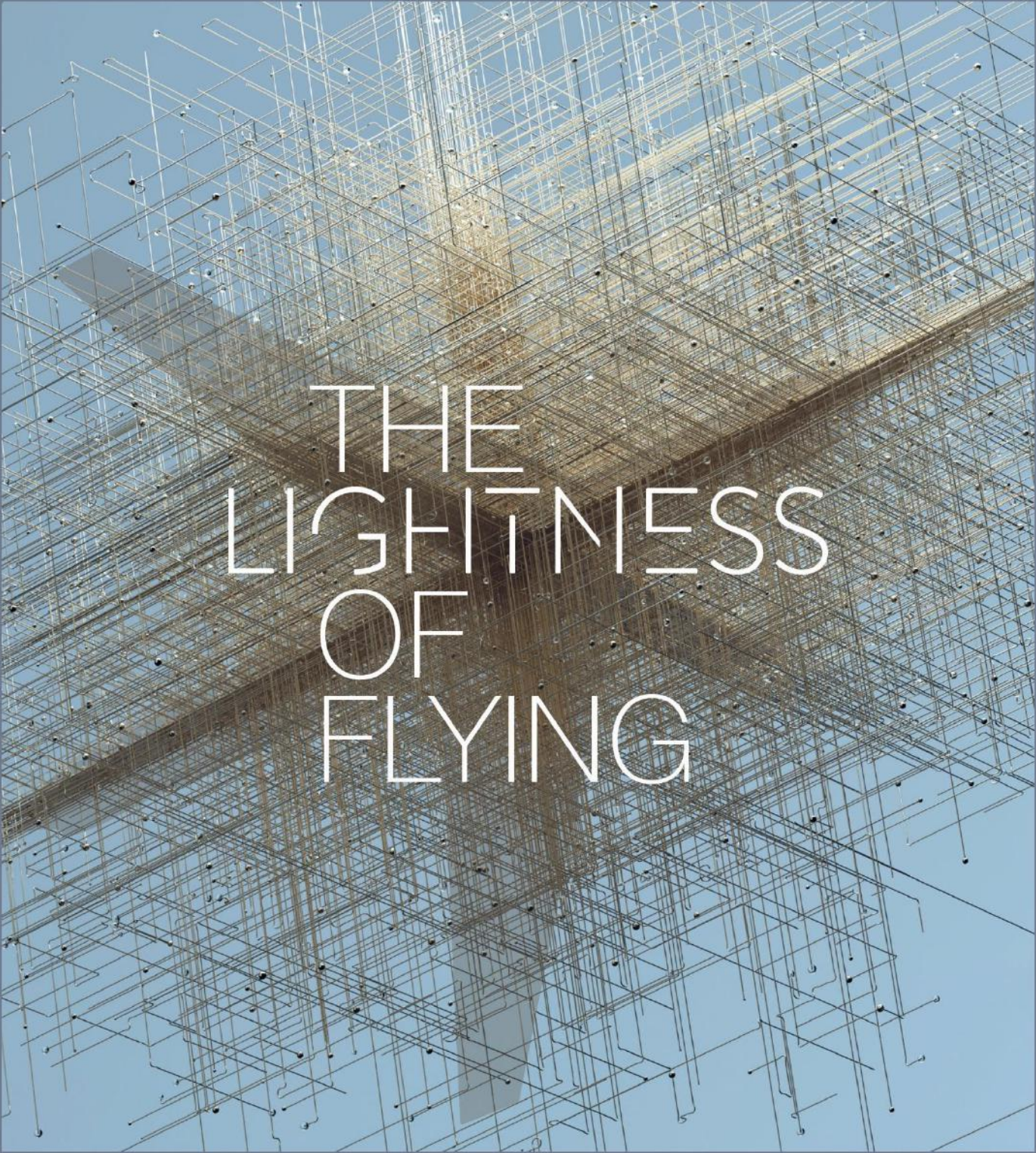




THE LIGHTNESS OF FLYING

Annual Report 2023



Group Management Report of FACC AG for the financial year 2023

1. GLOBAL ENVIRONMENT

The world economy faced major challenges in 2023, particularly in connection with the interest rate increases in the US. There were fears that these measures could trigger a recession. However, the US economy was able to avoid a downturn and unexpectedly recorded substantial growth. The healthy budget balances and robust labor market were key factors contributing to the strength of US domestic consumption. By international standards, the US economy proved to be very robust.

In contrast, the EU economy faced a number of challenges, including high inflation rates and declining consumption expenditure. The slowdown in the Chinese economy is also affecting Europe as the EU is a major exporter to China. In addition, persistently high interest rates are slowing down growth in industrialized countries, particularly in a period during which the Russian invasion of Ukraine has kept food prices high around the world.

In conclusion, the fact that the US managed to avert a recession despite the interest rate hikes can be attributed to a robust domestic economy, strong consumer spending and healthy corporate balance sheets. In contrast, the EU experienced slower growth due to the challenges of high inflation, the energy crisis and the effects of a weaker Chinese economy.

Globally, the level of uncertainty is not decreasing in the short term. In addition to the Russian invasion of Ukraine, the recent conflict in the Middle East represents an additional factor of uncertainty when assessing geopolitical risks. Moreover, 2024 is a historic year for national elections around the world. More than 4 billion people will be casting their votes in over 70 countries, and the results of these elections could have a profound impact on geopolitical and economic developments worldwide.

A growth slowdown is expected in the US in 2024, which points to a possible cooling of the economy. Europe could see a slight recovery, particularly if inflation declines and consumer spending stabilizes. Overall, moderate economic growth is expected for 2024, driven by these various global challenges and developments.

2. INDUSTRY ENVIRONMENT

In 2023, the aerospace industry experienced a recovery in the demand for its products. The number of passenger kilometers flown on commercial domestic flights exceeded pre-pandemic levels in some markets. This increase in air traffic volumes has given rise to greater demand for new aircraft and for products and

services in the maintenance and repair market. At the beginning of the Le Bourget Air Show in June 2023, Airbus signed a contract with the Indian airline IndiGo for a record order of 500 aircraft – the largest single order in the history of aviation. What is unusual about this order is that the 500 jets are on firm order and not partly intended as a purchase option. In addition to this major order, Airbus has signed further contracts.

Airbus is by no means the only company with full order books: Boeing is also facing delivery horizons of ten years or more. At the Dubai Airshow alone, the US company was able to increase its order backlog by almost 200 orders.

IATA expects air traffic volumes to increase further, despite the currently tense global environment, and profitability in the industry to continue to improve until 2024, albeit at a slower rate than in 2023.

Higher number of aircraft delivered by Airbus and Boeing

In the course of the airlines' fleet renewal last year, Airbus reported that it received 2,319 gross orders and 2,094 net orders after cancellations. According to the company, it delivered 735 aircraft to 87 customers in 2023 (2022: 663 aircraft), bringing the order backlog to 8,598 aircraft.

Boeing has not yet fully recovered from a number of difficulties in production, including problems along its supply chain. Nevertheless, Boeing recorded an unprecedented order intake in 2023. Deducting cancellations, the company received 1,314 net new orders. Moreover, Boeing delivered 528 aircraft (2022: 480 aircraft).

Aviation and sustainability

Last year, the first passenger aircraft crossed the Atlantic without fossil fuels. For the test flight from London to New York, the aircraft was refueled with sustainable aviation fuel (SAF) made from sugar and fat.

In November 2023, the Airbus aircraft "Blue Condor" completed its first test flight powered by hydrogen. This is not yet economically feasible in practice, as the energy density of the SAF is still too low for an aircraft with passengers, luggage and cargo in the hold. Unfortunately, this cannot yet be done without generating emissions. It is estimated that aviation accounts for around three percent of global CO₂ emissions. At the same time, the aviation industry is taking a variety of measures to increase sustainability – the industry's declared goal is to achieve zero-carbon flights by 2050. Various solutions such as switching to synthetic fuels, hydrogen or batteries for smaller aircraft or

drones are considered cross-sectional technologies for decarbonization.

According to the German Aviation Association (BDL), each successive generation of aircraft consumes around 20-25 percent less kerosene. This is due to more efficient engines, the use of more lightweight materials as well as aerodynamic improvements. Over the past three decades, kerosene consumption has fallen from 6.3 to approximately 3.6 liters per 100 kilometers and passenger.

3. GENERAL INFORMATION

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

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

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

In addition, the FACC Strategy 2030 was presented in the 2020 financial year. The company's core business will thus be expanded

to include drones and autonomous flight mobility as well as lightweight construction systems for space travel.

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

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

The product portfolio has been expanded across all divisions to include services in the areas of maintenance, repair and servicing.

After customer contracts have been concluded and the orders processed, the individual orders are then manufactured in the Group's plants. In addition to the three operative segments, the Group also comprises the central services Strategy, Marketing & Corporate Communications, Human Resources, Innovation & Research, Purchasing, Quality, Logistics, Facility Management, Environment, Health & Safety, Finance, Controlling, Taxes, Treasury, IT, Legal, Investor Relations, Internal Auditing and Risk Management. The central services support the operating segments in the fulfillment of their tasks within the framework of a matrix organization.

4. DEVELOPMENT OF THE FACC GROUP

	2021	2022	2023
Revenues	497.6	607.0	736.2
Of which product revenues	455.8	545.4	693.3
Of which revenues from development services	41.8	61.5	42.9
EBIT (reported)	-25.1	5.5	17.5
One-time effects	29.4	0.0	0.0
EBIT (operating)	4.3	5.5	17.5
EBIT margin (operating)	0.9%	0.9%	2.4%
Earnings per share	-0.52	-0.02	0.20

In the 2023 financial year, the FACC Group generated revenue of EUR 736.2 million, corresponding to growth of EUR 129.2 million compared to the previous year.

This increase in revenue of around 18 percent compared to the previous year is primarily due to a steady rise in customer call-offs and growing demand resulting from new projects. All three segments benefited from the overall positive market development. The platforms generating the highest sales in Aerostructures and Cabin Interiors continue to be the Airbus A320 family, the Airbus

A220, and the projects for business jet manufacturers Bombardier and Embraer. In Engines & Nacelles, substantial revenue is generated with the engine manufacturers Rolls Royce and Pratt & Whitney.

Reported earnings before interest and taxes (EBIT) stood at EUR 17.5 million in the 2023 financial year (2022: EUR 5.5 million), which is in line with management's expectations. Factors such as start-up costs, unrealized learning curve effects due to new

personnel in some cases and a persistently challenging situation in the supply chain continue to concern the FACC AG.

The optimization program launched at the beginning of the financial year 2020 to streamline the Group's cost structure has proven effective in previous years, and will continue to deliver the required positive effects in 2023.

Due to the very high inflationary cost increases, particularly in the HR area, these measures remain an extremely important component in securing a sustainable improvement in earnings in view of the expected future sales increases. Cost savings resulting from the new FACC Plant 6 in Croatia are beginning to take effect, whereby the plant expansion initiated in 2023 will further contribute to optimizing profitability in the Interior segment in subsequent years.

4.1. Financial position

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

Financing instruments

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

For information on the company's capacity to raise funds through authorized and conditional capital and on its funding sources, please refer to Note 37 of the Consolidated Financial Statements. FACC has thus created the essential prerequisites for sustainable and stable financing.

On 17 February 2023, FACC Operations GmbH subscribed to an extension of the syndicated loan in the amount of EUR 225.4 million with five participating banks. FACC AG and FACC Solutions Croatia d.o.o. are serving as guarantors. The syndicated loan has a term of three years plus a two-year prolongation option. The contract stipulates five facilities with various intended uses. With the exception of the framework refinancing credit of the Austrian Kontrollbank (OEKB) and equity financing, which are secured by receivables, all other facilities are unsecured. The facility of kEUR 60,000 (KRR COVID-19 framework credit of OEKB), which was additionally subscribed in the context of the corona pandemic on 26 June 2020, was repaid as of 10 March 2023. In turn, an amount of EUR 36 million was drawn from the equity financing program of OEKB, and EUR 33.5 million from Exportinvest.

The following financial covenants for the syndicated loan have been defined:

	31.12.2023	31.12.2024	31.12.2025
Net financial debt/EBITDA	≤4.50	≤4.25	≤3.75
Equity ratio	25 %	25 %	25 %

The financial covenants for the syndicated loan applicable at the end of the respective year also apply as of 30 June of the same year (e.g. a ratio of 4.25 applies on 30 June 2024 and on 31 December 2024) and are tested every six months. Creditors have a right of termination in the event that the ratios are exceeded.

For all relevant reporting dates after 31 December 2025, a net financial debt/EBITDA ratio of ≤ 3.5 as well as an equity ratio of at least 25 percent are required. The financial covenants for the syndicated loan were complied with both in the previous year and as of 31 December 2023.

All other material provisions of the original syndicated loan agreement and the subsequent amendment agreements were largely carried over to the extension of the syndicated loan.

On 31 July 2019, promissory note loans in a total amount of EUR 70.0 million were issued. The individual tranches have 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 financial debt/EBITDA exceeds a value of 3.75. This interest rate increase clause has been applied since the 2020 financial year and will no longer apply from the 2024 financial year. The ratio is tested annually.

Promissory note loans in the amount of EUR 24.5 million will expire in July 2024. FACC entered into talks on refinancing this amount in the course of the 2023 financial year.

4.1.1. Liquidity analysis

	2021 in EUR million	2022 in EUR million	2023 in EUR million
Cash flow from operating activities	82.3	5.5	36.6
Cash flow from investing activities	-11.7	-8.6	-19.4
Free cash flow	70.6	-3.1	17.2
Cash flow from financing activities	-45.2	-13.4	-12.3
Net change in cash and cash equivalents	25.3	-16.5	4.9
Effects from foreign exchange rates on cash	-2.9	4.2	-9.0
Cash and cash equivalents at the beginning of the period	92.5	115.0	102.7
Cash and cash equivalents at the end of the period	115.0	102.7	98.6

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 36.6 million, the cash flow from operating activities in the reporting year 2023 was EUR 31.1 million higher than the previous year's figure of EUR 5.5 million. This change is mainly due to the Net financial debt/EBITDA, a key indicator for Group financing, developed as follows:

	31.12.2021 in EUR million	31.12.2022 in EUR million	31.12.2023 in EUR million
Earnings before interest and taxes (EBIT)	-25.1	5.5	17.5
Plus/minus			
Depreciation, amortization and impairment	22.8	22.8	23.1
Amortization contract costs	13.9	16.1	16.0
Impairment contract costs	0.0	0.0	0.0
Negative effects from the London arbitration court ruling	25.5	0.0	0.0
EBITDA (adjusted)	37.1	44.4	56.6
Net debt/EBITDA (adjusted)	4.79	4.25	3.68

- 1) 31.12.2021: Amortization of contract performance costs of EUR 21.9 million minus one-off payments of EUR 8.1 million in December 2021
- 2) 31.12.2022: Amortization of contract performance costs of EUR 26.1 million minus one-off payments of EUR 10.0 million in December 2022

increase in EBIT and the improvement in working capital for receivables and liabilities. This is offset by an increase in inventories due to the significantly higher operating performance compared to the previous year.

Cash flow from investing activities

In the reporting year 2023, cash flow from investing activities amounted to EUR -19.4 million, compared to EUR -8.6 million in the previous year. This increase was driven in particular by payments for the plant expansion in Croatia.

Cash flow from financing activities

In the year under review, cash flow from financing activities amounted to EUR -12.3 million (2022: EUR -13.4 million). In the 2023 financial year, FACC Operations GmbH undersigned an extension of the syndicated loan of EUR 225.4 million with five participating banks.

4.1.2. Net debt

	2021	2022	2023
Promissory note loans	70.0	70.0	70.0
Lease liabilities	79.6	72.7	72.1
Other financial liabilities	143.2	148.6	165.8
Gross financial liabilities	292.8	291.3	307.9
Less			
Cash and cash equivalents	115	102.7	98.6
Net debt	177.8	188.6	209.3

4.2. Asset position

	31.12.2021 in EUR million	31.12.2022 in EUR million	31.12.2023 in EUR million
Non-current assets	323.7	298.9	319.2
Current assets	320.8	355.1	387.3
Assets	644.5	654.0	706.5
Equity	206.0	203.5	220.6
Non-current liabilities	172.6	159.1	182.8
Current liabilities	265.9	291.4	303.1
Debt	438.5	450.5	485.9
Equity and liabilities	644.5	654.0	706.5
Equity ratio	32.0%	31.1%	31.0%

4.2.1. Assets

Compared to the previous year, the non-current assets of the FACC Group increased by EUR 20.3 million to EUR 319.2 million as of the balance sheet date 31 December 2023.

Current assets increased by EUR 32.2 million over the same period, while cash and cash equivalents decreased by EUR 4.1 million to EUR 98.6 million. Inventories grew from EUR 116.3 million at the end of the 2022 financial year to EUR 158.6 million as of 31 December 2023. Trade receivables increased by EUR 12.9 million to EUR 74 million.

4.2.2. Equity

Equity of the FACC Group stood at EUR 220.6 million at the end of the reporting year. This corresponds to an equity ratio of 31.0 percent as of 31 December 2023 (2022: 31.1 percent).

4.2.3. Debt

Within non-current liabilities, other financial liabilities increased from EUR 5.0 million in the 2022 financial year to EUR 50.0 million in the 2023 financial year.

Within current liabilities, trade payables increased by EUR 27.7 million to EUR 94.4 million compared to the previous year.

Overall, other financial liabilities were subject to only minor fluctuations in the 2023 financial year. Other non-current financial liabilities increased due to the new OEKB equity financing and Exportinvest programs launched in the 2023 financial year, while other current financial liabilities decreased due to the repayment of the KRR COVID-19 framework credit of OEKB.

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

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

5.1. Aerostructures segment

	2021 in EUR million	2022 in EUR million	2023 in EUR million
Revenues	167.5	235.1	272.4
EBIT (reported)	-28.5	3.9	12.9
EBIT margin (reported)	-17.0%	1.7%	4.7%
One-time effects	27.8	0.0	0.0
EBIT (before one-time effects)	-0.8	3.9	12.9
EBIT margin (before one-time effects)	-0.4%	1.7%	4.7%

Revenue in the Aerostructures segment amounted to EUR 272.4 million in the 2023 financial year (2022: EUR 235.1 million). In terms of revenue distribution at the group level, this segment is the second largest after Cabin Interiors, accounting for around 37 percent of total revenue. Besides the Airbus A320 family, the Airbus A220 platform is developing particularly well. Thanks to increasing customer call-offs, this platform has established itself as the second-strongest revenue driver in the Aerostructures

5. DEVELOPMENT OF THE SEGMENTS

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

division. Deliveries of the Airbus A350 platform and business jet products also increased.

5.2. Engines & Nacelles segment

	2021 in EUR million	2022 in EUR million	2023 in EUR million
Revenues	103.7	97.3	129.7
EBIT (reported)	8.7	0.5	13.5
EBIT margin (reported)	8.4%	0.5%	10.4%
One-time effects	0.9	0.0	0.0
EBIT (before one-time effects)	9.6	0.5	13.5
EBIT margin (before one-time effects)	9.3%	0.5%	10.4%

Revenue in the Engines & Nacelles segment in the 2023 financial year amounted to EUR 129.7 million (2022: EUR 97.3 million). The engine manufacturers Rolls Royce and Pratt & Whitney remain the largest customers in this segment in terms of their revenue share. However, the growth in revenue in the 2023 financial year is due in particular to the increasing construction rates of the Boeing 787 and Airbus A350 programs.

5.3. Cabin Interiors segment

	2021 in EUR million	2022 in EUR million	2023 in EUR million
Revenues	226.4	274.6	334.1
EBIT (reported)	-5.2	1.0	-8.9
EBIT margin (reported)	-2.3%	0.4%	-2.7%
One-time effects	0.7	0.0	0.0
EBIT (before one-time effects)	-4.5	1.0	-8.9
EBIT margin (before one-time effects)	-2.0%	0.4%	-2.7%

With a share in total revenue of approximately 45 percent, the Cabin Interiors division is the top-selling segment. In the 2023 financial year, revenue in this segment amounted to EUR 334.1 million (2022: EUR 274.6 million). This also reflects the general level of demand on the market. In addition to the Airbus A320 family, primarily projects for business jet platforms contributed to revenue growth in the Cabin Interiors segment. Sales of the large Airbus A350 platform remain lower. The Chinese Comac C919 and ARJ21 platforms recorded increasing rates in the Aerostructures and cabin components segments.

risks at an early stage are key elements of its corporate strategy. The corporate risk strategy and hedging measures are implemented centrally for the entire Group, whereby the respective risk owners bear direct responsibility for the individual risks. The Vice President Controlling, Investor Relations and Enterprise Risk Management is responsible for the risk management system, the aggregation of corporate risks and the effectiveness of the internal control system, and reports directly to the Management Board, which assumes overall responsibility for these areas.

The operative units continuously monitor and evaluate current and potential future risks. Appropriate risk mitigation measures are developed and implemented to ensure effective risk management in line with the company's objectives. The monitoring and evaluation results are summarized every six months in the Management Reviews and presented to the Management Board. In addition, a detailed review of the top 15 risks is undertaken each quarter. In case of extraordinary events, a report is submitted immediately to the Vice President Controlling, Investor Relations and Enterprise Risk Management, who assesses the degree of urgency and decides whether an immediate report to the Management Board is required. The Management Board regularly informs the Supervisory Board of significant developments.

Following a phase of intensification in recent years, a clear picture of the largest risks in the aviation supply industry has emerged. Against this backdrop, the Management Board considers these risks to be manageable and does not consider them to pose an immediate existential threat to the company.

The following key risk areas have been identified:

6.1. Management risks

Based on market observations and analyses, as well as general and customer-specific forecasts, a business plan with a planning period of five years is drawn up. This plan supplements the "FACC 2030" strategy with economic aspects. The annual update results in specific targets for the respective financial year, which are subsequently agreed with the Supervisory Board and the Audit Committee.

Unforeseeable external market changes or shocks represent the greatest risk. Such shocks can include geopolitical tensions, natural disasters, pandemics or regulatory changes, as well as disruptive technological developments or changes in customer preferences. What they all have in common is that such external factors can only be predicted to a very limited extent, are difficult to control and can have a negative impact on successful strategy implementation. In order to counter these uncertainties, FACC relies on a resilient approach to be able to react flexibly to such market changes and unforeseen events.

It is the responsibility of FACC's management to ensure compliance with strategic and operational targets and to react to market changes in a timely manner and in line with the defined corporate strategy. This ensures that both the strategic orientation and the planned sales and earnings targets are taken into account in order to promote the sustainable development of the company.

6. RISK REPORT

In the course of its business activities, the FACC Group is exposed to a number of risks that are inseparably linked to its business operations. Identifying, evaluating and actively managing these

6.2. Sales risks

The FACC Group operates in a global and highly competitive environment. The cyclical nature of FACC's business activities is dependent on the profit situation of commercial airlines and their orders for aircraft placed with manufacturers. This dependency reflects the industry's sensitivity to global economic developments and geopolitical conditions.

A specific risk to which FACC is exposed arises from changes to aircraft delivery schedules of manufacturers, which may have an impact on sales expectations. Changes in the planned delivery volumes of aircraft result in adjustments to orders placed for components produced by FACC. These risks can take the form of a possible reduction or postponement of aircraft deliveries, which may in turn delay the amortization of development costs.

FACC relies on a strategy of diversification to address this risk. By expanding its product portfolio and broadening its geographical market presence, the company is able to spread this risk and create the basis for sustainable growth. Contracts in the area of Advanced Air Mobility (AAM) complement existing supply agreements with leading manufacturers of commercial aircraft and business jets. In addition, initiatives in the aerospace sector strengthen the company's market position and contribute to securing its long-term success.

Through supply relationships in key markets such as America, Europe and Asia, the FACC Group is further strengthening its geographical diversification. Moreover, its standing as a development partner for the optimization of existing aircraft types creates additional opportunities. This strategy enables the company to acquire retrofitting orders for existing fleets and helps to reduce its reliance on new orders.

6.3. Procurement and supplier risks

FACC carries out systematic risk assessments of its supply chains in the area of procurement in order to proactively identify, evaluate and manage risks. Increasing supply bottlenecks and delays, which can lead to a ripple effect, represent a significant risk. The ripple effect describes a chain reaction in which initial disruptions in the supply chain spread in waves and have far-reaching effects on downstream production and delivery processes. This dynamic can extend throughput times, increase costs and thus possibly impair FACC's delivery reliability due to the resulting short-term production stoppages ("stop & go" production).

In order to minimise risks and ensure delivery quality and reliability, FACC regularly conducts supplier selection analyses and corresponding supplier audits. The Procurement Quality Assurance (PQA) department verifies compliance with all required qualifications and certifications. In addition, a mandatory initial sample inspection is carried out at the start of the project and in the event of significant changes in order to recognise product risks at an early stage. Delivery quality and delivery reliability are continuously assessed via SAP, whereby deviations from quality and delivery standards are systematically recorded, analysed and evaluated. Any deviations identified are reported to the Executive Board as part of the management reviews.

6.4. Business interruption risks

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

6.5. Project management

Project management at FACC is responsible for implementing the objectives defined by management by way of concrete projects. In this regard, projects are differentiated according to whether FACC is to assume development responsibility or not. Feasibility is assessed for each contract, and the risks associated with the project are systematically identified, evaluated and monitored on an ongoing basis. This allows countermeasures to be taken in good time if necessary. Major risks include external factors, which the project team may encounter internally via the company's interfaces or externally via third parties, and which may affect project implementation in the form of additional costs or delays.

6.6. Product liability and quality risks

The products designed and manufactured by the company are intended for installation in aircraft or engines. Defects or malfunctions of the manufactured products may, directly or indirectly, jeopardize the property, health or life of third parties. Long-term safety is therefore a top priority. FACC 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 therefore 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. These risks can, however, be effectively minimized through systematic quality management methods. Regular controls at all stages of development as well as targeted fault probability analyses and influence analyses help to identify and reduce risks at an early stage. Moreover, FACC operates an archive system for quality records, which are either contractually stipulated or go beyond contractual obligations in individual cases. This is to demonstrate that services were rendered and products manufactured according to specifications defined and approved by both customers and the aviation authorities.

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

6.7. Financial risks

In The operating business of FACC AG is exposed to various financial risks, including currency, interest rate, liquidity and credit risks. The Group's risk management therefore focuses, among other things, on monitoring the volatility of the financial markets and taking measures to minimise potential negative effects on the company's financial stability. Responsibility for identifying, assessing and hedging these risks lies with the Accounting & Treasury department, which works closely with the Group's operating units. Further detailed information on these financial

risks and the corresponding risk management strategies can be found in Note 45 of the notes to the consolidated financial statements.

6.8. Risks related to administrative and production systems

Within the scope of its business processes, FACC is also exposed to IT and system risks which, in extreme cases, can lead to the impairment of administrative and production facilities. Risk factors falling under this category include, for instance, standard cyber-crime risks (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 its fraud prevention, FACC relies on the continuous training of its employees working in sensitive areas as well as on information campaigns within the company. Physical plant security is ensured by measures such as access controls.

