

# POSITION REPORT

FACC

Annual Report 2020

## FACC 2030

Committed to the sky



		2018/19	SFY 2019	2020
Revenues	EUR million	781.6	653.1	526.9
of which Aerostructures	EUR million	335.7	240.2	184.7
of which Engines & Nacelles	EUR million	168.5	152.4	115.3
of which Cabin Interiors	EUR million	277.4	260.5	226.9
EBITDA	EUR million	74.8	54.1	-10.5
EBIT	EUR million	43.6	22.1	-74.4
of which Aerostructures	EUR million	37.6	22.6	-26.7
of which Engines & Nacelles	EUR million	9.5	6.0	-22.9
of which Cabin Interiors	EUR million	-3.5	-6.5	-24.7
EBIT in percent of revenues	%	5.6	3.4	-14.1
Cashflow from operating activities	EUR million	63.3	48.0	12.7
Cashflow from investing activities	EUR million	-35.7	-18.2	-15.2
Headcount (at year-end)	FTE	3.465	3.371	2.655
Net working capital	EUR million	172.7	170.0	167.6
Net financial debt	EUR million	180.9	213.2	232.1
Net financial debt/EBITDA		2.42	3.28 <sup>1)</sup>	N/A
Equity	EUR million	299.0	310.6	243.2
Equity ratio	%	41.2	42.2	37.4
Balance sheet total	EUR million	725.8	736.7	649.5
Trading volume	Shares	64,075,748	39,977,526	33,773,814
Average daily trading volume	Shares	259,416	159,910	133,493
Yearly high	EUR	24.25	15.2	12.86
Yearly low	EUR	12.64	9.06	4.70
Closing price	EUR	13.82	11.2	8.49
Annual performance	%	-35.4	-20.1	-28.1
Market capitalization	EUR million	632.8	510.1	388.7
Dividend per share	EUR	0.15	0	0

<sup>1)</sup> Value is based on an extrapolation to twelve months



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EUR **526.9** million  
revenues

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EUR **-26.8** million  
operating EBIT

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EUR **47.6** million  
one-off effects

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EUR **-74.7** million  
reported EBIT

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**37.4** %  
equity ratio

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EUR **60** million  
additional liquidity

# CONTENTS

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## FACC at a glance

**p. 6**

Technology know-how and high-end solutions for the global aerospace industry.

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## Interview with the Management Board

**p. 22**

The members of the Management Board talking about challenges and new opportunities.

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## Aerospace market

**p. 32**

Market environment with long-term growth prospects and new business areas.

---

## Cover story

**p. 36**

Setting the course for the future: FACC defines its strategy 2030.

---

## The 2020 financial year

Share & Investor Relations ..... p. 58

Corporate Governance ..... p. 61

Report of Supervisory Board..... p. 66

**2020 Financial Report ..... p. 68**

Group Management Report

Consolidated Profit and Loss Statement

Consolidated Statement of Comprehensive Income

Consolidated Statement of Financial Position

Consolidated Statement of Changes in Equity

Consolidated Statement of Cash Flows

Notes to the Consolidated Financial Statements

Statement of all Legal Representatives

Auditor's Report

Glossary .....p. 142

Service/imprint ..... p. 143

# DARING TO CHANGE

The economic cuts of 2020 proved painful for the aviation industry – and thus for us as well. 2021 will not be easy either. Although volatility in demand forecasts has decreased significantly, complete stabilization will not set in until the global pandemic is under control. To put it in a nutshell: FACC was hit hard by the corona pandemic and set back several years with the loss of around a quarter of a billion euros in revenues and a markedly negative EBIT. Nevertheless, we are convinced that the aviation industry along with the aircraft industry will recover – albeit at a slower pace than in previous crises, according to current forecasts. The thirst for global mobility will remain unbroken in the long term, and experts estimate that travel volumes should return to pre-pandemic levels from 2024 – and continue to rise in the years thereafter.

The market for aircraft has adjusted to the impact of the global corona crisis – and so has FACC. With a clear commitment to 100 percent performance, we are proactively adapting to the challenging present, and also to the demands of the future, in order to live up to our reputation as a leading and financially sound technology company with agility and the highest quality. In this spirit, we took advantage of the past year to formulate our strategy for the next ten years in addition to conducting our thoroughly challenging day-to-day business. One of the key questions asked was which sectors we wish to be involved in over the next few years. We embarked on this discussion with an open mind and without reservations. Ultimately, the result of our assessments was clear: aerospace remains the industry in which we see by far the greatest opportunities and potential for FACC.

In an environment characterized by population growth, urbanization, globalization, digitalization and climate change, we will therefore continue to focus on offering innovative solutions for aviation. In addition, we are stepping up our activities in the urban air mobility segment, where we have already established a solid position in recent years. Finally, as a third pillar, we are looking to expand into the field of space travel, which promises growing potential as a result of the increasing number of private-sector players. To this end, we have three phases in mind: an initial phase of gradual economic recovery after corona,



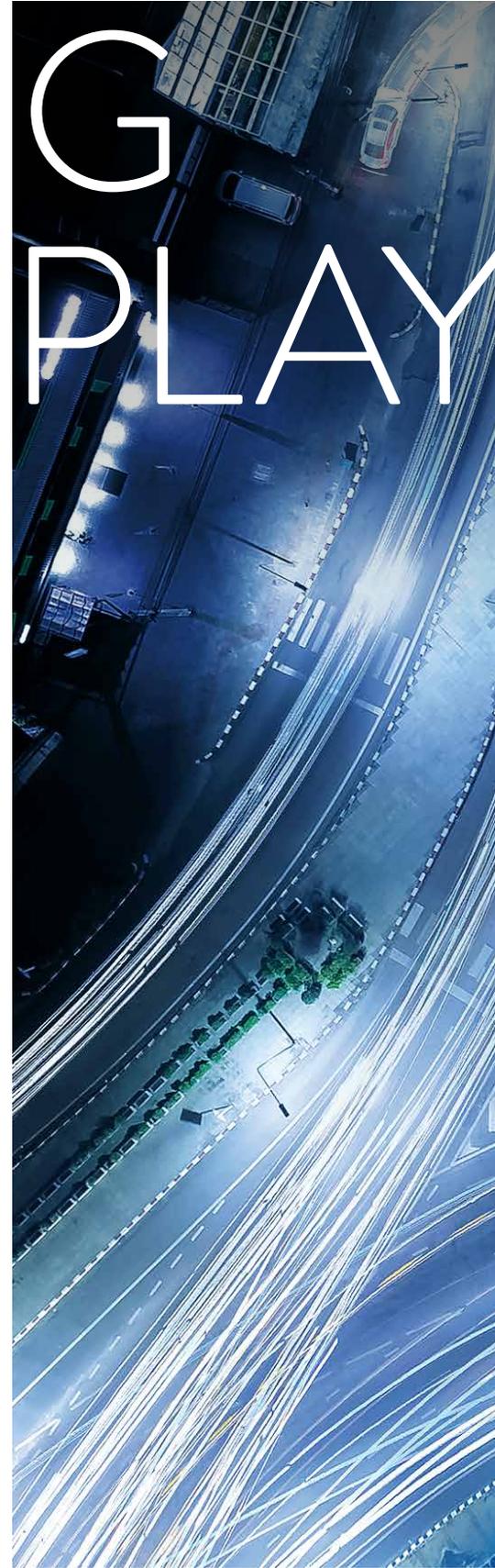
followed by a phase in which we aim to make existing aircraft more efficient with technologically redesigned products and offer our existing customers more highly integrated systems, and finally a third phase in which we seek to successfully shape our future by entering new markets.

Understanding and responding to global trends is important to us, especially for the long-term development of our company. One important goal in this context includes the realization of climate and sustainability targets. In step with our customers, we wish to play an active role in the development of innovative and future-proof solutions. New technologies, materials and processes are at the center of our activities, just as aviation as our core segment will remain our central focus in the future. This is why our new strategy will remain true to the motto: [committed to the sky.](#)

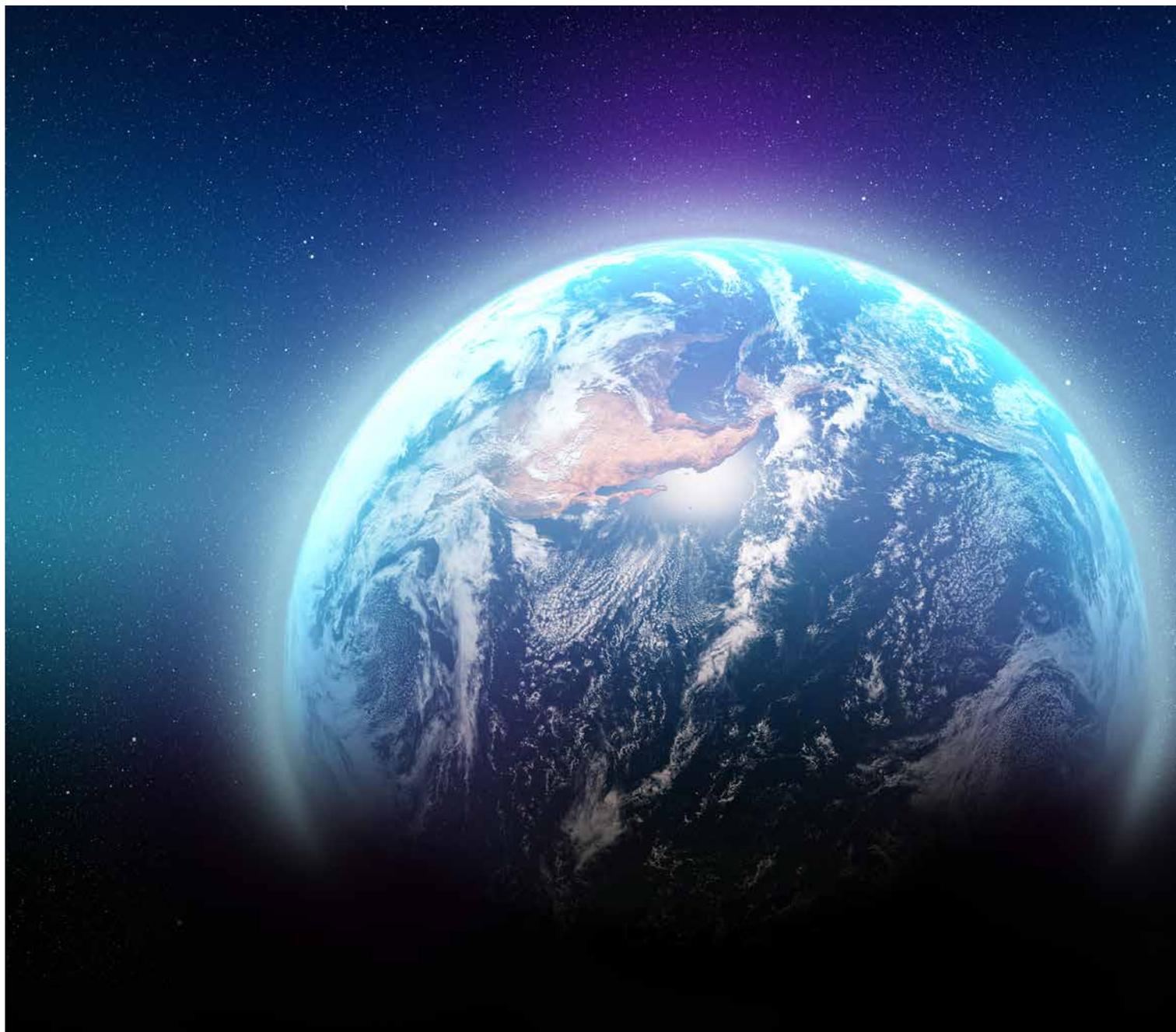
Robert Machtlinger

# A STRONG GLOBAL PLAY

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







- 
- > Global value chain
  - > Technological know-how from Austria delivered to the world
  - > Start of construction at new plant site in Croatia
-

## Global presence

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

## Technological leader

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

## A focus on long-term growth

Since its foundation over 30 years ago, FACC has established an excellent market position. This positive development is due, on the one hand, to many years of continuous growth of the aerospace market and, on the other hand, to the fact that FACC has been able to continuously expand its market share through innovative solutions in the most important aircraft platforms. FACC aims to further pursue this strategy in the future. Even though the corona pandemic has recently led to a slump in demand, this path is facilitated by good predictability of the demand for aircraft parts, which is typical of the industry. This is because the platforms that FACC is involved in are usually produced over a period of several years. In order to achieve above-average market growth, FACC also relies on a strong presence in the growth markets of the Asia-Pacific region and is also opening up attractive new market opportunities with Aftermarket Services, urban air mobility and space.

# Market segments

## 01 Aerostructures

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

### SUPPLIED PLATFORMS

#### Winglets

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

#### Spoilers

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

#### Ailerons

Embraer E2, Suchoi Superjet 100

#### Flaps

Airbus A321, Suchoi Superjet 100



- 
- > Intensive engineering work with two urban air mobility customers
  - > Airbus partner in producing the A321XLR
  - > Airbus Best Improver award
-



# 02 Engines & Nacelles

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

## SUPPLIED PLATFORMS

### Translating sleeves

Boeing 787, Airbus A350

### Fan cowls

Airbus A330, A320neo

### Engine components

Pratt & Whitney and Rolls-Royce



- 
- > Top supplier status at Safran
  - > Smooth set-up of new production line for fan housings
-



# 03 Cabin Interiors

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

## SUPPLIED PLATFORMS

### Passenger cabins

COMAC C919, ARJ21, Suchoi Superjet 100, Boeing 717, Xi'an MA700

### Overhead stowage compartments, ceiling and light panels, entrance areas

Airbus A320, A350

### Door panels

Airbus A350

### Customized high-end cabins

Embraer and Bombardier business jets

- 
- > First entrance area for A320 family delivered
  - > Airbus key partner for single aisle-cabins (standard bin and full airspace)
  - > Delivery of 500th shipset of overhead stowage compartments for the Airbus A350XWB
  - > COMAC key partner for cabin interiors (ARJ21 and C919)
  - > Key partner of Embraer and Bombardier in medium and large business jets segment
- 

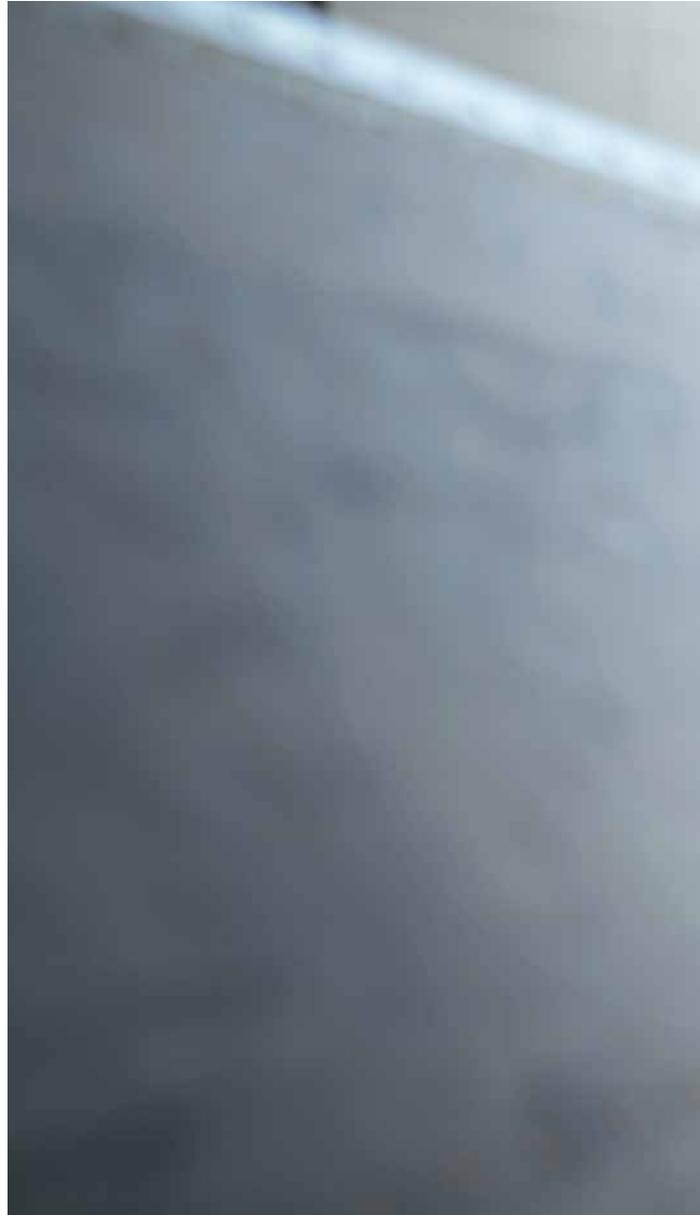




And we guarantee long-lasting performance:

## Aftermarket Services

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



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- > Certification as a maintenance, repair and overhaul company according to EN 9110
  - > FACC is one of only 800 companies in the world with EN 9110 certification
  - > Development of LAV4ALL – a barrier-free lavatory system for aircraft cabins
-



# Products

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

## AERODYNAMIC LIFT

Flaps  
Leading edge panels  
Wing boxes  
Wing panels



PROPULSION

Translating systems  
Engine maintenance flaps  
and inlets  
Exhaust nozzles  
Bypass ducts  
Engine components made  
of carbon



FLIGHT CONTROLS

Ailerons  
Elevators  
Rudders  
Spoilers and airbrakes



AERODYNAMICS/FUEL BURN SAVINGS

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



COMFORT

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



# Technologies

Material development  
Process design  
Manufacturing processes



# COMMITTED TO THE SKY

An interview with the management team of FACC AG, Robert Machtlinger (CEO), Andreas Ockel (COO), Aleš Stárek (CFO) and Yongsheng Wang (CCO), on upheavals within the aviation and aircraft industry as a result of COVID-19 and the nonetheless bright medium-term outlook for the future in a very challenging market





## **Interview with the Management Board**

**Mr. Machtlinger, let's start right away with the topic of corona, which seems to be unavoidable this year: How did the pandemic affect FACC, and how did you deal with it?**

**Robert Machtlinger:**

We did not really feel the effects of COVID-19 until the second quarter of 2020; in fact, our business was still going very well until March. However, we became alerted to the issue of corona back in January, as we were confronted with the question of how to resume production under safe conditions at our strategic supplier's plant in China after the Chinese New Year. This challenge along with our close ties to our majority shareholder, AVIC, gave us a head start, which we were then able to exploit in Austria. I also came into contact with this issue early on at an annual supplier meeting in February, which is attended by suppliers from all over the world. Here, the possibility of the infection spreading to Europe was already being discussed.

**How did you react to this?**

**Robert Machtlinger:**

Back in February, we started developing and assessing various scenarios, the worst of which – a prolonged global pandemic – unfortunately materialized. We remained in close contact with our customers from the very beginning. Each week, we collected new data and fed them into our model calculations – and so the picture became clearer and clearer. This process dragged on until approximately May, by which time our customers had finally made significant downward adjustments to their requirements for 2020. Meanwhile, travel had come to a grinding halt, and a swift recovery seemed out of the question. As a result, we too understood reasonably well what was in store for us – namely, a drop in revenues in the order of approximately EUR 250 million.

Parallel to that, we of course immediately implemented comprehensive hygiene and protective measures throughout the company. A dedicated, multifunctional COVID task force, comprising management, occupational health, operative and customer service representatives as well as employee delegates, actually convened seven days a week during the initial phase. Our internal rules on contact tracing and home quarantine were much stricter than official regulations. On top of that, we immediately closed our cafeteria and provided our employees with free meals by other means. Overall, we were therefore able to keep infection rates within the company very low and avoid business interruptions.

**And what about your supply chain? Many companies experienced difficulties in this area ...**

**Andreas Ockel:**

This is where a further advantage, which we gained by obtaining information relatively early on, comes into play: We actively secured our supply at an early stage and, unlike many other companies, were never forced to shut down operations for want of the required material supply. We had previously replenished our stocks of critical materials in good time. In addition, we monitored our suppliers very closely, both in terms of delivery reliability and their overall financial situation. Shutting down operations was never an option as we are, after all, an important building block in the overall system. And we have succeeded. Our customers can attest to the fact that we provided the fastest and most comprehensive response of all suppliers. As a result, we encountered no supply problems in 2020.

**Did financing or liquidity issues ever pose a problem in this context?**

**Aleš Stárek:**

We naturally also took immediate action in the financial area and prepared relevant cash flow forecasts under the various scenarios that Robert Machtlinger previously mentioned. In addition to implementing massive cost savings, we promptly initiated talks with our financing banks. In June, we also secured a COVID-19 credit facility of Oesterreichische Kontrollbank in the amount of EUR 60 million, which further improved the liquidity of the company. Incidentally, we had already entered all value adjustments made necessary by COVID-19 into the accounts in the second quarter, and thus earlier than many other companies.

**And how have your staff reacted to the partially drastic changes triggered by the corona pandemic?**

**Andreas Ockel:**

They have been extremely cooperative. Our consciously proactive and clear communication probably played a key role in this regard. From the outset, we pursued a strategy of utmost transparency and honesty, because glossing over the situation would not have helped, on the contrary. At the same time, we tried to communicate to our colleagues that we were in control of the situation and thus to reassure them. All in all, our set of measures followed the course of action prescribed for emergency situations in aviation: *aviate* (i.e. maintain operations) – *navigate* (get your bearings and take the revised course) – *communicate* (create transparency for all parties concerned).



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“Under the motto ‘committed to the sky’ we continue to focus on the aviation segment as part of our new FACC 2030 strategy.”

Robert Machtlinger

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“In the medium term, we aim to deepen our value chain and also invest, for example, in the area of metal machining.”

Andreas Ockel

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**But you also had to lay off part of your workforce...**

**Robert Machtlinger:**

I'm afraid so. It had already become clear in May that we would most likely not be able to maintain our headcount in view of our lower revenues. Short-time working schemes helped us for a while to bridge this phase of uncertainty, but in the fall we were forced to part with 650 members of staff with a heavy heart, accompanied, of course, by an extensive social package. This is naturally a heavy blow for both sides as we have lost valuable know-how and experience as a result of these layoffs, not to mention the negative implications at a more personal level. This makes it all the more important to emphasize that a strong, competent, motivated and passion-

ate team remains one of the most important factors for the success of our company.

**What other steps have you taken to cut costs? For instance, where do you currently stand with your F.A.C.T restructuring program, and have any additional measures been taken here as a result of corona?**

**Robert Machtlinger:**

The F.A.C.T program, which we launched back in 2019, was implemented at full steam in 2020. However, since this program was planned for a normal environment, it was of course insufficient, which is why we have stepped it up again. The main areas of focus are streamlining our

administration, consolidating our supply chain, increased vertical integration and expanding our production footprint in low-cost countries. In addition, we brought inbound logistics back in-house in 2020, creating around 60 new jobs. Conversely, we merged the initially two separate departments for research and component development, combined our two quality departments into one unit, and turned six technical departments into three.

**Andreas Ockel:**

The consolidation of our supply chain offers particularly strong leverage, as it represents the lion's share of our costs at around 60 percent. We have defined a separate strategy for each individual product category in order to develop the performance and potential of our suppliers. To this end, we have divided them into four groups: Maintain, Develop, Grow and Exit. We had originally planned to reduce the number of our suppliers by 10 percent, but in the end it was even more than that. In February 2021, we launched another initiative,



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“China has proved to be a stable market; in 2020 we even grew slightly on the platforms of relevance to us.”

Yongsheng Wang

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## **Interview with the Management Board**

the FACC Compete Partner program, which is designed to help suppliers grow in a stagnant market. This is to be achieved by reallocating a purchasing volume totaling EUR 75 million from exit suppliers to other suppliers over the next two years. Thereby we aim to further consolidate our supplier base from currently 440 to less than 400 and further cut costs. The name Compete is derived from the program's core concepts and objectives: cost effectiveness, operational excellence, materials of the future, partnership and passion, efficiency in all processes, transparency in quotations, environmental and social responsibility.

**You previously mentioned vertical integration ...**

**Andreas Ockel:**

With this, we aim to deepen our value chain in the medium term. One example from the previous year is the metal machining area, for which we have made specific investments at the Reichersberg site and which is noticeably gaining in volume. This means that we can now manufacture complex aluminum fittings ourselves, for instance. Another focus is on business jet furnishings, which we have so far bought in their entirety, and which we will also be manufacturing ourselves in the future. Moreover, we have moved various work steps along the composite value chain out of the supply chain and back into the company, thereby increasing the utilization of our own capacities.

**And what about your presence in low-cost countries, specifically your greenfield investment in Croatia?**

**Andreas Ockel:**

In light of the corona pandemic, we have of course reevaluated and also redimensioned this project, which involves a new high-tech composite plant near Zagreb, but we will nevertheless start construction in 2021. Lightweight components for passenger cabins of commercial aircraft and business jets will be manufactured here on a production area of approximately 10,000 square meters from 2022. The plant was designed from the outset to be scalable at all times to accommodate a future increase in call-offs. It therefore remains an important element of our organic growth strategy.

At the same time, we will continue to build on our existing international sites in the USA, Canada, Slovakia, India and China. This is because a global presence in all growth markets and proximity to our customers are essential for us. The plant in Wichita, for instance, is increasingly gaining in significance due to our MRO business. The EN 9110 certification for maintenance work represents another major step forward for us in this regard. Previously, FACC was only authorized to repair, maintain and overhaul aircraft components that it had manufactured itself. The certification according to EN 9110 now

allows us to also repair components manufactured by other companies. After Wichita, this business is to be rolled out to Montreal and then to Asia.

**How is business developing in China? Thanks to your majority shareholder AVIC, you have established a solid position in this important growth market ...**

**Yongsheng Wang:**

China has proved to be a stable market, even during the pandemic; no rate cuts were made here last year. On the contrary, in 2020 we even grew slightly on the platforms of relevance to us. And the outlook for 2021 is also promising: The hundredth COMAC ARJ21 is scheduled for delivery this year – after 47 units delivered so far, this represents 53 more aircraft of this model in just one year. Similarly, the COMAC C919 is scheduled to enter service in 2021. Parallel to this, we are acting as a key partner in the development of the Xi'an MA700. In sum, this translates into high momentum for FACC in China.

**Robert Machtlinger:**

This development shows that when we started investing in these projects in 2004, our belief in China as a highly promising market was justified. As "early believers", we are now reaping the rewards of this visionary decision at that time.

**Were you also able to generate new business in 2020 – in spite of the crisis?**

**Robert Machtlinger:**

We did, as a matter of fact, as we worked very diligently on acquiring new contracts in addition to all the other activities of the previous year, some of which were forced upon us. In 2020, we were able to secure major new projects with an order value in excess of EUR 1 billion. At the same time, we reached important milestones on new programs, such as the first delivery of the new entrance area for the Airbus A320 family and the completion of the initial prototype production of the new radomes for the A220 family. And in the case of the new XL bins for the A320, we have increased the production rate to series production.

