MONTANA AEROSPACE

UPWINDS TO NEW HORIZONS

ANNUAL REPORT
2021

WE SHAPE THE FUTURE.
WITH EXPERIENCE, A SPIRIT
OF INNOVATION AND THE
HIGHEST STANDARDS,
WE ARE SETTING OUT FOR
NEW HORIZONS.

MONTANA AEROSPACE AG – SELECTED KEY FIGURES

(in M€)	2021	2020	YoY change
Net Sales	790.1	632.4	157.7
EBITDA	46.1	33.3	12.8
Adjusted EBITDA	56.1	44.8	11.3
Adjusted EBITDA margin (%)	7.1%	7.1%	0.0%
Operating result	–25.8	–39.9	14.1
Operating result margin (%)	–3.3%	–6.3%	3.0%
Result for the period	–49.4	–57.7	8.3
Cash Flow from operating activities	–27.8	9.3	–37.1
Cash Flow from investing activities	–86.1	–35.1	–51.0
Cash Flow from financing activities	521.8	–10.7	532.5
Free Cash Flow	–113.9	–25.8	–88.1
CAPEX spent	–121.4	–133.3	11.9
Trade Working Capital	265.2	188.4	75.2
Equity ratio (%)	50.5%	17.0%	33.5%
Net debt (cash)	81.8	639.9	–558.1
Total Assets	1,792.4	1,235.7	556.7
Employees	5,554	4,788	766

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LETTER TO OUR SHAREHOLDERS

Dear Shareholders,

The year 2021 will probably go down as one of the most challenging and eventful years in our company's history. We are pleased to have the opportunity to present our first public Annual Report, which results from what is probably the most important event ever for Montana Aerospace. On 12 May 2021, Montana Aerospace shares were listed for the first time on SIX Swiss Exchange under the ticker symbol AERO. The successful initial public offering and the additional capital measures massively strengthened our equity base and at the close of the year 2021 our liquid funds amounted to over EUR 500 million – a solid starting position to achieve our ambitious growth plans.

The optimistic sentiment about Montana Aerospace was also seen in the very positive development of the AERO share in 2021: at a gain of 32% (it even climbed to 58% at peak times), the share outperformed not only the Swiss stock index but also many international indices. As a consequence of the Ukraine war, the share price unfortunately came under heavy pressure as of mid-February 2022.

The year 2021 was also "year two" of the global pandemic in which we nonetheless did not waver from our long-term growth course as a 'game changer in the aerospace industry'. With the start of operations at our new plants in Romania and Vietnam, the erection of a new, state-of-the-art pressing plant in Romania, and the first phase of construction for a new plant in Bosnia. In our Energy segment, we have invested substantial volumes of funds into our organic growth. We also achieved good progress in inorganic growth with the acquisition of ASCO Industries (Aerostructures) and the Brazilian company São Marco (Energy). Both companies ideally complement Montana Aerospace's portfolio and strengthen not only our industrial presence, but especially our technical competence as a development partner for OEMs.

With sales of EUR 790.1 million, Montana Aerospace increased revenues by 25% compared to the preceding year and is now almost back to pre-crisis levels. We also made substantial gains in earnings. EBITDA (adjusted) widened by 25% to EUR 56.1 million. All three business segments – Aerospace, E-Mobility and Energy – contributed to this highly gratifying development.

Our new plants in Baia Mare, Romania, and in Da Nang, Vietnam, started operations right on schedule. Starting out from a situation of steeply dropping demand in 2020 due to the pandemic, the new plants are now benefiting from the broad recovery of the aviation industry. More than 90% of the machinery and equipment have been installed and commissioned for operation, we have obtained the necessary process qualifications required of our customers, we have manufactured sample parts successfully, and over 90% of the more than 5,000 new parts have already been approved by customers for serial production. At sales revenues in the double-digit millions range, the two new plants started contributing to growth already in 2021. In 2022, actual serial production will start and this will raise sales again massively.

In accordance with our long-term strategy, we made our next planned investment and erected the new heavy press plant in Mediescu Aurit, Romania. The 8,300 ton press equipped for horizontal heat treatment represents the technological high-end in the production of high-stress resistant profiles for the aerospace industry. With the construction of the adjacent recycling and extrusion billet foundry planned for 2022, we will have one of the most productive, environmentally-friendly and cost-effective plants of its kind in the world. It took less than eight months from the groundbreaking at the greenfield site for the plant to the shipment of the first sample parts to our customers – an incredible achievement by our employees and suppliers that clearly demonstrates the capabilities of the Montana Aerospace Group.

While the pandemic continued to hold back business development in the aviation industry, a recovery at an almost breathtaking speed took place in other industrial sectors. Backlogs and technological innovation resulted in revived global demand in the automotive industry worldwide, for example, and this was very demanding on international supply chains. Over the course of 2021, new challenges emerged as a result of this rapid economic recovery: chip shortages, container shortages, massive price increases for energy, transportation and for many commodities.

Considering this backdrop, Montana Aerospace's business segments of E-Mobility and Energy performed better than projected. The E-Mobility business increased sales by 38% year-on-year, and the Energy business by 37%. The positive business trend contributed to the increase as well as the rise in prices of raw materials that are essentially passed on to customers. The higher sales revenues also resulted in a positive earnings trend in the two segments. Thus, EBITDA (adjusted) increased strongly and turned positive for the first time, while the Energy segment adj. EBITDA grew at a solid 4%. Considering the major investment of EUR 121 million and the increase in current assets with the start of operation of the new plants, the Montana Aerospace Group generated a negative free cash flow of EUR -113,9 million. In the coming years, we will focus on substantially increasing sales revenues and on attaining an above average rise in earnings as well as on attaining a positive free cash flow.

The management of Montana Aerospace perceived the crisis as an opportunity. We continued to develop the M&A strategy announced at the time of the IPO and this helped us achieve great progress. With the acquisition of the Belgian ASCO Group, Montana Aerospace is well on its way to becoming a global market leader in high-lift mechanisms and considerably enhanced its expertise in hard-metal machining and the production of complex and large structural components. In the future, the basic materials for hard-metal will come from our own extrusion plants – from Cefival, which was acquired in May 2021 and integrated into Montana Aerospace, and the new titanium extrusion plant in Baia Mare, Romania.

ASCO and Cefival also complement the Montana Aerospace footprint almost perfectly with respect to manufacturing locations. With our plants in Belgium, France and Germany, we satisfy the wishes of our European customers to be closer to their local production and development sites.

In the Energy segment, we strengthened our presence in the major markets of the Americas with the acquisition of the Brazilian company São Marco and the remaining shares in PPE. In recent years, PPE has seen an impressive turnaround and has moved onto a promising course for the future. With São Marco's raw material expertise, the concept of vertical integration is also being implemented in the Energy segment. The acquisition of the remaining shares in IH-Tech in Austria completes the mergers and acquisitions in the year 2021. Cefival, PPE and IH-Tech were fully consolidated into Montana Aerospace in the financial year 2021.

'Sustainable entrepreneurship' is one of Montana Aerospace's five corporate values. We are committed to sustainably reducing our carbon footprint along the entire value chain, and have defined ambitious goals for 2030. We are confident that we will achieve these goals through joint efforts in the areas of production efficiency, use of renewable energy, expansion of vertical integration, and advancing in-house recycling processes. In addition, we also take our social responsibility towards employees, local communities and our plants' environments very seriously. Since mid-2021, ESG activities within Montana Aerospace have been centrally coordinated, goals have been defined and progress is reported on a regular basis.

Making the impossible possible – that is the spirit that drives our workforce. An IPO completed in record-breaking time, the construction of a new high-tech pressing plant – also in record-breaking time, the industrialization of one of the largest work packages in the aerospace industry in record-breaking time – these outstanding achievements demonstrate the excellent competence, team spirit and strong commitment of our 5,500 Montana Aerospace employees. I would also like to take this opportunity to express the appreciation of the entire management to our employees who are the foundation of our success and enable the rapid development of our business.

What do we expect for the coming months? The war in Ukraine will continue to impact energy and commodity prices in Europe. Montana's far-sighted strategy for the procurement of raw materials means that it is well-prepared for the coming months (12) to buffer higher commodity prices and supply shortages. In order to achieve greater independence from external energy suppliers over the long term, we will be investing in solar power installations at our sites in Romania until 2024. Montana has almost no direct business relations with Russia or Ukraine.

Montana Aerospace has prepared for the future in recent years by investing in state-of-the-art production facilities with an attractive cost base. Our operational efforts are clearly focused on ramping up our new investments and on the integration of our acquisitions, above all, ASCO. We expect higher efficiency and synergy effects to boost sales revenues and earnings in the coming years. For 2022, we expect sales to rise by up to around 40% to over EUR 1.1 billion, accompanied by the corresponding earnings.

On behalf of the entire Montana Aerospace management, we would like to thank you for the trust you place in us and for the constructive cooperation in 2021. Despite the challenging setting, we are confident about the further development of business. We believe that we have taken the right measures in the past few months to prepare for the future and will emerge from the crisis as winners. We hope you will join us on this journey.

Sincerely,
Reinach, 30 March 2022

For the Management Board,

Markus Nolte, CEO

Michael Pistauer, CFO

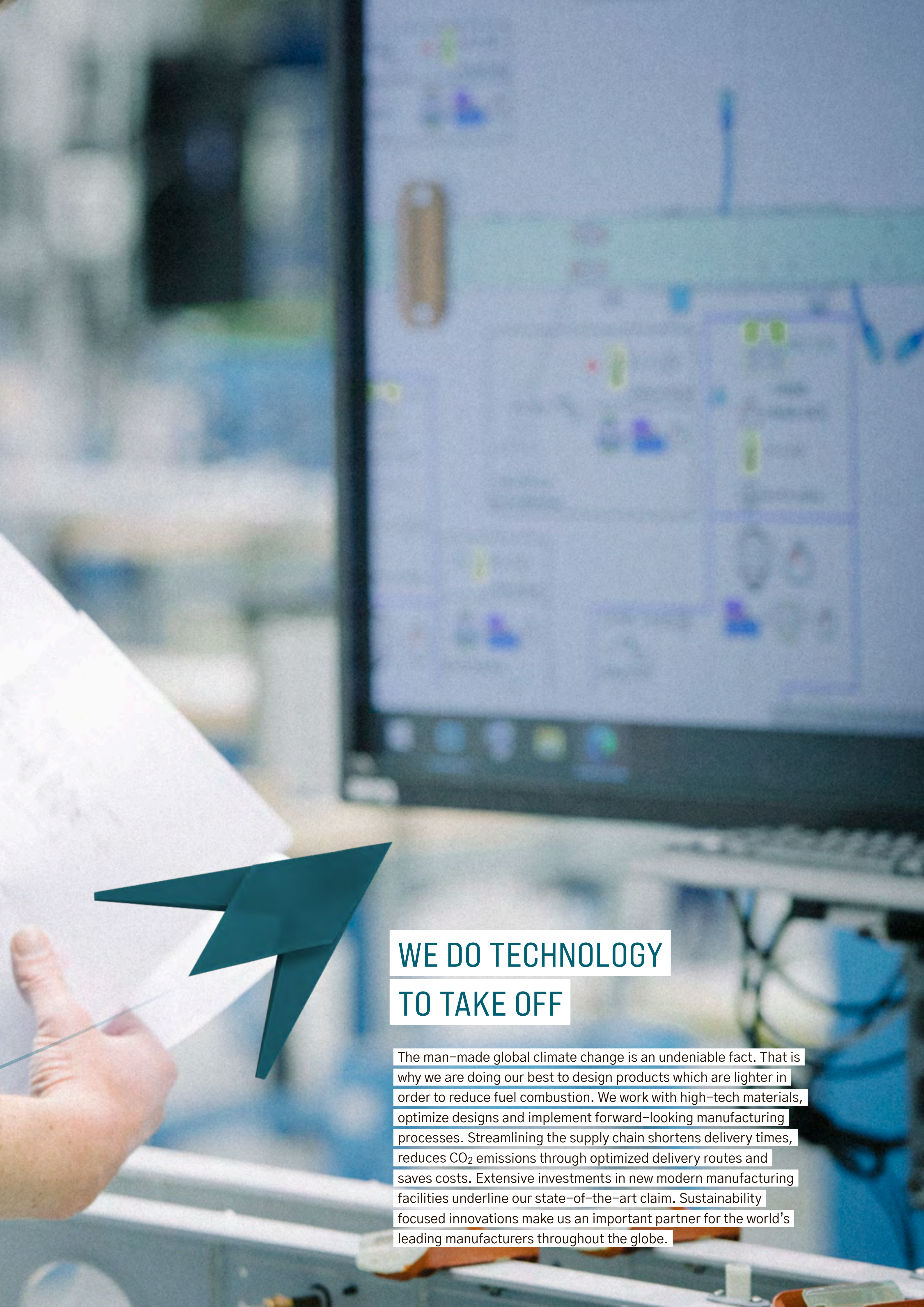
Kai Arndt, COO

For the Board of Directors,

Michael Tojner, Co-Chairman

Tom Williams, Co-Chairman


MONTANA
AEROSPACE



WE DO TECHNOLOGY TO TAKE OFF

The man-made global climate change is an undeniable fact. That is why we are doing our best to design products which are lighter in order to reduce fuel combustion. We work with high-tech materials, optimize designs and implement forward-looking manufacturing processes. Streamlining the supply chain shortens delivery times, reduces CO_2 emissions through optimized delivery routes and saves costs. Extensive investments in new modern manufacturing facilities underline our state-of-the-art claim. Sustainability focused innovations make us an important partner for the world's leading manufacturers throughout the globe.

LIFTING TO NEXT LEVEL

Innovative aircraft-technology helps to melt the distances between destinations and people on our planet. The combination of a strong understanding of materials, the highest level of manufacturing expertise and customer proximity secures us a strong position among our competitors and makes us an important partner for the leading OEMs and Tier-1 companies. Empowered by that success, we are more than ready to lift the company to the next level by entering the stock market with Montana Aerospace in 2021.

WE MAKE THE FUTURE FLY

Montana Aerospace's business model is growth-oriented, scalable, sustainable and solid. Our areas of competence include the development and production of mission-critical components. Efficiency, speed, quality, sustainability – the advantages of vertical process integration are convincing. When it comes to consistency in implementation, Montana Aerospace sets new standards. Our technological, sustainable and logistical performance and our huge experience makes us a promising and profitable company for global investors looking for a profitable company.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READY FOR TAKEOFF

With a small but highly committed team of experts, Montana Aerospace AG launched its ambitious growth strategy with the initial public offering of its stocks on the Swiss Stock Exchange (SIX) on 12 May 2021. This took place during the global pandemic, which had a particularly harsh impact on the aerospace industry and greatly accelerated the structural changes already taking place in the industry. The time had come for Montana Aerospace – which pursues both organic and inorganic growth as a long-term strategy – to bundle its forces and fund internal reforms with fresh capital. This also meant expanding its areas of competence and positioning itself at the forefront of change with strategically located new competence centers and plants. Investors placed their trust in the plans and visions of Montana Aerospace, and the stocks were priced 22% higher on the first day of trading on 12 May 2021.

The outstanding Montana Aerospace IPO team at the Swiss Stock Exchange (SIX).

IPO FACTS & FIGURES:

120 DAYS
from initial IPO process start to final placement on SIX

250+
potential investors approached
(12 May 2021)

Books covered within the upper price range within
6 HOURS

First day of trading
12 MAY 2021, 9 AM

+22 %
share price rise on the
1st day of trading

Market capitalization at IPO
EUR 1.2 BILLION

THE MONTANA AEROSPACE EQUITY STORY

Montana Aerospace offers shareholders an investment opportunity in high-growth niche markets, by manufacturing system components and complex assemblies for the aerospace, e-mobility and energy segments based on its many years of experience with multi-material components and its extensive development and production know-how. The company pursues a clear goal with its worldwide engineering and manufacturing operations: to play an active role in shaping the structural changes taking place in the aerospace industry. As a vertically integrated full-service provider with a global local-to-local approach, the company is a game changer and sustainably shaping and improving its performance and that of its customers. With 5,500 employees, the company manufactures parts and innovative lightweight design solutions at 28 locations worldwide, thus making an important contribution to climate protection and the future of aerospace.

Reasons to invest in Montana Aerospace

Vertical integration = high value creation

Montana Aerospace is a highly vertically integrated supplier of aerostructures with a solid best-cost country footprint, multi-material expertise in aluminum, titanium, composite, copper and steel. We are a leader in innovative product design, supported by our proprietary intellectual property solutions.

Key partner for customers

Montana Aerospace's market proximity, which is based on its local-to-local manufacturing and service strategy, and its solid best-cost country footprint, ensures strong long-term relationships with prominent customers from the aerospace, e-mobility and energy sectors.

Game changer when it comes to structural change

With long-term capital spending of more than EUR 580 million (CAPEX) from 2018 to 2021, most of which was invested in the expansion of production capacities and facilities, the company has improved growth in a rapidly changing supplier environment. In recent years, Montana Aerospace has established a reputation as a buy-and-build partner of choice for well-known OEMs and Tier-1 suppliers. This has led to a significant increase in sales calculated on long-term customer contracts (contracted sales).

Clear commitment to ESG

Montana Aerospace's business model is based on a commitment to the sustainable reduction of environmental impacts. This commitment and the integration of ESG criteria into the company's philosophy is a key element of our strategy and long-term success. At Montana Aerospace, we focus on three sustainability priorities: a) reducing our CO_2 emissions by expanding the vertical integration of our value chain b) promoting the circular economy by implementing the necessary tools in our production process and c) establishing sustainable, long-term working relationships with our employees and partners.

Achieving stability through diversification

As an industry group with global operations, we specialize in key technologies within three promising markets. Apart from the aerospace segment, we also aim to achieve technology and market leadership in e-mobility as well as in high energy and energy infrastructure. Diversification is carefully selected to strengthen our business model and offset the effects of the different economic cycles. This strategy has also proved successful during the pandemic.

Operational excellence

Our focus is on the continuous development and implementation of measures to achieve best-in-class efficiencies in all core processes of our value chain. Continually improving performance creates added value for our customers, increases our competitive advantage and enhances the motivation and team spirit of our employees.

Proven business model

Over the long term, population growth and increasing prosperity will raise demand for mobility services, and the need for sustainable mobility concepts. Montana Aerospace is confident that its scalable business model will allow it to achieve its long-term growth goals in line with the megatrends in Europe, the US and the APAC region.

2022 – PAVING THE WAY FOR STRUCTURAL CHANGE

In 2021, we consistently pursued our growth plan through strategic consolidations and investments in order to expand and build up capacities competences with the goal of further forming and establishing ourselves as a vertically integrated supplier in the market. Since mid-2021, we have seen a clear turnaround and recovery, particularly in the aerospace industry where we believe to be well prepared for strong growth.

Now we are focusing on the upswing and have our sights firmly set on the challenges and opportunities of 2022.

RAMP-UP

With sharp increases in demand from major aircraft manufacturers, whose build rates are approaching pre-pandemic levels, we are gradually ramping up our production.

Thanks to our h igh level of investment in capacity expansions with new plants in Romania and Vietnam, we are now in a position to support our customers even where our competitors – due to the recent years of crisis – are having difficulties meeting the enormous increase in demand. As a highly vertically integrated supplier to the aerospace industry, we are not only able to significantly reduce complexities in project execution, but also to significantly reduce delivery routes and thus delivery times (see page 43). This makes us a preferred partner when it comes to having to react quickly to market changes. In 2021 already, we were able to gain and retain important market shares through our one-stop-shop concept.

Montana Aerospace's NEW ASPIRATION & 2027 business segment strategy

will also accelerate operational excellence in the "Aerospace/ Aerostructures" business segment in 2022.

The focus will be on three key areas:

- **execution** – to ensure a fast and smooth ramp up.
- **performance** – with a focus on increasing efficiency to improve operating margins, expanding digitization capabil- ities and optimizing internal as well as external supply chains.
- **growth** – with the aim of expanding sustainable and profitable business areas in specific segments and advancing diversification.

Integration of ASCO Industries

With ASCO we have brought another hidden champion from the aerostructures industry on board. The integration of ASCO into the "Aerospace/ Aerostructures" business segment under the leadership of our COO, Kai Arndt, will create significant efficiency gains and synergy effects. The integration will enable us to expand our market presence and, above all, our engineering know-how and manufacturing competencies.

We're looking forward to tackle our obstacles and turn challenges into strength.

Chasing for Talents

In 2022, we will increase our focus on recruiting new employees for our production sites. We already stepped up our efforts to address the "chasing for talents" topic in 2021 by appointing Silvia Buchinger to a staff unit position to develop a central recruiting strategy and monitor its operational execution.

- **Offering** a wide range of training and development programs within the company that not only promote job satisfaction among our workforce but also retain existing know-how within the company and create synergies and knowledge transfer across the entire Group.
- **Cooperation** with schools and universities to begin our recruiting process at a very early stage
- **Worldwide** recruitment to fill positions with new employees.
- **Attractive** exchange programs within the company

Commodities

We are countering the sharp rise in raw material prices and delivery bottlenecks caused by the war in Ukraine with a forward-looking commodities strategy:

- **Price increases** on the world markets can be offset by contractual clauses on commodity costs that are customary in the market.
- **We focus on a high level of recycling** in our production processes – particularly in the case of aluminum where our alloys consist of 70 percent recycled materials.
- **We built up inventories** in the past months to secure production capacities over several months.
- **There are no operational relations to the Ukraine or Russia,** nor is there any significant dependence on commodity suppliers.

Energy Costs

We are a globally operating company with a total of 28 locations in the US, Europe and Asia. At Montana Aerospace AG, we are responding to the sharp rise in energy prices, which primarily affects the European production sites, by investing in the construction of solar power installations at our Romanian production sites. The goal is to attain greater independence from external energy suppliers over the long term by 2024. In addition, we can (directly and indirectly) pass on most incremental costs, absorbing only a small share of additional costs.

EBITDA

For 2022, Montana Aerospace estimates profitability to rise by more than double the 2020 adjusted EBITDA, reaching a

HIGH DOUBLE-DIGIT MILLION EURO AMOUNT

OUR COMPANY


MONTANA
AEROSPACE

"With an ambitious growth and development strategy, we look forward to playing an active role in shaping the structural change in the aerospace, e-mobility and energy sectors. We contribute significantly to preventing climate change with our development know-how, product innovation and new approaches to manufacturing and supply chains. And as a competence center in core Europe, the US and Asia, we are setting new standards in terms of quality, delivery reliability and sustainability."

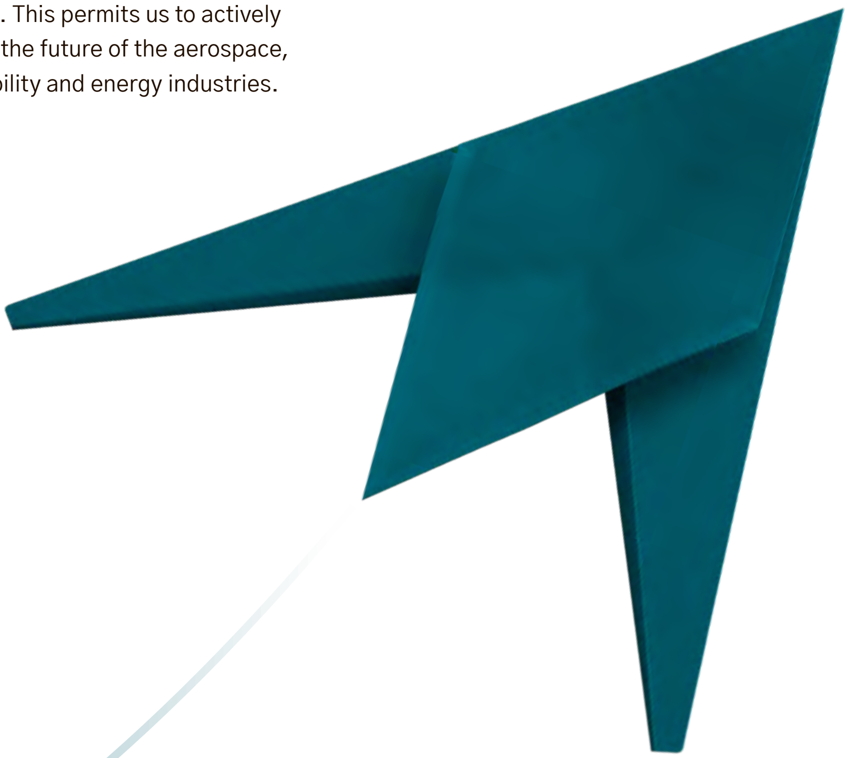
Michael Tojner,
Founder, Co-Chairman of the Board of Directors
and majority shareholder of Montana Aerospace AG
and Montana Tech Components AG

OUR VISION IS OUR MISSION

With a spirit of innovation, forward-looking technologies, experience and a sense of responsibility, we enable people worldwide to enjoy a safe and sustainable form of mobility – today and tomorrow.

Our values

Customer–orientation, competence, entrepreneurial spirit as well as visionary–thinking and sustainability are the foundation of our corporate values. This permits us to actively shape the future of the aerospace, e–mobility and energy industries.



Our corporate culture

The rationale behind everything we do throughout the Montana Aerospace Group and across all spatial boundaries is based on a common culture embraced by all employees. This is the foundation of our business and enables us to offer the highest possible standards to our stakeholders.

Our employees

At the heart of Montana Aerospace is the synthesis of the experience, motivation and passion of more than 5,500 employees in all parts of the world. Their understanding of our customers’ needs, their view of every single production step, and the joint search for better solutions – that is what sets us apart.

OUR SUCCESS FACTORS

Customer focus

We operate at 28 locations in 14 countries of Europe, North and South America, as well as Asia, which is evidence of our proximity to our customers. Our business model includes providing advisory services, developing, producing and offering services on a local-for-local basis within a global network. Fast response times, intelligent logistics concepts, and cost-optimized solutions are the cornerstones of our long-term customer relationships and partnerships with the leading manufacturers in our business areas.

Multi-material competence

Product quality and innovation are based on our extensive competence. A special area of competence is the profound materials know-how of our experts. At Montana Aerospace, multi-material know-how includes the development of new alloys, advisory services for customers on optimal material process combinations, and the assembly of specific materials.

Value creation – deeply integrated

Ranging from the processing of raw materials using recycled basic materials to the assembly of entire components, we offer our global customers everything from one source in the highest quality standard and with reliable delivery. By streamlining the supply chain, delivery times are shortened, CO_2-emissions are reduced by using shorter delivery routes, and transportation costs are massively reduced.

Highest quality and safety standards

We work with high-tech materials, optimized designs and use manufacturing processes that are already fit for the future. We produce parts designed for top performance and maximum safety. Our solid know-how is therefore in high demand in the aerospace sector, and also wherever high quality, resilience and reliability are required.

Operational excellence and innovation

We have developed internal mechanical engineering expertise to support the ongoing optimization of energy efficiency in our systems and infrastructure. Our long-term strategy is developed by keeping track of customers' future needs, with the insights gained being turned into innovations with the help of our R&D activities and accelerated by targeted investments and strategic M&A activities.

Focus on key technologies in future markets

Mobility, energy supply and digitization are among the future markets of our time. We have placed ourselves at the forefront of these growth markets with our products and solutions in the areas of aerospace, e-mobility and energy infrastructure. The use and further development of key technologies in manufacturing is the basis for our innovative strength, and our focus on Industry 4.0 secures our competitive position.

CHIEF OPERATING OFFICER'S STATEMENT

FOCUS ON OPERATIONAL EXCELLENCE

"I am a strong believer that you can plan your success. But every success starts with the people involved. As a newcomer to Montana Aerospace, I was greatly impressed by the entrepreneurial mindset, the commitment to this company, the openness to questioning the status quo, and the motivation to create our new strategy. Now – with the final version in front of me – I feel and see the ownership of all colleagues involved in making this a success. Let's bring our strategic plan to life and pave the way for a bright future."

Kai Arndt,
COO Montana Aerospace

Accelerated market recovery offers highly accretive window of opportunity for Montana Aerospace

After a 34% plunge due to the COVID-19 pandemic, the civil aerostructures market went on a strong recovery with its long-term fundamentals unaffected. Managing the ramp-up became paramount and provided an opportunity for suppliers to quickly gain speed and capture market shares from struggling competitors. On the customer side, we see that the pandemic has forced airlines and consequently OEMs to refocus on efficiency and resilience, with a lasting impact on the whole supply chain. Further, OEMs shifted their focus to reducing complexity and dependence on suppliers in a highly fragmented market, and started seeking in-house solutions and one-stop-shops.

For suppliers like Montana Aerospace, this market dynamic meant concentrating on operational excellence to counter liquidity deficits and pricing pressure, while optimizing capacities to satisfy growing demand. These developments are also driving the ongoing M&A consolidation trend towards a single point of contact (SPOC) model for OEMs and creating an emerging group of integrated super suppliers that favor local-for-local setups.

Montana Aerospace is excellently prepared to strengthen its leading position in the sector

Montana Aerospace is a highly vertically integrated supplier of choice and is a best-in-class supply chain partner for Tier-1 and OEMs for structural components and (sub-)assemblies. Montana Aerospace is a major market player in the European Union and the Americas, and has also started entering the markets in the Asia-Pacific/China region for core technologies, with the aim of attaining substantial market shares and premium prices. Our best-in-class industrialization capabilities make us an innovation leader in aluminum and titanium extrusion, detailed parts and composites.

How Montana Aerospace's new aspiration & 2027 business segment strategy will increase operational excellence

We have defined three strategic priorities to achieve sustainable stakeholder value:

- Execution
- Performance
- Growth

On the execution side, our goal is to enable a fast recovery, regain market shares in core segments and advance resilience. We will do so by taking advantage of the higher demand and utilizing our existing and budgeted machine capacities with contracted work packages. A further strategic focus is on (pre-)qualifications and continued industrialization. To this end, Montana Aerospace is currently deploying planned investments and fulfilling current agreements. Another key initiative is the successful post-merger integration of our recent complementary acquisitions.

In addition, our strategy is based on performance, which means securing competitiveness, improving efficiency and operational margins and also improving overall profitability. The strategic measures to guarantee attainment of these goals include continuing efforts to ensure operational excellence and the use of our performance management toolkit. Montana Aerospace will advance its digitization capabilities including the automation and harmonization of our technology backbone. Another strategic priority is the optimization of internal and external supply chains and our best-cost-country footprint.

The last pillar is growth. In this context, our goal is to enlarge our sustainable and profitable business lines in specific segments and to widen diversification. Our 2027 business segment strategy focuses on the expansion into adjacent markets, acquiring new customer segments and the development of new areas of competence. We will continue our path of vertical integration along the aerostructures supply chain.

The effectiveness of our strategy for operational excellence will be measured by financial and operational performance, customer and employee satisfaction, as well as environmental impact.

Overall, I strongly believe that with the backing of our experienced employees, their drive for innovation and high standards, we will continue to be a game changer in the aerospace supply chain and play a key role in shaping the future. We are proud to have such incredibly motivated and talented people at Montana Aerospace. It is only with their hard work that we are able to move our company forward and provide the answers for tomorrow.

COMPETENCE CENTER FOR THE AEROSPACE INDUSTRY

At Montana Aerospace's production facilities, 1.5 million components of a commercial aircraft are manufactured. Montana Aerospace's core competence includes the development and manufacture of mission-critical aircraft parts. Our product portfolio includes more than 20-meter-long structural components for the fuselage, wings and landing gear as well as critical engine components that must withstand high thermal and mechanical loads, as well as functional components for cabin interiors.

* The image shows a selection of our structural parts and systems for the aerospace industry.

BEST PERFORMER AWARD

AIRBUS – 2020

EXCELLENCE IN ADVOCACY AWARD

BOEING – 2017

STRATEGIC SUPPLIER OF THE YEAR

SPIRIT – 2020

OUR HIGHLIGHTS 2021

Groundbreaking 3rd Heavy Press Plant Mediescu Aurit

January February March April May June

60m USD detailed parts contract received from US customer

12 May 2021

IPO

IPO with >EUR 400m in new money for further business expansion and strategic M&A

1st billet extruded on new 3rd Heavy Press in the Mediescu Aurit plant

Signing of ASCO takeover delivers on M&A strategy promise made during IPO

ASCO is a leader in the development and manufacture of high-quality system components and structures for the aerospace industry. ASCO's product range is a perfect addition to Montana Aerospace's current portfolio.

PROJECT SUNSHINE

6,000 PARTS

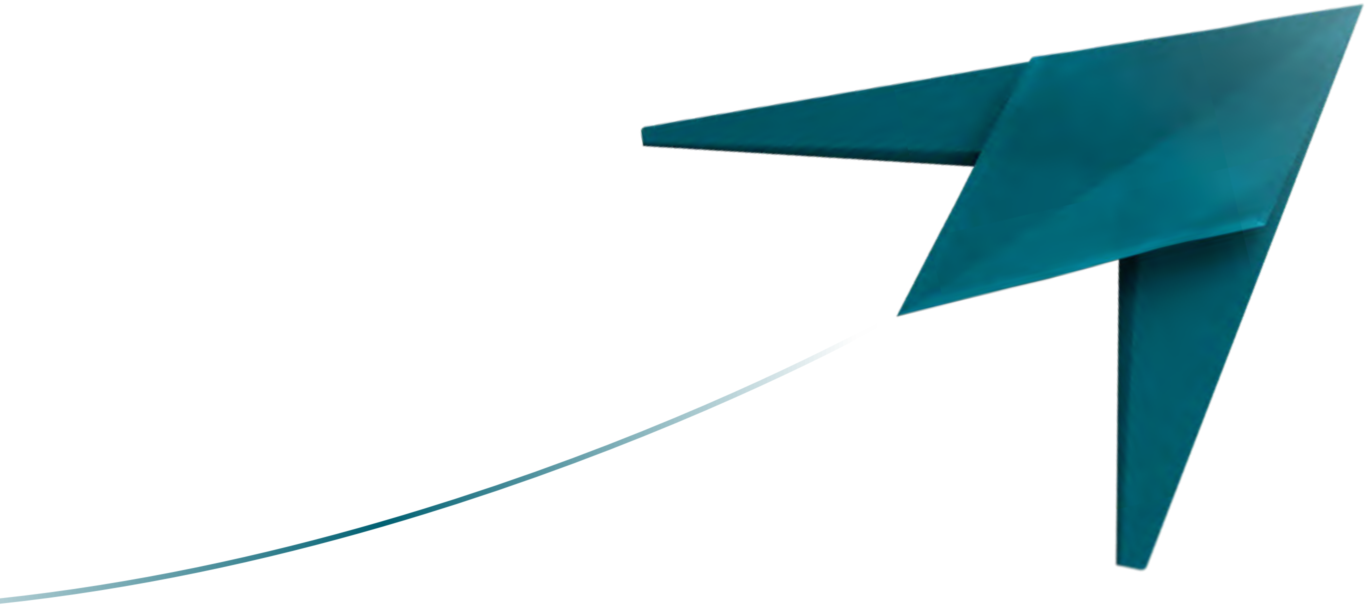
Project Sunshine describes our parntership agreement with Spirit AeroSystems – being the biggest work-package outsourced within the aerostructures industry ever, industrializing even more than 6,000 new parts mainl for Boeing programs.

July August September October November December

1st billet extruded on new titanium press in the Baia Mare Airport facility

AERO

Successful issue of new shares to increase financial firepower for M&A strategy



MONTANA AEROSPACE AT A GLANCE

Montana Aerospace AG is a leading producer of system components and complex assemblies for the aerospace industry, with worldwide engineering and manufacturing operations. The company has approximately 5,500 highly skilled employees at 28 locations on four continents. These employees design, develop and produce groundbreaking technologies for tomorrow's aerospace, e-mobility and energy industries based on aluminum, titanium, composite, copper and steel.

BUSINESS SEGMENTS

Aerospace

E-Mobility

Energy

Multi-material competence in

6 C | 13 Al | 22 Ti | 29 Cu | 26 Fe

composite, aluminum, titanium, copper and **steel**

28
locations
worldwide

5,500
highly qualified
employees

7
engineering and
development centers

€ 790.1
million in **revenues**
in 2021

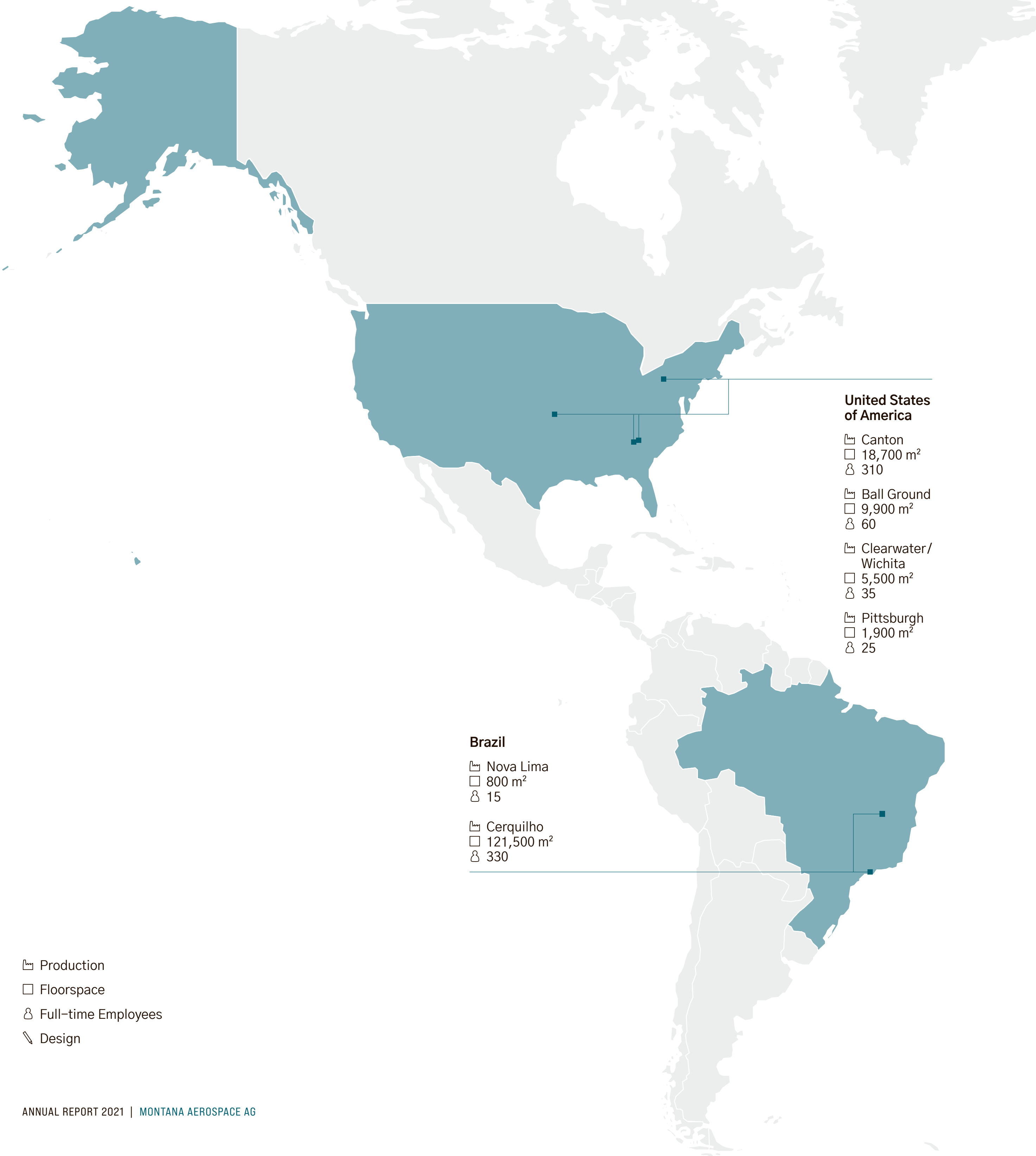
>200
years of experience in **metallurgy**
and **materials processing**

>150
CNC machines & >200 spindles in
serveral high tech machine parks

High-profile global customer base

CLOSE TO CUSTOMERS WORLDWIDE

As a highly integrated full-service provider with state-of-the-art production facilities in Europe, America and Asia, we support the local-to-local strategy of our customers. Focused on innovative material solutions, we offer a comprehensive range of services for the aerospace, e-mobility and energy industry worldwide.