6.9. Risks related to information security

The threat level in the area of information security is continuously rising. With increasing digitalization and the growing number of employees working from home, FACC's vulnerability to cyberattacks is also growing. Incidents resulting in the loss, corruption or encryption of critical and sensitive data carry the risk of reputational damage and financial losses. In order to effectively counter these threats, FACC relies on preventive measures such as awareness raising and regular staff training as well as technical security precautions to minimize the risk of cyberattacks.

6.10. Risks related to intellectual property

Safeguarding intellectual property resulting from its research and development activities is a key success factor for securing FACC's competitiveness in the long run. Protecting intellectual property against misuse and theft is therefore a key concern of the company. To this end, FACC makes use of instruments such as confidentiality agreements and patents. However, patent disputes cannot be completely ruled out.

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

6.11. Risks resulting from legal disputes

FACC is occasionally involved in various civil lawsuits which may result from its regular business activities. For some of these proceedings, provisions are created to cover potential liabilities, in line with the assessment of qualified legal advisors. No provisions are created for cases where a negative outcome of proceedings is highly unlikely, or where the outcome can currently not be quantified. In addition, negative developments in legal proceedings may, under certain circumstances, damage the reputation of FACC. For this reason, FACC is pursuing proactive communication strategies and risk management measures to counteract this.

7. RESEARCH, DEVELOPMENT AND INNOVATION

FACC continuously invests in research and development in order to succeed on the market with innovative applications and processes, to continuously improve solutions to customers' problems, and to access new business areas. 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. A research project launched jointly with Airbus under the "Horizon Europe EU Program" deserves special mention in this regard.

In the 2023 financial year, FACC spent EUR 69.5 million, or just under 9 percent of its revenue, on company and customer-specific research and development services. These activities were supported by grants totaling EUR 22.2 million.

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 to distinguish itself from its competitors on the market. FACC is working intensively on the efficient production of fiber composite components and their carbon impact in order to support the achievement of the stipulated climate targets. The core objective of FACC's Research and Innovation department is to explore new manufacturing technologies that allow for high-rate and climate-friendly production of lightweight components.

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

- thermoset manufacturing processes that are suitable for high-rate production
- thermoplastic materials and manufacturing processes
- recyclable materials and materials made from renewable resources
- affordable lightweight construction as a key technology
- Advanced Air Mobility (AAM) and space

Patents and awards

FACC filed 4 patent applications and received a patent grant for 40 patents in 2023. As of the end of December 2023, FACC thus holds 485 valid patents.

In 2023, FACC received the Best Practice Supplier Award from Rolls-Royce and the Excellence Silver Award from COMAC. The Cybersecurity Award conferred by Austria's Leading Companies is confirmation of the high security standards introduced in the area of IT & Security. FACC's standing as one of Austria's leading enterprises was underscored by being honored as the company with the strongest image in the supplier industry category by *Industriemagazin*, and as Austria's most innovative company in the aerospace industry category by the Institute for Management and

Economic Research. Furthermore, FACC received the Digital Communication Award in the B2B Communication category in recognition of its corporate communications.

Thermoset manufacturing processes suitable for high-rate production

In 2023, FACC made further improvements to fiber-reinforced thermoset materials and processes, the backbone of composite production, with regard to their suitability for high-rate production, capacity optimization and the reduction of working time. The company was able to identify an epoxy resin prepreg system that is suitable for use in cabins as it is fire-resistant, and that enables a substantial improvement in surface quality. In addition, significant progress was made in the area of fast-curing structural prepregs, with plans to use these materials as part of a customer project.

Thermoplastic materials and manufacturing processes

In 2023, FACC continued the development path embarked on in previous years with respect to fiber-reinforced thermoplastic components. Thermoplastic components are considered promising technologies that enable a cost-effective combination of high-rate production, low weight and a circular economy. The efforts of recent years are beginning to bear fruit in the shape of inquiries relating to production orders, in which this technology is used, in the Engines and Cabin Interiors segments. In mid-2023, a further key element of the automatable process chain was established at the site in St Martin in the form of a pick-and-place system for laminate blanks. Together with the high-temperature consolidation and forming press established in previous years, the primary production steps can thus be performed directly at FACC.

Recyclable materials and materials made from renewable resources

A circular economy and achieving the EU climate targets are challenges that can be supported by an intelligent choice of materials and manufacturing processes. FACC is working on material systems based on renewable resources and on fast-curing material systems to reduce process times and energy consumption in manufacturing. In order to evaluate the stipulated reduction in carbon emissions, FACC is a member of the Airbus LCA Supplier Council, and is also collecting data for the subsequent life cycle assessment (LCA).

Affordable lightweight construction as a key technology

Creating components with the lowest possible weight is considered a key technology for FACC's business. Reduced weight translates into less energy required to move the product, which directly benefits operating emissions. Moreover, to be viable as a product, lower weight is imperative for the eVTOL and space markets.

Research and innovation activities in this area are therefore focusing intensively on how FACC solutions can be made even lighter without undermining their competitiveness and rate capability.

Advanced Air Mobility and space

Advanced Air Mobility (AAM) provides an opportunity for industry-specific product diversification. FACC views the application of aerospace know-how and the relevant production standards, also in this growth market, as an opportunity and a mission. This strategy was also successfully continued in the 2023 financial year. In addition to the three AAM customers established in 2022, two further customers were acquired in 2023. Some of the technological achievements of these projects have since provided innovative impetus for FACC's primary business, traditional aviation.

In the space segment, FACC had to pause the Ariane kick stage project in 2023 as the customer had reported difficulties with the propulsion systems. The company has announced that it will resume activities in mid-2024.

8. EMPLOYEES

As of 31 December 2023, the total headcount of the FACC Group amounted to 3,456 full-time equivalents (previous year: 2,919 FTE).

In Austria, 2,851 FTEs were employed as of 31 December 2023 (FTE; previous year: 2,443). This corresponds to approximately 82.5 percent of the Group's total workforce (previous year: 83.7 percent).

	Blue collar	White collar	Total
Central Services	286	450	736
Aerostructures	662	176	838
Engines & Nacelles	289	114	403
Cabin Interiors	605	159	764
Subsidiaries	345	326	671
FACC AG	0	44	44
Total	2 187	1 269	3 456

The international nature of FACC is also reflected in its personnel structure. Employees from 50 countries and from all continents are currently working at the Austrian locations. 48 percent of the workforce have Austrian citizenship, and 14 percent are German nationals. For a technology company, FACC's share of women in the total workforce remains high at 32 percent. The fact that 43 percent of FACC's apprentices are women is also particularly pleasing.

8.1. Motivation and health: FACC as a pioneer of employee satisfaction

A motivated and committed workforce is essential in challenging times, particularly during labor shortages. FACC recognized this early on, and offers a wide range of measures under its new LIFE Program introduced in 2023. The LIFE Program comprises 5 pillars: Vital LIFE, Career LIFE, Green LIFE, Family LIFE and Social LIFE. Each pillar offers a variety of benefits relating to

various topics and campaigns to maintain and promote employee health, motivation and satisfaction:

Vital LIFE

A wide range of activities are on offer to promote both physical and mental health. Employee benefits include vaccination campaigns against TBE and influenza, preventive health checks as part of annual blood donor campaigns, and fitness videos that can be accessed online at any time.

Career LIFE

Career LIFE focuses on employee development. The expert career program, for instance, offers further development opportunities for experts beyond the traditional management career path. This gives experts visibility within the company and ensures that their achievements are recognized.

Green LIFE

Green LIFE is centered around the topic of sustainability. In addition to electric company cars for carpooling and a second-hand sales platform, employees can lease bicycles or electric bikes and thus benefit from tax advantages.

The company bike campaign was rolled out in spring 2022. With this initiative, FACC wishes to encourage its employees to integrate more regular physical exercise into their everyday working lives. Since June 2022, FACC has been offering its employees the opportunity to lease a bicycle or electric bike. Employees can select a model of their choice from a bike dealer and choose between several leasing and insurance options. One particular advantage is that the lease payments are deducted from their payroll tax by FACC's personnel accounting department.

FACC not only relies on sustainable technologies and mobility concepts in aviation, but also when it comes to the daily commute of the FACC crew, and has started to establish its own company fleet of electric vehicles for journeys to and from work. Employees can use these vehicles by forming permanent car pools and thus not only save costs, but also help the environment.

In 2023, 17 VW ID.4s were made available to FACC carpoolers, meaning that around 70 employees are currently benefiting from this initiative. The interest in our electric fleet is steadily growing, and we already have several new carpoolers on the waiting list.

Our goal is to ensure that as many employees as possible benefit from our successful initiative. This is why we will be introducing electric buses in addition to electric cars in 2024.

We introduced the Twogo carpooling app to help colleagues set up a carpool or look for occasional rideshares. The app is available to all employees, free of charge, in 25 languages.

Family LIFE

When it comes to flexibility, FACC wishes to make it easier for its workforce to strike the right balance between their professional and family lives. The FACC Kids Clubs offer childcare throughout the year and during the summer vacation. In order to make high-quality childcare available to even more members of staff, FACC

also operates a Kids Club in Ried i. I. in addition to St. Martin i. I. Furthermore, FACC offers the greatest possible flexibility to optimally reconcile personal and professional needs, including part-time parental leave, care leave, a one-month parental leave for fathers, and a day off on your birthday.

Diverse working time models are also becoming increasingly important in this regard. In this area too, FACC recognized very early on that highly flexible models are attractive for the workforce and potential new crew members. Therefore, in addition to a highly adaptable flexitime system for salaried employees and the integration of bridge days, FACC offers up to 10 flexitime days, or even up to 15 flexitime Fridays. Moreover, FACC has a particularly flexible home office policy: working from home is solely a matter of agreement between the employee and their manager, and is not otherwise subject to any limitations. In the financial year 2023, FACC employees worked a total of 28,893 days from home. In addition, FACC offers a variety of part-time working models, which are particularly popular with employees who have children to take care of, or for professional development purposes.

Social LIFE

To be among the best, you need commitment, team spirit and a passion for innovation. FACC not only wants to achieve but also celebrate its success together with its employees. In addition to the Leonardo Team Award, which is presented annually to recognize special team achievements, there are various employee events such as a Christmas party and a family celebration, as well as break time areas and canteens.

8.2. Personnel development and promotion

Academy

Continuous investment in the human capital of its entire workforce is a key factor contributing to the corporate success of FACC. The Group is committed to lifelong learning and, for this purpose, offers its employees a wide range of extra-occupational education and further training opportunities. The FACC Academy, which serves as the central hub for all training activities, organized 544 internal training sessions with a total of 5,307 participants in the 2023 financial year. In addition, 36 external training sessions attended by 380 employees as well as more than 50 different language courses were held.

In order to make responsible use of its employees' time resources, FACC has been offering selected training courses via e-learning for a long time. E-learning content is also created by internal developers, thus specifically tailoring the offering to the requirements of the workforce and the company. In addition to the existing e-learning courses, the offering was further expanded in 2023 to include courses such as "Competence Assessment Part 145", "Cyber Security Awareness Training" and "Environmental Compliance Refresher". 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 is continuously updating its training matrix for both its Austrian and international locations. The so-called "LSO Learner"/"Manager Self Service" in SAP provides each manager and crew member 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.

Development paths

Ensuring that the know-how and talents of each crew member can be contributed and applied as effectively as possible is important for the personal and professional development of employees as well as the success of the company. The various qualifications and strengths of employees are bundled in three development paths:

Management career:

Key criteria are leadership skills, proactive strategic thinking, a broad scope of action, and impact on the operational success of the company.

Expert career:

Employees in this area are characterized by a high level of expertise, specialist knowledge, experience, independence and responsibility in their respective field.

Project career:

Here, the significance and scope of the project as well as the role assumed within the project are equally as important as organizational talent and flexibility.

The implementation of the development paths and the allocation of employees to the individual levels was started in mid-2022 and largely completed throughout the company in 2023. Due to the annual review meetings, this is an ongoing process.

Employer branding

In the area of employer branding, last year's focus was on further expanding the employer brand. New projects in the fields of Advanced Air Mobility and space call for new talents, which FACC seeks to attract with a variety of short and long-term measures.

The main focus was on approaching and recruiting employees in production. Various recruiting platforms were used, and cooperation with external partners was intensified.

In the area of social media, video campaigns on various platforms such as TikTok proved to be a success.

In March, the "Long Night of Apprenticeship Training" and an open house event were held, at which around 400 visitors were able to gain insights into the world of FACC during guided tours of a production plant, thereby strengthening FACC's presence as a local employer.

With the FACC Future Crew (apprentices), FACC is placing a long-term focus on young talents. In order to succeed in this highly competitive market, new incentives were introduced for apprentices, including seven weeks of vacation, free lunches, and bonuses for successfully completing their vocational schooling.

The master's program for students once again proved to be a success. With highly flexible working hours, it offers master's students the opportunity to gain practical experience in the aerospace industry and build a close relationship with FACC.

Collaborating with schools was one of the main employer branding objectives of the past year. FACC was able to further expand its cooperation with schools and offer sponsorship to two new school classes. In addition, an exciting new school project was launched: the FACC HELD drone. As part of this project, students from the higher technical colleges HTL Ried, HTL Andorf, HTL Braunau and HTL Vöcklabruck were invited to develop and produce a parcel drone. Students from different schools work together as a team, with each school focusing on a specific area. The project includes two internships for students and the opportunity to write a thesis. The test flight of the drone is scheduled to take place in spring 2026. The HELD drone project is a good opportunity for FACC to strengthen its visibility in schools.

8.3. Global family

As an international corporation with employees from 50 countries, FACC attaches great importance to cross-cultural dialogue. In order to ensure good cooperation between staff, a large number of our employees attend language and intercultural training courses.

In the future, we will be organizing "International Cafés" at regular intervals to give our international members of staff the opportunity to exchange ideas with other colleagues at FACC, and to benefit from their experiences, challenges and practical advice for everyday life in Austria. In addition, individually tailored information and solutions for all aspects of everyday life will be provided through our cooperation with the "Initiative Lebensraum Innviertel" association. The focus of each event will be based on the needs and wishes of our international workforce.

Corporate formats such as the quarterly "Flight Club" were held on the company premises. We continued our numerous collaborations with authorities, foundations, schools and research-related institutions in order to bring the right employees and the right know-how on board quickly.

8.4. In-house development of young talents

FACC also gives high priority to the training of its apprentices. At the end of the 2023 financial year, a total of 39 apprentices were enrolled in 8 different apprentice training programs at FACC. As a visible recognition of the quality of its apprentice training, the company was awarded the "State-Honored Training Company" prize by the Federal Ministry of Education, Science and Research.

FACC offers aspiring young apprentices highly specialized training programs in design engineering, metal working technology with milling, cutting and machining techniques as a main module, plastics process engineering, plastics technology, process engineering, information technology, and application development – coding and purchasing. At FACC, apprentices have access to the latest technologies and equipment in the company as soon as they start their training. This gives them the opportunity to apply their innovative spirit and commitment to develop into the experts of the future.

8.5. FACC grant

The FACC grant with a total value of approximately EUR 100,000 was awarded for the first time in the 2019 financial year in the study course "Lightweight Design and Composite Materials" at the University of Applied Sciences in Wels. In 2022, four new students were admitted to this study program. Students receive monthly financial support. 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. Three new scholarships were awarded last year as part of the FACC grant program. In total, FACC is now offering scholarships to seven students enrolled in the "Lightweight Design and Composite Materials" course at the University of Applied Sciences Wels.

8.6. Diversity

The key importance of diversity and internationality as corporate success factors is indisputable. The diverse workforce comprising 50 nationalities brings with it a wealth of different perspectives and requirements, which FACC is aware of.

Focusing on the various aspects of life-stage-oriented work not only fosters a diverse workforce, but also opens up opportunities for growth in times of a skilled labor shortage.

Job sharing

The number of different working time models at FACC has tripled in the last two years. The emphasis is on offering employees flexibility and new approaches that also enable part-time staff to take on management positions. Job sharing offers highly flexible working time arrangements, e.g. for lateral or career changers, staff returning from parental leave or those in further training and education. It also caters to older employees, staff leaving the company and those who wish to keep their knowledge and experience within the company through innovative offers and working models.

Promotion of women

The "HTLerinnen" mentoring program is directed at female students in the 11th grade of higher technical colleges (HTL). FACC has been involved in this program since last year, and is providing four female students from the higher technical colleges in Andorf, Braunau and Wels with an internal FACC mentor who is available to the young women as a sparring partner. In addition, FACC offers the participants summer internships and the opportunity to write a thesis.

Wings for Women

The FACC Wings for Women network got off to a great start last September with a kick-off event attended by around 130 people. The aim of the Wings for Women network is to promote equal opportunities, female empowerment and to increase the proportion of women in management positions. Four network events are offered each year, providing targeted impetus for the advancement of women through expert input, workshops and networking opportunities.

These measures not only contribute to the development of a diverse and inclusive corporate culture, but also sustainably strengthen the company's innovative power and success on a global level.

9. SUSTAINABILITY MANAGEMENT

The Sustainability Report of the FACC Group is prepared in accordance with the GRI (Global Reporting Initiative) standards and the requirements of the Austrian Sustainability and Diversity Improvement Act (NaDiVeG) and reported as a non-financial section in accordance with Section 267a of the Austrian Commercial Code (UGB). It is not yet part of the management report for the 2023 financial year.

10. REPORT ON BRANCH OFFICES

FACC AG does not operate any branch offices.

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

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

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

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

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

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

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

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

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

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

The FACC Group's share capital amounted to EUR 45,790,000 as of 31 December 2023 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 2023, AVIC Cabin Systems Co. Limited (formerly FACC International Company Limited) held, either directly or indirectly, 55.5 percent of the shares of FACC.

As of the balance sheet date of 31 December 2023, no other shareholders were known to hold more than 10 percent of the share capital.

The free float of FACC shares amounted to 44.5 percent, or 20,397,364 shares, on 31 December 2023.

There are no shares conferring special control rights.

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

11.3. Authorized capital

At the 9th Annual General Meeting on 8 May 2023, a resolution was passed to revoke the authorization granted to the Management Board at the 5th Annual General Meeting on 9 July 2019 to increase the company's share capital by up to EUR 9,000,000.00 against cash or non-cash contributions, in several tranches if necessary, within five years of entering the relevant amendment to the Articles of Association in the commercial register. At the same time, the Management Board was authorized, with the approval of the Supervisory Board, to increase the company's share capital by up to EUR 19,895,000.00 by issuing up to 19,895,000 new no-par value bearer shares against cash or non-cash contributions, if

necessary in several tranches, within five years of the entry of the amendment to the Articles of Association resolved on 8 May 2023 in the commercial register. The new shares may be issued under exclusion of shareholders' subscription rights.

11.4. Conditional capital

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

11.5. Provisions for the appointment of the Management Board and Supervisory Board

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

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

11.6. Other disclosures

As of 31 December 2023, FACC AG held no treasury shares.

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

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

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

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

12. OUTLOOK

12.1. The civil aviation market

Development of air traffic volumes

In 2023, the aviation industry continued to see a further recovery in demand for aircraft. According to the International Air Transport Association (IATA), global revenue passenger kilometers increased by 42 % compared to the previous year. This positive development marks a significant step towards full recovery, with a return to 89 % of pre-crisis volumes in spite of various challenges faced by airlines, including labor shortages, supply chain constraints, high inflation and geopolitical tensions.

Some route sections lagged behind their 2019 levels in 2023. These include international flights to and from Asia, which nevertheless recorded the highest annual growth compared to 2022, displaying significant momentum in the region since the reopening of key borders. In contrast, route markets between the Middle East and North America outperformed their 2019 levels.

Given the current global environment, IATA forecasts further growth in air traffic and a continued increase in industry profitability until 2024, albeit at a slower pace than in 2023.

Demand for aircraft

Despite the challenging economic conditions marked by high inflation in the past year in particular, the aircraft industry is continuing its growth trend supported by an increase in flight volumes, particularly measured in passenger kilometers. This positive development reflects the airlines' existing demand for new and more efficient aircraft, which in part exceeds the industry's currently available production capacities.

In the past year, Airbus recorded an impressive order intake with a total of 2,319 gross orders and 2,094 net orders for aircraft. More than half of the aircraft ordered, i.e. 1,835 aircraft, are part of the A320 family. This underlines the lasting appeal of this aircraft series for airlines worldwide.

Airbus' order figures are reflective of the industry's long-term forecasts. Boeing estimates demand at a total of 42,595 new aircraft by 2042, while Airbus anticipates demand of 40,850. However, it should be noted that Airbus does not include aircraft with a seating capacity of less than 100 passengers (regional jets) in its forecasts, while Boeing does. These figures illustrate the manufacturers' long-term confidence in the demand for aircraft and the need to adjust production accordingly.

Despite these positive signals, the industry continues to face challenges such as the further stabilization of supply chains or the recruitment of qualified personnel.

12.2. The FACC Group

Key projects in the financial year 2024

Increasing its profitability remains FACC's primary goal, with the company also aiming for sustainable growth in 2024. For the coming year, management has set itself the following priorities:

- profitable growth in all segments of FACC
- gradually increasing the cash flow and EBIT margin
- further reducing net debt
- ensuring further technological advancements

Europe, and Central Europe in particular, is facing numerous challenges as a business location. Inflation in the Western markets remains high, calling for consistent cost management accompanied by continuous measures to increase efficiency. FACC is systematically countering cost increases through the continuous improvement of its logistics and work processes, automation measures and the digitalization of processes. Approximately 70 percent of its product costs are attributable to the purchase of materials. Here, too, the company is taking a strategic approach to continuously evaluate the supply chain and attempt to sustainably reduce material costs through the use of alternative materials as well as targeted resourcing. To this end, FACC has introduced an all-embracing supply chain program (C.O.M.P.E.T.E.). The aim of the program is to (i) reduce the number of suppliers while increasing the purchasing volume from strategic partners, (ii) take greater advantage of procurement locations in low-cost countries and (iii) reduce costs through targeted insourcing and vertical integration.

Following the scheduled start-up of production at our new location in Croatia in 2022, planning of the plant expansion was begun in the same year. The tripling of the plant's area began in 2023 and is due to be completed by mid-2024. The aim is to expand the plant's workforce to around 600 employees by 2025. In order to counteract the sharp rise in personnel costs and ensure FACC's long-term competitiveness, particularly in the Cabin Interiors division, the company is endeavoring to further relocate and thus increase production volumes to Croatia.

Recovering the above-average inflationary increases in energy, material, logistics and personnel costs will remain a key focus of contract management at FACC.

From today's perspective, the industry anticipates that the aerospace sector will bring new aircraft models onto the market by the end of the decade. The next generation of aircraft is expected to further increase efficiency through new technologies, thereby making the goal of zero-carbon flights technologically feasible by 2050. Within FACC's R&D environment, research is being conducted in eight thematic areas (materials, processes, recyclability of products, automation, digitalization, rate capability, optimized system weight, improved aerodynamics), and in around 60 detailed projects within each of these eight areas.

Activities in the new Advanced Air Mobility (AAM) segment will continue to develop positively in 2024. FACC currently maintains business relationships with key customers and is party to contracts for services relating to the development and production of lightweight components/systems for passenger and logistics drones. By 2027, existing customers will have commissioned development services worth approximately EUR 90 million. Based on current market and customer information, airworthiness certification is expected in the course of 2025. Significant product sales and thus possible additional sales growth are still dependent on such regulatory approvals.

According to the latest market forecasts, production rates for all major aircraft types will continue to rise, both for commercial aircraft and business jets. As predicted in the past, the production rates for wide-body aircraft (A350, B787, B777) will also increase significantly again in 2024, albeit with a time lag. FACC stands to benefit from this development on the aircraft market, with capacity utilization at all plants remaining favorable.

On the basis of general forecasts and customer information received, FACC's management anticipates further revenue growth of 10-15 percent and a further improvement in earnings in the 2024 financial year. This forecast is based on the assumption that the general economic situation will not deteriorate further and that no unexpected adverse events will occur in 2024.