**Innovation has always been a key factor of your success. What progress was made here in the past year?**

**Robert Machtlinger:**

We continued to invest in this area, even during the crisis, and equipped our technology center with a high-performance thermoplastic press, for example. At the same time, we worked intensively on the Wing of Tomorrow project, the second phase of which is currently focusing on equipment parts such as flaps and spoilers. The aim is to produce these complex components



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“In 2021, we have a tight program ahead of us to achieve the targets we have set.”

Aleš Stárek

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faster, more simply and more cost-efficiently. Research into new, green materials for lightweight construction has also continued at an intensive pace. Interesting biological – and thus recyclable – new materials are being developed here, particularly for the cabin area. The Lav4All, an innovative barrier-free lavatory for single-aisle aircraft, was completed in 2020. In response to the corona pandemic, we have recently also started working on new types of antiviral and antibacterial surfaces as well as air purification systems. Last but not least, we took over the CoLT test center and materials testing laboratory in its entirety in 2020, which will enable us to make even better use of synergies.

**Where will things go from here – will aviation after corona ever be able to get back to what it was before the crisis?**

**Robert Machtlinger:**

We are convinced of this. After all, it is impossible to imagine today's society and economy without aviation; the world is simply organized around the division of labor, and densely networked. Just think: 4.9 billion people traveled by airplane in 2019, while 80 percent of the world's population has never seen an aircraft from the inside. This fact alone shows the immense potential that exists here. Current forecasts predict

## Interview with the Management Board

that air travel volumes will return to their pre-crisis levels in 2024 or 2025, and continue to grow in stages thereafter. However, this will involve a significant shift from the highly developed Western countries toward Asia.

A major factor underlying this growth is urbanization, or the trend toward megacities, which will generate more and more point-to-point air traffic. This will increase demand for middle-of-the-market aircraft in particular. In parallel, very ambitious targets have been set for the aviation industry for more sustainable travel and flying in view of the climate debate. With our lightweight components, we have the right technology to meet these goals.

**That sounds quite optimistic. What strategy are you pursuing in this environment?**

**Robert Machtlinger:**

Our course will continue to be focused on growth, at least in the medium term. In mid-2020, as the previous FACC 2020 strategy had reached its end in terms of time, we began to develop a strategy for the next ten years with a focus on two key questions in particular: What is the potential in the core aviation segment, and what other opportunities does aviation offer? The second question was: What additional areas of applications exist for our core competencies? Lightweight technology is a high-tech application that is also rapidly gaining importance in other mobility sectors, such as in the rail or automotive industries, in the wind energy segment or for industrial applications. However, competition in these sectors is extremely fierce due to the relatively low material and quality requirements. Overall, these markets are therefore not attractive for us. This is because aviation – expanded to include additional areas – offers significantly greater and more interesting high-end potential, which we intend to exploit for our high-quality growth.

That is the reason why we have decided to continue to focus on this segment. Our new FACC 2030 strategy was therefore launched under the motto “committed to the sky”. In an environment characterized by population growth, urbanization, globalization, digitalization and climate change, our aim is to continue to offer innovative solutions for civil aviation and not only gain market shares here, but also to expand our customer and product portfolio and increase vertical integration. In addition, we are stepping up our activities in the urban air mobility segment, in which we have already established ourselves as a global pioneer together with our partner EHang. By 2030, we aim to have increased the share of total sales generated by transport drones, air taxis and the like to 10 percent. Finally, as a

third pillar, we are looking to expand into the field of space travel, which promises growing potential. Here, too, we can position ourselves as an attractive technology partner with our lightweight solutions.

This journey will be divided into three phases: By 2022, we primarily want to compensate for the losses caused by COVID-19; between 2023 and 2025, we intend to gradually improve existing aircraft fleets with completely new components, and from 2025, we will also be entering the new markets mentioned earlier.

**You just mentioned the EHang project – what stage are you at here?**

**Robert Machtlinger:**

With the flight test approval for Austria and Europe, we reached an important milestone here in 2020. In addition, the first certification flights were carried out at our site in St. Martin at the end of the year. This was an extremely important step in establishing autonomous flying in Europe, which has long been a reality in China. However, since passenger transportation is the most complex topic in this field, we also have plans to develop solutions for logistics and monitoring in the next few years, and are currently working on an exciting major logistics project with considerable revenue potential from 2024 or 2025. At the same time, we are intensively pursuing the highly intelligent EHang concept, one element of which is the development of a functioning operating model for production in China. Here, we can contribute a great deal in terms of quality.

**And what about the space sector? What kind of opportunities does FACC have here?**

**Robert Machtlinger:**

We have also implemented a number of smaller projects in this area in the past, which we have been monitoring for a long time. Thanks to the emergence of private-sector players such as Blue Origin by Amazon founder Jeff Bezos or SpaceX by Tesla CEO Elon Musk, this segment is taking on a completely different dimension. This will also create new opportunities for us, as we basically had no chance with the previously predominant government space programs, except perhaps in Europe. Let me briefly illustrate the potential in this segment: While the total composite volume in the aircraft industry before the crisis was just under USD 90 billion per year, that of the space industry is expected to grow to between USD 150 and 200 billion by the end of this decade. For us, too, this will open up the opportunity to put our proven lightweight construction know-how to profitable use.

After this promising look into the future, let's go back to 2020. How has the financial situation developed in view of COVID-19?

**Aleš Stárek:**

Corona dealt us a hard blow and set us back several years, there is nothing to sugarcoat there. As I mentioned at the beginning, despite a strong first quarter, revenues plummeted by about a quarter of a billion euros to approximately EUR 527 million, and earnings were markedly negative at just over minus EUR 74 million. However, these figures also include corona related write-downs of almost EUR 48 million on goodwill, plants and equipment, receivables and project costs as the crisis has forced us to fully reevaluate our assets. As already mentioned, we started to assess the effects of COVID-19 and to take the resulting measures at a very early stage. In August, we were also one of the first companies to provide renewed guidance.

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“Growth will be flat, but we expect a return to pre-crisis levels as early as 2022.”

Robert Machtlinger

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In 2021, we now have a tight program ahead of us to achieve the targets we have set. This includes further reductions in material and fixed costs, a strict focus on growth investments only, optimization of our working capital through further reductions in inventories, and improvements to our receivables and liabilities structure. In parallel, we are making intensive efforts to acquire new contracts and gain further market shares. In this way, we intend to further increase our capacity utilization alongside the expected rate increases. As mentioned earlier, we have secured our liquidity for 2021 by taking up a COVID-19 credit facility of EUR 60 million and

by concluding an agreement with our banks on a financing covenant.

**And how will things continue in 2021, what is the short-term outlook?**

**Robert Machtlinger:**

Growth will be flat, revenues could even be slightly lower than in the previous year due to the lack of such a strong first quarter as in 2020 and amount to around EUR 500 million, while EBIT should break even. We do not expect a recovery in wide-body aircraft rates in the near future, but rates for narrow-body aircraft could pick up again slightly over the next few months. Chinese platforms should at least remain stable, and the COMAC ARJ21 might even grow slightly given the rate increase Yongsheng Wang mentioned earlier. As for business jets, which suffered the least loss in 2020, we expect a return to pre-crisis levels as early as 2022. We are looking at a new start in 2021 with the production of the flaps and wing-to-body fairings for the Airbus A321XLR. At the center of all this is the program mentioned earlier by Aleš Stárek, the implementation of which will demand our full attention in 2021.

# IN THE MEDIUM TERM, THE CURVE IS POINTING UPWARDS AGAIN

Under the impact of COVID-19, the demand for new aircraft and thus for aircraft parts dropped significantly in 2020. Nevertheless, FACC anticipates a stable upward trend in the aircraft market in the medium and long term. In addition, the company sees further potential in attractive new business areas such as urban air mobility and aerospace.

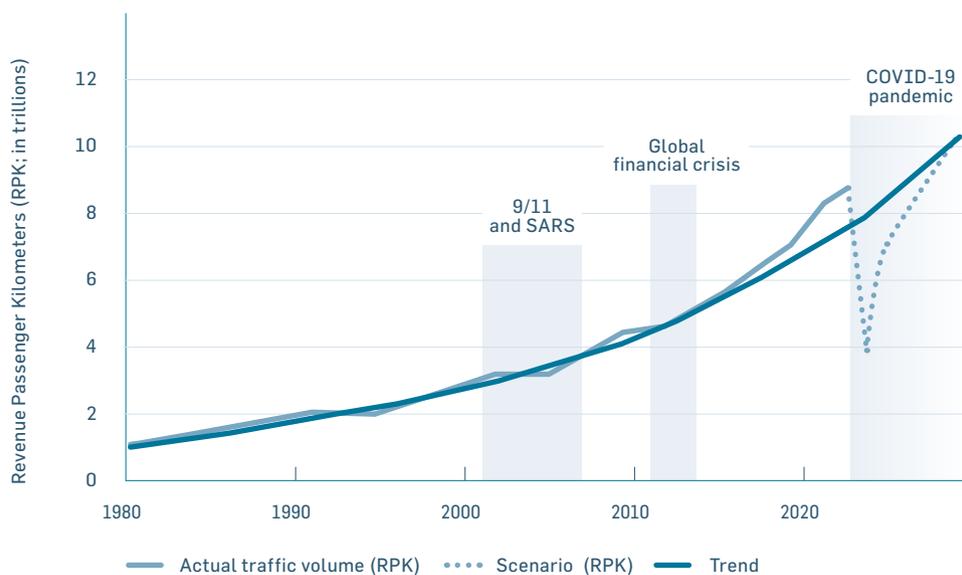
Market data of the past 60 years show that air traffic volumes have doubled approximately every 15 years. This also holds true for the past two decades, in spite of major crises such as 9/11, SARS or the financial crisis of 2008. Global air traffic has now suffered another major blow as a result of COVID-19, which should also be evaluated differently compared to previous crises. Forecasts for the near future are therefore fraught with difficulties. Nevertheless, in the latest edition of its annual Commercial Market Outlook<sup>1)</sup>, Boeing expects renewed growth in the medium and long term.

#### **Air traffic and demand for aircraft continue to rise**

This development is due to an expected further increase in air traffic volumes which, according to current estimates, should return to pre-crisis levels by 2025 at the latest, and, against the backdrop of average global GDP growth of 2.5 percent per year until 2039, the end of Boeing's current forecast period, increase by an average of 4.0 percent per year. While total passenger kilometers flown worldwide stood at 12.2 trillion

<sup>1)</sup> Boeing, Commercial Market Outlook 2020–2039

## AVIATION HAS PROVEN RESILIENT OVER AND OVER AGAIN



Source: Boeing

in 2019, this figure is expected to reach 18.7 trillion by 2039. As was the case with crises in the past such as 9/11, SARS or the global financial crisis of 2008, the airline industry usually recovered within a few years. The current slowdown in growth in the aerospace industry is therefore unlikely to be a long-term trend.

This slowdown is also contradicted by a look at the macroeconomic development: especially in the large growth markets of the Asia-Pacific region, prosperity is steadily increasing – and with it the number of revenue passenger kilometers. While a total of 4.9 billion air travelers were recorded in 2019, 80 percent of the world's population had never traveled by plane. This fact alone illustrates the immense potential that still exists here. By 2050, global passenger traffic could quadruple relative to 2019, primarily as a result of the rising prosperity in the major markets of China and India.

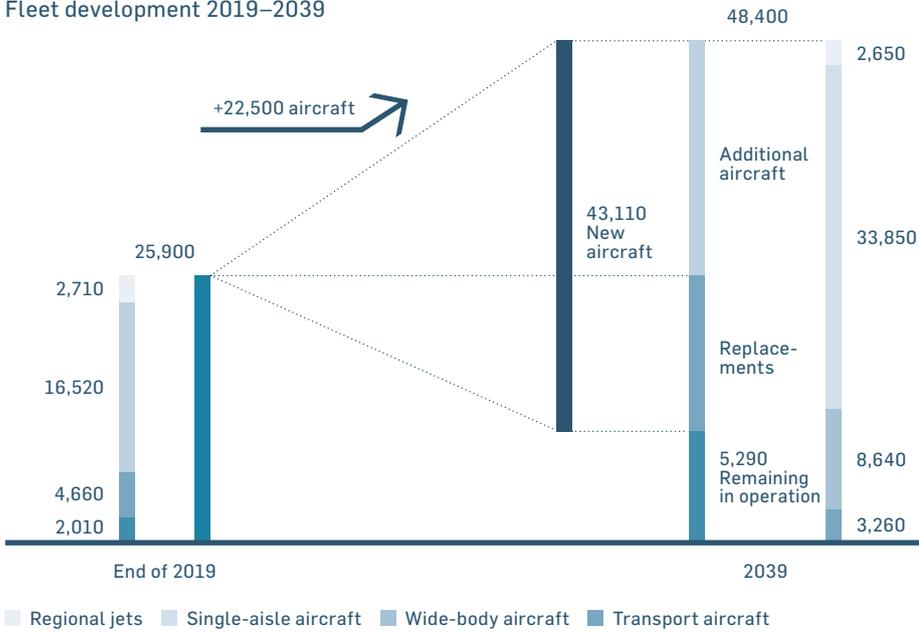
Based on these forecasts, Boeing anticipates demand for 43,110 new aircraft by 2039. While the focus in the next few years is likely to be primarily on renewing the fleet by replacing

aging aircraft, a return to the previous growth path should be possible in the medium term. Thus, a total of 18,350 deliveries are expected for the period 2020 to 2029, compared with a significantly larger number of 24,760 in the period 2030 to 2039. Specifically, the forecast includes deliveries of 2,430 new regional jets, 32,270 single-aisle aircraft, 7,480 wide-body aircraft and 930 transport aircraft. As a result, a total of 48,400 aircraft should be in service in 2039, representing annual fleet growth of 3.2 percent relative to 25,900 aircraft at the end of 2019.

The significance of cargo aircraft is set to increase steadily over the next two decades in view of the high importance of e-commerce. As a result, the global cargo fleet is projected to grow by almost 60 percent to 3,260 aircraft by the end of 2039. In addition to the 930 new units already mentioned, 1,080 standard and 420 wide-body aircraft are to be converted into freight aircraft.

**MORE THAN 43,000 NEW AIRCRAFT BY 2039**

Fleet development 2019–2039



Source: Boeing

**Promising changes in the aerospace industry<sup>1)</sup>**

Aside from the climate debate and the goal of substantially reducing CO<sub>2</sub> emissions, COVID-19, in particular, has triggered or reinforced trends in the aviation industry that are opening up major advantages for FACC with its know-how and technology portfolio, production footprint and industry expertise. These include an even stronger emphasis on aspects such as efficiency, material and process optimization and automation, the call for geographical proximity to customers' sites in the interest of perfect just-in-time and just-in-sequence deliveries, establishing a presence in best-cost countries and the increased demand for a circular economy. Here, the focus is on recyclable and renewable materials, improved aerodynamic structures, and the reduction of noise emissions.

Furthermore, society is showing a growing interest in new forms of mobility, including the growing field of autonomous flying (urban air mobility, UAM), as well as alternative propulsion systems, particularly those based on synthetic fuels, electric power or hydrogen. In addition, attempts are being made to find new applications for existing technologies such as fuel cells, wind power, batteries, medical engineering etc. At the same time, retrofitting and maintenance are gaining in importance, especially under difficult economic conditions. These are areas in which FACC has positioned itself strongly in recent years with its new Aftermarket Services business segment.

**Great momentum in the UAM and space sectors**

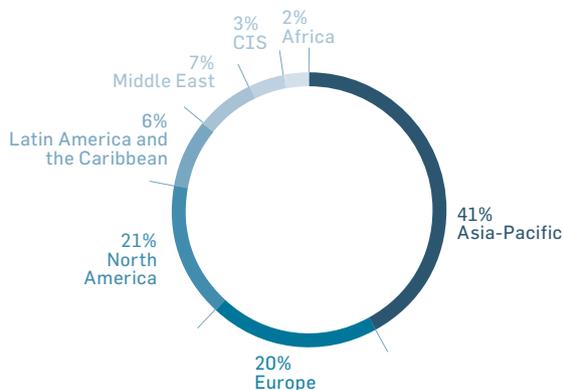
New fields of business such as UAM, in which FACC has already established a solid position, and aerospace also offer interesting potential. The internationally renowned consultancy firm Roland Berger<sup>2)</sup> estimates the annual market potential for passenger transport via drones alone at USD 90 billion by 2050, while applications such as parcel deliveries, medical transports or surveillance are also expected to reach a substantial scale. Moreover, Roland Berger forecasts that 160,000

<sup>1)</sup> Roland Berger, Making Aerospace Manufacturing Ready for the Post-COVID Future

<sup>2)</sup> Roland Berger, Urban Air Mobility | USD 90 billion of potential: How to capture a share of the passenger drone market

## MORE THAN 40 PERCENT OF ALL NEW AIRCRAFT ARE DELIVERED TO THE ASIA-PACIFIC REGION

Demand for passenger aircraft – forecast 2020–2039 by region



Source: Airbus

commercial passenger drones will be needed worldwide by 2050. Until then, growth will be steep: around 5,000 will be required in 2030, approximately 45,000 in 2040, and around four times as many by the middle of the century.

Ongoing commercial flight operations are expected to take off in 2025, starting in European and North American cities such as Paris or Dallas. In China, commercialization will take place even earlier, with drone flights to be offered in major cities for tourism purposes as early as 2021. The main areas of application will be logistics flights for the transport of materials, cab services, airport shuttles and surveillance flights. Clearly, investors also appreciate the unbroken high momentum in this segment despite the COVID-19 pandemic: In the first half

of 2020 alone, USD 907 million flowed into start-ups in this sector, twenty times as much as in the previous year.

Logistics and surveillance drones could develop even faster, as they are less complex overall. Current estimates predict a global market volume of approximately USD 27 billion for parcel deliveries by drones in 2030, mainly driven by the increasing demand for fast shipments and a decrease in restrictions on civilian drones.<sup>1)</sup>

In the space sector, on the other hand, momentum is increasing, not only due to the ever broader range of possible uses and applications, but also as a result of the entry of private-sector players alongside the conventional, national space programs. Contrary to the past, developments in this area are no longer primarily driven by national priorities, but by the market and its requirements, and are geared towards satisfying the demand for services. Of the approximately 180 new institutional satellites launched between 2015 and 2019, more than one third serve civilian purposes. In addition to terrestrial observations, the civil applications of primary interest to the private sector are satellite communications and navigation services, which are steadily increasing in variety and volume in a society shaped by digitization and mobility.

Satellite communications play the most important role in this regard. This field also includes new application areas such as machine-to-machine communication (M2M) and the Internet of Things (IoT), in-flight connectivity, connected cars, maritime security as well as promising areas such as the EuroQCI system, a new system introduced by the EU Commission to ensure cybersecurity. Estimates for the current annual market volume in the space segment range from just under USD 300 billion to USD 420 billion, depending on the source, with an upward trend. It is therefore unsurprising that various investors and large corporations have entered the market, among them SpaceX, BlueOrigin, Oneweb, Telesat etc., which are expected to launch thousands of satellites into space over the next few years. New business models such as space tourism, interplanetary transports, space resource utilization or manned flights in low-earth orbit provide a touch of futuristic imagination.<sup>2)</sup>

<sup>1)</sup> <https://de.statista.com/statistik/daten/studie/1125791/umfrage/prognose-des-weltweiten-marktvolumens-der-drohnen-paketlieferung/#statisticContainer>

<sup>2)</sup> PwC, Main Trends & Challenges in the Space Sector, 2<sup>nd</sup> Edition, December 2020

# FACC 2030

Setting the course  
for the future





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# SPACE



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# AVIATION



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# URBAN



Over the past three decades, FACC has developed from a start-up into one of the world's most important players in the aerospace industry. With its new "FACC 2030" strategy, the Group recently outlined how it intends to position itself for the future. After all, the aerospace market is constantly evolving, and new market segments and opportunities are emerging.

"Evolution has been firmly anchored in our DNA since our foundation," reflects the self-image of FACC. This not only refers to the Group's numerous lightweight solutions developed in-house, which are making air travel increasingly efficient, comfortable and environmentally friendly. It also captures the consistent further development of the company, which has characterized FACC from the very beginning and continues to do so – a capability which is becoming ever more important in a rapidly changing world. Climate change, digitalization and resource-efficient mobility: FACC will play an even stronger role in all of these areas in the future – with a clear commitment to remaining true to aerospace as its core business. However, the Group is also striving for long-term growth in the areas of urban air mobility and space, and will establish a significant market position based on its lightweight construction expertise to in these segments.

With this strategy, FACC is also reacting to the changes on the horizon for the aircraft industry in this decade. Air traffic must become more efficient and environmentally sound, and the goals of the aviation industry are ambitious: zero-emission air travel has to become possible by 2050, thereby halving its share of global CO<sub>2</sub> emissions from currently around 2.7 percent despite a fourfold increase in air travel volumes. Furthermore, drone technologies are exploiting the airspace directly above the ground, and space travel is becoming increasingly privatized with annual revenues expected to reach 1,000 billion by the end of the decade. In all three areas, lightweight construction is a key technology – and a perfect foundation for sustainable growth at FACC.

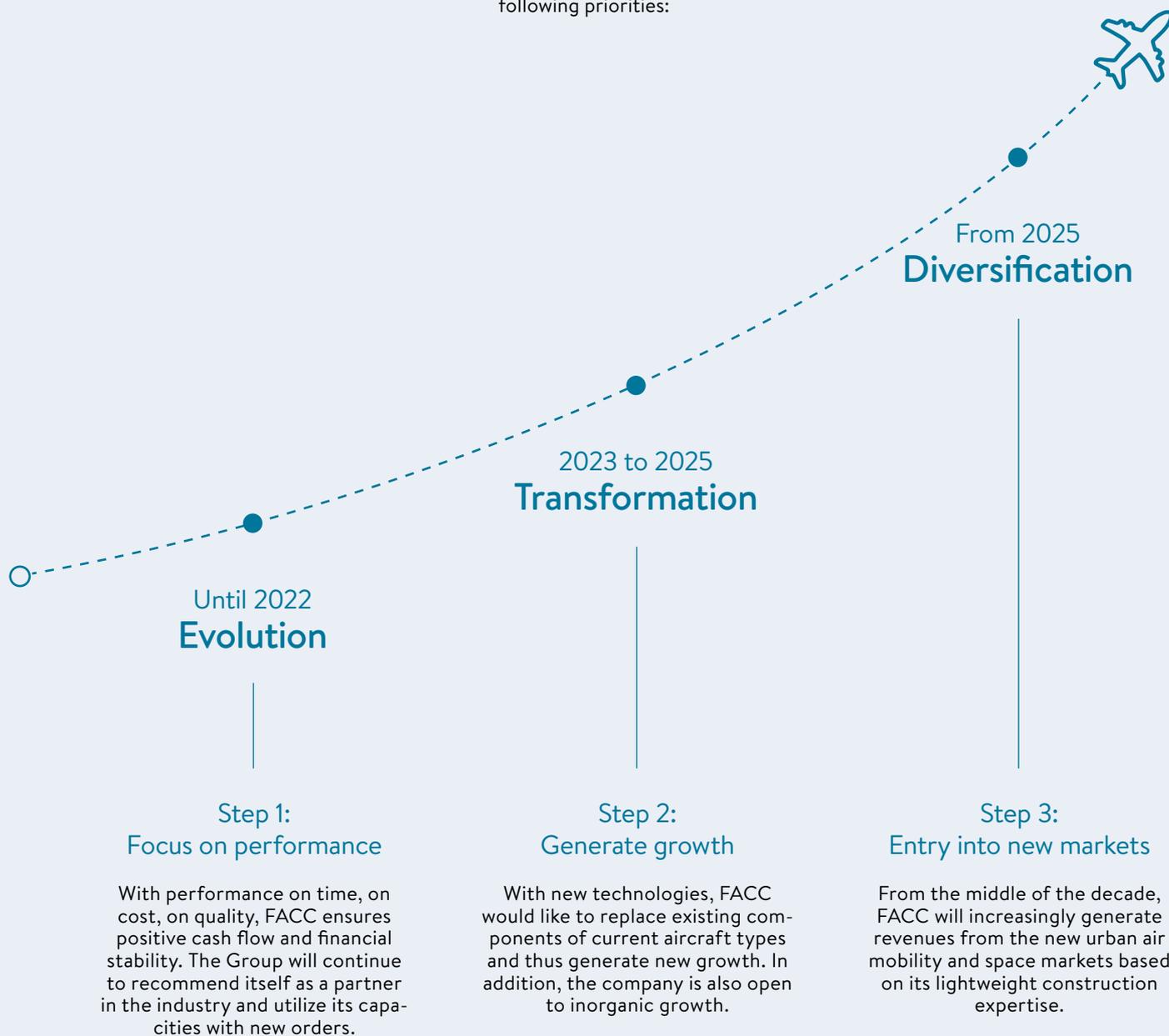
## Strategy in three phases

The strategy will be implemented in three phases: In the first phase, ending in 2023, the drop in revenues resulting from COVID-19 is to be compensated for by gaining new market shares in FACC's core segment. This will be supported not least by the company's best-in-class performance. In the second phase, running from 2023 to 2025, the focus will be on gradually improving existing aircraft fleets – with components that are produced more cheaply, quickly and efficiently and which contribute to reducing CO<sub>2</sub> and noise emissions. Finally, in the third phase, starting in 2025, FACC aims to bring about disruptive changes to new products of its core segment by means of entirely novel technologies, and tap into uncharted markets such as UAM or space.

# Flight Path FACC 2030

## Strategy in three phases

The medium and long-term goal of FACC is still a balanced customer portfolio and stable growth. In the period up to 2030, the company is setting the following priorities:





Industry game changer – the environment is changing

Four global trends in particular are responsible for the current changes in the aircraft industry: population growth, urbanization, globalization & digitalization, and climate change. All four trends offer enormous opportunities for FACC.

# The Perfect Match

Four global trends create ideal conditions for sustained high demand for lightweight innovations from FACC:

## POPULATION GROWTH



## URBANIZATION



## CLIMATE CHANGE



## GLOBALIZATION & DIGITALIZATION



# Population growth: a bottomless market



According to current forecasts, the global population in 2050 will be around 25 percent higher than it is today. The focal point of this megatrend is centered on the economically thriving regions of Asia. At the same time, however, approximately 80 percent of the world's population has currently never set foot on an airplane. These two trends combined offer enormous long-term growth potential for the entire aircraft industry. After all, the basic human need to travel and discover foreign people, countries and cultures existed long before the trend toward the globalization of the economy, communications and tourism.