Switzerland
Reinach (Headquarters)
64,000 m^2
165
Menziken
3,500 m^2
35
United Kingdom
Burton upon Trent
1,900 m^2
30
Denmark
Stenløse
300 m^2
5
Germany
Dillingen
18,900 m^2
65
Forst
11,800 m^2
40
China
Baoying
58,500 m^2
150
Taicang
700 m^2
10
Austria
Ranshofen
8,500 m^2
175
Regau
13,000 m^2
145
Steyr
1,418 m^2
20
Oed
74,800 m^2
295
Romania
Dumbravita
42,000 m^2
1,400
Baia Mare
80,000 m^2
530
Satu Mare/ Mediescu Aurit
20,500 m^2
280
Satu Mare
10,000 m^2
20
Spain
Montblanc
600 m^2
5
Bosnia and Herzegovina
Cazin
20,000 m^2
20
Vietnam
Da Nang
40,000 m^2
850
France
Persan
15,000 m^2
55
India
Bangalore
130
Vadodara
71,600 m^2
125
Italy
Crosio della Valle
18,800 m^2
100

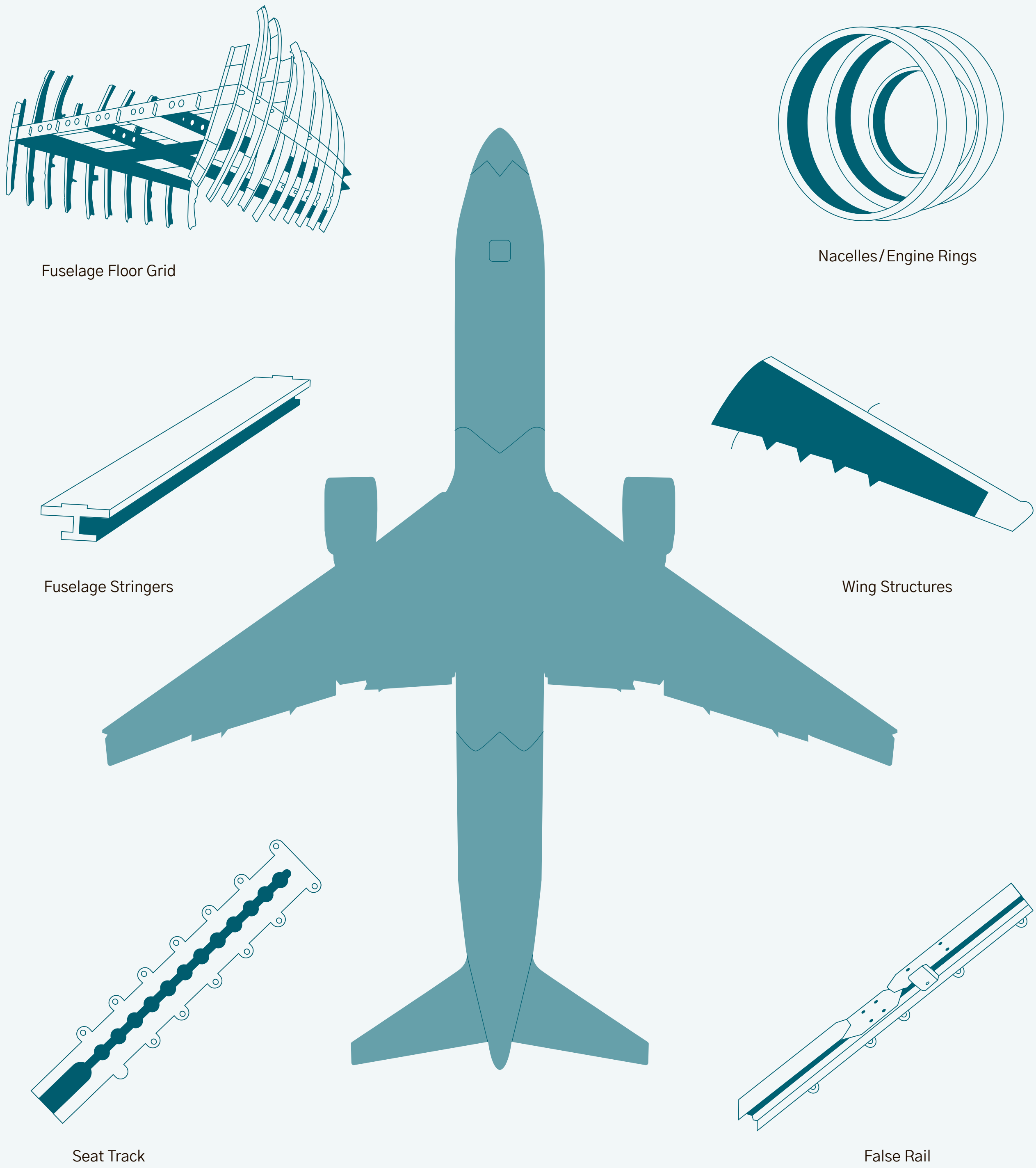
OUR BUSINESS SEGMENTS

As a globally operating industrial group, we specialize in key technologies in three future markets. In addition to the aerospace segment, we also focus on technology and market leadership in e-mobility as well as in high energy and energy infrastructure segments. Diversification is targeted in order to strengthen our business model and to offset the effects of different economic cycles. This strategy proved to be successful during the pandemic.

AEROSPACE

We are an important partner for leading aircraft manufacturers. Montana Aerospace's core competencies include the development and manufacture of mission-critical aircraft parts.

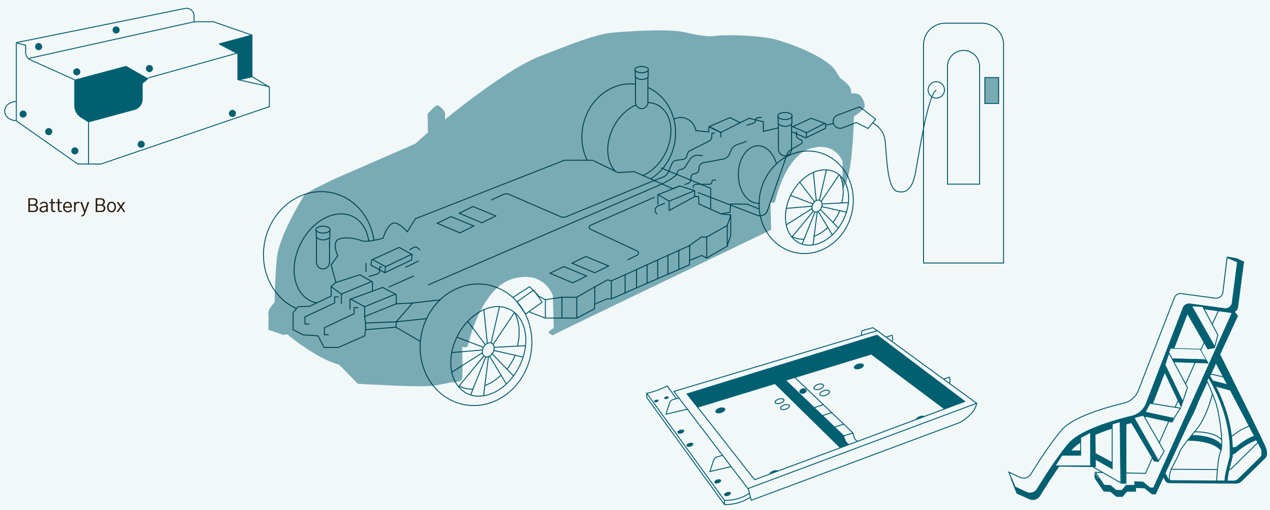
Our product portfolio ranges from structural components for fuselage, wings and landing gear – with more than 20 meters of length – to critical engine components subject to high thermal and mechanical loads, and functional components for the cabin interior.



The products shown represent only a selection of our entire product range.

E-MOBILITY

Montana Aerospace focuses on sophisticated lightweight components for the e-mobility segment. Our customers rely on our expertise for the production of complex components and assemblies, such as crash management systems and battery boxes.



Battery Box

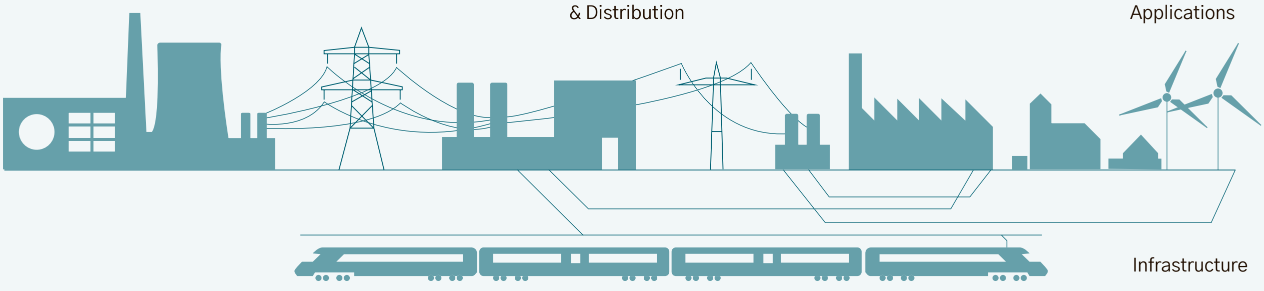
Battery Housing

Bracket Crash Managment System

The products shown represent only a selection of our entire product range.

ENERGY

We are a market leader in the production of system-critical components for the energy infrastructure. Montana Aerospace specializes in copper processing and has high-level expertise in copper refinement and insulation systems.



Power Generator

Power Transmission & Distribution

Industrial Applications

Infrastructure

Special Products

Copper Round Wire

CTC (continuously transposed conductors)

The products shown represent only a selection of our entire product range.

ONE-STOP-SHOP CONCEPT FOR THE AEROSPACE INDUSTRY

Vertical Integration

Montana Aerospace's one-stop-shop concept covers raw materials preparation as well as the assembly of entire components in the US, Europe and Asia and sets new standards by streamlining the supply chain. This results in shorter delivery times and a reduction of CO_2 emissions through the use of optimized delivery routes.

Titanium Seat Track

CHANGE THE GAME

Not all of Montana Aerospace's innovations are visible to the naked eye – some progress can only be measured in numbers. The efficiency of the Montana Aerospace one-stop-shop concept is one of these innovations.

A direct comparison of a conventional non-integrated supply chain with Montana Aerospace's highly integrated one, using the example of a **"Titanium Seat Track",** which represents the fastening element for passenger seats, clearly shows that the one-stop-shop model creates tremendous benefits for our customers.

-5 suppliers

The number of suppliers decreased from 7 to 2

-15,000 km

The transport routes shortened from 17,000 km to 2,000 km

-460t tons

CO_2 footprint is reduced by ~60%

-50 weeks

Delivery time is shortened from 60 to 10–12 weeks

THE MONTANA AEROSPACE SUPPLY CHAIN AT A GLANCE

Efficiency, speed, quality, sustainability and value creation – made possible by vertical integration

1. Melting, Continuous Casting & Recycling

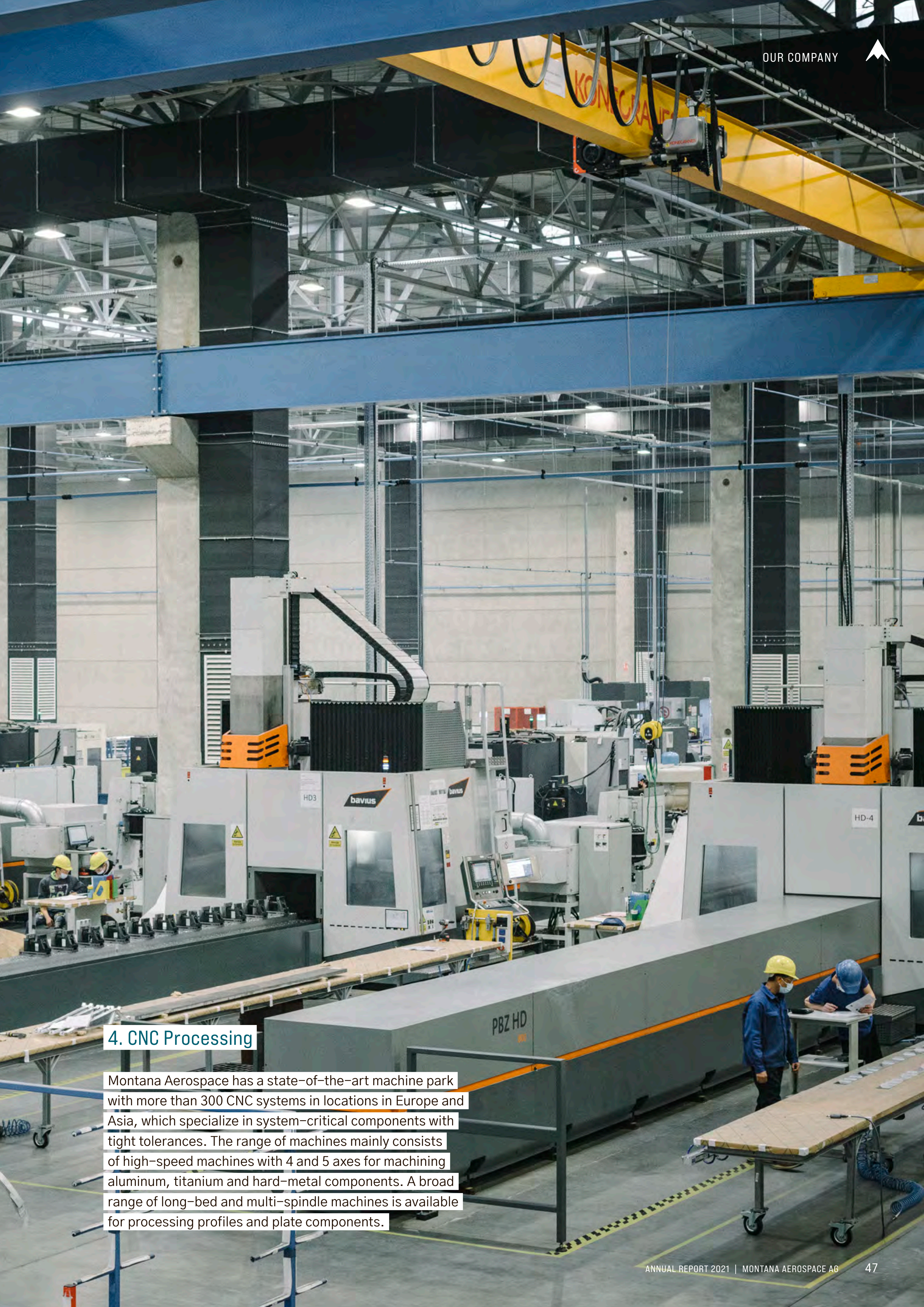
At our 4 continuous casting plants, we manufacture extrusion billets from a broad range of customer-specific aluminum alloys. In addition to hard aerospace alloys of the 2xxx, 6xxx and 7xxx alloy classes, we cast alloys of the 1xxx, 3xxx, 5xxx and 6xxx alloy classes for the e-mobility end market and other industrial applications. The location of our foundries directly in front of the pressing plants underlines our sustainability claim, as does the use of ~ 70% recycled aluminum as a raw material in our aerospace products.

2. Extrusion & Heat Treatment

Montana Aerospace is a world leader in the extrusion of high-strength aerospace alloys. Our 7 pressing plants with more than 25 presses and a total press force of up to 17,000 MT as well as our competence in heat treatment of soft and hard metals sets the standard in the aerospace, e-mobility and other industrial sectors. Thanks to our state-of-the-art systems, precision profiles of the highest quality can be manufactured for further processing into highly critical structural components and assemblies.

3. Metal Forming

Our extensive capacities in metal forming enable us to further refine our extruded profiles or supplied metal sheets. Using processes such as roll forming, stretch forming or elastoforming, we manufacture close contour components for delivery to our customers for further processing in our own value chain.



4. CNC Processing

Montana Aerospace has a state-of-the-art machine park with more than 300 CNC systems in locations in Europe and Asia, which specialize in system-critical components with tight tolerances. The range of machines mainly consists of high-speed machines with 4 and 5 axes for machining aluminum, titanium and hard-metal components. A broad range of long-bed and multi-spindle machines is available for processing profiles and plate components.

5. Surface Treatment & Painting

Four highly automated lines enable surface treatment of our components. In addition to aluminum, we surface treat titanium and other hard-metals. Whether it is a matter of functionality or aesthetics, we master colorless anodizing, internal anodizing, powder coating, powder brushing and painting. Environmentally friendly wastewater treatment and the latest safety measures underscore our focus on sustainability.

6. Sub-Assembly and Assembly

Our assembly competence covers a wide range of aerospace, e-mobility and energy-related assembly processes. These include manual as well as partially and fully automated processes for the close-tolerance assembly of aerostructure components. A modern workplace organization with online connections to engineering and production planning ensure the highest quality and delivery reliability.

“We want to create sustainable growth and enhance value. Our strategy is based on in-depth material know-how and a one-stop-shop concept with a best-cost country footprint and it gives us tailwind. We rely on this.”

Dr. Michael Pistauer,
CFO

THE MONTANA AEROSPACE MANAGEMENT TEAM INTERVIEWED BY ANDREAS SPAETH, AVIATION JOURNALIST AND AUTHOR

Montana Aerospace AG is a leading manufacturer of system components and complex modules in three business segments. What do they have in common?
Markus Nolte (CEO): Montana Aerospace serves customers in the three business segments of aerospace, e-mobility and energy, and therefore, is active in three growth markets with high potential. In aerospace, production rates are going to double within five years compared to 2020. In e-mobility, forecasts state an annual growth rate of 30%. The energy segment is also indirectly related to e-mobility, as it produces mould materials for transformers and generators, which are in high demand due to the expanding e-mobility market and the sustainability trend.

Kai Arndt (COO): All three segments are technically ambitious. Over many decades, we have acquired our own technical know-how and capabilities, developed many patents, and established our company as a market leader in areas with high entry barriers for competitors.

Michael Pistauer (CFO): Our business model is a diversified one, making it more robust in times of crisis. In 2021 our net revenues were EUR 790.1 million, of which ~EUR 120 million were generated in e-mobility, ~EUR 285 million in aviation and the lion's share with ~EUR 380 million in the energy segment. In 2022, we expect our aerospace turnover to almost double and the segment will again be the fastest-growing business, generating the biggest share in revenues.

Which strategy do you pursue at Montana Aerospace?
Kai Arndt: In all business segments we strive to achieve a high degree of vertical integration, following a one-stop-shop concept. The combination of working with raw materials and manufacturing specific individual parts and segments is a unique feature of Montana. For aerospace, we offer all billet products needed – aluminum, titanium and ducts. We currently run three of our own foundries where we produce our own billet blanks. We benefit from that because we produce blanks not just from re-used materials, but we are able to recycle 100% of aluminum scrap we collect in-house. A fourth foundry is currently under construction.

Markus Nolte: It is our objective to grow in two ways in the growth markets mentioned: On the one hand, organically thanks to our own investment. We have invested more than EUR 500 million in new production facilities to enlarge capacities. On the other hand, we are growing through acquisitions. We took advantage of the crisis as an opportunity to strengthen our business by carefully selecting acquisitions. In doing so we want to contribute to the consolidation of supply chains, which is still highly fragmented in Europe, and our customers are very interested in reducing complexity. As the market is expanding at very high growth rates, e-mobility is of strategic importance to us. Among other items, we produce battery boxes, for which our main customers are the premium automobile brands.

Despite the pandemic taking a big toll on aircraft manufacturers, Montana pushed on with its IPO. Did this help the company to soar?
Michael Pistauer: Our IPO was supposedly the only one globally in the aerospace business during the first half of 2021. The initial public offering proved to be the right move for us. Because as soon as ways out of the pandemic started to appear, such as vaccinations, it became apparent that there is huge demand for new aircraft, and manufacturers have had to significantly raise production rates. The whole supplier landscape has changed, and the winners will be those who have the capability to expand vertical integration. That was the main driver of our IPO.

The pandemic has demonstrated the economic and social significance of aviation. As a game changer in the aerospace supply chain, you invested counter-cyclically. Is that a key to success?

Michael Pistauer: Especially aircraft manufacturers are trying to cover their supply chain at all of their production sites by using fewer, but stronger partners. We decided as early as in 2011/12 at Montana Aerospace to build up fully integrated production facilities globally, which was very counter-cyclical at the time. In the old days, up to 40% of the value chain costs for a single part were made up of just transportation costs, for example, from Asia to Europe. This anti-cyclical move meant we invested a lot in times when there was otherwise little investment activity. The pandemic brought massive changes, accelerating consolidation across the entire supply chain. Therefore, it was the right moment for us to act at a time when large sections of the aerospace industry stood still and many investors withdrew.

Which acquisitions did the company make after the IPO to pursue its growth strategy?

Kai Arndt: In the second half of 2021, we took over São Marco, Brazil's biggest manufacturer of winding wires and wire rods in a move to further strengthen our e-mobility and energy segments. Additionally, we took over the Asco Group, a leading supplier and development partner for high-value system components and aerostructures. The takeover of the Asco Group in

Belgium was like adding a missing piece to our puzzle. The acquisition meant we enhanced our competence in product design, development and production of complex modules for wing and fuselage structures. Additionally, we built two new plants in Romania and one new facility in Vietnam. In Vietnam we have reached the final phase of industrialization and are well prepared for the higher production rates ahead. The way we are positioned now we are able to reliably deliver supplies to the aircraft manufacturers, and even if Boeing wants to build more than 40 737MAX aircraft a month, I believe we can achieve it. Also because with our global network we can help each other out, for example, in terms of availability of materials and personnel at individual locations. Our investments also pay off in that we can be more selective in accepting orders and are able to choose orders that are a really good fit for us.

The pandemic has battered the economy, and now it's the Russian-Ukrainian conflict. Why should investors focus on Montana Aerospace in such times of crisis?
Michael Pistauer: The entire aerospace industry and its supply chains are currently in upheaval. There are only very few suppliers left that are able to meet the demands of aircraft manufacturers with increased output. Thanks to our organic growth and our simultaneous acquisition activities, we are considered an integration partner, having executed our vertical integration in the field of aerostructures as a partner for aircraft manufacturers. In the past, we have gained market shares and we will keep doing so every year. Therefore, we are not only a very attractive partner for manufacturers, but also for investors.

There are big concerns about possible supply gaps as the war leads to upheavals on commodity markets, inflated prices for raw materials and supply bottlenecks. Is Montana Aerospace crisis-proof?
Michael Pistauer: There are topics that concern everyone during these times: transport and its costs and also transport shortages. It's difficult, for example, to secure containers and their prices have supposedly quadrupled. There is also a massive hike in energy costs as well as scarcity in some materials. Additionally, many locations are experiencing staff shortages. The combination of all these factors has resulted in factories shutting down. But if you master these challenges, you can gain market shares, because you are seen as a reliable partner. The raw materials we need are sufficiently available, and we are able to recycle a lot. A total of 70% of aluminum the

Group uses is based on recycled material, and 100% of internal aluminum scrap is recycled. That enables to act independently to a very high degree and we are better able cope with potential shortages. In this we are significantly better positioned than our competitors. We don't receive materials directly from either Russia or Ukraine, unlike some of our customers sourcing their titanium from Russia. We have built considerable inventories and are able to compensate any shortfalls. What affects us most are the energy costs, as prices for gas and electricity have surged recently. We are able to compensate staff shortages better than many competitors, and this is ultimately true for all challenges mentioned.

In 2021 Montana Aerospace reported significant growth in sales revenues. What is the financial outlook for the current year?

Michael Pistauer: In our guidance for 2022, we assume revenues of EUR 1.1 billion, of which 87% will be achieved by organic growth, and 13% by anorganic growth. As recently as in 2020, we reported EUR 632.4 million, so today's figure is almost double the amount. A part of these EUR 1.1 billion are delivered by the two acquisitions made in 2021, Asco in Belgium and São Marco in Brazil. The revenue share of both companies this year will be around EUR 140 million. For the core business, this means that we estimate revenues of about half a billion EUR, after slightly over EUR 790 million in 2021. We are still cautious in predicting our margins and EBIT, but it should be possible to raise them plus/minus in proportion to the development of our revenues, but you have to also bear in mind the integration costs of both companies we acquired.

What is the focus for 2022 at Montana?

Markus Nolte: If you look at the last years in retrospect, in 2020, the priority was on managing the crisis. In 2021, we worked on preparing for the future with our initial public offering, creating the corresponding financial structures and finalizing the major investment programs. For 2022, the ramp-up in production and integrating the acquisitions are what we focus on. And there is a particular emphasis on holding on to market shares gained and on demonstrating that we can deliver to our customers as promised – and all of this before a backdrop of significantly increasing production rates.

How can you sustainably add value in the areas of environment, social responsibility and governance (ESG)?

Markus Nolte: In general, ESG has shifted into the focus of our attention over the past years, and has also has gained immense importance for us. Not only that customers ask for it, but our employees also take a big interest. Therefore, we have created a separate department that engages in coordinating and implementing ESG measures.

There are many examples of environmental protection measurements at our company. The recycling of materials we already mentioned is one; our one-stop-shop concept also makes an important contribution to reducing CO_2 emissions by significantly cutting transport distances. All our investments are put to the test of how they can be part of our efforts to lower CO_2 emissions even more. Another project is to make our production facilities as self-sufficient in their energy supply as possible. We are planning to install solar panels on the roofs of all plants and sometimes also in open areas to be able to produce most of the energy we need ourselves.

In the area of social responsibility, employees and their development potential is one focus and also how we will evolve into an employer of choice. Another aspect is support for local communities, mostly at our facilities in Romania and Vietnam. In Romania, our plants are located close to the Ukrainian border. After the war broke out, we made our entire fleet of company buses available to transport refugees and we support local NGOs as well as the hospital in Satu Mare. It makes our staff very proud to be able to provide support in this situation.

The area of governance focuses mostly on transparent and consistent internal decision processes. We also include our suppliers in our code of conduct, to encourage them to act sustainably in decision-making.

Let's take a look at the future: How relevant will your activities be for the new generation of aircraft taking off in 2030 or even 2040?

Kai Arndt: The big question for the future will be how to achieve climate-neutrality in flying and how environmentally-friendly aircraft can be, and, above all, which energy will aircraft will run on, for example, hydrogen-powered propulsion. I believe the next generation of aircraft from Airbus and Boeing will still be very similar to what we have today, including major components made of aluminum and titanium. We will see changes in the wing materials in the next generation of aircraft with a focus on CFRP (carbon-fibre reinforced plastics) composite material. But in the fuselage of the next generation of narrow-body aircraft you will still see many components made of traditional materials. We won't be seeing completely new airframe designs for at least a decade. We see our task at Montana Aerospace to develop ourselves in this direction, together with our customers, and we are fairly well positioned for this.

For example, our new affiliate Asco in Belgium, has achieved major progress in its research on new wing concepts. Our Vietnam plant also contributes, focusing increasingly on composites.

The interview was conducted by **Andreas Späth,** Aerospace journalist and author.

ANNUAL REVIEW

LETTER FROM OUR CFO, MICHAEL PISTAUER

Dear shareholders, customers, partners, and colleagues,

2021 has been a very special year for the whole Montana Aerospace family. With the IPO in spring 2021, we set the course for our continued success as a game changer in the aerospace supply chain, and also marked a milestone in the long history of our company. We would not have been able to achieve all of this without your support and cooperation.

In times of significant consolidation and transformation within the aerospace industry, we have become established as a partner of choice due to our vertical integration, proven execution and performance capability. Cost pressure and rising quality requirements are creating competitive disadvantages for the less resilient market players, giving us the opportunity to jump into new contracts where others are having difficulties in delivering.

The trend reversal and the ramp-up seen in the industry are accelerating growth. This is reflected in the development of year-on-year figures in all three of our segments: Aerospace as key driver of our business expansion posted solid high single-digit percentage growth rates even though the whole aerospace industry was still confronted with several hurdles in 2021. Growth will rise roughly tenfold in 2022, restoring Aerospace as the largest segment in terms of absolute sales ahead of Energy and E-Mobility, both of which also will grow at mid single- to double-digit growth rates this year.

Like many of our competitors and the global industry, we are currently facing some near-term headwind as a persistent effect of the COVID-19 pandemic and the Ukrainian war. Even though one of the main concerns in the market about the aerospace supply chain relates to commodity prices and supply, we are well-positioned in this environment with pass-through clauses embedded into our contracts. Additionally, we are mitigating sourcing and supply risk through our high recycling capabilities and the use of scrap material where possible (especially for aluminum, where 70% of material used comes from recycled materials). Our large inventories of material (e.g., up to 18-month supply in certain areas) further strengthens our risk-averse positioning in the current market environment.

Additionally, the COVID-19 crisis has raised transport costs and this poses a number of challenges for global supply chains. We are prepared for higher transport costs, as outbound logistics ex works are either organized by our customers themselves or they pay the costs directly. However, although we pay the inbound transport costs, this also gives us a competitive advantage over the medium term due to our one-stop-shop concept and high degree of vertical integration. Based on current price developments, we expect transport costs to increase by a low single-digit EUR million figure, which we already took account of in our guidance.

As regards labor and the workforce, the availability of qualified personnel in certain regions is becoming more and more challenging, especially in the U.S. and Europe. Again, in contrast to many competitors, our global footprint allows us to source talents from all over the world. To compensate any shortfalls, we even move workers from our global facilities to Europe. For 2022, we see a shortfall of approximately 20 employees, which is not material compared to a total workforce of around 5,500 people.

Energy costs in Europe quadrupled in early 2022. In a normal year, Montana Aerospace incurred less than EUR 20 million in energy costs. We can (directly and indirectly) pass on most incremental costs, absorbing only a minimal amount of any additional costs. However, over the medium term, we are very ambitious and aim to increase our independence from external energy supplies, and are investing into solar power installations at our Romanian production sites.

Our financial structure and balance sheet is also well-prepared for the upcoming opportunities. Most of our leverage is based on promissory notes and guaranteed by our majority shareholder Montana Tech Components AG for a five-year period (post IPO). Debt covenants (net debt/ EBITDA as well as the equity ratio) are calculated at the Montana Tech Components AG level.

"For the coming year, the motto will be 'Execution' considering the significant increase in production, the market shares acquired by taking over contracts from competitors, and the integration of our recent acquisitions."

Michael Pistauer,
CFO

We have invested significantly over the past few years in the installation of new machinery, plants and equipment such as in our third heavy press in Europe to ramp up our facilities for new opportunities. In 2021, we completed most capital expenditure projects, enabling us to reduce spending to primarily sustainable capital expenditure projects. Combined with higher revenues of around EUR 1.1 billion in 2022 (thereof ~87% organic growth and ~13% inorganic growth), this will further advance our sustainable development.

If we were to create a slogan for each of the past two years, the slogan for 2020 slogan would be "Managing the Crisis", while 2021 would be "Basis for Growth". For the coming year, the motto will be "Execution", considering the significant increase in production, the market shares acquired by taking over contracts from competitors, and the integration of our recent acquisitions.

We look forward to growing together with you, our partners and would like to thank you for the trust placed in us.

2021 AT A GLANCE

>5,500 FTEs

EUR 790.1m
Net Sales

EUR 56.1m
Adj. EBITDA

50.5%
Equity Ratio

EUR 81.8 m
Net Debt (Balance Sheet EUR 1.8bn)

FINANCIAL HIGHLIGHTS

Earnings

(in T€)	2021	2021 (adjustments)	2020	2020 (adjustments)
Net Sales	**790,052**		**632,386**	
Change in finished and unfinished goods	21,830		−9,396	
Own work capitalized	34,584		42,140	
Other operating income	33,999		19,733	
Cost of materials, supplies and services	−558,334		−400,948	
Personnel expenses	−173,645		−156,954	
Other operating expenses	−102,433		−93,670	
EBITDA	**46,053**		**33,291**	
Legal cost for Arconic lawsuit		2,651		4,868
IPO related cost		3,377		
Management stock option program related cost		3,519		
Other service cost from affiliated companies		480		5,203
Expected rental income from affiliated companies				1,488
Adjusted EBITDA		**56,080**		**44,849**
Adjusted EBITDA margin		7.1%		7.1%
Depreciation and amortization	−71,808		−73,167	
Operating Profit (EBIT)	**−25,755**		**−39,875**	
Financial result	−17,702		−21,311	
Result before tax	**−43,457**		**−61,186**	
Income tax income (expenses)	−5,923		3,532	
Result for the period	**−49,380**		**−57,654**	
Thereof attributable to:				
Owners of the company	−49,009		−57,357	
Non-controlling interests	−371		−297	

Net Sales

In the full financial year 2021, Montana Aerospace generated consolidated Net Sales of EUR 790.1 million, which is 24.9% above the previous year’s EUR 632.4 million, reversing on the COVID-19-related decline that lasted through 2020 and almost reaching pre-COVID-19 levels. While all segments showed improvements, Q4 recovery versus 2020 numbers was strongest in our Aerospace business unit. This favorable development was aided by Montana Aerospace’s completed acquisitions of Cefival and IH Tech, contributing EUR 6.0 million and EUR 2.9 million, respectively to Net Sales in 2021.

Montana Aerospace AG has had the strongest monthly sales on record in December 2021, at EUR 77.8 million. The continued strong sales increase in the Aerospace segment unit is further strengthening our confidence in future market development.

EBITDA

Adjusted for one-off and non-operative effects – most notably the listing on the stock exchange – adjusted EBITDA reached EUR 56.1 million in the full year of 2021, well above the level of EUR 44.8 million in the previous year and Q3's EUR 43.0 million. This translates into an adjusted EBITDA margin of 7.1%, on par with the previous year's level of 7.1% and slightly below the Q3 level of 7.6%. On a non-adjusted level, reported Group EBITDA increased from EUR 33.3 million to EUR 46.1 million in the full year of 2021, in line with the increase in the adjusted EBITDA.

With considerably lowered activated costs in comparison to 2020 (EUR 34.6 million vs. EUR 42.1 million), 2021 showed that greatly improved production output (Net Sales plus change in finished goods) was achieved with personnel expenses (EUR 173.6 million vs. EUR 157.0 million) increasing in line with the workforce increase and other operating expenses (EUR 102.4 million vs. EUR 93.7 million). In preparation for higher shipset value due to market share gains and higher build rates in 2022, Montana Aerospace increased its workforce to approximately 5,550 employees. We see the access to qualified personnel and enough raw material as crucial milestones to achieve growth in the future.

The largest adjustments to EBITDA in 2021 were the one-off costs related to the listing the Swiss Stock Exchange (SIX) and the legal cost for the Arconic lawsuit. Extraordinary costs in connection with the listing on the stock exchange amounted to EUR 32.5 million, of which EUR 29.1 million are offset against the capital reserve, while EUR 3.4 million are shown in other operating expenses. These costs mainly include legal and consulting costs as well as bank fees.

In addition, a management stock option program was instated to incentivize long-term growth and returns for the shareholders of Montana Aerospace. Although sponsored by the current majority shareholder and therefore not cash relevant for Montana Aerospace, the accrued expenses are – pursuant to IFRS – included in personnel expenses and amount to EUR 3.5 million.

Operating Profit (EBIT)

No adjustments were made to depreciation and amortization (impairment). On reported level, operating result (EBIT) reached EUR –25.8 million as of 31 December 2021, compared to EUR –39.9 million in the previous year, on the back of one-off and non-operative effects mentioned above. The adjusted EBIT would amount to EUR –15.7 million.

Total expenses for depreciation and amortization amounted to EUR 71.8 million in the full year of 2021 (2020: EUR 73.2 million).

Cash flow statement

(in T€)	2021	2020
Cash and cash equivalents at the beginning of the period	**95,803**	**134,107**
Net cash provided/used in operating activities	–27,837	9,340
Net cash used in investing activities	–86,068	–35,118
Net cash used in/from financing activities	521,791	–10,739
+/– effect of exchange rate fluctuations on cash held	5,370	–1,787
Cash and cash equivalents at the end of the period	**509,059**	**95,803**

Balance sheet

(in T€)	31 December 2021	31 December 2020
ASSETS		
Non-current assets	853,833	807,329
Current assets	938,547	428,413
o/w cash and cash equivalents	509,059	95,803
Total assets	**1,792.380**	**1,235.742**
EQUITY AND LIABILITIES		
Total equity	904,851	210,583
Non-current liabilities	590,682	697,910
Current liabilities	296,847	327,249
Total equity and liabilities	**1,792.380**	**1,235.742**

At 31 December 2021, total assets were at EUR 1,792.4 million (31 December 2020: EUR 1,235.7 million), reflecting an extended asset base due to the capital increase in the course of the Initial Public Offering. At the end of the reporting period, total non-current assets amounted to EUR 853.8 million (31 December 2020: EUR 807.3 million) and included mainly intangible assets and goodwill of EUR 193.5 million (31 December 2020: EUR 175.2 million) as well as property, plant and equipment of EUR 603.8 million (31 December 2020: EUR 568.7 million). Within total current assets of EUR 938.5 million (31 December 2020: EUR 428.4 million), other receivables and assets amounted to EUR 35.6 million (31 December 2020: EUR 27.3 million), inventories to EUR 245.4 million (31 December 2020: EUR 184.5 million), trade receivables to EUR 129.1 million (31 December 2020: EUR 87.5 million) and cash and cash equivalents to EUR 509.1 million (31 December 2020: EUR 95.8 million).

Total liabilities were at EUR 887.5 million at 31 December 2021 (31 December 2020: EUR 1,025.2 million), of which EUR 296.8 million refer to current liabilities (31 December 2020: EUR 327,2 million) and EUR 590.7 million to non-current liabilities (31 December 2020: EUR 697.9 million). Non-current liabilities include EUR 39.1 million in bank loans and borrowings (31 December 2020: EUR 80.5 million), EUR 0 in loans from affiliated companies (31 December 2020: EUR 150.6 million) and EUR 441.8 million in other financial liabilities (31 December 2020: EUR 359.5 million).

Total equity and liabilities increased to EUR 904.9 million (31 December 2020: EUR 210.6 million) and includes EUR 849.1 million of share premium (31 December 2020: EUR 226.7 million) and EUR 15.2 million of non-redeemable loans (31 December 2020: EUR 0 million).

At 31 December 2021, Montana Aerospace's trade working capital amounted to EUR 265.2 million compared to EUR 188.4 million at 31 December 2020 and EUR 260.5 million at Q3 2021. With the help of our long value chain, the capabilities on recycling as well as higher raw material stock we proactively intend to circumvent any shortages on the existing worldwide material supply chain constraints.

M&A HIGHLIGHTS

Delivering on the promise to our investors before the initial public offering, we were able to complete several accretive Mergers & Acquisition (M&A) deals in 2021. With the development of the consolidating market being even faster than expected, we chose to act on the opportunities that have partly been offered to us by the OEMs directly and signed five M&A transactions (Cefival, IH Tech, ASTA PPE, ASCO Industries and São Marco) within just nine months.

ACQUISITION OF CEFIVAL

ACQUISITION OF REMAINING SHARES OF ASTA PPE

TAKEOVER OF 100% OF IH TECH GROUP

We expect to see more attractive M&A opportunities that match our **three key strategic goals** – with the continued consolidation of the aerospace industry.

1. Supply chain & technology leadership
2. Dynamic growth through acquisitions
3. Synergy boosts profitability ramp-up

EXCITING OPPORTUNITIES AHEAD

SIGNING THE TAKEOVER OF ASCO INDUSTRIES

ACQUISITION OF SÃO MARCO

Takeover of ASCO Industries

The acquisition of ASCO Industries, which was signed just a few months after the IPO, was a significant step forward for the entire Group and a highlight in our build-and-buy strategy. ASCO is a leading supplier and development partner for high-end components and structures with facilities in Belgium, Germany, the United States and Canada, with yearly revenues of up to EUR 260 million (2018 to 2020).

The integration of ASCO into the Montana Aerospace family will combine our materials know-how, our value chain competence and our best-cost-country footprint with ASCO's development and manufacturing expertise in the field of large components and complex assemblies.

Under the share purchase agreement, as amended by the amendment agreement, the acquisition of the Asco Group was closed on 31 March 2021 by effectuating a payment payable in cash and, as the sellers had a strong interest in also being shareholders of Montana Aerospace – believing and participating in the long-term and sustainable development of the Group including Asco – also by a share consideration of 4,431,600 ordinary shares of the Company. The payment was paid at closing and the aggregate purchase price is subject to customary price adjustments. In addition to the purchase price, an earn-out of up to EUR 30 million based on the achievement of certain performance conditions of the Company is structured and will be paid by 30 June 2025 at the earliest. The shares to be newly issued out of the authorized share capital of the Company – with exclusion of the pre-emptive subscription rights of existing shareholders – will be issued to the sellers on 14 April 2022 at the latest.

Following Montana Aerospace's M&A strategy, the Asco facilities will be integrated into Montana Aerospace's global manufacturing network with the Asco brand being further strengthened. Initiation meetings between the management of Montana Aerospace and Asco have already taken place, which should assure a smooth and fast implementation- and integration-process of Asco into our existing business operations.

Montana Aerospace will also locate the headquarters of the "Aerostructures" segment directly at Asco's main plant in Zaventem, Belgium. Kai Arndt, COO of Montana Aerospace and Head of the "Aerospace/Aerostructures" segment, will also take over the role of the CEO of Asco. The previous shareholder and CEO of Asco, Christian Boas, will also remain associated with the Company in the coming years and will continue to support the entire Group with his experience in an advisory capacity.