Ried im Innkreis, 15 March 2024

Robert Machtlinger m.p.
Chairman of the Management Board

Andreas Ockel m.p.
Member of the Management Board

Zhen Pang m.p.
Member of the Management Board

Consolidated Profit and Loss Statement

for the period from 1 January 2023 to 31 December 2023

	Note	2022 EUR000	2023 EUR000
Revenues	8	606,977	736,202
COGS - Cost of Goods sold	9	-558,467	-645,918
Gross Profit		48,509	90,284
Research and technology expenses	10	-1,444	-2,248
Selling expenses	11	-9,075	-8,593
Administration expenses	12	-46,348	-65,326
Other operating income	13	14,841	8,908
Other operating expenses	14	-1,015	-5,536
Earnings before interest and taxes (EBIT)		5,469	17,490
Financing expenses	17	-10,547	-19,900
Other financial result	17	1,934	2,417
Financial result		-8,614	-17,483
Earnings before taxes (EBT)		-3,144	7
Income taxes	18	2,160	9,099
Earnings after taxes		-984	9,106
Undiluted (=Diluted) earnings per share (in EUR)	19	-0.02	0.20
Issued shares (in shares)		45,790,000	45,790,000

Consolidated Statement of Comprehensive Income

for the period from 1 January 2023 to 31 December 2023

	Note	2022 EUR'000	2023 EUR'000
Earnings after taxes		-984	9,106
Currency translation differences from consolidation	32	22	-212
Cash flow hedges	32	-1,855	11,783
Tax effect	18	284	-2,710
Items subsequently reclassified to profit and loss		-1,549	8,861
Revaluation effects of termination benefits	34	191	-1,096
Fair-Value measurement of securities (Fair Value through other comprehensive income)	32	-76	21
Tax effect	18	-102	229
Items not subsequently reclassified to profit and loss		13	-845
Other comprehensive income after taxes		-1,536	8,016
Total comprehensive income		-2,520	17,122

Consolidated Statement of Financial Position

as of 31 December 2023

ASSETS			
	Note	31.12.2022 EUR'000	31.12.2023 EUR'000
Intangible assets	20	5,030	10,728
Property, plant and equipment	21	156,034	164,317
Receivables from customer-related engineering	22	27,427	24,525
Contract assets	23	3,318	6,315
Contract costs	24	71,248	61,118
Other financial assets	25	422	443
Receivables from related companies	26, 47	3,071	2,964
Derivative financial instruments	44	2,987	537
Other receivables	27	10,236	21,510
Deferred taxes	18	19,113	26,696
Non-current assets		298,885	319,152
Inventories	28	116,325	158,609
Customer-related engineering	29	11,488	23,675
Trade receivables	30	61,065	66,003
Receivables from related companies	47	20,155	14,819
Current tax income receivables		158	682
Derivative financial instruments	44	0	7,421
Other receivables and deferred items	30	43,259	17,474
Cash and cash equivalents	31	102,691	98,644
Current assets		355,140	387,329
Balance sheet total		654,025	706,481

EQUITY AND LIABILITIES

	Note	31.12.2022 EUR'000	31.12.2023 EUR'000
Share capital	32	45,790	45,790
Capital reserve	32	221,459	221,459
Currency translation reserve	32	-533	-745
Other reserves	32	-9,910	-1,682
Balance sheet loss	32	-53,324	-44,218
Equity		203,481	220,603
Promissory note loans	37	70,000	45,500
Lease liabilities	37	65,288	63,137
Other financial liabilities	37	5,034	49,979
Investment grants	33	7,266	6,434
Employee benefit obligations	34	9,280	10,948
Other liabilities		1,970	6,453
Deferred tax liabilities	18	281	299
Non-current liabilities		159,120	182,751
Promissory note loans	37	0	24,500
Lease liabilities	37	7,450	8,998
Other financial liabilities	37	143,522	115,791
Derivative financial instruments	44	16,536	0
Contract liabilities from customer-related engineering	35	19,350	24,096
Trade payables		66,655	94,405
Liabilities towards related companies	47	12,016	9,560
Investment grants	33	1,009	1,048
Income tax liabilities		252	562
Other provisions	36	11,421	1,278
Other liabilities and deferred items	38	13,212	22,888
Current liabilities		291,424	303,127
Balance sheet total		654,025	706,481

Consolidated Statement of Changes in Equity

for the period from 1 January 2023 to 31 December 2023

		Attributable to shareholders of the parent company			
	Note	Share capital	Capital reserves	Currency translation reserve	
		EUR'000	EUR'000	EUR'000	
As of 1 January 2022		45,790	221,459	-555	
Earnings after taxes		0	0	0	
Other comprehensive income after taxes	32	0	0	22	
Total comprehensive income		0	0	22	
As of 31 December 2022		45,790	221,459	-533	
As of 1 January 2023		45,790	221,459	-533	
Earnings after taxes		0	0	0	
Other comprehensive income after taxes	32	0	0	-212	
Total comprehensive income		0	0	-212	
As of 31 December 2023		45,790	221,459	-745	

	Attributable to shareholders of the parent company				
			Other reserves		
	Securities - Fair Value through Other comprehensive Income EUR'000	Cash flow hedges EUR'000	Reserves IAS 19 EUR'000	Balance sheet loss EUR'000	Total equity EUR'000
	8	-5,346	-3,014	-52,340	206,002
	0	0	0	-984	-984
	-58	-1,571	71	0	-1,536
	-58	-1,571	71	-984	-2,520
	-50	-6,917	-2,943	-53,324	203,481
	-50	-6,917	-2,943	-53,324	203,481
	0	0	0	9,106	9,106
	17	9,073	-861	0	8,016
	17	9,073	-861	9,106	17,122
	-34	2,155	-3,804	-44,218	220,603

Consolidated Statement of Cash Flows

for the period from 1 January 2023 to 31 December 2023

	Note	2022 EUR'000	2023 EUR'000
Earnings before taxes (EBT)		-3,144	7
plus financial result	17	8,614	17,483
Earnings before interest and taxes (EBIT)		5,469	17,490
plus/minus			
Depreciation, amortization and impairment	16	22,818	23,077
Amortization contract costs	24	26,075	16,007
Additions contract costs		-9,017	-5,876
Income from the reversal of investment grants	33	-317	-345
Change in employee benefit obligations	34	-129	573
Other non-cash expenses/income	39	-738	2,713
Gross cash flow		44,161	53,638
Change in working capital			
Change in inventory and customer-related engineering	28, 29	-30,812	-54,363
Change in trade receivables and other receivables, receivables from customer-related engineering and contract assets	27, 30	-9,410	12,029
Change in trade payables and other liabilities	38	20,672	35,099
Change in current provisions	36	-19,270	-10,143
Cash flow from ongoing activities		5,341	36,261
Interest received	40	183	798
Taxes paid	18	-44	-491
Cash flow from operating activities		5,480	36,568
Payments for the acquisition of non-current assets	20, 21, 41	-8,604	-19,379
Proceeds from the disposal of non-current assets	20, 21, 41	17	0
Cash flow from investing activities		-8,586	-19,379
Proceeds from interest-bearing liabilities	37	10,565	114,203
Repayments of interest-bearing liabilities	37	-5,200	-96,988
Outflows from leasing agreements	37	-8,520	-9,331
Interest paid	40	-10,212	-20,155
Cash flow from financing activities		-13,367	-12,272
Net changes in cash and cash equivalents		-16,474	4,917
Cash and cash equivalents at the beginning of the period		114,966	102,691
Effects from foreign exchange rates		4,198	-8,964
Cash and cash equivalents at the end of the period		102,691	98,644

Notes to the Consolidated Financial Statements

GENERAL INFORMATION

1. General information

The FACC Group (hereinafter referred to as FACC) with headquarters in 4910 Ried im Innkreis, Fischerstraße 9, Austria, is an enterprise involved in the development, production and maintenance of aircraft components. Its primary fields of activity include the production of structural components such as parts of engine cowlings, wing claddings or control surfaces and the production of interiors fittings in the modern commercial aircraft such as overhead stowage compartments, cabin linings and service units. The majority of the components are manufactured from composite materials. FACC also integrates metallic components made of titanium, high-alloyed steels and other metals into these composite components and delivers the ready-to-install components to the manufacturers' assembly lines.

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

FACC AG is part of the consolidation scope of AVIC Cabin Systems Co., Limited (ACS) with headquarters in Hong Kong (Room 2202A, 22/F, Fairmont House, 8 Cotton Tree Drive, Admiralty, Hong Kong), company number 1394811.

2. Basis of preparation of the Consolidated Financial Statements

The Consolidated Financial Statements of FACC AG as of 31 December 2023 were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretations of the IFRS Interpretations Committee (IFRSIC) as adopted by the European Union (EU). According to section 245a of the Austrian Company Code (UGB), these Consolidated Financial Statements are subject to exception under Austrian law. All additional requirements of section 245a (1) of the Austrian Company Code (UGB) have been fulfilled.

The Consolidated Financial Statements are prepared as of the balance sheet date of the parent company, FACC AG. The financial year begins on 1 January and ends on 31 December 2023. The annual financial statements of the individual domestic and foreign companies included in the Consolidated Financial Statements are prepared as of the reporting date of the Consolidated Financial Statements.

Accounting and valuation within the Group are carried out according to uniform criteria. The Consolidated Financial Statements were prepared on a going concern basis. For the sake of clarity, the

"Consolidated Profit and Loss Statement", the "Statement of Comprehensive Income", the "Consolidated Statement of Financial Position", the "Consolidated Statement of Changes in Equity" and the "Consolidated Statement of Cash Flows" have been summarized and are explained separately in the Notes according to the materiality principle.

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

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

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

The accounting and valuation principles of the previous year, which form the basis for the present Consolidated Financial Statements, were applied unchanged and supplemented by new IFRS standards to be applied from this financial year onwards (see Note 49 – Effects of new and amended standards). A description of the accounting and valuation principles is given in Note 48 – Accounting and valuation policies.

The aim of sustainability management is to take into account the impact on the environment and society in all business processes and to reconcile the company's economic and ecological-social values. Sustainability management and the operating units work closely together on this. Key objectives are the reduction of fuel consumption through weight reduction, recycling management and the use of ecologically recyclable materials. These are long-term topics on which the FACC Group is continuously working. On the sales side, such topics are discussed with the largest customers and have an increasing influence on the new and further development of components and tooling. On the procurement side, these topics are relevant when selecting suppliers. In the production process, this topic affects new processes and methods in production. The topic of sustainability also flows into the product creation and development process.

From a current perspective, these objectives do not yet have a direct impact on the consolidated financial statements.

In general, the aviation industry is expected to continue to grow. Both Airbus and Boeing expect a steady upward trend in air traffic, especially in the Asian markets, underpinning the need for new aircraft. Boeing and Airbus, for example, expect average annual growth in passenger kilometers of 3.8% through 2041, with fleets expected to expand by 2.8% annually over the same period.

3. Consolidated companies

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

The group of consolidated companies of FACC as of 31 December 2023 remained unchanged compared to 31 December 2022. The group comprises nine companies, including FACC AG.

FACC AG comprised the following subsidiaries on 31 December 2023 or 31 December 2022:

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.	Jakovlje, Croatia	2,717	EUR	100%	Production
FACC Solutions Inc.	Wichita, Kansas, USA	10,000	USD	100%	Customer service & repair
FACC Solutions s.r.o.	Bratislava, Slovakia	6,639	EUR	100%	Design & engineering
FACC (Shanghai) Co., Ltd	Shanghai, China	2,000,000	RMB	100%	Design & engineering
FACC Solutions Private Limited	Pune, India	20,420,530	INR	100%	Design & engineering
CoLT Prüf und Test GmbH	St. Martin, Austria	35,000	EUR	100%	Design & engineering

4. Consolidation methods

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

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

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

5. Currency conversion

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

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

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

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:

Currency	Abbrev.	Closing rate		Average rate	
		31.12.2022	31.12.2023	2022	2023
Canadian dollar	CAD	1.4440	1.4642	1.3695	1.4595
Indian rupee	INR	88.1710	91.9045	82.6864	89.3001
Croatian kuna	HRK	7.5365	- 1)	7.5349	- 1)
Chinese renminbi yuan	CNY	7.3582	7.8509	7.0788	7.6600
US dollar	USD	1.0666	1.1050	1.0530	1.0813

¹⁾ the Croatian kuna was replaced by the euro on 1.1.2023

6. Use of assumptions and estimates

The preparation of the Consolidated Financial Statements requires management to make use of certain estimates and assumptions regarding the future, including climate-related opportunities and risks 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.

Estimates and underlying discretionary decisions are reviewed on an ongoing basis and are therefore in line with the FACC Group's risk reporting and climate commitments. Should estimates need to be adjusted, these will be recorded prospectively.

Current macroeconomic developments may have an impact on accounting. This can have an impact in particular on the assessment of triggering events in accordance with IAS 36, assumptions for impairment tests in accordance with IAS 36 and IFRS 15, the calculation of provisions and the assessment of deferred taxes.

In general, climate-related effects and risks are also taken into account. Looking at the general market assessments of the major OEMs, the topic is having a positive impact on demand. General weight reductions and the resulting fuel savings etc. are driving demand for new aircraft. This issue is reflected in particular in assumptions for impairment tests in accordance with IAS 36 and IFRS 15.

The effects of inflation and interest rate increases were taken into account in the measurement of personnel-related provisions and the interest rates used to discount future cash flows as part of the measurement of non-current assets. Please refer to the explanations in the respective notes.

Contract costs were tested for impairment in the course of the 2023 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 including the associated series deliveries, as well as 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. or the years of specific development projects beyond the detailed planning period, the planning assumptions of the previous planning year are updated,

limited by management estimates based on external market analyses and customer forecasts. The maximum term is 20 years. 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.

The calculation for the impairment test in accordance with IFRS 15 is as follows. The cash flows determined for future years at project level are discounted using the WACC and compared with the project-related capitalized costs.

When assessing the need for impairment, the company distinguishes between impairment tests in accordance with IFRS 15 for contract fulfillment costs, whereby tests are carried out at the level of individual or joint projects (same aircraft type, etc.), and impairment tests in accordance with IAS 36 at the level of cash-generating units (segments).

A sensitivity analysis was performed to illustrate the effects of changing parameters in the planning calculation on the Consolidated Profit and Loss Statement by impairment test according to IAS 36. The planning assumptions made for the impairment test and the sensitivity analysis are explained in more detail in Note 21 – Property, plant and equipment.

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 48 – 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 outside 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. Internal planning is based on management's assessments, which are based on external market analyses and customer forecasts. In addition, the forward-looking model of expected credit losses specified in IFRS 9 is used. This requires considerable discretionary decisions regarding the extent to which expected credit losses are influenced by changes in economic factors. This assessment is determined on the basis of weighted probabilities.

The **impairment of trade receivables, receivables from customer-related engineering and contract assets** is determined on an individual basis, taking into account expected future incoming payments.

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.

"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 34 – Employee benefit obligations.

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 over a period of 5 years (medium-term planning). 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 relate to the same economic context.

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 was not involved in any passive lawsuits or exposed to threats of lawsuits in the financial year 2023. However, there are out-of-court negotiations with customers and suppliers, the outcome of which is subject to management estimates. These estimates are based on external legal letters and the assessment of the internal legal department.

7. Business segments

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

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

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

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

	Aerostructures EUR'000	Engines & Nacelles EUR'000	Cabin Interiors EUR'000	Total EUR'000
Financial year 2022				
Revenues	235,123	97,295	274,558	606,977
Earnings before interest and taxes (EBIT)	3,945	532	992	5,469
Investments	3,439	1,651	3,513	8,604
Depreciation, amortization and impairment	-10,229	-4,757	-7,832	-22,818
Assets on 31 December 2022	271,556	114,211	268,258	654,025
of which non-current assets 31 December 2022	127,191	39,312	96,554	263,057
	Aerostructures EUR'000	Engines & Nacelles EUR'000	Cabin Interiors EUR'000	Total EUR'000
Financial year 2023				
Revenues	272,372	129,737	334,093	736,202
Earnings before interest and taxes (EBIT)	12,887	13,522	-8,919	17,490
Investments	3,847	2,171	13,361	19,379
Depreciation, amortization and impairment	-10,462	-4,811	-7,805	-23,077
Assets on 31 December 2023	279,452	121,838	305,190	706,481
of which non-current assets 31 December 2023	127,422	39,110	100,470	267,003

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 8 – Revenues.

For the financial year ending 31 December 2023, the Group generated revenues of kEUR 424,840 (previous year: kEUR 322,202 with one customer) with two external customer, of which exceeded 10% of total revenues. Sales revenues were generated from these customers in all three segments.

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

NOTES TO THE CONSOLIDATED PROFIT AND LOSS STATEMENT

8. 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:

	2022	2023	2022	2023	2022	2023	2022	2023
	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	208,588	257,139	92,167	117,118	244,687	319,000	545,443	693,258
Engineering and services	26,535	15,233	5,128	12,619	29,871	15,093	61,534	42,945
	235,123	272,372	97,295	129,737	274,558	334,093	606,977	736,202

	2022 EUR'000	2023 EUR'000
Germany	238,622	266,863
Canada	102,099	114,965
USA	67,066	97,615
Great Britain	81,024	91,314
Brazil	30,655	55,366
China	34,068	35,146
Other countries	53,443	74,935
	606,977	736,202

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

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

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

9. Cost of goods sold

	2022 EUR'000	2023 EUR'000
Material expenses	-383,158	-430,711
Personnel costs	-148,265	-183,974
Depreciation and amortization	-17,643	-17,171
General operating expenses	-9,401	-14,062
	-558,467	-645,918

10. Research and technology expenses

	2022 EUR'000	2023 EUR'000
Material expenses	-248	-400
Personnel costs	-800	-1,349
Depreciation and amortization	-226	-241
General operating expenses	-170	-259
	-1,444	-2,248

11. Selling expenses

	2022 EUR'000	2023 EUR'000
Material expenses	-730	-495
Personnel costs	-5,501	-4,917
Depreciation and amortization	-102	-134
General operating expenses	-2,742	-3,048
	-9,075	-8,593

12. Administration expenses

	2022 EUR'000	2023 EUR'000
Material expenses	-1,970	-1,536
Personnel costs	-22,663	-25,864
Depreciation and amortization	-4,847	-5,532
Effects from foreign exchange rates	-2,124	-9,757
General operating expenses	-14,743	-22,637
	-46,348	-65,326

13. Other operating income

	2022 EUR'000	2023 EUR'000
Income from public funding and tax-free grants	11,949	7,162
Other	2,892	1,746
	14,841	8,908

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

There were no influences or effects from Covid-19 in the 2023 financial year. The effect on EBIT from the 2022 financial year related to other income in the amount of EUR 5,000 thousand due to the loss rate.

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

14. Other operating expenses

The Other operating expenses mainly includes expenses from prior periods and expenses for damage claims.

15. Personnel costs

	2022 EUR'000	2023 EUR'000
Wages and salaries	-138,627	-166,812
Expenses for statutory, compulsory social security contributions and benefits	-30,625	-37,436
Expenses for termination benefits and benefits to corporate employee pension funds	-2,330	-2,627
Pensions	-1,119	-1,063
Other social expenses	-4,527	-8,166
	-177,228	-216,103

Expenses for termination benefits and benefits to corporate employee pension funds include payments to corporate employee pension funds of kEUR 1,962 (previous year: kEUR 1,651).

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

	31.12.2022 Number	31.12.2023 Number
Blue collar	1,773	2,187
White collar	1,146	1,268
	2,920	3,456
Of which in Austria	2,444	2,851
Of which abroad	476	605

16. Depreciation

	2022 EUR'000	2023 EUR'000
Intangible assets	-1,307	-1,929
Property, plant and equipment	-21,511	-21,148
	-22,818	-23,077

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

31 December 2022	Operating result			Financial result		
	Valuation allowance EUR'000	Currency translation EUR'000	Valuation of derivative financial instruments EUR'000	Interest EUR'000	Result from fair value measurement EUR'000	Net financial result EUR'000
Financial assets at amortized costs	-1,291	-62,135	0	-335	0	-63,761
Financial liabilities at amortized costs	0	37,194	0	-4,418	0	32,776
Fair-Value through profit and loss	0	0	-3,509	0	0	-3,509
Fair value through other comprehensive income	0	0	0	6	0	6

Please refer to Note 20 – Intangible assets and Note 21 – Property, plant and equipment for information on the development of depreciation and amortization.

17. Financial result

	2022 EUR'000	2023 EUR'000
Interest from bank deposits	160	674
Valuation of financial assets	6	9
Other financial income	17	114
Accumulation	1,751	1,619
Other financial result	1,934	2,417
Interest expenses of bank loans	-4,418	-11,267
Interest expenses of lease liabilities	-1,774	-1,943
Discounting	-335	255
Other interest and similar expenses	-4,020	-6,946
Financing expenses	-10,547	-19,900
Financial result	-8,614	-17,483

Other interest and similar expenses primarily include forfeiting costs of kEUR 4,225 (previous year: kEUR 1,843), bank processing fees, loan commitment fees and guarantee and liability fees of kEUR 2,634 (previous year: kEUR 2,143).

31 December 2023	Operating result			Financial result		
	Valuation allowance	Currency translation	Valuation of derivative financial instruments	Interest	Result from fair value measurement	Net financial result
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Financial assets at amortized costs	3,514	-58,560	0	255	0	-54,791
Financial liabilities at amortized costs	0	35,826	0	-11,267	0	24,560
Fair-Value through profit and loss	0	0	9,724	0	0	9,724
Fair value through other comprehensive income	0	0	0	9	0	9

18. 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.

	2022 EUR'000	2023 EUR'000
Current taxes ongoing	-105	-948
Deferred taxes	2,266	10,046
	2,160	9,099

In financial year 2022, a reduction in the corporate income tax rate was resolved as part of the Austrian eco-social tax reform. The reduction in the corporate income tax rate will take place in two stages. Starting in 2023, the corporate income tax rate will be reduced from 25% to 24%. From 2024, the corporate income tax rate will be 23%.

The reasons for the difference between the Austrian corporate tax rate of 24% (previous year: 25%) valid in the 2023 financial year and the recorded group taxation rate are as follows:

	2022 EUR'000	2023 EUR'000
Income before taxes	-3,144	7
Calculated income taxes 24% (previous year: 25%)	786	-2
Deviating foreign tax rates	349	-215
Effect from change in tax rate	-1,405	
Catching up on previously unrecognized tax losses	236	8,351
Tax-free income	2,189	1,260
Expenses that cannot be deducted for tax purposes	-131	-252
Minimum corporate tax and withholding taxes	-38	
Tax effect from previous years	-51	-219
Change permanent difference	260	139
Other effects	-34	36
Reported income tax expense/income	2,160	9,099
Effective tax rate in %	68.7%	-130058.9%

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 23% applies. For foreign companies, deferred taxes are calculated on the basis of the corresponding country-specific tax rates. In the 2023 financial year, these ranged from 5 % to 28 % (previous year: 10 % to 28%).

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

	2022			2023		
	Gross	Tax	Net	Gross	Tax	Net
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Fair value measurement of securities	-76	18	-58	21	-5	17
Cash flow hedges	-1,855	284	-1,571	11,783	-2,710	9,073
Revaluation effects of termination benefits	191	-120	71	-1,096	234	-861
	-1,740	182	-1,558	10,709	-2,481	8,228

Deferred taxes developed as follows:

	As of 31 December 2022					
	As of 01.01.2022	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	-98	-31	0	-129	0	-129
Property, plant and equipment	-14,182	1,482	0	-12,700	0	-12,700
Receivables from customer-related engineering	-1,930	-1,480	0	-3,410	0	-3,410
Contract assets	-644	-120	0	-763	0	-763
Contract costs	-22,077	5,690	0	-16,387	0	-16,387
Other financial assets	-15	331	18	334	334	0
Trade receivables	0	0	0	0	0	0
Inventories	347	1,521	0	1,869	1,869	0
Other receivables and deferred items	-141	-955	0	-1,096	0	-1,096
Employee benefit obligations	1,036	-490	-120	425	425	0
Provisions	-15	15	0	0	0	0
Trade payables	233	529	0	762	762	0
Financial liabilities	19,538	-3,177	0	16,361	16,361	0
Derivative financial instruments	2,046	786	284	3,116	3,116	0
Other assets (incl. cash and cash equivalents)	-843	543	0	-300	0	-300
Other liabilities	92	-151	0	-59	0	-59
Tax loss carry forwards	33,037	-2,228	0	30,809	30,809	0
Tax assets (liabilities) before netting	16,384	2,266	182	18,831	53,676	-34,845
Netting of taxes					-34,563	34,563
Net tax assets (liabilities)	16,384	2,266	182	18,831	19,113	-281

	As of 31 December 2023					
	As of	Change in	Change in other	Net	Deferred tax	Deferred tax
	01.01.2023	profit and	comprehensive		assets	liabilities
	EUR'000	loss	income	EUR'000	EUR'000	EUR'000
		EUR'000	EUR'000			
Intangible assets	-129	35	0	-94	0	-94
Property, plant and equipment	-12,700	127	0	-12,573	0	-12,573
Receivables from customer-related engineering	-3,410	-2,587	0	-5,997	0	-5,997
Contract assets	-763	-689	0	-1,452	0	-1,452
Contract costs	-16,387	2,330	0	-14,057	0	-14,057
Other financial assets	334	0	-5	329	329	0
Trade receivables	0	0	0	0	0	0
Inventories	1,869	2,637	0	4,505	4,505	0
Other receivables and deferred items	-1,096	986	0	-110	0	-110
Employee benefit obligations	425	42	234	702	702	0
Provisions	0	-127	0	-127	0	-127
Trade payables	762	-1,873	0	-1,111	0	-1,111
Financial liabilities	16,361	123	0	16,483	16,483	0
Derivative financial instruments	3,116	-406	-2,710	0	0	0
Other assets (incl. cash and cash equivalents)	-300	-80	0	-380	0	-380
Other liabilities	-59	-119	0	-177	0	-177
Tax loss carry forwards	30,809	9,648	0	40,457	40,457	0
Tax assets (liabilities) before netting	18,831	10,046	-2,481	26,397	62,476	-36,079
Netting of taxes					-35,780	35,780
Net tax assets (liabilities)	18,831	10,046	-2,481	26,397	26,696	-299

The capitalized loss carryforwards originate from FACC Operations GmbH amounting to kEUR 164,625 as of 31 December 2023 (previous year: kEUR 133,954) and from FACC AG amounting to kEUR 11,275 (previous year: kEUR 0). On the basis of tax planning calculations, no deferred tax assets were recognized in the current 2023 financial year for loss carryforwards amounting to kEUR 0 (previous year: kEUR 37,151). The realization of the capitalized loss carryforwards can be considered sufficiently certain on the basis of medium-term planning.

As of 31 December 2023, there were temporary differences in connection with shares in subsidiaries ("outside basis differences") amounting to kEUR 2,963 (previous year: kEUR 2,429), 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.

19. Earnings per share

The number of shares issued as of the balance sheet date was 45,790,000, like in the previous year. Since no dilutive potential ordinary shares were outstanding or treasury shares were held in the

past financial year, the diluted earnings per share correspond to the undiluted earnings per share.

Earnings per share of EUR 0.20 (previous year: EUR -0.02) were calculated by dividing the result by the weighted number of shares attributable to the shareholders of the parent company.

NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

20. Intangible assets

Intangible assets developed as follows:

	Software EUR'000	Rights EUR'000	Research and de- velopment costs EUR'000	Advance payment on intangible assets EUR'000	Total EUR'000
Historical costs					
As of 1 January 2022	24,885	2,772	2,812	0	30,468
Changes in foreign exchange rates	-22	0	0	0	-22
Additions	574	400	11	0	985
Transfers	0	0	0	0	0
As of 31 December 2022	25,437	3,172	2,823	0	31,431
Changes in foreign exchange rates	-28	0	0	0	-28
Additions	618	6,165	96	751	7,631
Transfers	751	0	0	-751	0
As of 31 December 2023	26,778	9,337	2,919	0	39,034
Accumulated amortization and impairment					
As of 1 January 2022	22,861	2,252	0	0	25,113
Changes in foreign exchange rates	-20	0	0	0	-20
Amortization	988	81	238	0	1,307
As of 31 December 2022	23,829	2,334	238	0	26,401
Changes in foreign exchange rates	-24	0	0	0	-24
Amortization	1,218	224	486	0	1,929
As of 31 December 2023	25,024	2,558	724	0	28,306
Carrying amount on 31 December 2022	1,607	838	2,585	0	5,030
Carrying amount on 31 December 2023	1,754	6,779	2,195	0	10,728

Research and technology expenses (which include company and customer-related development services) amounted to kEUR 69,419 in the 2023 financial year (previous year: kEUR 43,491).

Intangible assets do not include any assets with an indefinite useful life.

21. Property, plant and equipment

	Properties and buildings EUR'000	Technical facilities EUR'000	Operating and office equipment EUR'000	Facilities under construction EUR'000	Right of Use EUR'000	Total EUR'000
Historical costs						
As of 1 January 2022	92,662	120,978	41,701	2,828	104,664	362,832
Changes in foreign exchange rates	51	-4	141	0	99	287
Additions	1,733	3,276	1,882	2,040	3,140	12,070
Disposals	0	-32	-480	0	-2,536	-3,048
Transfers	33	451	296	-780	0	0
As of 31 December 2022	94,478	124,669	43,540	4,087	105,366	372,141
Changes in foreign exchange rates	-49	0	-128	0	-61	-238
Additions	832	2,196	3,818	14,293	8,393	29,532
Disposals	0	-81	-875	0	-12	-969
Transfers	816	332	427	-1,575	0	0
As of 31 December 2023	96,078	127,116	46,782	16,804	113,686	400,466
Accumulated amortization and impairment						
As of 1 January 2022	38,356	99,129	30,513	0	28,003	196,002
Changes in foreign exchange rates	0	0	77	0	36	112
Amortization	2,742	6,317	3,490	0	8,963	21,511
Disposals	0	-32	-480	0	-1,006	-1,518
As of 31 December 2022	41,098	105,415	33,599	0	35,996	216,107
Changes in foreign exchange rates	0	0	-102	0	-39	-141
Amortization	2,727	5,289	3,760	0	9,372	21,148
Disposals	0	-81	-875	0	-8	-965
As of 31 December 2023	43,825	110,623	36,381	0	45,320	236,150
Carrying amount on 31 December 2022	53,380	19,254	9,941	4,087	69,370	156,033
Carrying amount on 31 December 2023	52,253	16,493	10,400	16,804	68,366	164,317

Property and buildings as well as rights of use include land values of properties in the amount of kEUR 7,626 (previous year: kEUR 7,399). Certain properties and buildings serve as collaterals for liabilities to financial institutions (see Note 37 – Financial liabilities).