Given these developments, the demand for aircraft will also increase in the long term, as will the demand for economical and at the same time sustainable solutions for environmentally friendly air travel. With its innovations in the field of lightweight construction, FACC has positioned itself as an agile partner to the aircraft industry, and has played a major role in the advancement of the industry. On top of this, the company's global footprint ensures that FACC is able to act wherever there is demand.

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## CIVIL AVIATION AS A CORE FOUNDATION

Even though FACC aims to broaden its market position and even tap into completely new lines of business, this in no way means that the company is departing from its core market – the production of lightweight systems for the aircraft industry.

On the contrary, the company firmly believes in aviation as its core market.

The civil aviation segment is to be further strengthened in the coming years through efficiently produced, environmentally sound and disruptive innovations.

With these strategic goals, FACC aims to gain additional market shares, broaden its customer and product portfolio and expand its vertical integration.

Entire subsystems such as primary structures or complete cabin concepts are to be developed and produced in-house. In addition, FACC is focusing on expanding its highly successful Aftermarket Services.

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# Urbanization: demand for innovative traffic and transport solutions



Another megatrend is the increasing urbanization across the globe. According to current estimates, 68 percent of the world's population will be living in metropolitan agglomerations by 2050. Moreover, the number of megacities with more than 10 million inhabitants is growing relentlessly.

As a result of this trend towards urbanization, point-to-point air traffic is also growing, which in turn is driving demand for flexible passenger jets, for which FACC is continuously developing, testing, certifying and producing new cabin concepts. These also include in-flight health solutions, such as hygiene technologies that enable completely bacteria and virus-free air travel.

In many agglomerations, people today are suffering from heavy traffic and air pollution. With an electrically powered passenger drone co-developed with the Chinese start-up EHang, FACC has already taken on a pioneering role in the field of urban air mobility (UAM). In the near future, drones could make airspace amenable to passenger transport. Also logistics, the supply of medical devices and rescue operations are increasingly emerging as concrete areas of application for urban air mobility. A completely new market with a potential of USD 30 billion will therefore emerge in the UAM sector by the end of this decade. This market is currently still unoccupied, and FACC is already playing a clear role as a front-runner in this field.

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## ADDITIONAL POTENTIAL THROUGH URBAN AIR MOBILITY

Together with its partner EHang, FACC ranks among the global pioneers in the field of urban air mobility. The company has occupied this promising future market for eco-friendly urban and interurban mobility for several years.

By 2030, FACC aims to have increased the share of total sales generated by transport drones, air taxis and the like to 10 percent. As has been the case in its core business for many years, the company is also striving for the broadest possible product and customer portfolio in this area.

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## Climate change: full thrust for CO<sub>2</sub>-neutral flights



Cutting emissions, the deployment of green technologies and biological materials as well as comprehensive environmental responsibility are increasingly becoming decisive factors in the aviation industry. FACC boasts the right technologies to be able to respond to this trend.

With its wide range of lightweight solutions, the Group has long been contributing to making air travel more environmentally friendly. And it will continue with its developments, working every day to make its products ever lighter and even more aerodynamic.

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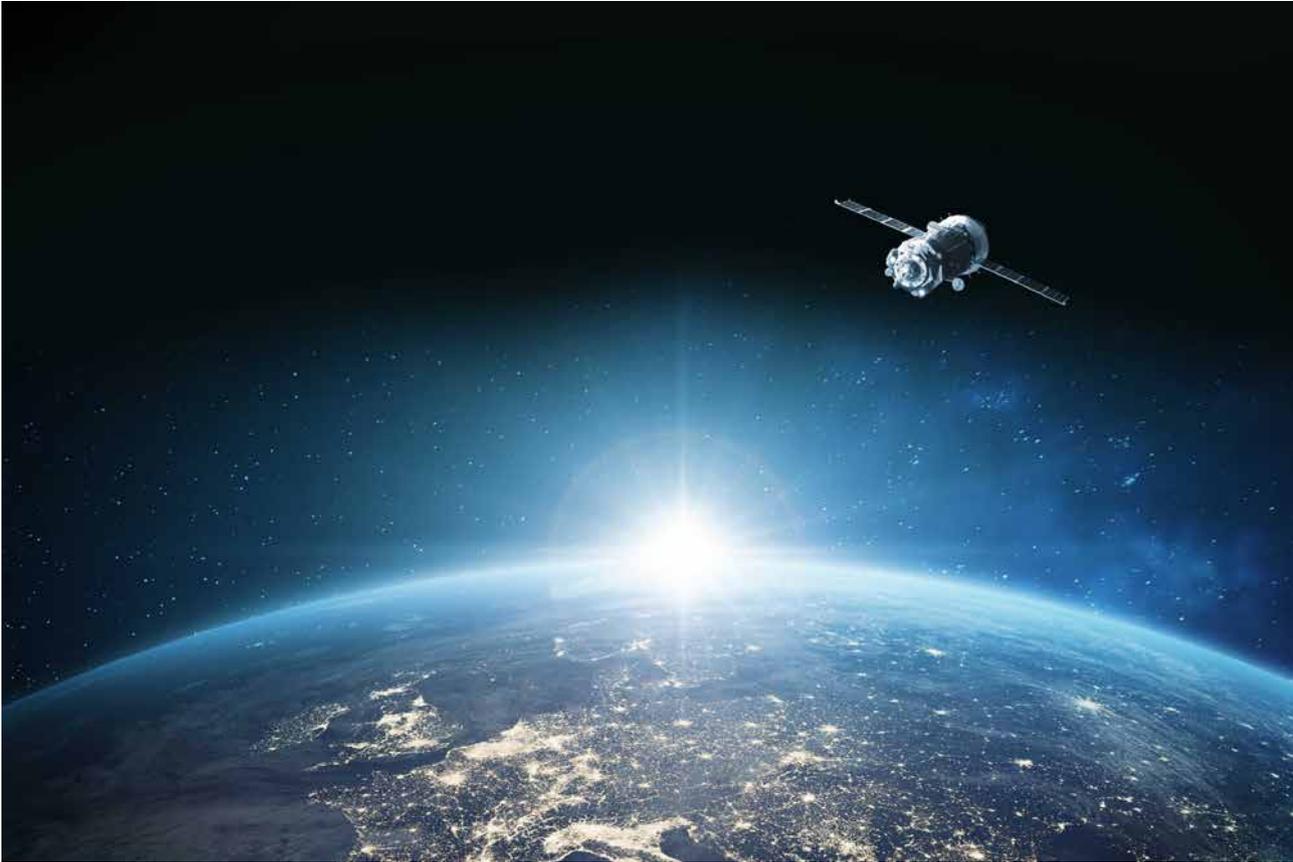
### THE FUTURE IS GREEN

FACC addresses the issues of sustainability and resource conservation throughout the entire development and life cycle of a product. In this context, the longevity of aircraft systems is at the top of the list, followed by the recyclability of materials used in line with a closed-loop economy.

Experts at FACC have long been researching the materials and processes of the future in interdisciplinary research and development networks.

In the near future, for instance, FACC plans to present an aircraft cabin made entirely of renewable raw materials, which could constitute a further important building block for the environmentally-friendly aviation of the future.

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## Globalization & digitalization: climbing to new heights!



Globalization and digitalization are leading to a massive increase in satellite communication, which also represents a source of great market potential for FACC. This is because the development of the necessary communication infrastructure in the orbit is increasingly likely to take place within the framework of private, commercial space programs in the future.

As a result, there will also be a high demand for economically manufactured modules for rockets and launch systems. Already today, FACC is actively applying to participate in research projects as the company aims to further develop its lightweight construction expertise in this direction and use its state-of-the-art facilities for the small and medium-scale series production of space technology in the coming years.

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### SPACE, A MARKET OF THE FUTURE

Although scarcely noticed by the general public, space is currently developing into a highly interesting market for FACC. This is because the growing demand for global communication solutions is also increasing the need for the corresponding infrastructure in the earth's orbit. With its lightweight solutions, FACC aims to establish itself as an acclaimed technology partner to the space industry and give additional impetus to its organic growth along the way.

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# FACC

## 2021



Focus on aviation



Three divisions +  
Aftermarket Services



Tier-1 supplier



Top-100  
aviation companies



Globally active

## 2030



Focus on all levels: aviation,  
urban air mobility, space



Five divisions +  
Aftermarket Services



Tier-1 supplier and partner  
for integrated subsystems



Top-50  
aviation companies



Globally anchored

# ENABLERS IN THE SPOTLIGHT

FACC has defined five strategic pillars for achieving its goals by 2030:

PEOPLE  
INNOVATION  
INTEGRATION  
DIVERSIFICATION  
GLOBALIZATION

In the coming years, these will be consistently developed further and anchored even more firmly in the company's operations. As enablers of the FACC 2030 strategy, they are also of key importance for the future success of the Group. All five pillars are present within the company and have contributed to FACC's success story to date. Fine-tuning and intensification, translated into specific action plans for all five areas, are to ensure that FACC successfully puts its credo into practice and can rightly claim to be

**committed to the sky.**

# Successful with the best minds

## PEOPLE

The expertise and commitment of FACC's workforce are the bedrock of the company's success. The Group continues to develop as an agile organization in order to continuously increase its innovative strength, productivity and efficiency to the benefit of its customers.

This requires being at the cutting edge of current technological developments at all times, or even anticipating these developments. In order to achieve this, FACC fully exploits the creative potential and productivity of its employees and is committed to the dedication, personal closeness, mutual trust and team spirit of its workforce. In addition, special achievements of individual teams are honored with awards, such as the Leonardo Team Award. This not only fosters motivation, but above all creates a special mindset that shapes work at FACC and ties the best minds to the company. Given the increasing competition for talent, this is just as essential as the company's clear commitment to sustainability, attractive working conditions and targeted employer branding.

### Training and further education take center stage

In addition to these aspects of the working climate, the Group offers its employees a wide range of extra-occupational training and further education programs, and also supports their qualification through scholarships. The FACC Academy serves as a central hub for the company's internal educational offerings, orchestrating a broad variety of training courses on a wide range of topics: from communication and leadership training to cultural awareness training and language courses. In addition to internal and external educational programs, FACC also relies on cooperation with secondary vocational schools, universities and universities of applied sciences. This is another way in which FACC wants to attract the attention of young talents as a potential future employer.



Employer branding: The work outfit for FACC production staff presented in January 2020 meets all requirements in terms of functionality, technology and comfort – and it looks good.



The consistent training and further education of its workforce is at the top of FACC's agenda. Apprentices play a particularly important role in this regard. In 2020, seven new apprentices joined the company.

### International diversity

The international environment of FACC is also reflected in the Group's personnel structure. Employees from 47 countries and from all continents are working at the Austrian sites of the company. Moreover, at nearly 30 percent, the share of women in the total workforce is at a very high level compared to other technology companies. The fact that nearly 50 percent of FACC's apprentices are women is particularly gratifying.

### Lean structures for long-lasting success

In order to continue to offer people from all over the world an attractive and secure workplace in the future, FACC adapted its entire organization, significantly streamlined management structures and merged previously separate divisions in 2020 – a program that FACC had actually launched long before the outbreak of the pandemic in order to equip itself for a successful future in a challenging industry. The Group is thus not only securing its profitability in the long term, but also aims to facilitate internal cooperation and increase the sense of responsibility, efficiency and effectiveness in all areas of the company.

# New developments non-stop INNOVATION

**Whether new biological materials, climate-neutral processes, entirely novel approaches and solutions – thinking in all directions and implementing the best is what FACC considers to be its maxim. Thinking green is the premise behind all of its actions.**

With its innovative solutions, FACC has played a major role in shaping the development of the aircraft industry over the past decades. Around 500 employees in the Group are involved in research, technology and engineering. They research new materials and develop ever new, improved production processes. A remarkable research quota of 5 percent in 2020 is a clear indicator of the high value placed on innovation within the Group. In 2020 alone, FACC invested approximately EUR 20 million in new facilities for research and development, the industrialization of new products, and the development of novel materials and processes. A further and this time external proof of this was winning the Austrian Innovation Award. This prize is awarded to companies that can demonstrate an above-average number of new patent applications. FACC currently holds 370 patents and divisional applications worldwide.

### **High-performance thermoplastics: the materials of the future**

One of the development projects FACC is currently pursuing focuses on high-performance thermoplastics. Since July 2020, the company has been conducting intensive research on these materials, which are not only easier to recycle, but could also pave the way for the production of aircraft parts without the need for screws or rivets in the future.



Using a completely new research press, FACC development engineers are investigating possible applications of high-performance thermoplastics, and are examining what highly automated manufacturing supported by robotics and laser welding technologies might look like in the future.



The five-meter-long “multicell flap”: production of the prototype proved challenging on account of its dimensions alone.



With a maximum range of 8,700 kilometers, the Airbus A321XLR can travel 15 percent further than its predecessor.

#### **Airbus A321XLR: increased performance with parts from FACC**

Meanwhile, components produced by FACC for the new long-haul Airbus aircraft are ready for series production. From 2023, the A321XLR is expected to offer non-stop flights covering distances of up to 8,700 kilometers for a maximum of 244 passengers. Compared with its predecessor, the A321neo, this represents a 15 percent increase in range. Furthermore, the environmental performance is also improving: Airbus anticipates a 20 percent reduction in fuel consumption per seat and annual CO<sub>2</sub> savings of 5,000 tons per aircraft. With its structural components that are as light as a feather, FACC is making a significant contribution to this success. Specifically, the company is supplying the aft belly fairing, sharklets and outboard flaps for the new A321XLR. Moreover, major parts

of the aircraft cabin, from the redesigned and modernized entrance area to the main cabin, were developed by FACC and are now produced in Austria.

#### **Wing of Tomorrow: Airbus and FACC research the wing of the future**

For two years now, FACC has been collaborating with Airbus on a completely new wing concept within the scope of the “Wing of Tomorrow” project. FACC is to contribute the wing box lower covers, flaps and the spoiler & droop panels. The aim is to produce these complex components in a faster, simpler and more cost-effective manner. A relevant production concept has already been developed for the wing box lower covers, and work on the flaps, which are to be manufactured by means of resin transfer molding, was continued in 2020. To date, this technique has only been employed in small-scale projects, and is now to be further developed for the five-meter-long flaps. Airbus and FACC hope that this will lead to a higher degree of integration, which will massively reduce subsequent work steps during assembly. At the end of 2020, the employees of FACC’s Research & Development, Tooling and Program Management departments involved in the project presented the first flap for the wing of the future.



The LED light strip of the Hero Light illuminates the new entrance area of the A320 models in a U-shape.

### **Entrance area for the A320: a good first impression goes into production**

The Airbus A320 is the world's top-selling aircraft. 2020 marked the production launch of the new jet entrance area designed by FACC in plant 2. The redesign and development of the fittings took two years. A special highlight is the new "Hero Light", a lighting system integrated into the ceiling elements that invites passengers to linger as soon as they enter the aircraft. Notwithstanding its noble design and robust construction, the new entrance area made of fiber composite materials is as light as a feather and thus contributes to saving fuel and reducing CO<sub>2</sub> emissions. For Airbus, however, it offers a further major advantage: the installation is particularly cost-efficient as FACC delivers the entire entrance area in a container, ready for use, so that assemblers at Airbus merely have to clip the modules to the ceiling.

# Expanding added value in all directions INTEGRATION

**In order to create optimal added value and provide the best solutions for its customers, FACC relies on both targeted forward and backward integration. This enables the company to produce primary materials itself, or to manufacture hybrid parts and components with reduced dependence on supply chains.**

Today, FACC already offers complete solutions for the entire life cycle of its products: from design and manufacturing to maintenance and repair. However, vertical integration is to be increased even further. The integration of previously upstream or outsourced processes is thus a key component of FACC's strategy for the coming years. The goal is to simplify the value stream, to further lower material and purchasing costs, and to reduce dependence on individual supply chains.

### **Vertical and horizontal integration**

A major milestone along this path is the processing of metal components. Today, 50 percent of a modern aircraft still consists of metal components. In 2020, FACC launched the production of aluminum fittings in a highly automated manufacturing cell. Previously, these parts had been procured exclusively from external suppliers.

Another important focus is the development of expertise and capacities in the field of high-quality aircraft furnishings. In the past, these too had always been procured in their entirety via external supply chains. In this area, the company recently developed, approved and patented new materials and surfaces and launched initial projects relating to the furnishing of business jets in the high-end segment.

Simultaneously, FACC remains on the lookout for potential shareholdings or takeovers. Companies operating in a similar spectrum and representing an ideal complement to the Group's technology and competence portfolio are of particular interest in this regard.

# Growth in diversity

## DIVERSIFICATION



The first test flight of the EHang 216 passenger drone was performed in 2020 in St. Martin.



Lightweight solutions by FACC are also set to conquer space in the future.

**FACC exploits its competencies and know-how to develop new fields of business. In addition to urban air mobility and the space market, the focus is on the expansion of its Aftermarket Services for civil aviation.**

Profound technological know-how and unbridled innovative strength are the most important door openers for FACC when it comes to gaining a foothold in new market segments. In recent years, this was demonstrated not least by a project jointly implemented by FACC and the Chinese start-up EHang. The development of the highly innovative passenger drone EHang 216 catapulted FACC to the global forefront in the field of urban air mobility (UAM). Activities in this area are to be expanded in the coming years, and by the end of the decade, FACC aims to have achieved a balanced customer portfolio comprising major players from all over the world with a share of around 10 percent of the Group's total revenues.

### Soaring to new heights with know-how and capacities

In addition to outstanding achievements in innovation, research and development, FACC boasts a high degree of automation in production as well as sufficient facilities and

capacities for the production of series of all sizes. As a one-stop shop, the Group not only offers its customers lightweight construction know-how, but frequently also the most cost-efficient solution on the market. Such economical solutions are also gaining in importance in the space sector. This is because the growth in global communication calls for the expansion of the satellite infrastructure. And it is precisely this market that is increasingly being occupied by private space companies. Alongside NASA, ESA and the like, companies such as SpaceX and Blue Origin are gaining a foothold on the market. With its lightweight solutions, similar to those developed in the Aerostructures and Engine & Nacelles divisions, FACC aims to offer its services as a partner to these companies.

### New avenues in health matters

FACC is not just a pioneer in the field of urban air mobility and in a starting position for space travel. With new products relating to in-flight health, it is addressing growing demands for hygiene in aircraft, which are not only the result of COVID-19. In 2020, the company applied for further new patents: one for a novel, antiviral and antibacterial coating for cabin interiors, and another for an air filter system designed to prevent the



In cooperation with five partners, FACC Aftermarket Services developed LAV4ALL, the first barrier-free lavatory for single-aisle aircraft.

spread of pathogens. The system was developed for aircraft cabins and can be used both in the existing fleet of approximately 22,460 aircraft as a retrofit, and in new aircraft as original equipment. However, it could also be used in trains or coaches.

### **Aftermarket Services: from maintenance to development**

Two years ago, FACC introduced its new business segment Aftermarket Services, which has since grown to become a highly respected contact partner worldwide in the areas of maintenance, repair and updates of aircraft components. However, FACC Aftermarket Services not only takes care of defective components on aircraft or upgrades for outdated cabins, its employees also develop completely novel parts and concepts. The most recent example is LAV4ALL – a barrier-free lavatory for single-aisle aircraft. The innovative design of the module was adapted to the layout of the smallest aircraft lavatory in the Airbus A320. Without reducing the space available in the cabin, the aircraft lavatory offers sufficient room for a wheelchair, additional holders and adjustable mirrors. Practically everyone can use the "Lavatory for All" without assistance, not only people with reduced mobility, but also passengers with poor eyesight or other impairments.



The development and production of high-quality galleys for private jets poses a special challenge that FACC has been addressing successfully for a number of years.

In the field of maintenance, FACC Aftermarket Services made a significant step forward in fall 2020 by obtaining EN 9110 certification for maintenance work. Previously, FACC was only authorized to repair, maintain and overhaul aircraft components that it had manufactured itself. The EN 9110 certification is proof that FACC now also meets all standards to duly repair components manufactured by other companies. This will enable FACC to once again considerably expand its service and customer portfolio in this growing business field.

Another area in which FACC plans to broaden its market position in the medium term is the outfitting of private jets. The Group has been involved in the development and production of cabin interiors since 2004, and ranks among the world's three largest suppliers in this field. The company now plans to extend its offering to larger aircraft, which is a particularly complex field – especially in terms of execution quality, equipment, safety and spaciousness.

# Lightweight know-how around the globe

## GLOBALIZATION

**FACC is intensifying its global presence and partnerships in order to be the best partner in proximity to its customers worldwide. As part of the AVIC Group, it has direct access to the fastest growing markets.**

China represents one of the world's most important future markets for the aircraft industry. Together with Chinese partners, FACC played a major role in the development of the COMAC ARJ21. The "Advanced Regional Jet for the 21<sup>st</sup> Century" is the first civilian jet to be completely developed and assembled in the People's Republic. FACC is supplying the entire interior of the aircraft, from the cockpit cladding and overhead stowage compartments to the ceiling, wall and floor panels as well as the galleys and toilets. More than 100 aircraft of this type are to be produced by 2024.



The COMAC ARJ21 is the first jet-propelled regional aircraft developed and built in China.

### **MRO business strengthens presence in North America**

Not only in Asia are the signs clearly pointing to growth for FACC. The two FACC locations in North America will also be significantly upgraded over the next few years. In Montreal, Canada, the volume of products for business jets is to be increased, while in Wichita, USA, the highly successful Maintenance, Repair and Overhaul (MRO) business unit is to be expanded further. Strategically, FACC aims to extend services and production, which have so far only been provided in individual plants, to other locations of the Group. Production steps for business jets, for instance, which currently take place exclusively in Austria, could also be carried out in Canada in the medium term, and thus in the vicinity of the customer Bombardier. As a consequence, both North American locations will gain in importance due to their broader market position and enhanced value creation within the Group.

### **Scalable production in Croatia**

FACC's first international greenfield investment in Croatia had to be redimensioned in 2020 as a result of the COVID-19 crisis. Nevertheless, the construction of the high-tech plant near Zagreb remains an important element of FACC's organic growth strategy. From 2022, lightweight components for passenger cabins of commercial aircraft and business jets will be manufactured here on a production area of approximately 10,000 square meters. With this new plant, which is conveniently located both with regard to the Austrian sites and the deep-water port of Koper, FACC is integrating services previously provided by third-party suppliers into its own value chain, while simultaneously creating the basis for further capacity expansions. Notwithstanding the smaller dimensions of the site compared to the original plan, the plant was designed from the outset to be scalable at all times to accommodate a future increase in call-offs. With this project, moreover, FACC is laying important foundations for a stronger development towards industrialization and high technology in the Zagreb region.



# THE 2020 FINANCIAL YEAR

Share & Investor Relations

Corporate Governance

Report of Supervisory Board

2020 Financial Report

Group Management Report

Consolidated Profit and Loss Statement

Consolidated Statement of Comprehensive Income

Consolidated Statement of Financial Position

Consolidated Statement of Changes in Equity

Consolidated Statement of Cash Flows

Notes to the Consolidated Financial Statements

Statement of all Legal Representatives

Auditor's Report

# INVESTOR RELATIONS

## TRANSPARENT COMMUNICATION

Ensuring that all capital market participants have rapid access to all relevant information at the same time is a top priority at FACC. A key element of the company's investor relations work is personal communication with all investors through an open and active dialogue.

The FACC IR team was available to answer questions from institutional investors and analysts at several conferences during the reporting period. In 2020, one-on-one meetings and group presentations were held on more than 20 days with members of the Management Board and on investor relations level. As a consequence of the international travel restrictions in connection with the COVID-19 pandemic, almost all of the meetings and presentations were held as digital roadshows and conferences. Furthermore, FACC was in regular telephone or face-to-face contact with its investors.

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

## FACC SHARE: KEY FIGURES

		2018/19	SFY 2019*	2020
Trading volume	Shares	64,075,748	39,977,526	33,773,814
Average daily trading volume	Shares	259,416	159,910	133,493
Yearly high	EUR	24.25	15.2	12.86
Yearly low	EUR	12.64	9.06	4.70
Closing price	EUR	13.82	11.14	8.49
Earnings per share	EUR	0.38	0.24	-1.68
Dividend per share	EUR	0.15	-	-
Market capitalization	MEUR	632.8	510.1	388.7
Annual performance	%	-35.4	-20.1	-28.1
Dividend yield	%	1.1	-	-

\* 2019 short financial year

## ANNUAL GENERAL MEETING

The 6<sup>th</sup> Annual General Meeting of FACC AG was held on 26 June 2020 in the form of a digital online meeting. All proposed resolutions were approved by a large majority of votes.

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

## ANALYST COVERAGE

The following financial institutions published regular reports on FACC shares at the time of the release of the annual report 2020:

Financial Institution	Recommendation	Target price in EUR
Baader Bank	Sell	6.0
Berenberg Bank	Sell	7.4
ERSTE GROUP	Buy	9.5
Hauck & Aufhäuser	Hold	5.6
Kepler Cheuvreux	Hold	9.3
Pareto Securities	Hold	8.0
RBI	Hold	6.4

## SHAREHOLDER STRUCTURE AND SHARE CAPITAL

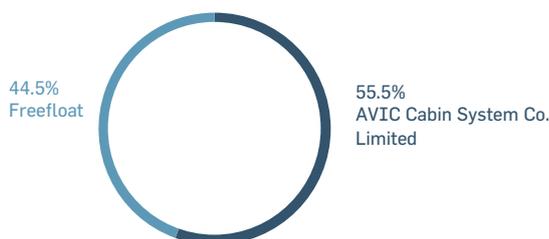
Aviation Industry Corporation of China, Ltd. (AVIC) is a stable core shareholder of FACC AG. AVIC holds 55.5 percent of the voting rights of FACC AG via AVIC Cabin Systems Co. Limited (formerly FACC International Company Limited). The remaining 44.5 percent are held as free float shares by international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

FACC AG received voting rights notifications pursuant to Section 91 of the Austrian Stock Exchange Act (BörseG) in the 2020 financial year. These were published within the statutory time limits and can be accessed on the company website.

## TREASURY SHARES

FACC AG held no treasury shares as of the balance sheet date 31 December 2020.

Shareholder structure as of 31 December 2020



## DIVIDEND POLICY

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

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

In view of the COVID-19 crisis and the need to strengthen the company's liquidity, the Supervisory Board and Management Board will – like they did for the 2019 short financial year – propose to the Annual General Meeting that no dividend be paid for the 2020 financial year.

The syndicated loan agreement, which was amended by agreement of 21 December 2020 due to the COVID-19 pandemic, also provides for a dividend restriction until 30 June 2022. A distribution not approved by the syndicate banks during this period would theoretically lead to a right to terminate the loan agreement.

