation between staff, a large number of its employees attend language and intercultural training courses. Unfortunately, in 2021, substantial cuts had to be made here too due to the Covid-19 pandemic.

Traditional company-wide events such as anniversary celebrations and the Christmas party regrettably had to be cancelled. Nevertheless, FACC was able to hold a family day in October. Employees as well as their families and friends were invited to celebrate FACC's return to a more stable environment after the downturn in the aviation industry caused by the Covid-19 crisis. Corporate formats such as the quarterly "Flight Club", on the other hand, were transferred to the internet. The numerous cooperative partnerships with authorities, foundations, schools and research-related institutions were continued, wherever possible, to ensure that FACC will be in a position to bring the right employees and the right know-how back on board quickly, also after the crisis has been overcome.

8.5 In-house development of young talents

FACC also gives high priority to the training of its apprentices. At the end of the 2021 financial year, a total of 37 apprentices were enrolled in six different apprentice training programs at FACC. As a visible recognition of the quality of its apprentice training, the company was awarded the "State-Honoured Training Company" prize by the Federal Ministry of Science, Research and Economy.

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

8.6 FACC grant

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

9. SUSTAINABILITY MANAGEMENT

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

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

10. REPORT ON BRANCH OFFICES

FACC AG does not operate any branch offices.

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

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

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

The key features of risk management and the internal control system are laid down in FACC’s risk management and finance manuals. Among other things, these manuals describe and identify key finance and controlling processes and their associated risks.

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

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

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

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

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

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

The FACC Group’s share capital amounted to EUR 45,790,000 as of 31 December 2021 and is divided into 45,790,000 no-par value bearer shares. All shares have been admitted to trading in the Prime Market segment of the Vienna Stock Exchange. Each share corresponds to one vote at the Annual General Meeting.

As of 31 December 2021, AVIC Cabin Systems Co. Limited (formerly FACC International Company Limited) held, either directly or indirectly, 55.5 percent of the shares of FACC.

As of the balance sheet date of 31 December 2021, no other shareholders were known to hold more than 10 percent of the share capital.

The free float of FACC shares amounted to 44.5 percent or 20,397,364 shares on 31 December 2021.

There are no shares conferring special control rights.

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

11.3 Authorized capital

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

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

11.4 Conditional capital

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

11.5 Provisions for the appointment of the Management Board and Supervisory Board

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

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

11.6 Other disclosures

As of 31 December 2021, FACC AG held no treasury shares.

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

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

Agreements regarding the promissory note loan of 2019 and the syndicated loan financing of 2018 include change-of-control clauses. Lenders shall be entitled to exercise their right of termination if

- a person or a group of persons acting in concert acquires (direct or indirect) control over the guarantor (FACC AG), or

the guarantor (FACC AG) no longer directly or indirectly holds or controls at least 75 percent of the capital shares or voting rights of the borrower (FACC Operations GmbH).

12. OUTLOOK

12.1 Global influences and trends

Air traffic volumes before and after corona

Following the virtual standstill of passenger air traffic for the first time in history at the beginning of 2020, the market has been showing signs of positive development in recent months, and the forecasts for 2022 and beyond remain promising. Travel restrictions are increasingly being eased, and the demand for flights is on the rise again. A key indicator used in the aviation industry is revenue passenger kilometers (RPK) per year. As already mentioned in the general market section, revenue passenger kilometers worldwide increased by 18 percent in 2021. The majority of forecasts for passenger air traffic predict renewed annual growth of 3 to 4 percent in the medium term, thus building on pre-pandemic dynamics. Private travel, in particular, is recovering fast. Once restrictions are eased or lifted altogether, the number of travelers is set to increase again. Video conferencing has been a substitute for business travel in the last two years, but here, too, an upturn is in sight in the medium term.

Global fleet

Whereas a year ago the headlines were dominated by the high number of grounded aircraft, peaking at almost 7,200, the sustained growth in flight bookings in mid-2021 reduced the amount to 3,400 inactive aircraft, the lowest number since the onset of the pandemic.

In addition to the annual growth in passenger traffic volumes, the need for more fuel-efficient aircraft is also increasing. Airline demand is therefore shifting from fleet expansion to fleet renewal. The rising price of oil is further fuelling this trend. According to Airbus and Boeing, the demand for short and medium-haul aircraft such as the Airbus A220 and Airbus A320 families is expected to amount to approximately 30,000 over the next 20 years. The need for long-haul aircraft such as the Airbus A350 or the Boeing B787 is estimated at around 4,000 aircraft by 2040. The demand for wide-body aircraft (Airbus A350, Boeing B787) is expected to return to its pre-pandemic level by 2023/2024 at the latest, according to current estimates.