The obligations to purchase property, plant and equipment amounted to kEUR 3,298 (previous year: kEUR 3,345) on the reporting date. In addition, there were internally approved acquisitions in the amount of kEUR 29,405 (previous year: kEUR 10,692) which have not yet given rise to contractual obligations.

The carrying amounts of the rights of use developed as follows in the 2023 financial year:

	Properties and buildings EUR'000	Technical facilities and vehicles EUR'000	IT EUR'000	Total EUR'000
As of 1 January 2022	64,502	9,480	2,678	76,661
Changes in foreign exchange rates	63	0	0	63
Additions	615	896	1,629	3,140
Disposals	-1,530	0	0	-1,530
Depreciation and amortization	-4,894	-2,395	-1,673	-8,963
As of 31 December 2022	58,756	7,981	2,634	69,370
Changes in foreign exchange rates	-22	0	0	-22
Additions	4,294	1,376	2,723	8,393
Disposals	0	-4	0	-4
Depreciation and amortization	-5,030	-2,482	-1,860	-9,372
As of 31 December 2023	57,998	6,871	3,497	68,366

As of 31 December 2023, the indications according to IAS 36 were reviewed with regards to the implementation of an impairment test for Cash-Generating-Units. Due to increased costs in connection with the geopolitical situation, there was a requirement to perform an impairment test as of 31 December 2023. The basis for the audit is based on the CGUs, which correspond to the segments at FACC

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

	31.12.2022	31.12.2023
Detailed planning period (five years)		
Revenue growth	3.39% - 17.94%	3.69% - 16.52%
EBIT margin	3.23% - 8.26%	3.48% - 10.39%
EUR-USD exchange rate	1.14	1.18
Growth rate after detailed planning period for all CGUs	1.00%	1.00%
Discount rate for all CGUs (WACC before tax)	12.92%	11.86%

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

Balance sheet date 31 December 2022	Aerostructures 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	20,445
Reduction of the EBIT by 10%	0	0	0

Balance sheet date 31 December 2023	Aerostructures EUR'000	Engines & Nacelles EUR'000	Cabin Interiors EUR'000
Increase of discount rate by 100 basis points	0	0	0
Increase in USD exchange rate per EUR 1 by 0.10	0	0	0
Reduction of the EBIT by 10%	0	0	0

Due to the general macroeconomic development, the sensitivities for the 2023 financial year were increased.

22. Receivables from customer-related engineering

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

	31.12.2022 EUR'000	31.12.2023 EUR'000
As of 1 January	27,742	27,427
Changes in estimates	-1,531	619
Partial settlements	-1,031	-4,543
Valuation allowance	3	13
Interest	720	735
Reclassification	0	1,354
Currency translation	1,522	-1,078
	27,427	24,525

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

	31.12.2022 EUR'000	31.12.2023 EUR'000
As of 1 January	25	22
Additions	20	0
Reversal/use	-24	-13
	22	9

23. Contract assets

Contract assets can be broken down as follows:

	31.12.2022 EUR'000	31.12.2023 EUR'000
Development projects (period-related)	920	0
Payment to customers	2,398	6,315
	3,318	6,315

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

	31.12.2022 EUR'000	31.12.2023 EUR'000
As of 1 January	2,576	3,318
Additions and Partial profit	774	4,495
Partial settlements	-164	-241
Reclassification	0	-1,429
Currency translation	133	171
	3,318	6,315

The additions mainly relate to a payment to a customer that will be reimbursed in accordance with the contract.

24. Contract costs

Contract costs can be broken down as follows:

	31.12.2022 EUR'000	31.12.2023 EUR'000
As of 1 January	88,306	71,248
Additions	9,017	5,876
Amortization contract costs	-26,075	-16,007
	71,248	61,118

Additions relate exclusively to ongoing development projects and do not result from contract initiation.

The item "Amortization contract costs" includes an amount of kEUR 0 (previous year: kEUR 9,952) resulting from the receipt of one-time payments of the financial year.

25. Other non-current financial assets

	31.12.2022 EUR'000	31.12.2023 EUR'000
Securities measured at fair value	350	372
Shares	71	71
	422	443

These shares refer to the 3.01% stake in Techno-Z Ried Technologiezentrum GmbH, Ried im Innkreis and the 18.0% stake in AIRlabs Austria GmbH, Graz.

26. Non-current receivables from related companies

	31.12.2022 EUR'000	31.12.2023 EUR'000
Non-current receivables in which the parent undertaking is involved	3,071	2,964

27. Other receivables

	31.12.2022 EUR'000	31.12.2023 EUR'000
Other financial receivables	10,236	10,650
Other non-financial receivables	0	10,860
	10,236	21,510

The other financial receivables item consists of advance payments and deposits amounting to kEUR 10,650 (previous year: kEUR 10,236).

The item other non-financial receivables includes the reclassified receivable from the Fake President Incident due to a revised management assessment.

In the 2015/2016 reporting period, an external fraud incident ("Fake President Incident") resulted in an unlawful outflow of cash and cash equivalents in the amount of KEUR 52,847 from the company. As a result of immediately initiated measures, an amount of KEUR 10,860 was frozen on recipient accounts in China.

In May 2019, the funds attributable to FACC Operations GmbH were transferred back to an account in the Republic of Austria.

FACC subsequently filed an application for the funds to be handed over. This application was granted in the first instance, but an objection was suddenly lodged against the handover. In the second instance, the application to hand over the funds was ultimately overturned.

In the criminal proceedings against one of the parties involved in the fraud incident, FACC stands as both a victim and a private party. Although the judgment did not rule on FACC's claim as a private party, it was nevertheless established that FACC is the victim of a criminal offense, and that it has legal claims to the seized assets.

The defendant appealed against the judgment. The Austrian Supreme Court (OGH) allowed the appeal and referred the case back to the original court. The proceedings will be resumed there as of March 2024.

As FACC AG has a legal claim to these funds according to the legal opinions obtained and an external evaluation by a criminal law expert, namely in the possible legal constellations, the management of FACC AG believes that it is "virtually certain" that the funds will flow back to FACC, which means that the recognition as a non-financial receivable in accordance with IAS 37.33 remains appropriate.

In view of the challenges posed by the legal matter, which FACC and its attorneys as well as the decision of the Supreme Court, management of FACC AG has refrained from estimating the likelihood of recovery of the funds in the near future as of 31 December 2023. The receivables are not discounted for accounting purposes, as interest is accrued on an ongoing basis.

28. Inventories

	31.12.2022 EUR'000	31.12.2023 EUR'000
Raw, auxiliary and operating materials	73,543	86,119
Unfinished products	33,922	50,176
Finished products	8,525	21,831
Advance payments made	335	483
	116,325	158,609
Gross inventories	124,447	166,622
Valuation allowance	8,121	8,013
Net inventories	116,325	158,609

Inventories recorded as material expenses in the reporting period amount to kEUR 367,527 (previous year: kEUR 346,793).

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

29. Customer-related engineering

	31.12.2022 EUR'000	31.12.2023 EUR'000
As of 1 January	6,170	11,487
Additions	9,026	24,468
Disposals	-3,708	-12,280
	11,487	23,675

Customer-related engineering recorded as material expenses in the reporting period amounted to kEUR 15,852 (previous year: kEUR 5,403).

It is expected that customer-related engineering with a carrying amount of kEUR 3,661 (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.

30. Receivables

	31.12.2022 EUR'000	31.12.2023 EUR'000
Gross trade receivables	67,343	68,096
Less valuation allowance	-6,278	-2,093
Net trade receivables	61,065	66,003
Of which current	61,065	66,003
Of which non-current	0	0

FACC maintains a non-recourse assignment agreement with two financial institutions in connection with receivables from several customers. The sold receivables (factoring) are derecognized in accordance with IFRS 9. The derecognition of receivables in connection with factoring programs reduces the level of trade receivables in the operating cash flow. A reduction in the factoring program is shown in the balance sheet as a current financial liability and is therefore allocated to financing cash flow. An increase in the factoring program is shown in the balance sheet as cash and cash equivalents and is therefore included directly in cash and cash equivalents. Trade receivables were sold to third parties in the amount of kEUR 101,934 (previous year: kEUR 35,065) as of the reporting date.

In the case of one contract, the associated risks and rewards are neither transferred in their entirety nor retained. The continuing involvement resulting from the maximum late payment interest costs amounts to kEUR 1,313. It was therefore not possible to derecognize the receivables sold or increase other current financial liabilities to this extent.

In the other contract, the economic power to dispose of the receivables is transferred to the buyer.

In general, the receivables sold relate to customers with a low probability of default, meaning that the loss from the default guarantee amounted to kEUR 48. The average payment behavior essentially corresponds to the contractual agreements, resulting in a loss from the late payment guarantee of kEUR 27.

The impairment of trade receivables developed as follows:

	31.12.2022 EUR'000	31.12.2023 EUR'000
As of 1 January	5,611	6,092
Additions	1,259	1,928
Disposal	-778	-766
Use	0	-5,243
	6,092	2,011

The consumption of kEUR 5,243 mainly relates to the derecognition of receivables from a customer.

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:

	31.12.2022 EUR'000	31.12.2023 EUR'000
As of 1 January	150	185
Additions	235	19
Disposal	-200	-123
	185	81

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

	Specific bad-debt allowance		Standardized bad-debt allowance	
	31.12.2022 EUR'000	31.12.2023 EUR'000	31.12.2022 EUR'000	31.12.2023 EUR'000
Receivables from customer-related engineering	0	0	22	9
Contract assets	0	0	0	0
Trade receivables	6,092	2,011	185	81
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	
	31.12.2022 EUR'000	31.12.2023 EUR'000	31.12.2022 EUR'000	31.12.2023 EUR'000
Receivables from customer-related engineering	27,449	24,535	22	9
Contract assets	3,318	6,315	0	0
Trade receivables	67,343	68,096	6,278	2,093
Receivables from related companies (current and non-current)	23,225	17,783	0	0
Other financial liabilities (current and non-current)	21,817	22,323	0	0

The age structure of trade receivables and receivables from related companies (current and non-current) is as follows:

	31.12.2022 EUR'000	31.12.2023 EUR'000
Trade receivables and Receivables from related companies (current and non-current)	90,568	85,879
Of which not overdue and not impaired	72,221	51,428
Of which overdue and not impaired	15,086	31,327
1 to 60 days	10,935	22,010
61 to 150 days	923	1,862
151 to 365 days	1,485	1,667
More than 365 days	1,744	5,789
Of which impaired	3,261	3,124

The carrying amount of impaired trade receivables developed as follows:

	31.12.2022 EUR'000	31.12.2023 EUR'000
Carrying amount prior to impairment	9,353	5,135
Less valuation allowance	-6,092	-2,011
Carrying amount after impairment	3,261	3,124

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:

	31.12.2022 EUR'000	31.12.2023 EUR'000
Other current financial assets		
Other	721	814
	721	814
Other current non-financial assets		
Other tax receivables (particularly VAT)	25,731	9,880
Deferred items	4,230	4,950
Receivables from the Fake President Incident ¹⁾	10,860	0
Other	1,718	1,830
	42,538	16,661
	43,259	17,474

¹⁾ Reported as Other current financial assets in the previous year. Correction of the previous year's figure from Other current financial assets to Other current non-financial assets.

Other current non-financial receivables from the Fake President Incident were reclassified to other non-current non-financial receivables (see Note 27 - Other receivables).

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

31. Cash and cash equivalents

	31.12.2022 EUR'000	31.12.2023 EUR'000
Bank deposits	102,685	98,636
Cash balance	5	8
	102,691	98,644

32. Equity

The development of the Group's equity in the financial year 2022 and 2023 is shown in the Consolidated Statement of Changes in Equity.

The share capital of FACC AG amounted to kEUR 45,790 on the balance sheet date 31 December 2023, is unchanged from the balance sheet date 31 December 2022, and is fully paid. It is divided into 45,790,000 shares with a par value of EUR 1 each.

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

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

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

The hedging reserve (after taxes) developed as follows:

	31.12.2022 EUR'000	31.12.2023 EUR'000
As of 1 January	-5,346	-6,917
Changes in unrealized profits (+)/losses (-)	18,020	3,589
Realized profits (+)/losses (-) subsequently reclassified to profit or loss - recognized in earnings before interest and taxes	-19,591	5,484
	-6,917	2,155

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%.

	31.12.2022 EUR'000	31.12.2023 EUR'000
Equity	203,481	220,603
Balance sheet total	654,025	706,481
Equity ratio	31.1%	31.2%

A 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, like in previous year (see also Note 37 – Financial liabilities).

Dividend per share

	Total EUR'000	Number of shares	Dividend per share
Dividend proposed for the financial year 2022 (Annual General Meeting of 8 May 2023)	0	45,790,000	0.00
Dividend proposed for the financial year 2023 (Annual General Meeting of 17 May 2024)	0	45,790,000	0.00

A dividend of EUR 0.00 will be proposed at the Annual General Meeting for financial year 2023 on 17 May 2024.

33. Investment grants

	31.12.2022 EUR'000	31.12.2023 EUR'000
Investment grants, current	1,009	1,048
Investment grants, non-current	7,266	6,434
	8,275	7,483

Some investment grants are tied to conditions that must be met over a certain period of time. These are essentially the requirements to leave the subsidized assets at the project location and not to sell them.

From the current perspective, the requirements are met and the item is reversed via other operating income.

34. Employee benefit obligations

	31.12.2022 EUR'000	31.12.2023 EUR'000
Termination benefits	7,144	8,139
Anniversary bonuses	2,136	2,810
	9,280	10,948

In the 2024 financial year, the expected payments from termination benefit and anniversary bonus obligations towards employees will amount to kEUR 0 and kEUR 87, respectively.

Termination benefits

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

	31.12.2022 EUR'000	31.12.2023 EUR'000
As of 1 January	7,130	7,144
Service cost	241	226
Interest expenses	76	223
Termination benefit payments	-258	-519
Revaluation effects in the period	-191	1,095
Other effects	146	-30
	7,144	8,139
Duration in years	13.11	12.76

The revaluation effects are composed of the following factors:

	31.12.2022 EUR'000	31.12.2023 EUR'000
Changes in expected values	284	482
Changes in underlying demographic assumptions	309	0
Changes in underlying financial assumptions	-784	613
	-191	1,095

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 technology expenses", as well as "Selling expenses" and "Administration expenses".

The valuation is based on the following assumptions:

	31.12.2022	31.12.2023
Discounting interest rate	3.68%	3.00%
Salary increases	3.50%	3.50%
Fluctuations of salaried staff/employees	0%/0%	0%/0%
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 0.5 percentage points would change the obligation as follows:

	Decrease by 0.5 percentage points EUR'000	Increase by 0.5 percentage points EUR'000
Change in obligations as of 31 December 2022	504	-465
Change in obligations as of 31 December 2023	468	-431

Anniversary bonuses

	31.12.2022 EUR'000	31.12.2023 EUR'000
As of 1 January	2,470	2,136
Service cost	265	220
Interest expenses	30	96
Termination benefit payments	-70	-32
Revaluation effects in the period	-559	389
	2,136	2,810

36. Other provisions

						Term	
	As of 01.01.2022 EUR'000	Additions EUR'000	Use EUR'000	Disposal EUR'000	As of 31.12.2022 EUR'000	Less than 1 year EUR'000	More than 1 year EUR'000
Provision for warranty claims	793	330	-525	-128	470	470	0
Provisions for legal and other disputes	29,014	233	-12,989	-6,047	10,212	10,212	0
Other	884	643	-612	-176	739	739	0
	30,691	1,206	-14,126	-6,351	11,421	11,421	0
						Term	
	As of 01.01.2023 EUR'000	Additions EUR'000	Use EUR'000	Disposal EUR'000	As of 31.12.2023 EUR'000	Less than 1 year EUR'000	More than 1 year EUR'000
Provision for warranty claims	470	0	-470	0	0	0	0
Provisions for legal and other disputes	10,212	0	-8,587	-1,592	32	32	0
Other	739	1,755	-1,239	-9	1,246	1,246	0
	11,421	1,755	-10,297	-1,601	1,278	1,278	0

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

In the 2023 financial year, kEUR 2,695 (previous year: kEUR 2,440) were paid into defined contribution plans (pension fund and employee pension fund in Austria).

35. Contract liabilities from customer-related engineering

	31.12.2022 EUR'000	31.12.2023 EUR'000
As of 1 January	12,714	19,350
Increase	14,128	37,185
Reduction	-7,492	-32,439
	19,350	24,096

Contract liabilities relates to advance payments from customers for tool and development activities, the costs of which are capitalized as part of customer-related development services. The amount of kEUR 19,350 (previous year: kEUR 12,714) reported under contract liabilities at the beginning of the period was recognized as sales revenue of kEUR 32,439 (previous year: kEUR 7,492) in the 2023 financial year.

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

The provision for legal and other disputes includes the provisions due to the decision of a London arbitration court, whereby the reduction in this provision in the financial year 2023 is mainly due to final payments in connection with this matter.

For other legal disputes, provisions in the amount of the expected cash outflows have been recognized based on the external legal opinions obtained in conjunction with internal estimates.

37. Financial liabilities

		Remaining term				
	Carrying amount 31.12.2022 EUR'000	Less than 1 year 31.12.2022 EUR'000	1 to 2 years 31.12.2022 EUR'000	3 to 5 years 31.12.2022 EUR'000	More than 5 years 31.12.2022 EUR'000	Nominal interest in %
Promissory note loans						
Fixed interest rate (nominal capital: kEUR 29,500)	29,500	0	16,500	10,500	2,500	1.60 to 2,148
Variable interest rate (nominal capital: kEUR 40,500)	40,500	0	8,000	32,500	0	6M Euribor + 1.10 to 1.80
Liabilities towards credit institutions						
Fixed interest rate	9,201	4,167	4,186	849	0	3.207
Variable interest rate	110,000	110,000	0	0	0	OeKB interest rate + 1.20 to 1.9
Lease liabilities						
Fixed interest rate	56,407	6,888	7,242	15,938	26,339	3.015 to 4.83
Variable interest rate	16,331	562	571	1,769	13,430	6M Euribor + 1.95
Other interest-bearing liabilities	29,355	29,355	0	0	0	1.00 to 1,507
	291,294	150,972	36,498	61,555	42,269	

		Remaining term				
	Carrying amount 31.12.2023 EUR'000	Less than 1 year 31.12.2023 EUR'000	1 to 2 years 31.12.2023 EUR'000	3 to 5 years 31.12.2023 EUR'000	More than 5 years 31.12.2023 EUR'000	Nominal interest in %
Promissory note loans						
Fixed interest rate (nominal capital: kEUR 29,500)	29,500	16,500	0	10,500	2,500	1.60 to 2,148
Variable interest rate (nominal capital: kEUR 40,500)	40,500	8,000	0	32,500	0	6M Euribor + 1.10 to 1.80
Liabilities towards credit institutions						
Fixed interest rate	6,250	4,167	2,083	0	0	3.207
Variable interest rate	153,711	105,815	10,815	37,081	0	OeKB interest rate, 3M Euribor + 1.80 to 3.39
Lease liabilities						
Fixed interest rate	56,366	8,427	7,836	16,370	23,733	3.015 to 4.83
Variable interest rate	15,770	571	580	1,798	12,821	6M Euribor + 1.95
Other interest-bearing liabilities	5,809	5,809	0	0	0	1.00 to 1,507
	307,905	149,289	21,314	98,248	39,054	

Accrued interest expenses are included in current financial liabilities.

Certain liabilities to financial institutions are secured by mortgages on company real estate and state guarantees for loans. The

export credit under the Kontrollbank scheme is secured by export receivables in the amount of 120% of the outstanding credit agreement. 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 17 February 2023, FACC Operations GmbH subscribed to an extension of syndicated loan in the amount of kEUR 225,443 with five participating banks. FACC AG and FACC Solutions Croatia d.o.o. are serving as guarantors. The syndicated loan was concluded with a term of three years plus a two-year prolongation option. The contract stipulates five facilities with various intended uses. With the exception of the framework refinancing credit and the equity financing program, which are secured by receivables, all other facilities are unsecured. The facility of kEUR 60,000 (KRR COVID-19 framework credit of OEKB), which was additionally subscribed in the context of the corona pandemic on 26 June 2020, will be repaid as of 10 March 2023. In turn, an amount of kEUR 36,000 will be drawn from the equity financing program of OEKB, and kEUR 33,526 from Exportinvest.

The following adjustments were made to the financial covenant for syndicated loan:

	31.12.2023	31.12.2024	31.12.2025
Net Financial Debt/E-BITDA	4.50	4.25	3.75
Equity ratio	25%	25%	25%

The financial covenants for syndicated loan of the respective year shall also apply as of 30 June of the respective year (e.g. the value of 4.25 applies on 30 June 2024 and on 31 December 2024), and will be tested every six months. The creditors have a right of termination in the event that the financial ratios are exceeded.

For all relevant reporting dates after 31 December 2025, a net financial debt/EBITDA ratio of 3.5 and an equity ratio of at least 25% are required. The financial covenants for syndicated loan were complied with both in the previous year and as of 31 December 2023.

All other material provisions of the original syndicated loan agreement and subsequent amendment agreements have been included in the extension of syndicated loan agreement.

On 31 July 2019, promissory note loans totaling kEUR 70,000 were issued. The individual tranches are subject to both fixed and variable interest rates and are due for repayment after five, seven and ten years. The financing agreements contain a clause stipulating an interest rate increase of 50 basis points in the event that the net debt/EBITDA ratio exceeds 3.75. This interest rate increase clause has been in force since the financial year 2020 and will no longer apply from the 2024 financial year. The ratio is tested annually.

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

	31.12.2022 EUR'000	31.12.2023 EUR'000
Up to one year	9,970	10,970
Two to five years	29,075	27,973
More than five years	46,125	45,089
	85,170	84,032
Less future financing expenses	-12,431	-11,897
Present value of lease obligation	72,738	72,135

In the 2023 financial year, the following amounts relating to leases were recognized in profit or loss:

	31.12.2022 EUR'000	31.12.2023 EUR'000
Depreciation expense of right-of-use assets	-8,963	-9,372
Interest expense on lease liabilities	-1,774	-1,943
Expense relating to short-term leases (included in cost of sales)	-1,231	-1,449
Expense relating leases of low-value assets	-62	-60
Total amount recognized in profit or loss	-12,030	-12,824

The total cash outflows for leases amounted to kEUR 10,841 in the 2023 financial year (previous year: kEUR 9,814).

38. Other current liabilities

	31.12.2022 EUR'000	31.12.2023 EUR'000
Other current financial liabilities		
Liabilities to employees/salaried staff	7,786	11,060
Other	13	148
	7,798	11,208
Other current non-financial liabilities		
Liabilities from social security	3,582	4,488
Liabilities to tax authorities	352	571
Deferred items	1,010	1,380
Other	470	5,241
	5,414	11,679
	13,212	22,888

The increase in other current non-financial liabilities - Other mainly relates to expenses from government grants.

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.

39. 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:

	2022 EUR'000	2023 EUR'000
Effects from foreign exchange rates	-6,080	12,380
Measurement of derivatives in earnings before interest and tax (hedging)	3,509	-9,724
Recognition of deferred tax assets/liabilities	-99	-457
Impairment on inventories	-56	-109
Valuation allowance of receivables	531	741
Changes in estimates of receivables from customer-related engineering	1,447	-619
Remaining other non-cash expenses/income	10	500
	-738	2,713

		Cash change	Non-cash changes			
	Carrying amount 01.01.2022 EUR'000	Change EUR'000	Lease liabilities EUR'000	Transac- tion costs EUR'000	Other EUR'000	Carrying amount 31.12.2022 EUR'000
Promissory note loans (current and non-current)	70,000	0	0	0	0	70,000
Other financial liabilities (current and non-current)	143,190	5,365	0	0	0	148,556
Lease liabilities (current and non-current)	79,579	-8,520	1,609	0	70	72,738
	292,769	-3,155	1,609	0	70	291,294

		Cash change	Non-cash changes			
	Carrying amount 01.01.2023 EUR'000	Change EUR'000	Lease liabilities EUR'000	Transaction costs EUR'000	Other EUR'000	Carrying amount 31.12.2023 EUR'000
Promissory note loans (current and non-current)	70,000	0	0	0	0	70,000
Other financial liabilities (current and non-current)	148,556	17,214	0	0	0	165,770
Lease liabilities (current and non-current)	72,738	-9,331	8,389	0	340	72,135
	291,294	7,883	8,389	0	340	307,905

40. Interest received and interest paid

In the 2023 financial year, all interest received was recognized under other financial result.

In the 2023 financial year, all interest paid was recorded to profit or loss under financing expenses.

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

In the course of the 2023 financial year, the FACC Group acquired assets that were not yet included in the cash flow as they had not been (fully) paid as of the balance sheet date. At the same time, liabilities from capital investments that had already been acquired

in the previous year and are therefore included in the cash flow of this financial year were repaid. This resulted in a increase in the cash flow from investments of kEUR 3,674 in the 2023 financial year (previous year: decrease of kEUR -99).

NOTES TO FINANCIAL INSTRUMENTS

42. Determination of fair value

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

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

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

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

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

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

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

43. Classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities by class and measurement

category in accordance with IFRS 9, including their positions in the fair value hierarchy.