## Share & Investor Relations

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### BASIC INFORMATION

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

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### FINANCIAL CALENDAR 2021

5 May	Interim report Q1 2021
1 July	Annual General Meeting
18 August	Half Year Financial Report 2021
10 November	Interim report Q3 2021

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### CONTACT

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Group Treasurer  
Treasury & Investor Relations  
Phone +43 59616 1232  
Mobile +43 59616 71232  
E-mail [f.heindl@facc.com](mailto:f.heindl@facc.com)

# CORPORATE GOVERNANCE REPORT

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

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

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## DECLARATION OF COMMITMENT

FACC AG observes the Austrian Code of Corporate Governance, undertaking to comply with its provisions for the first time in 2014 following its initial listing on the Prime Market of the Vienna Stock Exchange.

The Code, as amended, is available online at [www.corporate-governance.at](http://www.corporate-governance.at) (current version dated January 2021).

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

Pursuant to Rule C-62 of the Austrian Code of Corporate Governance, the company is obliged to commission an external evaluation of compliance with the Code's C-Rules on a regular basis, but at

least once every three years. FACC most recently commissioned KPMG Advisory GmbH to evaluate the Corporate Governance Report for the 2019 financial year. The evaluation concluded that FACC's declaration of compliance with the Austrian Code of Corporate Governance in its current version (2018) is factually accurate.

The evaluation results can be viewed by all interested parties on the company website [www.facc.com](http://www.facc.com).

The risk management system was assessed by an auditor in the 2020 financial year (Rule C-83 ÖCGK).

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## EXECUTIVE BODIES OF FACC AG

### Management Board

#### Organization and operation of the Management Board

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

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

## Corporate Governance



**Robert MACHTLINGER (1967)**

Chairman of the Management Board

First appointed: 2014

End of the current term of office:

06/2025

Areas of responsibility: Strategy, Customer & Government Relations, Business Development, Marketing, Human Resources, Program Management, Quality,

Corporate Communications, Innovation and Research

Supervisory Board mandates in other companies: none



**Andreas OCKEL (1966)**

Member of the Management Board

First appointed: 2017

End of the current term of office:

10/2025

Areas of responsibility: Production, Logistics, Quality Management, Development, Procurement, Facility Management,

Environment, Occupational Health and Safety, global subsidiaries

Supervisory Board mandates in other companies: none



**Aleš STÁREK (1970)**

Member of the Management Board

First appointed: 2016

End of the current term of office:

10/2024

Areas of responsibility: Financial Accounting, Controlling, Taxes, Treasury, IT, Legal, Investor Relations

Supervisory Board mandates in other companies: none



**Yongsheng WANG (1963)**

Member of the Management Board

First appointed: 2016

End of the current term of office:

05/2023

Areas of responsibility: Internal Auditing, China Business Relations, Risk Management

Supervisory Board mandates in other companies: none

## Supervisory Board

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

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

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

### Zhen PANG (1964)

Chairman

First appointed: 2018

End of the current term of office:

Annual General Meeting deciding on the 2021 financial year

Supervisory Board mandates in other companies: none

### Weixi GONG (1962)

First appointed: 2014

End of the current term of office:

Annual General Meeting deciding on the 2021 financial year

Supervisory Board mandates in other companies: none

### Jing GUO (1981)

First appointed: 2018

End of the current term of office:

Annual General Meeting deciding on the 2021 financial year

Supervisory Board mandates in other companies: none

### Jiajia DAI (1978)

First appointed: April 2019

Supervisory Board mandates in other companies: none

### Qinghong LIU (1973)

First appointed: 2018

End of the current term of office:

Annual General Meeting deciding on the 2021 financial year

Supervisory Board mandates in other companies: none

### George MAFFEO (1954)

First appointed: 2016

End of the current term of office:

Annual General Meeting deciding on the 2021 financial year

Supervisory Board mandates in other companies: none

### Junqi SHENG (1972)

First appointed: 2017

End of the current term of office:

Annual General Meeting deciding on the 2021 financial year

Supervisory Board mandates in other companies: none

### Tom WILLIAMS (1952)

First appointed: 2020

End of the current term of office:

Annual General Meeting deciding on the 2021 financial year

Supervisory Board mandates in other companies: none

Ruguang Geng, Chairman of the Supervisory Board, resigned from his office on 13 December 2019 with effect from 31 December 2019. In order to preserve the current number of eight shareholder representatives on the Supervisory Board, the Supervisory Board proposed to the Annual General Meeting on 26 June 2020 to elect Tom Williams to the Supervisory Board for the remaining term of office of the retiring member, i.e. the Annual General Meeting deciding on the 2021 financial year.

## Members of the Supervisory Board delegated by the Works Council:

### Peter KROHE (1959)

First delegated: 2014

Mr. Peter Krohe has resigned with effect from December 31, 2020

### Barbara HUBER (1965)

First delegated: 2014

### Ulrike REITER (1960)

First delegated: 2014

### Karin KLEE (1981)

First delegated: 2018

## Participation in meetings of the Supervisory Board and the committees in the 2020 financial year

Name	SB	AC	PCC	SC
Zhen PANG	4/4		4/4	1/1
Jiajia DAI	4/4	4/4		
Weixi GONG	4/4		4/4	
Jing GUO	4/4	4/4		1/1
Qinghong LIU	4/4		4/4	1/1
George MAFFEO	4/4	4/4		1/1
Junqi SHENG	4/4		4/4	1/1
Tom WILLIAMS	2/4			1/1
Peter KROHE	4/4			1/1
Barbara HUBER	2/4			
Ulrike REITER	4/4			1/1
Karin KLEE	4/4			

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

## Corporate Governance

### Independence of the Supervisory Board members

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

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

### Supervisory Board committees

As required by the Austrian Stock Corporation Act, the Supervisory Board of FACC AG has set up an Audit Committee to perform planned supervisory and control functions. In addition to examining the accounting process as well as the audit and Group audit, it also monitors the effectiveness of the internal control and risk management system.

Furthermore, the Audit Committee is responsible for reviewing the Corporate Governance Report, which is presented at the Annual General Meeting.

The Audit Committee held four meetings in the 2020 financial year. A total of four Supervisory Board meetings were held during the reporting period.

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

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

The Personnel and Compensation Committee is responsible for reviewing the Remuneration Report, which is discussed and voted on at the Annual General Meeting.

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

### Composition of the Supervisory Board committees in the 2020 financial year

#### Audit Committee

##### Members

- Jiajia DAI (Chairwoman)
- Jing GUO
- George MAFFEO
- 

#### Personnel and Compensation Committee

##### Members

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

### Strategy Committee

##### Members

- Jing GUO (Chairwoman)
- Qinghong LIU
- Zhen PANG (since March 2020)
- George MAFFEO
- Junqi SHENG
- Tom WILLIAMS (since September 2020)
- Ulrike REITER
- Peter KROHE

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

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

No further transactions with members of the Supervisory Board requiring approval were approved in the 2020 financial year.

### Collaboration between the Management Board and the Supervisory Board

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

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

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## REMUNERATION REPORT

The Management Board and Supervisory Board are obliged to prepare a transparent and comprehensible Remuneration Report. This report must provide a comprehensive overview of the remuneration granted or owed to current and former members of the Management Board in the course of the past financial year in accordance with the remuneration policy, including all benefits of any kind (L-Rule 29a ÖCGK).

Details on the total remuneration received by each member of the Management Board and Supervisory Board and the principles of the remuneration policy are published in a separate Remuneration Report.

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## SHAREHOLDER RIGHTS

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

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## DIRECTORS' DEALINGS

Share purchases and sales by members of the Management Board and Supervisory Board are disclosed in accordance with applicable legal provisions (Article 19 of the Austrian Market Abuse Directive). Purchases and sales of shares are published on the company website at [www.facc.com](http://www.facc.com).

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## CHANGES AFTER THE BALANCE SHEET DATE

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

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## AUDITOR

Ernst & Young Wirtschaftsprüfungs GmbH, Linz, was proposed by the Supervisory Board as auditor and Group auditor of FACC AG for the 2020 financial year. The motion was adopted by the Annual General Meeting on 26 June 2020 with the requisite majority.

Expenses for auditing services in the 2020 financial year amounted to kEUR 167 (previous year: kEUR 273). The breakdown according to individual areas is shown in the Notes to the Consolidated Financial Statements.

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## DIVERSITY

When electing members of the Supervisory Board, the Annual General Meeting must pay due attention to the requirements with respect to professional and personal qualifications as well as the balanced composition of expert know-how. Due regard must also be paid to diversity in terms of gender, age distribution and internationality. Newly elected Supervisory Board members are obliged to obtain adequate information on the organization and activities of the company and on the tasks and responsibilities of supervisory boards. Women have been represented on the Supervisory Board of FACC AG since the company was first listed on the Vienna Stock Exchange. At the end of the 2020 financial year, the proportion of female members of the Supervisory Board was 40% (five out of twelve).

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

14 women are currently represented on the Supervisory Board, Management Board and in other top management positions at FACC. At lower echelons, the proportion of female managers is low. FACC therefore continues to participate in job fairs and specifically addresses female high potentials. Increased efforts are being made to recruit women for new management positions and replacements.

FACC AG is committed to equal opportunities at the workplace and resolutely opposes all forms of discrimination against female employees.

# REPORT OF THE SUPERVISORY BOARD



Dear Shareholders,

In the 2020 financial year, the global aerospace supply industry encountered a crisis of historic magnitude. The COVID-19-pandemic brought huge challenges for our employees, management, suppliers, customers and all other stakeholders of FACC. In consideration of the health challenges, strong revenue, profit and cash flow reduction, FACC AG was still able to proactively react to the crisis and secure the health and security of our employees as well as on-time deliveries for our customers. Nevertheless, FACC AG suffered from the severe impacts of the pandemic. The Company's revenues dropped significantly and reached EUR 526.9 million. Reported EBIT amounted to EUR -74.4 million.

In the past financial year, the Supervisory Board of FACC AG performed its duties in accordance with applicable laws, the Articles of Association of FACC AG and the Austrian Corporate Governance Code. The Supervisory Board approved, after an in-depth review, necessary resolutions and supported the management regularly and in a timely and comprehensive fashion on all material issues relating to the corporate planning, strategic direction and development, business performance and state of the Group.

The communication between the Management Board and the Supervisory Board was characterized by a high degree of openness, which allowed the Supervisory Board to comprehensively assess the management of the company at all times and support the Management Board with regard to key decisions.

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## MEETINGS OF THE SUPERVISORY BOARD

During the 2020 financial year, the committees convened in accordance with the Austrian Corporate Governance Code. The meetings dealt largely with the discussion of the course of business during the COVID-19-pandemic and resolutions regarding business matters and other important business issues. The Supervisory Board of FACC AG is currently composed of eight shareholder representatives and four employee representatives and is committed to compliance with the Austrian Corporate Governance Code.

The Supervisory Board met four times during the 2020 financial year. The attendance of the Supervisory Board members in the meetings reached over 90%.

The Supervisory Board carried out its activities during the financial year with great care. It oversaw the Management Board's governance and advised it in decision-making processes based on detailed written and verbal reports as well as constructive discussions between the Supervisory Board and the Management Board. The Management Board provided the Supervisory Board with regular, timely, and comprehensive reports on the company's financial situation, operations as well as on the general economic situation in its key markets, and the overall business environment during the pandemic, as well as on the opportunities and risks to FACC's business development. FACC adapted its business operations in the 2020 financial year to a heavily changed market environment and made significant progress in implementing its strategic initiatives.

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### THE AUDIT COMMITTEE

The Audit Committee held four meetings during the 2020 financial year.

In 2020, the Audit Committee looked at important topics related to accounting standards and processes, the internal audit program, risk management, and the Group's internal control system. The auditor, Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., participated in the Audit Committee's meetings, and the Supervisory Board regularly took advantage of the opportunity to discuss matters with the auditor.

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### THE PERSONNEL AND COMPENSATION COMMITTEE

The Personnel and Compensation Committee held four meetings during the 2020 financial year.

At the meetings, the Committee reviewed the company management structure, the recruiting process and negotiated and extended the contracts of Management Board members Robert Machtlinger and Andreas Ockel.

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### THE STRATEGY COMMITTEE

The Strategy Committee held one meeting during the 2020 financial year.

At the meeting, matters on the company's five-year plans, the implications of the COVID-19-pandemic, new business development and strategic technology development were studied and reviewed. It also dealt with strategic considerations regarding the long-term focus of the company's portfolio.

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### AUDIT

At its meeting on 22 March 2021, together with the auditors, the Audit Committee of the Supervisory Board studied in detail the annual financial statements including the Management Report, the Corporate Governance Report, the Remuneration Report, the Non-Financial Report, the Consolidated Financial Statements including the Group Management Report and the Auditor's report.

Following its own examination, the Audit Committee endorsed the findings of the Auditor's report and informed the Supervisory Board accordingly. The Supervisory Board examined the Annual Financial Statements, the Consolidated Financial Statements, the Management Report, the Group Management Report, the Non-Financial Report, the Remuneration Report and the Corporate Governance Report and endorsed the result of the audit of the Financial Statements, and Consolidated Financial Statements. The Supervisory Board concurred with the Annual Financial Statements, which are thus adopted pursuant to Section 96 Paragraph 4 of the Austrian Stock Corporation Act.

The Supervisory Board would like to thank all employees and members of the Management Board of FACC AG for their continuous commitment and achievements during this challenging year 2020. Many thanks to the shareholders of FACC AG for their trust.

Ried im Innkreis, March 2021

Zhen Pang m. p.  
Chairman of the Supervisory Board

# 2020 FINANCIAL REPORT

Group Management Report	69
Consolidated Profit and Loss Statement	84
Consolidated Statement of Comprehensive Income	85
Consolidated Statement of Financial Position	86
Consolidated Statement of Changes in Equity	88
Consolidated Statement of Cash Flows	90
Notes to the Consolidated Financial Statements	91
Statement of all Legal Representatives	137
Auditor's Report	137

# Group Management Report of FACC AG for the 2020 financial year

## 1. INDUSTRY ENVIRONMENT

The COVID-19 pandemic triggered a global economic slump in the 2020 financial year. Air traffic, and thus the aviation industry as a whole, were particularly hard hit by local and international travel restrictions. Moreover, the economic damage to the aviation industry was much greater than in previous crises (e.g. the terrorist attacks of 11 September 2001). At the beginning of the pandemic in the spring of 2020, global air traffic volumes plummeted by approximately 80%. International passenger demand in 2020 was, on average, approximately 52% lower than in 2019. In addition to the substantial fall in the number of intercontinental and continental flights offered, international cargo traffic was also severely impacted. Before the crisis, approximately 50% of all air freight was transported in cargo holds during regular passenger flights. The loss of these capacities posed a serious problem for global supply chains and led to significant price increases and time delays in the freight sector.

### 2020 financial year marked by various phases

The unfolding of the COVID-19 pandemic led to volatile developments in the supplier industry throughout the year. While the first quarter of 2020 could still be described as healthy, with the effects of the pandemic becoming more noticeable from March onwards, the second quarter was characterized by major uncertainties. The lack of reliable market data combined with a weakening of the pandemic in the warm summer months failed to provide a clear picture, and led to a sharp drop in the delivery rates of aircraft manufacturers (OEMs) as well as very weak sales for suppliers in the second and third quarters. It was not until August 2020 that much more reliable market data became available, thereby facilitating planning. This led to a renewed increase in sales in the aircraft supply industry in the fourth quarter.

### Production rates declined to varying degrees

The large aircraft manufacturers (OEMs) responded to the sharp decline in air traffic by reducing their monthly production rates. Production rates for standard-body aircraft (narrow-body/short-haul aircraft) fell by approximately 30%, while the decline for wide-body aircraft (long-haul aircraft) was much steeper at around 50%. The decrease in the business jets segment was much smaller at around 20%. Chinese platforms which play an important role for FACC, such as COMAC ARJ21 and COMAC C919, showed exceptional stability, even though C919 is still in the development phase. Here, production demand did not decrease over the course of the year. It should be noted, however, that the monthly production rates for these aircraft are still very low compared to those of established suppliers.

### Airbus and Boeing significantly reduce deliveries

In 2020, Airbus and Boeing delivered a total of 723 aircraft. This represents a decrease of 520 aircraft compared to 2019. In the same period, airlines placed new orders for a total of 567 aircraft with Airbus and Boeing (gross figures). Relative to 2019, the order backlog of Airbus and Boeing thus decreased by 1,506 aircraft to 11,407. Approximately two thirds of this decrease are attributable to cancellations of Boeing 737MAX aircraft. In November 2020, the U.S. Federal Aviation Administration (FAA) lifted the grounding of the Boeing 737MAX – a move that was subsequently followed by other national authorities.

### Recovery of the aviation industry is varied and sluggish

Due to strongly varying developments at the regional level, economic recovery will be much slower than in previous crises. The recovery in intercontinental air travel, for instance, is lagging far behind continental and domestic air travel. China's domestic air travel market started to slowly recover in March 2020, and had returned to its pre-crisis level by the end of 2020. All other regional markets also saw a slow recovery in domestic air traffic by August 2020. However, this trend was once again severely curbed with the rising number of infections internationally from the fall of 2020. Thus, the recovery of the world's largest domestic market for air travel (USA) also remained disappointing.

### Availability of vaccines contributes to easing the situation

In the second half of 2020, the first vaccines against COVID-19 were approved in individual countries, and the first local vaccination campaigns were launched. Towards the end of 2020, the U.S. manufacturers Pfizer and Moderna applied internationally for fast-track approvals for their developed vaccines, which were subsequently granted by several national regulatory authorities. This marked the beginning of a wide-scale global vaccination campaign. As the availability of vaccines increases, the containment of the pandemic will accelerate. The recovery of national air travel in the summer of 2020 demonstrates that great pent-up demand exists, and that air travel has the potential to recover once the pandemic has been contained and travel restrictions have been relaxed.

## 2. GENERAL INFORMATION

### 2.1. Information according to section 243 of the Austrian Commercial Code (UGB)

The FACC Group based in Ried im Innkreis is an Austrian group of companies 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 wingtips) 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.).

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.
- **Cabin Interiors** focuses on the development, production, distribution and repair of interior solutions, and
- **Engines & Nacelles** covers the production, distribution and repair of engine components.

After customer contracts have been concluded and the orders processed, the individual orders are then manufactured in the Group's five plants. In addition to the three operative segments,

the Group also comprises the central services Finance and Controlling, Human Resources, Legal, Quality Assurance, Research and Development, Communication & Marketing, Purchasing and IT (including Engineering Services). The central services support the operative segments in fulfilling their duties within the framework of a matrix organization.

### 2.2. Change of the financial year to the calendar year

At the 5<sup>th</sup> Annual General Meeting on 9 July 2019, a resolution was passed to change the financial year to the calendar year. The 2019 financial year was therefore a short financial year (short financial year 2019: 1 March 2019 – 31 December 2019). For the sake of greater comparability, a column entitled "2019 unaudited" was added to the tables in this Group Management Report wherever possible. This column contains an unaudited, comparable result for the period 1 January 2019 to 31 December 2019.

### 2.3. Correction of errors

In the course of a random sampling inspection by the Austrian Financial Reporting Enforcement Panel (OePR), the Consolidated Financial Statements of FACC AG as of 28 February 2019 as well as the Half-Year Financial Reports of FACC AG as of 31 August 2018 and 31 August 2019 were selected and audited pursuant to section 2 paragraph 1 line 2 of the Financial Reporting Enforcement Act (audit without particular cause).

All detected violations are corrected in the Consolidated Financial Statements of FACC AG as of 31 December 2019 and are explained in the Notes to the Consolidated Financial Statements.

## 3. DEVELOPMENT OF THE FACC GROUP

	2018/19 in MEUR	SFY 2019 in MEUR	2019 unaudited in MEUR	2020 in MEUR
Revenues	781.6	653.1	801.3	526.9
One-time effects		0.0	0.0	0.0
thereof product revenues	700.1	592.4	725.7	497.7
thereof revenues from development services	81.5	60.6	75.6	29.2
EBIT (reported)	43.6	22.1	15.1	-74.4
One-time effects	-11.4	-13.1	-13.1	-47.6
EBIT (operating)	55.0	35.2	28.2	-26.8
EBIT margin (operating)	7.0%	5.4%	3.5%	-5.1%
Earnings per share	0.66	0.24	0.16	-1.68

<sup>1)</sup> Period from 1 January 2019 to 31 December 2019 (unaudited)

In the 2020 financial year, the FACC Group generated revenues of EUR 526.9 million, which correspond to a decline of EUR 126.2 million compared to the previous year (short financial year). This negative development was clearly driven by the effects of the COVID-19 pandemic. The global economic downturn and the economic consequences of the pandemic for the global aviation and aerospace industries had a detrimental impact on both revenues and, therefore, earnings in the 2020 financial year.

This significant decline is mainly attributable to negative adjustments to construction rates of all aircraft programs of relevance to FACC. While revenues were impacted by reduced customer call-offs, particularly in July and August, signs of positive momentum became apparent from September onwards.

Reported earnings before interest and taxes (EBIT) amounted to EUR -74.4 million in the 2020 financial year (short financial year 2019: EUR 22.1 million). EBIT for the 2020 financial year includes one-time effects due to impairment losses and changes in estimates in connection with the COVID-19 crisis and the associated impact on the medium-term market environment in the amount of EUR 35.6 million, as well as costs incurred for personnel reductions in the amount of EUR 11.9 million.

On 18 September 2020, FACC announced that it would reduce its headcount by 650 employees in the fourth quarter of 2020 as a result of capacity adjustments within the Group to the market environment expected in the medium term. These measures were implemented as planned. Compared to the balance sheet date of 31 December 2019, the headcount was reduced by 716 FTE to 2,655 FTE.

The operating result stood at EUR -26.8 million and was significantly impacted by the reduced capacity utilization of the plants since the outbreak of the COVID-19 pandemic at the beginning of the second quarter of 2020.

The optimization program announced at the beginning of the 2020 financial year to permanently streamline the group-wide cost structure is bearing fruit and produced positive effects in the first nine months of 2020. Due to the sharp drop in market demand, the optimization program was advanced in a focused manner and expanded to include additional operational issues.

### **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 34 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 Oesterreichische 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 COVID-19 pandemic and the associated expected negative impact on the Group's financial and earnings performance called for an amendment to the contractual terms of the existing syndicated loan (total volume of EUR 285 million distributed over seven banks, term ending on 29 August 2023).

The main focus was on the financial covenant of a net financial debt/EBITDA ratio of < 4.0, which is to be tested every six months.

By agreement of 21 December 2020, a suspension of the covenant (covenant holiday) and an adjustment of the covenant (covenant reset) were agreed for the next test dates. As of the test on 31 December 2022, FACC will resume the originally agreed covenant of a net financial debt/EBITDA ratio of < 4.0. In addition, the syndicated loan agreement of 21 December 2020 stipulates that no dividends are to be distributed until 30 June 2022. In the event that the agreed distribution restriction is breached in this period, the syndicate banks may potentially terminate the loan agreement.

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).

## Group Management Report

### 3.1.1. Liquidity analysis

	2018/19 in MEUR	SFY 2019 in MEUR	2020 in MEUR
Cash flow from operating activities	63.3	48.0	12.7
Cash flow from investing activities	-35.7	-18.2	-15.2
Free cash flow	27.6	29.7	-2.4
Cash flow from financing activities	-0.8	-43.5	20.7
Net change in cash and cash equivalents	26.8	-13.8	18.2
Effects from foreign exchange rates	-0.2	-0.5	-1.5
Cash and cash equivalents at the beginning of the period	63.5	90.1	75.8
Cash and cash equivalents at the end of the period	90.1	75.8	92.5

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 12.7 million, cash flow from operating activities in the reporting year 2020 was EUR 35.3 million lower than the previous year's figure of EUR 48.0 million (short financial year 2019).

#### Cash flow from investing activities

Cash flow from investing activities amounted to EUR -15.2 million in the reporting year 2020, compared with EUR -18.2 million in the previous year (short financial year 2019).

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

	28.02.2019 in MEUR	31.12.2019 in MEUR	31.12.2020 in MEUR
Earnings before interest and taxes (EBIT)	43.6	22.1	-74.4
Plus/minus			
Depreciation, amortization and impairment	15.8	18.8	50.1
Amortization contract costs	8	13.3	10.9
Impairment contract costs	7.3	0.0	2.9
EBITDA	74.7	54.1	-10.5
Net debt/EBITDA	2.42	3.28 <sup>1)</sup>	N/A

<sup>1)</sup> Value based on an extrapolation over twelve months due to the short financial year 2019.

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

#### Cash flow from financing activities

In the reporting year 2020, cash flow from financing activities amounted to EUR 20.7 million (short financial year 2019: EUR -43.5 million).

### 3.1.2. Net debt

On 31 December 2020, net debt stood at EUR 232.1 million (short financial year 2019: EUR 213.2 million). This increase is attributable to the effects of the COVID-19 pandemic (e.g. revenue decline). On the balance sheet date, cash and cash equivalents of the FACC Group amounted to EUR 92.5 million (short financial year 2019: EUR 75.8 million).

	28.02.2019 in MEUR	31.12.2019 in MEUR	31.12.2020 in MEUR
Promissory note loans	34.0	70.0	70.0
Bonds 2013-20 ISIN AT00000A10J83	89.8	89.8	0.0
Other financial liabilities	147.2	129.1	254.6
Gross financial liabilities	271.0	289.0	324.6
Less			
Cash and cash equivalents	90.1	75.8	92.5
Financial assets	90.1	75.8	92.5
Net debt	180.9	213.2	232.1

## 3.2. Asset position

	28.02.2019 in MEUR	31.12.2019 in MEUR	31.12.2020 in MEUR
Non-current assets	324.9	375.7	326.9
Current assets	400.9	361.0	322.7
Assets	725.8	736.7	649.5
Equity	299.0	310.6	243.2
Non-current liabilities	185.7	188.5	179.6
Current liabilities	241.1	237.7	226.7
Debt	426.8	426.1	406.4
Equity and debt	725.8	736.7	649.5
Equity ratio	42.8%	42.2%	37.4%

## 3.2.1. Assets

Non-current assets of the FACC Group decreased by EUR 48.8 million to EUR 326.9 million relative to the balance sheet date of 31 December 2019.

Current assets declined by EUR 38.3 million compared to the same period of the previous year. Cash and cash equivalents, by contrast, increased by EUR 16.8 million to EUR 92.5 million as of the balance sheet date of 31 December 2020.

## 3.2.2. Equity

Equity of the FACC Group stood at EUR 243.2 million at the end of the reporting year. This corresponds to an equity ratio of 37.4% as of 31 December 2020 (Short financial year 2019: 42.2%).

## 3.2.3. Debt

Within non-current liabilities, other financial liabilities decreased by EUR 5.5 million to EUR 13.2 million.