ASCO INDUSTRIES

One-stop solution for high-lift mechanisms & complex mechanical sub-assemblies

- Own IP & single source on important high lift mechanisms
- Titanium machining specialist
- Aluminum high-speed machining for large complex components

Facts & Figures

~EUR 260	4	~1,100	140,000 m²
million revenues 2019	Manufacturing Sites	Employees	Covered Industrial Surface

Product Portfolio

High Lift Mechanisms

Complex Structural Parts & Assemblies

Interfaces & Attachments

Acquisition of Cefival

The first transaction of 2021 was the acquisition of 100% of the outstanding shares of Cefival executed in April 2021. Cefival is a company headquartered in Persan by Paris in France. With Cefival's global reputation for high performance titanium components and hard-metal profiles, including special steels and superalloys, this deal deepens our core competence in titanium extrusion.

The acquisition opens the way to greater vertical integration and synergy potential between the sites in France and Romania, supporting our hands-on approach in streamlining the potential within our Group. Transforming the existing site in Persan into a competence center for the French market will create further benefits due to the direct proximity to customers such as Airbus and Safran.

Key customers were closely involved in the drafting of the restructuring plan and they are optimistic about the future development of the company: "Cefival is a supplier of strategic components to Safran such as high-performance engine rings. We welcome Montana Aerospace as a new partner and are looking forward to strengthening the relationship." (Safran Group)

Acquisition of São Marco

On a different continent, the acquisition of São Marco in Brazil will position Montana Aerospace to meet growing demand in the Latin American market with innovative solutions created jointly with our customers from the e-mobility and energy segments. São Marco has more than 300 employees and generates annual revenues of around EUR 70 million.

São Marco is one of Brazil's principal manufacturers of magnetic wire, with more than 75 years of experience. In addition, São Marco produces electro-insulating varnishes, resins and lubricants of the highest quality, reliability and service features.

Montana Aerospace will further strengthen its competences in its Energy and E-Mobility segments from upcasting to enamelling, with additional capabilities in development and manufacturing of enamels & resins for round and rectangular wires, to meet customers' needs of tomorrow.

Takeover of 100% of IH TECH Group

By acquiring the remaining 75% of IH TECH, Montana Aerospace has now fully integrated the specialty machinery manufacturer, and is expanding its robotics and automation capacities.

IH TECH, founded in 1994, has focused on the design and construction of individual solutions in the fields of robotics, conveyor technology and image processing systems. The full-range supplier is not only an innovation leader when it comes to new machines but is also specialized in the optimization of existing systems and plants in terms of quality assurance, automation and processes. Renowned manufacturers such as BMW, Audi, MAN, KTM and many more are among the key customers.

The strategic acquisition allows for further horizontal diversification, thus reinforcing the technology leadership of Montana Aerospace.

Acquisition of remaining shares of ASTA PPE (Brazil)

With the acquisition of the remaining shares of our ASTA PPE holding in Brazil from the minority shareholder, Montana Aerospace will further strengthen its position in the region in the energy and e-mobility market.

Through this step, we will be able to significantly increase our capabilities and accelerate our decision-making processes to benefit from the opportunities and potential of the South American e-mobility and energy market. Additionally, we are streamlining administrative overhead and have improved the cost-efficiency of operations.

Ready for exciting opportunities

While the deals in 2021 were outstanding opportunities for Montana Aerospace, we are just at the beginning of a consolidation process in the aerospace supply chain. Similar to the global automotive supply chain, rapid market changes may take place within one decade. Commitments from some of the OEMs to drastically reduce the number of their direct suppliers over the coming years highlight the enormous consolidation pressure driven by customer demand.

Facing the combined market pressure and factors such as material prices and OEM requirements, we are well-equipped to continue and emerge beyond this phase as a game changer in the aerospace supply chain. Our extensive vertical value chain integration, the efficient global logistics network as well as our know-how in technical execution, gives us a competitive advantage over less resilient competitors, and will permit us to gain significant market shares in the coming years.

With such favorable preconditions in mind, we are continuously screening the market for further accretive M&A opportunities. Besides our ongoing deals, we are currently in a mid-stage Due Diligence process with a target in the US.

“Our sustainable and focused build-and-buy strategy is driven by high consolidation pressure in the market, accelerated by the OEMs and complemented by our highly vertically integrated value chain and know-how, which enables us to overproportionally benefit from this development.”

Marc Vesely recte Riha,
Head of M&A, on the upcoming opportunities

MONTANA AEROSPACE ON THE CAPITAL MARKETS

May 2021
Initial Public Offering

Our highly successful IPO in 2021 reflects our strong position on the financial markets.

First day of trading, Swiss Stock Exchange (SIX)

+ 46%
share price
(first three months)

CHF 1.2 bn
market cap at IPO

+ 250
investor meetings

Placement
> 7x
times **oversubscribed**

November 2021
Capital Increase

With exciting opportunities ahead, Montana Aerospace launched a private placement of new shares via an accelerated bookbuilding in November 2021 to be able to raise funds to accelerate organic growth and M&A activities.

Therefore, we initiated a capital increase and successfully placed 5,400,000 new registered shares in a private placement through an accelerated bookbuilding procedure in November 2021. The placement price was set at CHF 28.20 per share, resulting in gross cash proceeds of about CHF 152.3 million.

* see Corporate Governance report

Conversion of Hybrid Loan

In connection with the share placement in November 2021, Montana Tech Components AG as the company's majority shareholder and lender of a hybrid loan to Montana Aerospace in the amount of CHF 169.4 million, converted the major part of the outstanding hybrid loan in the amount of CHF 141.0 million at the placement price into 5,000,000 new Montana Aerospace shares by way of a separate capital increase from conditional capital, thereby also waiving part of the repayment amount in favor of Montana Aerospace.

This step helps preserve the liquidity of the Montana Aerospace Group, strengthens its equity and decreases net debt. Following the conversion, an amount of CHF 16.0 million remained outstanding under the hybrid loan.

Share Price Performance 2021

Montana Aerospace's first year on the public market ended with the stock closing at CHF 33.85 on 30 December 2021, corresponding to a 31.9% increase to the initial public offering price on 12 May 2021. While global equity markets continued to be shaken by COVID-19, our IPO in May and our capital raise in Q4 2021 underlines the amount of trust investors have in our business strategy.

Swiss Market Index

+17.2%

since Montana Aerospace IPO

*as of 30 December 2021

Montana Aerospace

+31.9%

since IPO

*as of 30 December 2021

The lifting of most COVID-19 measures during the summer all over the globe supported the recovery process. Shareholders of our stock profited from the positive operational execution over the course of the year: With 5 M&A transactions as well as the impressive contracted sales pipeline, we are prepared to act as a game changer in the ongoing consolidation phase of the aerospace supply chain.

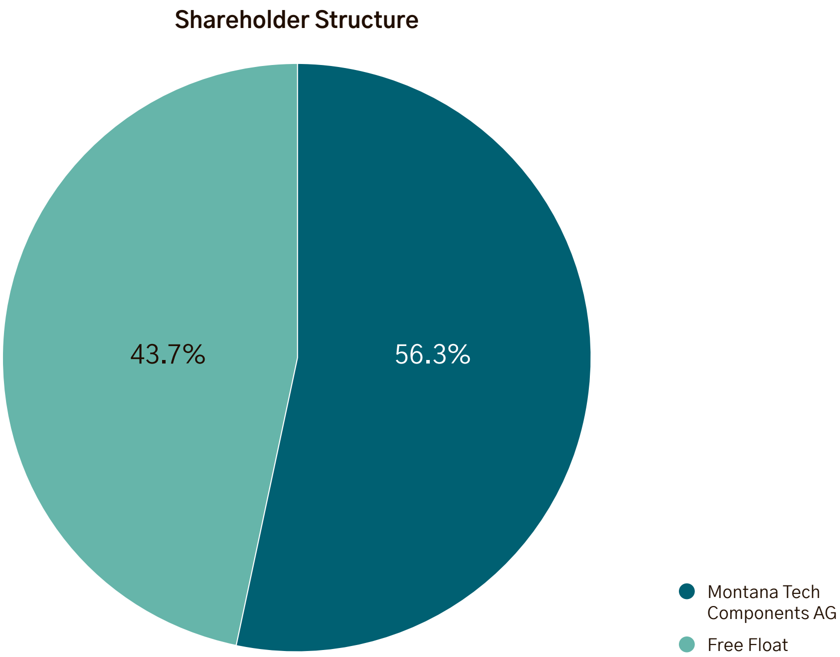
Share Price Performance Montana Aerospace 2021

Shareholder Structure

With our international and diverse shareholder structure, we are able to focus on operational excellence, knowing that our strategy and focus is valued by our partners on the capital market.

Number of shares outstanding	in m	57.6
Market capitalization	in CHF m	1,950
Free Float	in %	43.7%
Avrg. daily traded volume	# of shs	~75,000
Year's high at close	in CHF	40.45
Year's low at close	in CHF	25.65
Year-end closing price	in CHF	33.84

(as of 31/12/2021)



To a large part, our institutional investor base is located in the UK, Switzerland and the US, while our largest shareholder – Swiss-based Montana Tech Components AG – continues to be the majority owner guaranteeing stability by holding 56.3% of the outstanding shares.

Montana Tech Components AG	56.3%
Capital Research & Management Co.	6.0%

3% Shareholders

Analyst Coverage

Currently four financial analysts (Berenberg, Bank of America, Oddo BHF and ZKB) cover our stock, regularly publishing research reports on Montana Aerospace. All four of them have rated us with a "BUY" recommendation, at an average target share price of CHF 48.40 as of 31 December 2021. We are in continuous contact with further research houses to expand our global visibility on the capital market.

Investor Relations

Our open and transparent approach to capital market communications creates a high trust level between us and the stakeholders connected to our business operations. Even before and especially since the IPO, we have been in constant contact with investors and analysts to ensure the optimal communication and information flow. Therefore, in 2021, the members of the Management Board and the Investor Relations department attended more than 400 roadshow meetings and several conferences. Due to the COVID-19 pandemic, around 70% of those were held virtually.

RESPONDING TO THE PANDEMIC

Responding to the pandemic – growth through resilience

Silvia Buchinger, as our Group Chief Human Resource Officer, is in charge of the Montana Aerospace Group COVID-19 resilience team, guiding our internal task force and deciding on the optimal COVID-19 countermeasures for each site in close cooperation with the official authorities and the colleagues present in the respective location.

“2021 was a year of recovery for not only our company, but also the global economy. The strong performance in our operations was enabled and supported by clear and strictly enforced anti-COVID-19 measures. This was overseen by a cross-border collaboration committee to ensure a smooth and optimal working environment for every single member of the Montana Aerospace family.

We are enabled by our continuous effort to not only keep the high standards we have determined ourselves in terms of workplace safety, work-life balance, and growth possibilities for our employees, but also by the proactive approach towards steady structural improvement.

One major challenge was certainly the adaption of our way of working to these new circumstances, e.g., we implemented remote working opportunities or additional office spaces to reduce the risk of infection for high-risk employees. For tasks requiring on-site presence, such as those of a machine operator, we implemented safety buffers between the machine shifts, so that the individual shifts would not meet each other at shift changes.”

Protecting our people ...

Remote office options

Strict hygiene guidelines

Inhouse testing capacity

Flexibility & counseling opportunity

“In 2021, we increased our efforts towards minimizing the impact of COVID-19 and especially the new variants via a solid safety measure net, including a vaccination campaign starting in March 2021 not only for our employees but also their relatives.”

Alexandru Dibos,
Public Affairs & CSR Manager,
Romania

“To prevent the transmission of COVID-19 in our offices and ensure optimal workplace safety and employee comfort, we invested in a UV-Light technology for our ventilation system that eliminates airborne virus particles efficiently. This helped keep everybody as safe as possible in the office.”

Tyler Cullum,
Environmental Health & Safety Manager,
USA

“In our different divisions across the world, several measures were taken to improve workers' safety and workplace quality. Apart from the high standards we already had in place pre-pandemic times, we implemented measures which go far beyond the industry benchmark in providing employee benefits by initiating sports teams, implementing mentorship programs, designating time to team bonding and many more.”

Dominik Pöpperl,
Group Manager Finance,
Austria

... and our business.

Production flexibility

Improved logistic solutions

Stakeholder dialogue

High liquidity reserve

ESG REPORT

"As a global player, we recognize our special responsibility in making our planet more sustainable, with equal opportunity and consistency in all business practices."

Markus Nolte,
CEO

ESG AT MONTANA AEROSPACE

The growing importance throughout the world of environmental, social repsonsibility and governance factors (ESG) is reflected in the corporate philosophy of Montana Aerospace. We believe that the integration of ESG goals and commitments into our growth strategy is essential for our success – now and in the future.

The diversity of our workforce, products and services and the uniquely globalized footprint of the aerospace, e-mobility and energy segments are creating new challenges, responsibilities but also opportunities. While we are aware that we have a long way to go, yet we also believe that we are among the ESG leaders in our industry.

With our coordinated "ONE Montana Aerospace" approach, we have started bringing together all of the elements of our ESG policy into one program. This program will create substantial benefits for all stakeholders: **employees, communities, customers, suppliers and investors.**

Employees and communities ...

proud to be associated with
Montana Aerospace

Customers ...

who recognize their responsibility,
and the role we play in helping them

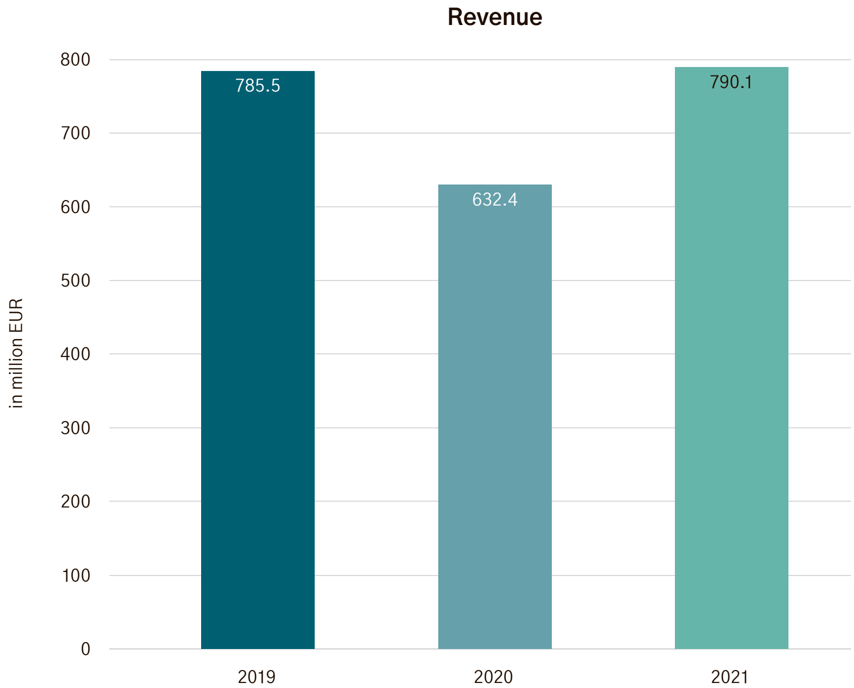
Suppliers ...

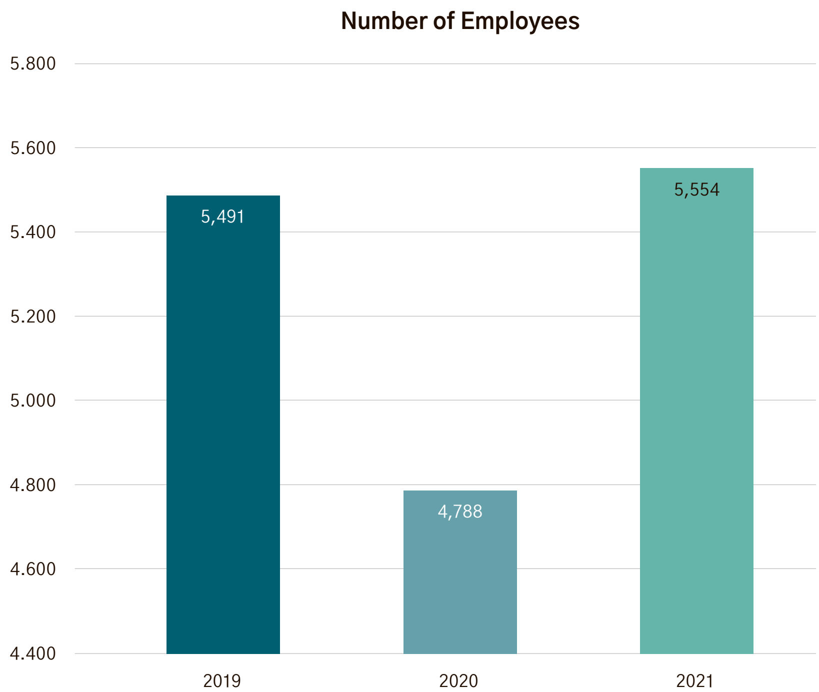
that want to do business with
a leader in global citizenship and have
a similar set of values and behavior

Investors ...

who are pleased with our
stewardship of their trust

Keeping in mind our business growth aspirations, our performance in ESG matters will clearly be measured relative to key indicators of our manufacturing activity, particularly revenue and employees.





ESG

ENVIRONMENT
SOCIAL RESPONSIBILITY
GOVERNANCE

3 MEANINGFUL LETTERS

Our ESG rationale is derived from industry-specific as well as globally valid concepts based on the three key pillars of environment, social responsibility and governance.

Environment

The global challenge consists of limiting climate change and protecting the planet here and now, and for future generations.

We must be prudent with the energy and water we use, and careful with the waste we produce. A common strand of our environmental impact initiative is reducing the use of resources and shifting to more sustainable resources. The fundamental strategy we pursue of vertical integration helps us limit transport distances and enables us to recycle our aluminum, thereby massively decreasing our CO_2 emissions.

Social Responsibility

We aim to ensure that our lives are safe and rewarding.

We will continue to make our Montana Aerospace family a respectful, safe and appealing workplace. We all deserve to be part of a team that fosters diversity, equality and inclusion. At Montana Aerospace, we engage with our local communities in a meaningful way.

Governance

We are committed to our ideals and work hard to promote them.

We are clear about the values and ethics that form the basis of our global culture. We live in societies that require compliance, and we go one step further by requiring our suppliers to adopt the same principles.

ESG RELEVANT SITES

World map of the countries in which our activities promote ESG benefits (ESG-friendly sites)

ESG

ESG RELEVANCE

of sites: 22
# of sites per country in brackets

~1,000

AMERICAS

Brazil (1)
USA (4)

~3,000

EUROPE

Austria (3)
Bosnia and Herzegovina (1)
Germany (1)
Italy (1)
Romania (4)
Switzerland (2)
UK (1)

~1,000

ASIA

China (1)
India (1)
Vietnam (1)

"Our unique global footprint creates diversity, opportunity and accountability."

Kai Arndt,
COO

SUSTAINABLE DEVELOPMENT GOALS OF THE UNITED NATIONS

Fundamental to our ESG program is the recognition of the UN's Sustainability Goals (SDGs), which are relevant for the business operations of Montana Aerospace. Our global ESG team and management identified the following areas in which we believe our company can play an important role.

Quality Education

Ensuring inclusive and equitable quality education, and promoting lifelong learning opportunities.

For us, this means training and educating our employees globally and creating opportunities for students and organizations to engage with Montana Aerospace.

Gender Equality

Achieving gender equality and empowering women and girls.

We promote gender equality by offering development and career opportunities to women through our employment and workplace policy, and promoting women to leadership roles.

Industry, Innovation and Infrastructure

Building resilient infrastructure, promoting inclusive and sustainable industrialization, and fostering innovation.

Montana Aerospace invests globally not only to achieve growth, but also to improve sustainability and the efficient use of resources in all of our processes. Our innovations help our customers prosper and improve their own businesses.

Reducing Inequality

Reducing inequality within and among countries

Montana Aerospace's manufacturing strategy in Europe, Asia and the Americas makes it possible to create opportunities for developing nations.

Responsible Consumption and Production

Ensuring sustainability in consumption and production patterns

Our special efforts in recycling and the re-use of materials enables Montana Aerospace to advance the circular economy. We reduce waste while adopting sustainable and responsible practices.

Climate Action

Taking urgent action to combat climate change and its impacts

The industries we operate in face significant challenges but there are also opportunities to reduce their impact on the climate – and we facilitate these directly and indirectly.

OVERVIEW OF OUR STRATEGY

Our ESG strategy overcomes the challenges that our aerospace, e-mobility and energy operations face, and covers all economies and communities in Europe, the Americas and Asia. Our vertical integration policy creates benefits for our stakeholders that can be developed further by all business units by addressing the topics we have defined in our nine-point plan:

1. Climate, Energy, CO_2
2. Water
3. Waste
4. Health and Safety
5. Diversity, Equality, Inclusion
6. Community Engagement
7. Statutory compliance
8. Values and Ethics
9. Supply Chain

Recognizing that the definition, implementation and continuous development of our program is a journey in itself, we have identified the main steps that need to be taken by the teams set up for this purpose in each business unit.

In the sections that follow, we will outline the progress achieved with our "One Montana Aerospace" strategy, which is based on the collection of standardized data to create a baseline to achieve a common understanding.

Diversity creates opportunity. Sharing achievements throughout the Montana Aerospace Group with respect to the ESG criteria permits us to incentivize activities in all areas including energy, health and safety, community engagement, compliance, values and ethics.

The progress achieved internally will be enhanced by expanding the reach to our supply chain later this year. We are aware of the enormous responsibility we have in the procurement of commodities and of our ability to improve and develop sustainable practices.

ESG ENVIRONMENT

Climate, Energy, CO_2

Our efforts aim to make the aerospace industry greener and achieve a supply chain that is environmentally less harmful by improving logistics and reducing the consumption of resources in the production cycle. With this philosophy in mind, we believe that being as energy efficient as possible is a first step towards net zero emissions, the ultimate goal for us as a company.

We believe it is our duty to be a role model and development leader for the industry given the extensive scope of our vertical integration. This also gives us a competitive advantage that we can leverage to further strengthen our leading position in the market.

Significant reduction of CO_2 emissions by streamlining logistic chains through vertical integration:

Our one-stop-shop strategy shortens delivery routes and reduces logistical expenses to a minimum. The concept ‘from raw material to ready-to-install product – one-stop-shop’ significantly reduces CO_2 emissions compared to conventional manufacturing concepts.

TITANIUM SEAT TRACK

A direct comparison of a conventional non-integrated supply chain with Montana Aerospace's highly integrated one, using the example of a "Titanium Seat Track", which represents the fastening element for passenger seats, clearly shows that the one-stop-shop model creates tremendous benefits for our customers.

-5 suppliers

The number of suppliers decreased from 7 to 2

-15,000 km

The transport routes shortened from 17,000 km to 2,000 km

-50 weeks

Delivery time is shortened from 60 to 10 – 12 weeks

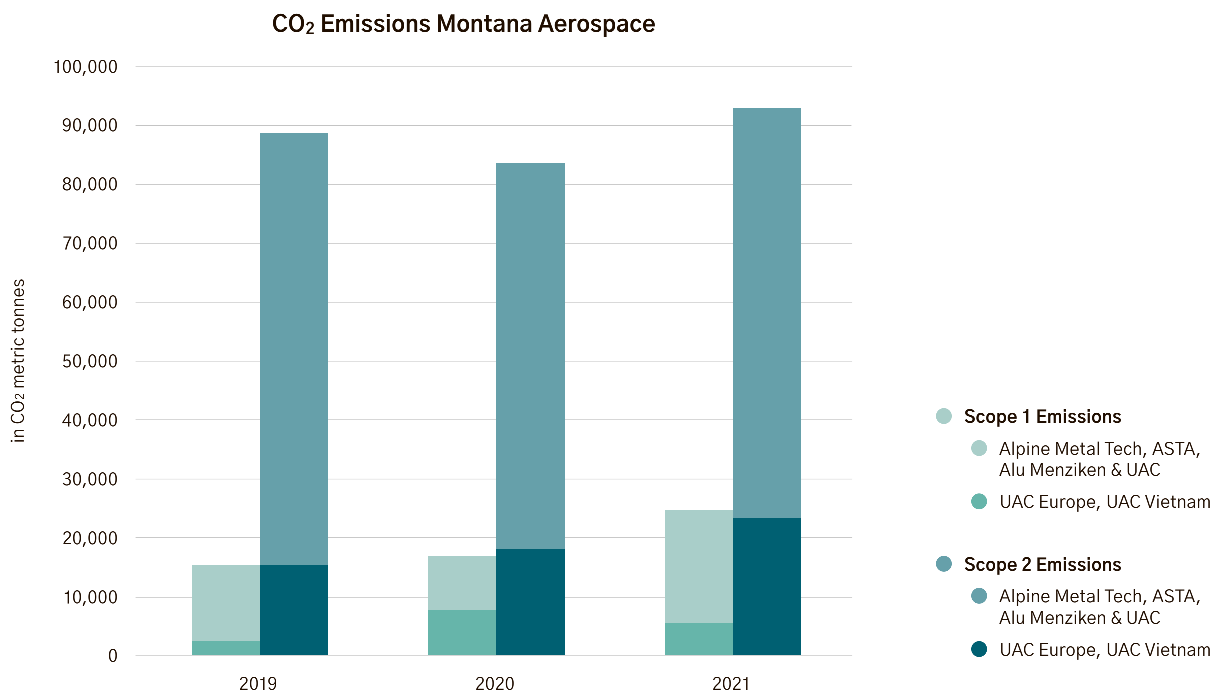
-460t tons

CO_2 footprint is reduced by ~60%

Strict and standardized ESG measurement

Strict and standardized ESG measurement guidelines help us attain our targets and are also supportive of the design and construction of new and improved machines.

As a vertically-integrated single point of contact for our customers, we supply the entire range from raw materials to finished assemblies. Therefore, our direct emissions are not comparable to those of our peers who outsource and transport raw materials and processes to downstream and upstream providers. In the chart below, we have highlighted Scope 1 and Scope 2 data we believe to be comparable to other companies that produce aerostructures without the benefits of our "One Montana Aerospace" strategy. For 2022, it is envisaged to extend our Scope 2(&3) emissions reporting to better reflext third party emissions.



While it is clear that just like everyone else in the entire industry we need to ramp up our efforts in this respect, we have already implemented several emissions-cutting projects at our locations worldwide. We launched several emissions-reducing projects that enable us to grow greener and more sustainably. These projects included increasing the number of solar panels used at our plants as well as thermal incineration installations.

We are implementing numerous local projects with a collective global impact.

Austria
We installed a thermal incineration plant, as it has become very clear that we need to reduce emissions to a minimum in the future. This not only makes it possible to maximize environmental benefits as production lines can now be heated individually, but also translates into a financial improvement in terms of long-term cost reductions. This year, a new production enameling line will be added, thereby reducing emissions sharply compared to the current technology leader in the field of enameling machines.

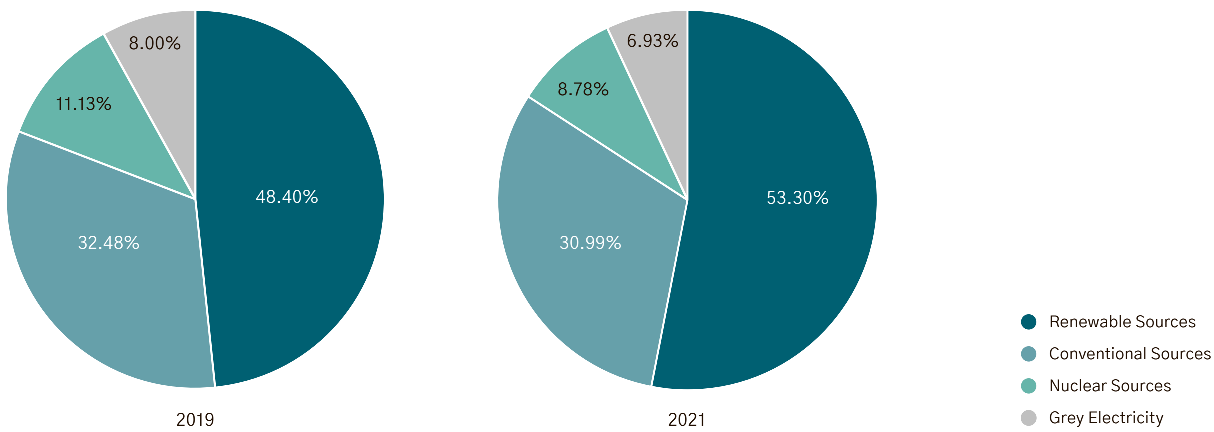
Romania
We are particularly proud of our team in Romania for the development of a solid CO_2 emissions reducing strategy, which also enabled us to obtain a EUR 1.6 million government grant. The government funding was obtained by demonstrating that the use of renewable energy (51% of total energy consumption) helped us reduce our CO_2 emissions to levels significantly lower than the standards defined by EU regulations.

Vietnam
We have more than 30,000 m^2 of roof space available for solar power installations. We are currently engaged in discussions with several solar panel companies specialized in commercial and industrial sites. These installations would benefit not only our energy consumption mix, but would also cut consumption due to the high grade of our thermal roof insulation. Our benchmark plant in Vietnam also operates one of the most modern post-production water filtration and treatment systems with a capacity of more than half a billion liters annually.

Brazil
Just like for all of our facilities, we are evaluating the installation of solar panels at our plant in Brazil to increase energy efficiency and supplement the use of LED lighting at production facilities as well as at the offices in the past year. We work closely with the local authorities to ensure that we are not only meeting, but even outperforming the minimum standards. Additionally, we started several reforestation projects to increase green spaces in and around our facilities.

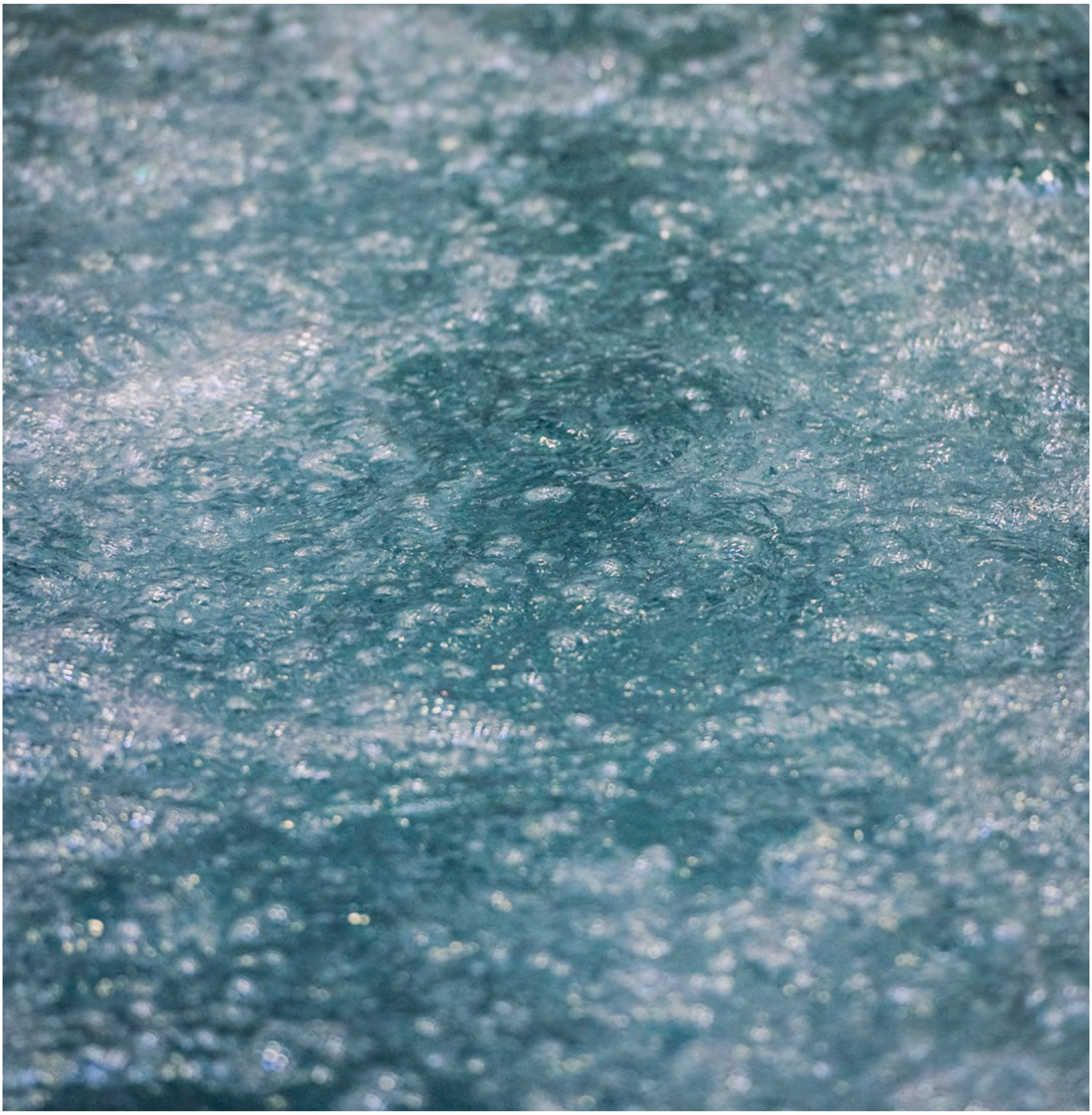
Strong growth of 10% in energy from renewable sources reflects our commitment to a sustainable production process.

Share of Energy Sources (in %) – Trend 2019 to 2021



Water

We care about using water responsibly and we are committed to including local stakeholders in our consumption planning whenever needed. We have implemented waste water treatment facilities at all plants that can be retrofitted. We include planning for water consumption and waste water treatment for all of the new plants we are building. We reduce consumption through greater efficiency and use recycled water wherever possible at all our plants to close the loop in industrial water usage.



Waste

Sorting and recycling raw materials is an important task at our factories. Our high-tech aluminum components are produced using roughly 70% of recycled aluminum. Almost 100% of our own cuttings, clippings and scrap is recycled internally in one of our three state-of-the-art cast houses.

Our recycling practice also has a positive effect on raw materials procurement. In the development and design phase of our products, we already include sustainability considerations when deciding on the use of raw materials, thereby reducing waste. Fewer heavy materials and an optimized design for our lightweight solutions make it possible to reduce mass, energy consumption and carbon emissions. We apply this strategy with our customers in the very early stages of collaboration, specifically when developing and designing new parts and when working on the improvement of existing parts.

Our vast know-how in the manufacture of customer-specific alloys and in preparing different materials for the extrusion process enhances the business potential of recycling as a viable option for our Group. This results in above-average performance and sets us apart from our competitors. Locating our aluminum foundries directly next to the pressing plants highlights our sustainability efforts and eliminates additional transport routes.

Furthermore, we also started several clean-up campaigns such as our "No to Waste" campaign in the local community in Mediescu Aurit in Romania. We also conduct noise emission checks on a regular basis to make sure there are no negative impacts on the local population from our plants.

"It is important for us to identify and initiate best practice solutions within the Group in order to learn from each other and make the company as a whole more environmentally friendly. One example is the ongoing wastewater treatment in Romania, which enables us to return valuable water to the production cycle through a purification process."

Stephanie Guggenberger,
Member of the ESG Team, Montana Aerospace


DESEU DE ALUMIN
(SPAN)
ALIAJ (ALLOY)
7050
COD:12 01 03

Sorting and returning raw materials is key in our factories. Recycling aluminum is very important to keep the proportion of primarily produced aluminum as low as possible. Our foundries are equipped to recycle our own metal returns and, in some cases, also external scrap. These are fed back into the production process as extrusion bolts, which on average consist of ~ 70% recycled aluminum.

ESG SOCIAL RESPONSIBILITY

Health and Safety

Product safety and quality
We manufacture critical components for the aerospace, e-mobility, and energy industries. Therefore, ensuring product safety and quality standards in all our products is a top priority. In the aerospace and e-mobility sector, the environmentally-friendly solutions must be lightweight and consume less fuel. However, they must also be sufficiently stable and withstand the forces encountered in flight or driving.

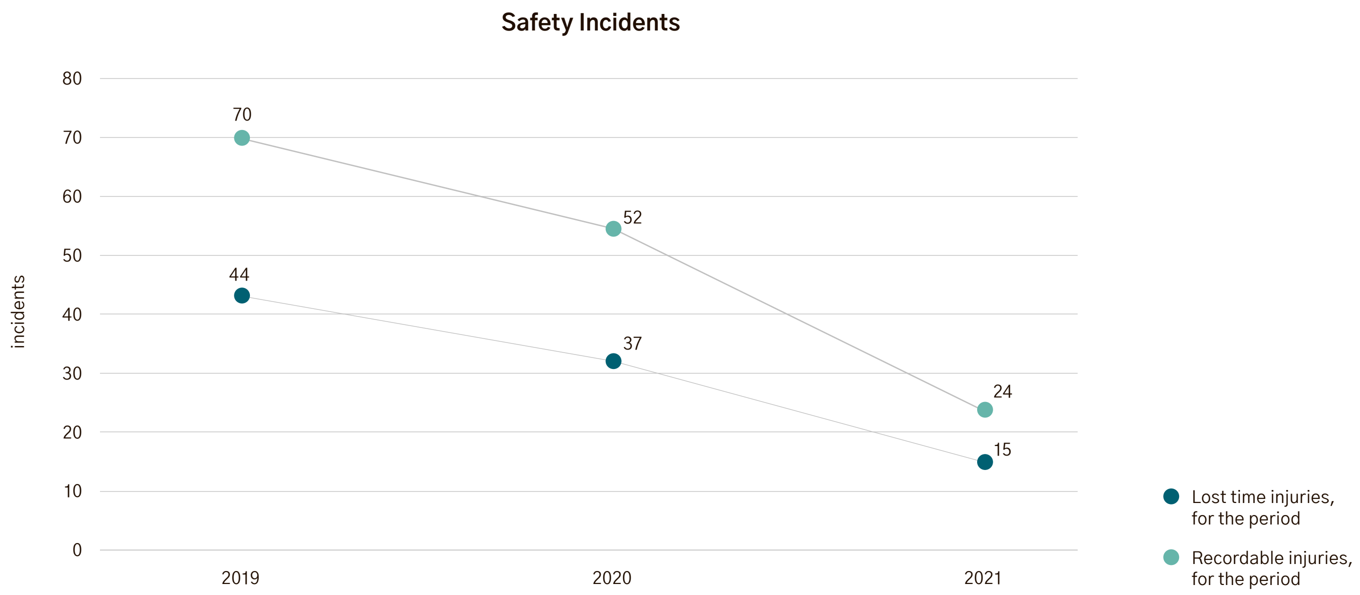
At Montana Aerospace, we believe it is our responsibility to work continuously to improve the safety of all our solutions. This means regular training for our employees and the constant optimization of our products and processes to set new standards in product safety. All of our products must complete stringent quality testing. This process starts with quality control of the specifications up to the final inspection of the component at delivery. We mark all of our component parts so that they are identifiable and 100% traceable in line with our understanding of professional standards.

“It’s truly rewarding to be confident in the safety of our workplaces and the products we supply. What a great feeling to deliver reliable products, and know that our teams are safe at work producing them.”

Ashley Joy,
Head of the ESG Team, Montana Aerospace

Employee health and safety

The objective of ensuring the highest safety standards applies equally to all of our employees. We are committed to a safe working environment and to the protection of our employees. To this end, we foster a safety-first culture and continuously work to optimize our processes. Our goal at Montana Aerospace is zero incidents at the workplace. To ensure this, we continuously strive to minimize risks at the workplace to reduce accidents to a minimum and prevent injuries. Our employees take part in regular safety training courses to create awareness and we ensure a proper understanding and implementation of our health and safety guidelines. Every safety gap is one too many.



The health and well-being of our employees always comes first. Therefore, one of our activities was the development of comprehensive safety measures to limit the effects of the COVID-19 pandemic, and provide support and protection to our staff. In accordance with local government regulations, Montana Aerospace developed comprehensive sets of measures to maximize safety and minimize the risk of infection. Our COVID-19 response included tighter hygiene and sanitation standards at our production facilities, mandatory mask-wearing and social distancing. We also promoted education to stress the importance of vaccinations. Apart from these measures, employees worked from home wherever possible and all business travel was suspended. In cases in which employees had to be present at their place of work, the employees worked in groups to minimize the spread of COVID-19.

We are very proud of the fact that we have coped well with the pandemic to date and did not have any delays in deliveries and fulfilled our contracts. This would not have been possible without the cooperation and high degree of personal responsibility of all our employees.