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

					Fair value
	Carrying amount 31.12.2022 EUR'000	Total 31.12.2022 EUR'000	Level 1 31.12.2022 EUR'000	Level 2 31.12.2022 EUR'000	Level 3 31.12.2022 EUR'000
Valuation at amortized cost					
Receivables from customer-related engineering	27,427	0	0	0	0
Receivables from related companies, non-current	3,071	0	0	0	0
Other receivables	10,236	0	0	0	0
Trade receivables	61,065	0	0	0	0
Receivables from related companies, current	20,155	0	0	0	0
Other receivables and assets	11,581	0	0	0	0
Cash and cash equivalents	102,691	0	0	0	0
	236,224	0	0	0	0
Fair value through other comprehensive income					
Trade receivables (within factoring)	0	0	0	0	0
Other financial assets – securities (quoted)	350	350	350	0	0
	350	350	350	0	0
Fair value through profit and loss					
Other financial assets – securities (unquoted)	71	126	0	126	0
Derivative financial instruments	2,987	2,987	0	2,987	0
	3,059	3,113	0	3,113	0
Valuation at amortized cost					
Promissory note loans (current and non-current)	70,000	67,532	0	67,532	0
Financial liabilities	148,556	148,556	0	0	148,556
Trade payables	66,655	0	0	0	0
Liabilities towards related companies	12,016	0	0	0	0
Other financial liabilities	7,798	0	0	0	0
	305,025	216,088	0	67,532	148,556
Fair value through profit and loss					
Derivative financial instruments	16,536	16,536	0	16,536	0
	16,536	16,536	0	16,536	0

					Fair value
	Carrying amount 31.12.2023 EUR'000	Total 31.12.2023 EUR'000	Level 1 31.12.2023 EUR'000	Level 2 31.12.2023 EUR'000	Level 3 31.12.2023 EUR'000
Valuation at amortized cost					
Receivables from customer-related engineering	24,525	0	0	0	0
Receivables from related companies, non-current	2,964	0	0	0	0
Other receivables	10,650	0	0	0	0
Trade receivables	66,003	0	0	0	0
Receivables from related companies, current	14,819	0	0	0	0
Other receivables and assets	814	0	0	0	0
Cash and cash equivalents	98,644	0	0	0	0
	218,419	0	0	0	0
Fair value through other comprehensive income					
Trade receivables (within factoring)	0	0	0	0	0
Other financial assets – securities (quoted)	372	372	372	0	0
	372	372	372	0	0
Fair value through profit and loss					
Other financial assets – securities (unquoted)	71	68	0	68	0
Derivative financial instruments	7,958	7,958	0	7,958	0
	8,029	8,027	0	8,027	0
Valuation at amortized cost					
Promissory note loans (current and non-current)	70,000	68,110	0	68,110	0
Financial liabilities	165,770	165,770	0	0	165,770
Trade payables	94,405	0	0	0	0
Liabilities towards related companies	9,560	0	0	0	0
Other financial liabilities	11,208	0	0	0	0
	350,943	233,880	0	68,110	165,770

44. Derivative financial instruments and hedge accounting

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

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

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. Underlying transactions are trade receivables from selected customers with an average payment term of 90 days. Forward exchange transactions are recognized in revenues at their fair values upon initial recognition to profit or loss. Subsequent measurement is recorded under other operating income/expenses. Once the forward exchange transactions have been redeemed, they are then subsequently derecognized, usually within a maximum period of 36 months from the balance sheet date.

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

The economic relationship between the hedged item and the hedging instrument is determined by comparing the various risk factors

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

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

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

Furthermore, forward exchange contracts in US dollars (volume: kUSD 25,000; previous year: kUSD 30,000) were concluded during the year 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

	Carrying amount 31.12.2022 EUR'000	Remaining term	
		Less than 1 year 31.12.2022 EUR'000	More than 1 year 31.12.2022 EUR'000
Forward exchange transactions with positive fair value	2,987	0	2,987

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 2022: Foreign currency derivatives	USD	394,480	324,480	70,000	0
As of 31 December 2023: Foreign currency derivatives	USD	396,000	336,000	60,000	0

	Carrying amount 31.12.2023 EUR'000	Remaining term	
		Less than 1 year 31.12.2023 EUR'000	More than 1 year 31.12.2023 EUR'000
Forward exchange transactions with positive fair value	7,958	7,421	537

Derivative financial instruments with a negative market value

	Carrying amount 31.12.2022 EUR'000	Remaining term	
		Less than 1 year 31.12.2022 EUR'000	More than 1 year 31.12.2022 EUR'000
Forward exchange transactions with negative fair value	16,536	16,536	0

	Carrying amount 31.12.2023 EUR'000	Remaining term	
		Less than 1 year 31.12.2023 EUR'000	More than 1 year 31.12.2023 EUR'000
Forward exchange transactions with negative fair value	0	0	0

The following tables provide information on the forward exchange transactions designated as hedging instruments at the end of the reporting period:

Cash flow hedges (OCI) 31 December 2022	Instrument	Average exchange rate	Notional value in foreign currency	Notional value in local currency	Change in fair value used for cal- culating hedge ineffectiveness	Fair value
			USD'000	EUR'000	EUR'000	EUR'000
Sell USD, buy EUR	FX Forward	1.1038	313,360	283,904	-8,984	-8,984

Cash flow hedges (OCI) 31 December 2023	Instrument	Average exchange rate	Notional value in foreign currency	Notional value in local currency	Change in fair value used for cal- culating hedge ineffectiveness	Fair value
			USD'000	EUR'000	EUR'000	EUR'000
Sell USD, buy EUR	FX Forward	1.1066	312,000	281,947	2,799	2,799

	Change in value used for calculating hedge ineffectiveness		Carrying amount cash flow hedge reserve	
	31.12.2022 EUR'000	31.12.2023 EUR'000	31.12.2022 EUR'000	31.12.2023 EUR'000
Sell USD, buy EUR	8,984	-2,799	-6,917	2,155

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) recog- nized in OCI		Amount reclassified to profit and loss		Line item in profit and loss in which re- classification adjustment is included
	31.12.2022 EUR'000	31.12.2023 EUR'000	31.12.2022 EUR'000	31.12.2023 EUR'000	
Sell USD, buy EUR	-8,984	2,799	-3,509	9,724	Revenues

45. Financial risk

The operating business of FACC AG is exposed to various financial risks, including currency, interest rate, liquidity and credit risks. The Group's risk management therefore focuses, among other things, on monitoring the volatility of the financial markets and taking measures to minimize potential negative effects on the company's financial stability. To this end, the Group also uses derivative financial instruments to hedge certain risks.

The Group's Accounting & Treasury department identifies, assesses and hedges financial risks in close cooperation 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.

	31.12.2022 EUR'000	31.12.2023 EUR'000
Receivables from customer-related engi- neering	27,427	24,525
Contract assets	3,318	6,315
Receivables from related companies, non- current	3,071	2,964
Other receivables	10,236	10,650
Trade receivables, current	61,065	66,003
Receivables from related companies, cur- rent	20,155	14,819
Other receivables and assets	43,259	17,474
Cash and cash equivalents	102,691	98,644
	271,221	241,395
US dollar	206,061	183,673
EUR	65,160	57,722
	271,221	241,395

	31.12.2022 EUR'000	31.12.2023 EUR'000
Financial liabilities	291,294	307,905
Trade payables	66,655	94,405
Liabilities towards related companies	12,016	9,560
Other financial liabilities	7,798	11,208
	377,763	423,079
US dollar	86,339	60,535
EUR	291,425	362,544
	377,763	423,079

Detrimental changes in foreign exchange rates, in particular in the USD-EUR exchange rate, would therefore produce substantial adverse effects on FACC's business, earnings before interests and taxes and financial position. FACC makes use of derivative financial

instruments, such as forward exchange transactions, to hedge against adverse changes in the USD-EUR exchange rate, which can potentially give rise to losses.

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

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

Revaluation (+)/devaluation (–)	5% devaluation		5% revaluation	
	31.12.2022 EUR'000	31.12.2023 EUR'000	31.12.2022 EUR'000	31.12.2023 EUR'000
Changes in Consolidated Profit and Loss Statement	4,090	3,423	–3,700	–3,097
Changes in comprehensive income/loss	–14,662	–14,067	13,266	12,751
Changes to equity	–10,572	–10,644	9,566	9,653

Interest rate risk

The interest rate risk results from the average term of the financing and the type of interest rate. The risk lies in falling interest rates for fixed interest rates and rising interest rates for variable interest rates.

An increase in interest rates of 100 basis points (previous year: 50 basis points) would have resulted in a reduction in earnings after taxes and equity of kEUR 1,799 (previous year: kEUR 837). A reduction in interest rates by 100 basis points (previous year: 50 basis points) would have resulted in an increase in earnings after taxes and in equity of kEUR 1,799 (previous year: kEUR 532).

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

Various financing instruments (syndicated loan and promissory note loan) are used for financing purposes. The facilities in the syndicated loan are subject to different collateral, maturities and repayment structures, which is also used to manage the interest rate risk. In the case of promissory note loans, there are different maturities and fixed and variable interest rates to manage the interest rate risk.

Liquidity risk

A key objective of FACC's risk management is to maintain constant financial solvency to meet current and future obligations. The key

control parameters for this purpose are the maximization of free cash flow through cost reductions, active working capital management and the reduction of capital expenditure.

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

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

On the balance sheet date 31 December 2023, FACC had unused credit lines amounting to kEUR 50,700 (previous year: kEUR 100,000) at its disposal.

Receivables amounting to 117,100 kUSD (previous year: 85,500 kUSD) can be sold as part of the factoring programs. As at 31.12.2023, receivables in the amount of 112,985 kUSD (previous year: 37,401 kUSD) were sold.

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

			Payment obligations		
	Carrying amount 31.12.2022 EUR'000	Total 31.12.2022 EUR'000	Less than 1 year 31.12.2022 EUR'000	1 to 5 years 31.12.2022 EUR'000	More than 5 years 31.12.2022 EUR'000
Valuation at amortized cost					
Promissory note loans	70,000	75,234	1,494	71,133	2,607
Liabilities towards credit institutions	119,201	121,906	115,427	6,478	0
Lease liabilities	72,738	79,033	8,783	26,080	44,170
Other interest-bearing liabilities	29,355	29,355	29,355	0	0
Financial liabilities	291,294	305,528	155,059	103,691	46,778
Trade payables	66,655	66,655	66,655	0	0
Liabilities towards related companies	12,016	12,016	12,016	0	0
Other financial liabilities	7,798	7,798	7,798	0	0
	377,763	391,997	241,528	103,691	46,778
Fair value through profit and loss					
Derivative financial instruments	16,536	16,536	16,536	0	0
Carrying amounts/contractual cash flows	394,300	408,533	258,065	103,691	46,778

			Payment obligations		
	Carrying amount 31.12.2023 EUR'000	Total 31.12.2023 EUR'000	Less than 1 year 31.12.2023 EUR'000	1 to 5 years 31.12.2023 EUR'000	More than 5 years 31.12.2023 EUR'000
Valuation at amortized cost					
Promissory note loans	70,000	77,317	27,367	47,397	2,554
Liabilities towards credit institutions	159,961	174,400	116,270	58,130	0
Lease liabilities	72,135	83,278	10,199	26,498	46,582
Other interest-bearing liabilities	5,809	5,809	5,809	0	0
Financial liabilities	307,905	340,805	159,645	132,025	49,135
Trade payables	94,405	94,405	94,405	0	0
Liabilities towards related companies	9,560	9,560	9,560	0	0
Other financial liabilities	11,208	11,208	11,208	0	0
	423,079	455,978	274,818	132,025	49,135
Fair value through profit and loss					
Derivative financial instruments	0	0	0	0	0
Carrying amounts/contractual cash flows	423,079	395,576	274,818	132,025	49,135

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

The high proportion of current financial liabilities to banks mainly relates to two facilities from the syndicated loan, which have to be redrawn on an ongoing basis due to the rules and regulations. From the current perspective, there is no risk that these will not be extended.

Credit risks

As part of its business activities in the aviation industry, the Group mainly serves OEMs operating on the market. Notwithstanding diversification, FACC AG is exposed to a certain concentration risk in the credit market due to the limited number of aircraft manufacturers. The volume of receivables from the two largest customers amounted to kEUR 124,135 in the 2023 financial year. Due to the low probability of default and the possibility of selling selected receivables as part of factoring programs, the risk can be significantly reduced.

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

46. 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 2022 and as of 31 December 2023 was as follows:

Name	Non-success-related 2022 EUR'000	Success-related 2022 EUR'000	Termination benefit 2022 EUR'000	Employer contribution to pension fund 2022 EUR'000	Total 2022 EUR'000
Robert Machtlinger	418	0	0	170	588
Andreas Ockel	402	0	71	100	572
Aleš Stárek	327	0	34	60	420
Yongsheng Wang (till 30.09.2022)	209	0	32	0	240
Zhen Pang (from 01.10.2022)	70	0	10	0	80
	1,424	0	146	330	1,900

Name	Non-success-related 2023 EUR'000	Success-related 2023 EUR'000	Termination benefit 2023 EUR'000	Employer contribution to pension fund 2023 EUR'000	Total 2023 EUR'000
Robert Machtlinger	440	0	26	170	635
Andreas Ockel	402	0	53	100	554
Aleš Stárek (till 31.12.2023)	327	0	140	60	527
Zhen Pang	365	0	46	0	410
	1,532	0	264	330	2,126

The expenses for Supervisory Board members recorded in the Annual Financial Statements amounted to kEUR 505 (previous year: kEUR 349).

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

47. Transactions with related companies and persons

Transactions with related companies and persons outside the consolidated companies of FACC AG were concluded at arm's length terms in the period from 1 January 2023 to 31 December 2023, as in previous year and relate exclusively to trade receivables and trade payables.

	Receivables 31.12.2022 EUR'000	Liabilities 31.12.2022 EUR'000	Revenues and other income 2022 EUR'000	Expenses 2022 EUR'000
Companies with significant influence on the Group	41	0	191	0
Joint ventures in which companies with a significant influence on the Group are involved	23,185	12,016	35,292	14,228
	23,225	12,016	35,484	14,228

	Receivables 31.12.2023 EUR'000	Liabilities 31.12.2023 EUR'000	Revenues and other income 2023 EUR'000	Expenses 2023 EUR'000
Companies with significant influence on the Group	11	0	33	1
Joint ventures in which companies with a significant influence on the Group are involved	17,772	9,560	33,826	21,558
	17,783	9,560	33,859	21,560

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

ACCOUNTING AND VALUATION POLICIES

48. Accounting and valuation policies

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

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

Software and rights	Amortization over a period of 3 to 4 years (linear)
Research and development costs	Amortization over the respective project term

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.

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 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 when 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 an advance discount and are reported under contract assets. They are recognized at present value and recorded as a revenue reduction in accordance with 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 (see Note 6 – Use of assumptions and estimates).

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.

Expense subsidies, which in the Group primarily relate to subsidies in connection with development projects, are recognized in income in the same period in which the corresponding expense is incurred.

Employee benefit obligations (IAS 19)

Defined benefit plans

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

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

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

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

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

Defined contribution plans

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

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

Other non-current employee benefit obligations

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

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

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

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

Contract liabilities from customer-related engineering (IFRS 15)

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

Other provisions (IAS 37)

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

Income taxes (IAS 12)

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

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

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

Deferred tax assets for loss carryforwards are only recognized to the extent that utilization within a reasonable period of time (five years) appears probable.

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). Financial assets with embedded derivative financial instruments are not recognized separately in accordance with IFRS 9, but are classified as a whole in the "fair value through profit or loss" category.

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

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

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

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

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

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

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

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 and cash equivalents

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

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

Liabilities

Liabilities are initially recognized at fair value. Subsequent measurement is either at amortized cost.

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.

Hedge Accounting

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 major revenue streams – from the delivery of series products, and from providing development services.

Development services either constitute a separate performance obligation under a multi-component contract, or they are part of the delivery of series products. In addition, FACC also concludes individual contracts for development projects.

In accordance with IFRS 15, revenue is recognized either over time or at a point in time as soon as a customer obtains control of the goods or services.

IFRS 15 requires entities to disclose the costs of initiating a contract with a customer. As the Group does not incur such costs, the associated disclosures are not presented in this guide.

Contract assets:

To the extent that a development service under a multi-component contract constitutes a separate performance obligation, and the criteria for revenue recognition over time are met, revenue is recognized either to the extent of the stage of completion (progress is determined using the cost-to-cost method) or in the amount of the costs incurred (if no reliable estimate of the contract outcome is possible), depending on the possibility to estimate the contract outcome.

In addition to the lack of an alternative use, revenue recognition over time requires, in particular, that a legal claim to payment for services already rendered (costs plus profit share) can be made at any time.

Payments to customers are treated as an advance discount and are recorded in the consolidated statement of comprehensive income as a reduction in revenue over the duration of the program. With regard to fixed and variable components, see Receivables from customer-related development services below.

Receivables from customer-related development services:

To the extent that a development service under a multi-component contract constitutes a separate performance obligation, and the criteria for revenue recognition over time are not met but an enforceable right exists under the contract, revenue is recognized at the point in time at which the power of disposal is transferred to the customer.

When determining transaction prices for development services, both fixed and variable components are taken into account. The fixed component comprises the contractually agreed price component (agreed separately for the development service or confirmed to be included in the shipset price) and guaranteed minimum quantities. The variable component includes estimates regarding the distribution of quantities over the future period.

Contract costs:

If a development service does not constitute a separate performance obligation, or if there is no enforceable claim under the contract, revenue is recognized at the time of delivery of the series products. In this case, the costs incurred for the development service are capitalized as contract costs and amortized through profit or loss, depending on the shipset delivery.

Financing component:

In the case of development services without milestone payments, payment is made according to the ongoing delivery of series products over the total duration of the program. As the contractual obligation is fulfilled well before payments are made, a significant financing component exists, which is taken into account in the measurement of receivables from customer-related development services and contract assets.

Revenue is recognized in the amount of the present value of the agreed payments only. Compound interest effects are recognized as income in the financial result, meaning that payments received are not allocated in full to revenue.

In the case of development services with milestone payments, the performance of services and the receipt of payments largely coincide. Consequently, there is no significant financing component here.

In the case of contracts with a term of less than twelve months, no financing component is taken into account.

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.

activities. Cash and cash equivalents correspond to cash on hand and liquid funds.

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

49. Effects of new and amended standards

The following new and amended standards were mandatorily effective for the first time in the 2023 financial year:

Standard/Interpretation		Mandatory application acc. to IASB for financial years beginning with	Adoption by the EU as of 31.12.2023
IFRS 17 (amended)	Initial application of IFRS 17 and 9 - Comparative information	01.01.2023	Yes
IFRS 17 (amended)	Insurance Contracts	01.01.2023	Yes
IAS 8 (amended)	Definition of Accounting Estimates	01.01.2023	Yes
IAS 1 (amended)	Disclosure of Accounting policies	01.01.2023	Yes
IAS 12 (amended)	Deferred Taxes related to Assets and Liabilities arising from a Single Transaction	01.01.2023	Yes
IAS 12 (amended)	International Tax Reform - Pillar Two Model Rules	23.05.2023	Yes

The Group has applied the International Tax Reform "Pillar 2 Model Rules (Amendments to IAS 12)" as published on 23 May 2023. The amendments contain a temporary, mandatory and immediately applicable exception to the requirement to recognize deferred taxes resulting from the introduction of a global minimum tax.

The mandatory exemption is to be applied retrospectively. However, as no new law introducing a global minimum tax was in force, or was expected to be in force in the near future, in any of the countries in which the Group operates as of 31 December 2022, and no deferred taxes relating thereto were recognized at that date, the retrospective application has no impact on the consolidated financial statements of FACC.

The first-time application of the other 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 2024. 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 31.12.2023	Effects on the Consolidated Financial Statement
IAS 1 (amended)	Classification of Liabilities as Current or Non-current	23.01.2020	01.01.2024	Yes	No
IAS 1 (amended)	Classification of Liabilities as Current or Non-Current - Deferral of effective date	15.07.2020	01.01.2024	Yes	No
IAS 1 (amended)	Non-current Liabilities with Covenants	31.10.2022	01.01.2024	Yes	No
IFRS 16 (amended)	Leases: Lease liability in a sale and leaseback	22.09.2022	01.01.2024	Yes	No
IAS 7 IFRS 7 (amended)	Supplier Finance Arrangements	25.05.2023	01.01.2024	No	No
IAS 21 (amended)	Lack of Exchangeability	15.08.2023	01.01.2025	No	No

50. Fees of the Group auditor

The expenses attributable to the the auditor KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft (previous year: Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H.) of the Consolidated Financial Statements in financial year 2022 resp. 2023 are as follows:

	2022 EUR'000	2023 EUR'000
Group and annual audit	178	218
Other consulting services	3	1
	181	219

51. Events after the balance sheet date

After the balance sheet date of 31 December 2023, no event requiring disclosure occurred.

52. Proposed appropriation of net income

In the 2023 financial year the balance sheet loss of FACC Group amounted to kEUR –44,218. The Management Board and the Supervisory Board will propose a dividend of EUR 0.00 per share to the Annual General Meeting on 17 May 2024.

53. 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 26 March 2024. 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.

54. Management and Supervisory Boards

Members of the Management Board

Robert Machtlinger, CEO
Andreas Ockel, COO
Aleš Stárek, CFO (till 31 December 2023)
Zhen Pang, CCO

Members of the Supervisory Board

Jian Wang (Chairman)
Fusheng Chen (Vice Chairman) (till 30 June 2023)
Tongyu Xu (Vice Chairman) (since 30 June 2023)
Ian Chang
Weixi Gong
Jing Guo
Yu Mei (till 31 May 2023)
Jiajia Dai (since 30 June 2023)
Junqi Sheng
Tom Williams
Jürgen Fischer (employee representative)
Barbara Huber (employee representative)
Ulrike Reiter (employee representative)
Karin Klee (employee representative)

Ried im Innkreis, 15 March 2024

The Management Board

Robert Machtlinger m.p. Chairman of the Management Board	Andreas Ockel m.p. Member of the Management Board
---	--

Zhen Pang m.p.
Member of the Management Board

Statement of all Legal Representatives

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

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

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

Ried im Innkreis, 15 March 2024

The Management Board

Robert Machtlinger m.p.
Chairman of the Management
Board

Andreas Ockel m.p.
Member of the Management
Board

Zhen Pang m.p.
Member of the Management
Board

Auditor's Report

Report on the Consolidated Financial Statements

AUDIT OPINION

We have audited the consolidated financial statements of

FACC AG, Ried im Innkreis

and its subsidiaries ("the Group"), which comprise the Consolidated Profit and Loss Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position as of 31 December 2023, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the year then ended, and the Notes to the Consolidated Financial Statements.

In our opinion, the consolidated financial statements comply with the legal requirements and present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, and the additional requirements pursuant to Section 245a UGB (Austrian Commercial Code).

BASIS FOR OUR OPINION

We conducted our audit in accordance with the EU Regulation 537/2014 ("AP Regulation") and Austrian Standards on Auditing. These standards require the audit to be conducted in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities" section of our report. We are independent of the audited Group in accordance with Austrian company law and professional regulations, and we have fulfilled our other responsibilities under those relevant ethical requirements. We believe that the audit evidence we have obtained up to the date of the auditor's report is sufficient and appropriate to provide a basis for our audit opinion on this date.

KEY AUDIT MATTERS

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

Recoverability of contract costs

See notes in section "6. Estimates and judgements" and note 24.

Risk for the Consolidated Financial Statements

Long-term contract fulfilment costs of EUR 61.1 million are reported in the consolidated financial statements of FACC AG as at 31 December 2023.

The relevant accounting standard IFRS 15.101 requires to recognize an impairment loss if the carrying amount is below the remaining net consideration expected to be received relating to these assets. Impairment tests are carried out at project level for contract fulfilment costs. The recoverable amounts, which represent the benchmark for the impairment test, are determined on the basis of discounted future cash flows using a risk-adjusted interest rate.

The result of the impairment tests for the respective projects depends to a significant extent on assumptions and estimates, particularly with regard to long-term planning assumptions and market uncertainties, and is therefore subject to considerable uncertainty.

There is a risk for the financial statements that the assumptions are not appropriate and that, as a result, a necessary impairment for contract fulfilment costs is not recognised in the consolidated financial statements or is not recognised with an appropriate amount.

Our Response

We performed the following audit procedures to test the recoverability of contract fulfilment costs:

- In order to assess the appropriateness of the underlying internal planning, we obtained an understanding of the planning process and the design and establishment of the related internal controls and compared the planning data on which the valuation is based with the current budget figures approved by the Supervisory Board and the medium-term planning and detailed documents on the additional adjustments made as well as the contractual basis.
- We discussed the key value-determining assumptions of the impairment tests, in particular sales and expenses, in detail with the employees responsible and compared expectations of future developments with the estimates used by the company.

- We assessed the accuracy of the planning by comparing the plans made in previous years with the actual figures.
- We analysed the methodology used to perform the impairment test and to determine the cost of capital rates and assessed whether they comply with the provisions of IFRS 15 through involvement of our valuation specialist. We assessed the appropriateness of the assumptions used to determine the cost of capital rates by comparing them with market and industry-specific benchmarks and verified the mathematical accuracy of the calculation scheme.
- Finally, we examined whether FACC AG's disclosures on contract fulfilment costs in the notes to the financial statements are complete and appropriate.

Revenue realisation

See notes in section "48. Accounting policies" and note 8.

Risk for the Consolidated Financial Statements

The consolidated financial statements of FACC AG as of 31 December 2023 report revenue of EUR 736 million, which is made up of two main revenue streams (delivery of series products on the one hand and provision of development services including customer-specific tool developments on the other).

The relevant accounting standard IFRS 15 requires revenue to be recognised either over time or at a point in time as soon as a customer obtains control over the asset. At FACC AG, revenue is recognised over time in particular if commissioned development services and customer-specific tool developments constitute separate performance obligations with a contractually enforceable right to payment for the performance completed to date.

FACC AG has defined detailed guidelines, procedures and processes for the accounting of its customer contracts. There is a risk for the financial statements that revenue is not recognised at the point in time when control is transferred to the customer. This can lead to revenue being recognised in the wrong accounting period.

There is also a risk that receivables from customer-related development services, contract assets and contract fulfilment costs are not correctly classified, recognised or appropriately presented as such and that revenue is therefore not properly recognised over time or at a specific point in time.

Our Response

We performed the following audit procedures to test the recoverability of contract fulfilment costs:

- As part of our audit of the internal control system with regard to the accounting policies applied for revenue recognition, we assessed the key controls with regard to their design and implementation.
- For a sample of additions to receivables from customer-related development services, contract assets and contract fulfilment costs, which were selected on the basis of a statistical selection process, we:

- Obtained an understanding of the transaction by reviewing the underlying contractual agreements and other related documents and explanations from employees of FACC AG and verified the amount of the additions;
- assessed whether the classification, recognition and presentation of the asset within the scope of IFRS 15 Revenue from Contracts with Customers was correct;
- assessed whether revenue recognition over time or at a point in time is justified.
- We verified the amount of amortisation and the disclosure of receivables from customer-related development services, contract assets and contract fulfilment costs on the basis of underlying contractual agreements and other related documents as well as explanations from employees of FACC AG.
- For a sample of revenue selected using a statistical selection procedure, we assessed whether revenue recognition prior to the balance sheet date and credit notes issued after the balance sheet date were recognised in the correct period.
- With regard to the foreign currency translation of revenue realisations, we:
- Obtained an understanding of the accounting policies and assessed whether the accounting policies applied are in accordance with IFRS;
- assessed the controls implemented by the Company in connection with the FX valuation in terms of design, implementation and operating effectiveness;
- Performed recalculations on a sample basis.
- Finally, we examined whether FACC AG's disclosures on revenue recognition in the notes to the financial statements are complete and appropriate.

OTHER MATTERS

The consolidated financial statements of FACC AG for the financial year ended 31 December 2022 were audited by another auditor who issued an unqualified opinion on these financial statements on 13 March 2023.

OTHER INFORMATION

The legal representatives are responsible for the other information. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the group management report and the auditor's report. The annual report is expected to be made available to us after the date of the auditor's report.

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

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

If, based on the work we have performed on the other information obtained prior to the date of the auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this connection.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, the additional requirements pursuant to Section 245a UGB (Austrian Commercial Code) 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.