Within current liabilities, trade payables decreased by EUR 52.0 million to EUR 31.5 million. This is largely attributable to the lower volume of business resulting from the effects of the COVID-19 pandemic.

Other financial liabilities increased by EUR 133.2 million to EUR 159.2 million, due in part to the expansion of the syndicated loan to include the COVID-19 financing line of Oesterreichische Kontrollbank (EUR 60 million), and the reduction of the factoring program.

## 4. DEVELOPMENT OF THE SEGMENTS

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

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

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

## Group Management Report

### 4.1. Aerostructures

	2018/19 in MEUR	SFY 2019 in MEUR	2020 in MEUR
Revenues	335.7	240.2	184.7
EBIT (reported)	37.6	22.6	-26.7
EBIT margin (reported)	11.2%	9.4%	-14.5%
One-time effects	-8.3	-8.3	-22.2
EBIT (before one-time effects)	45.9	30.9	-4.5
EBIT margin (before one-time effects)	13.7%	12.8%	-2.5%

Revenues in the Aerostructures segment amounted to EUR 184.7 million in the 2020 financial year (short financial year 2019: EUR 240.2 million). This decline in revenues was driven, among other things, by the disproportionately large reduction in production rates of the Airbus A350 and Boeing 787 projects. In addition, safety buffers built up by customers in connection with Brexit led to a drop in demand.

In the Aerostructures segment, reported earnings before interest and taxes (EBIT) amounted to EUR -26.7 million in the 2020 financial year (short financial year 2019: EUR 22.6 million).

### 4.2. Engines & Nacelles

	2018/19 in MEUR	SFY 2019 in MEUR	2020 in MEUR
Revenues	168.5	152.4	115.3
EBIT (reported)	9.5	6.0	-22.9
EBIT margin (reported)	5.6%	3.9%	-19.9%
One-time effects	-1.2	-1.2	-11.9
EBIT (before one-time effects)	10.7	7.1	-11.0
EBIT margin (before one-time effects)	6.4%	4.7%	-9.6%

Revenues in the Engines & Nacelles segment totaled EUR 115.3 million in the 2020 financial year (short financial year 2019: EUR 152.4 million).

In the Engines & Nacelles segment, reported earnings before interest and taxes (EBIT) amounted to EUR -22.9 million in the 2020 financial year (short financial year 2019: EUR 6.0 million).

### 4.3. Cabin Interiors

	2018/19 in MEUR	SFY 2019 in MEUR	2020 in MEUR
Revenues	277.4	260.5	226.9
EBIT (reported)	-3.5	-6.5	-24.7
EBIT margin (reported)	-1.3%	-2.5%	-10.9%
One-time effects	-2.0	-3.7	-13.5
EBIT (before one-time effects)	-1.5	-2.9	-11.2
EBIT margin (before one-time effects)	-0.5%	-1.1%	-4.9%

Revenues in the Cabin Interiors segment amounted to EUR 226.9 million in the 2020 financial year (short financial year 2019: EUR 260.5 million). The comparatively smaller decline in revenues was supported by a favorable product mix. Airbus A320, business jet and COMAC ARJ21 projects experienced milder rate reductions.

Reported earnings before interest and taxes (EBIT) of the Cabin Interiors segment stood at EUR -24.7 million in the 2020 financial year (short financial year 2019: EUR -6.5 million).

### 4.4. Segmental representation of the effects of COVID-19

	Aero- structures	Engines & Nacelles	Cabin Interiors	Total in MEUR
Revenues	184.7	115.3	226.9	526.9
EBIT (reported)	-26.7	-22.9	-24.7	-74.4
Thereof account- ing and valuation effects and changes in estimates relat- ed to Covid-19	-18.1	-8.6	-9.0	-35.6
Thereof cost for personnel reduction	-4.1	-3.3	-4.5	-11.9
EBIT (before one-time effects)	-4.5	-11.0	-11.2	-26.8
EBIT margin (before one-time effects)	-2.5%	-9.6%	-4.9%	-5.1%

## 5. RISK REPORT

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

The respective risk owner bears direct responsibility for risk management. The Director Treasury & Risk Management reports directly to the Management Board, which assumes overall responsibility for risk management. 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 Director Treasury & Risk Management. The latter decides whether the Management Board is to be notified straight away, which in turn informs the Supervisory Board at its meetings.

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

The following key risk areas have been identified:

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

The industry-specific risks to which the Group is exposed lie in changes to aircraft delivery schedules between manufacturers and final customers. The risk of a change in future aircraft deliveries directly affects the Group's future 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 improvement of existing aircraft types, thus laying the basis 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 the availability of resources of any kind (manpower, equipment, materials, etc.) as well as external factors, which the

## Group Management Report

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 authority/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 Treasury & Risk Management 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 Treasury & Risk Management 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 Treasury & Risk Management department pursues the objective of an average hedge ratio of 80% 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 3,338 in the 2020 financial year (short financial year 2019: kEUR 8,139). A change in the EUR-USD exchange rate of -5% would have resulted in a change in equity in the amount of kEUR -3,689 in the 2020 financial year (short financial year 2019: kEUR -8,997).

#### **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 2020 would have resulted in a reduction in earnings after taxes and in equity of kEUR 691 (short financial year 2019: kEUR 615). 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 620 (short financial year 2019: kEUR 587). 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 10 (short financial year 2019: kEUR 0) 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 (cybercrime attacks such as hacking, phishing, ransomware, etc.) as well as typical fraud scenarios (social engineering) and the risk of unauthorized persons physically entering sensitive production or company areas. FACC has taken appropriate systemic security precautions for IT-related areas. Within the scope of fraud prevention, FACC relies on 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. Special risks arising from the COVID-19 pandemic

The COVID-19 pandemic triggered massive decreases 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, 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.

Owing to the pandemic, there is an increased risk of the aircraft sector and FACC being generally perceived as less attractive employers on the labor market. In addition, there is a risk of a loss of know-how caused by the departure of key employees due to the temporarily bleak business outlook.

A decline in the planned sales figures due to a further 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 decrease in cash flow or earnings increases the risk of breaching the amended financial covenant (net debt/EBITDA) in the syndicated loan agreement concluded with FACC's core banks in December 2020.

These specific risks are monitored and evaluated as part of the risk management process, and reduced through appropriate countermeasures (e.g. more rigorous risk assessments for suppliers and customers, increased personnel marketing activities, strict cost and investment controlling, stringent debt collection procedures).

## 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 2020 financial year, FACC spent EUR 55.9 million, i.e. 10.6% 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. Particularly in times of crisis, such as the COVID-19 pandemic, research and innovation in the field of aviation gain in importance. Dealing with new product requirements, such as sterile surfaces, and the ongoing optimization of manufacturing technologies are just two current examples of how FACC is proactively developing in order to be able to cope with volatile market forecasts and production rates.

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:

- Weight reduction
- Robust manufacturing processes and increase in production rates
- Sustainable materials
- Urban air mobility (UAM)
- Passenger safety

### Patents and awards

In 2020, FACC received the Innovation Award of the State of Upper Austria and was also nominated for the Austrian State Prize. Furthermore, several patents were once again successfully registered.

# Group Management Report

## UAM

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 as well as a mission to pursue this new topic intensively. An important milestone on this path was the granting of an experimental flight permit by the Austrian authorities at the end of 2020. Promoting the development of this technology to market maturity remains a cornerstone of FACC's innovation strategy.

## Passenger safety

Due to the COVID-19 pandemic, protecting airline passengers from bacteria and viruses has become the focus of attention. The issue of sterile surfaces and the associated substances has recently moved to the top of the list of requirements of customers and potential customers. FACC expects initial relevant products to be successfully launched on the market as early as mid-2021. In addition, several promising approaches for further work on the recirculation of cabin air have been identified.

## Sustainable materials

An improved climate footprint along with lower costs over the entire life cycle of the product are the focus when dealing with sustainable materials. FACC is currently investigating options for fiber-reinforced natural resins as a long-term alternative to synthetic resins in cooperation with partners from the raw material manufacturing industry. In the field of life cycle assessments (LCA), FACC launched a project in cooperation with Airbus and other partners in February 2021, which aims to quantify the life-cycle costs of aircraft cabin products as accurately as possible.

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## 7. EMPLOYEES

As of 31 December 2020, the total headcount of the FACC Group amounted to 2,655 full-time equivalents (FTE; previous year: 3,371 FTE).

In Austria, 2,410 FTE were employed as of 31 December 2020. This corresponds to approximately 91% of the Group's total workforce.

	Blue-collar	White-collar	Total
Central Services	182	421	603
Aerostructures	548	183	731
Engines & Nacelles	274	96	370
Cabin Interiors	475	148	623
Subsidiaries	55	232	287
FACC AG	–	41	41
Total	1,534	1,121	2,655

Compared to the previous year, 716 fewer FTE were employed at FACC. This decrease was largely due to personnel reductions, caused by the COVID-19 pandemic, at the end of October at the company's Austrian sites. Due to the labor regulatory framework, a redundancy plan was negotiated with the social partners. This primarily serves as a financial safety net and temporary relief measure for the employees affected and their families. In addition, a special hardship fund was set up for the Works Council with a volume of kEUR 300. This fund is intended to provide rapid assistance to those hit particularly hard by these personnel reductions subject to fixed criteria. Total costs for personnel reductions amounted to kEUR 11,945.

The international nature of FACC is also reflected in its personnel structure. Employees from 41 different countries and from all continents are currently working at its Austrian locations. 58% of the workforce has Austrian citizenship, and 18% are German nationals. As a technology company, FACC's share of women in the total workforce remains high at 27%. The fact that nearly 50% of FACC's apprentices are women is particularly pleasing.

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### 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 that convenes several times a week. 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. On average, approximately 200 employees were working from their home office at any given time. Where possible, teams were divided into two shifts, and shift work in production was adjusted accordingly. Internal corona tests were also introduced at an early stage. Two blanket tests were carried out at the Austrian sites in November and December 2020. A very high participation rate of approximately 99% testifies to the high acceptance of the measures among the workforce. As a result, there were fewer COVID-19 infections compared to nationwide figures.

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### 7.2. Motivation and health: FACC as a pioneer in employee satisfaction

FACC demonstrates its commitment to the motivation, satisfaction and health of its employees by offering a wide range of measures and initiatives every year. In 2020, however, numerous activities had to be canceled due to the COVID-19 pandemic. During this difficult period, FACC always used all channels to provide its employees with immediate, comprehensive information on current developments, explaining their effects and the measures to be taken within the company, thus making an active contribution to employee satisfaction. Aside from issues related to the corona pandemic, several of the usual and popular measures were able to be continued insofar as this was possible. FACC thus offers its employees subsidized childcare both throughout the year and during the summer holidays. This service is very popular, and the daycare center in St. Martin is regularly fully booked. The distribution of isotonic beverages in production during the summer months is a further contribution that FACC makes to the health of its employees. These and other measures are implemented within the scope of the "Healthy & Happy" pro-

ject, 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. Independent experts verify whether the stringent quality criteria of the European network have been met for the BGF seal of approval through an objective and transparent procedure.

### 7.3. FACC Academy

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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 177 internal training sessions with a total of 1,508 participants in the 2020 financial year. In addition, 27 external training sessions attended by 304 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 being 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" and "Foreign Object Damage" (FOD; refers to the damage to aircraft or aircraft components caused by foreign bodies or substances). 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

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As an international corporation with employees from 41 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 2020, substantial cuts had to be made here too due to the COVID-19 pandemic.

Company-wide events such as anniversary celebrations, the annual employee party and the traditional Christmas party unfortunately had to be canceled. 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, even after the crisis has been overcome.

### 7.5. In-house development of young talents

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FACC also gives high priority to the training of its apprentices. At the end of the 2020 financial year, a total of 39 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

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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.

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## 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.

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### 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, joint signatory powers for authorizing payments only, 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.

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#### 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 2020 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 2020, AVIC Cabin Systems Co. Limited (formerly FACC International Company Limited) held, either directly or indirectly, 55.5% of the shares of FACC.

As of the balance sheet date of 31 December 2020, no other shareholders were known to hold more than 10% of the share capital.

The free float of FACC shares amounted to 44.5% or 20,397,364 shares on 31 December 2020.

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.

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#### 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 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.

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#### 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 a maximum of five years from the registration of the authorized conditional capital in the commercial register. This authorized conditional capital serves the purpose of granting stock options to employees, senior executives and members of the Management Board of the company or one of its affiliated companies as part of a company stock option plan. The capital increase is earmarked and may only be carried out to the extent that option holders exercise their options under a stock option plan of the company.

## 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% of the current share capital, AVIC Cabin Systems Co. Limited has the right to appoint up to one third of all members of the Supervisory Board in accordance with section 11 of FACC's Articles of Association.

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

## 10.6. Other disclosures

As of 31 December 2020, 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% 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

As mentioned at the beginning, the COVID-19 pandemic has caused a general slowdown in global economic growth. The aviation industry, above all the airline industry, has been particularly affected, as has new aircraft business. A key indicator used in the aviation industry is revenue passenger kilometers (RPK). From today's perspective, the RPK level of 2019 will not be reached before mid-2023 (optimistic outlook) or the end of 2024 (cautious outlook).

## Global aircraft fleet

Further developments surrounding the COVID-19 pandemic and the associated global trends in consumption, tourism and industry cannot as yet be fully assessed from today's perspective. In particular, prolonged restrictions on international travel will prevent air traffic from recovering quickly. At the end of 2020, approximately 22,500 aircraft with more than 100 seats were registered with airlines worldwide. However, around 9,000 of these were parked for demand-related reasons. In order to bring about a gradual recovery in air traffic volumes, the parked aircraft fleet will first have to be recommissioned. A stable increase in demand for new aircraft will therefore only occur with a time lag. In light of the crisis, FACC expects that approximately 1,800 of the 9,000 aircraft currently parked will not be returned to regular, scheduled operations (early retirement).

## Future development of individual market segments (short and long-haul aircraft, business jets)

The COVID-19 pandemic has had a varying impact on individual aircraft models. The current restrictions on intercontinental air traffic are most strongly affecting the demand for large long-haul aircraft. Thus, demand for wide-body aircraft has dropped by 50% in 2020. From today's perspective, construction rates for these aircraft will remain at a stable, but lower level. FACC expects demand for these aircraft to recover only slowly. A full recovery in this market segment is not anticipated to occur before 2025.

Demand for short-haul aircraft also declined by around 30% in 2020. Due to the rapid recovery of individual markets, above all in Asia and China, this market should start to show signs of recovery in the second half of 2021, and could return to pre-crisis levels by the end of 2023 if the US and European markets continue to perform well.

Demand for business jets experienced a short-term decline of approximately 20% in 2020 as a result of the COVID-19 pandemic. This market segment, in which FACC generates approximately EUR 80 million in revenues each year, is expected to recover quickly and return to the level of 2019 in the course of 2022.

## Climate goals and implications for the aviation industry

Sustainable mobility concepts combined with the need to significantly reduce CO<sub>2</sub> emissions have increasingly become the focus of public discussion. Private transport and the aircraft industry in particular will have to adapt to these trends and contribute to goal achievement with the appropriate technological innovations. In total, the aviation industry accounted for 2.7% of total global CO<sub>2</sub> emissions in 2019. This value has thus been halved over the last 50 years despite a four-fold increase in passenger volumes over the same period. The goal of the aircraft industry is to continue to reduce its CO<sub>2</sub> share to less than 1.5% by 2050. New propulsion systems, alternative fuels, consistent materials recycling and the use of new materials and technologies all play a key role in this regard. Due to its extensive and continuously growing expertise in lightweight construction, as well as innovative new approaches to the ecological requirements of future aircraft generations, FACC is able to offer the market attractive new solutions to achieve these goals.

### 11.2. FACC Group

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In response to the new requirements of the aviation market, FACC revised its short and medium-term planning in 2020. This was accompanied by a reassessment of the Group's strategic orientation and the development of the FACC Roadmap 2030 on the basis of the analyses performed.

#### Strategy 2030

A core element of the FACC Roadmap 2030 is, and remains, to provide innovative lightweight solutions for the aerospace industry. To this end, FACC will continue to perfect its competencies and, on this basis, offer integrated overall systems to existing and new customers. Additional growth is to be generated by engaging in emerging markets such as Urban air mobility (UAM) and the rapidly growing space sector. FACC claims the position of a tier-1 partner, both in its core segments and in the new markets, on account of its outstanding global development and manufacturing expertise.

#### Major projects in the 2021 financial year

The focus is on safeguarding the company's financial strength and liquidity and restoring sustained profitability. Important operational and strategic measures have been defined, and are being implemented in a targeted manner.

- The path taken towards the vertical integration of core competencies into the manufacturing network of FACC's locations will be further intensified. The aim is to simplify the value stream, further cut material and purchasing costs, and to reduce the dependency on individual supply chains. To this end, relevant investments were already undertaken in the 2020 financial year. A major milestone is the production of metal components, which previously had to be purchased in their entirety. The in-house production of aluminum fittings in a highly automated manufacturing cell was launched in 2020. The volume produced on site to date will be further expanded and increased in the 2021 financial year.
- Expertise development in the area of high-quality aircraft furnishings is also progressing according to plan. In addition to investments in the production environment, new materials and processes have been developed, approved and patented. Production commenced in the fourth quarter of 2020. In 2021, the focus is now on continuously increasing the production volume.
- Material cost cuts are currently being implemented by consolidating the existing supply chains. The aim here is to sustainably strengthen the capacity utilization of strategic partners through volume effects while simultaneously reducing direct material purchasing costs and internal administration costs.

- An inventory reduction program in the amount of EUR 40 million was launched at the beginning of 2021. The objective is to reduce FACC's inventories across all corporate divisions (SOP, planning, purchasing and procurement, internal and external logistics channels, consignment stocks, etc.) by the end of 2021. In this way, capital that is currently tied up will be released and made available for financing new products and increasing market shares in the company's core business.
- In order to increase the capacities installed at FACC, the production of individual composite products will be transferred back from supply chains to in-house production in the course of the 2021 financial year. The goal is to gradually increase the share of in-house production to 100% by the fall of 2021. While these activities will not increase Group revenues, they will, however, optimize the capacity utilization of FACC's manufacturing facilities.
- The increase in overall manufacturing efficiency through both learning curve and production cycle effects, and the exploitation of automation potential, will continue unchanged.
- FACC streamlined its administrative and operational processes, and thus its organization as a whole, back in the fourth quarter of 2020. The resulting reduction in fixed costs will have a positive impact on the Group's cost structure with effect from the second quarter of 2021.
- The previously announced investment in the new Croatian site will be launched on a significantly reduced scale in the course of 2021. Production is scheduled to commence in 2022.
- The fulfillment of new contracts acquired in 2019 and 2020 will represent a further key focus of our activities in 2021. The first production revenues from these projects are expected to accrue in the 2022 financial year.
- The acquisition of additional new business in the three core segments (Aerostructures, Engines & Nacelles and Cabin Interiors) will also be a clear focus in the 2021 financial year.
- All innovation projects in the field of R&D will continue to be pursued in the 2021 financial year. Here, FACC will focus, among other things, on research into new materials and manufacturing processes, the development of virus-free surfaces, and the future use of biological materials as substitutes for petrochemical products.

#### Outlook on revenues and profitability

Assuming that the aviation industry will stabilize in the course of the 2021 financial year and based on the information currently available on all aircraft programs essential for FACC as well as the short and medium-term production rates, sales are expected to be around EUR 500 million for the 2021 financial year. Due to the expected sales development as well as the already initiated and the additionally planned cost reduction measures, the management of FACC expects a balanced EBIT for the year 2021. In particular, months of weak sales are likely to have a greater impact on the result, so that a stable positive EBIT can only be expected in the fourth quarter of 2021.

Ried im Innkreis, 8 March 2021

Robert Machtlinger m. p.  
Chairman of the Management Board

Andreas Ockel m. p.  
Member of the Management Board

Aleš Stárek m. p.  
Member of the Management Board

Yongsheng Wang m. p.  
Member of the Management Board

# Consolidated Profit and Loss Statement

for the period from 1 January 2020 to 31 December 2020

	Note	2019 restated <sup>1) 2)</sup> EUR'000	2020 EUR'000
Revenues	10	653,067	526,891
COGS - Cost of Goods sold	11	-598,840	-519,400
<b>Gross Profit</b>		<b>54,227</b>	<b>7,490</b>
Research and development expenses	12	-901	-1,043
Selling expenses	13	-6,653	-10,841
Administration expenses	14	-35,312	-46,020
Other operating income	15	12,040	9,804
Other operating expenses and impairment	16	-1,339	-33,741
<b>Earnings before interest and taxes (EBIT)</b>		<b>22,062</b>	<b>-74,351</b>
Financing expenses	19	-10,417	-8,657
Other financial result	19	2,021	1,855
<b>Financial result</b>		<b>-8,396</b>	<b>-6,802</b>
<b>Earnings before taxes (EBT)</b>		<b>13,666</b>	<b>-81,153</b>
Income taxes	20	-2,514	4,160
<b>Earnings after taxes</b>		<b>11,153</b>	<b>-76,993</b>
Of which attributable to non-controlling interests		15	19
Of which attributable to shareholders of the parent company		11,138	-77,012
<b>Diluted (=undiluted) earnings per share (in EUR)</b>	21	<b>0.24</b>	<b>-1.68</b>
<b>Issued shares (in shares)</b>		<b>45,790,000</b>	<b>45,790,000</b>

<sup>1)</sup> Due to an error correction in accordance with IAS 8, the previous year's figures were adjusted retrospectively (see Note 3 – Correction of errors).

<sup>2)</sup> The comparative period 2019 contains only 10 months due to the short fiscal year and is therefore only comparable to a limited extent.

# Consolidated Statement of Comprehensive Income

for the period from 1 January 2020 to 31 December 2020

	Note	2019 restated <sup>1) 2)</sup> EUR'000	2020 EUR'000
<b>Earnings after taxes</b>		<b>11,153</b>	<b>-76,993</b>
Currency translation differences from consolidation	34	44	-333
Cash flow hedges	34	3,954	12,967
Tax effect	20	-988	-3,242
<b>Items subsequently reclassified to profit and loss</b>		<b>3,009</b>	<b>9,392</b>
Revaluation effects of termination benefits	36	-98	323
Fair-Value measurement of securities (Fair Value through other comprehensive income)	34	15	1
Tax effect	20	21	-81
<b>Items not subsequently reclassified to profit and loss</b>		<b>-62</b>	<b>244</b>
<b>Other comprehensive income after taxes</b>		<b>2,947</b>	<b>9,636</b>
<b>Total comprehensive income</b>		<b>14,100</b>	<b>-67,357</b>
Of which attributable to non-controlling interests		15	19
Of which attributable to shareholders of the parent company		14,085	-67,376

<sup>1)</sup> Due to an error correction in accordance with IAS 8, the previous year's figures were adjusted retrospectively (see Note 3 – Correction of errors).

<sup>2)</sup> The comparative period 2019 contains only 10 months due to the short fiscal year and is therefore only comparable to a limited extent.

# Consolidated Statement of Financial Position

as of 31 December 2020

ASSETS				
	Note	01.03.2019 restated <sup>1)</sup> EUR'000	31.12.2019 restated <sup>1)</sup> EUR'000	31.12.2020 EUR'000
Intangible assets	22	21,309	22,096	4,468
Property, plant and equipment	23	172,866	181,616	167,890
Receivables from customer-related engineering	24	41,757	50,626	32,968
Contract assets	25	15,099	5,433	3,021
Contract costs	26	107,833	97,522	95,887
Other financial assets	27	457	472	501
Receivables from related companies	28, 49	6,156	5,633	5,416
Other receivables	29	8,657	8,838	9,405
Derivative financial instruments	46	0	0	2,109
Deferred taxes	20	5,512	3,455	5,187
<b>Non-current assets</b>		<b>379,647</b>	<b>375,691</b>	<b>326,852</b>
Inventories	30	123,781	122,798	105,571
Customer-related engineering	31	15,190	8,715	5,566
Trade receivables	32	95,998	98,824	61,374
Receivables from related companies	49	24,218	19,390	18,610
Current tax income receivables		38	407	263
Derivative financial instruments	46	0	0	14,362
Other receivables and deferred items	32	37,949	35,125	24,376
Cash and cash equivalents	33	90,062	75,790	92,548
<b>Current assets</b>		<b>387,237</b>	<b>361,049</b>	<b>322,670</b>
<b>Balance sheet total</b>		<b>766,883</b>	<b>736,740</b>	<b>649,522</b>

<sup>1)</sup> Due to an error correction in accordance with IAS 8, the previous year's figures were adjusted retrospectively (see Note 3 – Correction of errors).

EQUITY AND LIABILITIES

	Note	01.03.2019 restated <sup>1)</sup> EUR'000	31.12.2019 restated <sup>1)</sup> EUR'000	31.12.2020 EUR'000
Share capital	34	45,790	45,790	45,790
Capital reserve	34	221,459	221,459	221,459
Currency translation reserve	34	-665	-621	-954
Other reserves	34	-7,321	-4,418	5,551
Retained earnings	34	44,063	48,332	-28,757
<b>Equity attributable to shareholder of the parent company</b>		<b>303,326</b>	<b>310,543</b>	<b>243,089</b>
Non-controlling interests		34	49	68
<b>Equity</b>		<b>303,360</b>	<b>310,591</b>	<b>243,157</b>
Promissory note loans	39	0	70,000	70,000
Bonds	39	89,769	0	0
Lease liabilities	39	74,131	79,772	77,192
Other financial liabilities	39	32,464	18,718	13,209
Derivative financial instruments	46	64	14	0
Investment grants	35	9,866	8,385	9,125
Employee benefit obligations	36	9,860	10,657	9,658
Other provisions	38	12	0	0
Other liabilities		22	66	63
Deferred tax liabilities	20	450	867	384
<b>Non-current liabilities</b>		<b>216,638</b>	<b>188,479</b>	<b>179,630</b>
Promissory note loans	39	34,000	0	0
Bonds	39	0	89,916	0
Lease liabilities	39	5,316	4,622	5,011
Other financial liabilities	39	69,021	25,994	159,219
Derivative financial instruments	46	10,532	1,910	0
Contract liabilities from customer-related engineering	37	17,312	4,845	6,026
Trade payables		74,819	83,465	26,956
Liabilities towards related companies	49	4,623	4,508	8,479
Investment grants	35	946	1,327	858
Income tax liabilities		2,279	1,210	271
Other provisions	38	6,621	879	2,182
Other liabilities and deferred items	40	21,417	18,994	17,734
<b>Current liabilities</b>		<b>246,886</b>	<b>237,670</b>	<b>226,735</b>
<b>Balance sheet total</b>		<b>766,883</b>	<b>736,740</b>	<b>649,522</b>

<sup>1)</sup> Due to an error correction in accordance with IAS 8, the previous year's figures were adjusted retrospectively (see Note 3 – Correction of errors).