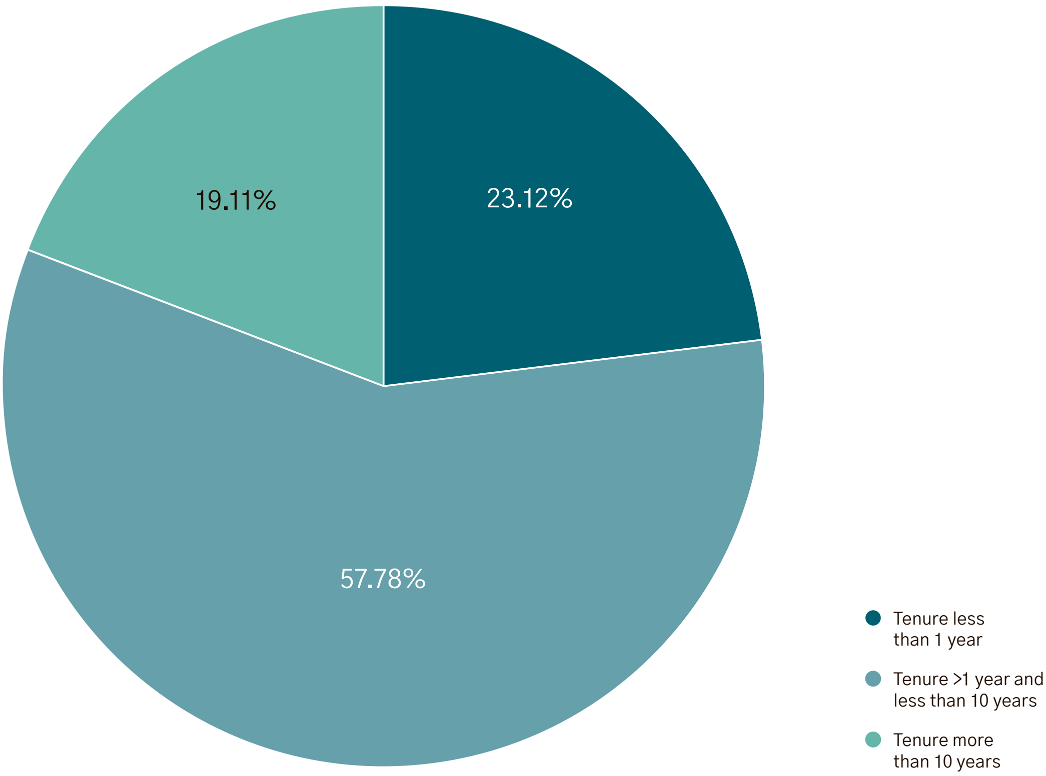
We would like to take this opportunity to express our sincere gratefulness to our employees.

Human capital development

Employee value proposition (EVP), training, tenure, succession planning
At Montana Aerospace, we recognize that our extraordinary development would not be possible without the dedication and hard work of our employees. We aspire to be a top employer by providing an inclusive work environment that places its people first. Our corporate culture actively encourages visionary and entrepreneurial thinking among our staff. We provide support and help them achieve their best possible performance. It is a priority at Montana Aerospace to attract and retain the best and most talented people. We recognize potential and have a strong base of talented employees at all levels of the company. We invest in our staff by offering comprehensive training and mentoring programs that ensure continuous learning and growth. Our goal is to enable our employees to achieve their personal and professional aspirations within the company and we reward hard work.

This is evidenced by the long average tenure within the company.

Tenure



"During my time at Montana Aerospace, I had the unique opportunity to gain deep insights into the company's core competences through various production plant visits, which were the perfect completion to my in-office activities. I was awarded a high degree of trust and responsibility from the start, which allowed me to develop my knowledge and skills in a meaningful way. If you want to be part of a truly global team and challenge yourself on a daily basis, Montana Aerospace is the right place for you!"

Saskia van Oosten,
Montana Aerospace Marketing Intern

Diversity, Equality, Inclusion

Labor management, diversity and inclusion
Our goal is to actively shape the future of the aerospace industry and play a leading role in the changes that are taking place. We recognize that a diverse and inclusive workforce allows for a broader set of experience and opinions and this ultimately leads to better decision-making. We believe that our truly global workforce is one of Montana Aerospace's main strengths and we are committed to actively increasing the ratio of underrepresented groups in our company. Our objective is to foster an environment, with significant good faith effort, to provide equal opportunities.

"Diversity is a driver for innovation and growth. A global workforce requires a high degree of flexibility and I believe that this is the chance for women to succeed. Especially in industry, flexible work schedules will provide more opportunities for women and strengthen employee branding and motivation."

Daniela Klauser,
CFO ASTA Energy Transmission Components

Raluca Zanifirache
Touch-up Operator –
Floor Structures

Monica Ana Pricop
Touch-up Operator –
Sub-Assemblies A350

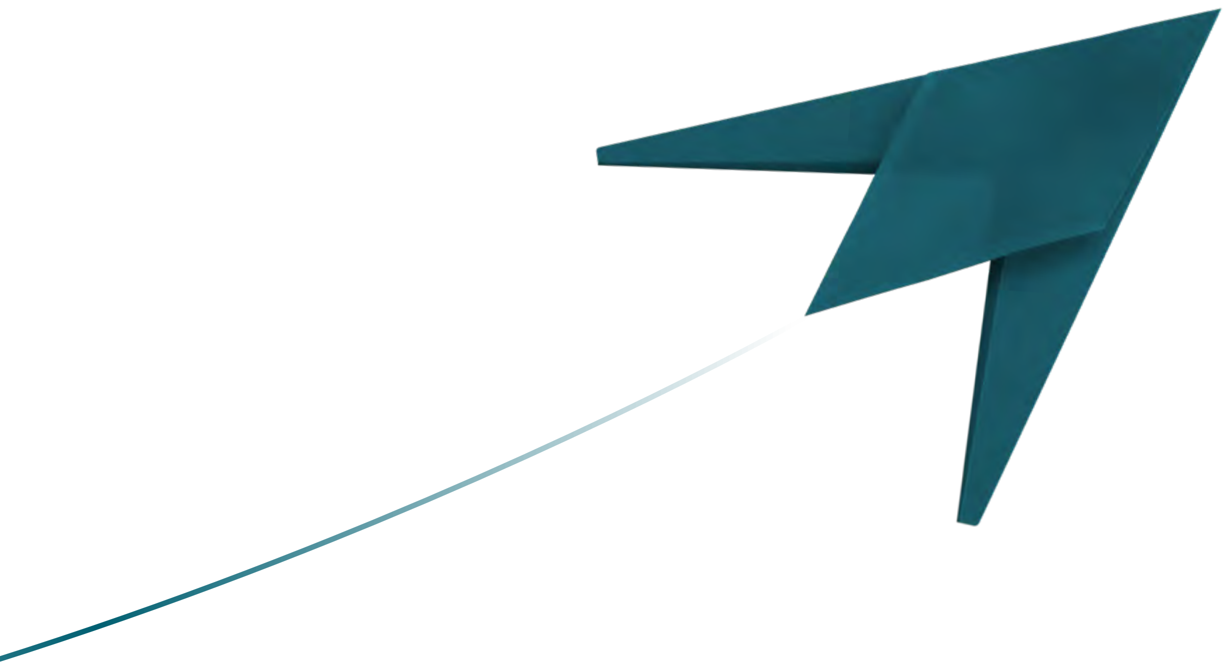
Adina Iulia Rosian
Head of Waste Water Treatment

Community Engagement

We understand that as Montana Aerospace we are essential for the locations where we operate. We are committed to building better and more equitable communities through various employee and company engagement programs and investments. We seek to add value to these communities and engage with local stakeholders in a meaningful manner.

Montana Aerospace is highly committed to supporting young people and students in reaching their full potential. We are involved in several programs to promote educational achievements at all scholarly levels among students from diverse backgrounds. We hope to help students achieve their educational and personal goals, and also support interaction with the potential future employees.

Furthermore, we are engaged in campaigns to promote health and safety in the communities beyond our own employees. During the COVID–19 pandemic, we offered free vaccines and vaccine information to employees and their families as our contribution to the prevention and containment of the spread of the COVID–19 to protect people.



BRINGING POSITIVE CHANGE TO OUR COMMUNITIES

We invest in the future generation

Access to quality education is essential. At Montana Aerospace, we strongly believe in investing in the younger generation and offering opportunities to talented students. Not only does this allow for children and young adults from all backgrounds to obtain a high-quality education, it also gives us the opportunity to interact with potential future employees. One example of this is inviting students to our company to do production site visits.

Alpine Metal Tech is an official sponsor of the "Lego League" technology project at the Vöcklabruck Bundesgymnasium in Austria, which has the aim of getting students excited about automation. With the purchased Lego robots, the students from senior classes teach programming skills to those in the junior classes. In order to be able to relate to the topics of automation and robotics in the world of work, Alpine Metal Tech invites the students from junior classes for a company visit at the end of the school year.

Montana Aerospace is a sponsor of the Joanneum Aeronautics – the official aerospace club of the FH Joanneum University of Applied Sciences. The design-build-fly project team participates in international aeronautics competitions all over the world. Our sponsorship enables the students to invest in new equipment so that they can continue realizing future projects.

We contribute to a more sustainable environment

We at Montana Aerospace see it as a key responsibility to ensure a more sustainable future. This includes engaging in activities within our communities to promote a more sustainable environment. Our employees in Georgia participated in the annual volunteer waterway cleanup event in partnership with Rivers Alive. Their mission is to create awareness of and encourage participation in the preservation of Georgia's water resources, including streams, rivers, lakes, beaches, and wetlands.

We support our employees and their families

As an employer, we want to support our employees and their families in many different ways. We offer a free summer camp for employees children as well as children in the community.

In Romania, we organize a yearly picnic for our employees and their families.

Our employees in the US supported local children and families during the holiday season by wrapping over 400 gifts donated by local individuals for Christmas.

We promote the health and well-being of our employees

The health and well-being of our employees is of utmost importance, and we try to offer comprehensive initiatives to promote this. Practicing a sport is another essential activity to boost physical and mental health, which is why Montana Aerospace participates in the Vienna City Marathon every year and invite all our employees to join.

To limit the spread of the COVID-19 pandemic and enable our employees to make an informed decision about their health, we offered free consultations as well as vaccinations.

ESG GOVERNANCE

Montana Aerospace AG (Montana Aerospace) and its subsidiaries are an industrial Group that operates worldwide (Montana Aerospace Group). The Group pursues a responsible corporate management policy guided by the principles of integrity, honesty, sustainability and transparency.

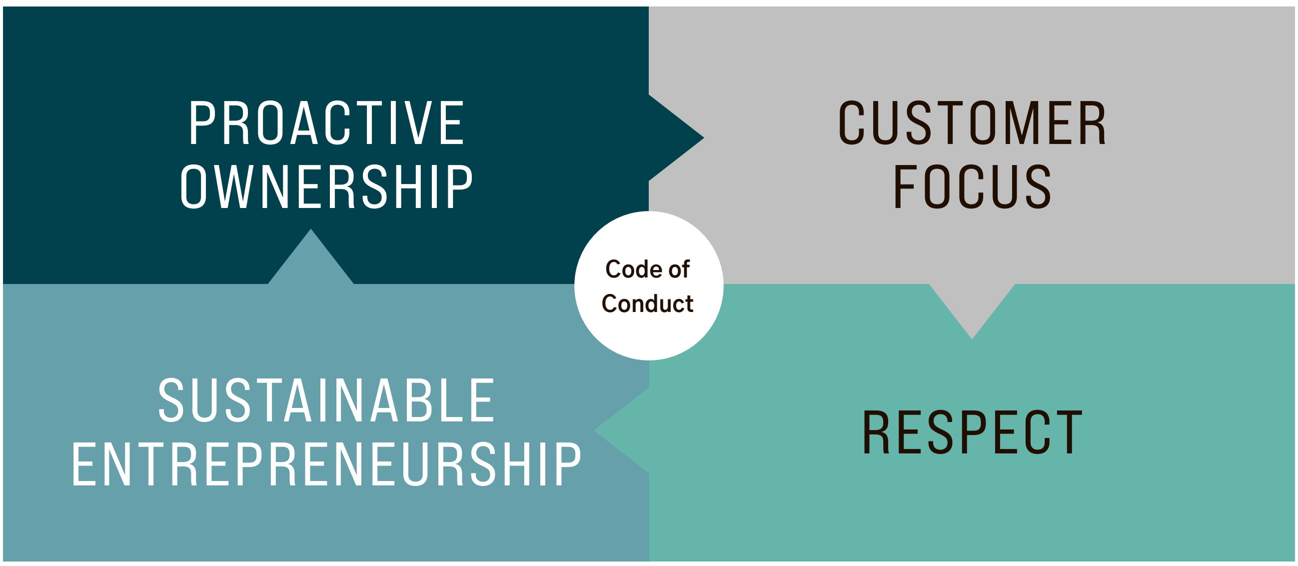
The Montana Aerospace Group includes all companies in which we have a direct or indirect interest of at least 50% or in which we exercise control in a different way. This also includes joint ventures in which we have a controlling interest.

Our international activities impose various social, political and legal obligations on Montana Aerospace. Any violation of these obligations, especially of rules and regulations, may have severe detrimental effects on our financial standing and therefore on our business, thus causing lasting damage to our Group.

As a market and technology leader with operations established over decades, we pursue a long-term, sustainable and comprehensive growth strategy for value creation. We achieve our goals because of the high degree of personal commitment, a strong team spirit, open communication, an unwavering focus on quality innovation and a strong customer orientation.

In our relationships with customers, suppliers, employees and other business partners, we are committed to the basic values and principles that are summarized in this Code of Conduct. The Code of Conduct serves as a framework and guidance for sustainable and responsible behavior within the Montana Aerospace Group.

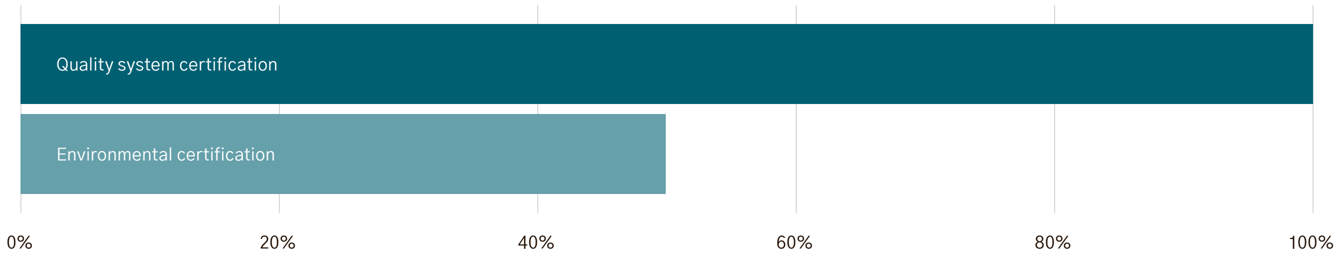
Morally, ethically and legally sound behavior of all employees is critical and at the core of our corporate culture: it is part of our DNA. Our governance rules and regulations apply to all employees of Montana Aerospace, and we expect and encourage every single employee to adhere to these standards. Moreover, Montana Aerospace also requires its main business partners to comply with such standards of our Code of Conduct or to other similar ones.



Industry relevant quality, safety and environmental certifications demonstrate our commitment to security and reliability in all we do.

Our quality systems form the foundation of our manufacturing operations. We are required to maintain audited quality systems and complete certification processes in all of our businesses areas.

We have developed further qualification standards where necessary in other fields and are proud to report that 50% of all locations have completed environmental management certification audits.



Within the framework of our ESG standards, we have extended our governance responsibilities to cover the following topics as well:

- **Ownership and control**
- **Board structure**
- **Pay and incentives**
- **Accounting transparency**
- **Business ethics**
- **Tax transparency**

Further definitions and descriptions of our business ethics in our Code of Conduct are available on our website or may be requested by e-mail from Investor Relations at ir@montana-aerospace.com.

ESG OUTLOOK

We are well aware of the fact that we operate in an industry with a high environmental impact. While we acknowledge that we still have a long way to go to reach net zero emissions as a group, we are more than determined to fulfill our promise as a game changer in the aerospace supply chain and achieve improvements throughout all of our industries.

This not only applies in terms of carbon emissions and environmental impact, but also to the standards we set for our employees in terms of work-life balance, workplace equality and workplace diversity.

To achieve this goal, we are currently commencing the process of working with an international ESG advisory firm that will help us improve our long-term ESG strategy and standards for the entire Group. This process will begin this year and will consist of several stages. As many of our Group companies are located in the European Union, we will also expand our reporting system to meet the non-financial disclosure requirements of the European Union for corporate sustainability reporting and the taxonomy for sustainable activities. These will apply to our group as of the end of the financial year 2023.

Montana Aerospace already took the first step towards making the industry greener: our vertical integration means that we operate much more efficiently and environmentally-friendly than our peers. The expansion and continuous improvement of our ESG processes developed jointly by expert consultants will help us achieve progress in this area and secure another competitive advantage over the long term.

CORPORATE GOVERNANCE REPORT

Montana Aerospace AG (“Montana Aerospace” or “Company”) has a clear framework of management and control policies in place to ensure compliance with the best practice principles of corporate governance, which are considered essential for creating long-term value. Montana Aerospace’s policies are set out in its Articles of Association and Organizational Regulations. This Corporate Governance Report presents the framework and the policies based on the Directive of Corporate Governance issued by SIX Swiss Exchange. Moreover, this report includes references to the notes to the financial statements and the Compensation Report. For sake of clarity and transparency, the Compensation Report is presented as a separate chapter of the Annual Report.

Group Structure and Shareholders

Montana Aerospace is a worldwide supplier of structural parts for the aerospace, e-mobility and energy industries, and is incorporated in Switzerland with its registered office in Reinach, Switzerland. These consolidated annual financial statements as of 31 December 2021 comprise the Company and its subsidiaries (collectively the 'Group' and individually 'Group companies') described in detail in chapter 31 of the Consolidated Financial Statements, including a complete list of the Group companies with their respective registered seats, share capital and percentage of shares held. As of December 2021, the operation and plant sites of the Group are divided into the three segments of aerospace, e-mobility and energy industries, with the management and the internal reporting system being centralized at Montana Aerospace. The business operations of Montana Aerospace are conducted through the Group companies. The allocation of resources and performance assessment is made at the Group companies' level. The Company has approximately 5,500 highly skilled employees at 28 locations on four continents. They design, develop and produce ground-breaking technologies for tomorrow's aerospace, e-mobility and energy industries using aluminum, titanium, composite, copper and steel. The majority shareholder of Montana Aerospace is Montana Tech Components AG.

The Company completed a successful initial public offering on 12 May 2021 and is now listed on the SIX Swiss Exchange. The shares of Montana Aerospace are traded under the Swiss Securities Number (Valor) 111042565, the International Securities Identification Number (ISIN) CH1110425654 and the ticker symbol AERO. As of 31 December 2021, market capitalization was CHF 1,948.2 million (EUR 1,883.2 million). There are no cross shareholdings. Prior to the offering, there had been no public market for the shares. With the issuance of 17,153,997 new shares and an offer price of CHF 25.65 per share, the Company raised gross proceeds of CHF 440.0 million (EUR 394.6 million).

Significant Shareholders

According to disclosure notifications reported to Montana Aerospace and published via the electronic publishing platform of SIX Swiss Exchange, the following shareholders had shareholdings of at least 3% of the voting rights as of 31 December 2021:

Significant shareholder (beneficial owner)	% of voting rights	Number of shares
Montana Tech Components AG (Michael Tojner) IPO Lock-up Group[1]	56.33%	32,422,719
Capital Research and Management Company (The Capital Group Companies, Inc.)	5.96%	2,157,933 shares held 1,272,866 voting rights delegated

[1] Group members: Michael Tojner, Vienna (Austria); Markus Nolte, Linz (Austria); Michael Pistauer, Vienna (Austria); Herbert Roth, Vienna (Austria).

In addition, Montana Aerospace had as of 31 December 2021 a sale position in shares of the Company in the amount of 11.71% (reflecting 6,738,327 shares) to be delivered under certain conditions in connection with the purchase of S.R.I.F. NV (the Asco Group) by a subsidiary of Montana Aerospace under the share purchase agreement (see also subsection *Significant events after the balance sheet* date below).

Montana Aerospace is not aware of any other shareholders holding shares in excess of 3% of the share capital on 31 December 2021. The number of shares shown as well as the holding percentages are based on the last disclosure communicated by the shareholders to Montana Aerospace and the Disclosure Office of SIX Swiss Exchange for the period ended 31 December 2021. The number of shares held by the relevant shareholders may have changed and/or new shareholders with more than 3% of the voting rights may have acquired shares in Montana Aerospace since 31 December 2021.
For individual reports published during the year under review, please refer to the webpage of the Disclosure Office of SIX Swiss Exchange:

https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html

As of 31 December 2021, Montana Aerospace held no treasury shares. There are no cross-shareholdings exceeding 5% with any company outside the Group.

Capital Structure

Ordinary Share Capital

As of 31 December 2021, the Company's ordinary share capital was CHF 57,553,997.00, divided into 57,553,997 fully paid-in registered shares with a nominal value of CHF 1.00 each.

As of 31 December 2021, the Company has not issued any participation certificates, profit-sharing certificates or any preference shares within the meaning of Art. 654 Swiss Code of Obligations (CO).

Authorized Share Capital

Pursuant to Article 3.a of the Articles of Association of Montana Aerospace, the Board of Directors is authorized to increase the Company's share capital by a maximum of CHF 4,600,000.00 through the issuance of up to a maximum of 4,600,000 fully paid-in registered shares with a nominal value of CHF 1.00 each at any time until 16 April, 2023. Increases of the share capital (i) by way of underwriting, (ii) by a subsidiary in one of the cases as outlined below where pre-emptive rights may be excluded, as well as (iii) by partial increases are permissible.

The Board of Directors shall determine the date of issuance, the issue price, the type of contribution, the date of dividend entitlement and the conditions for exercising the pre-emptive rights and the allocation of non-exercised pre-emption rights. The Board of Directors may determine that pre-emptive rights that have not been exercised expire or may allocate such pre-emptive rights that have not been exercised to third parties at market conditions or use them in the best interest of the Company.

Pursuant to Article 3.a of the Articles of Association of Montana Aerospace, the Board of Directors is authorized to restrict the pre-emptive rights of shareholders or to allocate them to third parties:

If the issue price of the new shares is determined based on market value; or

for the acquisition of a company, a part of the company or shares, for the acquisition of products, intellectual property rights, licenses, cooperative ventures, or new investment projects of the Company or for the financing or refinancing of such acquisitions or investment plans, or in the case of a share placement for the purposes of such financing or refinancing of such placements; or

for the purpose of expanding the group of the Company's shareholders in certain financial or investor markets, for the purpose of the participation of strategic partners or in connection with a listing of the registered shares on domestic or foreign stock exchanges; or

for the purpose of granting an over-allotment option (greenshoe) of up to 15% in relation to the shares offered in the base tranche in the case of a placement or the sale of registered shares to the respective original buyer or subscriber; or

for the purpose of quick and flexible procurement of equity capital (including by private intermediation), which probably would not have been procured if the pre-emptive rights of the current shareholders had not been restricted; or

for other reasons permitted by Art. 652b Sec. 2 CO.

The acquisition of registered shares on the basis of an authorized share capital increase for general purposes as well as any transfer of registered shares are subject to the restrictions set forth in the Articles of Association (see subsection Transferability of Shares below).

Conditional Share Capital

Pursuant to Article 3.b of the Articles of Association of Montana Aerospace, the share capital may be increased by a maximum amount of CHF 5,000,000 through the issuance of a maximum of 5,000,000 registered shares with a nominal value of CHF 1.00 each, to be fully paid up and under the exclusion of pre-emptive rights and advance subscription rights, by way of issuance of shares upon the exercise of options or related subscription rights granted to employees, members of the Board of Directors or consultants of the Company or one of its Group companies under one or several share participation programs or regulations issued by the Board of Directors. The Board of Directors shall determine the details.

The acquisition of registered shares on the basis of a conditional share capital increase for participation plans as well as any transfer of registered shares are subject to the restrictions set forth in the Articles of Association (see subsection Transferability of Shares below).

Changes in capital

The Company was incorporated on 4 December 2019 with an initial ordinary share capital of CHF 100,000, divided into 100,000 fully paid- in registered shares with a nominal value of CHF 1.00 each. On 16 April 2021, the Company's extraordinary general meeting resolved to increase the ordinary share capital from CHF 100,000 to CHF 30 million by issuing 29.9 million fully paid-in registered shares with a nominal value of CHF 1.00. In addition, the extraordinary general meeting resolved to authorized share capital in the amount of CHF 10 million and conditional share capital (for participation programs) as described above in the amount of CHF 5 million as well as conditional share capital (for financing purposes) in the amount of CHF 5 million. On 11 May 2021, the extraordinary general meeting resolved to increase the Company's ordinary share capital from CHF 30 million to CHF 47,153,997 by issuing 47,153,997 fully paid-in registered shares with a nominal value of CHF 1.00 each. On 17 November 2021, the Company placed 5,400,000 new registered shares from existing authorized share capital with a par value of CHF 1.00 each in a private placement by way of an accelerated book-building process (the "Share Placement"). The placement price was set at CHF 28.20 per share (the "Placement Price"), resulting in gross proceeds of approximately CHF 152.3 million. The net proceeds from the Share Placement are to be used to raise funds to be able to further accelerate organic growth and M&A activities of the Company, including, subject to the fulfillment of certain conditions, the current acquisition of the Asco group. In connection with the Share Placement, Montana Tech Components AG as the Company's majority shareholder and lender of a hybrid loan to the Company in the amount of CHF 169.4 million, converted the major part of its outstanding hybrid loan in the amount of CHF 141.0 million at the Placement Price into 5,000,000 new Montana Aerospace shares by way of a separate capital increase from conditional capital to preserve the liquidity of the Group, strengthen its equity and decrease its net debt. On 19 November 2021, to implement the capital increase from the Share Placement and the conversion of the hybrid loan, the Company's ordinary share capital was increased to CHF 57,553,997.00, divided into 57,553,997 fully paid-in registered shares with a nominal value of CHF 1.00 each by use of the authorized and the conditional share capital (for financing purposes). As a result, the authorized share capital of CHF 10 million was reduced to CHF 4,600,000 and the conditional share capital (for financing purposes) was fully used up.

Limitations on transferability and nominee registration

Pursuant to Article 5 of the Articles of Association, the transfer of registered shares requires the approval of the Board of Directors, which may delegate this competence. Approval shall be granted if the purchaser communicates his/her name, nationality, and address on a form provided by the Company and declares that he/she has acquired the shares in his/her own name and for his/her own account.

Pursuant to Article 5 of the Articles of Association, the Board of Directors may register individual persons who do not expressly declare in the registration request that they are holding the registered shares for their own account (hereinafter: Nominees) with voting rights in the Share Register up to a maximum of 5% of the total share capital outstanding at the time, provided the Nominee is subject to an acknowledged banking or financial market supervisory authority and has entered into an agreement with the Company on its position. The Board of Directors may register a Nominee as a shareholder with voting rights in excess of such registration limitation provided the Nominee agrees to disclose at any time upon the Company's request the names, addresses, nationality and shareholdings of the persons for which it holds 0.5% or more of the total share capital outstanding at the time. The Board of Directors may agree on arrangements on the disclosure obligations. Legal entities and partnerships, or other groups of persons or joint owners who are interrelated through capital ownership, voting rights, common management or are otherwise linked, as well as physical persons and legal entities and partnerships who act in concert (especially as a syndicate) to circumvent the regulations concerning the limitations to participation or representation by Nominees will be treated as one Nominee. In the financial year 2021, the Board of Directors did not register any nominee as a shareholder with voting rights in excess of the registration limitation. For the procedures and requirements for the cancellation of statutory privileges and limitations on the transferability of shares, see subsection Quorum requirements below.

Convertible bonds and options

As of 31 December 2021, no outstanding convertible bond or options on Montana Aerospace's equity were recognized on the balance sheet.

Significant events after the balance sheet date

Montana Aerospace AG announced on 7 September 2021 the signing of the acquisition of 100% of shares of S.R.I.F. NV (the "Asco Group" or "Asco"). The Asco Group is a leading supplier and development partner in the field of high-quality system components and structures for the aviation industry with around 1,100 employees in four locations in Belgium, Germany, the United States and Canada. In the years 2018–2020 Asco generated an annual revenue of up to EUR 260 million. The combination of Montana Aerospace's material competence and best-cost-country footprint with Asco's development and manufacturing competences for large components and complex assemblies, will further accelerate Montana Aerospace's growth as an industrial champion best positioned to meet customer needs of tomorrow. The closing is subject to merger control and FDI approvals and will most likely occur as per end of Q1/2022.

The purchase consideration is composed of an upfront payment and an earn-out relating to the value weighted average share price (VWAP) of Montana Aerospace, both payable in cash, as well as a share consideration. The upfront payment will be paid at closing and the aggregate purchase price is subject to customary price adjustments. The earn-out will be paid mid 2025 at the latest. The shares to be newly issued out of the authorized share capital of Montana Aerospace AG – with exclusion of the pre-emptive subscription rights of existing shareholders – will be issued as soon as possible following payment of the upfront payment.

Further details are to be found under the following link:

https://www.montana-aerospace.com/category/ad-hoc-mitteilungen/

Board of Directors

The Board of Directors (BoD) has the highest responsibility for the conduct of business of Montana Aerospace. It creates shareholder and stakeholder value and represents the Company vis-à-vis third parties. It supervises the Company's management and reaches resolutions on all matters that are not reserved to another governing body of the Company. Further, it ensures that the necessary financial and human resources are available to meet the Company's objectives.

Members of the Board on 31 December 2021	Board membership	Since	To be reelected
Michael Tojner	Co-Chairman of the Board of Directors	2020	2022
Thomas Williams	Co-Chairman of the Board of Directors	2020	2022
Martin Ohneberg	Vice-Chairman of the Board of Directors	2020	2022
Christian Hosp	Member of the Board of Directors	2019	2022
Markus Vischer	Member of the Board of Directors	2020	2022

Michael Tojner (Austrian citizen)

Mr. Tojner holds a Ph.D. in management and business studies from the Vienna University of Economics and Business Administration as well as a Ph.D. in law from Faculty of Law of the University of Vienna. He also participated in executive programs at Stanford University in 2001 and Harvard Business School in 2002. Mr. Tojner has a many years of experience in investment banking, merger and acquisition transactions, private equity and venture capital financing. He founded the WertInvest Group and the Global Equity Partners Group. He is also the founder of the majority shareholder of Montana Aerospace, specifically, Montana Tech Components AG and has served as chairman of its management board since 2006. In addition, he holds positions as managing director and member of the supervisory board of several other companies, both affiliated and unaffiliated to Montana Aerospace and Montana Tech Components AG. Inter alia, Mr. Tojner has served as chairman of the supervisory board of VARTA AG since 2012 and as a member of the supervisory board of Dorotheum GmbH since 2005.

Thomas Williams (British citizen)

He has an MBA degree from the University of Glasgow and an honorary Ph.D. from the University of Bristol in business administration, Mr. Williams started his professional career at Rolls-Royce in 1969. In 2000, he joined Airbus from BAE Systems. After having worked in several functions at Airbus, Mr. Williams was appointed COO of Airbus from 2015 to 2018. In addition, Mr. Williams is advisor to Spirit AeroSystems, AVIC Cabin Systems and Alix Partners. He was also appointed a member of the supervisory board of FACC AG in 2021 and continues to serve as such.

Martin Ohneberg (Austrian citizen)

Mr. Ohneberg studied business administration with a focus on finance and tax at the Vienna University of Economics and Business and graduated in 1998. He started his professional career at Ernst & Young, where he worked from 1996 to 1999 as a consultant in auditing and tax. Thereafter, as of 2000 until 2005, Mr. Ohneberg was managing director and CFO at OneTwoInternet Handels GmbH & Co. KG and at Dorotheum GmbH & Co. KG and from 2005 to 2009 CFO at Soravia Group AG. He also served as chairman of the board of the Bulgarian company DEVIN AG between 2006 and 2009, and in 2011 became CEO (and major shareholder) of HENN Industrial Group GmbH & Co. KG. Since 2012, he has been head of an advisory committee of the AFP Group GmbH. In 2019, he was appointed chairman of the board of Aluflexpack AG. In 2021 Mr. Ohneberg was appointed supervisory board member of Varta AG and chairman of the supervisory Board of Verbund AG, Austria's largest electricity supply company.

Christian Hosp (Austrian citizen)

Mr. Hosp holds a university degree in business administration from the Vienna University of Economics and Business. Mr. Hosp worked at Merrill Lynch in Vienna and Zurich for five years. Since 2000, he has served as managing partner of SHW Invest AG. From 2011 to 2016, Mr. Hosp served as a member of the supervisory board of VARTA AG, and from 2013, respectively, he served as a member of the advisory board of Alu Menziken Extrusion AG. Since 2006, Mr. Hosp is, inter alia, a member and Vice-Chairman of the board of directors of Montana Tech Components AG, in addition to several other functions in the Montana Tech Group. Since 2018, he has been a member of the board of directors of Aluflexpack AG.

Markus Vischer (Swiss citizen)

Mr. Vischer studied law and was a research and teaching assistant at the University of Zurich. He also worked as a legal secretary at the District Court of Meilen, Canton of Zurich, from 1986 to 1987. In 1986, Mr. Vischer received his doctor’s degree (Dr.iur.) at the University of Zurich and graduated from the Queen Mary College, London University (LL.M.), in 1991. He started his career at a tax law practice in Zurich from 1988 to 1989 and worked at a law firm in London in 1991. One year later he joined the Swiss law firm Walder Wyss Ltd. in Zurich and became a partner in 1995. Mr. Vischer is specialized in the fields of M&A, private equity and venture capital transactions, corporate restructuring processes, commercial and company law as well as labor law and real estate law. Mr. Vischer serves as a member of the board in several companies within the Montana Tech Group. He is a member of the Board of Directors of Montana Tech Components AG and Aluflexpack AG.

Number of Members and Term of Office

The Board of Directors comprises at least three members. The two Co-Chairmen and the members are elected individually by the Annual General Meeting for a term of office of one year ending at the close of the next Annual General Meeting. All members may be re-elected. There is no limit to the term in office.

If the chair position is vacant, the Board of Directors will appoint a chairman from its members for the remaining term of office.

Number of permissible activities

Pursuant to Article 34 of the Articles of Association, the number of mandates a member of the Board of Directors may additionally accept in a commercial legal entity is limited to fifteen, of which no more than five shall be listed entities.

The following do not fall under these restrictions:

a. mandates in companies that are controlled by or control the Company;
b. mandates in companies that are accepted by order of the Company; and
c. mandates in associations, organizations, and legal entities with a public or charitable purpose, foundations, trusts, and pension fund foundations.

A mandate is a function in the supreme governing bodies of other legal entities that are obliged to be entered in the commercial register or a corresponding foreign register.

Mandates in different legal entities under the same control or beneficial ownership are considered to be one mandate.

As of 31 December 2021 no member of the Board of Directors exceeded the limits defined in the Articles of Association.

Internal Organization

The Board of Directors exercises management, supervision, and control over the conduct of the Company's business. The Board of Directors currently consists of five members. The Board of Directors decides which Co-Chairman shall chair the Board meetings and which Co-Chairman shall chair the General Meetings. The Board of Directors will convene upon invitation by the competent Co-Chairman as often as the Group's business requires or upon request by a member. The Board of Directors may adopt circular resolutions (in writing, electronically or by fax), provided that no member of the Board of Directors requests oral deliberation.

They need to be included in the minutes of the next meeting of the Board of Directors. The Chairman is responsible for preparing the meetings, drawing up the agenda, and chairing the meetings. Every Board member can ask for a meeting to be convened and for the inclusion of an item on the agenda. In order to pass resolutions, the majority of the Board members and at least one Co-Chairman must be in attendance at the meeting. The Board may adopt resolutions by a simple majority of the votes cast unless required otherwise by law. In case of a tie, the competent Co-Chairman has the casting vote. In 2021, the Board of Directors held two physical meetings, and, due to the restrictions to movement imposed as a result of the Covid-19 pandemic, five virtual meetings. Four meetings were attended by all members of the Board of Directors, and three meetings were attended by four members. At all meetings, members of the Management Board have been called in and at two meetings, one respectively, two external advisors participated. The meetings had an average duration of two hours.

The Board of Directors has currently formed three Board committees from among its members and has transferred special duties and authorities to them. Each Committee has its own charter governing its duties and responsibilities.

- Audit and Compliance Committee
- Investment and Strategy Committee
- Nomination and Compensation Committee

Responsibilities of the BoD

The Board of Directors has responsibility for the Company's direction and supervision. This includes the responsibility to carefully select, properly instruct and diligently supervise members of the Management Board.

With regard to subsidiaries of the Company, the Board of Directors is responsible for decisions regarding foundations, financing, restructuring and M&A, dissolutions, changes to the Articles of Association and many other decisions as specified in the Organizational Regulations.
The Board of Directors represents the Company vis-à-vis third parties and resolves all matters that are not reserved to another governing body of the Company by law, by the Articles of Association, or by any other regulation. The Board of Directors' non-transferable and inalienable duties include:

a. the ultimate management of the Company and the issuance of the necessary directives in this regard;
b. the determination of the organization of the Company;
c. the structuring of the accounting system, financial controls and financial planning to the extent necessary for the management of the Company;
d. the appointment and removal of the persons entrusted with the management and representation of the Company and regulation of signatory powers;
e. the ultimate supervision of the persons entrusted with the management of the Company, in particular, with respect to their compliance with applicable law, the Articles of Association, regulations and directives;
f. the preparation of the annual report as well as the preparation of the General Shareholders' Meetings and the implementation of their resolutions;
g. the preparation of the remuneration report and making motions to the General Shareholders' Meeting regarding approval of the remuneration of the Board of Directors and the Group Management Board;
h. notification of the judge in case of over-indebtedness;
i. the passing of resolutions concerning the subsequent payment of capital with respect to shares that are not fully paid in; and
j. all other non-transferable and inalienable duties of the Board of Directors as provided for by applicable law or by the Articles of Association.

In addition to these non-transferable and inalienable duties, the Board of Directors has reserved its responsibility over certain business decisions specified in the Organizational Regulations.
It has the responsibility and duty to approve those matters which the CEO or the Group Management Board must submit to the Board of Directors in accordance with the regulation governing the areas of competence to be decided by the Board of Directors or which the CEO or the Group Management Board submits voluntarily.

Committees

As mentioned in the previous section, the Board of Directors has established three Committees to perform its duties efficiently and with the utmost responsibility. The three Committees are the Audit and Compliance Committee, the Nomination and Compensation Committee, and the Investment and Strategy Committee. The Board of Directors has the right to appoint additional ad hoc committees at any time. In order to fulfil its duties, the committees may invite external consultants if they consider it necessary or appropriate.

Audit and Compliance Committee

Organization

The Committee consists of at least two members appointed by the Board of Directors from among the independent members of the Board of Directors who are not members of the Group Management Board. At least one member of the Committee must have current and relevant financial knowledge as determined by the Board of Directors[3].

The Board of Directors appoints the members of the Committee and its Chairman for a term of office of one year beginning at the Annual General Shareholders' Meeting.

The Committee convenes upon invitation by the Chairman as frequently as business requires, but at least once annually or if a Board member, the external auditors, or a member of the Group Management Board so demand.

At least one Committee member must be present for the Committee to have a quorum. Committee resolutions shall be adopted by a majority of the votes of the members present.

In fulfilling its duties, the Committee has unrestricted access to all relevant information in order to carry its duties. It can invite members of the Board of Directors or other employees to Committee meetings as needed to obtain information.

The Committee submits to the Board of Directors the recommendations it deems appropriate in all areas within its scope of responsibility for which measures or improvements are necessary. The Committee is required to report its activities to the Board of Directors on a regular basis and to make recommendations and propose appropriate measures to the Board of Directors. In 2021, the Committee met two times with an average duration of one hour of the meetings. All Committee members attended all meetings. Members of the Management Board (all meetings) and representatives of the group auditor (one meeting) were called in to the meeting in 2021. Unless there is a conflict of interests to prevent it, the Chairman of the Committee reports to the Board Directors on the meetings or sends the minutes of its meetings to its members and to all members of the Board of Directors.

In 2021, the Committee consisted of the following members:

Mr. Martin Ohneberg, Chairman
Mr. Christian Hosp
Mr. Markus Vischer

3 Non-executive members of the Board of Directors are deemed to be independent if they have never been a member of the Group Management Board or have been a member of the Group Management Board more than three years ago and have no or only relatively minor business relations with the Company.

Tasks and Duties

The Committee assists the Board of Directors in fulfilling its oversight responsibilities with respect to the integrity of the financial statements, compliance with legal and regulatory requirements, the performance of the internal control system and the qualifications and performance of the external auditors and the performance of internal auditors.