Management is also 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

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 audit opinion. Reasonable assurance represents a high level of assurance, but provides no guarantee that an audit conducted in accordance with the AP Regulation and Austrian Standards on Auditing (and therefore ISAs), will always detect a material misstatement, if any. Misstatements may result from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the AP Regulation and Austrian Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit.

Moreover:

- We identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, we design and perform audit procedures responsive to those risks and obtain sufficient and appropriate audit evidence to serve as a basis for our audit opinion. The risk of not detecting material misstatements resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or override of internal control.
- We 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.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- We conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the respective note in the consolidated financial statements. If such disclosures are not appropriate, we will modify our audit 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.
- We evaluate the overall presentation, structure and content of the consolidated financial statements, including the notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the financial information of the entities and 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, amongst other matters, the planned scope and timing of our audit as well as significant findings, including any significant deficiencies in internal control that we identify during our audit.
- We communicate to the audit committee that we have complied with the relevant professional requirements in respect of our independence, that we will report any relationships and other events that could reasonably affect our independence and, where appropriate, the related safeguards.
- From the matters communicated with the audit committee, we determine those matters that were of most significance

in the audit i.e. key audit matters. We describe these key audit matters in our auditor's report unless laws or other legal regulations preclude public disclosure about the matter or when in very rare cases, we determine that a matter should not be included in our audit report because the negative consequences of doing so would reasonably be expected to outweigh the public benefits of such communication.

Statement

Based on our knowledge gained in the course of the audit of the consolidated financial statements and our understanding of the Group and its environment, we did not note any material misstatements in the group management report.

Additional Information in accordance with Article 10 AP Regulation

We were elected as auditors at the Annual General Meeting on 8. May 2023 and were appointed by the supervisory board on 23. Juni 2023 to audit the financial statements of Company for the financial year ending on 31 December 2023.

We have been auditors of the Company, without interruption, since the consolidated financial statements at 31. December 2023.

We declare that our opinion expressed in the "Report on the Consolidated Financial Statements" section of our report is consistent with our additional report to the Audit Committee, in accordance with Article 11 AP Regulation.

We declare that we have not provided any prohibited non-audit services (Article 5 Paragraph 1 AP Regulation) and that we have ensured our independence throughout the course of the audit, from the audited Group.

REPORT ON OTHER LEGAL REQUIREMENTS

Group Management Report

In accordance with Austrian company law, the group management report is to be audited as to whether it is consistent with the consolidated financial statements and prepared in accordance with legal requirements.

Management is responsible for the preparation of the group management report in accordance with Austrian company law.

We have conducted our audit in accordance with generally accepted standards on the audit of group management reports.

Opinion

In our opinion, the group management report is consistent with the consolidated financial statements and has been prepared in accordance with legal requirements. The disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

ENGAGEMENT PARTNER

The engagement partner is Mr. Mag.Gerold Stelzmüller.

Linz, 15. March 2024

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft



qualified electronically signed:
Mag. Gerold Stelzmüller
Wirtschaftsprüfer
(Austrian Chartered Accountant)

Glossary

Technology

Autoclave	Gas-tight, sealable autoclave for curing fiber composites
Composites	A composite material is a material made from two or more constituent materials that, when combined, feature characteristics different from the individual components
Fibrous composite material	Material of reinforcing fibers and a plastic mix
OEM	Original Equipment Manufacturer – manufacturer of components, which produces these in its own factories, but does not bring them to retail itself
Primary structure	Aircraft fuselage structure
Retrofit	Modernization or expansion of existing (mostly older and no longer produced) models
Secondary structure	Attachments to the fuselage structure of an aircraft
Shipset	A delivery unit, i.e. a complete set of parts for an aircraft
Thermoplastic	Plastic that can be deformed in a certain temperature range
Tier-1-supplier	A supplier, which directly supplies OEMs with larger components and systems
Winglet/Sharklet	Parts attached to the wingtips of aircraft wings aiming to reduce the aircraft's drag

Financials

APAC	Asia-Pacific Economic Area
ATX	Austrian Traded Index – the most important stock market index of the Wiener Börse (Vienna Stock Exchange), currently consisting of 20 stocks
Book-to-bill ratio	Ratio of orders received to the amount billed for a specific period
CAD	Canadian dollar
Cashflow	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	Equity/balance sheet total in %
FTE	Full-time equivalents of employees
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
RMB	Renminbi/Yuan – Chinese currency
KEUR	Euro thousands
USD	US dollar

Contact

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

Note

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

Editorial deadline: 15 March 2024

Imprint
Media owner and editor:

FACC AG, Fischerstrasse 9, 4910 Ried im Innkreis, Austria

Project manager: Michael Steirer, Patrick Doppler

Project team: Tanja Maisenberger, Elisabeth Murauer, Robert Brie-
 wasser

Concept, editing, layout, graphics: Projektagentur Weixelbaumer KG,
 Linz (image section); remaining parts inhouse produced with
 www.firesys.de

Pictures: Robert Maybach, Getty Images, unsplash, iStock, Eve Air Mo-
 bility, GETIFO GesbR, Rambossek photo / graphics, ARCHER AVIA-
 TION, FACC AG

A thanks to: Peter Glaser, Rene Christian Adam, Jakob Reichsöllner,
 Thomas Murauer, Martina Hamedinger, Sarah Schilcher, Daniel
 Hengstschläger, Helmut Berger, Heidi Wallner, Christian Kneidinger,
 Christian Zenko, Yong Wu, Dean-Stuart Poor, Sumeet Kalkaar, Edwin
 Brcic, Matja Feric und Pavol Sadak

4. Auditor's Report

Report on the Financial Statements

Audit Opinion

We have audited the financial statements of

FACC AG,
Ried im Innkreis, Austria,

which comprise the Balance Sheet as at 31 December 2023, the Income Statement for the year then ended, and the Notes.

In our opinion, the financial statements comply with the legal requirements and present fairly, in all material respects, the financial position of the Company as at 31 December 2023, and its financial performance for the year then ended, in accordance with Austrian Generally Accepted Accounting Principles.

Basis for our Opinion

We conducted our audit in accordance with Regulation (EU) 537/2014 ("AP Regulation") and Austrian Standards on Auditing. These standards require the audit to be conducted in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities" section of our report. We are independent of the Company, in accordance with Austrian company law and professional regulations, and we have fulfilled our other responsibilities under those relevant ethical requirements. We believe that the audit evidence we have obtained up to the date of the auditor's report is sufficient and appropriate to provide a basis for our audit opinion on this date.

Key Audit Matters

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

Recoverability of shares in affiliated companies and receivables from affiliated companies

See the notes in the section on accounting and valuation principles for financial assets and for receivables and other assets as well as in the notes to the balance sheet and the statement of changes in fixed assets as at 31 December 2023.

Risk for the Financial Statements

The annual financial statements of FACC AG as at 31 December 2023 include shares in affiliated companies in the amount of € 267.8 million and receivables from affiliated companies in the amount of € 26.8 million.

This report is a translation of the original report in German, which is solely valid.

The relevant accounting regulations of the Austrian Commercial Code require an impairment test of the shares if there are indications of a permanent decline in value. This involves checking whether, on the one hand, there is a significant shortfall when comparing the carrying amount of the investment with the proportionate equity of the affiliated company on the valuation date and, on the other hand, whether there are external and internal factors that could trigger a significant change in value.

If such indications exist, a valuation of the affiliated company is performed and the value of the shares is determined on the basis of discounted net cash inflows. If this value is lower than the current carrying amount, the shares are written down to that. In the annual financial statements as at 31 December 2023, impairment losses of EUR 0.0 million were recognised.

The result of the valuation of shares in affiliated companies and receivables from affiliated companies depends to a significant extent on assumptions and estimates, particularly with regard to long-term planning assumptions and market uncertainties (cash flows, cost of capital) and is therefore subject to considerable uncertainty. There is a risk for the financial statements that the assumptions are not appropriate and that, as a result, the necessary impairment write offs for shares in affiliated companies and value adjustments to receivables from affiliated companies are not recognised in the financial statements or not recognised with the appropriate amount.

Our Response

We performed the following audit procedures to test the recoverability of the shares in affiliated companies and the receivables from affiliated companies:

- We evaluated the Company's analysis of the indicators of a significant decrease in the value (including the coverage of the carrying amount of the investment by the proportionate equity) of the shares in affiliated companies. In addition, we discussed with management whether there were any further indicators of a material decrease in the value of the shares in affiliated companies.
- In order to assess the appropriateness of the underlying internal planning, we gained an understanding of the planning process and design and implementation of the related internal controls and compared the planning data on which the valuation is based with the current budget figures approved by the Supervisory Board and the medium-term planning.
- We assessed the accuracy of planning by comparing the plans made in previous years with the actual figures.
- We reviewed the methodology used to perform the impairment test and to determine the capital cost rates and assessed whether they comply with the relevant standards through involving our valuation specialists. We assessed the appropriateness of the assumptions used to determine the cost of capital by comparing them with market and industry-specific benchmarks and verified the mathematical accuracy of the calculations.

- In the case of receivables from affiliated companies that were not already covered by the valuation of the shares in affiliated companies, we also used overdue analyses to check whether there was a need to recognise impairment losses on these items. In doing so, we also assessed the financial situation of the affiliated companies.
- Finally we checked whether the information disclosed in the notes relating to financial assets and receivables from affiliated companies are complete and accurate.

Other matters

The annual financial statements of FACC AG for the financial year ending 31 December 2022 were audited by another auditor who issued an unqualified opinion on these financial statements on 13 March 2023.

Other Information

Management is responsible for other information. Other information is all information provided in the annual report, other than the financial statements, the management report and the auditor's report.

Our opinion on the financial statements does not cover other information and we do not provide any kind of assurance thereon.

In conjunction with our audit, it is our responsibility to read this other information and to assess whether, based on knowledge gained during our audit, it contains any material inconsistencies with the financial statements or any apparent material misstatement of fact. If we conclude that there is a material misstatement of fact in other information, we must report that fact. We have nothing to report in this regard.

If, based on the work we have performed on the other information obtained prior to the date of the auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this connection.

Responsibilities of Management and Audit Committee for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Austrian Generally Accepted Accounting Principles and for such internal controls as management determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The audit committee is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our audit opinion. Reasonable assurance represents a high level of assurance, but provides no guarantee that an audit conducted in accordance with AP Regulation and Austrian Standards on Auditing (and therefore ISAs), will always detect a material misstatement, if any. Misstatements may result from fraud or error and are considered material if, individually or in 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 AP Regulation and Austrian Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit.

Moreover:

- We identify and assess the risks of material misstatements in the financial statements, whether due to fraud or error, we design and perform audit procedures responsive to those risks and obtain sufficient and appropriate audit evidence to serve as a basis for our audit opinion. The risk of not detecting material misstatements 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.
- We 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 entity's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- We conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the respective note in the financial statements. If such disclosures are not appropriate, we will modify our audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements, including the notes, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We communicate with the audit committee regarding, amongst other matters, the planned scope and timing of our audit as well as significant findings, including any significant deficiencies in internal control that we identify during our audit.
- We communicate to the audit committee that we have complied with the relevant professional requirements in respect of our independence, that we will report any relationships and other events that could reasonably affect our independence and, where appropriate, the related safeguards.
- From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit i.e. key audit matters. We describe these key audit matters in our auditor's report unless laws or other legal regulations preclude public disclosure about the matter or when in very rare cases, we determine that a matter should not be included in our audit report because the negative consequences of doing so would reasonably be expected to outweigh the public benefits of such communication.

This report is a translation of the original report in German, which is solely valid.

Report on Other Legal Requirements

Management Report

In accordance with Austrian company law, the management report is to be audited as to whether it is consistent with the financial statements and prepared in accordance with legal requirements.

Management is responsible for the preparation of the management report in accordance with Austrian company law.

We have conducted our audit in accordance with generally accepted standards on the audit of management reports.

Opinion

In our opinion, the management report is consistent with the financial statements and has been prepared in accordance with legal requirements. The disclosures pursuant to Section 243a UGB are appropriate.

Statement

Based on our knowledge gained in the course of the audit of the financial statements and our understanding of the Company and its environment, we did not note any material misstatements in the management report.

Additional Information in accordance with Article 10 AP Regulation

We were elected as auditors at the Annual General Meeting on 8 May 2023 and were appointed by the supervisory board on 23 June 2023 to audit the financial statements of Company for the financial year ending on 31 December 2023.

We have been auditors of the Company, without interruption, since the financial statements at 31 December 2023.

We declare that our opinion expressed in the "*Report on the Financial Statements*" section of our report is consistent with our additional report to the audit committee, in accordance with Article 11 AP Regulation.

We declare that we have not provided any prohibited non-audit services (Article 5 Paragraph 1 AP Regulation) and that we have ensured our independence throughout the course of the audit, from the audited Company.



FACC AG, Ried im Innkreis, Austria
Translation of the local Report on the Audit of the Financial
Statements for the year ended 31 December 2023

Engagement Partner

The engagement partner is Mr. Mag. Gerold Stelzmüller.

Linz

15 March 2024

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

signed by:
Mag. Gerold Stelzmüller
Wirtschaftsprüfer
(Austrian Chartered Accountant)

This report is a translation of the original report in German, which is solely valid.

The financial statements, together with our auditor's opinion, may only be published if the financial statements and the management report are identical with the audited version attached to this report.

Section 281 Paragraph 2 UGB (Austrian Commercial Code) applies.

FACC AG

Financial statements
and management report

as of December 31, 2023

FACC AG, Ried im Innkreis

Balance Sheet

as of 31 December 2023

Assets		
	31.12.2022	31.12.2023
	EUR'000	EUR
A. Fixed assets		
I. Intangible assets:		
1. Concessions and rights	17	10,192.40
	17	10,192.40
II. Financial assets:		
1. Investments in affiliated companies	267,823	267,822,715.00
	267,823	267,822,715.00
	267,840	267,832,907.40
B. Current assets:		
I. Accounts Receivable and other assets:		
1. Accounts Receivable from affiliated companies	25,922	26,808,325.59
<i>thereof with a remaining term of more than one year</i>	0	0
2. Other receivables and assets	9,325	9,605,522.76
<i>thereof with a remaining term of more than one year</i>	0	0
	35,247	36,413,848.35
II. Cash balances, cheques, bank deposits	430	347,819.30
	35,677	36,761,667.65
C. Deferred items	944	708,134.32
D. Deferred tax assets	31,023	40,572,165.13
TOTAL ASSETS	335,484	345,874,874.50

Liabilities		
	31.12.2022	31.12.2023
	EUR'000	EUR
A. Equity:		
I. Called, acquired and paid share capital	45,790	45,790,000.00
II. Capital reserves:		
1. Appropriated	134,215	134,215,000.00
2. Unappropriated	95,041	95,041,250.00
	229,256	229,256,250.00
III. Retained earnings (thereof profit carryforward EUR 16,714,588.02; previous year: TEUR 16,252)	16,715	20,095,948.14
	291,761	295,142,198.14
B. Provisions:		
1. Provisions for severance payments	1,241	997,880.00
2. Tax provisions	30,821	37,695,960.04
3. Other provisions	891	819,741.65
	32,953	39,513,581.69
C. Liabilities		
1. Trade payables	1,186	1,452,997.83
<i>thereof with a remaining term of up to one year</i>	<i>1,186</i>	<i>1,452,997.83</i>
<i>thereof with a remaining term of more than one year</i>	<i>0</i>	<i>0</i>
2. Liabilities towards affiliated companies	9,384	9,615,211.04
<i>thereof with a remaining term of up to one year</i>	<i>9,384</i>	<i>9,615,211.04</i>
<i>thereof with a remaining term of more than one year</i>	<i>0</i>	<i>0</i>
3. Other liabilities	200	150,885.80
<i>thereof with a remaining term of up to one year</i>	<i>200</i>	<i>150,885.80</i>
<i>thereof with a remaining term of more than one year</i>	<i>0</i>	<i>0</i>
<i>thereof taxes</i>	<i>13</i>	<i>14,262.01</i>
<i>thereof with a remaining term of up to one year</i>	<i>13</i>	<i>14,262.01</i>
<i>thereof with a remaining term of more than one year</i>	<i>0</i>	<i>0</i>
<i>thereof relating to social security</i>	<i>86</i>	<i>93,994.31</i>
<i>thereof with a remaining term of up to one year</i>	<i>86</i>	<i>93,994.31</i>
<i>thereof with a remaining term of more than one year</i>	<i>0</i>	<i>0</i>
Total liabilities	10,770	11,219,094.67
<i>thereof with a remaining term of up to one year</i>	<i>10,770</i>	<i>11,219,094.67</i>
<i>thereof with a remaining term of more than one year</i>	<i>0</i>	<i>0</i>
TOTAL LIABILITIES	335,484	345,874,874.50

Income Statement

for the Financial Year from 1 January to 31 December 2023

	2022	2023
	EUR'000	EUR
1. Sales revenue	10,305	11,583,000.00
2. Other operating income		
a) Income from the reversal of provisions	65	0
b) Other	131	158,182.25
	196	158,182.25
3. Personnel expenses		
a) Salaries	-4,338	-4,724,055.92
b) Social expenses	-1,508	-1,566,941.88
<i>thereof expenses for pensions</i>	-368	-373,450.55
<i>aa) expenses for severance payments and contributions to corporate employee pension funds</i>	-258	-217,344.85
<i>bb) expenses for statutory social security contributions as well as income-dependent levies and compulsory contributions</i>	-848	-935,993.83
	-5,847	-6,290,997.80
4. Depreciation and amortization		
a) of intangible assets and property, plant and equipment	-10	-13,434.55
	-10	-13,434.55
5. Other operating expenses		
a) Other	-4,194	-4,920,145.49
6. Subtotal of items 1 to 5 (EBIT)	451	516,604.41
7. Other interest and similar income	81	419,464.84
<i>thereof affiliated companies</i>	81	418,113.44
8. Interest and similar expenses	0	-243.95
<i>thereof affiliated companies</i>	0	0
9. Subtotal of items 7 to 8 (financial result)	81	419,220.89
10. Result before taxes	531	935,825.30
11. Taxes on income (and earnings)	-68	2,445,534.82
<i>thereof deferred taxes</i>	-69	2,494,549.28
Corporate income tax from group taxation	-6	-325,449.43
<i>thereof carried over to the group member</i>	0	276,434.97
12. Result after taxes	464	3,381,360.12
13. Profit for the year	464	3,381,360.12
14. Profit carryforward from the previous year	16,252	16,714,588.02
15. Net profit	16,715	20,095,948.14

Notes for the Financial Year from 1 January to 31 December, 2023 of FACC AG, Ried im Innkreis

1. GENERAL

These Annual Financial Statements for the financial year from 1 January to 31 December 2023 were prepared by the Management Board of the company in accordance with the provisions of the Austrian Commercial Code (UGB).

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

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

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

FACC AG is included in the scope of consolidation of AVIC Cabin Systems Co., Limited (ACS) headquartered in Hong Kong (Room 2202A, 22/F, Fairmont House, 8 Cotton Tree Drive, Admiralty, Hong Kong), company register number 1394811.

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

2. ACCOUNTING AND MEASUREMENT METHODS

The Annual Financial Statements for the financial year from 1 January to 31 December 2023 were prepared in accordance with generally accepted accounting principles and in compliance with the general standard of presenting a true and fair view of the net asset position, financial position and profit situation of the company.

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

Valuation was based on the going concern assumption.

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

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

All discernible risks and pending losses, which occurred in the financial year from 1 January to 31 December 2023 or in a previous financial year, were taken into account.

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

The previous form of presentation and the accounting and valuation methods previously applied were retained in the preparation of these annual financial statements.

Fixed assets

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

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

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

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

Receivables and other assets

Receivables and other assets are recognized at their nominal value.

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

Deferred tax assets

Deferred taxes are recognized in accordance with section 198 paragraphs 9 and 10 of the Austrian Commercial Code (UGB) in line with the asset/liability approach and without discounting on the basis of the current corporate income tax rate of 23 % (previous year: 23 %). Deferred taxes on tax loss carryforwards, if any, are recognized to the extent that sufficient deferred tax liabilities exist or if there is clear and strong evidence that sufficient taxable income will be available in the future.

Provisions

Provisions for severance payments are calculated according to actuarial principles using the "projected unit credit" method in accordance with IAS 19. The end date of the employment relationship was taken to be 65, taking into account the probability of early retirement in accordance with the age limits of section 607 paragraph 10 of the Austrian General Social Security Act (ASVG) and section 3 of Austrian Federal Constitutional Law on Age Limits (BVG), an actuarial interest rate of 3.60 % (previous year: 4.63 %) and planned salary increases of 3.50 % (previous year: 3.50 %). As in the previous year, no fluctuation discount was applied in the calculation.

Provisions for anniversary bonuses are made in accordance with IAS 19; provisions are calculated applying an interest rate of 3.10 % (previous year: 4.53 %) and a salary increase of 3.50 % per year (previous year: 3.50 %). The end date of the employment relationship was taken to be 65, taking into account the probability of early retirement in accordance with the age limits of section 607 paragraph 10 of the Austrian General Social Security Act (ASVG) and section 3 of Austrian Federal Constitutional Law on Age Limits (BVG). In addition, a fluctuation discount of 12.07 % (previous year: 11.17 %) was applied. Employee fluctuation is determined on a company-specific basis.

The provision for similar obligations relates to the collective agreement obligation to pay anniversary bonuses.

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

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

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

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

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

Liabilities

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

Application of the Minimum Taxation Act

The Minimum Taxation Act, which came into force in Austria on December 31, 2023, implements the OECD model rules and the corresponding EU Directive to ensure global minimum taxation for groups of companies ("Pillar Two") in Austrian law. The Minimum Taxation Act is applicable for financial years beginning on or after December 31, 2023. As the company belongs to the scope of consolidation of AVIC Cabin Systems Co., Limited (ACS), which ex-

ceeds the relevant revenue thresholds in accordance with the Minimum Taxation Act, the company will be subject to the corresponding statutory provisions from January 1, 2024. The new mandatory exception to the recognition of deferred tax assets and liabilities resulting from the introduction of the Minimum Taxation Act or comparable foreign tax laws, which is regulated in this context in section 198 (10) number 4 of the Austrian Commercial Code (UGB), was applied by the company. Current taxes from the implementation of Austrian or comparable foreign tax laws were not to be recognized as at December 31, 2023 due to their inapplicability. As the ultimate parent company, AVIC Cabin Systems Co, Limited (ACS) is currently evaluating the possible future effects of the Minimum Taxation Act on its Austrian subsidiaries. Based on the current state of knowledge, no significant additional tax burden is expected as a result of the Minimum Taxation Act.

3. EXPLANATORY NOTES TO THE BALANCE SHEET

Intangible and tangible fixed assets

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

Financial assets

Investments in affiliated companies

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

	Capital share %	Currency	Equity EUR	Annual net profit EUR	Balance sheet date
Affiliated companies					
FACC Operations GmbH, Ried im Innkreis	100	EUR	140,310,113.87	3,063,400.32	31.12.2023

Receivables and other assets

Receivables from affiliated companies include receivables from the provision of funds in the amount of EUR 20,300,000.00 (previous year: kEUR 5,300), from the ongoing settlement of accounts in the amount of EUR 1,383,377.22 (previous year: kEUR 15,774) and from tax allocation in the amount of EUR 5,124,948.37 (previous year: kEUR 4,849)

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

Deferred items

For the purpose of accrual accounting, deferred items in the amount of EUR 708,134.32 (previous year: kEUR 944) were recorded in the balance sheet as of the balance sheet date 31 December 2023.

Deferred tax assets

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

	31.12.2022 EUR'000	31.12.2023 EUR
Personnel provisions	929	491,852.96
Fundraising costs	0	8,109.31
Tax loss carry forwards	133,954	175,900,755.69
	134,883	176,400,717.96
Thereof deferred tax assets	31,023	40,572,165.13

The deferred tax assets developed as follows:

As of 01 January 2023	31,023,282.51
Changes recognized in profit or loss	2,494,549.28
Changes of tax loss carryforwards FACC Operations GmbH	7,054,333.34
As of 31 December 2023	40,572,165.13

In the 2023 financial year, deferred tax assets were recognized for tax loss carryforwards amounting to EUR 175,900,755.69. The recognition of deferred tax assets on tax loss carryforwards is justified as sufficiently positive results can be expected in the coming financial years.

A tax rate of 23 % (previous year: 23 %) was used to calculate deferred taxes.

Equity

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

Authorized capital

Authorized capital was approved at the Annual General Meeting on 8 May 2023. Subject to the approval of the Supervisory Board, the Management Board is authorized to increase the company's share capital by up to EUR 19,895,000.00 within five years of entering the amendment to the Articles of Association resolved on 8 May 2023 in the commercial register, if necessary in several tranches, by issuing up to 19,895,000 new no-par value bearer shares against cash or non-cash contributions, whereby the issue price and the issue conditions shall be determined in agreement with the Supervisory Board.

The statutory subscription right may be granted to shareholders such that the capital increase is underwritten by a bank or a consortium of banks, with the obligation to offer it to shareholders in accordance with their subscription right (indirect subscription right).

However, the Management Board is authorized to fully or partially exclude shareholders' subscription rights, subject to the approval of the Supervisory Board, in the event of a capital increase from the authorized capital (i) if the capital is increased against contributions in kind for the purpose of acquiring companies, parts of

companies, operations, parts of operations, stakes in companies or other assets related to an acquisition project, or (ii) to service a greenshoe option, or (iii) to settle fractional amounts.

Moreover, the Supervisory Board is authorized to resolve amendments to the Articles of Association resulting from the issue of shares from the Authorized Capital 2023.

Conditional capital

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

Provisions

The provisions can be broken down as follows:

	31.12.2022 EUR'000	31.12.2023 EUR
Provisions for severance payments	1,241	997,880.00
Tax provisions	30,821	37,695,960.04
Other provisions		
Other personnel provisions	499	593,886.20
Other	392	225,855.45
	32,953	39,513,581.69

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

Liabilities

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

The liability towards affiliated companies in the amount of EUR 9,615,211.04 exclusively comprises sales tax credits of the Group member FACC Operations GmbH, which is offset via FACC AG due to the fact that both are members of a value added tax group (previous year: kEUR 9,384).

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

	31.12.2022 EUR'000	31.12.2023 EUR
Liabilities towards the regional health care fund	86	93,994.31
	86	93,994.31

No real securities have been provided.

Contingent liabilities

	31.12.2022 EUR'000	31.12.2023 EUR
Other contingent liabilities (guarantees)	190,417	159,960,844.47
	190,417	159,960,844.47
thereof towards affiliated companies	190,417	159,960,844.47

The company has provided guarantees for a loan in the amount of EUR 159,960,844.47 (previous year kEUR 120,417) and for a promissory note loan in the amount of EUR 70,000,000.00 (previous year kEUR 70,000) of FACC Operations GmbH.

years amount to EUR 249,300.72 (previous year: kEUR 179). Of this amount, EUR 92,196.90 (previous year: kEUR 70) is attributable to the following year.