# Consolidated Statement of Changes in Equity

For the period from 1 January 2020 to 31 December 2020

	Note	Attributable to shareholders of the parent company		
		Share capital	Capital reserves	Currency translation reserve
		EUR'000	EUR'000	reserve EUR'000
<b>As of 1 March 2019</b>		<b>45,790</b>	<b>221,459</b>	<b>-665</b>
Error correction according to IAS 8	3	0	0	0
<b>As of 1 March 2019</b>		<b>45,790</b>	<b>221,459</b>	<b>-665</b>
Earnings after taxes		0	0	0
Other comprehensive income after taxes	34	0	0	44
<b>Total comprehensive income</b>		<b>0</b>	<b>0</b>	<b>44</b>
Dividend payment	34	0	0	0
<b>As of 31 December 2019</b>		<b>45,790</b>	<b>221,459</b>	<b>-621</b>
<b>As of 1 January 2020</b>		<b>45,790</b>	<b>221,459</b>	<b>-621</b>
Earnings after taxes		0	0	0
Other comprehensive income after taxes	34	0	0	-333
<b>Total comprehensive income</b>		<b>0</b>	<b>0</b>	<b>-333</b>
Dividend payment	34	0	0	0
<b>As of 31 December 2020</b>		<b>45,790</b>	<b>221,459</b>	<b>-954</b>

## Consolidated Statement of Changes in Equity

Attributable to shareholders of the parent company							
	Securities - Fair Value through Other comprehensive Income EUR'000	Cash flow hedges EUR'000	Other reserves		Total EUR'000	Non-controlling interests EUR'000	Total equity EUR'000
			Reserves IAS 19 EUR'000	Retained earnings EUR'000			
	-2	-3,991	-3,328	39,674	298,937	34	298,971
	0	0	0	4,389	4,389	0	4,389
	-2	-3,991	-3,328	44,063	303,326	34	303,360
	0	0	0	11,138	11,138	15	11,153
	11	2,965	-73	0	2,947	0	2,947
	11	2,965	-73	11,138	14,085	15	14,100
	0	0	0	-6,869	-6,869	0	-6,869
	9	-1,026	-3,401	48,332	310,543	49	310,591
	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

# Consolidated Statement of Cash Flows

	Note	2019 restated <sup>1) 2)</sup> EUR'000	2020 EUR'000
Earnings before taxes (EBT)		13,666	-81,153
plus financial result	19	8,396	6,802
<b>Earnings before interest and taxes (EBIT)</b>		<b>22,062</b>	<b>-74,351</b>
plus/minus			
Depreciation, amortization and impairment <sup>3)</sup>	18	18,794	50,074
Amortization contract costs	26	13,277	10,873
Impairment contract costs	26	0	2,873
Impairment customer-related engineering	31	0	1,780
Income from the reversal of investment grants	35	-215	-348
Change in other non-current provisions	38	-12	0
Change in employee benefit obligations	36	700	-675
Other non-cash expenses/income	41	-10,853	8,909
		43,753	-865
Change in working capital			
Change in inventory and customer-related engineering	30, 31	6,460	16,783
Change in trade receivables and other receivables, receivables from customer-related engineering and contract assets	29, 32	13,002	40,365
Change in trade payables and other liabilities	40	-9,957	-43,835
Change in current provisions	38	-3,674	1,302
<b>Cash flow from ongoing activities</b>		<b>49,583</b>	<b>13,751</b>
Interest received	42	746	156
Taxes paid	20	-2,355	-1,175
<b>Cash flow from operating activities</b>		<b>47,974</b>	<b>12,732</b>
Payments for the acquisition of non-current assets	22, 23, 43	-18,244	-15,241
Proceeds from the disposal of non-current assets	22, 23, 43	17	63
<b>Cash flow from investing activities</b>		<b>-18,227</b>	<b>-15,178</b>
Proceeds from promissory note loans	39	70,000	0
Proceeds from interest-bearing liabilities	39	74	142,437
Repayment of bonds	39	0	-90,000
Repayments of promissory note loans	39	-34,000	0
Repayments of interest-bearing liabilities	39	-57,260	-14,721
Outflows from leasing agreements	39	-4,941	-7,980
Dividend payment	34	-6,869	0
Interest paid	42	-10,525	-9,044
<b>Cash flow from financing activities</b>		<b>-43,521</b>	<b>20,692</b>
<b>Net changes in cash and cash equivalents</b>		<b>-13,774</b>	<b>18,246</b>
Cash and cash equivalents at the beginning of the period		90,062	75,790
Effects from foreign exchange rates		-498	-1,488
<b>Cash and cash equivalents at the end of the period</b>		<b>75,790</b>	<b>92,548</b>

<sup>1)</sup> Due to an error correction in accordance with IAS 8, the previous year's figures were adjusted retrospectively (see Note 3 – Correction of errors).

<sup>2)</sup> The comparative period 2019 contains only 10 months due to the short fiscal year and is therefore only comparable to a limited extent.

<sup>3)</sup> 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 Aviation Industry Corporation of China, Ltd. with headquarters in Hong Kong (Room 2201, 22/F, Fairmont House, 8 Cotton Tree Drive, Admiralty, Hong Kong), commercial registration number 91110000710935732K.

### 2. Basis of preparation of the Consolidated Financial Statements

The Consolidated Financial Statements of FACC AG as of 31 December 2020 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 2020 and ends on 31 December 2020. 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 Com-

prehensive 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 51 – Effects of new and amended standards (revised)). A description of the accounting and valuation principles is given in Note 50 – Accounting and valuation policies.

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

### 3. Correction of errors

In the course of a random sampling inspection by the Austrian Financial Reporting Enforcement Panel (OePR), the Consolidated Financial Statements of FACC AG as of 28 February 2019 as well as the Half-Year Financial Reports of FACC AG as of 31 August 2018 and 31 August 2019 were selected and audited pursuant to section 2 paragraph 1 line 2 of the Financial Reporting Enforcement Act (audit without particular cause).

All detected violations were corrected in the Consolidated Financial Statements of FACC AG as of 1 March 2019 resp. 31 December 2019 and are explained in the Notes to the Consolidated Financial Statements.

Receivables from customer-related engineering and revenues were discontinued prior to the conclusion of supply contracts that establish

## Notes to the Consolidated Financial Statements

enforceable rights and obligations. It follows from the underlying master contracts that no enforceable rights arise from these agreements. Only when supply contracts are concluded that result in a claim to consideration for a service rendered can revenue be recognized. Cases where customers are required to make a future purchase decision in order to receive distinct goods on the basis of a contractual right do not constitute instances of variable consideration pursuant to IFRS 15.50 et seq.

According to IFRS 15.10, a contract is an agreement which creates enforceable rights and obligations. The legal provision explicitly states that the enforceability of contractual rights and obligations is a matter of law. A consideration thus only qualifies for recognition in the balance sheet if the company has a contractually enforceable claim. Revenues may only be recognized upon the conclusion of supply contracts creating claims to considerations for services rendered.

However, for costs incurred in connection with contracts involving no enforceable claims to consideration, capitalization as contract fulfillment costs pursuant to IFRS 15.95 et seq. may be considered. Depending on the respective contractual design, recognition as intangible assets according to IAS 38 or as inventories according to IAS 2 are

options to be considered. A review has been performed by FACC with the conclusion that the criteria for the recognition of contract costs according to IFRS 15.95 et seq. are met.

The reversal of investment grants and research premiums to profit or loss is performed in accordance with the respective customer contract. Depending on the contractual design of the enforceable rights and obligations, the reversal can be carried out in full at a point in time, or after the completion of deferrable services with a contractual claim to consideration.

Liabilities in the amount of kEUR 25,040 were reclassified from "Other financial liabilities (non-current)" to "Leasing liabilities (non-current)". The comparative values were adjusted accordingly. Likewise, with regard to cash flow, the lines "Proceeds from non-current interest-bearing liabilities", "Repayments of non-current interest-bearing liabilities" and "Change in current interest-bearing liabilities" were condensed into the lines "Proceeds from interest-bearing liabilities" and "Repayments of interest-bearing liabilities".

	2019		
	Previous EUR'000	Correction EUR'000	Restated EUR'000
Correction according to IAS 8 of the Consolidated Profit and Loss Statement			
Revenues	665,036	-11,968	653,067
COGS - Cost of Goods sold	-598,260	-581	-598,840
<b>Gross Profit</b>	<b>66,776</b>	<b>-12,549</b>	<b>54,227</b>
Research and development expenses	-901	0	-901
Selling expenses	-6,653	0	-6,653
Administration expenses	-35,312	0	-35,312
Other operating income	12,040	0	12,040
Other operating expenses and impairment	-1,339	0	-1,339
<b>Earnings before interest and taxes (EBIT)</b>	<b>34,611</b>	<b>-12,549</b>	<b>22,062</b>
Financing expenses	-10,417	0	-10,417
Other financial result	2,716	-695	2,021
<b>Financial result</b>	<b>-7,701</b>	<b>-695</b>	<b>-8,396</b>
<b>Earnings before taxes (EBT)</b>	<b>26,910</b>	<b>-13,244</b>	<b>13,666</b>
Income taxes	-5,833	3,320	-2,514
<b>Earnings after taxes</b>	<b>21,077</b>	<b>-9,924</b>	<b>11,153</b>
Of which attributable to non-controlling interests	15	0	15
Of which attributable to shareholders of the parent company	21,062	-9,924	11,138
<b>Diluted (=undiluted) earnings per share (in EUR)</b>	<b>0.46</b>	<b>-0.22</b>	<b>0.24</b>
<b>Issued shares (in shares)</b>	<b>45,790,000</b>	<b>0</b>	<b>45,790,000</b>

Correction according to IAS 8 of the Consolidated Statement of Comprehensive Income	2019		
	Previous EUR'000	Correction EUR'000	Restated EUR'000
<b>Earnings after taxes</b>	<b>21,077</b>	<b>-9,924</b>	<b>11,153</b>
Currency translation differences from consolidation	44	0	44
Cash flow hedges	3,954	0	3,954
Tax effect	-988	0	-988
<b>Items subsequently reclassified to profit and loss</b>	<b>3,009</b>	<b>0</b>	<b>3,009</b>
Revaluation effects of termination benefits	-98	0	-98
Fair-Value measurement of securities (Fair Value through other comprehensive income)	15	0	15
Tax effect	21	0	21
<b>Items not subsequently reclassified to profit and loss</b>	<b>-62</b>	<b>0</b>	<b>-62</b>
<b>Other comprehensive income after taxes</b>	<b>2,947</b>	<b>0</b>	<b>2,947</b>
<b>Total comprehensive income</b>	<b>24,024</b>	<b>-9,924</b>	<b>14,100</b>
Of which attributable to non-controlling interests	15	0	15
<b>Of which attributable to shareholders of the parent company</b>	<b>24,009</b>	<b>-9,924</b>	<b>14,085</b>

## Notes to the Consolidated Financial Statements

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

ASSETS	01.03.2019			31.12.2019		
	Previous EUR'000	Correction EUR'000	Restated EUR'000	Previous EUR'000	Correction EUR'000	Restated EUR'000
Intangible assets	21,309	0	21,309	22,096	0	22,096
Property, plant and equipment	172,866	0	172,866	181,616	0	181,616
Receivables from customer-related engineering	86,053	-44,295	41,757	109,166	-58,539	50,626
Contract assets	15,099	0	15,099	5,433	0	5,433
Contract costs	39,976	67,857	107,833	42,665	54,857	97,522
Other financial assets	457	0	457	472	0	472
Receivables from related companies	6,156	0	6,156	5,633	0	5,633
Other receivables	8,657	0	8,657	8,838	0	8,838
Deferred taxes	8,101	-2,589	5,512	2,465	990	3,455
<b>Non-current assets</b>	<b>358,674</b>	<b>20,973</b>	<b>379,647</b>	<b>378,384</b>	<b>-2,693</b>	<b>375,691</b>
Inventories	123,781	0	123,781	122,798	0	122,798
Customer-related engineering	28,851	-13,661	15,190	8,715	0	8,715
Trade receivables	95,998	0	95,998	98,824	0	98,824
Receivables from related companies	24,218	0	24,218	19,390	0	19,390
Current tax income receivables	38	0	38	407	0	407
Other receivables and deferred items	37,949	0	37,949	35,125	0	35,125
Cash and cash equivalents	90,062	0	90,062	75,790	0	75,790
<b>Current assets</b>	<b>400,898</b>	<b>-13,661</b>	<b>387,237</b>	<b>361,049</b>	<b>0</b>	<b>361,049</b>
<b>Balance sheet total</b>	<b>759,572</b>	<b>7,312</b>	<b>766,883</b>	<b>739,434</b>	<b>-2,693</b>	<b>736,740</b>

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

	01.03.2019			31.12.2019		
	Previous EUR'000	Correction EUR'000	Restated EUR'000	Previous EUR'000	Correction EUR'000	Restated EUR'000
<b>EQUITY AND LIABILITIES</b>						
Share capital	45,790	0	45,790	45,790	0	45,790
Capital reserve	221,459	0	221,459	221,459	0	221,459
Currency translation reserve	-665	0	-665	-621	0	-621
Other reserves	-7,321	0	-7,321	-4,418	0	-4,418
Retained earnings	39,674	4,389	44,063	53,868	-5,535	48,332
<b>Equity attributable to shareholder of the parent company</b>	<b>298,937</b>	<b>4,389</b>	<b>303,326</b>	<b>316,078</b>	<b>-5,535</b>	<b>310,543</b>
Non-controlling interests	34	0	34	49	0	49
<b>Equity</b>	<b>298,971</b>	<b>4,389</b>	<b>303,360</b>	<b>316,127</b>	<b>-5,535</b>	<b>310,591</b>
<b>Non-current liabilities</b>						
Bonds	89,769	0	89,769	0	0	0
Promissory note loans	0	0	0	70,000	0	70,000
Lease liabilities	48,678	0	48,678	54,732	25,040	79,772
Other financial liabilities	58,710	0	58,710	43,758	-25,040	18,718
Derivative financial instruments	0	0	0	14	0	14
Investment grants	7,379	2,488	9,866	6,494	1,892	8,385
Employee benefit obligations	9,860	0	9,860	10,657	0	10,657
Other provisions	12	0	12	0	0	0
Other liabilities	85	0	85	66	0	66
Deferred tax liabilities	450	0	450	609	259	867
<b>Non-current liabilities</b>	<b>214,942</b>	<b>2,488</b>	<b>217,430</b>	<b>186,329</b>	<b>2,150</b>	<b>188,479</b>
<b>Current liabilities</b>						
Bonds	0	0	0	89,916	0	89,916
Promissory note loans	34,000	0	34,000	0	0	0
Lease liabilities	5,316	0	5,316	4,622	0	4,622
Other financial liabilities	68,229	0	68,229	25,994	0	25,994
Derivative financial instruments	10,532	0	10,532	1,910	0	1,910
Contract liabilities from customer-related engineering	17,312	0	17,312	4,845	0	4,845
Trade payables	74,819	0	74,819	83,465	0	83,465
Liabilities towards related companies	4,623	0	4,623	4,508	0	4,508
Investment grants	510	435	946	635	692	1,327
Income tax liabilities	2,279	0	2,279	1,210	0	1,210
Other provisions	6,621	0	6,621	879	0	879
Other liabilities and deferred items	21,417	0	21,417	18,994	0	18,994
<b>Current liabilities</b>	<b>245,658</b>	<b>435</b>	<b>246,094</b>	<b>236,978</b>	<b>692</b>	<b>237,670</b>
<b>Balance sheet total</b>	<b>759,572</b>	<b>7,312</b>	<b>766,883</b>	<b>739,434</b>	<b>-2,693</b>	<b>736,740</b>

## Notes to the Consolidated Financial Statements

Correction according to IAS 8 of the Consolidated Statement of Cash Flows			
	31.12.2019		
	Previous EUR'000	Correction EUR'000	Restated EUR'000
<b>Operating activities</b>			
Earnings before taxes (EBT)	26,910	-13,244	13,666
plus financial result	7,701	695	8,396
<b>Earnings before interest and taxes (EBIT)</b>	<b>34,611</b>	<b>-12,549</b>	<b>22,062</b>
plus/minus			
Depreciation, amortization and impairment	18,794	0	18,794
Amortization contract costs	6,327	6,951	13,277
Income from the reversal of investment grants	-215	0	-215
Change in other non-current provisions	-12	0	-12
Change in employee benefit obligations	700	0	700
Other non-cash expenses/income	-11,929	1,076	-10,853
	<b>48,275</b>	<b>-4,522</b>	<b>43,753</b>
Change in working capital			
Change in inventory and customer-related engineering	20,121	-13,661	6,460
Change in trade receivables and other receivables, receivables from customer-related engineering and contract assets	-5,430	18,431	13,002
Change in trade payables and other liabilities	-9,957	0	-9,957
Change in current provisions	-3,674	0	-3,674
<b>Cash flow from ongoing activities</b>	<b>49,335</b>	<b>248</b>	<b>49,583</b>
Interest received	746	0	746
Taxes paid	-2,355	0	-2,355
<b>Cash flow from operating activities</b>	<b>47,726</b>	<b>248</b>	<b>47,974</b>
Payments for the acquisition of non-current assets	-17,905	-339	-18,244
Proceeds from the disposal of non-current assets	17	0	17
<b>Cash flow from investing activities</b>	<b>-17,888</b>	<b>-339</b>	<b>-18,227</b>
Proceeds from promissory note loans	70,000	0	70,000
Proceeds from interest-bearing liabilities	80,668	-80,595	74
Repayments of promissory note loans	-34,000	0	-34,000
Repayments of interest-bearing liabilities	-137,974	80,714	-57,260
Outflows from leasing agreements	-4,913	-28	-4,941
Dividend payment	-6,869	0	-6,869
Interest paid	-10,525	0	-10,525
<b>Cash flow from financing activities</b>	<b>-43,612</b>	<b>91</b>	<b>-43,521</b>
<b>Net changes in cash and cash equivalents</b>	<b>-13,774</b>	<b>0</b>	<b>-13,774</b>
Cash and cash equivalents at the beginning of the period	90,062	0	90,062
Effects from foreign exchange rates	-498	0	-498
<b>Cash and cash equivalents at the end of the period</b>	<b>75,790</b>	<b>0</b>	<b>75,790</b>

**4. Consolidated companies**

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

The group of consolidated companies of FACC as of 31 December 2020 remained unchanged compared to 31 December 2019 and comprises nine companies, including FACC AG.

FACC AG comprised the following subsidiaries on 31 December 2020 or 31 December 2019:

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

**5. Consolidation methods**

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

Goodwill and intangible assets with indefinite useful lives are tested for impairment (impairment test) together with the cash-generating units (business units) to which they are allocated at least annually and, if found to be impaired, are written down to the lower recoverable amount. If events are observed during the year that point to permanent impairment, the relevant cash-generating units are subjected to impairment tests on a case-by-case basis (see Note 50 – Accounting and valuation policies and Note 22 – Intangible assets and goodwill).

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

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

**6. Currency conversion**

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

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

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

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

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

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:

## Notes to the Consolidated Financial Statements

Currency	Abbrev.	Closing rate		Average rate	
		31.12.2019	31.12.2020	2019	2020
Canadian dollar	CAD	1.4598	1.5633	1.4806	1.5300
Indian rupee	INR	80.1870	89.6605	78.4434	84.6392
Croatian kuna	HRK	7.4395	7.5519	7.4154	7.5384
Chinese renminbi yuan	RMB	7.8205	8.0225	7.7421	7.8747
US dollar	USD	1.1234	1.2271	1.1157	1.1422

### 7. Effects of COVID-19

FACC was severely impacted by the corona crisis.

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

- 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 22 – 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 24 – 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 26 – Contract costs and see Note 31 – 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 2020, these are still assumed to be highly probable and therefore did not result in any changes (see Note 46 – Derivative financial instruments, hedge accounting and fair value hedge).

- The COVID-19 crisis brought about a deterioration of the credit risk of contractual partners, which was taken into account in the calculation models for expected credit losses as of 31 December 2020 (see Note 32 – 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 as of 31 December 2020 (see Note 20 – Income taxes and deferred tax assets).

Depending on how the COVID-19 crisis develops, there may also be implications for fiscal year 2021 in the areas mentioned.

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

## Significant accounting and valuation effects as well as changes in estimates in connection with COVID-19

Effects on EBIT	Explanation	Balance sheet effects EUR'000
Impairment test (IAS 36)	Impairment of goodwill See Note 22 – Intangible assets and goodwill	-18,757
Impairment test (IAS 36)	Impairment of property, plant and equipment See Note 23 – Property, plant and equipment	-7,685
Development projects (IFRS 15)	Changes in estimates of receivables from customer-related engineering See Note 24 – Receivables from customer-related engineering	-3,777
Development projects (IFRS 15)	Impairment of contract costs See Note 26 – Contract costs	-2,873
Development projects (IFRS 15)	Impairment of customer-related engineering See Note 31 – Customer-related engineering	-1,780
Personnel costs (IAS 19/IAS 20)	Claims from short-time work recognized in profit or loss See Note 17 – Personnel costs	27,299
Personnel costs (IAS 19/IAS 20)	Costs from personnel reductions See Note 17 – Personnel costs	-11,945
Other operating income	Fixed-cost subsidy I See Note 15 – Other operating income	3,292
Expected credit loss on financial instruments (IFRS 9)	Value adjustments of trade receivables and receivables from customer-related engineering See Note 32 – Receivables and Note 24 – Receivables from customer-related engineering	-853
		<b>-17,078</b>
EBIT-neutral effects	Explanation	
Deferred taxes (IAS 12)	Due to the negative business development in the 2020 financial year as well as the changed planning assumptions, deferred tax assets could not be recognized for all tax loss carryforwards. See Note 20 – 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 34 – Equity	
Financial liabilities (IFRS 9) – Renegotiation of covenants	Tests of the financial covenant net financial debt/EBITDA of 31 December 2020 and 30 June 2021 will be suspended (covenant holiday). The covenant ratio will be adjusted to 5.25 and 4.25 as of 31 December 2021 and 30 June 2022 respectively (covenant reset). With the test on 31 December 2022, the original limit of 4.0 will go back into effect. See Note 39 – Financial liabilities	
Financial liabilities (IFRS 9)	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 See Note 39 – Financial liabilities	
Other liabilities (IFRS 9)	As of the balance sheet date, deferrals of taxes and duties in the amount of kEUR 17,819 were in place. These were paid in full in January 2021.	

## 8. 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.

## Notes to the Consolidated Financial Statements

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 22 – Intangible assets and goodwill.

**Contract costs** were tested for impairment in the course of the 2020 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 50 – 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 36 – 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.

### 9. 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
Short financial year 2019				
Revenues	240,163	152,383	260,521	653,067
Earnings before interest and taxes (EBIT)	22,599	5,977	-6,513	22,062
Investments	8,802	2,715	6,727	18,244
Depreciation, amortization and impairment	8,217	4,740	5,837	18,794
Assets on 31 December 2019	331,847	153,591	251,303	736,740
<i>thereof non-current assets 31 December 2019</i>	<i>185,868</i>	<i>70,756</i>	<i>100,669</i>	<i>357,293</i>

	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
<i>thereof non-current assets 31 December 2020</i>	<i>141,412</i>	<i>56,818</i>	<i>106,003</i>	<i>304,234</i>

In the Aerostructures segment, impairment losses were recognized in the financial year 2020 for goodwill in the amount of kEUR 10,365, for contract costs in the amount of kEUR 1,915, and for customer-related engineering in the amount of kEUR 1,780.

In the Engines & Nacelles segment, impairment losses were recognized in the 2020 financial year for goodwill in the amount of kEUR 3,054, for property, plant and equipment in the amount of kEUR 4,393, and for contract costs in the amount of kEUR 958.

## Notes to the Consolidated Financial Statements

In the Cabin Interiors segment, impairment losses were recognized in the 2020 financial year for goodwill in the amount of kEUR 5,339, and for property, plant and equipment in the amount of 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 10 – Revenues.

For the financial year ending 31 December 2020, the Group generated revenues of kEUR 243,490 (previous year: kEUR 289,758) and kEUR 55,504 (previous year: kEUR 71,737) with two external customers, each of which exceeded 10% of total revenues. Sales revenues were generated from these customers in all three segments.

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

	2019	2020	2019	2020	2019	2020	2019	2020
	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	212,416	172,967	142,677	105,288	237,327	219,452	592,419	497,707
Engineering and services	27,747	11,774	9,707	9,988	23,194	7,422	60,648	29,184
	240,163	184,741	152,383	115,277	260,521	226,873	653,067	526,891

	2019 EUR'000	2020 EUR'000
Germany	239,087	197,926
USA	122,739	82,715
Canada	82,147	73,334
Great Britain	74,023	58,370
China	52,086	31,365
Other countries	82,987	83,181
	653,067	526,891

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 312). These performance obligations refer to fixed orders of shipsets still to be delivered or services still to be provided.

## NOTES TO THE CONSOLIDATED PROFIT AND LOSS STATEMENT

### 10. 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:

### 11. Cost of goods sold

	2019 EUR'000	2020 EUR'000
Material expenses	-420,725	-354,870
Personnel costs	-155,807	-136,216
Depreciation and amortization	-14,780	-18,692
General administration expenses	-7,528	-9,623
	-598,840	-519,400

### 12. Research and development expenses

	2019 EUR'000	2020 EUR'000
Material expenses	-113	-82
Personnel costs	-631	-745
Depreciation and amortization	-28	-45
General administration expenses	-129	-172
	-901	-1,043

13. Selling expenses

	2019 EUR'000	2020 EUR'000
Material expenses	-267	-374
Personnel costs	-4,108	-5,595
Depreciation and amortization	-90	-109
General administration expenses	-2,187	-4,764
	<b>-6,653</b>	<b>-10,841</b>

14. Administration expenses

	2019 EUR'000	2020 EUR'000
Material expenses	-1,082	-1,013
Personnel costs	-10,311	-18,167
Depreciation and amortization	-3,896	-4,787
Effects from foreign exchange rates	-2,350	-6,211
General administration expenses	-17,673	-15,842
	<b>-35,312</b>	<b>-46,020</b>

15. Other operating income

	2019 EUR'000	2020 EUR'000
Income from public funding and tax-free grants	6,327	8,640
Other	5,713	1,164
	<b>12,040</b>	<b>9,804</b>

The item "Other" mainly includes income from compensation for damages.

16. Other operating expenses and impairment

	2019 EUR'000	2020 EUR'000
Impairment goodwill	0	-18,757
Impairment property, plant and equipment	0	-7,685
Impairment contract costs	0	-2,873
Impairment customer-related engineering	0	-1,780
Other	-1,339	-2,646
	<b>-1,339</b>	<b>-33,741</b>

17. Personnel costs

Expenses for termination benefits and benefits to corporate employee pension funds included payments to corporate employee pension funds of kEUR 1,891 (previous year: kEUR 1,730).