In particular, the Committee has the following tasks and duties:

a. auditing and evaluating the effectiveness of the external and internal auditors, particularly also their independence
b. auditing and evaluating the audit scope and plan, the audit procedure, and the results of the external and internal audits, and reviewing whether the recommendations of the external and internal auditors have been implemented
c. reviewing audit reports and discussing them with the auditors
d. issuing recommendations regarding appointing the external auditor to the Board of Directors, which submits them to the shareholders at the General Shareholders' Meeting for approval
e. approving the fee and the mandate terms for the external auditor
f. assessing the internal controls and the risk management set up by the Group Management Board and the measures proposed for risk reduction
g. assessing compliance with legal and supervisory regulations as well as internal policies (particularly the Organizational Regulations and Corporate Governance) and external policies (Compliance)
h. reviewing and approving the Company's compliance program including (i) preventative measures by the Company, (ii) supervision of material compliance issues and ongoing investigations, (iii) comparisons with other companies' compliance programs where appropriate, and (iv) monitoring relevant legal developments
i. reviewing, in cooperation with the auditors, the CEO, and the CFO, whether the accounting principles and the financial control mechanisms of the Company and its subsidiaries are adequate given the size and complexity of the Company
j. reviewing the statutory and consolidated annual and interim financial statements as well as, where appropriate, additional accounting-related Company documentation, and discussing them with the Group Management Board and the auditors before they are submitted to the Board of Directors
k. auditing additional matters upon request of the Board of Directors
l. reviewing its own performance and effectiveness and issuing recommendations to the Board of Directors regarding necessary changes

Nomination and Compensation Committee

Organization

The Compensation Committee comprises at least two independent members of the Board of Directors who are elected by the General Shareholders' Meeting for a period of one year until the end of the next Annual General Meeting[4]. A re-election is permitted.

The Board of Directors appoints the Chairman of the Compensation Committee from among the members of the Compensation Committee. In case of vacancies on the Compensation Committee, the Board of Directors shall appoint the missing members from among its members for the remaining term of office.

The Committee convenes upon invitation by the Chairman as frequently as business requires, but at least once annually. It must be convened if a member of the Board of Directors, the external auditors, or a member of the Group Management Board so demands.

At least one Committee member must be present for the Committee to have a quorum. Committee resolutions shall be adopted by a majority of the votes of the members present.

In fulfilling its duties, the Committee has unrestricted access to all relevant information in order to carry its duties. It can invite members of the Board of Directors or other employees to Committee meetings as needed for questioning.

The Committee submits to the Board of Directors the recommendations it deems appropriate in all areas within its scope of responsibility for which measures or improvements are necessary.
In 2021, the committee met three times with an average duration of one hour of the meetings. All members attended all meetings. No external specialists were called in in 2021. Provided there is no conflict of Interests, other members of the Board of Directors may request to inspect the minutes. Unless there is a conflict of interests to prevent it, the Chairman of the Committee reports to the Board Directors on the meetings or sends the minutes of its meetings to its members and to all members of the Board of Directors.

In 2021, the Committee consisted of the following members:

Mr. Michael Tojner, Chairman
Mr. Martin Ohneberg
Mr. Thomas Williams

4 Non-executive members of the Board of Directors are deemed to be independent if they have never been a member of the Group Management Board or have been a member of the Group Management Board more than three years ago and have no or only relatively minor business relations with the Company.

Tasks and Duties

The Compensation Committee assists the Board of Directors in determining and reviewing the Company's remuneration strategy and guidelines, and the qualitative and quantitative criteria for remuneration. It also assists with the preparation of the motions to the General Shareholder's Meeting concerning the remuneration of the Board of Directors and the Group Management Board. It may submit to the Board of Directors suggestions and recommendations on further remuneration matters. The Committee has the following tasks and duties:

a. ensuring the long-term planning of suitable appointments to the seats on the Board of Directors and the Group Management Board, as well as fundamental management development and succession planning so that the Company can secure the best leadership and management talents;
b. proposing appointments of candidates to occupy vacant positions on the Board of Directors or the position of CEO;
c. upon recommendation of the CEO, nominating candidates for the Group Management Board;
d. making recommendations to the Board of Directors on the composition of the Board of Directors and a corresponding search for suitable candidates;
e. determining the independence of the members of the Board of Directors;
f. recommending to the Board of Directors whether a member of the Board of Directors should be reappointed;
g. recommending the terms of appointment of the CEO and the members of the Group Management Board to the Board of Directors;
h. submitting suggestions to the Board of Directors for establishing principles for the remuneration of the members of the Board of Directors and of the Group Management Board, in accordance with the provisions of the law and the Company's Articles of Association;
i. regularly reviewing the Company's remuneration system for compliance with the principles for remuneration in accordance with the law, Articles of Association, regulations, and the resolutions of the General Shareholders' Meeting with regard to remuneration;
j. auditing matters in connection with the general remuneration regulation for employees and the practices of the Company's personnel management;
k. proposing to the Board of Directors the amounts of the fixed remuneration of the members of the Board of Directors;
l. proposing to the Board of Directors the benchmarks for qualitative and quantitative goals for calculating the variable remuneration for the members of the Group Management Board;
m. proposing to the Board of Directors the amounts of fixed and variable remuneration for the CEO;
n. recommending to the Board of Directors, based on a proposal by the CEO, the amounts of fixed and variable remuneration for the members of the Group Management Board as well as all executive officers and key individuals who report directly to the CEO;
o. proposing to the Board of Directors the remuneration report;
p. recommending to the Board of Directors the granting of options, or other securities, including employee stock ownership programs, for the employees at all organizational levels;
q. auditing additional matters upon request of the Board of Directors;
r. performing all other tasks assigned to it by the law, the provisions of the Company's Articles of Association or regulations;
s. reviewing its own performance and effectiveness, and issuing recommendations to the Board of Directors regarding any necessary changes.

Investment and Strategy Committee

Organization

The Committee consists of at least two members appointed by the Board of Directors from among the members of the Board of Directors for a term of office of one year beginning at the Annual General Shareholders' Meeting.

The Committee convenes upon invitation by the Chairman as frequently as business requires, but at least twice annually or if a Board member, the external auditors, or a member of the Group Management Board so demand.

At least one Committee member must be present for the Committee to have a quorum. Committee resolutions shall be adopted by a majority of the votes of the members present.

In fulfilling its duties, the Committee has unrestricted access to all relevant information in order to carry its duties. It can invite members of the Board of Directors or other employees to Committee meetings as needed to obtain information.

The Committee submits to the Board of Directors the recommendations it deems appropriate in all areas within its area of responsibility for which measures or improvements are necessary.

Since the Committee has only been established as of 1 December 2021, no meeting has been yet convened in 2021. Unless any conflict of interests would prevent, the Chairman of the Committee reports to the Board Directors on the meetings or sends the minutes of its meetings to its members, to all members of the Board of Directors.

In 2021, the Committee consisted of the following members:

Mr. Michael Tojner, Chairman
Mr. Martin Ohneberg
Mr. Thomas Williams

Tasks and Duties

The Committee has the following tasks and duties:

a. Investments:
  a. overseeing investment processes;
  b. reviewing and recommending approvals to the Board of Directors for investments (including real estate transactions) of more than EUR 2 million, except for:
    i. transactions covered by previously approved strategic or financial plans; or
    ii. investments in real estate and, investments covered by previously approved strategic or financial plans;
  c. acquiring updates on the Group's annual strategic asset allocation;
  d. acquiring updates on the economic investment return relative to liabilities;

b. Strategy:
  a. advising the Board of Directors on:
    i. major strategic topics, including acquisitions, divestitures and joint venture opportunities; and
    ii. strategic planning and development priorities.

c. General:
  a. reviewing and monitoring reforms concerning the regulatory framework applicable within the scope of the Committee's mandate and issuance of recommends for required changes to the Board of Directors;
  b. reporting to the Board of Directors any significant developments concerning the performance of the duties set forth above.

Information and Control Systems

The Management Board is supervised by the Board of Directors. The performance of the Management Board is also monitored by the Committees. The Board of Directors has access to the minutes of the Committee meetings unless any conflict of interest exists. At each Board of Directors meeting, the CEO or another member of the Management Board informs the Board of Directors of the development of the business, important projects or risks, ongoing earnings and liquidity development and any significant events. Members of the Board of Directors may direct questions to the Management Board to gain the information needed to fulfil their duties, at these meetings. Moreover, the Co-Chairmen of the Board of Directors is in regular dialogue with members of the Management Board in between the meetings. Outside of meetings of the Board of Directors, the members of the Board of Directors are entitled to request information from the members of the Management Board within the limits of the law. On a monthly basis, the Board of Directors receives a written report on the key financial figures of the Group including information on the income statement and qualitative comments on the business development. These figures are compared with the budget and the previous year. At the Board of Directors' meetings, the information contained in these reports are discussed in depth. In case of exceptional developments, all members of the Board of Directors are notified immediately, which take the necessary actions. In the case of major items such as capital expenditure or acquisitions, the Board of Directors receives special written reports.

Montana Aerospace performs internal audits on a regular basis. In 2021, there were internal audits at two sites. Internal audit verifies compliance with any entities' responsibilities, risk management and the efficiency of the structures and processes in place. The findings are recorded in written reports, which are submitted to the Audit and Compliance committee for review together with the Management Board. The latter reports the findings to the Board of Directors. Together with the CEO, the Audit and Compliance Committee is responsible for reviewing the internal audit plan and the budgeted resources for internal audit.

Montana Aerospace and its subsidiaries assess several financial and non-financial risks on ongoing basis. The primary objective of the management with respect to financial risk management is to identify and monitor financial risk to which the Group is subject and to establish effective measures for hedging such risk. Financial risk arises from the company's operating activities as well as its financing structure. This includes, in particular, fluctuations in foreign currency exchange rates and increase in working capital, Liquidity default risk, risk of increasing prices of required input materials, in particular aluminum, titanium, steel, composite and copper. In addition, to identifying, analyzing and measuring financial risk, decisions on the use of financial instruments to manage risk are made by Group headquarters, which generally pursues a low-risk strategy.

The Group monitors credit risk on trade receivables, other receivables and cash and cash equivalents. The risk is mitigated by using targeted measures such as credit checks, pre-payment agreements, receivables management and credit insurance. In addition, there is low concentration of credit risk since the Group's client base is made up mainly of a large variety of customers. The Management Board also monitors liquidity and capital management on an ongoing basis. Liquidity management extends from constant comparison of forecast and actual payment flows to coordinating the maturity profiles of financial assets and liabilities. Capital management is monitored by the means of equity ratio, gearing ratio and return on capital employed or return on investment. Furthermore, in order to reduce the risk from swings in commodity prices, the Group companies use agreements with customers and suppliers and, in addition, derivative financial instruments.

Furthermore, risks arising from the business environment and from business processes are monitored. Such risks are mainly associated with the industry and the general market environment, laws and regulations, catastrophic events, environmental risks, risk of cyclicality of customers and business, the end-user markets and customers' industries; disruptions in the supply with required input materials, risk to complete and successfully integrate acquisitions; risk of disruptions in logistics infrastructure, software and technical support services; risk of legal proceedings; risk of failing to attract or retain qualified personnel and key employees. After identifying individual risks, it is the task of Group and local management to draw up a number of measures to reduce the danger of occurrence and any potential damage.

Group Management Board

Name	Born	Position	Date of Appointment
Markus Nolte	1965	CEO	June 5, 2020
Michael Pistauer	1969	CFO	June 5, 2020
Kai Arndt	1971	COO	December 1, 2021
Herbert Roth	1965	Until 30 Nov 2021, COO; since 1 Dec 2021: Special Projects Manager	June 5, 2020

Markus Nolte (German citizen)

Markus Nolte completed his master degrees in Metallurgy & Materials Engineering and in Business Engineering as well as his doctorate in Materials Engineering from the Technical University RWTH Aachen. Mr. Nolte started in 1996 as R&D manager at VAW aluminium AG in Bonn. During the following years he held positions as Head of Technology and Head of production at VAW's facilities in Györ/Hungary and Linz/Austria. When VAW was acquired by Hydro Aluminium in 2002 Mr. Nolte was promoted Managing Director with responsibility for the plant and the group's Product Development Center. Mr. Nolte remained in this position for three years before being appointed Director Sales & Marketing for Hydro's Business Unit Castings. With the acquisition of Hydro Castings by the Mexican Nemak in 2007, he assumed the position of Director Sales & Marketing for Nemak and lateron VP Commercial, located in Michigan/USA, with global responsibility. During this period Nemak grew into the Top 50 Global Automotive Suppliers. In December 2019 Mr. Nolte joined Montana as CEO of the newly formed Montana Aerospace AG.

Michael Pistauer (Austrian citizen)

Michael Pistauer studied business administration at the Vienna University of Economics and Business and received his doctor's degree. In 1992, he started his professional career at Deutsche Gesellschaft für Mittelstandsberatung – DGM (German society for consulting medium-sized companies) and worked at Arthur Andersen Wien from 1997 to 2004. Thereafter, he served as management board member at JoWooD AG and INKU AG. Mr. Pistauer was founder or co-founder of a handful of companies f.e. Pi GmbH, Snews GmbH, Steffel Austria GmbH, LX Group, Sedeo GmbH and Weixelbaumer GmbH between 2004 and 2011. Subsequently, he worked at Performance Beteiligungs AG and served as director at EK Mittelstandsfinanzierungs AG, Mezzanin Finanzierungs AG. Before Mr. Pistauer became a member of the supervisory board of VARTA AG in 2019, he held the position of CFO of VARTA AG from 2016 to 2018. In 2019, he became managing director of IC IndustrieCapital Immobilien GmbH. In addition to his position as CFO as Montana Aerospace, Mr. Pistauer simultaneously holds several functions within and outside the Montana Tech Group.

Kai Arndt (German citizen)

Kai Arndt graduated from Staatliche Gewerbeschule Hamburg as mechanical engineering technician and holds an International Executive MBA from the University of St. Gallen. He started his career at Airbus in 1988 as an aircraft technician apprentice. Over the years until 2019 Mr. Arndt obtained key knowledge within the aerospace sector. In particular, Mr. Arndt worked at key Airbus locations in Hamburg and Stade. At the Airbus plant in Hamburg, he was responsible for the development and marketing of specific system components. In 2014, he was appointed Division Manager of Finance & Controlling and a member of the Airbus Germany Finance Committee. In 2016, Kai Arndt was promoted to Vice President Plant & Site Management Airbus Stade, being responsible for the Airbus location in Stade. In addition, he was appointed CFO of CTC GmbH in Stade. In 2019, Kai Arndt took over the management of the Finance Department and future industrial set up project at Premium Aerotec and was a member of the management board until joining Montana Aerospace in December 2021.

Herbert Roth (Austrian citizen)

Herbert Roth studied business administration at the Vienna University of Economics and Business and started his professional career at ALU KÖNIG STAHL GmbH in 1989. After having served as Co-CEO for two years at Cladtech Hong Kong Ltd in 1992 and CEO at Seele Group from 1994 to 2000, he was appointed COO at stage1.cc technology business incubator AG, Global Equity Partners Beteiligungs-Management AG and Buy-Out Central Europe II Beteiligungs-Invest AG. Since 2014, Mr. Roth served as managing director at Montana Tech Components GmbH and from 2019 until December 2021 as COO of Montana Aerospace AG. Since then, he has been member of the group executive management and is responsible for special projects within the Montana Aerospace Group.

The Group Management Board

All management tasks that are not legally or expressly assigned to the Board of Directors or another body by law or the Articles of Association are performed by the Group Management Board. It is responsible for managing the affairs of the business as well as the Company's corporate functions and for carrying out strategic tasks and resolutions passed by the Board of Directors.

Members of the Group Management Board manage the business areas falling within their areas of responsibility independently and under their own responsibility. Each member can issue instructions in their area of responsibility. A member of the Group Management Board shall only take measures which might affect the area of responsibility of another member of the Group Management Board after prior consultation with the CEO or in case of imminent danger.

Resolutions of the Group Management Board are passed by a majority of the votes of the members present. Each member is entitled to one vote. The CEO has the casting vote. Minutes of the resolutions passed at the meetings of the Group Management Board must be signed by the CEO.

The delegation of responsibilities and powers of the Group Management Board to third parties or subordinate bodies is permitted. Ultimate responsibility for all management duties under these regulations lies with the Group Management Board. It issues the necessary regulations and orders the appropriate measures.

Appointment

The Group Management Board is appointed by the Board of Directors on the recommendation of the Nomination and Compensation Committee. It consists of the CEO, the CFO, the COO and one or more other members of management.

Number of permissible activities

Members of the Group Management Board are not permitted to accept more than three mandates outside of the Group in the highest management or directorial bodies of commercial legal entities, of which no more than one may be in a listed company, each in the sense of Article 12 (1) of the OaEC and Article 34 of the Articles of Association of the Company. Such mandates require the approval of the Board of Directors.

Other items

There are no management contracts with external individuals or companies to perform management tasks for Montana Aerospace.

Shareholders' Participation Rights

Each share registered in the shareholders' register of the Company carries one vote in the Shareholders Meetings. The shares rank pari passu in all respects with each other. The voting rights may be exercised only after a shareholder has been registered in the Company' share register as a shareholder with voting rights. According to Article 5 of the Articles of Association, purchasers of registered shares shall, on request, be registered in the shareholders register as shareholders with voting rights, provided they declare explicitly to have acquired the registered shares in their own name and for their own account. For nominee registrations see above under "Limitations on transferability and nominee registration".

Compensation, shareholders and loans

For details on the company's compensation, shareholdings and loans regime please see the "Compensation Report" in a section below.

The General Shareholders' Meeting

The General Shareholders' Meeting is the highest governing body of Montana Aerospace. It has the inalienable powers to adopt and amend the Articles of Association, to approve the management report and the consolidated financial statements and the annual financial statements and to decide upon the appropriation of available earnings, in particular to declare dividends and profit sharing by directors. Furthermore, the Shareholders' Meeting has the power to elect and remove the Chairman or Co-Chairmen of the Board of Directors, the members of the Board of Directors, the members of the Compensation Committee, the Auditors and the independent proxy and to discharge the members of the Board of Directors and the Group Management Board from liability.

It also approves the remuneration of the members of the Board of Directors and of the Group Management Board as specified in the Compensation Report on page 151 and 152, which is an integral part of the Annual Report 2021.

Additional matters which may be reserved to the authority of the General Shareholders' Meeting by law or the Articles of Association are to be adopted by resolutions.

Convocation and Venue of Meetings

The General Shareholders’ Meeting generally takes place at the venue of the registered office of the Company or at another place designated by the governing body convening the meeting.

The Annual General Meeting is held annually within six months of the end of the financial year and is convened by the Board of Directors, or by the Auditors if necessary.

Extraordinary Meetings may take place upon a resolution of a General Shareholders’ Meeting, the Board of Directors, upon request of the Auditors, or when one or more shareholders representing together at least 10% of the share capital request that a meeting be convened. Such request must be addressed to the Board of Directors in writing, specifying the agenda items and the associated motions.

The notices of any General Shareholders’ Meeting are to be mailed (by letter or electronically) to the shareholders and beneficiaries registered in the Share Register or by way of a single public notice in the official publication medium. The notice of the meeting must be sent to the shareholders and usufructuaries registered in the Share Register or published no later than 20 days prior to the date of the meeting.
The notice of a meeting shall state all of the items on the agenda and the motions of the Board of Directors and of the shareholders who have requested a General Meeting.

The annual report, the remuneration report, and the Auditors’ reports shall be made available for consultation by shareholders at the registered office of the Company no later than 20 days prior to the Annual General Meeting. Each shareholder is entitled to request to be sent a copy of these documents. One or more shareholders holding shares with an aggregate nominal value of at least CHF 1.0 million, or representing at least 10% of the total share capital outstanding at the time, whichever is lower, may request items to be included in the agenda. Such request must be submitted to the Board of Directors at least 45 days prior to the General Shareholders’ Meeting, unless a different deadline has been publicly announced by the Board of Directors ahead of the General Shareholders’ Meeting or insofar as the Company refrains from making any public announcement in this regard.

No resolutions can be adopted on motions relating to agenda items that were not properly notified; this rule does not apply to motions to convene an extraordinary General Shareholders’ Meeting, to carry out a special audit, or to elect an auditor pursuant to a request by a shareholder.

Making motions within the scope of agenda items and discussing any matter without adopting resolutions does not require prior notification.

Quorum requirements

The General Meeting has a quorum regardless of the number of shares represented. It passes resolutions and carries out elections by simple majority of the votes cast, unless otherwise required by law or the Articles of Association. Abstentions and invalid votes shall not be counted as votes cast. Elections are to be held separately. The following actions require the approval of the shareholders holding at least two-thirds of the votes represented at such meeting and the absolute majority of the nominal share value represented at such meeting: (i) a change to the Company’s purpose; (ii) the creation of shares with privileged voting rights; (iii) the restriction of the transferability of registered shares; (iv) an authorized or conditional capital increase; (v) an increase of capital out of equity against contributions in kind, or for the purpose of the acquisition of assets and the granting of special benefits; (vi) a restriction or suspension of pre-emptive rights; (vii) any change to the registered office of the Company;(viii) the dissolution of the Company. Decisions on mergers, demergers and conversions shall be guided by the provisions of the Swiss Mergers Act.

Independent Proxy

Shareholders may personally participate in the General Meeting and cast their vote(s), or be represented by a proxy appointed in writing, which does not need to be a shareholder of Montana Aerospace, or be represented by the independent proxy. The independent proxy is obliged to exercise the voting rights that are delegated to him/her by the shareholders according to their instructions. Should he/she have received no instructions, he/she shall abstain from voting. The Board of Directors determines the requirements for the proxies and instructions. The General Meeting elects an independent proxy holder each year. The term of office is concluded at the end of the next Annual General Meeting. Re-election is permitted. Should the Company have no independent proxy, the Board of Directors shall appoint an independent proxy for the next Annual General Meeting. For the current term, Law Office Keller Partnership, Switzerland, was elected by the General Meeting as an independent proxy.

Share Register

The Company maintains a share register (the Share Register) in which the owners and usufructuaries of registered shares are registered with name, address and nationality (in case of companies, with the registered office). Persons who are entitled to voting rights but not ownership of a share pursuant to statutory regulation shall be recorded in the Share Register upon request. The person entered in the Share Register is deemed to be the shareholder or the usufructuary in relation to the Company. The Company shall recognize only one representative per share.

Upon request, acquirers of shares shall be registered in the Share Register as shareholders with voting rights, subject to their express declaration that they have acquired the shares in their own name and for their own account. If the Company does not decline the request for registration of the acquirer within twenty days, the acquirer shall be deemed acknowledged as a shareholder with voting rights. If a registered shareholder changes address, the shareholder shall communicate the new address to the Company. As long as this has not occurred, all communications by letter shall lawfully be sent to the address listed in the Share Register.

After hearing the registered shareholder, the Board of Directors may cancel with retroactive effect as of the date of registration, the registration of a shareholder if the registration was made based on false information. The respective shareholder or nominee shall be informed immediately of the cancellation of the registration

Only shareholders who have been duly entered in the Share Register with voting rights by a date as decided by the Board of Directors (closing of Share Register) are entitled to vote at the General Meeting.

Changes of control and defense measures

Montana Aerospace's Articles of Association do not contain any "opting out" or "opting up" provisions. Therefore, the statutory obligation to publish a tender offer by any shareholder or group of shareholders holding 33.33% of the outstanding share capital applies. Members of the Board of Directors and the Management Board are not entitled to any severance packages or termination payments or change-of-control payments under their agreements.

Auditors

Election

The external auditors are appointed by the General Meeting for a period of one year. Currently, KPMG AG is serving as independent auditor of the Company. KPMG AG has been acting as an auditor to Montana Aerospace since 2019. The lead auditor, Mr Daniel Haas took up his office on 4 December 2019. He must rotate every seven years under Swiss law.

Fees paid

(EUR k)	Statutory Auditors	Other Auditors
Auditing services	1,328	297
Additional services	753	277
o/w tax consulting	235	117
o/w other advisory services	518	160

Information instruments pertaining to the Auditors

The external auditor informs the Audit and Compliance Committee upon invitation to the committee's meeting about relevant auditing activities and other important facts and figures related to the Company. In 2021, representatives of the auditor participated in one Committee meeting. The statutory auditors have access to the minutes of the meetings of the Board of Directors. The Audit and Compliance Committee annually assesses the performance and compensation of the external auditors with regard to professional qualifications, independence, expertise, sector specific risk awareness, open communication and engagement of sufficient resources. The Audit and Compliance Committee recommends to the Board of Directors proposals for the general shareholders meeting regarding the election or dismissal of the Company's independent auditors. Prior to the audit, the auditors agree on the proposed audit scope, approach, staffing and fees of the audit with the Audit and Compliance Committee.

Information Policy

Montana Aerospace is committed to communicating in a timely and transparent way to existing shareholders, potential investors, financial analysts, customers as well as all other stakeholders. The Group agrees to comply with its obligations under the rules of SIX Swiss Exchange, including the requirements on the dissemination of material and price-sensitive information. Moreover, the Company publishes an annual report that provides audited consolidated financial statements and information about Montana Aerospace including business results, important key performance indicators (KPI), strategy and material developments, corporate governance and executive compensation. Pursuant to the listing rules of SIX Swiss Exchange, the annual report is published within four months after the 31 December balance sheet date. The results included are also summarized in the form of a press release. In the first three months following the balance sheet date, Montana Aerospace communicates preliminary unaudited sales figures for the preceding year. Montana Aerospace publishes quarterly interim financial reports following the first three (Interim Financial Report – Q1), the first six (Interim Financial Report – Q2) and the first nine months (Interim Financial Report – Q3) of its financial year.

According to the Articles of Association, the Company's official medium of publications is the Official Swiss Gazette of Commerce (Schweizerisches Handelsamtsblatt). The Board of Directors may designate further means for official publications. Notices of the Company to shareholders are validly made by official publication by the Company or in writing (by letter or electronically) to the addresses of the shareholders recorded in the Share Register. In the cases provided by law, notices to shareholders are published in the Official Swiss Gazette of Commerce.

The published annual and half-year interim consolidated financial statements comply with the requirements of Swiss company law, the listing rules of SIX Swiss Exchange and International Financial Reporting Standards ("IFRS"). The figures in the HY interim report, the preliminary sales figures as well as the Q1 and Q3 sales statements are not audited. On the day of publication of the full year and half-year results, an analyst conference call is organized. Investors may contact the company for dial-in details prior to the call. An overview of published annual reports, interim reports and related presentations can be found at https://www.montana-aerospace.com/investors/. Interested parties can register for Montana Aerospace's distribution list to directly receive information when any potential price-sensitive event occurs (ad-hoc announcements) under https://www.montana-aerospace.com/contact/.

The financial calendar of Montana Aerospace AG for the year 2022 is outlined below:

Date	Announcement
22 Feb 2022	Announcement on preliminary revenues for the full year 2021
4 Apr 2022	Publication of the Annual Report 2021
5 May 2022	Interim Financial Report – 1st Quarter 2022
18 June 2022	Annual General Meeting
10 Aug 2022	Interim Financial Report – 2nd Quarter 2022
10 Nov 2022	Interim Financial Report – 3rd Quarter 2022

Further information for investors is available online (https://www.montana-aerospace.com/investors/) or by writing to the following contact address:

Marc Vesely recte Riha, MSc
Head of M&A and Investor Relations
Montana Aerospace AG

ir@montana-aerospace.com
M: +43 664 61 26 261
T: +43 1 961 0692 189

Montana Aerospace AG
Alte Aarauerstrasse 11
5734 Reinach
Switzerland

Black-out and Quiet Periods

To prevent insider trading, the Company has implemented a policy on black-out periods during which certain persons are prohibited from trading the stock of the Company, including transactions in related derivative instruments.

There are four regular black-out periods that apply to members of the Management Board and the Board of Directors, all other employees of the Company as well as the boards of directors and management boards of the Company's subsidiaries:

1. commencing on 31 December of each year (for members of the Management Board and the Board of Directors: 18 December) and ending one trading day after the public release of the Company's Annual Report;
2. commencing two weeks before and ending one trading day after the publication of the Q1 report;
3. commencing on 30 June of each year (for members of the Management Board and the Board of Directors: 17 June) and ending one trading day after the public release of MAAG's half year report;
4. commencing two weeks before and ending one trading day after the publication of the Q4 report.

Furthermore, extraordinary black-out periods may be imposed in connection with potentially material price-sensitive information, including but not limited to M&A related projects.

To ensure equal treatment of all market participants and to avoid selective disclosure of material non-public information, Montana Aerospace has implemented a Quiet Period Policy. During the Quiet Period, Company Representatives commit not to make any statements to the public or to individual parties such as investors, media representatives or employees which allow conclusions to be drawn about upcoming financial statements, unless in compliance with the rules of ad hoc publicity.

The Quiet Period lasts from 31 December each year until the date of publication of the annual report, from 30 June each year to the publication of the half year report and from 31 March and 30 September respectively of each year to the publication of the respective quarterly report.

The Quiet Period Policy applies to the members of the Management Board, the Board of Directors, the Investor Relations Department, the Public Relations Department and any other representative who is in direct contact with market participants.

COMPENSATION REPORT

The Compensation Report describes the remuneration framework and remuneration principles of Montana Aerospace AG (Montana Aerospace, Company, Group) for the Management Board and Board of Directors. Moreover, it sets forth the organization, competences and duties of Montana Aerospace's Nomination and Compensation Committee and explains the application of the remuneration framework in the year 2021. This report has been prepared in compliance with the Ordinance Against Excessive Compensation in Listed Stock Companies and the disclosure requirements of the SIX Corporate Governance Directive (DCG). The disclosures below have been audited by the statutory auditor of Montana Aerospace to the extent such disclosures refer to Art. 13 to 16 of the Ordinance Against Excessive Compensation in Listed Stock Companies. The audit report is presented on page 161.

Remuneration framework

Principles

The remuneration policy for all employees of Montana Aerospace, and in particular for the members of the Management Board, focuses on rewarding employees for their contribution to the successful development of Montana Aerospace and on aligning shareholders' and employees' interests in a sustainable manner. Moreover, the policy aims at motivating employees, retaining qualified and talented professionals, and promoting an entrepreneurial way of thinking. This may be achieved through a balanced mix of base salary, short-term incentives and long-term incentives.

Reward for performance

The short-term variable incentive plan for members of the Management Board rewards the collective performance of the Company as well as the contributions of individuals.

Reward for added value

Members of the Management Board are shareholders in the Company. This encourages a long-term view and aligns their interests with those of shareholders. In addition, the extended management participates in a management stock option program.

Retaining talent

Remuneration levels are designed to attract, retain and develop the most talented staff members.

Transparency

All of Montana Aerospace's remuneration programs aim for transparency and fairness. The framework is also set forth in Articles 29 to 35 of Montana Aerospace's Articles of Association.

Overview of compensation framework for members of the Board of Directors and the Management Board

The maximum aggregate amount of compensation for each member of the Board of Directors and the Management Board is approved annually by the Annual General Meeting of shareholders, as provided for in Article 15 of Montana Aerospace's Articles of Association.

	Board of Directors	Management Board
Fixed compensation	Fixed fee awarded in cash, in the form of shares and/or options	Base salary on the basis of individual qualifications (function, experience, skills)
Variable compensation	None	Short term: compensation in % of base salary depending on quantitative and qualitative targets for one year; the target amount may be between 0 and 200% of the base salary.
MSOP[1]	As of 2021, Mr Williams is a participant in the MSOP	Participation in the MSOP
Other	None	Company car, partly casualty insurance, partly company flat[2]

Compensation framework and procedure for members of the Board of Directors

Pursuant to Article 29 of the Articles of Association of Montana Aerospace, the members of the Board of Directors receive a fixed fee for membership on the Board, which may be awarded in cash, in the form of shares and/or options. To underline the Board of Director's role of independent oversight and supervision, the entire compensation is fixed and does not contain any variable component. The aggregate maximum amount of compensation has to be within the limits of the aggregate maximum amounts approved by the Annual General Meeting. The Board of Directors sets the amount of compensation for each member contigent on and within the scope of the approved maximum amount on a yearly basis and at its own discretion. No specific criteria are applied when determining the compensation. According to Article 29 of the Articles of Association of Montana Aerospace, the compensation may include other compensation elements. Members of the Board of Directors do not receive attendance fees. No signing bonus and termination benefits are paid to members of the Board of Directors. Travel costs in connection with the mandate and out-of-pocket expenses are borne by Montana Aerospace. The term of office of members of the Board of Directors commences and ends at Montana Aerospace's next Annual General Meeting, respectively. Re-election, also repeatedly, is permitted under Montana Aerospace's Articles of Association. Further information on the framework as well as the vote on compensation can be found in Article 15 and 29 of Montana Aerospace's Articles of Association.

1 The MSOP has been established by Montana Tech Components AG with no compensation by Montana Aerospace / the Company for the MSOP-awards; see also section / page • of the Compensation Report.
2 Not every member of the Group Management Board has received all other items.

Compensation framework and procedure for members of the Management Board

Pursuant to Article 30 of the Articles of Association of Montana Aerospace, the remuneration of members of the Management Board of Montana Aerospace may comprise a fixed and a variable amount. The fixed amount consists of a base salary and may include other compensation elements. The fixed amount is determined on a discretionary basis based on individual qualifications and takes into account function, experience and skills. The variable amount may include both short and long-term compensation elements. The payout for the short-term performance-based variable amount ("bonus") is capped at 200% of the base salary. It can be paid in full or in part in cash in the form of shares in the Company or of entitlement to shares. The payout for the long-term variable amount may be a multiple of the base salary.

The remuneration of members of the Management Board is subject to the limits of the maximum aggregate amounts approved by the General Meeting for the year in which the approval is given. The Company may pay remuneration before the approval of the General Meeting within the framework of the maximum total or partial amount and subject to the subsequent approval by the General Meeting.

All remuneration components shall be assessed and reviewed on a yearly basis by the Nomination and Compensation Committee. If changes are deemed necessary, they are proposed to the Board of Directors. Members of the Management Board are not allowed to attend meetings at which the amount of compensation is determined. Further information on the framework as well as the vote on compensation is given in Article 15 and 30 of Montana Aerospace's Articles of Association.
For additional consideration payable to new or promoted members of the Management Board subsequent to the grant of approval by the shareholders' meeting, and further information on the framework in general, see Article 30 and 31 of Montana Aerospace's Articles of Association.

Short-term performance based remuneration – procedure in 2021

The actual amount of short-term performance-based variable remuneration ("bonus") depends on the achievement of targets set by the Board of Directors for the one-year performance period (calendar year). The amount of the individual short-term performance-based remuneration for 100% target achievement ("target bonus") is set by the Board of Directors separately for each member of the Management Board. In 2021, the maximum variable amounts ranged between 30% and 155% of the base salary. Targets are determined and reviewed on an annual basis for each member of the Management Board, taking into account such member's position, responsibilities and tasks. At the end of the one-year performance period, the degree of target achievement for the individual goals, which may lie between zero and a maximum of 100% for some members, and zero and a maximum of 200% of the for one member, shall be determined by the Nomination and Compensation Committee. The effective bonus is calculated by multiplying the degree of target achievement by the target bonus.

Degree of target achievement x Target bonus = Short-term variable compensation

For all members of the Management Board, 50% to 70% of the target achievement is contingent on the achievement of quantitative financial goals for Montana Aerospace and 30% to 50% on the achievement of qualitative individual targets. The final determination of the achievement of the qualitative individual goals is based on the discretion of the Board of Directors.

100% short-term performance-based variable remuneration 2021 ("bonus")	
50% – 70% quantitative element	30% – 50% % qualitative elements
Company's EBITDA	100% individual, non-financial goals such as operational or strategic goals, development of employees, increase in efficiency, implementation of reorganization plans or governance/compliance goals, environment

Long-term performance based remuneration – procedure in 2021

According to Article 30 of Montana Aerospace's Articles of Association, the long-term variable remuneration is share-based and shall take into account, in particular, performance criteria that support the strategic objectives of the Company and/or a business line. These are measured in absolute terms and/or relative to other companies, comparable benchmarks, if any, and/or individual objectives. In 2021, Montana Aerospace did not pay any long-term performance based remuneration is currently in place.

MSOP

The Management Board participates in the management stock option program (MSOP) established by Montana Tech Components AG.[1]

[1] See page 157

Nomination and Compensation Committee

The Nomination and Compensation Committee is a permanent committee formally established by the Board of Directors. The main task of the Nomination and Compensation Committee is to support the Board of Directors in preparing the necessary decision-making processes and resolutions as well as fulfilling supervision duties in accordance with Article 7 of the Compensation Ordinance and Article 26 of Montana Aerospace's Articles of Association. For the organization, scope of competence and duties of the Nomination and Compensation Committee, see page 132 and 133 of Montana Aerospace's Corporate Governance Report, which is an integral part of the Annual Report. The Nomination and Compensation Committee comprises at least two members, each of whom must be independent from the management. As of 31 December 2021, the Nomination and Compensation Committee consisted of Michael Tojner (Chairman), Martin Ohneberg (Member) and Thomas Williams (Member).

The members of the Nomination and Compensation Committee are elected by the Annual General Meeting until the end of the next ordinary Annual General Meeting. The Board of Directors appoints the chairman of the Committee. The Nomination and Compensation Committee was newly formed in connection with the listing on the stock exchange on 12 May 2021. The Nomination and Compensation Committee meets at the invitation of the chairman of the Nomination and Compensation Committee, but at least once a year. In 2021, the Nomination and Compensation Committee met three times. All members were present at all meetings. The Nomination and Compensation Committee keeps a record of its decisions and recommendations in minutes submitted to the full Board of Directors and reports the results of its activities at the next Board meeting. In 2021, the Nomination and Compensation Committee reported its findings to the Board of Directors on three occasions.

Overview of areas of competence

The table below summarizes the areas of competence of the various bodies, boards and committees as regards the determination of the compensation. “D” refers to competence on final decision, “P” refers to preparation of the decision, “E” refers to execution of the final decision.

	General Meeting	Board of Directors	Nomination and Compensation Committee	CEO
Maximum compensation of the Board of Directors	D	P/E		
Maximum compensation of the Management Board	D	P/E		
Compensation of the individual members of the Board of Directors		D/E	P	
Compensation of the individual members of the Management Board		D/E	P	
Resolutions on, additions or changes to granting of share-based performance incentives		D/E	P	
Authorization of bargaining rounds, social plans or pension plans outside of the Boards		D		P/E

For the compensation in 2021, no remuneration advisors were involved.

Loans granted to Members of the Board of Directors or the Management Board (audited)

According to Article 32 of Montana Aerospace's Articles of Association, members of the Board of Directors or the Management Board are not allowed to be granted loans, credit or collateral by the Company.

Employment contracts and mandate agreements

Montana Aerospace entered into mandate agreements with members of the Board of Directors for an indefinite period.

The CEO is employed under an employment contract with a fixed term until 30 April 2022 which was extended until 31 March 2023.

The CFO is employed under an employment contract with a fixed term until 30 April 2022.
It is intended to enter into an employment contract with an unlimited term subject to a notice period of twelve months.

The COO has an employment contract with an unlimited term subject to a notice period of twelve months.

The employment contract of Mr Roth had a fixed term until 31 December 2021 which was extended until 30 June 2022.

Post-employment benefits

Members of the Board of Directors are not entitled to pension benefits other than those required by law. According to Article 33 of Montana Aerospace's Articles of Association, members of the Management Board may participate in the Company's pension plan. Further information on pension benefits are available in Article 33 of Montana Aerospace's Articles of Association.

Other items

No member of the Board of Directors, nor a member of the Management Board is entitled to a signing bonus, termination benefit or compensation due to a change of control. Montana Aerospace provides each member of the Management Board with a company car and covers out-of-pocket expenses, and one member of the Management Board receives a company flat and the Company covers a casualty insurance for one member of the Management Board.

Management Stock Option Program

The Co-Chairman of the Board of Directors, Thomas Williams, the members of the Group Management Board and certain employees of the Company as well as certain members of the management and employees of its affiliated companies are entitled to participate in a long-term stock option program established by the Principal Shareholder (the "Management Stock Option Program"). Approximately 150 employees are entitled to participate in the Management Stock Option Program. The program has term of five years. In 2022, it is intended to also grant to Mr Ohneberg, Mr Hosp and Mr Vischer options under the MSOP. The granting of the options under the MSOP is not subject to any conditions. The MSOP established by Montana Tech Components AG excludes any compensation by Montana Aerospace or by any Group company to Montana Tech Components AG for the MSOP options.