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

Total financial obligations arising from the use of property, plant and equipment not recognized in the balance sheet for the next five

4. NOTES TO THE PROFIT AND LOSS STATEMENT

Sales revenue

	2022 EUR'000	2023 EUR
Domestic revenues		
Revenues from managerial activities	10,305	11,583,000.00
	10,305	11,583,000.00

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

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

	2022 EUR'000	2023 EUR
Management	246	155,154.03
Other employees	12	62,190.82
	258	217,344.85

Expenses for pensions are made up as follows:

	2022 EUR'000	2023 EUR
Management	339	349,876.56
Other employees	29	23,573.99
	368	373,450.55

Expenses for severance payments and contributions to corporate employee pension funds include expenses for severance payments of EUR 148,036.95 (previous year: kEUR 129) and contributions to corporate employee pension funds of EUR 69,307.90 (previous year: kEUR 129).

Salary and payroll obligations include expenses of EUR 1,950.00 (previous year: kEUR -3) from the change in provisions for anniversary bonuses.

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

Other operating expenses

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

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

Taxes on income and earnings

Taxes on income and earnings increase earnings before taxes by EUR 2,445,534.82 (previous year: kEUR -68). Due to the group agreement a tax amount of EUR 276,434.97 has been charged to the Group parent in the 2023 financial year (previous year: kEUR 0). Taxes on income include income from the reversal of deferred tax assets in the amount of EUR 2,494,549.28 (previous year: kEUR -69).

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

by way of an amendment to the Group agreement dated February 28, 2017.

The tax allocation agreement is in principle based on the stand-alone method according to which a tax allocation amounting to 24 % of the positive income attributed by the Group member to the Group parent is to be made. The positive income of the Group member is to be balanced with carried forward negative income of the Group member (loss carryforward), whereby a limited loss deduction of the Group parent has to be taken into consideration. In the

event a Group member earns negative income, a negative tax allocation of 24 % is to be made to the extent that the negative income is covered by positive comprehensive income of the Group parent. An agreement on settlement payments of loss carryforwards of the Group member not yet accounted for has been made.

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

5. SUPPLEMENTARY INFORMATION

Events after the balance sheet date

After the balance sheet date of 31 December 2023, no significant reportable events impacting the net asset position, profit situation or financial position had occurred.

Appropriation of net income

It is proposed to distribute a dividend of EUR 0.00 from the balance sheet profit of EUR 20,095,948.14 and to carry forward the reaining amount to new account.

Employees

	2022 Heads	2023 Heads
White collar	41	42
	41	42

Non-financial reporting

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

Relations to related parties and persons

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

Management Board

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

Robert Machtlinger, Hohenzell
Andreas Ockel, St. Florian am Inn
Aleš Stárek, Salzburg (until December 31, 2023)
Zhen Pang, Neuhofen im Innkreis

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

The remuneration of the members of the Management Board for the period 1 January to 31 December 2023 was as follows:

	Non-success-re- lated 2023 EUR	Success-re- lated 2023 EUR	Termination benefit 2023 EUR	Employer contribution to pension fund 2023 EUR	Total 2023 EUR
Robert Machtlinger	439,770.40	0.00	25,583.13	170,000.00	635,353.53
Andreas Ockel	401,519.96	0.00	52,572.24	100,000.00	554,092.20
Aleš Stárek (until December 31, 2023)	326,520.00	0.00	139,995.78	60,000.00	526,515.78
Zhen Pang	364,583.45	0.00	45,578.14	0.00	410,161.59
	1,532,393.81	0.00	263,729.29	330,000.00	2,126,123.10

Supervisory Board

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

Jian Wang (Chairman)
Fusheng Chen (Vice Chairman) (until June 30, 2023)
Tongyu Xu (Vice Chairman) (since June 30, 2023)
Ian Chang
Weixi Gong
Jing Guo
Yu Mei (until May 31, 2023)

Junqi Sheng
Tom Williams
Jiajia Dai (since June 30, 2023)
Jürgen Fischer (employee representative)
Barbara Huber (employee representative)
Ulrike Reiter (employee representative)
Karin Klee (employee representative)

The expenses for Supervisory Board members recorded in the Financial Statements amounted to EUR 505,442.06 (previous year: kEUR 349).

Ried im Innkreis, 15 March 2024

Robert Machtlinger m.p.
Chairman of the Management Board

Andreas Ockel m.p.
Member of the Management Board

Zhen Pang m.p.
Member of the Management Board

Annexes to the Notes:

Annex 1 to the Notes: Table of Assets

Table of Fixed Assets

as of 31 December 2023

	Acquisition and production cost				
	Balance as of	Additions	Transfers	Disposals	Balance as of
	01.01.2023				31.12.2023
	EUR	EUR	EUR	EUR	EUR
I. Intangible assets:					
1. Concessions and rights	27,179.74	0.00	0.00	0.00	27,179.74
	27,179.74	0.00	0.00	0.00	27,179.74
II. Tangible assets:					
1. Other equipment, furniture and fixtures					
thereof low-value assets according to section 13 of the Austrian Income Tax Act (EStG)	0.00	6,639.61	0.00	6,639.61	0.00
	0.00	6,639.61	0.00	6,639.61	0.00
III. Financial assets:					
1. Investments in affiliated companies	267,822,715.00	0.00	0.00	0.00	267,822,715.00
	267,822,715.00	0.00	0.00	0.00	267,822,715.00
	267,849,894.74	6,639.61	0.00	6,639.61	267,849,894.74

Accumulated depreciation				Net carrying amounts	
Balance as of	Additions	Disposals	Balance as of	Carrying amount	Carrying amount
01.01.2023			31.12.2023	31.12.2023	31.12.2022
EUR	EUR	EUR	EUR	EUR	EUR
10,192.40	6,794.94	0.00	16,987.34	10,192.40	16,987.34
10,192.40	6,794.94	0.00	16,987.34	10,192.40	16,987.34
0.00	6,639.61	6,639.61	0.00	0.00	0.00
0.00	6,639.61	6,639.61	0.00	0.00	0.00
0.00	0.00	0.00	0.00	267,822,715.00	267,822,715.00
0.00	0.00	0.00	0.00	267,822,715.00	267,822,715.00
10,192.40	13,434.55	6,639.61	16,987.34	267,832,907.40	267,839,702.34

Management Report of FACC AG for the 2023 financial year

1. GLOBAL ENVIRONMENT

The world economy faced major challenges in 2023, particularly in connection with the interest rate increases in the US. There were fears that these measures could trigger a recession. However, the US economy was able to avoid a downturn and unexpectedly recorded substantial growth. The healthy budget balances and robust labor market were key factors contributing to the strength of US domestic consumption. By international standards, the US economy proved to be very robust.

In contrast, the EU economy faced a number of challenges, including high inflation rates and declining consumption expenditure. The slowdown in the Chinese economy is also affecting Europe as the EU is a major exporter to China. In addition, persistently high interest rates are slowing down growth in industrialized countries, particularly in a period during which the Russian invasion of Ukraine has kept food prices high around the world.

In conclusion, the fact that the US managed to avert a recession despite the interest rate hikes can be attributed to a robust domestic economy, strong consumer spending and healthy corporate balance sheets. In contrast, the EU experienced slower growth due to the challenges of high inflation, the energy crisis and the effects of a weaker Chinese economy.

Globally, the level of uncertainty is not decreasing in the short term. In addition to the Russian invasion of Ukraine, the recent conflict in the Middle East represents an additional factor of uncertainty when assessing geopolitical risks. Moreover, 2024 is a historic year for national elections around the world. More than 4 billion people will be casting their votes in over 70 countries, and the results of these elections could have a profound impact on geopolitical and economic developments worldwide.

A growth slowdown is expected in the US in 2024, which points to a possible cooling of the economy. Europe could see a slight recovery, particularly if inflation declines and consumer spending stabilizes. Overall, moderate economic growth is expected for 2024, driven by these various global challenges and developments.

2. INDUSTRY ENVIRONMENT

In 2023, the aerospace industry experienced a recovery in the demand for its products. The number of passenger kilometers flown on commercial domestic flights exceeded pre-pandemic levels in some markets. This increase in air traffic volumes has given rise to

greater demand for new aircraft and for products and services in the maintenance and repair market. At the beginning of the Le Bourget Air Show in June 2023, Airbus signed a contract with the Indian airline IndiGo for a record order of 500 aircraft – the largest single order in the history of aviation. What is unusual about this order is that the 500 jets are on firm order and not partly intended as a purchase option. In addition to this major order, Airbus has signed further contracts.

Airbus is by no means the only company with full order books: Boeing is also facing delivery horizons of ten years or more. At the Dubai Airshow alone, the US company was able to increase its order backlog by almost 200 orders.

IATA expects air traffic volumes to increase further, despite the currently tense global environment, and profitability in the industry to continue to improve until 2024, albeit at a slower rate than in 2023.

Higher number of aircraft delivered by Airbus and Boeing

In the course of the airlines' fleet renewal last year, Airbus reported that it received 2,319 gross orders and 2,094 net orders after cancellations. According to the company, it delivered 735 aircraft to 87 customers in 2023 (2022: 663 aircraft), bringing the order backlog to 8,598 aircraft.

Boeing has not yet fully recovered from a number of difficulties in production, including problems along its supply chain. Nevertheless, Boeing recorded an unprecedented order intake in 2023. Deducting cancellations, the company received 1,314 net new orders. Moreover, Boeing delivered 528 aircraft (2022: 480 aircraft).

Aviation and sustainability

Last year, the first passenger aircraft crossed the Atlantic without fossil fuels. For the test flight from London to New York, the aircraft was refueled with sustainable aviation fuel (SAF) made from sugar and fat.

In November 2023, the Airbus aircraft "Blue Condor" completed its first test flight powered by hydrogen. This is not yet economically feasible in practice, as the energy density of the SAF is still too low for an aircraft with passengers, luggage and cargo in the hold. Unfortunately, this cannot yet be done without generating emissions. It is estimated that aviation accounts for around three percent of global CO₂ emissions. At the same time, the aviation industry is taking a variety of measures to increase sustainability – the industry's declared goal is to achieve zero-carbon flights by

2050. Various solutions such as switching to synthetic fuels, hydrogen or batteries for smaller aircraft or drones are considered cross-sectional technologies for decarbonization.

According to the German Aviation Association (BDL), each successive generation of aircraft consumes around 20-25 percent less kerosene. This is due to more efficient engines, the use of more lightweight materials as well as aerodynamic improvements. Over the past three decades, kerosene consumption has fallen from 6.3 to approximately 3.6 liters per 100 kilometers and passenger.

3. GENERAL INFORMATION

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

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

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

In addition, the FACC Strategy 2030 was presented in the 2020 financial year. The company's core business will thus be expanded to include drones and autonomous flight mobility as well as lightweight construction systems for space travel.

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

- **Aerostructures** is responsible for the development, production, distribution and repair of structural components.
- **Engines & Nacelles** covers the production, distribution and repair of engine components.

- **Cabin Interiors** focuses on the development, production, distribution and repair of interior solutions.

The product portfolio has been expanded across all divisions to include services in the areas of maintenance, repair and servicing.

After customer contracts have been concluded and the orders processed, the individual orders are then manufactured in the Group's plants. In addition to the three operative segments, the Group also comprises the central services Strategy, Marketing & Corporate Communications, Human Resources, Innovation & Research, Purchasing, Quality, Logistics, Facility Management, Environment, Health & Safety, Finance, Controlling, Taxes, Treasury, IT, Legal, Investor Relations, Internal Auditing and Risk Management. The central services support the operating segments in the fulfillment of their tasks within the framework of a matrix organization.

4. DEVELOPMENT OF FACC AG

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

The revenues of EUR 11.6 million in the 2023 financial year (2022: EUR 10.3 million) resulted from the settlement of management services to FACC Operations GmbH.

The earnings before taxes of FACC AG amounted to EUR 0.9 million (2022 EUR 0.6 million).

FACC AG achieved a net profit of EUR 3.4 million in the financial year 2023 (2022: net profit of EUR 0.5 million). Equity changed to EUR 295.1 million in the financial year 2023, compared to EUR 291.2 million in the previous year.

As of the balance sheet date of 31 December 2023, the equity ratio of FACC AG stood at 85.3 percent (2022: 87.0 percent).

5. DEVELOPMENT OF THE FACC GROUP

	2021	2022	2023
Revenues	497.6	607.0	736.2
Of which product revenues	455.8	545.4	693.3
Of which revenues from development services	41.8	61.5	42.9
EBIT (reported)	-25.1	5.5	17.5
One-time effects	29.4	0.0	0.0
EBIT (operating)	4.3	5.5	17.5
EBIT margin (operating)	0.9%	0.9%	2.4%
Earnings per share	-0.52	-0.02	0.20

In the 2023 financial year, the FACC Group generated revenue of EUR 736.2 million, corresponding to growth of EUR 129.2 million compared to the previous year.

This increase in revenue of around 18 percent compared to the previous year is primarily due to a steady rise in customer call-offs and growing demand resulting from new projects. All three segments benefited from the overall positive market development. The platforms generating the highest sales in Aerostructures and Cabin Interiors continue to be the Airbus A320 family, the Airbus A220, and the projects for business jet manufacturers Bombardier and Embraer. In Engines & Nacelles, substantial revenue is generated with the engine manufacturers Rolls Royce and Pratt & Whitney.

Reported earnings before interest and taxes (EBIT) stood at EUR 17.5 million in the 2023 financial year (2022: EUR 5.5 million), which is in line with management's expectations. Factors such as start-up costs, unrealized learning curve effects due to new personnel in some cases and a persistently challenging situation in the supply chain continue to concern the FACC AG.

The optimization program launched at the beginning of the financial year 2020 to streamline the Group's cost structure has proven effective in previous years, and will continue to deliver the required positive effects in 2023.

Due to the very high inflationary cost increases, particularly in the HR area, these measures remain an extremely important component in securing a sustainable improvement in earnings in view of the expected future sales increases. Cost savings resulting from the new FACC Plant 6 in Croatia are beginning to take effect, whereby the plant expansion initiated in 2023 will further contribute to optimizing profitability in the Interior segment in subsequent years.

5.1. 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 37 of the Consolidated Financial Statements. FACC has thus created the essential prerequisites for sustainable and stable financing.

On 17 February 2023, FACC Operations GmbH subscribed to an extension of the syndicated loan in the amount of EUR 225.4 million with five participating banks. FACC AG and FACC Solutions Croatia d.o.o. are serving as guarantors. The syndicated loan has a term of three years plus a two-year prolongation option. The contract stipulates five facilities with various intended uses. With the exception of the framework refinancing credit of the Austrian Kontrollbank (OEKB) and equity financing, which are secured by receivables, all other facilities are unsecured. The facility of kEUR 60,000 (KRR COVID-19 framework credit of OEKB), which was additionally subscribed in the context of the corona pandemic on 26 June 2020, was repaid as of 10 March 2023. In turn, an amount of EUR 36 million was drawn from the equity financing program of OEKB, and EUR 33.5 million from Exportinvest.

The following financial covenants for the syndicated loan have been defined:

	31.12.2023	31.12.2024	31.12.2025
Net financial debt/EBITDA	≤4.50	≤4.25	≤3.75
Equity ratio	25 %	25 %	25 %

The financial covenants for the syndicated loan applicable at the end of the respective year also apply as of 30 June of the same year (e.g. a ratio of 4.25 applies on 30 June 2024 and on 31 December 2024) and are tested every six months. Creditors have a right of termination in the event that the ratios are exceeded.

For all relevant reporting dates after 31 December 2025, a net financial debt/EBITDA ratio of ≤ 3.5 as well as an equity ratio of at least 25 percent are required. The financial covenants for the syndicated loan were complied with both in the previous year and as of 31 December 2023.

All other material provisions of the original syndicated loan agreement and the subsequent amendment agreements were largely carried over to the extension of the syndicated loan.

On 31 July 2019, promissory note loans in a total amount of EUR 70.0 million were issued. The individual tranches have 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 financial debt/EBITDA exceeds a value of 3.75. This interest rate increase clause has been applied since the 2020 financial year and will no longer apply from the 2024 financial year. The ratio is tested annually.

Promissory note loans in the amount of EUR 24.5 million will expire in July 2024. FACC entered into talks on refinancing this amount in the course of the 2023 financial year.

5.1.1. Liquidity analysis

	2021 in EUR million	2022 in EUR million	2023 in EUR million
Cash flow from operating activities	82.3	5.5	36.6
Cash flow from investing activities	-11.7	-8.6	-19.4
Free cash flow	70.6	-3.1	17.2
Cash flow from financing activities	-45.2	-13.4	-12.3
Net change in cash and cash equivalents	25.3	-16.5	4.9
Effects from foreign exchange rates on Cash	-2.9	4.2	-9.0
Cash and cash equivalents at the beginning of the period	92.5	115.0	102.7
Cash and cash equivalents at the end of the period	115.0	102.7	98.6

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 36.6 million, the cash flow from operating activities in the reporting year 2023 was EUR 31.1 million higher than the previous year's figure of EUR 5.5 million. This change is mainly due to the increase in EBIT and the improvement in working capital for receivables and liabilities. This is offset by an increase in inventories due to the significantly higher operating performance compared to the previous year.

Cash flow from investing activities

In the reporting year 2023, cash flow from investing activities amounted to EUR -19.4 million, compared to EUR -8.6 million in the previous year. This increase was driven in particular by payments for the plant expansion in Croatia.

Cash flow from financing activities

In the year under review, cash flow from financing activities amounted to EUR -12.3 million (2022: EUR -13.4 million). In the 2023 financial year, FACC Operations GmbH undersigned an extension of the syndicated loan of EUR 225.4 million with five participating banks.

5.1.2. Net debt

	2021	2022	2023
Promissory note loans	70.0	70.0	70.0
Lease liabilities	79.6	72.7	72.1
Other financial liabilities	143.2	148.6	165.8
Gross financial liabilities	292.8	291.3	307.9
Less			
Cash and cash equivalents	115	102.7	98.6
Net debt	177.8	188.6	209.3

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

	31.12.2021 in EUR million	31.12.2022 in EUR million	31.12.2023 in EUR million
Earnings before interest and taxes (EBIT)	-25.1	5.5	17.5
Plus/minus			
Depreciation, amortization and impairment	22.8	22.8	23.1
Amortization contract costs	13.9 ¹⁾	16.1 ²⁾	16.0
Impairment contract costs	0.0	0.0	0.0
Negative effects from the London arbitration court ruling	25.5	0.0	0.0
EBITDA (adjusted)	37.1	44.4	56.6
Net debt/EBITDA (adjusted)	4.79	4.25	3.68

¹⁾ 31.12.2021: Amortization of contract performance costs of EUR 21.9 million minus one-off payments of EUR 8.1 million in December 2021

²⁾ 31.12.2022: Amortization of contract performance costs of EUR 26.1 million minus one-off payments of EUR 10.0 million in December 2022

5.2. Asset position

	31.12.2021 in EUR million	31.12.2022 in EUR million	31.12.2023 in EUR million
Non-current assets	323.7	298.9	319.2
Current assets	320.8	355.1	387.3
Assets	644.5	654.0	706.5
Equity	206.0	203.5	220.6
Non-current liabilities	172.6	159.1	182.8
Current liabilities	265.9	291.4	303.1
Debt	438.5	450.5	485.9
Equity and liabilities	644.5	654.0	706.5
Equity ratio	32.0%	31.1%	31.0%

5.2.1. Assets

Compared to the previous year, the non-current assets of the FACC Group increased by EUR 20.3 million to EUR 319.2 million as of the balance sheet date 31 December 2023.

Current assets increased by EUR 32.2 million over the same period, while cash and cash equivalents decreased by EUR 4.1 million to EUR 98.6 million. Inventories grew from EUR 116.3 million at the end of the 2022 financial year to EUR 158.6 million as of 31 December 2023. Trade receivables increased by EUR 12.9 million to EUR 74 million.

5.2.2. Equity

Equity of the FACC Group stood at EUR 220.6 million at the end of the reporting year. This corresponds to an equity ratio of 31.0 percent as of 31 December 2023 (2022: 31.1 percent).

5.2.3. Debt

Within non-current liabilities, other financial liabilities increased from EUR 5.0 million in the 2022 financial year to EUR 50.0 million in the 2023 financial year.

Within current liabilities, trade payables increased by EUR 27.7 million to EUR 94.4 million compared to the previous year.

Overall, other financial liabilities were subject to only minor fluctuations in the 2023 financial year. Other non-current financial liabilities increased due to the new OEKB equity financing and Export-invest programs launched in the 2023 financial year, while other current financial liabilities decreased due to the repayment of the KRR COVID-19 framework credit of OEKB.

6. DEVELOPMENT OF THE SEGMENTS

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

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

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

6.1. Aerostructures segment

	2021 in EUR million	2022 in EUR million	2023 in EUR million
Revenues	167.5	235.1	272.4
EBIT (reported)	-28.5	3.9	12.9
EBIT margin (reported)	-17.0%	1.7%	4.7%
One-time effects	27.8	0.0	0.0
EBIT (before one-time effects)	-0.8	3.9	12.9
EBIT margin (before one-time effects)	-0.4%	1.7%	4.7%

Revenue in the Aerostructures segment amounted to EUR 272.4 million in the 2023 financial year (2022: EUR 235.1 million). In terms of revenue distribution at the group level, this segment is the second largest after Cabin Interiors, accounting for around 37 percent of total revenue. Besides the Airbus A320 family, the Airbus A220 platform is developing particularly well. Thanks to increasing customer call-offs, this platform has established itself as the second-strongest revenue driver in the Aerostructures division. Deliveries of the Airbus A350 platform and business jet products also increased.

6.2. Engines & Nacelles segment

	2021 in EUR million	2022 in EUR million	2023 in EUR million
Revenues	103.7	97.3	129.7
EBIT (reported)	8.7	0.5	13.5
EBIT margin (reported)	8.4%	0.5%	10.4%
One-time effects	0.9	0.0	0.0
EBIT (before one-time effects)	9.6	0.5	13.5
EBIT margin (before one-time effects)	9.3%	0.5%	10.4%

Revenue in the Engines & Nacelles segment in the 2023 financial year amounted to EUR 129.7 million (2022: EUR 97.3 million). The engine manufacturers Rolls Royce and Pratt & Whitney remain the largest customers in this segment in terms of their revenue share. However, the growth in revenue in the 2023 financial year is due in particular to the increasing construction rates of the Boeing 787 and Airbus A350 programs.

6.3. Cabin Interiors segment

	2021 in EUR million	2022 in EUR million	2023 in EUR million
Revenues	226.4	274.6	334.1
EBIT (reported)	-5.2	1.0	-8.9
EBIT margin (reported)	-2.3%	0.4%	-2.7%
One-time effects	0.7	0.0	0.0
EBIT (before one-time effects)	-4.5	1.0	-8.9
EBIT margin (before one-time effects)	-2.0%	0.4%	-2.7%

With a share in total revenue of approximately 45 percent, the Cabin Interiors division is the top-selling segment. In the 2023 financial year, revenue in this segment amounted to EUR 334.1 million (2022: EUR 274.6 million). This also reflects the general level of demand on the market. In addition to the Airbus A320 family, primarily projects for business jet platforms contributed to revenue growth in the Cabin Interiors segment. Sales of the large Airbus A350 platform remain lower. The Chinese Comac C919 and ARJ21 platforms recorded increasing rates in the Aerostructures and cabin components segments.

7. RISK REPORT

In the course of its business activities, the FACC Group is exposed to a number of risks that are inseparably linked to its business operations. Identifying, evaluating and actively managing these risks at an early stage are key elements of its corporate strategy. The corporate risk strategy and hedging measures are implemented centrally for the entire Group, whereby the respective risk owners bear direct responsibility for the individual risks. The Vice President Controlling, Investor Relations and Enterprise Risk Management is responsible for the risk management system, the aggregation of corporate risks and the effectiveness of the internal control system, and reports directly to the Management Board, which assumes overall responsibility for these areas.

The operative units continuously monitor and evaluate current and potential future risks. Appropriate risk mitigation measures are developed and implemented to ensure effective risk management in line with the company's objectives. The monitoring and evaluation results are summarized every six months in the Management Reviews and presented to the Management Board. In addition, a detailed review of the top 15 risks is undertaken each quarter. In case of extraordinary events, a report is submitted immediately to the Vice President Controlling, Investor Relations and Enterprise Risk Management, who assesses the degree of urgency and decides whether an immediate report to the Management Board is required. The Management Board regularly informs the Supervisory Board of significant developments.

Following a phase of intensification in recent years, a clear picture of the largest risks in the aviation supply industry has emerged. Against this backdrop, the Management Board considers these risks to be manageable and does not consider them to pose an immediate existential threat to the company.

The following key risk areas have been identified:

7.1. Management risks

Based on market observations and analyses, as well as general and customer-specific forecasts, a business plan with a planning period of five years is drawn up. This plan supplements the "FACC 2030" strategy with economic aspects. The annual update results in specific targets for the respective financial year, which are subsequently agreed with the Supervisory Board and the Audit Committee.

Unforeseeable external market changes or shocks represent the greatest risk. Such shocks can include geopolitical tensions, natural disasters, pandemics or regulatory changes, as well as disruptive technological developments or changes in customer preferences. What they all have in common is that such external factors can only be predicted to a very limited extent, are difficult to control and can have a negative impact on successful strategy implementation. In order to counter these uncertainties, FACC relies on a resilient approach to be able to react flexibly to such market changes and unforeseen events.

It is the responsibility of FACC's management to ensure compliance with strategic and operational targets and to react to market changes in a timely manner and in line with the defined corporate strategy. This ensures that both the strategic orientation and the

planned sales and earnings targets are taken into account in order to promote the sustainable development of the company.

7.2. Sales risks

The FACC Group operates in a global and highly competitive environment. The cyclical nature of FACC's business activities is dependent on the profit situation of commercial airlines and their orders for aircraft placed with manufacturers. This dependency reflects the industry's sensitivity to global economic developments and geopolitical conditions.

A specific risk to which FACC is exposed arises from changes to aircraft delivery schedules of manufacturers, which may have an impact on sales expectations. Changes in the planned delivery volumes of aircraft result in adjustments to orders placed for components produced by FACC. These risks can take the form of a possible reduction or postponement of aircraft deliveries, which may in turn delay the amortization of development costs.

FACC relies on a strategy of diversification to address this risk. By expanding its product portfolio and broadening its geographical market presence, the company is able to spread this risk and create the basis for sustainable growth. Contracts in the area of Advanced Air Mobility (AAM) complement existing supply agreements with leading manufacturers of commercial aircraft and business jets. In addition, initiatives in the aerospace sector strengthen the company's market position and contribute to securing its long-term success.

Through supply relationships in key markets such as America, Europe and Asia, the FACC Group is further strengthening its geographical diversification. Moreover, its standing as a development partner for the optimization of existing aircraft types creates additional opportunities. This strategy enables the company to acquire retrofitting orders for existing fleets and helps to reduce its reliance on new orders.

7.3. Procurement and supplier risks

FACC carries out systematic risk assessments of its supply chains in the area of procurement in order to proactively identify, evaluate and manage risks. Increasing supply bottlenecks and delays, which can lead to a ripple effect, represent a significant risk. The ripple effect describes a chain reaction in which initial disruptions in the supply chain spread in waves and have far-reaching effects on downstream production and delivery processes. This dynamic can extend throughput times, increase costs and thus possibly impair FACC's delivery reliability due to the resulting short-term production stoppages ("stop & go" production).