Development of individual market segments (short and long-haul aircraft, business jets)

Key aviation markets continued to stabilize in the second half of 2021, resulting in an increase in customer call-offs, particularly for short and medium-haul aircraft. According to current forecasts, the continental markets in the USA, Asia and Europe should continue to develop positively. Airlines are beginning to restock their fleets, especially on short and medium-haul platforms. In line with the rising demand, OEMs are starting to steadily increase their production rates. FACC therefore expects the Airbus A320 family to ramp up as scheduled. This platform is of particular importance to FACC, as it generates approximately 30 percent of its annual revenue from products for this aircraft.

Demand for wide-body and long-haul aircraft remains stable, thereby still falling short of the pre-pandemic construction rates, as international travel between continents remains severely curtailed. Due to the ongoing restrictions placed on international travel as a result of the Covid-19 pandemic, the market for long-haul aircraft is recovering at a slower pace than anticipated. Planning at FACC for the Airbus A350 and Boeing B787 platforms therefore still assumes constant production rates.

The business jet segment is also developing satisfactorily, and demand is therefore expected to continue to grow steadily. This is of key importance for FACC's business development, as approximately 15 percent of its product sales are generated in the business jet segment.

Climate targets and effects on the aircraft industry

With the Green Deal, the European Union has set itself the binding goal of becoming carbon-neutral by 2050. As an intermediate step, emissions are to be reduced by at least 55 percent by 2030 relative to 1990.

In addition to the challenges this entails, it also opens up numerous opportunities. With the increasing shift to environmentally friendly road traffic, the reduction of emissions in international air and maritime transport is becoming another primary goal.

FACC is already actively working on novel materials and product technologies. Two major goals go hand in hand: systematic sustainability and continuously increasing competitive strength. FACC is intensively researching new lightweight materials and their processing methods. These combine several advantages: they are resistant and durable, offer a long service life, and save fuel and thus CO_2 in flight operations due to their low weight. Consistent innovation and improvement steps are also being taken in manufacturing: one focus is on reducing the curing time of components, which saves energy and reduces CO_2 emissions.

The recyclability of components will constitute another focus of research and development in the coming years. Chemical product components are thus to be replaced by biological materials, for instance from the sugar cane industry.

12.2 The FACC Group

FACC is able to benefit from the increasing demand in the short and medium-haul aircraft segment and its business jet projects, and signed contracts with a volume in excess of USD 1 billion in 2021. To respond to the increased order intake for 2022, FACC is hiring more than 200 new members of staff at its Upper Austrian locations and will be investing EUR 150 million over the next five years.

Main projects in the 2022 financial year

The overarching goal of FACC remains to secure sustainable profitability. By increasing manufacturing rates and new orders, FACC is ensuring stable growth in 2022, and is now benefiting from the efficiency enhancement measures implemented in 2020 and 2021.

- An important cornerstone of the ongoing working capital optimization for 2022 is the roll-out of a supply chain financing program. This will also provide financial support to the FACC supply chain. In order to support and ensure the stability of its supplier structure, FACC launched a supply chain task force in 2021, intended to ensure a smooth ramp-up of rates.

- The new site in Croatia successfully started the ramp-up of production in December 2021. The first Interiors programs are currently being manufactured successfully at the new plant, with production ramped up step by step. In parallel, evaluations are being conducted to further increase production capacities in Croatia. The first contributions to improving profitability in the Cabin Interiors segment are expected for the first half of 2023.

- The 2022 investment program will continue to be implemented in a targeted manner, with a focus on new customer projects, and is planned at the level of the previous year. Innovation projects relating to the development of new processes and materials will be driven forward, particularly with regard to sustainability.

- Compensatory damages and the reimbursement of costs arising from the London arbitration ruling were not settled in the 2021 financial year, and will be paid in the second half of 2022 at the earliest. FACC expects a cash charge of up to EUR 22 million with an impact on liquidity. All effects on earnings resulting from the London arbitration proceedings were processed in 2021.

- Activities in the new UAM and space segments will be further intensified in 2022. Rate ramp-ups in the area of drones with a second customer are planned for 2022.

After a year of stabilization, FACC AG is back on track for growth in 2022. For the current financial year, an increase in revenues of approximately 10 percent is expected. Accordingly, planned EBIT is set to develop positively and reach a low double-digit EUR million range. Specifically, management expects operating EBIT to triple in the 2021 financial year.

With regard to the Ukraine-Russia conflict, FACC is not able to make any assessments of general risks (e.g. gas price development, etc.) or the general economic development. There are no significant customer or supplier relationships and therefore the direct risk is classified as low.

Ried im Innkreis, 11 March 2022

The Management Board

Robert Machtlinger m. p.
Chairman of the Management Board

Andreas Ockel m. p.
Member of the Management Board

Aleš Stárek m. p.
Member of the Management Board

Yongsheng Wang m. p.
Member of the Management Board