Under the Management Stock Option Program, the Principal Shareholder grants the participants options, free of charge, to acquire shares in the Company in an aggregate amount of up to EUR 50 million. The shares underlying the options will be made available from the shareholdings of the Principal Shareholder. To implement the Management Stock Option Program, the Principal Shareholder entered into separate option agreements with each beneficiary. The employees have been invited to participate in the MSOP based on their contribution to the future development of Montana Aerospace AG, respectively, on their long-term commitment to Montana Aerospace AG to incentivize their ongoing commitment to remain an employee of Montana Aerospace and/or of a Group company.

Each option entitles the holder to the purchase of one share. The option exercised is subject to the holder being employed by the Company or its affiliated companies at the time it is exercised. The strike price for the stock options throughout the term of the Management Stock Option Program will be equal to the Offer Price, i.e. CHF 25.65. Beneficiaries may exercise up to 10% of their stock options in the first and second financial year of the Company following the option grant, 20% of their stock options in the third financial year of the Company following the option grant, and 30% of their stock options in the fourth and fifth financial year of the Company after the option grant. Options not exercised in a given year are carried forward to the next financial year and are exercisable in addition to the options exercisable in that next financial year. Furthermore, the stock options must be exercised within four weeks of the publication of the Company's quarterly, semi-annual or annual financial results, subject to restrictions under applicable insider trading rules and the rules on directors' dealings. Instead of an exercise of the stock options, beneficiaries may also select a cash settlement option, whereby the Principal Shareholder is instructed to sell the relevant Shares and transfer the net sales proceeds after deductions of applicable taxes to the account specified by the beneficiary.

The stock options will expire on 30 June 2026. Generally, options not exercised also expire in the event of death or upon termination of the beneficiary's employment relationship with the Company or any of its affiliated companies. The stock options are not transferrable.

Compensation paid in 2021

Board of Directors

The amount of remuneration of the members of the Board of Directors is a fixed amount only. In the year 2021 in the period from the IPO, the compensation was awarded in cash and amounted to EUR 62 k / CHF 67 k. In addition, Mr Williams received a grant under the MSOP that has been evaluated with an amount of EUR 379 k / CHF 410 k. In addition, based on a consultancy agreement between Montana Tech Components AG and Mr Williams, Mr Williams received a remuneration of EUR 101 k / CHF 109 k in the year 2021 (see also table below). The amounts stated in the table are all gross. CHF amounts were translated using an average EUR/CHF exchange rate of 1/1,0811.

				Compensation granted by third parties / MTC AG		
2021 (audited) as of the first day of trading until the end of the fiscal year 2021	**Role**	**Fixed remuneration in cash in EUR k / CHF k**	**Total EUR k / CHF k by Montana Aerospace AG**	**MSOP[1]**	**Other**	**Total remuneration including MSOP EUR k / CHF k**
Michael Tojner	Co–Chairman of the Board of Directors, Chairman of the Nomination and Compensation Committee and the Investment and Strategy Committee	EUR 16 CHF 17	EUR 16 CHF 17			EUR 16 CHF 17
Thomas Williams	Co–Chairman of the Board of Directors, Member of the Nomination and Compensation Committee and the Investment and Strategy Committee	EUR 15 CHF 16	EUR 15 CHF 16	EUR 379 CHF 410	EUR 101 CHF 109	EUR 495 CHF 535
Martin Ohneberg	Vice–Chairman of the Board of Directors, member of the Nomination and Compensation Committee, the Audit and Compliance Committee and the Investment and Strategy Committee	EUR 13 CHF 14	EUR 13 CHF 14			EUR 13 CHF 14
Christian Hosp	Member of the Board of Directors and of the Audit and Compliance Committee	EUR 9 CHF 10	EUR 9 CHF 10			EUR 9 CHF 10
Markus Vischer	Member of the Board of Directors and of the Audit and Compliance Committee	EUR 9 CHF 10	EUR 9 CHF 10			EUR 9 CHF 10
SUM		**EUR 62 CHF 67**	**EUR 62 k CHF 67 k**	**EUR 379 CHF 410**	**EUR 101 CHF 109**	**EUR 542 CHF 586**

[1] The MSOP has been established by Montana Tech Components AG with no compensation by Montana Aerospace or any Group company to Montana Tech Components AG for the MSOP-options. In the Compensation Report, the value of the stock options granted under the MSOP in 2021 must be disclosed for the entire five year period, even if the vesting period occurs over a five years' periods. The amount is therefore calculated as [total number of options granted] x [fair value of options at grant date].

In advance of the public listing of Montana Aerospace, which took place on 12 May 2021, Michael Tojner and Thomas Williams were elected as Co–Chairmen of the Board of Directors and Martin Ohneberg was elected as Vice–Chairman of the Board of Directors on 18 March 2021. The compensation for 2021 is shown as of the first day of trading until the end of the fiscal year 2021.

Management Board

As of 31 December 2021, the Management Board consisted of Markus Nolte (CEO), Michael Pistauer (CFO), Kai Arndt (COO) and Herbert Roth (special projects). In 2021, members of the Management Board received the remuneration detailed in the table below in cash. The amounts stated are all gross and include social insurance and pension contributions required by law. Besides the payment outlined below, members of the Management Board received no other payments.

2021 (audited)	Base remuneration in cash in EUR k / CHF k	Variable remuneration in cash in EUR k / CHF k	Social insurance and pension contributions in EUR k / CHF k	Other contributions (company car, insurance, etc) EUR k / CHF k	Total EUR k / CHF k by Montana Aerospace AG	MSOP granted by MTC AG*	Total remuneration including MSOP EUR k / CHF k
Total remuneration Management Board	EUR 660 CHF 712	EUR 448 CHF 484	EUR 47 CHF 51	EUR 32 CHF 35	EUR 1,187** CHF 1,283**	EUR 4,016 CHF 4,342	EUR 5,203 CHF 5,625
Highest remuneration: Markus Nolte	EUR 271 CHF 293	EUR 191 CHF 207	EUR 18 CHF 19	EUR 13 CHF 14	EUR 493 CHF 533	EUR 1,506 CHF 1,628	EUR 1,999 CHF 2,161

* The MSOP has been established by Montana Tech Components AG with no compensation by Montana Aerospace or any Group company to Montana Tech Components AG for the MSOP-options. In the Compensation Report, the value of the stock options granted under the MSOP in 2021 must be disclosed for the entire five year period, even if the vesting period occurs over a five years' periods. The amount is therefore calculated as [total number of options granted] x [fair value of options at grant date].

** Mr. Arndt has not yet received any grant under the MSOP

The compensation for 2021 is shown as of the first day of trading until the end of the fiscal year 2021. The amounts stated are all gross.

In December 2021, Mr Kai Arndt joined the Management Board. Mandatory employee social insurance contributions under the relevant country's applicable law are included in the base compensation.

Miscellaneous shareholdings of members of the Management Board and the Board of Directors are disclosed on page 269 in the statutory accounts of Montana Aerospace, which are an integral part of the Annual Report.

Outlook

In order to better align Montana Aerospace's remuneration policy with its long-term strategic objectives, the Nomination and Compensation Committee is currently revising the existing compensation system for members of the Management Board and the Board of Directors within the parameters of the law and the Articles of Association. It is the Nomination and Compensation Committee's intention that the revised remuneration system, which as of the day of the publication of this report has neither been finalized nor submitted for approval to the Board of Directors, will have a stronger focus on the achievement of long-term strategic objectives and a corresponding long-term incentive plan. In addition, the intention for the new system is to include ESG targets in addition to financial and individual targets.

Report of the Statutory Auditor

To the General Meeting of Montana Aerospace AG, Reinach (AG)

We have audited the accompanying remuneration report of Montana Aerospace AG for the year ended 31 December 2021. The audit was limited to the information according to articles 14-16 of the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables labeled “audited” on pages 158 to 159 of the compensation report.

Responsibility of the Board of Directors

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's Responsibility

Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14 – 16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14 – 16 of the Ordinance. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the remuneration report for the year ended 31 December 2021 of Montana Aerospace AG complies with Swiss law and articles 14 – 16 of the Ordinance.

KPMG AG

Daniel Haas
Licensed Audit Expert
Auditor in Charge

Roman Künzle
Licensed Audit Expert

St. Gallen, 30 March 2022

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in TEUR)	Notes	31.12.2021	31.12.2020
ASSETS			
Intangible assets and goodwill	8	193,504	175,203
Property, plant and equipment	9	603,843	568,704
Investment Properties	9	5,263	4,328
Loans	27	0	5,491
Other financial assets	27	271	6,874
Other receivables and assets	12	42,387	36,468
Deferred tax assets	14	8,565	10,261
Non-current assets		**853,833**	**807,329**
Inventories	11	245,429	184,513
Contract assets	27	13,469	10,124
Trade receivables	27	129,130	87,500
Income tax receivables	14	3,630	5,165
Receivables from affiliated companies	28	2,271	18,046
Other receivables and assets	12	35,559	27,262
Cash and cash equivalents	13	509,059	95,803
Current assets		**938,547**	**428,413**
TOTAL ASSETS		**1,792,380**	**1,235,742**
EQUITY AND LIABILITIES			
Share capital	16	52,164	90
Share premium	16	849,076	226,728
Non-redeemable loan	16	15,195	0
Retained earnings	16	–10,880	–15,942
Equity attributable to owners of Montana Aerospace AG	16	**905,555**	**210,876**
Non-controlling interests	16	–704	–293
Total equity	16	**904,851**	**210,583**
Bank loans and borrowings	17	39,131	80,516
Loans from affiliated companies	17/28	0	150,551
Other financial liabilities	17	441,753	359,451
Deferred tax liabilities	14	21,270	17,100
Provisions	18	8,377	7,406
Employee benefits	15	21,712	32,668
Accruals	19	272	0
Other liabilities	20	58,167	50,218
Non-current liabilities		**590,682**	**697,910**
Bank loans and borrowings	17	57,727	51,257
Loans from affiliated companies	17/28	0	64,434
Other financial liabilities	17	52,202	29,484
Current tax liabilities	14	708	2,992
Provisions	18	4,625	3,220
Employee benefits	15	15,128	11,234
Trade payables	27	110,789	112,858
Contract liabilities	27	19,626	13,497
Accruals	19	13,332	10,913
Liabilities from affiliated companies	28	1,991	9,225
Other liabilities	20	20,719	18,135
Current liabilities		**296,847**	**327,249**
TOTAL LIABILITIES		**887,529**	**1,025,159**
TOTAL EQUITY AND LIABILITIES		**1,792,380**	**1,235,742**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(in TEUR)	Notes	2021	2020
Gross sales		**792,357**	**636,405**
Sales deductions		−2,305	−4,019
Net sales	**6**	**790,052**	**632,386**
Change in finished and unfinished goods		21,830	−9,396
Own work capitalised		34,584	42,140
Other operating income	22	33,999	19,733
Cost of materials, supplies and services		−558,334	−400,948
Personnel expenses	21	−173,645	−156,954
Other operating expenses	23	−102,433	−93,670
EBITDA*		**46,053**	**33,291**
Depreciation and amortization	8/9	−71,808	−73,167
thereof impairment		−109	−11,502
OPERATING RESULT		**−25,755**	**−39,876**
Interest income	24	1,518	4,776
Interest expenses	24	−18,423	−22,396
Other financial income	24	5,671	4,311
Other financial expenses	24	−6,468	−8,002
FINANCIAL RESULT		**−17,702**	**−21,311**
RESULT BEFORE TAX		**−43,457**	**−61,186**
Income tax income (expenses)	14	−5,923	3,532
RESULT FOR THE PERIOD		**−49,380**	**−57,654**
Thereof attributable to:			
Owners of Montana Aerospace AG		−49 009	−57 357
Non-controlling interests		−371	−297
EARNINGS PER SHARE (IN EUR)			
Basic earnings per share		−1.17	−2.00
Diluted earnings per share		−1.17	−2.00

*EBITDA is calculated as result for the year before income tax expense, interest income, other financial income, interest expenses, other financial expenses and depreciation and amortization.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(in TEUR)	Notes	2021	2020
Result for the period		**−49,380**	**−57,654**
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS			
Remeasurements of the defined benefit liability (asset)	15	12,011	4,739
Related taxes	14	−2,223	−840
		9,788	**3,899**
ITEMS THAT ARE OR MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS			
Effective portion of changes in fair value of cash flow hedges		796	−715
Foreign exchange differences		28,427	−14,235
Related taxes	14	0	−2
		29,223	**−14,952**
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**39,011**	**−11,053**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**−10,369**	**−68,707**
Thereof attributable to:			
Owners of Montana Aerospace AG		−9,957	−68,452
Non-controlling interests		−412	−255

CONSOLIDATED STATEMENT OF CASH FLOWS

(in TEUR)	Notes	2021	2020
CASH FLOW FROM OPERATING ACTIVITIES			
Result before tax		–43,457	–61,186
Net interest income		16,905	17,620
Depreciation and amortization	8/9	71,808	73,167
Changes in fair value of real estate held as investment property		–705	0
Measurement of financial assets		–445	0
Gains and losses from disposals of property, plant and equipment and intangible assets		259	49
Gains and losses from disposal of financial assets		0	443
Badwill		–3,440	0
Other non-cash income and expenses	26	4,231	14,578
Subtotal		**45,156**	**44,671**
Changes in assets and liabilities:			
Inventories		–49,444	–1,726
Trade receivables and other current assets		–42,677	12,309
Trade payables and other current liabilities		22,970	–28,723
Provisions and liabilities for employee benefits		–654	–14,387
Subtotal		–69,805	–32,527
Income taxes paid		–3,188	–2,804
NET CASH FROM OPERATING ACTIVITIES		**–27,837**	**9,340**
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of subsidiaries less cash acquired	7/26	–4,321	–584
Acquisition of intangible assets and property, plant and equipment	8/9/26	–121,370	–133,305
Disposal of intangible assets and property, plant and equipment	8/9	15,480	1,147
Loans to affiliated companies		0	–9,269
Loans to related parties		0	–8,504
Repayments of loans granted to affiliates		13,919	41,775
Other payments received from affiliates for disposal of financial assets		8,452	0
Repayment of loans granted to related parties		0	68,846
Dividends received		319	0
Interest received		1,453	4,776
NET CASH FROM INVESTING ACTIVITIES		**–86,068**	**–35,118**
CASH FLOW FROM FINANCING ACTIVITIES			
Payments received for capital increase	16	136,999	0
Proceeds from issuance of ordinary shares	16	421,397	0
Payments for the costs of initial public offering	16	–29,147	0
Capital contribution	16	15,020	20,780
Issuance of interest-bearing liabilities	17	230,842	159,017
Repayment of interest-bearing liabilities	17	–169,857	–96,648
Issuance of interest-bearing liabilties from affiliates	17	0	27,712
Repayment of interest-bearing liabilties from affiliates	17/26	–58,135	–93,118
Payment of lease liabilities	17	–6,736	–7,889
Interest paid		–18,592	–20,593
NET CASH FROM FINANCING ACTIVITIES		**521,791**	**–10,739**
NET CHANGE IN CASH AND CASH EQUIVALENTS		**407,886**	**–36,517**
Cash and cash equivalents as at 1 January	13	95,803	134,107
Effect of exchange rate changes on cash and cash equivalents		5,370	–1,787
Cash and cash equivalents as at 31 December	13	509,059	95,803

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to owners of the Company										
(in TEUR)	Notes	Share capital	Share premium	Non-redeemable loan	Foreign Exchange Differences	Fair Value Reserve	Other retained earnings	Total Retained earnings	Equity (net assets attributable to MTC Group)	Total	Non-controlling interest	Total equity
Balance as of January 1, 2021, as reported in the combined financial statements of Montana Aerospace business		**0**	**0**	**0**	**−12,160**	**−1,341**	**0**	**−13,501**	**224,377**	**210,876**	**−293**	**210,583**
Share issuance and formation of Montana Aerospace		90	226,728				−2,441	−2,441	−224,377	0		0
Balance as of January 1, 2021		**90**	**226,728**	**0**	**−12,160**	**−1,341**	**−2,441**	**−15,942**	**0**	**210,876**	**−293**	**210,583**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD												
Result for the period							−49,009	−49,009		−49,009	−371	−49,380
Other comprehensive income for the period, net of tax					28,468	796	9,788	39,052		39,052	−41	39,011
Total		**0**	**0**	**0**	**28,468**	**796**	**−39,221**	**−9,957**	**0**	**−9,957**	**−412**	**−10,369**
TRANSACTIONS WITH OWNERS OF THE COMPANY												
Issue of ordinary shares	16	42,197	379,200							421,397		421,397
Transaction costs from the IPO	16		−29,147							−29,147		−29,147
Issue of non-redeemable loan	16			153,803						153,803		153,803
Reclassification of the non-redeemable loan	16			−133,903						−133,903		−133,903
Conversion of the non-redeemable loan		4,748	129,155							133,903		133,903
Waiving part of the repayment amount of the non-redeemable loan	16		4,705	−4,705						0		0
Capital increase	16	5,128	131,871							136,999		136,999
Effect of share-based payments	25		3,519							3,519		3,519
Capital contribution	16		3,046				15,020	15,020		18,066		18,066
Total		**52,073**	**622,348**	**15,195**	**0**	**0**	**15,020**	**15,020**	**0**	**704,637**	**0**	**704,637**
Balance as of December 31, 2021		**52,164**	**849,076**	**15,195**	**16,308**	**−545**	**−26,642**	**−10,880**	**0**	**905,555**	**−704**	**904,851**

	Attributable to owners of the Company							
(in TEUR)	Capital stock	Capital Reserves	Foreign Exchange Differences	Fair Value Reserve	Equity (net assets attributable to MTC Group)	Total	Non-controlling interest	Total equity
Balance as of January 1, 2020	**0**	**0**	**2,117**	**−624**	**257,055**	**258,547**	**−1,300**	**257,247**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD								
Result for the period					−57,357	−57,357	−297	−57,654
Other comprehensive income for the period, net of tax			−14,277	−717	3,899	−11,095	42	−11,053
Total			**−14,277**	**−717**	**−53,458**	**−68,452**	**−255**	**−68,707**
TRANSACTIONS WITH OWNERS OF THE MONTANA AEROSPACE BUSINESS								
Capital contribution					22,042	22,042		22,042
Movement in non-controlling interest					**−1,262**	**−1,262**	**1,262**	**0**
Balance as of December 31, 2020	**0**	**0**	**−12,160**	**−1,341**	**224,377**	**210,876**	**−293**	**210,583**

NOTES
TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Reporting entity

Montana Aerospace AG ("Montana Aerospace" or "the Company") is a worldwide supplier of structural parts for the aerospace, e-mobility and energy industries and is incorporated in Switzerland with its registered office in Reinach, Switzerland. These consolidated financial statements as at and for the twelve months ended 31 December 2021 comprise the Company, its subsidiaries (collectively the 'Group' and individually 'Group companies').

The controlling parent company of Montana Aerospace is Montana Tech Components AG.

2. Significant changes in the reporting periods

The Company completed a successful initial public offering on May 12, 2021 and is now listed on the SIX Swiss Exchange. The shares of Montana Aerospace are traded under the Swiss Securities Number (Valor) 111042565, the International Securities Identification Number (ISIN) CH1110425654 and the Ticker Symbol AERO. Prior to the Offering, there has been no public market for the shares. With the issuance of 17,153,997 new shares and the offer price of CHF 25.65 per share the Company was able to receive gross proceeds of CHF 440.0 million (EUR 394.6 million) (see also note 16).

The Company intends to use the net proceeds of the Offering resulting from the sale of the new shares, together with its cash and cash equivalents, to fund future growth objectives through smart M&A to broaden its customer, technology and product portfolios and further integration of the value chain, to expand the Group's capabilities to cover increased client needs and demands even in challenging markets as well as for other general corporate purposes.

3. Basis of preparation

Separation from Montana Tech Components AG
During the years 2019 and 2020 Montana Tech Components AG ("MTC") the ultimate parent company transferred to Montana Aerospace AG ("MAG") equity interests of entities that operate in the Montana Aerospace business. The legal separation of the Montana Aerospace business started with the incorporation on 25 November 2019 and was substantially completed on 30 June 2021.

Management made use of the option to present the legal transfers of the Montana Aerospace business to MAG as a transaction under common control using the book value method. In addition, the Company took the option of presenting comparative information as if the legal structure already existed as of 1 January 2020.

This comparative information is derived from the consolidated financial information of Montana Tech Components AG, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Prior to the separation, the entities forming the Montana Aerospace business were all direct or indirect subsidiaries under the common control of MTC and were not a legal group for consolidated financial reporting purposes in accordance with IFRS 10.

Transactions with MTC Group
Transactions between the Group and MTC Group entities outside the scope of the Montana Aerospace have not been eliminated and are reported as transactions with affiliated companies in these Consolidated Financial Statements (see note 28).

Basis of accounting
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). These are the Group's first consolidated financial statements prepared in accordance with IFRSs and IFRS 1 First-time Adoption of International Financial Reporting Standards has been applied.

Details of the Group's accounting policies are included in note 32.

Changes to significant accounting policies are described in note 32.18.

These financial statements were authorized for issue by the Board of Directors on 30 March 2022. They further have to be approved by the next shareholder meeting.

Basis of measurement
The consolidated financial statements have been prepared under the historical cost convention, unless otherwise indicated. All amounts are in thousands of euros unless otherwise stated.

4. Functional and presentation currency

These consolidated financial statements are presented in Euro (EUR). The Company's functional currency is the Swiss Franc (CHF). All amounts have been rounded to the nearest thousand, unless otherwise indicated.

5. Use of judgements and estimates

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Accounting for acquisitions
Goodwill is reported in the consolidated balance sheet because of company acquisitions. As part of the initial consolidation of a company acquisition, assets acquired, liabilities assumed (including contingent consideration) are recognized at fair values as of the effective acquisition date. The valuation of intangible assets is, in particular, based on the forecast of the total expected cash flows and consequently strongly dependent on the assumptions of the management regarding future developments as well as the underlying developments of the discount rate to be applied (see note 8).

Useful life on non-current assets
Property, plant and equipment, and acquired intangible assets are recognized at acquisition costs and are depreciated/amortized on a straight-line basis over their estimated useful lives. The estimation of useful lives is based on assumptions about wear and tear, aging, technical standards, contract periods, and changes in demand. Changes in these factors may cause a reduction of the useful life of an asset. Hence, the carrying amount would be depreciated/amortized over the remaining shorter useful life, resulting in higher annual depreciation/amortization expenses (see note 8 and note 9).

Impairment of non-current assets
Goodwill and intangible assets with indefinite useful lives are tested for impairment during an annual impairment test. Furthermore, a recoverability evaluation of Goodwill and intangible assets is performed whenever events that have occurred or circumstances that have changed indicate that the carrying amount of an asset or a group of assets exceeds its recoverable amount. During this impairment test, the evaluation of Goodwill and intangible assets is also based on budget assessments of market or company-specific discount rates, expected annual growth rates, and gross margin/costs development. The assumptions involved in these calculations may change and may lead to an impairment loss in future periods (see note 8).

More information on the impairment tests conducted is given in note 8. However, the assumptions made could be subject to changes that could lead to impairment losses in future periods.

If there is any impairment indication of property, plant and equipment and intangible assets with finite useful lives, an impairment test is performed to determine the new carrying amount and the difference between the previous and the new carrying amounts is recognised in profit or loss.

Deferred taxes

Deferred taxes are recognised in respect of temporary differences between the carrying amounts in the IFRS financial statements and the tax base as well as for expected recoverable tax loss carry forwards. Deferred taxes are calculated based on the tax rates expected under current legislation to apply to the period in which the temporary differences are expected to reverse and on the basis of an assessment of future taxable profit. Any changes in the tax rate or variations in future taxable profit from that assumed could make it improbable or probable that deferred tax assets will be recovered and necessitate a value adjustment regarding the respective assets. Moreover, changes in the tax rate could lead to adjustments in deferred tax liabilities. The carrying amounts of deferred taxes are shown in the consolidated balance sheet and are broken down into the individual balance sheet items in note 14. Tax losses carried forward are shown in note 14.

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values for financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2:** inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- **Level 3:** inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

6. Segment reporting

6.1. Basis for segmentation

Operating segments requiring to be reported are determined on the basis of a management approach. Accordingly, external segment reporting reflects the internal organizational and management structure used within the Group as well as internal financial reporting to the chief operating division maker. In the case of Montana Aerospace, the chief operating decision maker is the Board of Montana Aerospace AG.

With the IPO, management structure and focus of business developed and acquisitions were initiated in the second half of 2021. Consequently, 1 December 2021 a new management structure was established. The reporting is divided into the segment “Aerospace”, “E-mobility” and “Energy”. In addition, unallocated costs are reported separately under “Reconciliation”.

Aerospace
The Aerospace segment is a partner for aircraft manufacturers. The segment develops and manufactures aircraft parts. The Group’s product portfolio ranges from structural components for fuselage, wings and landing gear to critical engine components subject to high thermal and mechanical loads, and functional components for the cabin interior.

E-mobility
The E-mobility segment manufactures lightweight components for the e-mobility sector. The segment is specialized in the production of components and assemblies, such as crash management systems and battery boxes.

Energy
The Energy segment produces components for the energy infrastructure. The segment specializes in copper processing and has high-level expertise in copper refinement and insulation systems.

The accounting and measurement policies for the segment reporting are based on the IFRS used in the present consolidated financial statements. The Board of Directors (CODM) uses adjusted EBITDA for management purposes (see note 6.3).

6.2. Information according to reportable segments

The management variables, which are used to assess the performance of the operating segments, are shown below:

	Aerospace		E-mobility		Energy		Total		Reconciliation		Group	
(in TEUR)	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
External net sales	284,587	264,515	122,493	88,978	382,972	278,893	790,052	632,386			790,052	632,386
Net sales between segments	378	132	1	179			379	312	–379	–312	0	
Total net sales	**284,965**	**264,647**	**122,494**	**89,157**	**382,972**	**278,893**	**790,431**	**632,698**	**–379**	**–312**	**790,052**	**632,386**
Adjusted EBITDA	**42,942**	**43,295**	**6,538**	**–4,943**	**8,564**	**8,221**	**58,044**	**46,573**	**–1,964**	**–1,724**	**56,080**	**44,849**
Non-operative income and expenses	–7,815	–12,397	2,044	1,216			–5,771	–11,181	–4,256	–377	–10,027	–11,558
EBITDA	**35,127**	**30,898**	**8,582**	**–3,727**	**8,564**	**8,221**	**52,273**	**35,392**	**–6,220**	**–2,101**	**46,053**	**33,291**
Depreciation and amortization	–54,104	–45,657	–9,731	–9,611	–7,644	–17,578	–71,479	–72,846	–329	–321	–71,808	–73,167
thereof impairment		**–1,979**			**–109**	**–9,523**	**–109**	**–11,502**			**–109**	**–11,502**
Operating result											**–25,755**	**–39,876**
Financial result											**–17,702**	**–21,311**
Result before tax											**–43,457**	**–61,186**
Income tax income (expense)											–5,923	3,532
Result for the period											**–49,380**	**–57,654**
Investments	**100,787**	**125,824**	**5,444**	**5,025**	**6,454**	**5,779**	**112,685**	**136,628**	**–997**	**107**	**111,688**	**136,735**

A summary of the elimination of intra-Group interdependencies between the segments is provided in the reconciliation column. The reconciliation column also contains facts that cannot be directly allocated to any segment, such as the effects of share-based payment.

6.3. Adjusted performance indicators

The CODM uses the following adjusted performance indicators:

(in TEUR)	2021	2020
EBITDA as reported	**46,053**	**33,291**
Legal cost for Arconic lawsuit	2,651	4,867
IPO expenses	3,377	0
Stock option plans (share-based payment)	3,519	0
Other service cost from affiliated companies	0	5,203
Expected rental income from affiliated companies	480	1,488
Adjusted EBITDA	**56,080**	**44,849**
Depreciation and amortization w/o impairment	-71,699	-61,665
Adjusted Operating Profit (EBIT)	**-15,619**	**-16,816**
Net Interest w/o interest to MTC	-15,168	-11,006
Adjusted result before tax	**-30,787**	**-27,822**
Income tax expense (considering adjustments)	5,357	5,314
Result for the year adjusted	**-25,430**	**-22,508**

The adjustments are made to eliminate non-operational expenses and income not attributed to management performance. The following were incurred during the reporting and comparison periods:

- Expenses in connection with the Arconic lawsuit (see note 30)
- Expenses relating to the one-time decision to go public (see note 2 and note 16.1) and implementation of the Management Stock Option Program (see note 25)
- Service cost from affiliated companies and rental income in 2020 and the first 4 months of 2021, all of which were restructured when going public to reflect the principle of dealing at arm's length

(in TEUR)	2021	2020
Cash and cash equivalents	509,059	95,803
Total financial liabilities	590,813	735,693
Financial net debt as reported	**81,754**	**639,890**
Loans from affiliated companies	0	-214,985
Financial net debt adjusted	**81,754**	**424,905**
Equity attributable to owners of the Montana Aerospace AG	**904,850**	**210,876**
Loans from affiliated companies	0	214,985*
Equity attributable to owners of the Montana Aerospace AG adjusted	**904,850**	**425,861**

* As of February 15, 2021, and April 13, 2021 two capital contributions in the total amount of TEUR 15,020 were made. As of April 16, 2021, an ordinary capital increase in the amount of TCHF 29,900 (TEUR 26,814) was made. As of April 16, 2021, a hybrid loan in the amount of TCHF 169,353 (TEUR 153,803) was issued. The total effect of these transactions was an increase in equity in the amount of TEUR 195,637 and a decrease in financial net debt by TEUR 195,637.

6.4. Entity-wide disclosures

INFORMATION BY GEOGRAPHICAL SEGMENT

	2021		2020	
(in TEUR)	Net sales*	Non-current assets**	Net sales*	Non-current assets**
Switzerland	19,399	38,981	21,593	38,684
Germany	139,108	9,083	131,831	9,876
Austria	36,575	64,116	24,450	62,566
UK	17,907	289	16,402	339
Poland	23,856		15,237	
Slovenia	17,608		11,080	
Turkey	17,385		10,671	
France	15,227	2,833	8,584	
Spain	5,973	8	7,912	12
Italy	26,277	4,907	7,817	5,645
Finland	7,018		7,159	
Sweden	7,351		5,905	
Romania	5,666	401,169	5,100	367,521
Russia	4,845		3,034	
Rest of Europe	32,246	4,201	20,160	1,307
USA	113,495	154,253	111,243	158,175
Canada	13,709		9,525	
Mexico	9,409		5,753	
Brazil	87,254	15,727	65,365	16,029
Rest of America	20,495		11,847	
China	100,921	8,301	69,168	8,362
India	33,764	9,238	26,625	9,451
Vietnam	2,902	89,504	1,495	70,268
Rest of Asia	26,184		30,152	
Africa, Australia and New Zealand	5,478		4,278	
Total	**790,052**	**802,610**	**632,386**	**748,235**

* The geographic information on revenues in the table above is based on the customers' location.
** Non-current assets include in this respect real estate held as financial investment, property, plant and equipment and intangible assets.

Products and services

The Group's revenues and trade receivables are split into the following products and services

	2021		2020	
(in TEUR)	Net sales	Trade receivables	Net sales	Trade receivables
thereof product sales	783,871	126,195	625,021	86,126
thereof service sales	6,181	2,935	7,365	1,374
Total	**790,052**	**129,130**	**632,386**	**87,500**

Key accounts

In 2021 – as in the previous year – no transactions with a single external customer accounted for 10% or more of the Group sales.

Contract balances

No information is provided about remaining performance obligations at 31 December 2021 as well as at 31 December 2020 that have an original expected duration of one year or less, as allowed by IFRS 15.

7. Significant changes to the scope of consolidation / combination

7.1. Significant changes in 2021

7.1.1. Business combinations (according to IFRS 3)

On 29 April 2021, the Group acquired 90% interest in Cefival S.A. Regarding the remaining 10% interests in Cefival, a call/put option agreement between Montana Aerospace and the non-controlling shareholder is granted.

On 30 April 2021, 75% of the shares in IH TECH Sondermaschinenbau u. Instandhaltung GmbH were acquired (the remaining 25% has been held by the Group since 2013).

The contribution of the acquired companies to revenue and profit for the period is not material. The resulting goodwill is not expected to be deductible for tax purposes.

Deferred consideration related to the acquisitions includes a put-option amounting to TEUR 300 as well as an earn-out agreement amounting to TEUR 1,366.

Trade accounts receivable include gross amounts of contractual receivables amounting to TEUR 2,938, of which TEUR 314 were estimated to be uncollectible at the time of acquisition.

In 2021, expenses amounting to TEUR 138 were incurred in connection with the business combinations. These costs are included in other operating expenses.

The identifiable net assets, goodwill and cash outflows were as follows:

(in TEUR)	Cefival	IH Tech	Total
Intangible assets	29	200	229
Property, plant and equipment	2,864	992	3,856
Financial Assets	0	4	4
Other non-current assets	275	46	321
Inventories	5,717	363	6,080
Trade receivables	2,722	410	3,132
Other current receivables	1,031	25	1,056
Cash and Cash equivalents	3,336	104	3,440
Non-current financial liabilities	−615	−792	−1,407
Other non-current liabilities	−3,674	−313	−3,987
Current financial liabilities	−287	−98	−385
Other current liabilities	−7,583	−745	−8,328
Total identifiable net assets acquired	**3,815**	**196**	**4,011**
Deferred consideration	300	1,366	1,666
Cash	75	900	975
Total consideration transferred	**375**	**2,266**	**2,641**
Fair value of pre-existing interest	0	755	755
Fair value of identifiable net assets	−3,815	−196	−4,011
Goodwill	**0**	**2,825**	**2,825**
Badwill	**−3,440**	**0**	**−3,440**
Cash	75	900	975
Less acquired cash	−3,336	−104	−3,440
Total cash outflow (+), cash inflow (−)	**−3,261**	**796**	**−2,465**

8. Intangible assets

(in TEUR)	Goodwill	Customer relationships and other intangible assets	Corporate brand	Other rights and payments in advance	Capitalized Development Cost	Licenses	Total
COST							
Balance as of January 01, 2020	**78,052**	**98,810**	**12,588**	**12,602**	**13,721**	**5,273**	**221,046**
FX differences	−2,666	−2,929	−150	−9	−1,457	−104	−7,315
Change in consolidation scope	925		523		4	101	1,553
Additions		1,399	8		37,263	392	39,062
Disposals			−10,636			−44	−10,680
Transfer		38,914	12	−8,857	−29,758	425	736
Balance as of December 31, 2020	**76,311**	**136,194**	**2,345**	**3,736**	**19,773**	**6,043**	**244,402**
FX differences	2,391	2,651	134	11	1,943	123	7,253
Change in consolidation scope	2,825	73	134			22	3,054
Additions		688		786	26,547	340	28,361
Disposals						−19	−19
Transfer		4,279		−771	−3,537	253	224
Balance as of December 31, 2021	**81,527**	**143,885**	**2,613**	**3,762**	**44,726**	**6,762**	**283,275**
ACCUMULATED AMORTIZATION AND IMPAIRMENT LOSSES							
Balance as of January 01, 2020	**22,089**	**27,129**	**10,704**	**3,098**	**0**	**3,094**	**66,114**
FX differences		−270	−16	−8	−133	−30	−457
Additions		9,387	282	80	788	821	11,358
Impairment		2,863					2,863
Disposals			−10,636			−43	−10,679
Transfer		−738	12		726		0
Balance as of December 31, 2020	**22,089**	**38,371**	**346**	**3,170**	**1,381**	**3,842**	**69,199**
FX differences		262	22	10	232	61	587
Additions		13,193	252	62	1,512	1,099	16,118
Impairment		109					109
Disposals						−19	−19
Transfer		3,247			530		3,777
Balance as of December 31, 2021	**22,089**	**55,182**	**620**	**3,242**	**3,655**	**4,983**	**89,771**
CARRYING AMOUNT							
as of January 01, 2020	55,963	71,681	1,884	9,504	13,721	2,179	154,932
as of December 31, 2020	54,222	97,823	1,999	566	18,392	2,201	175,203
as of December 31, 2021	59,438	88,703	1,993	520	41,071	1,779	193,504

In 2021, research and development costs of TEUR 128 (2020: TEUR 204) were recognized through profit or loss.

In 2021, intangible assets show restrictions on disposal of TEUR 0 (2020: TEUR 0).

In 2021, there were impairment losses of TEUR 109 (2020: TEUR 2,863) in company ASTA Elektrodraht GmbH, Austria.

The carrying amount of goodwill, customer relationships, other intangible assets and industrial property rights are allocated as follows to the individual cash generating units:

(in TEUR)	Goodwill	Customer relationships with indefinite useful life	Customer relationships with finite useful life	Other intangible assets	Industrial property rights with finite useful life
December 31, 2021					
Aerospace Components	32,553	30,832	99	56,378	1,413
ASTA			892	187	
Metal Tech	26,885		242	74	580
Total	**59,438**	**30,832**	**1,233**	**56,639**	**1,993**
December 31, 2020					
Aerospace Components	30,162	28,759	178	66,507	1,413
ASTA			1,784	53	
Metal Tech	24,060		476	66	586
Total	**54,222**	**28,759**	**2,438**	**66,626**	**1,999**

Due to the longstanding customer relationships and the marginal client fluctuation, management considers that the useful life of certain customer relationships is indefinite, because all the relevant factors do not allow to identify the end of the period for which the assets contribute to the generation of cash flows. These customer relationships with indefinite useful life are contributed mainly by Universal Alloy Corporation, USA. In this regard, it is observed that the client structure of this company has remained constant since 2006 and that no new competitor has appeared on the market since then. The situation was reviewed in 2021 and the classification of an indefinite useful life is confirmed.

Goodwill and intangible assets with indefinite useful life are tested for impairment on an annual basis and in case of any indication of impairment. An impairment is recognized when the carrying amount exceeds the higher of fair value less cost of disposal and value in use.

The value in use is calculated using the discounted cash flow method and is based on internal projections, which are prepared in detail for the following three financial years. After these three years an inflation-protected level is assumed in the absence of significant evidence to the contrary. The projections are derived from previous results and past experience as well as management's best estimates of probable future developments. It is assumed that the CGU's will not experience any significant organizational changes. The discount rate applied to the calculation of discounted cash flows is the interest rate that reflects current market estimates of the time value of money and the specific risk related to respective asset. Since the cash flows reflect tax expenditure, the discount rate is applied after taxes. Applying the discount rate after taxes leads to a similar result as applying a discount rate before taxes to cash flows before taxes.

The calculations are based on the following assumptions:

	Post-tax discount rate	Pre-tax discount rate	Terminal value growth rate
2021			
Aerospace Components	9.85%	11.72%	2.30%
Metal Tech	10.62%	13.23%	1.50%
2020			
Aerospace Components	10.77%	12.77%	1.50%
Metal Tech	12.28%	15.14%	1.20%

In 2021, the impairment tests have revealed that the remaining goodwill positions and customer relationships with indefinite useful life were fully recoverable. Consequently, no impairment losses were recognized for the items in question during the reporting period.

In addition, the goodwill items were tested by means of sensitivity analyses with the following results: The value in use of Aerospace Components is higher than the carrying amount. The value in use would correspond to the carrying amount with a post-tax discount rate of 11.28% (instead of 9.85%) resp. a growth rate in the terminal value of 0.04%. The estimated recoverable amount of the CGU exceeded its carrying amount by approximately TEUR 40,285.

In the Metal Tech division, the value in use is also higher than the carrying amount and would correspond to the carrying amount with a post-tax discount rate of 15.31% (instead of 10.62%) resp. a negative growth rate in the terminal value of 11.66%. The estimated recoverable amount of the CGU exceeded its carrying amount by approximately TEUR 43,482.