	2019 EUR'000	2020 EUR'000
Wages and salaries	136,074	116,580
Expenses for statutory, compulsory social security contributions and benefits	34,059	37,305
Expenses for termination benefits and benefits to corporate employee pension funds	2,285	3,780
Pensions	722	1,143
Other social expenses	-2,283	1,915
	<b>170,858</b>	<b>160,722</b>

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

Total costs incurred for personnel reductions amounted to kEUR 11,945 and had been paid out in full as of the balance sheet date.

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

	31.12.2019 Number	31.12.2020 Number
Blue collar	2,088	1,535
White collar	1,283	1,119
	<b>3,371</b>	<b>2,655</b>
Of which in Austria	3,125	2,410
Of which abroad	246	245

18. Depreciation

	2019 EUR'000	2020 EUR'000
Depreciation and amortization		
Intangible assets	765	1,056
Property, plant and equipment	18,030	22,576
	<b>18,794</b>	<b>23,632</b>

Please refer to Note 22 – Intangible assets and goodwill and Note 23 – Property, plant and equipment for information on the development of depreciation and amortization.

## Notes to the Consolidated Financial Statements

### 19. Financial result

	2019 EUR'000	2020 EUR'000
Interest from bank deposits	727	128
Valuation of financial assets	6	7
Other financial income	13	21
Accumulation	1,276	1,699
<b>Other financial result</b>	<b>2,021</b>	<b>1,855</b>
Interest expenses of bonds and promissory note loans	-3,160	-1,816
Interest expenses of bank loans	-1,409	-2,004
Interest expenses of lease liabilities	-1,760	-2,118
Other interest and similar expenses	-4,088	-2,720
<b>Financing expenses</b>	<b>-10,417</b>	<b>-8,657</b>
<b>Financial result</b>	<b>-8,396</b>	<b>-6,802</b>

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

31.December 2019	Operating result			Financial result		Net financial result EUR'000
	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	
Financial assets at amortized costs	-1,719	-41,706	0	254	0	-43,171
Financial liabilities at amortized costs	0	21,863	0	-4,569	0	17,293
Fair-Value through profit and loss	0	0	4,718	0	0	4,718
Fair-Value through other comprehensive income	0	0	0	6	0	6
31.December 2020	Operating result			Financial result		Net financial result EUR'000
	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	
Financial assets at amortized costs	-2,285	-18,494	0	472	0	-20,307
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

### 20. 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.

	2019 EUR'000	2020 EUR'000
Current taxes ongoing	-1,008	482
Deferred taxes	-1,505	3,678
	<b>-2,514</b>	<b>4,160</b>

The reasons for the difference between the Austrian corporate tax rate of 25% valid in the 2020 financial year (previous year: 25%) and the recorded group taxation rate are as follows:

	2019 EUR'000	2020 EUR'000
<b>Income before taxes</b>	<b>13,666</b>	<b>-81,153</b>
Calculated income taxes 25%	3,417	-20,288
Deviating foreign tax rates	98	-48
Tax losses for which no deferred taxes were capitalized	98	10,440
Tax-free income	-1,138	-1,336
Expenses that cannot be deducted for tax purposes	399	4,932
Prior year adjustment	-351	0
Tax effect from previous years	0	-680
Effects loss carryback	0	1,861
Other effects	-9	959
<b>Reported income tax expense</b>	<b>2,514</b>	<b>-4,160</b>
Effective tax rate in %	18.4%	5.1%

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 21% to 27% (previous year: 21% to 27%).

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

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

	2019			2020		
	Gross EUR'000	Tax EUR'000	Net EUR'000	Gross EUR'000	Tax EUR'000	Net EUR'000
Fair value measurement of securities	15	-4	11	1	0	1
Cash flow hedges	3,954	-988	2,965	12,967	-3,242	9,725
Revaluation effects of termination benefits	-98	24	-73	323	-81	243
	<b>3,871</b>	<b>-968</b>	<b>2,904</b>	<b>13,291</b>	<b>-3,323</b>	<b>9,969</b>

## Notes to the Consolidated Financial Statements

Deferred taxes developed as follows:

	As of 31 December 2019					
	As of 01.03.2019	Change in profit and loss	Change in other comprehensive income	Net	Deferred tax assets	Deferred tax liabilities
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Intangible assets	648	-369	0	279	279	0
Property, plant and equipment	-10,587	-5,173	0	-15,760	0	-15,760
Receivables from customer-related engineering	-17,033	15,882	0	-1,150	0	-1,150
Contract assets	-4,402	3,843	0	-559	0	-559
Contract costs	-23,550	2,606	0	-20,944	0	-20,944
Other financial assets	477	-50	-4	423	423	0
Trade receivables	16,657	-16,392	0	265	265	0
Inventories	0	228	0	228	228	0
Customer-related engineering	-79	-3,745	0	-3,824	0	-3,824
Other receivables and deferred items	-7	-35	0	-42	0	-42
Investment grants	-99	-79	0	-178	0	-178
Employee benefit obligations	705	2	24	731	731	0
Provisions	-90	-31	0	-121	0	-121
Contract liabilities from customer-related engineering	4,328	-4,178	0	150	150	0
Trade payables	11,337	1,371	0	12,708	12,708	0
Financial liabilities	0	8,393	0	8,393	8,393	0
Derivative financial instruments	2,649	-1,180	-988	481	481	0
Other assets (incl. cash and cash equivalents)	-283	-277	0	-561	0	-561
Tax loss carry forwards	24,392	-2,322	0	22,070	22,070	0
<b>Tax assets (liabilities) before netting</b>	<b>5,062</b>	<b>-1,505</b>	<b>-968</b>	<b>2,587</b>	<b>45,727</b>	<b>-43,140</b>
Netting of taxes					-42,272	42,272
<b>Net tax assets (liabilities)</b>	<b>5,062</b>	<b>-1,505</b>	<b>-968</b>	<b>2,587</b>	<b>3,455</b>	<b>-867</b>

	As of 31 December 2020					
	As of 01.01.2020	Change in profit and loss	Change in other comprehensive income	Net	Deferred tax assets	Deferred tax liabilities
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	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 (incl. 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
<b>Tax assets (liabilities) before netting</b>	<b>2,587</b>	<b>3,678</b>	<b>-3,323</b>	<b>4,803</b>	<b>47,831</b>	<b>-43,027</b>
Netting of taxes					-42,643	42,643
<b>Net tax assets (liabilities)</b>	<b>2,587</b>	<b>3,678</b>	<b>-3,323</b>	<b>4,803</b>	<b>5,188</b>	<b>-384</b>

The capitalized loss carryforwards originate exclusively from FACC Operations GmbH amounting to kEUR 98,869 as of 31 December 2020 (previous year: kEUR 77,161 FACC Operations GmbH and kEUR 11,119 FACC AG). On the basis of tax planning calculations, no deferred tax assets were recognized in the current 2020 financial year for loss carryforwards amounting to kEUR 41,762 (previous year: kEUR 0). This includes losses in connection with the Fake President Incident which have not yet been assessed for tax. The realization of the loss carryforwards can be considered sufficiently certain on the basis of medium-term planning.

As of 31 December 2020, there were temporary differences in connection with shares in subsidiaries ("outside basis differences") amounting to kEUR 1,624 (previous year: kEUR 42,040), 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.

## 21. 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 -1.68 (previous year: EUR 0.24) 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

## Notes to the Consolidated Financial Statements

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

#### 22. Intangible assets and goodwill

Intangible assets developed as follows:

	Goodwill	Software	Rights	Research and development costs	Advance payment on intangible assets	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
<b>Historical costs</b>						
As of 1 March 2019	18,700	21,838	2,661	318	0	43,516
Changes in foreign exchange rates	-15	-3	0	0	0	-18
Additions	0	565	71	712	75	1,423
Transfers	0	148	0	0	0	148
As of 31 December 2019	18,685	22,548	2,732	1,030	75	45,069
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
<b>Accumulated amortization and impairment</b>						
As of 1 March 2019	0	20,172	2,035	0	0	22,207
Changes in foreign exchange rates	0	1	0	0	0	1
Amortization	0	699	66	0	0	765
As of 31 December 2019	0	20,871	2,101	0	0	22,972
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
Carrying amount on 31 December 2019	18,685	1,677	631	1,030	75	22,097
Carrying amount on 31 December 2020	0	1,377	586	2,289	216	4,469

Goodwill

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

Carrying amounts developed as follows:

	31.12.2019 EUR'000	31.12.2020 EUR'000
Aerostructures	10,296	0
Engines & Nacelles	3,054	0
Cabin Interiors	5,335	0
	<b>18,685</b>	<b>0</b>

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

	31.12.2019	31.12.2020
Detailed planning period (five years)		
Revenue growth (average)	5.05%	8.75%
EBIT margin (average)	7.60%	4.46%
EUR-USD exchange rate	1.20	1.20
Growth rate after detailed planning period for all CGUs	2.50%	1.00%
Discount rate for all CGUs (WACC before tax)	10.52%	11.20%

A sensitivity analysis has shown that, depending on the development of the main valuation parameters, recognition of the following impairment losses for goodwill and other non-current assets would be required.

Balance sheet date 31 December 2019	Aero- structures EUR'000	Engines & Nacelles EUR'000	Cabin Interiors EUR'000
Increase of discount rate by 50 basis points	0	0	0
Increase in USD exchange rate per EUR 1 by 0.05	0	0	51,890
Reduction of the EBIT by 10%	0	0	1,241

Balance sheet date 31 December 2020	Aero- structures 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

The carrying amount of the Aerostructures cash-generating unit would be equivalent to its value in use if the USD/EUR exchange rate increased by 0.01 cents, if EBIT fell by 0.06% or if the discount rate increased by 0.41 basis points.

The carrying amount of the Engines & Nacelles cash-generating unit would be equivalent to its value in use if the USD/EUR exchange rate increased by 0.02 cents, if EBIT fell by 0.18% or if the discount rate increased by 1.26 basis points.

The carrying amount of the Cabin Interiors cash-generating unit would be equivalent to its value in use if the USD/EUR exchange rate increased by 0.005 cents (previous year: 1.63 cents), if EBIT fell by 0.03 % (previous year: 9.53%) or if the discount rate increased by 0.18 basis points (previous year: 76 basis points).

Research and development expenses (which include company and customer-related development services) amounted to kEUR 55,872 in the 2020 financial year (previous year: kEUR 59,474).

## Notes to the Consolidated Financial Statements

### 23. 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
<b>Historical costs</b>						
As of 28 February 2019	124,457	108,434	33,317	3,893	0	270,101
First application of IFRS 16	0	0	0	0	33,782	33,782
Reclassification due to first-time application of IFRS 16	-47,571	-2,110	0	0	49,681	0
<b>As of 1 March 2019</b>	<b>76,886</b>	<b>106,324</b>	<b>33,317</b>	<b>3,893</b>	<b>83,463</b>	<b>303,882</b>
Changes in foreign exchange rates	12	0	48	0	-8	51
Additions	3,130	5,418	3,603	5,053	10,284	27,489
Disposals	0	0	-621	0	-13	-634
Transfers	291	2,672	206	-3,900	0	-731
<b>As of 31 December 2019</b>	<b>80,319</b>	<b>114,414</b>	<b>36,553</b>	<b>5,045</b>	<b>93,725</b>	<b>330,057</b>
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
<b>As of 31 December 2020</b>	<b>80,445</b>	<b>117,179</b>	<b>39,781</b>	<b>8,663</b>	<b>98,947</b>	<b>345,015</b>
<b>Accumulated amortization and impairment</b>						
As of 28 February 2019	33,157	75,778	22,082	0	0	131,017
First application of IFRS 16	0	0	0	0	0	0
Reclassification due to first-time application of IFRS 16	-5,265	-352	0	0	5,617	0
<b>As of 1 March 2019</b>	<b>27,892</b>	<b>75,426</b>	<b>22,082</b>	<b>0</b>	<b>5,617</b>	<b>131,017</b>
Changes in foreign exchange rates	0	0	20	0	-1	19
Amortization	2,154	7,182	2,934	0	5,760	18,030
Disposals	0	0	-620	0	-4	-624
<b>As of 31 December 2019</b>	<b>30,046</b>	<b>82,609</b>	<b>24,416</b>	<b>0</b>	<b>11,371</b>	<b>148,441</b>
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
<b>As of 31 December 2020</b>	<b>35,928</b>	<b>94,901</b>	<b>27,093</b>	<b>0</b>	<b>19,202</b>	<b>177,125</b>
<b>Carrying amount on 31 December 2019</b>	<b>50,273</b>	<b>31,806</b>	<b>12,138</b>	<b>5,045</b>	<b>82,354</b>	<b>181,616</b>
<b>Carrying amount on 31 December 2020</b>	<b>44,517</b>	<b>22,277</b>	<b>12,688</b>	<b>8,663</b>	<b>79,745</b>	<b>167,890</b>

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

Property and buildings, as well as rights of use include land values of properties in the amount of kEUR 7,723 (previous year: kEUR 7,769). Certain properties and buildings serve as collaterals

for liabilities to financial institutions (see Note 39 – Financial liabilities).

The obligations to purchase property, plant and equipment amounted to kEUR 6,436 (previous year: kEUR 10,587) on the reporting date. In addition, there were internally approved acquisitions in the

amount of kEUR 26,917 (previous year: kEUR 19,817) which have not yet given rise to contractual obligations.

The carrying amounts of the rights of use developed as follows in the 2020 financial year:

	Properties and buildings EUR'000	Technical facilities and vehicles EUR'000	IT EUR'000	Total EUR'000
<b>As of 1 March 2019</b>	<b>71,932</b>	<b>2,851</b>	<b>3,063</b>	<b>77,846</b>
Changes in foreign exchange rates	-7	0	-1	-8
Additions	4,044	5,488	752	10,285
Disposals	0	-9	0	-9
Depreciation and amortization	-3,672	-857	-1,231	-5,760
<b>As of 31 December 2019</b>	<b>72,297</b>	<b>7,472</b>	<b>2,584</b>	<b>82,354</b>
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
<b>As of 31 December 2020</b>	<b>68,405</b>	<b>8,752</b>	<b>2,587</b>	<b>79,745</b>

#### 24. Receivables from customer-related engineering

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

	31.12.2019 EUR'000	31.12.2020 EUR'000
<b>As of 1 March resp. 1 January</b>	<b>41,757</b>	<b>50,626</b>
Changes in estimates	596	-3,777
Partial settlements	-7,177	-11,582
Valuation allowance	-100	-366
Interest	268	1,083
Reclassification	14,075	0
Currency translation	1,206	-3,016
	<b>50,626</b>	<b>32,968</b>

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

	31.12.2019 EUR'000	31.12.2020 EUR'000
<b>As of 1 March resp. 1 January</b>	<b>9</b>	<b>109</b>
Additions	100	366
	<b>109</b>	<b>475</b>

#### 25. Contract assets

Contract assets can be broken down as follows:

	31.12.2019 EUR'000	31.12.2020 EUR'000
Development projects (period-related)	4,364	2,725
Payment to customers	1,070	296
	<b>5,433</b>	<b>3,021</b>

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

	31.12.2019 EUR'000	31.12.2020 EUR'000
<b>As of 1 March resp. 1 January</b>	<b>15,099</b>	<b>5,433</b>
Additions and Partial profit	491	0
Partial settlements	-10,211	-2,262
Interest	20	3
Reclassification	-1,452	0
Currency translation	1,486	-153
	<b>5,433</b>	<b>3,021</b>

## Notes to the Consolidated Financial Statements

### 26. Contract costs

Contract costs can be broken down as follows:

	31.12.2019 EUR'000	31.12.2020 EUR'000
As of 1 March resp. 1 January	107,833	97,521
Additions	2,966	12,111
Amortization contract costs	-13,277	-10,873
Impairment	0	-2,873
	97,521	95,887

In the 2020 financial year, development projects capitalized as contract costs were subjected to an impairment test. The recoverable amount was determined on the basis of the value in use by applying the discounted cash flow method. The potential cash flows resulting from the respective development projects were determined on the basis of the budget approved by the Supervisory Board for the coming financial year and the medium-term planning for the next five years (detailed planning period). For the duration of specific development projects going beyond the detailed planning period, the planning assumptions of the last planning year were applied, limited by the rates published by Airline Monitor. The maximum term is 20 years.

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

### 27. Other non-current financial assets

	31.12.2019 EUR'000	31.12.2020 EUR'000
Securities measured at fair value	428	429
Shares	44	71
	472	501

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.

### 28. Non-current receivables from related companies

	31.12.2019 EUR'000	31.12.2020 EUR'000
Non-current receivables in which the parent undertaking is involved	5,633	5,416

### 29. Other receivables

The other receivables item consists of advance payments and deposits amounting to kEUR 9,405 (previous year: kEUR 8,838).

### 30. Inventories

	31.12.2019 EUR'000	31.12.2020 EUR'000
Raw, auxiliary and operating materials	67,320	59,401
Unfinished products	40,220	29,132
Finished products	14,783	16,676
Advance payments made	474	363
	122,798	105,571
Gross inventories	130,287	114,872
Valuation allowance	7,489	9,301
Net inventories	122,798	105,571

Inventories recorded as material expenses in the reporting period amount to kEUR 291,506 (previous year: kEUR 343,256).

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.

### 31. Customer-related engineering

	31.12.2019 EUR'000	31.12.2020 EUR'000
As of 1 March resp. 1 January	15,190	8,715
Additions	13,397	7,599
Disposals	-19,871	-8,968
Impairment	0	-1,780
	8,715	5,566

Customer-related engineering recorded as material expenses in the reporting period amounted to kEUR 6,225 (previous year: kEUR 9,265).

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.

32. Receivables

	31.12.2019 EUR'000	31.12.2020 EUR'000
Gross trade receivables	101,610	67,672
Less valuation allowance	-2,787	-6,298
<b>Net trade receivables</b>	<b>98,824</b>	<b>61,374</b>
Of which current	97,236	59,799
Of which non-current	1,588	1,575

FACC maintains a non-recourse assignment agreement with a financial institution in connection with receivables from seven customers. The sold receivables (factoring) are derecognized in accordance with IFRS 9. Trade receivables were sold to third parties in the amount of kEUR 17,722 (previous year: kEUR 85,026) as of the reporting date.

The impairment of trade receivables developed as follows:

	31.12.2019 EUR'000	31.12.2020 EUR'000
As of 1 March resp. 1 January	5,248	2,520
Additions	1,310	6,342
Reversal/use	-4,038	-3,318
	<b>2,520</b>	<b>5,544</b>

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:

	31.12.2019 EUR'000	31.12.2020 EUR'000
As of 1 March resp. 1 January	268	267
Additions	77	570
Reversal/use	-78	-84
	<b>267</b>	<b>753</b>

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

	Specific bad-debt allowance		Standardized bad-debt allowance	
	31.12.2019 EUR'000	31.12.2020 EUR'000	31.12.2019 EUR'000	31.12.2020 EUR'000
Receivables from customer-related engineering	0	0	109	475
Contract assets	0	0	0	0
Trade receivables	2,520	5,544	267	753
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	
	31.12.2019 EUR'000	31.12.2020 EUR'000	31.12.2019 EUR'000	31.12.2020 EUR'000
Receivables from customer-related engineering	50,735	33,443	109	475
Contract assets	5,433	3,021	0	0
Trade receivables	101,610	67,672	2,787	6,298
Receivables from related companies (current and non-current)	25,023	24,025	0	0
Other financial liabilities (current and non-current)	19,824	20,352	0	0

## Notes to the Consolidated Financial Statements

The age structure of trade receivables is as follows:

	31.12.2019 EUR'000	31.12.2020 EUR'000
Trade receivables	98,824	61,374
Of which not overdue and not impaired	65,827	32,324
Of which overdue and not impaired	20,574	23,469
1 to 60 days	16,145	12,871
61 to 150 days	0	3,025
151 to 365 days	0	4,953
More than 365 days	4,429	2,620
Of which impaired	12,423	5,581

The carrying amount of impaired trade receivables developed as follows:

	31.12.2019 EUR'000	31.12.2020 EUR'000
Carrying amount prior to impairment	14,943	11,125
Less valuation allowance	-2,520	-5,544
Carrying amount after impairment	12,423	5,581

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:

	31.12.2019 EUR'000	31.12.2020 EUR'000
<b>Other current financial assets</b>		
Receivables from the Fake President Incident	10,860	10,860
Other	126	87
	<b>10,986</b>	<b>10,947</b>
<b>Other current non-financial assets</b>		
Other tax receivables (particularly VAT)	17,561	2,074
Deferred items	2,088	2,758
Other	4,489	8,596
	<b>24,139</b>	<b>13,429</b>
	<b>35,125</b>	<b>24,376</b>

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 flows as a result of an externally controlled case of fraud (Fake President Incident). As a result of directly initiated measures, we were able to block kEUR 10,860 to receiver accounts in China. Subsequently, the funds attributable to FACC Operations GmbH were retransferred to an account of the Republic of Austria in May 2019. On the basis of the legal opinion obtained FACC Operations GmbH assumes that the funds can be expected to be transferred to FACC Operations GmbH within the next twelve months. The amount of kEUR 10,860 was therefore reported unchanged as a current other receivable as of the balance sheet date of 31 December 2020.

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

### 33. Cash and cash equivalents

	31.12.2019 EUR'000	31.12.2020 EUR'000
Bank deposits	75,777	92,535
Cash balance	13	13
	<b>75,790</b>	<b>92,548</b>

### 34. Equity

The development of the Group's equity in the short financial year 2019 and financial year 2020 is shown in the Consolidated Statement of Changes in Equity.

The share capital of FACC AG amounted to kEUR 45,790 on the balance sheet date, is unchanged from the balance sheet date 31 December 2019, and is fully paid. It is divided into 45,790,000 shares with a par value of EUR 1 each.

The capital reserve, which remains unchanged from the balance sheet date 31 December 2019, amounts to kEUR 221,459.

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

- **Currency translation reserve:** differences from currency conversion after taxes
- **Revaluation reserve at "Fair Value through Other Comprehensive Income":** change in value of other financial assets recognized at fair value
- **Actuarial profits/losses:** revaluation effects in accounting for defined benefit obligations towards employees in accordance with IAS 19

- **Hedging reserve:** changes in value of hedging transactions; these hedging transactions are transactions in foreign currencies (cash flow hedges).

The hedging reserve (after taxes) developed as follows:

	31.12.2019 EUR'000	31.12.2020 EUR'000
As of 1 March resp. 1 January	-3,991	-1,026
Changes in unrealized profits (+)/losses (-)	-4,718	-5,428
Realized profits (+)/losses (-) subsequently reclassified to profit or loss - recognized in earnings before interest and taxes	7,684	15,153
	<b>-1,026</b>	<b>8,699</b>

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

#### Capital management

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

	31.12.2019 EUR'000	31.12.2020 EUR'000
Equity	310,591	243,157
Balance sheet total	736,740	649,522
<b>Equity ratio in %</b>	<b>42.2%</b>	<b>37.4%</b>

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 39 – Financial liabilities).

#### Dividend per share

	Total EUR'000	Number of shares	Dividend per share
Dividend resolved for the short financial year 2019 (Annual General Meeting of 26 June 2020)	0	45,790,000	0.00
Dividend proposed for the financial year 2020 (Annual General Meeting of 01 July 2021)	0	45,790,000	0.00

#### 35. Investment grants

	31.12.2019 EUR'000	31.12.2020 EUR'000
Investment grants, current	1,327	858
Investment grants, non-current	8,385	9,125
	<b>9,712</b>	<b>9,983</b>

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.

#### 36. Employee benefit obligations

	31.12.2019 EUR'000	31.12.2020 EUR'000
Termination benefits	7,881	6,972
Anniversary bonuses	2,776	2,686
	<b>10,657</b>	<b>9,658</b>

In the 2021 financial year, the expected payments from termination benefit and anniversary bonus obligations towards employees will amount to kEUR 0 and kEUR 31, respectively.

#### Termination benefits

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

	31.12.2019 EUR'000	31.12.2020 EUR'000
As of 1 March resp. 1 January	7,477	7,881
Service cost	345	350
Interest expenses	98	94
Termination benefit payments	-282	-1,122
Revaluation effects in the period	98	-323
Other effects	145	93
	<b>7,881</b>	<b>6,972</b>
Duration in years	14.75	15.01

## Notes to the Consolidated Financial Statements

The revaluation effects are composed of the following factors:

	31.12.2019 EUR'000	31.12.2020 EUR'000
Changes in expected values	-177	-618
Changes in underlying demographic assumptions	-121	24
Changes in underlying financial assumptions	396	271
	<b>98</b>	<b>-323</b>

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:

	31.12.2019	31.12.2020
Discounting interest rate	1.30%	1.00%
Salary increases	2.00%	2.00%
Fluctuations of salaried staff/employees	3.57%/6.99%	2.80%/6.59%
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 2019	356	-340
Change in obligations as of 31 December 2020	320	-306

### 38. Other provisions

	As of 01.03.2019 EUR'000	Additions EUR'000	Use EUR'000	Disposal EUR'000	Accumulation EUR'000	As of 31.12.2019 EUR'000	Term	
							Less than 1 year EUR'000	More than 1 year EUR'000
Provision for warranty claims	3,816	251	-1,308	-2,072	0	688	688	0
Project-related provision	12	0	0	-12	0	0	0	0
Provisions for legal and other disputes	393	44	-202	-128	0	108	108	0
Other	2,411	916	-1,989	-1,254	0	84	84	0
	<b>6,632</b>	<b>1,211</b>	<b>-3,499</b>	<b>-3,466</b>	<b>0</b>	<b>879</b>	<b>879</b>	<b>0</b>

### Anniversary bonuses

	31.12.2019 EUR'000	31.12.2020 EUR'000
As of 1 March resp. 1 January	2,383	2,776
Service cost	285	383
Interest expenses	32	31
Termination benefit payments	-31	-19
Revaluation effects in the period	107	-485
	<b>2,776</b>	<b>2,686</b>

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 2020 financial year, kEUR 2,570 (previous year: kEUR 2,285) were paid into defined contribution plans (pension fund and employee pension fund in Austria).

### 37. Contract liabilities from customer-related engineering

	31.12.2019 EUR'000	31.12.2020 EUR'000
As of 1 March resp. 1 January	17,312	4,845
Increase	7,926	8,772
Reduction	-20,393	-7,591
	<b>4,845</b>	<b>6,026</b>

Contract liabilities consist of advance payments received and relate to tool and development activities. The amount of kEUR 4,845 (previous year: kEUR 17,312) reported under contract liabilities at the beginning of the period was recognized as sales revenue of kEUR 7,591 (previous year: kEUR 20,393) in the 2020 financial year.