In order to minimise risks and ensure delivery quality and reliability, FACC regularly conducts supplier selection analyses and corresponding supplier audits. The Procurement Quality Assurance (PQA) department verifies compliance with all required qualifications and certifications. In addition, a mandatory initial sample inspection is carried out at the start of the project and in the event of significant changes in order to recognise product risks at an early stage. Delivery quality and delivery reliability are continuously assessed via SAP, whereby deviations from quality and delivery standards are systematically recorded, analysed and evaluated. Any deviations identified are reported to the Executive Board as part of the management reviews.

7.4. Business interruption risks

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.

7.5. 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 systematically identified, evaluated and monitored on an ongoing basis. This allows countermeasures to be taken in good time if necessary. Major risks include external factors, which the project team may encounter internally via the company's interfaces or externally via third parties, and which may affect project implementation in the form of additional costs or delays.

7.6. 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. FACC 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 therefore 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. These risks can, however, be effectively minimized through systematic quality management methods. Regular controls at all stages of development as well as targeted fault probability analyses and influence analyses help to identify and reduce risks at an early stage. Moreover, FACC operates an archive system for quality records, which are either contractually stipulated or go beyond contractual obligations in individual cases. This is to demonstrate that services were rendered and products manufactured according to specifications defined and approved by both customers and the aviation authorities.

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

7.7. Financial risks

In The operating business of FACC AG is exposed to various financial risks, including currency, interest rate, liquidity and credit risks. The Group's risk management therefore focuses, among other things, on monitoring the volatility of the financial markets and taking measures to minimise potential negative effects on the company's financial stability. Responsibility for identifying, assessing and hedging these risks lies with the Accounting & Treasury department, which works closely with the Group's operating units. Further detailed information on these financial risks and the

corresponding risk management strategies can be found in Note 45 of the notes to the consolidated financial statements.

7.8. Risks related to administrative and production systems

Within the scope of its business processes, FACC is also exposed to IT and system risks which, in extreme cases, can lead to the impairment of administrative and production facilities. Risk factors falling under this category include, for instance, standard cyber-crime risks (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 its fraud prevention, FACC relies on the continuous training of its employees working in sensitive areas as well as on information campaigns within the company. Physical plant security is ensured by measures such as access controls.

7.9. Risks related to information security

The threat level in the area of information security is continuously rising. With increasing digitalization and the growing number of employees working from home, FACC's vulnerability to cyberattacks is also growing. Incidents resulting in the loss, corruption or encryption of critical and sensitive data carry the risk of reputational damage and financial losses. In order to effectively counter these threats, FACC relies on preventive measures such as awareness raising and regular staff training as well as technical security precautions to minimize the risk of cyberattacks.

7.10. Risks related to intellectual property

Safeguarding intellectual property resulting from its research and development activities is a key success factor for securing FACC's competitiveness in the long run. Protecting intellectual property against misuse and theft is therefore a key concern of the company. To this end, FACC makes use of instruments such as confidentiality agreements and patents. However, patent disputes cannot be completely ruled out.

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

7.11. Risks resulting from legal disputes

FACC is occasionally involved in various civil lawsuits which may result from its regular business activities. For some of these proceedings, provisions are created to cover potential liabilities, in line with the assessment of qualified legal advisors. No provisions are created for cases where a negative outcome of proceedings is highly unlikely, or where the outcome can currently not be quantified. In addition, negative developments in legal proceedings may, under certain circumstances, damage the reputation of FACC. For this reason, FACC is pursuing proactive communication strategies and risk management measures to counteract this.

8. RESEARCH, DEVELOPMENT AND INNOVATION

FACC continuously invests in research and development in order to succeed on the market with innovative applications and processes, to continuously improve solutions to customers' problems, and to access new business areas. 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. A research project launched jointly with Airbus under the "Horizon Europe EU Program" deserves special mention in this regard.

In the 2023 financial year, FACC spent EUR 69.5 million, or just under 9 percent of its revenue, on company and customer-specific research and development services. These activities were supported by grants totaling EUR 22.2 million.

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 to distinguish itself from its competitors on the market. FACC is working intensively on the efficient production of fiber composite components and their carbon impact in order to support the achievement of the stipulated climate targets. The core objective of FACC's Research and Innovation department is to explore new manufacturing technologies that allow for high-rate and climate-friendly production of lightweight components.

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

- thermoset manufacturing processes that are suitable for high-rate production
- thermoplastic materials and manufacturing processes
- recyclable materials and materials made from renewable resources
- affordable lightweight construction as a key technology
- Advanced Air Mobility (AAM) and space

Patents and awards

FACC filed 4 patent applications and received a patent grant for 40 patents in 2023. As of the end of December 2023, FACC thus holds 485 valid patents.

In 2023, FACC received the Best Practice Supplier Award from Rolls-Royce and the Excellence Silver Award from COMAC. The Cybersecurity Award conferred by Austria's Leading Companies is confirmation of the high security standards introduced in the area of IT & Security. FACC's standing as one of Austria's leading enterprises was underscored by being honored as the company with the strongest image in the supplier industry category by *Industriemagazin*, and as Austria's most innovative company in the aerospace industry category by the Institute for Management and Eco-

nomic Research. Furthermore, FACC received the Digital Communication Award in the B2B Communication category in recognition of its corporate communications.

Thermoset manufacturing processes suitable for high-rate production

In 2023, FACC made further improvements to fiber-reinforced thermoset materials and processes, the backbone of composite production, with regard to their suitability for high-rate production, capacity optimization and the reduction of working time. The company was able to identify an epoxy resin prepreg system that is suitable for use in cabins as it is fire-resistant, and that enables a substantial improvement in surface quality. In addition, significant progress was made in the area of fast-curing structural prepreps, with plans to use these materials as part of a customer project.

Thermoplastic materials and manufacturing processes

In 2023, FACC continued the development path embarked on in previous years with respect to fiber-reinforced thermoplastic components. Thermoplastic components are considered promising technologies that enable a cost-effective combination of high-rate production, low weight and a circular economy. The efforts of recent years are beginning to bear fruit in the shape of inquiries relating to production orders, in which this technology is used, in the Engines and Cabin Interiors segments. In mid-2023, a further key element of the automatable process chain was established at the site in St Martin in the form of a pick-and-place system for laminate blanks. Together with the high-temperature consolidation and forming press established in previous years, the primary production steps can thus be performed directly at FACC.

Recyclable materials and materials made from renewable resources

A circular economy and achieving the EU climate targets are challenges that can be supported by an intelligent choice of materials and manufacturing processes. FACC is working on material systems based on renewable resources and on fast-curing material systems to reduce process times and energy consumption in manufacturing. In order to evaluate the stipulated reduction in carbon emissions, FACC is a member of the Airbus LCA Supplier Council, and is also collecting data for the subsequent life cycle assessment (LCA).

Affordable lightweight construction as a key technology

Creating components with the lowest possible weight is considered a key technology for FACC's business. Reduced weight translates into less energy required to move the product, which directly benefits operating emissions. Moreover, to be viable as a product, lower weight is imperative for the eVTOL and space markets.

Research and innovation activities in this area are therefore focusing intensively on how FACC solutions can be made even lighter without undermining their competitiveness and rate capability.

Advanced Air Mobility and space

Advanced Air Mobility (AAM) provides an opportunity for industry-specific product diversification. FACC views the application of aerospace know-how and the relevant production standards, also in

this growth market, as an opportunity and a mission. This strategy was also successfully continued in the 2023 financial year. In addition to the three AAM customers established in 2022, two further customers were acquired in 2023. Some of the technological achievements of these projects have since provided innovative impetus for FACC's primary business, traditional aviation.

In the space segment, FACC had to pause the Ariane kick stage project in 2023 as the customer had reported difficulties with the propulsion systems. The company has announced that it will resume activities in mid-2024.

9. EMPLOYEES

As of 31 December 2023, the total headcount of the FACC Group amounted to 3,456 full-time equivalents (FTE; previous year: 2,919 FTE). As of 31 December 2023, FACC AG employed 44 full-time equivalents (FTE; previous year: 42 FTE).

In Austria, 2,851 FTEs were employed as of 31 December 2023 (FTE; previous year: 2,443). This corresponds to approximately 82.5 percent of the Group's total workforce (previous year: 83.7 percent).

	Blue-collar	White-collar	Total
Central Services	286	450	736
Aerostructures	662	176	838
Engines & Nacelles	289	114	403
Cabin Interiors	605	159	764
Subsidiaries	345	326	671
FACC AG	0	44	44
Total	2 187	1 269	3 456

The international nature of FACC is also reflected in its personnel structure. Employees from 50 countries and from all continents are currently working at the Austrian locations. 48 percent of the workforce have Austrian citizenship, and 14 percent are German nationals. For a technology company, FACC's share of women in the total workforce remains high at 32 percent. The fact that 43 percent of FACC's apprentices are women is also particularly pleasing.

9.1. Motivation and health: FACC as a pioneer of employee satisfaction

A motivated and committed workforce is essential in challenging times, particularly during labor shortages. FACC recognized this early on, and offers a wide range of measures under its new LIFE Program introduced in 2023. The LIFE Program comprises 5 pillars: Vital LIFE, Career LIFE, Green LIFE, Family LIFE and Social LIFE. Each pillar offers a variety of benefits relating to various topics and campaigns to maintain and promote employee health, motivation and satisfaction:

Vital LIFE

A wide range of activities are on offer to promote both physical and mental health. Employee benefits include vaccination campaigns against TBE and influenza, preventive health checks as part of annual blood donor campaigns, and fitness videos that can be accessed online at any time.

Career LIFE

Career LIFE focuses on employee development. The expert career program, for instance, offers further development opportunities for experts beyond the traditional management career path. This gives experts visibility within the company and ensures that their achievements are recognized.

Green LIFE

Green LIFE is centered around the topic of sustainability. In addition to electric company cars for carpooling and a second-hand sales platform, employees can lease bicycles or electric bikes and thus benefit from tax advantages.

The company bike campaign was rolled out in spring 2022. With this initiative, FACC wishes to encourage its employees to integrate more regular physical exercise into their everyday working lives. Since June 2022, FACC has been offering its employees the opportunity to lease a bicycle or electric bike. Employees can select a model of their choice from a bike dealer and choose between several leasing and insurance options. One particular advantage is that the lease payments are deducted from their payroll tax by FACC's personnel accounting department.

FACC not only relies on sustainable technologies and mobility concepts in aviation, but also when it comes to the daily commute of the FACC crew, and has started to establish its own company fleet of electric vehicles for journeys to and from work. Employees can use these vehicles by forming permanent car pools and thus not only save costs, but also help the environment.

In 2023, 17 VW ID.4s were made available to FACC carpool, meaning that around 70 employees are currently benefiting from this initiative. The interest in our electric fleet is steadily growing, and we already have several new carpool on the waiting list.

Our goal is to ensure that as many employees as possible benefit from our successful initiative. This is why we will be introducing electric buses in addition to electric cars in 2024.

We introduced the Twogo carpooling app to help colleagues set up a carpool or look for occasional rideshares. The app is available to all employees, free of charge, in 25 languages.

Family LIFE

When it comes to flexibility, FACC wishes to make it easier for its workforce to strike the right balance between their professional and family lives. The FACC Kids Clubs offer childcare throughout the year and during the summer vacation. In order to make high-quality childcare available to even more members of staff, FACC also operates a Kids Club in Ried i. I. in addition to St. Martin i. I. Furthermore, FACC offers the greatest possible flexibility to optimally reconcile personal and professional needs, including part-time parental leave, care leave, a one-month parental leave for fathers, and a day off on your birthday.

Diverse working time models are also becoming increasingly important in this regard. In this area too, FACC recognized very early on that highly flexible models are attractive for the workforce and potential new crew members. Therefore, in addition to a highly adaptable flexitime system for salaried employees and the integration of bridge days, FACC offers up to 10 flexitime days, or even up to 15 flexitime Fridays. Moreover, FACC has a particularly flexible home office policy: working from home is solely a matter of agreement between the employee and their manager, and is not otherwise subject to any limitations. In the financial year 2023, FACC employees worked a total of 28,893 days from home. In addition, FACC offers a variety of part-time working models, which are particularly popular with employees who have children to take care of, or for professional development purposes.

Social LIFE

To be among the best, you need commitment, team spirit and a passion for innovation. FACC not only wants to achieve but also celebrate its success together with its employees. In addition to the Leonardo Team Award, which is presented annually to recognize special team achievements, there are various employee events such as a Christmas party and a family celebration, as well as break time areas and canteens.

9.2. Personnel development and promotion

Academy

Continuous investment in the human capital of its entire workforce is a key factor contributing to the corporate success of FACC. The Group is committed to lifelong learning and, for this purpose, offers its employees a wide range of extra-occupational education and further training opportunities. The FACC Academy, which serves as the central hub for all training activities, organized 544 internal training sessions with a total of 5,307 participants in the 2023 financial year. In addition, 36 external training sessions attended by 380 employees as well as more than 50 different language courses were held.

In order to make responsible use of its employees' time resources, FACC has been offering selected training courses via e-learning for a long time. E-learning content is also created by internal developers, thus specifically tailoring the offering to the requirements of the workforce and the company. In addition to the existing e-learning courses, the offering was further expanded in 2023 to include courses such as "Competence Assessment Part 145", "Cyber Security Awareness Training" and "Environmental Compliance Refresher". 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 is continuously updating its training matrix for both its Austrian and international locations. The so-called "LSO Learner"/"Manager Self Service" in SAP provides each manager and crew member 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.

Development paths

Ensuring that the know-how and talents of each crew member can be contributed and applied as effectively as possible is important for the personal and professional development of employees as well as the success of the company. The various qualifications and strengths of employees are bundled in three development paths:

Management career:

Key criteria are leadership skills, proactive strategic thinking, a broad scope of action, and impact on the operational success of the company.

Expert career:

Employees in this area are characterized by a high level of expertise, specialist knowledge, experience, independence and responsibility in their respective field.

Project career:

Here, the significance and scope of the project as well as the role assumed within the project are equally as important as organizational talent and flexibility.

The implementation of the development paths and the allocation of employees to the individual levels was started in mid-2022 and largely completed throughout the company in 2023. Due to the annual review meetings, this is an ongoing process.

Employer branding

In the area of employer branding, last year's focus was on further expanding the employer brand. New projects in the fields of Advanced Air Mobility and space call for new talents, which FACC seeks to attract with a variety of short and long-term measures.

The main focus was on approaching and recruiting employees in production. Various recruiting platforms were used, and cooperation with external partners was intensified.

In the area of social media, video campaigns on various platforms such as TikTok proved to be a success.

In March, the "Long Night of Apprenticeship Training" and an open house event were held, at which around 400 visitors were able to gain insights into the world of FACC during guided tours of a production plant, thereby strengthening FACC's presence as a local employer.

With the FACC Future Crew (apprentices), FACC is placing a long-term focus on young talents. In order to succeed in this highly competitive market, new incentives were introduced for apprentices, including seven weeks of vacation, free lunches, and bonuses for successfully completing their vocational schooling.

The master's program for students once again proved to be a success. With highly flexible working hours, it offers master's students the opportunity to gain practical experience in the aerospace industry and build a close relationship with FACC.

Collaborating with schools was one of the main employer branding objectives of the past year. FACC was able to further expand its cooperation with schools and offer sponsorship to two new school classes. In addition, an exciting new school project was launched: the FACC HELD drone. As part of this project, students from the higher technical colleges HTL Ried, HTL Andorf, HTL Braunau and HTL Vöcklabruck were invited to develop and produce a parcel drone. Students from different schools work together as a team, with each school focusing on a specific area. The project includes two internships for students and the opportunity to write a thesis. The test flight of the drone is scheduled to take place in spring 2026. The HELD drone project is a good opportunity for FACC to strengthen its visibility in schools.

9.3. Global family

As an international corporation with employees from 50 countries, FACC attaches great importance to cross-cultural dialogue. In order to ensure good cooperation between staff, a large number of our employees attend language and intercultural training courses.

In the future, we will be organizing "International Cafés" at regular intervals to give our international members of staff the opportunity to exchange ideas with other colleagues at FACC, and to benefit from their experiences, challenges and practical advice for everyday life in Austria. In addition, individually tailored information and solutions for all aspects of everyday life will be provided through our cooperation with the "Initiative Lebensraum Innviertel" association. The focus of each event will be based on the needs and wishes of our international workforce.

Corporate formats such as the quarterly "Flight Club" were held on the company premises. We continued our numerous collaborations with authorities, foundations, schools and research-related institutions in order to bring the right employees and the right know-how on board quickly.

9.4. In-house development of young talents

FACC also gives high priority to the training of its apprentices. At the end of the 2023 financial year, a total of 39 apprentices were enrolled in 8 different apprentice training programs at FACC. As a visible recognition of the quality of its apprentice training, the company was awarded the "State-Honored Training Company" prize by the Federal Ministry of Education, Science and Research.

FACC offers aspiring young apprentices highly specialized training programs in design engineering, metal working technology with milling, cutting and machining techniques as a main module, plastics process engineering, plastics technology, process engineering, information technology, and application development – coding and purchasing. At FACC, apprentices have access to the latest technologies and equipment in the company as soon as they start their training. This gives them the opportunity to apply their innovative spirit and commitment to develop into the experts of the future.

9.5. FACC grant

The FACC grant with a total value of approximately EUR 100,000 was awarded for the first time in the 2019 financial year in the study course "Lightweight Design and Composite Materials" at the University of Applied Sciences in Wels. In 2022, four new students

were admitted to this study program. Students receive monthly financial support. 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. Three new scholarships were awarded last year as part of the FACC grant program. In total, FACC is now offering scholarships to seven students enrolled in the "Lightweight Design and Composite Materials" course at the University of Applied Sciences Wels.

9.6. Diversity

The key importance of diversity and internationality as corporate success factors is indisputable. The diverse workforce comprising 50 nationalities brings with it a wealth of different perspectives and requirements, which FACC is aware of.

Focusing on the various aspects of life-stage-oriented work not only fosters a diverse workforce, but also opens up opportunities for growth in times of a skilled labor shortage.

Job sharing

The number of different working time models at FACC has tripled in the last two years. The emphasis is on offering employees flexibility and new approaches that also enable part-time staff to take on management positions. Job sharing offers highly flexible working time arrangements, e.g. for lateral or career changers, staff returning from parental leave or those in further training and education. It also caters to older employees, staff leaving the company and those who wish to keep their knowledge and experience within the company through innovative offers and working models.

Promotion of women

The "HTLerinnen" mentoring program is directed at female students in the 11th grade of higher technical colleges (HTL). FACC has been involved in this program since last year, and is providing four female students from the higher technical colleges in Andorf, Braunau and Wels with an internal FACC mentor who is available to the young women as a sparring partner. In addition, FACC offers the participants summer internships and the opportunity to write a thesis.

Wings for Women

The FACC Wings for Women network got off to a great start last September with a kick-off event attended by around 130 people. The aim of the Wings for Women network is to promote equal opportunities, female empowerment and to increase the proportion of women in management positions. Four network events are offered each year, providing targeted impetus for the advancement of women through expert input, workshops and networking opportunities.

These measures not only contribute to the development of a diverse and inclusive corporate culture, but also sustainably strengthen the company's innovative power and success on a global level.

10. SUSTAINABILITY MANAGEMENT

The Sustainability Report of the FACC Group is prepared in accordance with the GRI (Global Reporting Initiative) standards and the requirements of the Austrian Sustainability and Diversity Improvement Act (NaDiVeG) and reported as a non-financial section in accordance with Section 267a of the Austrian Commercial Code (UGB). It is not yet part of the management report for the 2023 financial year.

11. REPORT ON BRANCH OFFICES

FACC AG does not operate any branch offices.

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

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

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

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

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

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

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

In the course of monthly reporting to the Management Board and second-level management, especially comparisons between actual and budgeted figures are made. During its quarterly meetings, the

Supervisory Board of FACC AG is informed about current business performance and forecasts regarding the Group's further course of business. In its meetings, the Audit Committee of the Supervisory Board dealt, amongst others, with topics such as the internal control system, risk management and measures to mitigate internal control risks.

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

12.2. 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 2023 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 2023, AVIC Cabin Systems Co. Limited (formerly FACC International Company Limited) held, either directly or indirectly, 55.5 percent of the shares of FACC.

As of the balance sheet date of 31 December 2023, no other shareholders were known to hold more than 10 percent of the share capital.

The free float of FACC shares amounted to 44.5 percent, or 20,397,364 shares, on 31 December 2023.

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.

12.3. Authorized capital

At the 9th Annual General Meeting on 8 May 2023, a resolution was passed to revoke the authorization granted to the Management Board at the 5th Annual General Meeting on 9 July 2019 to increase the company's share capital by up to EUR 9,000,000.00 against cash or non-cash contributions, in several tranches if necessary, within five years of entering the relevant amendment to the Articles of Association in the commercial register. At the same time, the Management Board was authorized, with the approval of the Supervisory Board, to increase the company's share capital by up to EUR 19,895,000.00 by issuing up to 19,895,000 new no-par value bearer shares against cash or non-cash contributions, if necessary in several tranches, within five years of the entry of the amendment to the Articles of Association resolved on 8 May 2023 in the commercial register. The new shares may be issued under exclusion of shareholders' subscription rights.

12.4. Conditional capital

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

12.5. Provisions for the appointment of the Management Board and Supervisory Board

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

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

12.6. Other disclosures

As of 31 December 2023, FACC AG held no treasury shares.

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

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

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

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

13. OUTLOOK

13.1. The civil aviation market

Development of air traffic volumes

In 2023, the aviation industry continued to see a further recovery in demand for aircraft. According to the International Air Transport Association (IATA), global revenue passenger kilometers increased by 42 % compared to the previous year. This positive development marks a significant step towards full recovery, with a return to 89 % of pre-crisis volumes in spite of various challenges faced by airlines, including labor shortages, supply chain constraints, high inflation and geopolitical tensions.

Some route sections lagged behind their 2019 levels in 2023. These include international flights to and from Asia, which nevertheless recorded the highest annual growth compared to 2022, displaying significant momentum in the region since the reopening of key borders. In contrast, route markets between the Middle East and North America outperformed their 2019 levels.

Given the current global environment, IATA forecasts further growth in air traffic and a continued increase in industry profitability until 2024, albeit at a slower pace than in 2023.

Demand for aircraft

Despite the challenging economic conditions marked by high inflation in the past year in particular, the aircraft industry is continuing its growth trend supported by an increase in flight volumes, particularly measured in passenger kilometers. This positive development reflects the airlines' existing demand for new and more efficient aircraft, which in part exceeds the industry's currently available production capacities.

In the past year, Airbus recorded an impressive order intake with a total of 2,319 gross orders and 2,094 net orders for aircraft. More than half of the aircraft ordered, i.e. 1,835 aircraft, are part of the A320 family. This underlines the lasting appeal of this aircraft series for airlines worldwide.

Airbus' order figures are reflective of the industry's long-term forecasts. Boeing estimates demand at a total of 42,595 new aircraft by 2042, while Airbus anticipates demand of 40,850. However, it should be noted that Airbus does not include aircraft with a seating capacity of less than 100 passengers (regional jets) in its forecasts, while Boeing does. These figures illustrate the manufacturers' long-term confidence in the demand for aircraft and the need to adjust production accordingly.

Despite these positive signals, the industry continues to face challenges such as the further stabilization of supply chains or the recruitment of qualified personnel.

The FACC Group

Key projects in the financial year 2024

Increasing its profitability remains FACC's primary goal, with the company also aiming for sustainable growth in 2024. For the coming year, management has set itself the following priorities:

- profitable growth in all segments of FACC
- gradually increasing the cash flow and EBIT margin
- further reducing net debt
- ensuring further technological advancements

Europe, and Central Europe in particular, is facing numerous challenges as a business location. Inflation in the Western markets remains high, calling for consistent cost management accompanied by continuous measures to increase efficiency. FACC is systematically countering cost increases through the continuous improvement of its logistics and work processes, automation measures and the digitalization of processes. Approximately 70 percent of its product costs are attributable to the purchase of materials. Here, too, the company is taking a strategic approach to continuously evaluate the supply chain and attempt to sustainably reduce material costs through the use of alternative materials as well as targeted resourcing. To this end, FACC has introduced an all-embracing supply chain program (C.O.M.P.E.T.E.). The aim of the program is to (i) reduce the number of suppliers while increasing the purchasing volume from strategic partners, (ii) take greater advantage of procurement locations in low-cost countries and (iii) reduce costs through targeted insourcing and vertical integration.

Following the scheduled start-up of production at our new location in Croatia in 2022, planning of the plant expansion was begun in the same year. The tripling of the plant's area began in 2023 and is due to be completed by mid-2024. The aim is to expand the plant's workforce to around 600 employees by 2025. In order to counteract the sharp rise in personnel costs and ensure FACC's long-term competitiveness, particularly in the Cabin Interiors division, the company is endeavoring to further relocate and thus increase production volumes to Croatia.

Recovering the above-average inflationary increases in energy, material, logistics and personnel costs will remain a key focus of contract management at FACC.

From today's perspective, the industry anticipates that the aerospace sector will bring new aircraft models onto the market by the end of the decade. The next generation of aircraft is expected to further increase efficiency through new technologies, thereby making the goal of zero-carbon flights technologically feasible by 2050. Within FACC's R&D environment, research is being conducted in eight thematic areas (materials, processes, recyclability of products, automation, digitalization, rate capability, optimized system weight, improved aerodynamics), and in around 60 detailed projects within each of these eight areas.

Activities in the new Advanced Air Mobility (AAM) segment will continue to develop positively in 2024. FACC currently maintains business relationships with key customers and is party to contracts for services relating to the development and production of

lightweight components/systems for passenger and logistics drones. By 2027, existing customers will have commissioned development services worth approximately EUR 90 million. Based on current market and customer information, airworthiness certification is expected in the course of 2025. Significant product sales and thus possible additional sales growth are still dependent on such regulatory approvals.

According to the latest market forecasts, production rates for all major aircraft types will continue to rise, both for commercial aircraft and business jets. As predicted in the past, the production rates for wide-body aircraft (A350, B787, B777) will also increase significantly again in 2024, albeit with a time lag. FACC stands to benefit from this development on the aircraft market, with capacity utilization at all plants remaining favorable.

On the basis of general forecasts and customer information received, FACC's management anticipates further revenue growth of 10-15 percent and a further improvement in earnings in the 2024 financial year. This forecast is based on the assumption that the general economic situation will not deteriorate further and that no unexpected adverse events will occur in 2024.

Ried im Innkreis, 15 March 2024

Robert Machtlinger m.p.
Chairman of the Management Board

Andreas Ockel m.p.
Member of the Management Board

Zhen Pang m.p.
Member of the Management Board



FACC AG

Fischerstraße 9
A-4910 Ried im Innkreis

P: +43/59/616-0
F: +43/59/616-81000
office@facc.com
<https://www.facc.com>