9. Property, plant and equipment and Investment properties

(in TEUR)	Investment propetrty	Land	Buildings	ROU – Land & Buildings	Technical equipment and machinery	ROU – Technical equipment and machines	Other equipment	ROU – Other equipment	Plantunder construction and payments in advance	Property, plant and equipment
COST										
Balance as of January 01, 2020	**4,307**	**30,239**	**120,186**	**43,523**	**301,586**	**852**	**68,245**	**2,378**	**191,180**	**758,189**
FX differences	21	−1,139	−6,445	−2,516	−15,176	−35	−2,322	−213	−2,746	−30,592
Change in consolidation scope			−2	3,424	1,445	−1	229	54	0	5,149
Additions		296	608	364	6,412	11	4,657	682	84,643	97,673
Disposals			−530	−6,707	−15,544		−1,600	−138	0	−24,519
Transfer			52,650		113,075		83		−169,721	−3,913
Balance as of December 31, 2020	**4,328**	**29,396**	**166,467**	**38,088**	**391,798**	**827**	**69,292**	**2,763**	**103,356**	**801,987**
FX differences	230	835	3,651	2,457	13,596	13	2,434	23	2,318	25,327
Change in consolidation scope		−593	900	885	1,181	64	109	5	399	2,950
Additions			1,530	7,252	7,403	56	5,061	696	61,329	83,327
Disposals		−367	−16,836	−78	−1,585	−138	−1,436	−178		−20,618
Transfer			1,366		33,715		1,229		−33,287	3,023
Fair Value Changes	705									
Balance as of December 31, 2021	**5,263**	**29,271**	**157,078**	**48,604**	**446,108**	**822**	**76,689**	**3,309**	**134,115**	**895,996**
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES										
Balance as of January 01, 2020	**0**	**3,803**	**20,614**	**6,782**	**124,779**	**399**	**42,794**	**741**	**0**	**199,912**
FX differences		−13	−326	−808	−5,659	−25	−1,601	−80		−8,512
Change in consolidation scope					−6					−6
Depreciation		773	5,077	6,827	29,173	299	7,349	810		50,308
Impairment loss			213		7,455		971	0		8,639
Disposals			−530	−152	−14,802		−1,520	−54		−17,058
Transfer			−70		66	19	−15			0
Balance as of December 31, 2020	**0**	**4,563**	**24,978**	**12,649**	**141,006**	**692**	**47,978**	**1,417**	**0**	**233,283**
FX differences		13	424	1,091	5,253	9	1,789	17		8,596
Depreciation		664	6,315	5,008	34,868	144	7,797	786		55,582
Disposals			−1,834	−27	−1,305	−115	−1,344	−153		−4,778
Transfer					−530					−530
Balance as of December 31, 2021	**0**	**5,240**	**29,883**	**18,721**	**179,292**	**730**	**56,220**	**2,067**	**0**	**292,153**
CARRYING AMOUNT										
as of January 01, 2020	4,307	26,436	99,572	36,741	176,807	453	25,451	1,637	191,180	558,277
as of December 31, 2020	4,328	24,833	141,489	25,439	250,792	135	21,314	1,346	103,356	568,704
as of December 31, 2021	5,263	24,031	127,195	29,883	266,816	92	20,469	1,242	134,115	603,843

Investments were focused on the development of production capabilities in Romania.

Operating property, plant and equipment show restrictions on disposal of TEUR 61,788 (2020: TEUR 87,327). Contractual commitments for the acquisition of property, plant and equipment amount to TEUR 12,150 (2020: TEUR 20,797).

In 2021, there were impairment losses of TEUR 0 (2020: TEUR 6,660) in company ASTA Elektrodraht GmbH, Austria, as well as of TEUR 0 (2020: TEUR 1,979) in company Universal Alloy Corp., USA.

In 2021, the difference between position “Change in consolidation scope” amounting to TEUR 2,950 and position “Property, plant and equipment” amounting to TEUR 3,856 in note 7 refers to the disposal of company Medies Investimo SRL.

Investment properties

Real estate held as investment property is measured at fair value. In 2021 changes in fair value amounting to TEUR 705 were recognized.

Real estate held as investment property achieved rental income of TEUR 102 (2020: TEUR 64).

Real estate held as investment property show a restriction on disposal of TEUR 0 (2020: TEUR 0).

10. Leases

10.1. Right of use asset

(in TEUR)	2021	2020
Balance as of January 1	**26,920**	**38,831**
Transfer	0	–19
Depreciation	–5,938	–7,936
Change in consolidation scope	954	3,477
Additions	8,004	1,057
Derecognition of right-of-use assets	–99	–6,639
FX-differences	1,376	–1,851
Balance as of December 31	**31,217**	**26,920**

The right of use assets mainly relate to rental agreements for buildings in the US and Austria.

10.2. Amounts recognized in the Income statement

(in TEUR)	2021	2020
Depreciation of right-of-use assets	–5,938	–7,936
Interest expense on lease liabilities	–939	–2,273
Short-term lease expenses	–598	–201
Expenses from leases of low-value assets, excluding short-term leases of low-value assets	–1,554	–1,229
Total amount recorded in the income statement	**–9,029**	**–11,640**

10.3. Amounts recorded in the statement of cash flow

(in TEUR)	2021	2020
Total cash outflow for leases	**–9,827**	**–11,593**

10.4. Leases in which Montana Aerospace Group is a lessor

(in TEUR)	2021	2020
Rental income	961	0
Rental income from investment property	160	124
Total rental income	**1,121**	**124**

11. Inventories

Inventories are distributed amongst the individual items as follows:

(in TEUR)	31.12.2021	31.12.2020
Raw materials and supplies	132,751	100,486
Tools and replacement parts	282	250
Unfinished goods and services	50,067	54,004
Finished goods and merchandise goods	59,463	28,730
Payments in advance	2,865	1,043
Inventories	**245,429**	**184,513**
Valuation adjustment realised in the profit and loss statement	1,158	583

Inventories with a carrying amount of TEUR 44,015 (2020: TEUR 28,157) are pledged as security for liabilities..

12. Other receivables and assets

Other receivables and assets are composed as follows:

(in TEUR)	31.12.2021	31.12.2020
Trade receivables	91	90
Other receivables and assets*	42,296	36,378
Total non–current other receivables and assets	**42,387**	**36,468**

* Includes performance guarantees paid in 2019 to a customer for a long-term contract.

(in TEUR)	31.12.2021	31.12.2020
Trade receivables from affiliated companies	0	508
Current receivables from affiliated companies	0	7,537
Derivative financial instruments	187	584
Receivables from insurance captive	3,379	
Other receivables and assets	6,495	6,407
Prepaid expenses / deferred charges	11,475	6,722
Other tax receivables	13,428	13,272
Securities with a duration of 3–12 months	593	275
Loans receivable from affiliated companies		10,001
Other loans receivable	3	1
Total current other receivables and assets	**35,559**	**45,308**

13. Cash and cash equivalents

Cash and cash equivalents are composed of as follows:

(in TEUR)	31.12.2021	31.12.2020
Cash	58	35
Bank deposits	197,036	94,340
Time deposits with an initial duration of up to 3 months	311,965	1,428
Cash and cash equivalents	**509,059**	**95,803**

Cash and cash equivalents of TEUR 5,111 (2020: TEUR 1,918) are pledged explicitly as security.

14. Income taxes

14.1. Income tax expense

(in TEUR)	2021	2020
Current tax expense		
Income tax income (expense) from current year and from previous periods	–3,349	317
Deferred tax income (expense)	–2,573	3,215
Tax income (expense) for the year	**–5,923**	**3,532**

14.2. Deferred taxes

Deferred tax assets and liabilities are accounted for in the following balance sheet items:

(in TEUR)	Deferred tax assets	Deferred tax liabilties	31.12.2021 net	Deferred tax assets	Deferred tax liabilties	31.12.2020 net
Intangible assets	0	6,960	–6,960	0	6,845	–6,845
Property, plant and equipment	4	20,486	–20,482	0	21,242	–21,242
Financial assets	21	2,955	–2,934	3	672	–669
Other non current receivables and assets	5	979	–974	8	805	–797
Inventories	4,644	0	4,644	7,697	0	7,697
Trade receivables	536	7	529	578	–1	579
Other current receivables and assets	316	21	295	452	103	349
Non-current financial liabilities	882	161	721	1,015	114	901
Other non-current liabilities	427	31	396	407	12	395
Non-current liabilities for employee benefits	3,159	151	3,008	5,535	0	5,535
Current financial liabilities	2	0	2	2	0	2
Trade payables	333	15	318	593	0	593
Other current liabilities	1,020	58	962	3,713	136	3,577
Tax loss carried forward	7,768	0	7,768	3,086	0	3,086
Offset	–10,554	–10,554	0	–12,828	–12,828	0
Total deferred tax assets / liabilities	**8,565**	**21,270**	**–12,705**	**10,261**	**17,100**	**–6,839**

Deferred taxes were only recognized for temporary differences relating to investments in subsidiaries to the extent that taxes will be incurred upon reversal of the differences.

14.3. Reconciliation of effective tax rate

The effective tax rate amounts to –14% in the reporting year (2020: 6%). The tax expense is calculated as follows:

(in TEUR)	2021	2020
Result before tax	**–43,457**	**–61,186**
Income tax rate of the entity	17.4%	19.1%
Tax using the Group’s weighted average applicable tax rate	7,577	11,658
Effect of tax rates in foreign jurisdictions	–2,100	–799
Adjustments because of local tax rate changes as compared to the previous year	69	–54
Changes in estimates related to prior years	126	140
Current–year losses for which no deferred tax asset is recognised	–16,489	–9,327
Utilisation of unrecognised tax losses brought forward	1,309	858
Capitalisation of losses carried forward that have not been recognised yet	4,426	279
Non–tax deductible expenses	–822	–1,991
Non–tax deductible interest	–1,225	–957
Tax expense/tax income due to audit	2	1,429
Change in evaluation of deferred tax assets	–698	–1,064
Other	1,902	3,360
Income tax	**–5,923**	**3,532**

The change in the Group’s income tax rate is due to the change in the individual companies’ contribution to the profit and to the varying estimates concerning the recoverability of deferred tax assets.

14.4. Movement in deferred tax balances

(in TEUR)	2021	2020
Net balance at 1 January	**–6,839**	**–11,217**
Recognised in profit or loss	–2,573	3,215
Acquired in business combinations	–28	–55
Other	–3,265	1,218
Net balance at 31 December	**–12,705**	**–6,839**

Income taxes of TEUR 0 (2020: TEUR –2) for cash flow hedges are recognized in the consolidated statement of comprehensive income. Income taxes on revaluations of defined benefit pension plans amounted to TEUR –2,223 (2020: TEUR –840).

The Group has the following unrecognized tax loss carryforwards that can be utilized for tax purposes:

(in TEUR)	31.12.2021	31.12.2020
in the forthcoming financial year – to be used within 1 year	933	17,464
within 2 years	87	1,320
within 3 years	1,826	171
within 4 years	5,624	1,803
within 5 years	17,781	6,530
within 6 years	14,837	17,305
within 7 years	40,242	12,855
after more than 7 years	3,846	2,714
no expiration	148,513	146,696
Total tax loss carryforwards as of end of period	**233,689**	**206,858**

In the companies concerned, the probability that future profits can be offset with the accumulated tax loss carryforwards was considered as low at the time when the accounts were prepared.

Each year, the recognition of tax loss carryforwards that can be utilized for tax purposes is subject to a review based on management's assumptions and estimates. In this respect, those tax loss carryforwards that can be utilized within the next five years given the profit situation of the individual companies or taxable entities are recognized. In the countries resp. companies in which the use of tax loss carryforwards is not probable, no recognition is performed.

As at 31 December 2021, based on the above-mentioned estimates, deferred taxes on tax loss carryforwards of TEUR 7,768 (2020: TEUR 3,086) were recognized. In this respect, the corresponding country-specific tax provisions and possibilities were taken into account.

15. Liabilities for employee benefits

15.1. Composition of post-employment and other employee benefits

(in TEUR)	31.12.2021	31.12.2020
Pensions*	10,296	21,528
Severance payments	9,437	9,168
Anniversary bonuses	2,603	2,547
Employee bonuses	4,686	3,070
Other accruals for personnel	2,088	1,671
Entitlement to holiday, overtime, compensatory time	7,648	5,417
Defined contribution pension commitments	71	98
Redundancy payments	12	404
Total liabilities for employee benefits	**36,840**	**43,902**
thereof current	15,128	11,234
thereof non-current	21,712	32,668

* 2021 excluding surplus plan assets in the amount of TEUR 695 (2020: TEUR 309) which are shown in other non-current assets.

15.2. Pensions

Within the Group, there are defined benefit and defined contribution plans for certain categories of employees. These pension plans pay out benefits in case of retirement, death and invalidity. There are defined benefit commitments in Switzerland, UK and Germany, the main pension plan being located in Switzerland.

(in TEUR)	31.12.2021	31.12.2020
Present value of defined benefit obligation (DBO) at the balance sheet date	107,113	116,569
Fair value of plan assets	–97,512	–95,350
Net liablity (+) / Net asset (–) in the balance sheet	**9,601**	**21,219**

The one significant defined benefit pension plan, in Switzerland (Alu Menziken Extrusion AG, Aerospace Components division), insures the employees of the affiliated companies as planned against the risks of old age, death and invalidity.

All operative Swiss Group companies have their own legally independent pension institutions. The Board of Trustees is their most senior governing body and is composed of the same number of employee and employer representatives. According to the law and the pension fund regulations, the Board of Trustees has the obligation to act exclusively in the interests of the foundation and the plan participants (active insured persons and pensioners). All decisions are made based on the principle of parity. The Board of Trustees is responsible for the drawing up of the pension regulations and for the changes thereto as well as for the determination of the funding of the benefits. In this regard, the minimum requirements of the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG) and its implementation provisions must be observed. The BVG specifies the minimum insured salary and the minimum pension credits. The minimum interest rate applicable to this minimum retirement capital is set by the Federal Council at least every two years. In 2021, it amounted to 1,00% (2020: 1,00%). The pension institution is subject to the oversight of the foundation supervisory authority of the canton of Aargau. All pension plans are funded collectively by the employers and employees, whereby the risk portion is funded equally and the savings portion is funded disproportionally.

Retirement benefits are paid out in the form of a lifelong pension that results from the multiplication of the pension capital available upon retirement (composed of salary-related employee and employer contributions) with the regulatory conversion rate. Death benefits represent 60% of the (probable) retirement pension, and invalidity benefits represent 40% of the insured salary.

The development of the pension obligation and the changes in the plan assets for the defined benefit pension plans can be illustrated as follows:

	Net liablity		Fair value of plan assets		Present value of defined benefit obligation	
(in TEUR)	2021	2020	2021	2020	2021	2020
Balance at 1 January	**21,219**	**26,297**	**−95,350**	**−95,821**	**116,569**	**122,118**
Included in profit or loss						
Current service cost	1,358	1,558			1,358	1,558
Past service cost	−675	0			−675	0
Interest (income) cost	348	409	−137	−240	485	649
Plan settlements	0	0			0	0
	1,031	**1,967**	**−137**	**−240**	**1,168**	**2,207**
Included in OCI						
(i) Remeasurement:						
Actuarial gain/loss arising from	−8,395	−707			−8,395	−707
– experience adjustment	*−1,157*	*−2,090*			*−1,157*	*−2,090*
– demographic assumptions	*−4,672*	*0*			*−4,672*	*0*
– financial assumptions	*−2,566*	*1,383*			*−2,566*	*1,383*
Return on plan assets, excl. interest income/expenses	−3,278	−4,214	−3,278	−4,214		
(ii) Effect of movements in exchange rates:	581	−319	−4,610	−332	5,191	13
	−11,092	**−5,240**	**−7,888**	**−4,546**	**−3,204**	**−694**
Other						
Contributions paid by the employer	−1,559	−1,807	−1,486	−1,735	−73	−72
Contributions paid by employee	0	0	−827	−921	827	921
Benefits paid	0	0	8,175	7,912	−8,175	−7,912
Other			0	0	0	0
	−1,559	**−1,807**	**5,862**	**5,256**	**−7,421**	**−7,063**
Balance at 31 December	**9,601**	**21,219**	**−97,512**	**−95,350**	**107,113**	**116,569**
funded via provision	1,358	1,439			1,358	1,439
funded via plan assets	105,755	115,130			105,755	115,130
Thereof Switzerland	4,395	15,532	−93,806	−91,963	98,201	107,495

The assets of the most significant defined benefit pension plan in Switzerland are invested in the pension fund PK Pro. Consequently, it is not possible to allocate the plan assets to the various categories according to IAS 19.142. The majority of these assets are not listed on an active market.

Actuarial assumptions

The actuarial assumptions of the most significant pension plan in Switzerland (pension plan of Alu Menziken Extrusion AG, Switzerland) are as follows:

	31.12.2021	31.12.2020
Discount rate (in %)	0.30%	0.10%
Expected salary increase (in %)	1.00%	1.00%
Expected pension increase (in %)	0.00%	0.00%
Fluctuation workers/employees (in %)	BVG 2020 GT	BVG 2015 GT
Life excpectancy	BVG 2020 GT	BVG 2015 GT
Retirement age men (in years)	65	65
Retirement age women (in years)	64	64

The actuarial assumptions of the other pension plans (Germany and UK) are as follows:

	31.12.2021	31.12.2020
Discount rate (in %)	1.22% – 1.80%	0.60% – 1.40%
Expected salary increase (in %)	0,00%	0,00%
Expected pension increase (in %)	1.50% – 3.30%	1.50% – 3.00%
Fluctuation workers/employees (in %)	0.00%	0.00%
Retirement age men (in years)	65 – 67	65 – 67
Retirement age women (in years)	65 – 67	65 – 67

The actuarial assumptions are recalculated at the end of each financial year. The actuarial assumptions are used to define the liabilities at the end of the year and the pension costs of the following year.

Sensitivity analysis

A change in the above-mentioned actuarial assumptions used to determine the DBO as at 31 December 2021 would increase or reduce the corresponding DBO of the company as follows:

Change in the DBO of Alu Menziken Extrusion AG, Switzerland, due to the increase / reduction of the parameters:

2021:

(in TEUR)	Increase	Reduction
Discount rate (+/– 0.50%)	–5,489	6,160
Life expectancy (+/– 1 year)	4,504	–3,790
Pension trend (+/– 0.50%)	1,020	–974

2020:

(in TEUR)	Increase	Reduction
Discount rate (+/– 0.50%)	–6,593	7,448
Life expectancy (+/– 1 year)	5,145	–4,331
Pension trend (+/– 0.50%)	5,790	–5,290

The effective return on the plan assets amounted to TEUR 2,930 in the reporting year (2020: TEUR 3,805). The expected employer contributions for defined benefit plans upon termination of employment for the subsequent year amount in total to TEUR 834 (2020: TEUR 986).

Average weighted duration of defined benefit pension plans
The average weighted remaining term of the most significant defined benefit pension plan in Switzerland amounts to 11.9 years (2020: 13.1 years).

15.3. Severance

Provisions for severance are constituted to cover the employees' legal and contractual claims mainly in Austria, France and Italy. Severance payments represent mainly termination benefits. Provisions are calculated similarly to pensions in accordance with the projected unit credit method.

The provision for severance in the balance sheet is as follows:

(in TEUR)	31.12.2021	31.12.2020
Present value of defined benefit obligation (DBO)	9,437	9,168
Defined benefit liability (provision for severance)	**9,437**	**9,168**

The development of the provision for severance is as follows:

(in TEUR)	2021	2020
Present value of defined benefit obligation (DBO) as of January 1	**9,168**	**8,616**
FX differences	9	–7
Changes in consolidation	795	375
Current service cost	255	227
Interest expense	68	102
Actuarial gains (–)/ losses (+)	–338	223
Benefits paid	–293	–373
Change of plans (+/–)	–106	0
Other	–121	5
Present value of defined benefit obligation (DBO) as of December 31	**9,437**	**9,168**

The severance expense is as follows:

(in TEUR)	2021	2020
Current service cost	255	227
Interest expense	68	102
Expense realized in the profit and loss statement	**323**	**329**
Actuarial gains (–) / losses (+)	–338	223
Severance expense for the period	**–15**	**552**

The actuarial assumptions which were used for the calculation are as follows for the most significant plans:

	31.12.2021	31.12.2020
Discount rates (in %)	0.80% – 1.02%	0.60% – 0.80%
Expected rate of salary increases (%)	2.00% – 2.50%	2.50%
Fluctuation of workers/employees (%)	0.00% – 2.00%	0.00%
Age at entry into pension male (years)	62–65	62–65
Age at entry into pension female (years)	60–65	60–65

16. Equity

The amounts disclosed for share premium and retained earnings as of 31 December 2020 are derived from the Combined Financial Statements of Montana Aerospace business as of 31 December 2020.

16.1. Share capital

The company Montana Aerospace AG was incorporated on 25 November 2019 with 100,000 shares and a fully paid-in share capital of TCHF 100 (TEUR 90).

Issue of ordinary shares

As of 16 April 2021, the extraordinary shareholder's meeting decided to increase the Company's share capital from TCHF 100 to TCHF 30,000 (TEUR 26,904) by issuing 29,900,000 registered shares of the Company with a nominal value of CHF 1.00 (in total TEUR 26,814) each against contribution in cash.

As of 12 May 2021, 17,153,997 registered shares of the Company with a nominal value of CHF 1.00 were issued as part of the initial public offering for CHF 25.65 (EUR 23.00) per share in cash. Consequently, the Company was able to receive gross proceeds of CHF 440.0 million (EUR 394.6 million)

In connection with the offering, Joh. Berenberg, Gossler & Co KG, as Stabilization Agent, on behalf of the bookrunners, may for stabilization purposes over-allot up to 2,573,099 shares from the current shareholding of the principal shareholder (Montana Tech Components AG). The principal shareholder has granted the bookrunners an option, exercisable by the sole global coordinator acting on behalf of the bookrunners, in whole or in part and on one occasion only, at any time within 30 calendar days after the first day of trading, to purchase from the principal shareholder in the aggregate up to 2,573,099 shares (the "Over-Allotment Shares"), in no event exceeding 15% of the aggregate number of new shares sold in the offering, at the offer price (less agreed commissions) to cover over-allotments or short positions incurred in connection with the offering, if any (the "Over-Allotment Option").

In May 2021, the Over-Allotment Option was exercised in full (2,573,099 Over-Allotment shares).

Transaction costs for the initial public offering incurred in the amount of TCHF 36,153 (TEUR 32,524). Thereof TCHF 32,502 (TEUR 29,147) are recognised directly in equity within the capital reserve and the remaining costs of TCHF 3,651 (TEUR 3,377) are included in "Other operating expenses".

Capital increase

In November 2021, the Company completed a private placement of 5,400,000 new shares with gross proceeds of TCHF 152,280 (TEUR 144,615; excluding fees amounting to TEUR 7,616). These new shares, registered share capital, have been issued through a capital increase from the company's existing authorized share capital. This share placement excluded subscription rights for existing shareholders. No public offer has been made. These new shares rank pari passu with the Company's existing shares.

Conversion of the non-redeemable loan

In connection with this share placement, Montana Tech Components AG as the Company's majority shareholder and lender of a perpetual loan to Montana Aerospace in the amount of TCHF 169,353 (TEUR 153,803; see note 16.5), converted the major part of its outstanding perpetual loan in the amount of TCHF 141,000 (TEUR 133,903) into 5,000,000 new shares by way of a separate capital increase from conditional capital. This capital increase excluded advanced subscription rights of existing shareholders. Due to a necessary change of the loan agreement the loan had to be reclassified as a liability. At the date of reclassification, the financial liability was initially recognized at fair value. Additionally, the original equity instrument was derecognised at the reclassification date and the difference is recognized in equity. Following the conversion, an amount of TCHF 16,000 (TEUR 15,195) remains outstanding under the perpetual loan agreement.

By virtue of the capital increase from the share placement and the conversion of the perpetual loan, the Company's share capital increased from TCHF 47,154 (TEUR 42,287) to TCHF 57,554 (TEUR 52,164), divided into 57,553,997 shares.

As of 31 December 2021, the total authorized and issued number of ordinary shares comprises 57,553,997 shares with a nominal value of CHF 1.00 each. The split of the capital stock is shown in the table below.

CAPITAL STOCK	31.12.2021
Nominal value per share (CHF)	1.00
Total number of shares	57,553,997
Total amount of share capital (CHF)	57,553,997
Total amount of share capital (EUR)	52,163,549

RECONCILIATION OF SHARES ISSUED	NUMBER OF SHARES
31 December 2020	100,000
Capital increase as of 16 April 2021	29,900,000
Initial public offering as of 12 May 2021	17,153,997
Capital increase as of 17 November 2021	5,400,000
Conversion of the non-redeemable loan as of 18 November 2021	5,000,000
31 December 2021	57,553,997

The authorized share capital of TCHF 4,600 is limited until 16 April 2023 and can be used by way of a resolution of the Board of Directors. The Board of Directors is entitled to exclude the shareholders' subscription rights and to attribute them to third parties under certain circumstances.

The conditional share capital of TCHF 5,000 is designated for an employee stock option plan.

The Principal Shareholder (Montana Tech Components AG) holds 56.3% of the shares as of 31 December 2021.

16.2. Earnings per share

The calculation of earnings per share has been based on the profit or loss attributable to shareholders of Montana Aerospace as presented in the consolidated income statement and the weighted average of shares in circulation as of 31 December 2021.

	2021	2020
Weighted average of ordinary shares in circulation as of 31 December	41,768,683	28,834,000

(in EUR)	2021	2020
Result of the period attributable to the Owners of the company	–49,009,465	–57,654,425

(in EUR)	2021	2020
Basic earnings per share	–1.17	–2.00
Diluted earnings per share	–1.17	–2.00

The number of ordinary shares outstanding is adjusted for the capital increase as of 16 April 2021 as if the event had occurred as of 1 January 2020 in accordance with IAS 33.27(b). The adjusted amount of ordinary shares outstanding is included in the calculation of the weighted average of ordinary shares for the periods before the rights issue).

16.3. Share premium

TCHF 422,846 (TEUR 379,200) were allocated to the share premium from the proceeds of the initial public offering.

For the current fiscal year, at total of TEUR 3,519 was recognized in equity as share-based remuneration. These share-based remuneration components are explained under note 25.

In the consolidated statement of changes in equity the item “Capital contribution” refers to a debt / equity swap (TEUR 3,046).

16.4. Other retained earnings

In the consolidated statement of changes in equity the item “Capital contribution” refers to the completion of the legal separation of the Montana Aerospace business from Montana Tech Components AG (TEUR 15,020)

16.5. Non-redeemable loan

As of 16 April 2021, equity increased due to a perpetual loan from Montana Tech Components AG to Montana Aerospace AG amounting to TCHF 169,353 (TEUR 153,803).

In connection with the share placement in November 2021 (see note 16.1), Montana Tech Components AG as the lender of this perpetual loan, converted the major part of its outstanding perpetual loan in the amount of TCHF 141,000 (TEUR 133,903) into 5,000,000 new shares by way of a separate capital increase from conditional capital, with exclusion of advanced subscription rights of existing shareholders and at the same time waiving part of the repayment amount in favour of the Company. Following such conversion, an amount of TCHF 16,000 (TEUR 15,195) remains outstanding under the perpetual loan and is reclassified to financial liabilities according to IFRS 9 as of 31 December 2021.

In the consolidated statement of changes in equity the item “Waiving part of the repayment amount of the non–redeemable loan” refers to an irrevocably waive of the perpetual loan amounting to TCHF –12,353 (TEUR –11,731) as well as to exchange rate effects amounting to TEUR 7,026.

16.6. Nature and purpose of reserves

The translation reserves comprise all foreign currency differences arising from the translation of the financial statements of foreign operations.

Remeasurements of the net defined benefit liabilities are charged or credited to other comprehensive income in the period in which they arise.

16.7. Dividends

The Company has not paid any dividends in the periods presented.

17. Financial liabilities

17.1. Change in liabilities arising from financing activities

(in TEUR)	01.01.2021	Reclassi-fication	Addition consolidation scope	Repayment	Proceeds	Other non-cash changes	Interest accrued	Currency translation	31.12.2021
NON-CURRENT FINANCIAL LIABILITIES									
Bank loans and borrowings	80,516	-24,384	583	-30,412	9,966		8	2,853	39,131
Loans from affiliated companies	150,551				0	-150,551		0	0
Lease liabilities	27,407	-13	824	-6,127		7,349	889	1,533	31,862
Other	332,044	-47,500	0	-53,000	178,047	293	0	7	409,891
CURRENT FINANCIAL LIABILITIES									
Bank loans and borrowings	51,257	24,384	0	-60,945	41,542		183	1,305	57,727
Loans from affiliated companies	64,434			-58,135		-6,299		0	0
Lease liabilities	530	13	128	-608		529	50	-5	635
Other	28,954	47,500	257	-25,500	1,287		-932	0	51,567
Total	**735,693**	**0**	**1,792**	**-234,727**	**230,842**	**-148,679**	**198**	**5,693**	**590,812**

(in TEUR)	01.01.2020	Reclassi-fication	Addition consolidation scope	Repayment	Proceeds	Other non-cash changes	Interest accrued	Currency translation	31.12.2020
NON-CURRENT FINANCIAL LIABILITIES									
Bank loans and borrowings	64,211	-1,842	0	-10,990	33,036		-8	-3,891	80,516
Loans from affiliated companies	111,917	14,591			27,712			-3,669	150,551
Lease liabilities	37,168	-50	3,478	-7,080		-5,604	1,241	-1,746	27,407
Other	290,944	-49,000	0	0	90,100		0	0	332,044
CURRENT FINANCIAL LIABILITIES									
Bank loans and borrowings	55,961	1,842	0	-35,109	35,882		103	-7,422	51,257
Loans from affiliated companies	172,247	-14,591		-93,118				-104	64,434
Lease liabilities	965	50	0	-809		400	44	-120	530
Other	30,081	49,000	0	-50,549	0		422	0	28,954
Total	**763,494**	**0**	**3,478**	**-197,655**	**186,730**	**-5,204**	**1,802**	**-16,952**	**735,693**

17.2. Bank loans and borrowings

(in TEUR)	Original currency	Maturity	Interest calculation type	Effective interest rate in %	Credit line	Carrying amount in reporting currency 2021
Loan	USD	30.09.2023	variable	1.93%	17,700	9,298
Loan	USD	30.09.2023	variable	1.93%	7,300	3,903
Working Capital Line	EUR	30.09.2023	variable	1.65%	20,000	21,027
Working Capital Line	EUR	31.08.2022	variable	1.35%	15,000	1,752
Loan	EUR	until 2027	fixed	0.00%	306	306
Loan	EUR	31.12.2022	fixed	3.50%	97	97
Loan	EUR	01.01.2023	fixed	1.50%	24,995	19,445
Loan	EUR	until further notice	fixed	1.50%	9,998	1
Loan	EUR	30.11.2022	fixed	1.50%	4,999	4,999
Loan	EUR	30.06.2022	fixed	1.10%	137	55
Loan	EUR	30.06.2022	fixed	1.55%	1,000	59
Loan	EUR	30.06.2022	fixed	2.30%	1,000	55
Loan	EUR	30.06.2022	fixed	1.55%	1,000	55
Loan	EUR	30.06.2022	fixed	2.30%	1,000	59
Loan	EUR	30.06.2024	fixed	2.41%	1,200	744
Loan	BRL	Sep. 2022	fixed	11.74%	3,483	3,495
Loan	BRL	Sep. 2022	variable	11.74%	156	160
Loan	USD	until Jul.2022	variable	6.16%	7,807	7,807
Loan	BRL	Oct. 2022	fixed	14.94%	634	652
Loan	BRL	Jun.2022	fixed	12.95%	3,483	3,495
Loan	BRL	Jul.2022	fixed	12.95%	666	684
Loan	BRL	Apr. 2022	fixed	12.35%	2,694	2,766
Loan	CNY	25.02.2022	fixed	3.85%	1,390	1,391
Loan	CNY	23.02.2022	fixed	3.85%	1,390	1,391
Loan	CNY	01.02.2022	fixed	3.85%	1,390	1,391
Loan	CNY	05.01.2022	fixed	3.85%	1,390	1,391
Loan	EUR	30.11.2027	variable	1.62%	no credit line	8,571
Loan	EUR	31.12.2022	variable	1.62%	no credit line	1,795
Loan	EUR	30.09.2021	fixed	1.15%	no credit line	9
Loan	USD	until further notice	variable	2.30%	no credit line	6
Total						**96,858**
Thereof non-current						39,131
Thereof current						57,727

(in TEUR)	Original currency	Maturity	Interest calculation type	Effective interest rate in %	Credit line	Carrying amount in reporting currency 2020
Loan	USD	30.09.2023	variable	2.10%	19,146	11,702
Loan	USD	30.09.2023	variable	2.10%	8,036	4,937
Working Capital Line	EUR	30.09.2023	variable	1.80%	20,000	0
Working Capital Line	EUR	31.08.2021	fixed	1.40%	15,000	50
Revolving Line of Credit	USD	31.01.2022	variable	n/a	11,409	0
Loan	USD	31.01.2022	variable	n/a	19,558	19,567
Loan	USD	31.01.2022	variable	n/a	4,075	4,075
Swing line	USD	31.01.2022	variable	n/a	0	0
Loan	EUR	01.01.2023	fixed	1.50%	25,000	25,000
Loan	EUR	until further notice	fixed	1.50%	10,000	1
Loan	EUR	30.11.2022	fixed	1.50%	5,000	5,000
Loan	EUR	30.09.2021	variable	1.20%	3,000	3,000
Loan	EUR	31.03.2022	variable	1.40%	1,800	1,800
Loan	EUR	revolving	variable	1.00%	4,000	4,000
Loan	EUR	30.06.2022	variable	1.30%	2,000	2,000
Loan	EUR	30.06.2022	fixed	1.10%	164	164
Loan	EUR	30.06.2022	fixed	1.60%	1,000	176
Loan	EUR	30.06.2022	fixed	2.30%	1,000	165
Loan	EUR	30.06.2022	fixed	1.60%	1,000	165
Loan	EUR	30.06.2022	fixed	2.30%	1,000	176
Loan	EUR	31.03.2022	variable	2.00%	12,400	1,226
Loan	EUR	30.06.2024	fixed	2.50%	1,200	1,040
Loan	BRL	Sep. 2022	fixed	4.50%	3,602	3,602
Loan	BRL	Mar. 2021	fixed	4.50%	0	6
Loan	USD	until May.2021	variable	6.80%	7,193	7,232
Loan	BRL	Oct. 2021	fixed	9.60%	784	397
Loan	BRL	Mar. 2021	fixed	7.60%	628	630
Loan	BRL	Mar. 2021	fixed	5.70%	0	14
Loan	BRL	Jun. & Jul. 2022	fixed	5.70%	4,107	4,107
Loan	CNY	30.08.2021	fixed	4.10%	1,246	1,248
Loan	CNY	05.02.2021	fixed	4.40%	1,246	1,248
Loan	CNY	15.01.2021	fixed	4.40%	1,246	1,248
Loan	CNY	05.02.2021	fixed	4.40%	1,246	1,248
Working Capital Line	INR	30 Days Rollover	variable	8.10%	1,115	1,115
Loan	INR	90 Days	variable	5.30%	279	279
Loan	EUR	30.11.2027	variable	1.60%	no credit line	12,000
Loan	EUR	30.09.2021	fixed	1.20%	no credit line	5,000
Loan	USD	until further notice	variable	2.30%	8,149	8,156
Total						**131,773**
Thereof non-current						80,516
Thereof current						51,257

For liabilities at variable interest rates, the fair value corresponds to the reported carrying amount.

17.3. Other financial liabilities

Other financial liabilities are composed as follows:

(in TEUR)	31.12.2021	31.12.2020
Promissory notes (Schuldscheindarlehen)	459,344	360,480
Lease liabilities	32,497	27,937
Other	2,114	518
Other financial liabilities	**493,956**	**388,935**
Thereof current	52,202	29,484
Thereof non-current	441,753	359,451

Promissory notes (Schuldscheindarlehen) were as follows:

(in TEUR)	Original currency	Maturity	Interest calculation type	Effective interest rate in %	Credit line	31.12.2021 Carrying amount in reporting currency
Promissory note 2014 – Tranche	EUR	15.07.2029	fixed	3.40%	5,000	
Promissory note 2014						**5,079**
Promissory note 2015 – Tranche	EUR	08.07.2022	fixed	2.71%	47,500	
Promissory note 2015 – Tranche	EUR	08.07.2025	fixed	3.53%	11,000	
Promissory note 2015 – Tranche	EUR	08.07.2025	variable	2.18%	3,000	
Promissory note 2015						**62,263**
Promissory note 2016 – Tranche	EUR	15.12.2023	fixed	2.01%	20,500	
Promissory note 2016 – Tranche	EUR	06.06.2024	fixed	2.12%	5,000	
Promissory note 2016 – Tranche	EUR	16.01.2024	fixed	2.01%	15,500	
Promissory note 2016 – Tranche	EUR	16.01.2024	variable	1.50%	17,000	
Promissory note 2016 – Tranche	EUR	16.01.2024	variable	1.37%	5,000	
Promissory note 2016 – Tranche	EUR	16.01.2024	variable	1.50%	6,000	
Promissory note 2016 – Tranche	EUR	16.01.2024	variable	1.37%	3,000	
Promissory note 2016 – Tranche	EUR	15.12.2023	fixed	2.14%	1,500	
Promissory note 2016						**73,775**
Promissory note 2019 – Tranche	EUR	28.06.2024	fixed	1.40%	15,000	
Promissory note 2019 – Tranche	EUR	30.07.2024	fixed	1.45%	10,000	
Promissory note 2019 – Tranche	EUR	28.08.2024	fixed	1.45%	15,000	
Promissory note 2019 – Tranche	EUR	16.06.2024	variable	1.25%	17,500	
Promissory note 2019						**57,696**
Promissory note 2020 – Tranche	EUR	12.03.2025	variable	1.25%	38,000	
Promissory note 2020 – Tranche	EUR	20.03.2023	variable	1.10%	20,000	
Promissory note 2020 – Tranche	EUR	30.06.2023	variable	1.90%	4,000	
Promissory note 2020 – Tranche	EUR	30.06.2025	variable	2.15%	5,000	
Promissory note 2020 – Tranche	EUR	31.12.2024	fixed	1.60%	5,000	
Promissory note 2020 – Tranche	EUR	16.11.2023	variable	1.50%	5,000	
Promissory note 2020 – Tranche	EUR	16.11.2025	variable	1.75%	5,000	
Promissory note 2020						82,188
Promissory note 2021 – Tranche	EUR	29.04.2024	variable	0.90%	14,000	
Promissory note 2021 – Tranche	EUR	29.04.2026	variable	1.20%	15,000	
Promissory note 2021 – Tranche	EUR	29.04.2028	variable	1.40%	11,500	
Promissory note 2021 – Tranche	EUR	28.05.2024	fixed	0.90%	30,000	
Promissory note 2021 – Tranche	EUR	31.12.2024	variable	0.50%	20,000	
Promissory note 2021 – Tranche	EUR	12.08.2024	variable	0.90%	10,000	
Promissory note 2021 – Tranche	EUR	11.08.2026	variable	1.30%	17,500	
Promissory note 2021 – Tranche	EUR	31.12.2024	variable	0.50%	60,000	
Promissory note 2021						**178,343**
Total						**459,344**

(in TEUR)	Original currency	Maturity	Interest calculation type	Effective interest rate in %	Credit line	31.12.2020 Carrying amount in reporting currency
Promissory note 2014 – Tranche	EUR	15.07.2029	fixed	3.40%	5,000	
Promissory note 2014 – Tranche	EUR	15.07.2021	fixed	3.94%	12,000	
Promissory note 2014						**17,523**
Promissory note 2015 – Tranche	EUR	08.07.2022	fixed	2.71%	47,500	
Promissory note 2015 – Tranche	EUR	08.07.2025	fixed	3.53%	11,000	
Promissory note 2015 – Tranche	EUR	08.07.2022	variable	1.68%	23,500	
Promissory note 2015 – Tranche	EUR	08.07.2025	variable	2.18%	8,000	
Promissory note 2015 – Tranche	EUR	04.09.2022	variable	1.68%	8,500	
Promissory note 2015						**99,534**
Promissory note 2016 – Tranche	EUR	15.12.2023	fixed	2.01%	20,500	
Promissory note 2016 – Tranche	EUR	15.12.2023	variable	1.50%	7,500	
Promissory note 2016 – Tranche	EUR	15.12.2023	variable	1.36%	500	
Promissory note 2016 – Tranche	EUR	06.06.2024	fixed	2.12%	5,000	
Promissory note 2016 – Tranche	EUR	15.01.2021	fixed	1.34%	6,500	
Promissory note 2016 – Tranche	EUR	15.01.2021	variable	1.15%	7,000	
Promissory note 2016 – Tranche	EUR	16.01.2024	fixed	2.01%	15,500	
Promissory note 2016 – Tranche	EUR	16.01.2024	variable	1.50%	17,000	
Promissory note 2016 – Tranche	EUR	16.01.2024	variable	1.37%	5,000	
Promissory note 2016 – Tranche	EUR	16.01.2024	variable	1.50%	6,000	
Promissory note 2016 – Tranche	EUR	16.01.2024	variable	1.37%	3,000	
Promissory note 2016 – Tranche	EUR	15.12.2023	fixed	2.14%	1,500	
Promissory note 2016						**95,510**
Promissory note 2019 – Tranche	EUR	28.06.2024	fixed	1.40%	15,000	
Promissory note 2019 – Tranche	EUR	30.07.2024	fixed	1.45%	10,000	
Promissory note 2019 – Tranche	EUR	28.08.2024	fixed	1.45%	15,000	
Promissory note 2019 – Tranche	EUR	16.06.2024	variable	1.25%	17,500	
Promissory note 2019						**57,676**
Promissory note 2020 – Tranche	EUR	12.03.2025	variable	1.25%	38,000	
Promissory note 2020 – Tranche	EUR	20.03.2023	variable	1.10%	20,000	
Promissory note 2020 – Tranche	EUR	30.06.2023	variable	1.90%	4,000	
Promissory note 2020 – Tranche	EUR	30.06.2025	variable	2.15%	5,000	
Promissory note 2020 – Tranche	EUR	30.06.2025	variable	1.75%	8,000	
Promissory note 2020 – Tranche	EUR	31.12.2024	fixed	1.60%	5,000	
Promissory note 2020 – Tranche	EUR	16.11.2023	variable	1.50%	5,000	
Promissory note 2020 – Tranche	EUR	16.11.2025	variable	1.75%	5,000	
Promissory note 2020						**90,237**
Total						**360,480**

In relation to the promissory notes (Schuldscheindarlehen), covenants to be met were agreed with MTC (net debt / EBITDA, equity ratio and level of indebtedness). In 2021 – as in the previous year – these were complied with.