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

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

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

FACC is a defendant in several lawsuits in Austria and abroad with a claim amount of approximately EUR 20 million. Based on external legal opinions and an internal assessment, the prospects of success were considered to be low and a future cash outflow very unlikely.

### 39. Financial liabilities

	Carrying amount 31.12.2019 EUR'000	Remaining term				Nominal interest in %
		Less than 1 year 31.12.2019 EUR'000	1 to 2 years 31.12.2019 EUR'000	3 to 5 years 31.12.2019 EUR'000	More than 5 years 31.12.2019 EUR'000	
<b>Promissory note loans</b>						
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
<b>Bond FACC Operations GmbH</b>						
Fixed interest rate (nominal capital: kEUR 90,000)	89,916	89,916	0	0	0	4.00
<b>Liabilities towards credit institutions</b>						
Fixed interest rate	30,878	12,128	4,167	12,500	2,083	1.00 to 1.81
Variable interest rate	3,107	1,047	1,027	1,033	0	3M-Euribor + 1.00 to 1.75
<b>Lease liabilities</b>						
Fixed interest rate	66,430	6,178	5,438	14,353	40,461	1.45 to 4.83
Variable interest rate	17,964	536	544	1,685	15,199	6M-Euribor + 1.95
Other interest-bearing liabilities	10,726	10,726	0	0	0	1.00 to 1.81
	<b>289,022</b>	<b>120,532</b>	<b>11,176</b>	<b>54,071</b>	<b>103,243</b>	

## Notes to the Consolidated Financial Statements

	Carrying amount 31.12.2020 EUR'000	Remaining term				Nominal interest in %
		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	
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	
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
	<b>324,631</b>	<b>164,230</b>	<b>12,188</b>	<b>52,206</b>	<b>96,006</b>	

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.

All covenants were fulfilled as of 31 December 2019 and 30 June 2020, respectively.

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: The tests of the net financial debt/EBITDA financial covenant of 31 December 2020 and 30 June 2021 are to be suspended (covenant holiday). The covenant ratio will be adjusted to 5.25 and 4.25 as of 31 December 2021 and 30 June 2022 respectively (covenant reset). With the test of 31 December 2022, the original limit of 4.0 will come into effect again. In addition, the agreement stipulates that no dividends are to be distributed until 30 June 2022. In the event that the adjusted covenant ratios are exceeded or the agreed distribution restriction is breached, the syndicate banks may potentially exercise their right of termination. Within the scope of the agreement, the margin grid was also adjusted in line with the new circumstances.

On 31 July 2019, new promissory note loans totaling kEUR 70,000 were issued. The individual tranches carry both fixed and variable interest rates and are due for repayment after five, seven and ten

years. The financing agreements contain an interest rate increase clause of 50 basis points if Net Debt/EBITDA exceeds 3.75. The ratio is tested annually. The promissory note loans issued in 2019 were not adversely affected by the economic impact of the corona pandemic, with the exception of the cited clause on interest rate increases.

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

	31.12.2019 EUR'000	31.12.2020 EUR'000
Up to one year	8,849	9,647
Two to five years	29,430	31,415
More than five years	66,368	57,348
	<b>104,647</b>	<b>98,410</b>
Less future financing expenses	-20,252	-16,207
<b>Present value of lease obligation</b>	<b>84,395</b>	<b>82,203</b>

In the 2020 financial year, the following amounts relating to leases were recognized in profit or loss:

	31.12.2019 EUR'000	31.12.2020 EUR'000
Depreciation expense of right of use assets	-5,760	-8,395
Interest expense on lease liabilities	-1,760	-2,118
Expense relating to short-term leases (included in cost of sales)	-1,744	-1,091
Expense relating leases of low-value assets	-14	-15
<b>Total amount recognized in profit or loss</b>	<b>-9,278</b>	<b>-11,618</b>

The total cash outflows for leases amounted to kEUR 9,086 in the 2020 financial year (previous year: kEUR 6,699).

#### 40. Other current liabilities

	31.12.2019 EUR'000	31.12.2020 EUR'000
<b>Other current financial liabilities</b>		
Liabilities to employees/salaried staff	10,160	9,058
Other	3	0
	<b>10,163</b>	<b>9,058</b>
<b>Other current non-financial liabilities</b>		
Liabilities from social security	4,389	6,949
Liabilities to tax authorities	271	934
Deferred items	398	184
Other	3,773	610
	<b>8,831</b>	<b>8,676</b>
	<b>18,994</b>	<b>17,734</b>

The item "Social Security obligations and liabilities to the tax authorities" includes 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.

#### 41. 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:

	2019 EUR'000	2020 EUR'000
Effects from foreign exchange rates	-4,671	9,967
Measurement of derivatives in earnings before interest and tax (hedging)	-4,718	-5,428
Recognition of deferred tax assets/liabilities	-2,469	-1,143
Impairment on inventories	998	1,812
Changes in estimates of receivables from customer-related engineering	0	3,777
Remaining other non-cash expenses/income	7	-76
	<b>-10,853</b>	<b>8,909</b>

## Notes to the Consolidated Financial Statements

	Cash change		Non-cash changes			Carrying amount 31.12.2019 EUR'000
	Carrying amount 01.03.2019	Change	Lease liabilities	Transaction costs	Other	
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	
Promissory note loans (current and non-current)	34,000	36,000	0	0	0	70,000
Bond	89,769	0	0	147	0	89,916
Other financial liabilities (current and non-current)	101,899	-57,306	0	0	119	44,712
Lease liabilities (current and non-current)	79,034	-4,941	10,285	0	16	84,395
	<b>304,702</b>	<b>-26,246</b>	<b>10,285</b>	<b>147</b>	<b>135</b>	<b>289,022</b>

	Cash change		Non-cash changes			Carrying amount 31.12.2020 EUR'000
	Carrying amount 01.01.2020	Change	Lease liabilities	Transaction costs	Other	
	EUR'000	EUR'000	EUR'000	EUR'000	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
	<b>289,022</b>	<b>29,736</b>	<b>5,865</b>	<b>84</b>	<b>-77</b>	<b>324,631</b>

### 42. Interest received and interest paid

In the 2020 financial year, all interest received was recognized under other financial result.

In the 2020 financial year, all interest paid was recorded to profit or loss under financing expenses.

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

In the course of the 2020 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 an increase in the cash flow from investments of kEUR 2,864 in the 2020 financial year (previous year: decrease of kEUR 356).

## NOTES TO FINANCIAL INSTRUMENTS

### 44. 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
<b>Financial instruments measured at fair value</b>			
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
<b>Financial instruments not measured at fair value</b>			
Bonds	Current stock market price on the balance sheet date	Not-applicable	Not-applicable
Other interest-bearing liabilities	Discounting of cash flows	Risk premium for own credit risk	Not-applicable

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

**45. 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.

## Notes to the Consolidated Financial Statements

	Carrying amount 31.12.2019 EUR'000	Fair value			
		Total 31.12.2019 EUR'000	Level 1 31.12.2019 EUR'000	Level 2 31.12.2019 EUR'000	Level 3 31.12.2019 EUR'000
<b>Valuation at amortized cost</b>					
Other financial assets – securities (unquoted)	44	0	0	0	0
Receivables from related companies, non-current	5,633	0	0	0	0
Other receivables	8,838	0	0	0	0
Trade receivables	98,824	0	0	0	0
Receivables from related companies, current	19,390	0	0	0	0
Other receivables and assets	10,986	0	0	0	0
Cash and cash equivalents	75,790	0	0	0	0
	<b>219,506</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Fair-Value through other comprehensive income</b>					
Trade receivables (within factoring)	0	0	0	0	0
Other financial assets – securities (quoted)	428	428	428	0	0
	<b>428</b>	<b>428</b>	<b>428</b>	<b>0</b>	<b>0</b>
<b>Valuation at amortized cost</b>					
Financial liabilities	204,627	206,314	91,602	0	114,712
Trade payables	83,465	0	0	0	0
Liabilities towards related companies	4,508	0	0	0	0
Other financial liabilities	10,163	0	0	0	0
	<b>302,764</b>	<b>206,314</b>	<b>91,602</b>	<b>0</b>	<b>114,712</b>
<b>Fair-Value through profit and loss</b>					
Derivative financial instruments	1,924	1,924	0	1,924	0
	<b>1,924</b>	<b>1,924</b>	<b>0</b>	<b>1,924</b>	<b>0</b>

	Carrying amount 31.12.2020 EUR'000	Fair value			
		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
<b>Valuation at amortized cost</b>					
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
	<b>198,371</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Fair-Value through other comprehensive income</b>					
Trade receivables (within factoring)	0	0	0	0	0
Other financial assets - securities (quoted)	429	429	429	0	0
	<b>429</b>	<b>429</b>	<b>429</b>	<b>0</b>	<b>0</b>
<b>Fair-Value through profit and loss</b>					
Derivative financial instruments	16,471	16,471	0	16,471	0
	<b>16,471</b>	<b>16,471</b>	<b>0</b>	<b>16,471</b>	<b>0</b>
<b>Valuation at amortized cost</b>					
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
	<b>286,921</b>	<b>242,428</b>	<b>0</b>	<b>0</b>	<b>242,428</b>

#### 46. Derivative financial instruments, hedge accounting and fair value hedge

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

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

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

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

## Notes to the Consolidated Financial Statements

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 100,000; previous year: kUSD 0) 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 31.12.2019 EUR'000	Less than 1 year 31.12.2019 EUR'000	More than 1 year 31.12.2019 EUR'000
Forward exchange transactions with positive fair value	0	0	0

	Carrying amount 31.12.2020 EUR'000	Remaining term	
		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

### Derivative financial instruments with a negative market value

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

	Carrying amount 31.12.2020 EUR'000	Remaining term	
		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

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

	Currency	Volume in thousands	Remaining term		
			Less than 1 year in thousands	1 to 2 years in thousands	3 to 5 years in thousands
As of 31 December 2019: Foreign currency derivatives	USD	335,000	265,000	70,000	0
As of 31 December 2020: Foreign currency derivatives	USD	220,000	200,000	20,000	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

## Notes to the Consolidated Financial Statements

Cash flow hedges (OCI) 31 December 2019	Instrument	Average exchange rate	Notional value in foreign currency	Notional value in local currency	Change in fair value used for calculating hedge ineffectiveness	Fair value
			USD'000	EUR'000	EUR'000	EUR'000
Sell USD, buy EUR	FX Forward	1.1502	275,000	239,099	-1,368	-1,368

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

	Change in value used for calculating hedge ineffectiveness		Carrying amount cash flow hedge reserve	
	31.12.2019 EUR'000	31.12.2020 EUR'000	31.12.2019 EUR'000	31.12.2020 EUR'000
Sell USD, buy EUR	1,368	-11,599	-1,026	8,699

The following table shows the effectiveness of the hedging relationships, and the amounts either reclassified from the reserve 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
	31.12.2019 EUR'000	31.12.2020 EUR'000	31.12.2019 EUR'000	31.12.2020 EUR'000	
Sell USD, buy EUR	-1,368	11,599	4,718	5,428	Revenues

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

#### Currency risk

While the vast majority of sales by FACC Group companies are transacted in USD, a significant part of the costs 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.

	31.12.2019 EUR'000	31.12.2020 EUR'000
Receivables from customer-related engineering	50,626	32,968
Contract assets	5,433	3,021
Receivables from related companies, non-current	5,633	5,416
Other receivables	8,838	9,405
Trade receivables, current	98,824	61,374
Receivables from related companies, current	19,390	18,610
Other receivables and assets	35,125	24,376
Cash and cash equivalents	75,790	92,548
	<b>299,659</b>	<b>247,718</b>
US dollar	222,793	173,850
EUR	76,867	73,868
	<b>299,659</b>	<b>247,718</b>

## Notes to the Consolidated Financial Statements

	31.12.2019 EUR'000	31.12.2020 EUR'000
Financial liabilities	289,022	324,631
Trade payables	83,465	26,956
Liabilities towards related companies	4,508	8,479
Other financial liabilities	10,163	9,058
	<b>387,158</b>	<b>369,124</b>
US dollar	83,787	64,833
EUR	303,372	304,291
	<b>387,158</b>	<b>369,124</b>

Detrimental changes in foreign exchange rates, in particular in the USD-EUR exchange rate, would therefore produce substantial adverse effects on FACC's business, operating income and financial

position. FACC makes use of derivative financial instruments, such as forward exchange transactions, to hedge against adverse changes in the USD-EUR exchange rate, which can potentially give rise to losses.

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

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

Revaluation (+)/devaluation (-)	5% devaluation		5% revaluation	
	31.12.2019 EUR'000	31.12.2020 EUR'000	31.12.2019 EUR'000	31.12.2020 EUR'000
Changes in Consolidated Profit and Loss Statement	2,626	3,385	-2,376	-3,062
Changes in comprehensive income/loss	-11,623	-7,074	10,515	6,400
<b>Changes to equity</b>	<b>-8,997</b>	<b>-3,689</b>	<b>8,139</b>	<b>3,338</b>

### 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 691 (previous year: kEUR 615). A reduction in interest rates by 50 basis points would have resulted in an increase in earnings after taxes and in equity of kEUR 620 (previous year: kEUR 587). Interest expenses were incurred in the amount of 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 liquid funds are invested in non-speculative, highly liquid financial instruments, mainly money market certificates, daily allowances, securities and other money market instruments, which generally mature in less than three months.

On the balance sheet date 31 December 2020, FACC had unused credit lines amounting to kEUR 150,000 (previous year: kEUR 200,000) 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:

	Carrying amount 31.12.2019 EUR'000	Total 31.12.2019 EUR'000	Payment obligations		
			Less than 1 year 31.12.2019 EUR'000	1 to 5 years 31.12.2019 EUR'000	More than 5 years 31.12.2019 EUR'000
<b>Valuation at amortized cost</b>					
Promissory note loans	70,000	75,723	878	28,009	46,836
Bond FACC Operations GmbH	89,916	91,800	91,800	0	0
Liabilities towards credit institutions	33,985	44,050	13,744	19,697	10,608
Lease liabilities	84,395	94,001	8,585	28,558	56,858
Other interest-bearing liabilities	10,726	10,726	10,726	0	0
<b>Financial liabilities</b>	<b>289,022</b>	<b>316,300</b>	<b>125,733</b>	<b>76,264</b>	<b>114,302</b>
Trade payables	83,465	83,636	83,636	0	0
Liabilities towards related companies	4,508	4,508	4,508	0	0
Other financial liabilities	10,163	10,163	10,163	0	0
	<b>387,158</b>	<b>414,607</b>	<b>224,040</b>	<b>76,264</b>	<b>114,302</b>
<b>Fair-Value through profit and loss</b>					
Derivative financial instruments	1,924	1,924	1,910	14	0
<b>Carrying amounts/contractual cash flows</b>	<b>389,082</b>	<b>416,531</b>	<b>225,950</b>	<b>76,278</b>	<b>114,302</b>

	Carrying amount 31.12.2020 EUR'000	Total 31.12.2020 EUR'000	Payment obligations		
			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
<b>Valuation at amortized cost</b>					
Promissory note loans	70,000	76,371	875	29,013	46,482
Bond FACC Operations GmbH	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
<b>Financial liabilities</b>	<b>324,631</b>	<b>343,291</b>	<b>167,027</b>	<b>74,432</b>	<b>101,831</b>
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
	<b>369,124</b>	<b>387,784</b>	<b>211,520</b>	<b>74,432</b>	<b>101,831</b>
<b>Fair-Value through profit and loss</b>					
Derivative financial instruments	0	0	0	0	0
<b>Carrying amounts/contractual cash flows</b>	<b>369,124</b>	<b>395,576</b>	<b>211,520</b>	<b>74,432</b>	<b>101,831</b>

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

## Notes to the Consolidated Financial Statements

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

### 48. 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 2020 was as follows:

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

<sup>1)</sup> Relates to the financial year 2017/18

<sup>2)</sup> Due to an adjustment of the provision for severance payments

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

<sup>1)</sup> Contains rollups from previous years

The expenses for Supervisory Board members recorded in the Annual Financial Statements amounted to kEUR 293 (previous year: kEUR 357).

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

### 49. 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 2020 to 31 December 2020 at arm's length terms.

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

	Receivables 31.12.2020 EUR'000	Liabilities 31.12.2020 EUR'000	Revenues 2020 EUR'000	Expenses 2020 EUR'000
Companies with significant influence on the Group	48	0	964	0
Joint venture in which the parent undertaking is involved	23,977	8,479	29,830	17,210
	<b>24,025</b>	<b>8,479</b>	<b>30,794</b>	<b>17,210</b>

In addition, a consulting agreement with Maffeo Aviation Consulting, Woodinville, USA, which is controlled by a Supervisory Board, was in place in the 2020 financial year. The consulting agreement amounted to kEUR 50 (previous year: kEUR 38) in the financial year, of which kEUR 0 (previous year: kEUR 13) had not yet been paid on the balance sheet date.

As in the previous year, there were no write-downs of doubtful receivables in connection with transactions with related parties, nor were any expenses recognized for doubtful or irrecoverable receivables in the 2020 financial year or the previous year. Guarantees were neither granted nor received.

## ACCOUNTING AND VALUATION POLICIES

### 50. 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)
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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

## Notes to the Consolidated Financial Statements

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.

## **Notes to the Consolidated Financial Statements**

### 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 were previously recorded under "loans and receivables" but are now allocated to the "hold and sell" business model in accordance with IFRS 9. The latter is measured at fair value through other comprehensive income.

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

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

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

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

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

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

### Other non-current financial assets (securities)

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

### Receivables and other assets

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

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

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

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

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

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

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

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

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

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

### Cash

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

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

### Liabilities

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

### Derivative financial instruments

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

### Cash flow hedges 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

## **Notes to the Consolidated Financial Statements**

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, as was previously the case.

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

In addition to 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.

51. Effects of new and amended standards (revised)

The following new and amended standards were mandatorily effective for the first time in the 2020 financial year:

Standard / Interpretation		Mandatory application acc. to IASB for financial years beginning with	Adoption by the EU as of 31.12.2020
IFRS 16 (amended)	Covid 19-Related Rent Concessions	01.06.2020	Yes
IFRS 3 (amended)	Business Combinations	01.01.2020	Yes
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (amended)	Interest Rate Benchmark Reform – Phase 2	01.01.2020	Yes
IAS 1 and IAS 8 (amended)	Definition of Material	01.01.2020	Yes
Miscellaneous	Amendments to References to the Conceptual Framework in IFRS Standards	01.01.2020	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 2021. 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 12.02.2021	Effects on the Consolidated Financial Statement
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (amended)	Interest Rate Benchmark Reform – Phase 2	27.08.2020	01.01.2021	Yes	No
IFRS 4 (amended)	Insurance Contracts – Deferral of IFRS 9	25.06.2020	01.01.2021	Yes	No
IFRS 3 (amended)	Business Combinations	14.05.2020	01.01.2022	No	No
IAS 16 (amended)	Property, plant and equipment	14.05.2020	01.01.2022	No	No
IAS 37 (amended)	Provisions, Contingent Liabilities and Contingent Assets	14.05.2020	01.01.2022	No	No
Miscellaneous	Annual Improvements to IFRS Standards 2018–2020 Cycle	14.05.2020	01.01.2022	No	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
IFRS 17	Insurance Contracts	18.05.2017	01.01.2023	No	No
IFRS 17 (amended)	Insurance Contracts	25.06.2020	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

## Notes to the Consolidated Financial Statements

### 52. Fees of the Group auditor

The expenses attributable to the 2020 financial year for the auditor Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. of the Consolidated Financial Statements are as follows:

	2019 EUR'000	2020 EUR'000
Group and annual audit	217	141
Other consulting services	56	25
	273	167

### 53. Events after the balance sheet date

After the balance sheet date of 31 December 2020, no event requiring disclosure occurred.

### 54. Proposed appropriation of net income

In the 2020 financial year the retained earnings of FACC Group amounted to kEUR -28,575. The Management Board and the Supervisory Board will propose a dividend of EUR 0.00 per share to the Annual General Meeting on 1 July 2021.

### 55. 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 23 March 2021. 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.

### 56. 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, since 1 January 2020)  
Qinghong Liu  
Jiajia Dai  
Jing Guo  
Junqi Sheng  
Weixi Gong  
George Maffeo  
Tom Williams (since 26 June 2020)  
Ulrike Reiter (employee representative)  
Barbara Huber (employee representative)  
Peter Krohe (employee representative) (until 31 December 2020)  
Karin Klee (employee representative)

Ried im Innkreis, 8 March 2021

#### The Management Board

Robert Machtlinger m. p. Chairman of the Management Board	Andreas Ockel m. p. Member of the Management Board
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Aleš Stárek m. p. Member of the Management Board	Yongsheng Wang m. p. Member of the Management Board
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# 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, 8 March 2021

## 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<sup>1)</sup>

### 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, 2020, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the short financial year then ended and the notes to the consolidated financial statements.

Based on our audit the accompanying consolidated financial statements were prepared in accordance with the legal regulations and present fairly, in all material respects, the assets and the financial

<sup>1)</sup> 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.

position of the Group as of December 31, 2020 and its financial performance for the short financial 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.

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## 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 is sufficient and appropriate to provide a basis for our opinion.

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## KEY AUDIT MATTERS

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

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

1. Recoverability of intangible assets, fixed assets and other longterm assets
2. Other receivables in connection with the Fake-President-Incident-Fraud case in fiscal year 2015/2016

### 1. Recoverability of intangible assets, fixed assets and other longterm assets

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#### Description

FACC AG discloses in its group financial statement goodwills from business combinations amounting to 0,0 Mio. € (prior year 18,7 Mio. €), fixed assets amounting to 167,9 Mio. € (previous year 181,6 Mio. €) and other longterm assets amounting to 131,9 Mio. € (previous year 153,6 Mio. €).

The other longterm assets consist of 33,0 Mio. € (previous year 50,6 Mio. €) receivables customer related engineering, of 3,0 Mio. € (previous year 5,4 Mio. €) contract assets and of 95,8 Mio. € (previous year 97,5 Mio. €) contract cost.

The implications of the Covid 19 crisis and the resulting decreases in rates in several projects resulted in a change of the midterm plan for the next five years and therefore impairment triggers were identified during the financial year on level of the cash generating

units but also at level of contract cost and receivables for customer related engineering and impairment tests have been performed.

In the financial year impairments on goodwill amounting to 18,7 Mio. €, impairments on fixed assets amounting to 7,7 Mio. €, impairments on contract cost amounting to 2,8 Mio. € and impairments on receivables for customer related engineering amounting to 1,8 Mio. € have been recognized.

In course of the annual impairment test for goodwill and the other longterm assets with a trigger for an impairment management has to make significant accounting estimates of value in use, which is derived by a discounted cashflow model. The recoverable amount is highly dependent on the discount rate (WACC) and the expected and planned cashflows in the midterm planning and for the amount used in the terminal value for goodwill. For contract cost and receivables from customer related engineering the recoverable amount is highly dependent on the assumptions for timing and quantity future deliveries and related cashflows.

The main risk is estimation of future cashflows and the derivation of an adequate discount rate. The estimation of cashflows includes assumptions about future market and economy developments and they are also impacted by internal learning curves for the specific programs.

The disclosures are included in the notes in note in section "7. Impacts of Covid 19", note 22, note 23, note 24, note 26 and note 31 and under section "9. Business Segments".

#### 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 CGU („cash generating units“) definitions and analysis of separation of cash inflows
- Audit of the model used and audit of the correctness of the calculations and evaluation of the discount rate with the involvement of our internal valuation specialists
- Evaluation of detailed plans and budgets and analysis of the main drivers (revenue, expenses, capex, change in working capital, planned terms of the programs), to verify the the planning figures
- Audit of the rates derived from airline monitor
- Evaluation of the planned terms of the programs
- Audit of the accordance of the planned revenues and profits of the investments for the CGU („cash generating units“) with the plans approved by the supervisory board
- Audit of the carrying amounts of the CGUs ("cash generating units")
- Audit of the recognition of the impairments

- Audit of completeness of disclosures
- Evaluation of sensitivity analysis by calculation of downside valuation scenarios

## 2. 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, 2020, 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 Incident Fraud Case, is of particular importance and is provided in Note 32 in the financial statements (receivables and other assets).

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

Our audit activities included the following activities:

- Discussing current developments in connection with the re-transfer with the management and the head of the legal department and the legal representatives of FACC Operations GmbH
- Obtaining a legal opinion by an independent lawyer and analysis of this legal opinion
- Review whether the criteria to recognize an account receivable are met
- Assessment of the adequacy of the information provided in the notes on other receivables

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

Management is responsible for the preparation of the consolidated financial statements in accordance with IFRS as adopted by the EU, and the additional requirements under Section 245a Austrian Company Code UGB for them to present a true and fair view of the assets, the financial position and the financial performance of the Group and for such internal controls as management determines

are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

We also

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

## Auditor's Report

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.

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## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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### 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.

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### Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report and the annual financial report, but does not include the consolidated financial statements, the management report for the Group 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 report, the final non-financial report and the annual financial report are expected to be made available to us after the date of the audit opinion. 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. We have nothing to report regarding the other information already available.

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### Additional information in accordance with article 10 EU regulation

We were elected as auditor by the ordinary general meeting at July 9, 2019. We were appointed by the Supervisory Board on September 26, 2019. We are auditors without cease since financial year 2016/17.

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

We declare that no prohibited non-audit services (article 5 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, 8 March 2021

**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

Composites	A composite material is a material made from two or more constituent materials that, when combined, feature characteristics different from the individual components
Elastomer	Dimensionally stable, but elastically deformable plastics
Fibrous composite material	Material of reinforcing fibers and a plastic mix
Just-in-sequence	Punctual delivery of workpieces to the assembly line in the correct sequence
Just-in-time	Punctual delivery of workpieces to the assembly line
OEM	Original Equipment Manufacturer - manufacturer of components, which produces these in its own factories, but does not bring them to retail himself
Retrofit	Modernization or expansion of existing (mostly older and no longer produced) models
Shipset	A delivery unit, i.e. a complete set of parts for an aircraft
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
Tier-1-supplier	A supplier which directly supplies OEMs with larger components and systems
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
Equity ratio in %	Equity/balance sheet total in %
FTE	Full-time equivalents of employees
GBP	Great Britain pound
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards, including International Accounting Standards
INR	Indian rupee
Investments	Additions to intangible assets, property, plant and equipment
ISIN	International Securities Identification Number for shares
kEUR	Euro thousands
OTC	Over-the-counter trading
RMB	Ranminbi/Yuan - Chinese currency
SFY	Short financial year
USD	United States dollar

## Contact

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## Note

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

Editorial deadline: 8 March 2021

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## Imprint

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