18. Provisions

The provisions are as follows:

(in TEUR)	Onerous contracts	Guarantees	Waste disposal, restoration	Litigation	Other provisions	Total
Balance as of January 01, 2021	**803**	**1,215**	**61**	**1,031**	**7,516**	**10,626**
Change in consolidation scope			500	377	1,363	2,240
Provisions made during the year	92	221		1,058	979	2,350
Provisions used	–117	–48		–1,013	–891	–2,069
Reversal		–54			–45	–99
FX differences	90	17	3	8	–164	–46
Balance as of December 31, 2021	**868**	**1,351**	**564**	**1,461**	**8,758**	**13,002**
MATURITY						
thereof non–current	50	0	0	905	7,422	8,377
thereof current	818	1,351	564	556	1,336	4,625
Total provisions	**868**	**1,351**	**564**	**1,461**	**8,758**	**13,002**

In 2021, other provisions include an earn–out provision amounting to TEUR 7,422 (2020: TEUR 6,057).

Warranty provisions are calculated based on the effective returns in the past and on the damage cases and usually cover an appropriate guarantee and grace period.

19. Accruals

Accruals comprise the following items:

(in TEUR)	31.12.2021	31.12.2020
Outstanding invoices	4,981	2,693
Customer bonuses, rebates and discounts	2,314	1,465
Legal advisory	864	437
Tax advisory	57	72
Audit services	517	520
Other advisory services (e.g. technical advisory)	22	67
Other accruals	4,849	5,659
Accruals	**13,604**	**10,913**

20. Other liabilities

Other liabilities comprise the following items:

(in TEUR)	31.12.2021	31.12.2020
Deferred income	1,572	1,526
Other tax payables	4,190	3,951
Derivative financial instruments	408	323
Payables from government aid & grants	60,290	52,688
In the context of social security	5,419	5,026
Other payables	7,007	4,839
Other liabilities	**78,886**	**68,353**
thereof current	20,719	18,135
thereof non-current	58,167	50,218

Payables from government aid & grants mainly refer to government grants received from the Romanian government for investments in 2 plants in Satu Mare and Baia Mare:

Government grant – Universal Alloy Corp. Europe S.R.L (UACE)

UACE has developed several investment projects in the region, starting with 2013, financed by national investment programs developed by the Romanian Ministry of Finance. In 2018 the company received a funding amounting to TEUR 37,388 for developing a new production plant in Maramures region. The investment was finalized in 2020 and from 2021 a monitorization period of 5 years began. The company is not allowed to sell any of assets purchased under this project and amortizes the grant over the useful live of the relating assets.

In 2020 the company received another grant amounting to TEUR 13,929 for a heavy weight extrusion plant in Satu Mare county. For this project the company is in the investment phase at the end of 2021. Similar conditions apply.

Government grant – Alu Menziken SRL

In 2018, Alu Menziken SRL was granted a government grant amounting to TEUR 18,701. The company amortizes the grant over the useful live of the relating assets.

The initial monitoring period of 5 years was extended to 7 years, during which time the company has the obligation to prove the effective payment of the contribution to the regional development.

21. Personnel expenses

Personnel expenses contain the following items:

(in TEUR)	2021	2020
Wages and salaries	135,612	123,700
Severance and redundancy	837	1,383
Compulsory social security expenses	21,773	19,878
Pension expenses	1,765	2,810
Stock option plans (share-based payment)	3,519	0
Other personnel expenses	10,139	9,183
Personnel expenses	**173,645**	**156,954**

Stock option plans (share-based payment) are described in note 25.

Pension expenses are composed as follows:

(in TEUR)	2021	2020
Defined contribution plans	1,082	1,252
Defined benefit plans	683	1,558
Total	**1,765**	**2,810**

Number of employees:

	2021	2020
As of reporting date	5,554	4,788
Average of the reporting period	5,057	5,095

22. Other operating income

Other operating income contains the following items:

(in TEUR)	2021	2020
Income from reversal of provisions and accruals	1,772	1,938
Income from insurance	3,247	75
Income from claims	69	77
Rental income	961	0
Rental income from investment property	160	124
Grants and public benefits	15,493	5,243
Other income from affiliated companies	3,160	3,417
Badwill	3,440	0
Measurement of investment property	705	0
Other	4,992	8,859
Other operating income	**33,999**	**19,733**

23. Other operating expenses

Other operating expenses comprise the following items:

(in TEUR)	2021	2020
Energy costs	16,623	13,943
Maintenance from third parties	13,114	11,507
Freight-out costs and customs duties	20,680	15,545
Accrual of provisions for bad debt	1,384	904
Commissions	1,663	1,037
Legal advice, audit and consulting fees	12,779	12,572
Rental and leasing expenses	2,152	1,430
Travel expenses	2,596	2,202
Phone and postal charges, IT supplies	3,689	3,294
Insurance	2,510	2,497
Fees and charges	1,815	1,359
Expenses for cleaning services	1,346	1,293
Other Expenses to affiliated companies	667	5,951
Marketing, advertising and entertainment expenses	729	653
Directors' remuneration	566	259
Taxes other than income taxes	2,563	2,391
Other	17,557	16,833
Other operating expenses	**102,433**	**93,670**

24. Net financial result

The interest income is attributable to cash equivalents as well as to loans and receivables. The interest expense is attributable to liabilities measured at amortized cost.

(in TEUR)	2021	2020
Interest income from affiliated companies	216	1,612
Interest income from financial institutions	108	52
Other interest income	1,194	3,112
Interest income	**1,518**	**4,776**

(in TEUR)	2021	2020
Interest expense vs. affiliated companies	1,737	6,614
Interest expense vs. financial institutions	6,847	5,982
Interest expense for promissory notes (Schuldscheindarlehen)	6,523	6,780
Other interest expense	3,316	3,021
Interest expense	**18,423**	**22,396**

Other financial income and other financial expenses are composed as follows:

(in TEUR)	2021	2020
Foreign currency exchange gains	4,832	2,430
Revaluation of securities	462	0
Gains from disposal of IC investments	38	0
Gains from disposal of financial assets	0	907
Other	339	974
Other financial income	**5,671**	**4,311**

(in TEUR)	2021	2020
Foreign currency exchange losses	4,346	5,659
Impairment of loans	17	0
Impairment of securities	0	479
Other	1,463	1,813
Guarantee fee to affiliated companies	642	51
Other financial expenses	**6,468**	**8,002**

Foreign exchange effects resulting from the classification of net investments in foreign operations amounted to TEUR 21,255 (2020: TEUR 15,416). These were not recognized in the result of the period but in the consolidated statement of comprehensive income.

25. Share-based payment arrangements

Management stock option program (MSOP)

In 2021, the management stock option program (MSOP) was launched by the parent company Montana Tech Components AG, Reinach, Switzerland, to allow employees to subscribe to ordinary shares in Montana Aerospace AG. The vesting period on which the program is based amounts to five years. The share–based payment arrangement requires employees to be in an active employment relationship with the company whenever options are exercised.

The number and weighted average of the exercise prices of the share options developed as follows:

	NUMBER OF OPTIONS
Outstanding as of January 1	**0**
Lapsed during the year	0
Exercised during the year	–4,182
Promised during the year	1,212,450
Outstanding as of December 31	**1,208,268**
Exercisable as of December 31	117,063

(in CHF)	2021
Exercise price of outstanding options	25.65
Average share price at exercise date	34.12

The options outstanding as of 31 December 2021 had a weighted average contract term of approximately five years.

Determination of fair values

The fair value of share-based payment system was determined in accordance with the Black Scholes formula.

The inputs used in the measurement of the fair values at grant date of the equity-settled share-based payment plan were as follows:

	2021		
(in CHF)	MANAGEMENT STOCK OPTION PROGRAM (MSOP) 2021		
Grant date	12.05.2021	22.05.2021	23.12.2021
Fair value (weighted average)	12.66	9.55	10.19
Share price on the date the option was granted	34.90	30.94	32.75
Exercise price	25.65	25.65	25.65
Expected volatility (in %)	40.15%	40.10%	39.78%
Expected term (in years)	5.0	5.0	5.0
Expected dividends (average, in %)	0.00%	0.00%	0.00%
Risk-free interest rate (average, in %)	−0.70%	−0.71%	−0.67%

Expected volatility is based on an assessment of historical volatility in a peer group's share price.

Impact of share-based payments on profit/loss for the period and net assets and financial position

The expense recognized in the income statement for share-based payment came to TEUR 3,519 in fiscal year 2021. The effects in equity amounted to TEUR 3,519 (see note 16.3) and consisted of allocations from the forward projection of the MSOP.

26. Consolidated statement of cash flow

Other non-cash income and expenses result mainly from effects of share-based payments as well as the valuation of foreign exchange effects.

The item "Acquisition of intangible assets and property, plant and equipment" cannot be reconciled with the additions in intangible assets and property, plant and equipment, due to non-cash additions of rights-of-use assets amounting to TEUR 8,004 (2020: TEUR 1,057) as well as due to open positions resulting from investments of TEUR 7,631 (2020: TEUR 25,837) [translated at the annual average rate, the difference amounts to TEUR -18,473]. The open positions resulting from investments from the previous year were paid for a large part in FY 2020 and attributed to the acquisition of intangible assets and property, plant and equipment.

The item "Proceeds from the sale of intangible assets and property, plant and equipment" cannot be reconciled with the disposals of intangible assets and property, plant and equipment due to the non-cash termination of rights-of-use assets amounting to TEUR 99 (2020: TEUR 6,639).

The item "Repayment of interest-bearing liabilities from affiliates cannot be reconciled with the repayments of financial liabilities due to the following: In connection with the redemption of financial liabilities from affiliates amounting to TEUR -214,984, a non-redeemable loan amounting to TEUR 153,803 was issued and share premium was increased by TEUR 3,046. Consequently, the net balance of these transactions amounting to TEUR -58,135 refers to an outflow of cash and cash equivalents."

The item "Acquisition of subsidiaries less cash acquired" cannot be reconciled with the total cash inflow in note 7 due to the payments of purchase price amounting to TEUR 6,786 relating to previous years' acquisition.

27. Risk management

27.1. Risk assessment

In order to ensure the compliance of the company's consolidated financial statements with the applicable accounting policies as well as the regularity of the Group's reporting, the Board of Directors has established internal control and monitoring systems for financial reporting. According to the Board of Directors, this provides reasonable assurance on the reliability of financial reporting, thus ensuring the most reliable assessment of the company's assets, financial situation and results.

Each internal control system, no matter how well designed, has inherent limits. Consequently, those internal control and monitoring systems that have been considered as efficient cannot provide full assurance on the preparation and presentation of the financial statements.

Regarding recognition and valuation, estimates and assumptions are made about the future. The estimates and assumptions that represent a significant risk in the form of a material adjustment of the assets and liabilities' carrying amounts over the next financial year are presented under the individual items in the notes.

27.2. Financial risk management

The primary objective of the Board of Directors with respect to financial risk management is to identify and monitor the financial risks to which the Group is exposed and to establish effective measures for hedging such risk. Financial risks arise from the company's operating activities as well as from its financing structure. This includes, in particular, credit risk, liquidity risk, currency risk, interest rate risk, and market price risk with respect to commodities.

In addition to identifying, analyzing and measuring financial risk, decisions on the use of financial instruments to manage risk are made by Group headquarters, which generally pursues a low-risk strategy.

The following paragraphs give an overview of the extent of the various risks as well as of the objectives, principles and processes for the measurement, monitoring and hedging of financial risks.

Credit risk

Credit risk is the risk of financial loss to the Group resulting from loans, trade receivables, other receivables and cash and cash equivalents. The risk of default on loans is mitigated by using targeted measures such as credit checks, pre-payment agreements and receivables management. Credit risk arising from bank deposits is likewise limited as a result of the company's policy of only investing cash and cash equivalents with financial institutions of impeccable, first-rate credit quality.

The carrying amount of financial assets corresponds to the maximum credit risk, which was composed as follows at the balance sheet date:

(in TEUR)	2021	2020
Cash and cash equivalents	509,059	95,803
Trade receivables	129,130	87,500
Trade receivables vs. affiliated companies	749	508
Other loans	0	812
Loans to affiliated companies	0	13,061
Loans towards associated companies as well as to other invested companies	0	1,618
Other financial assets**	271	6,856
Contract assets	13,469	10,124
Other receivables from affiliated companies	1,522	7,537
Other receivables and assets*	53,043	43,737
Total financial assets	**707,243**	**267,556**

* Does not include other tax receivables TEUR 13.428 (2020: TEUR 13,272) and prepaid expenses TEUR 11,475 (2020: TEUR 6,722).
** Does not include investments in associated companies TEUR 0 (2020: TEUR 18).

The calculation is based on gross carrying amounts less allowances recognized in accordance with IFRS 9. Collaterals received or other credit enhancements are not considered.

The maximum credit risk in relation with trade receivables is to be considered as low since the immanent risk of default of business partners resulting from the underlying transaction is widely hedged by credit risk insurance as well as by bank guarantees and letters of credit. The applicable criteria for credit assessment are set forth in the agreements with credit insurers and in internal guidelines. In addition, there is no concentration of credit risk since the Group's client base is made up of large variety of customers.

Any claims outstanding at the balance sheet date must meet the Group's risk assessment criteria, regardless of their due dates. In principle, financial assets show no risk of default if they can be classified as "fully recoverable" at the balance sheet date based on experience and the examination of credit worthiness. Such receivables are not subject to allowances. No financial assets were subject to a renegotiation of conditions.

Trade receivables after allowances are presented as follows:

(in TEUR)	31.12.2021	31.12.2020
Trade receivables	131,974	89,542
Allowance	−2,844	−2,042
Trade receivables – net	**129,130**	**87,500**

The probability of future incoming payments on trade receivables that have already been adjusted was considered as low at the balance sheet date.

The following table shows the movement of all the allowances in relation with trade receivables:

(in TEUR)	2021	2020
At the beginning of the year	2,042	760
Addition	1,503	1,139
Consumption	–609	–46
Reversal	–77	–72
Other changes	–55	346
FX differences	40	–85
Total Allowance	**2,844**	**2,042**

The following table discloses the information on overdue trade receivables:

			31.12.2021			31.12.2020
(in TEUR)	Gross	Allowance	Net	Gross	Allowance	Net
not yet due	105,621	–221	105,400	66,330	–38	66,292
0 to 10 days past due	6,300	–530	5,770	5,847	–207	5,640
11 to 30 days past due	5,997	0	5,997	4,698	–4	4,694
31 days to 60 days past due	5,356	0	5,356	2,670	–11	2,659
61 days to 180 days past due	5,457	–768	4,689	4,429	–455	3,974
181 days to 360 days past due	1,134	–44	1,090	3,420	–365	3,055
> 360 days past due	2,108	–1,280	828	2,148	–962	1,186
Total	**131,973**	**–2,843**	**129,130**	**89,542**	**–2,042**	**87,500**

The net overdue trade receivables primarily relate to receivables from long–term customer relation ships. Based on experience, the Group does not anticipate any significant defaults.

Liquidity risk

The Treasury Department monitors liquidity on an ongoing basis. Liquidity management extends from constant comparison of forecast and actual payment flows to coordinating the maturity profiles of financial assets and liabilities.

The following table shows the undiscounted, contractual due dates of non-derivative and derivative financial liabilities. It contains both interest and principal payments:

31 December 2021

(in TEUR)	Carrying amount	Contractual cash flows	immediately	up to 3 months	3 – 12 months	1 to 5 years	more than 5 years
Non-derivative financial liabilities							
Bank loans and borrowings	96,858	97,096	1	15,063	43,686	38,346	
Lease liabilities	32,497	35,497		1,873	5,620	25,292	2,712
Other financial liabilities*	461,441	480,181	1,418	3,288	53,004	405,550	16,921
Trade payables**	110,155	110,156	24,729	76,366	9,058	3	
Trade payables vs. affiliated companies	735	735		735			
Accruals	13,604	13,604			13,604		
Contract liabilities***	0						
Other Liabilities vs. affiliated companies	1,256	1,256			1,256		
Other liabilities****	67,293	67,294	1,162	5,254	4,835	22,299	33,744
Total non-derivative financial liabilities	**783,839**	**805,819**	**27,310**	**102,579**	**131,063**	**491,490**	**53,377**

* Does not include accrued interest TEUR 17 (2020: TEUR 0).
** Does not include other payments received TEUR 637 (2020: TEUR 83).
*** Does not include payments received payments from contracts with customers TEUR 19,626 (2020: TEUR 13,031).
**** Does not include deferred income TEUR 1,572 (2020: TEUR 1,526), derivatives TEUR 408 (2020: TEUR 323) and liabilities from other taxes as well as in the context of social security TEUR 9,609 (2020: TEUR 8,977).

(in TEUR)	Carrying amount	Contractual cash flows	immediately	up to 3 months	3 – 12 months	1 to 5 years	more than 5 years
Derivative financial liabilities							
Commodityswaps (Cash Flow Hedge)	238	238		238			
Commodityswaps (Fair Value Hedge)	6	6		6			
Forward exchange contracts (Cash Flow Hedge)	8	8		8			
Forward exchange contracts (Fair Value Hedge)	156	156		156			
Total derivative financial liabilities	**408**	**408**	**0**	**408**	**0**	**0**	**0**

31 December 2020

(in TEUR)	Carrying amount	Contractual cash flows	immediately	up to 3 months	3 – 12 months	1 to 5 years	more than 5 years
Non-derivative financial liabilities							
Bank loans and borrowings	131,773	133,537	10	12,613	45,506	68,261	7,147
Lease liabilities	27,937	31,711		1,544	4,634	22,721	2,812
Other financial liabilities*	360,999	382,771	519	17,927	17,221	341,594	5,510
Loans from affiliated companies	214,984	214,984			64,433	150,551	
Trade payables**	112,775	112,775	41,185	64,431	7,159		
Trade payables vs. affiliated companies	2,675	2,675		2,675			
Accruals	10,912	10,912			10,912		
Contract liabilities***	466	466			466		
Other Liabilities vs. affiliated companies	6,550	6,550		6,550			
Other liabilities****	57,526	57,527	1,107	3,263	4,332	21,799	27,026
Total non-derivative financial liabilities	**926,597**	**953,908**	**42,821**	**109,003**	**154,663**	**604,926**	**42,495**

* Does not include accrued interest TEUR 0.
** Does not include other payments received TEUR 83.
*** Does not include payments received payments from contracts with customers TEUR 13,031.
**** Does not include deferred income TEUR 1,526, derivatives TEUR 323 and liabilities from other taxes as well as in the context of social security TEUR 8,977.

(in TEUR)	Carrying amount	Contractual cash flows	immediately	up to 3 months	3 – 12 months	1 to 5 years	more than 5 years
Derivative financial liabilities							
Interest rate swap (Fair Value Hedge)	318	318			318		
Commodityswaps (Fair Value Hedge)	5	5		5			
Total derivative financial liabilities	**323**	**323**	**0**	**5**	**318**	**0**	**0**

Currency risk

The Group settles goods purchases and sales based on the functional currency of the divisions, predominantly in Swiss francs, US dollars and euros. Currency risks resulting from trade receivables are very limited since outgoing invoices that are due at foreign company level are billed predominantly in the local currency and the purchase of inventories and/or services is performed in the local currency of the subsidiaries. This results in a natural hedging effect.

At the balance sheet date, interest–bearing financial liabilities are denominated predominantly in euros and in US dollars, which correspond to the functional currencies of the respective Group companies, so that there is no significant currency risk either in this respect according to the Group’s assessment.

The following table shows – by currency pair – financial assets and liabilities denominated in a currency that deviates from the functional currency of the respective Group company holding the financial instrument.

	31.12.2021			31.12.2020		
(in TEUR)	CHF/EUR	CHF/USD	EUR/USD	CHF/EUR	CHF/USD	EUR/USD
Cash and cash equivalents	47,803	23,351	12,254	2,310	1,868	25,822
Trade receivables	3,361	73	25,044	3,593	116	9,005
IC receivables	8,595	1,020	7,960	9,150	1,856	389
IC loans	490,295	154,891	112,602	10,548	29,995	55,532
Other financial liabilities	−300	0	−13,206	0	0	−24,795
Trade payables	−2,846	−1,215	−11,081	−1,132	−1,293	−9,317
IC payables	−3,928	−661	−12,445	−5,666	−3	−7,315
IC loans	0	−166,594	−30,962	−260	−172,363	−29,864
Total currencyexposure – gross	**542,980**	**10,865**	**90,166**	**18,543**	**−139,824**	**19,457**
Forward exchange contracts	0	0	−50,716	0	0	−41,151
Total currency exposure – net	**542,980**	**10,865**	**39,450**	**18,543**	**−139,824**	**−21,694**

Sensitivity analysis

A change in the following functional currency compared to the foreign currency in the currency pair in the amount of the percentage points indicated below would have increased (reduced) the Group's result before non-controlling interests by the amounts stated below as at 31 December. In the context of this analysis, the other variables, in particular the interest rates, remain constant.

(in TEUR)		Gain (+) / Loss (–)		Equity + / –	
31 December 2021					
CHF / EUR	+/– 3.5%	–15,607	15,607		
CHF/ USD	+/– 6.2%	–1,082	1,138		
EUR / USD	+/– 5.1%	–5,026	5,160		
31 December 2020					
CHF / EUR	+/– 4.3%	–647	647		
CHF/ USD	+/– 7.6%	8,575	–8,575		
EUR / USD	+/– 8.0%	–3,277	3,628		

The volatility for each relevant currency pair was calculated with the historical data for the last 250 exchange days (before 31 December 2021). Based on the daily movement of foreign exchange rates (variation of actual rates compared to the previous day), the presented annual volatility was calculated by upscaling these daily volatilities

Interest rate risk

Interest rate risk is divided into the risk of changes in future payment of interests due to fluctuations in the market interest rate and interest rate risk relating to a change in the fair value of financial instruments due to fluctuations in the market interest rate.

The Group is subject to interest rate risk resulting from the receipt or payment of cash at fixed or variable rates, whereby the Group funds itself predominantly with variable interest-rate bank liabilities as well as fixed-rate and variable interest-rate promissory notes.

At the balance sheet date, there are the following interest-bearing financial instruments:

(in TEUR)	31.12.2021	31.12.2020
Financial instruments with fixed interest		
Financial assets*	312,023	16,954
Financial liabilities**	259,994	500,606
Financial instruments with variable interest		
Financial assets*	197,036	94,340
Financial liabilities**	330,819	235,088

* including bank deposits, fixed deposits as well as loans
** including promissory notes, lease liabilities, bank loans and borrowings as well as other financial liabilities

Sensitivity analysis for fixed–rate financial instruments

The Group measures neither financial assets (fixed deposits or securities) nor financial liabilities (bank loans and borrowings) bearing fix interest rates at fair value through profit or loss. These financial instruments are measured at amortized cost. An increase in interest rates would therefore not impact the Group's net income for the year.

Sensitivity analysis for variable interest–rate financial instruments

An increase in interest rates of one percentage point would lead – considering the hedging of variable interest–rate financial instruments with fixed rates – to a reduction of the consolidated net profit or loss before non–controlling interests of TEUR 1,105 (2020: reduction of TEUR 1,139). A decrease in interest rates of one percentage point would lead to an increase of the consolidated profit or loss before non–controlling interests of TEUR 1,105 (2020: increase of TEUR 1,139). In this regard, a potential decrease of interest rates under 0% has also been considered. This analysis includes the assumption that all other variables, in particular foreign currency effects, remained constant.

The sensitivity analysis showed that an increase (decrease) in interest rates of one percentage point would have no impact on the Group's equity.

Derivative financial instruments

The Group uses derivative financial instruments primarily to reduce the risk of changes resulting from foreign exchange rates and interest rates. In this regard, forward exchange transactions are used to reduce the short–term effects of exchange rate fluctuations and interest rate swaps. In this respect, all contractual partners are renowned international financial institutes with which the Group has ongoing business relations. Consequently, the Group considers that the risk of default from a contractual partner, and thus the risk of corresponding losses, is low.

The following table shows the Group’s holdings of derivative financial instruments at the balance sheet date:

31 December 2021	Currency	Nominal value (in thousand original currency)	Fair Value (in T€)	Thereof recognised in equity	Maturity
Commodityforward	EUR	7	6	0	up to 1 year
Forward exchange contracts	USD	292	1	0	up to 1 year
Forward exchange contracts	USD	221	1	0	up to 1 year
Forward exchange contracts	USD	141	1	0	up to 1 year
Forward exchange contracts	USD	247	1	0	up to 1 year
Forward exchange contracts	USD	229	1	0	up to 1 year
Forward exchange contracts	USD	176	1	0	up to 1 year
Forward exchange contracts	USD	220	1	0	up to 1 year
Forward exchange contracts	USD	264	1	0	up to 1 year
Forward exchange contracts	USD	255	1	0	up to 1 year
Forward exchange contracts	USD	219	1	0	up to 1 year
Forward exchange contracts	USD	228	1	0	up to 1 year
Forward exchange contracts	USD	219	1	0	up to 1 year
Forward exchange contracts	USD	313	−18	0	up to 1 year
Forward exchange contracts	USD	116	−7	0	up to 1 year
Forward exchange contracts	USD	238	0	0	up to 1 year
Forward exchange contracts	USD	502	1	0	up to 1 year
Commodityforward	USD	2,703	−197	−197	up to 1 year
Commodityforward	USD	4,616	−9	0	up to 1 year
Commodityforward	USD	234	−41	−41	up to 1 year
Commodityforward	USD	564	3	0	up to 1 year
Forward exchange contracts	USD	2	−8	−8	up to 1 year
Forward exchange contracts	CNY	13,988	23	0	up to 1 year
Forward exchange contracts	USD	4,000	24	0	up to 1 year
Forward exchange contracts	USD	325	−13	0	up to 1 year
Forward exchange contracts	USD	349	1	0	up to 1 year
Forward exchange contracts	USD	16,928	108	0	up to 1 year
Forward exchange contracts	USD	8,000	5	0	up to 1 year
Forward exchange contracts	USD	1,900	7	0	up to 1 year
Forward exchange contracts	USD	2,880	−84	0	up to 1 year
Forward exchange contracts	USD	12,300	−3	0	up to 1 year
Forward exchange contracts	USD	10,000	−32	0	up to 1 year
Total			**−222**	**−246**	

In 2021, TEUR 65 (2020: TEUR −22) were reclassified from the statement of comprehensive income to the statement of profit or loss.

31 December 2020	Currency	Nominal value (in thousand original currency)	Fair Value (in T€)	Thereof recognised in equity	Maturity
Forward exchange contract	USD	484	35	0	up to 1 year
Forward exchange contract	USD	168	12	0	up to 1 year
Forward exchange contract	USD	263	7	0	up to 1 year
Forward exchange contract	USD	74	2	0	up to 1 year
Forward exchange contract	USD	362	9	0	up to 1 year
Forward exchange contract	USD	324	8	0	up to 1 year
Forward exchange contract	USD	238	6	0	up to 1 year
Forward exchange contract	USD	270	7	0	up to 1 year
Forward exchange contract	USD	83	3	0	up to 1 year
Commodityswap	USD	455	8	8	up to 1 year
Commodityswap	USD	194	0	0	up to 1 year
Commodityswap	USD	394	4	0	up to 1 year
Forward exchange contract	USD	4,643	57	57	up to 1 year
Commodityswap	USD	3,685	0	0	up to 1 year
Commodityswap	USD	194	0	0	up to 1 year
Commodityswap	USD	394	–5	0	up to 1 year
Forward exchange contract	USD	1,250	36	0	up to 1 year
Forward exchange contract	USD	2,880	111	0	up to 1 year
Forward exchange contract	USD	11,000	72	0	up to 1 year
Forward exchange contract	USD	33,800	205	0	up to 1 year
Interest rate swap	EUR	38,000	–318	0	up to 1 year
Total			**259**	**65**	

The liquidity analysis of the derivative financial instruments is presented above under "Liquidity risk".

Categories of financial instruments

The following table shows the carrying amounts and fair values of the financial instruments per category. It does not include fair value information for financial assets and financial liabilities that are not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Except for the promissory notes (Schuldscheindarlehen), they correspond primarily to the fair values. The fair value of the promissory notes (Schuldscheindarlehen) as of 31 December 2021 amounts to TEUR 459,017 (2020: TEUR 376,650).

31 December 2021				Carrying amount					Fair value
(in TEUR)	Measured at fair value – hedging instruments	Other assets and liabilities measured at fair value in profit or loss	Financial assets measured at amortised acquisition cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets – measured at fair value									
Forward exchange contracts (hedge accounting)	181				181		181		181
Commodityswaps (hedge accounting)	6				6		6		6
Securities		596			596	3	593		596
	187	**596**	**0**	**0**	**783**				
Financial assets – not measured at fair value									
Contract assets			13,469		13,469				
Trade receivables			129,130		129,130				
Trade receivables vs. affiliated companies			749		749				
Other receivables from affiliated companies			1,522		1,522				
Other receivables and assets			52,531		52,531				
Cash and cash equivalents			509,059		509,059				
	0	**0**	**706,460**	**0**	**706,460**				
Financial liabilities – measured at fair value									
Forward exchange contracts (hedge accounting)	164				164		164		164
Commodityswaps (hedge accounting)	244				244		244		244
Other financial liabilities		300			300			300	300
	408	**300**	**0**	**0**	**708**				
Financial liabilities – not measured at fair value									
Bank loans and borrowings				96,858	96,858				
Other financial liabilities*				461,141	461,141		460,814		460,814
Lease liabilities				32,497	32,497				
Trade payables**				110,155	110,155				
Trade payables vs. affiliated companies				735	735				
Contract liabilities***				0	0				
Other liabilities vs. affiliated companies				1,256	1,256				
Accruals				13,604	13,604				
Other liabilities				67,293	67,293				
	0	**0**	**0**	**783,539**	**783,539**				

* Does not include accrued interest TEUR 17 (2020: TEUR 0).
** Does not include other payments received TEUR 637 (2020: TEUR 83).
*** Does not include payments received payments from contracts with customers TEUR 19,626 (2020: TEUR 13,031).

31 December 2020	Carrying amount					Fair value			
(in TEUR)	Measured at fair value – hedging instruments	Other assets and liabilities measured at fair value in profit or loss	Financial assets measured at amortised acquisiation cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets – measured at fair value									
Forward exchange contracts (hedge accounting)	570				570		570		570
Commodityswaps (hedge accounting)	12				12		12		12
Securities		5,786			5,786	5,511	275		5,786
	582	**5,786**	**0**	**0**	**6,368**				
Financial assets – not measured at fair value									
Loans			812		812				
Loans to affiliated companies			13,061		13,061				
Loans towards associated companies of MTC			1,618		1,618				
Contract assets			10,124		10,124				
Trade receivables			87,500		87,500				
Trade receivables vs. affiliated companies			508		508				
Other receivables from affiliated companies			7,537		7,537				
Other receivables and assets			44,223		44,223				
Cash and cash equivalents			95,803		95,803				
	0	**0**	**261,186**	**0**	**261,186**				
Financial liabilities – measured at fair value									
Interest rate swaps (hedge accounting)	318				318		318		318
Commodityswaps (hedge accounting)	5				5		5		5
	323	**0**	**0**	**0**	**323**				
Financial liabilities – not measured at fair value									
Bank loans and borrowings				131,773	131,773				
Loans from affiliated companies				214,984	214,984				
Other financial liabilities*				360,999	360,999		377,169		377,169
Lease liabilities				27,937	27,937				
Trade payables**				112,775	112,775				
Trade payables vs. affiliated companies				2,675	2,675				
Contract liabilities***				466	466				
Other liabilities vs. affiliated companies				6,550	6,550				
Accruals				10,912	10,912				
Other liabilities				57,526	57,526				
	0	**0**	**0**	**926,597**	**926,597**				

* Does not include accrued interest TEUR 0.
** Does not include other payments received TEUR 83.
*** Does not include payments received payments from contracts with customers TEUR 13,031.

Capital management

The capital managed by the Group is equivalent to its consolidated equity. The Group's objectives are:

- to increase the income of those with an investment in the company by optimizing the ratio of equity to debt
- to ensure that all Group companies can operate under the going concern principle
- to achieve a return for investors commensurate with the level of risk

The Group regularly monitors the equity structure by means of the equity ratio, the gearing ratio and return on equity.

28. Related parties

The related parties include the members of the Group's Management and Board of Directors, key shareholders and companies over which the key shareholders exert control or significant influence and pension funds existing for the benefit of employees to provide benefits after cessation of the employment relationship.

The majority shareholder of Montana Aerospace is Montana Tech Components AG, which has a majority shareholder, DDr. Michael Tojner, who holds the majority of voting rights either directly or indirectly via several companies under his control (also described as main shareholder hereafter).

28.1. Overview

The transactions and outstanding amounts with related parties were included in the following items

	Transaction volume*		Outstanding amount	
Transaction type (in TEUR)	Income	Expenses	Receivables	Payables
2021				
Transactions with persons and companies related to the main shareholder	1	1,828	0	2
Transactions with affiliated companies**	3,160	4,003	2,271	1,991
Operating activity / Balance as of December 31, 2021	**3,161**	**5,831**	**2,271**	**1,993**
Balance as of January 1, 2021			**13,061**	**214,984**
– *Change in non–current loans*	3,927	148,716	–3,927	–148,716
– *Change in current loans*	10,001	64,367	–10,001	–64,367
– *Interest, FX*	–867	1,901	867	–1,901
Transactions with affiliated companies	13,061	214,984	–8,784	–214,984
Financing activity / Balance as of December 31, 2021	**13,061**	**214,984**	**0**	**0**
Balance as of January 1, 2021			**1,618**	**0**
– *Change in non–current loans*	1,627		–1,627	
– *Interest, FX*		9	9	
– *Disposal of financial assets*	8,452			
– *Capital contribution*	27,400	12,380		
Transactions with affiliated companies and with related companies	37,479	12,389	–1,618	0
Investing activity / Balance as of December 31, 2021	**37,479**	**12,389**	**0**	**0**
Total / Balance as of December 31, 2021	**53,701**	**233,204**	**2,271**	**1,992**
2020				
Transactions with persons and companies related to the main shareholder	15	1,735	13	6
Transactions with affiliated companies**	3,417	9,543	8,045	9,226
Operating activity / Balance as of December 31, 2020	**3,432**	**11,278**	**8,058**	**9,232**
Balance as of January 1, 2020			**42,614**	**284,164**
– *Change in non–current loans*	83,548	4,569	–36,676	42,303
– *Change in current loans*	0	116,139	8,430	–107,709
– *Interest, FX*	1,307	3,774	–1,307	–3,774
Transactions with affiliated companies	84,855	124,482	–29,553	–69,180
Financing activity / Balance as of December 31, 2020	**84,855**	**124,482**	**13,061**	**214,984**
Balance as of January 1, 2020			**59,716**	**0**
– *Change in non–current loans*	68,096	8,504	–59,592	
– *Interest, FX*		1,494	1,494	
Transactions with related companies	68,096	9,998	–58,098	0
Investing activity / Balance as of December 31, 2020	**68,096**	**9,998**	**1,618**	**0**
Total / Balance as of December 31, 2020	**156,383**	**145,758**	**22,737**	**224,216**

* Loans granted and repaid to affiliated companies as well as to related companies are shown in column “Expenses”.
Loans granted and repaid by affiliated companies as well as to related companies are shown in column “Income”.
** Expenses with affiliated companies include lease expenses amounting to TEUR 3,336 (2020: TEUR 3,592).

28.2. Remuneration paid to the Group's Management and Board of Directors

Remuneration paid to the Group's Management and Board of Directors was as follows in the year under review:

(in TEUR)	2021	2020
Short-term employee benefits	1,704	1,412
Share-based payments	1,404	0
Remuneration to Board- and Management members of Montana Aerospace	**3,108**	**1,412**

The Board of Directors of Montana Aerospace AG is composed of Misters Michael Tojner, Christian Hosp, Markus Vischer, Martin Ohneberg, Thomas Williams. The Group's Management is composed of Markus Nolte as CEO of the company, Michael Pistauer as CFO of the company, Kai Arndt as COO of the company and Herbert Roth (special projects).

The item "Short-term employee benefits" comprises the fixed and variable remuneration of the Group's Management and Board of Directors.

28.3. Transaction with related parties

28.3.1. Transactions with persons and companies related to DDr. Tojner

28.3.1.1. Loans granted and repaid

In 2021, loans amounting to TEUR 214,984 in (2020: TEUR 134,480) were granted / repaid from / to affiliated and related companies. Furthermore, loans amounting to TEUR 14,679 (2020: TEUR 152,951) were granted / repaid to / by affiliated and related companies.

28.3.2. Transactions with joint ventures and associates

In 2021 – as in the previous year – there were no transactions with joint ventures or associates.

28.3.3. Transactions with pension institutions

In 2021 – as in the previous year – there were no transactions with pension institutions.

29. Contingent liabilities

As at the balance sheet date, there were contingent liabilities of TEUR 1,036 (2020: TEUR 1,709) as well as the below described lawsuit case.

Lawsuit Arconic vs UAC – key facts

In 2015, Arconic Corp. ("Arconic"), a competitors in the field of aluminium extrusions for the aerospace industry in the U.S., has filed a lawsuit against our subsidiary Universal Alloy Corporation (UAC) located in Canton, Georgia, in the United States District Court for the Northern District of Georgia, U.S., claiming damages for alleged misappropriation by UAC of trade secrets as regards the production of "stretch formed spar chords". In addition to claiming damages, Arconic has also raised claims for punitive damages in the amount of twice actual damages.

The discovery has been completed. The trial date is set for June 2022. The Group has not made any reserves for such lawsuit.

The Group is open to the possibility of settlement in order to avoid the uncertainty of litigation and will pursue an out of court resolution on reasonable terms if possible.

If the case proceeds through trial, expenses (inclusive of attorney fees, expert fees and other disbursements) could be on the order of TUSD 8,000 (TEUR 7,063).

MTC AG provided a full indemnity guarantee to the Group in case of a damage claim.

30. Subsequent events

Subsequent events have been considered for adjustment of disclosure up to 30 March 2022, the date these consolidated financial statements were authorized for issue.

Acquisition of ASCO Industries

Montana Aerospace AG announced on 7 September 2021 the signing of the acquisition of 100% of shares of S.R.I.F. NV (the "Asco Group" or "Asco"). The Asco Group is a leading supplier and development partner in the field of high-quality system components and structures for the aviation industry with around 1,100 employees in four locations in Belgium, Germany, the United States and Canada. In the years 2018–2020 Asco generated an annual revenue of up to EUR 260 million. The combination of Montana Aerospace's material competence and best-cost-country footprint with Asco's development and manufacturing competences for large components and complex assemblies, will further accelerate Montana Aerospace's growth as an industrial champion best positioned to meet customer needs of tomorrow. The closing is subject to merger control and FDI approvals and will most likely occur as per end of Q1/2022.

The purchase consideration is composed of an upfront payment and an earn-out relating to the value weighted average share price (VWAP) of Montana Aerospace, both payable in cash, as well as a share consideration. The upfront payment will be paid at closing and the aggregate purchase price is subject to customary price adjustments. The earn-out will be paid mid 2025 at the latest. The shares to be newly issued out of the authorized share capital of Montana Aerospace AG – with exclusion of the pre-emptive subscription rights of existing shareholders – will be issued as soon as possible following payment of the upfront payment.

Acquisition of Sao Marco

Montana Aerospace AG announced on 29 November 2021 the signing of the acquisition of 100% of the shares of São Marco Industria y Comercio LTDA in Brazil ("São Marco").

With more than 75 years of experience, São Marco is one of the main manufacturers of magnet wire and copper upcasting in Brazil, with around 300 employees. In addition, São Marco produces electro-insulating varnishes, resins and lubricants with highest quality, reliability and service. Thereby, São Marco generated yearly sales of approximately EUR 70 million.

With this acquisition, Montana Aerospace and its Energy & E-Mobility segment will further position itself to meet the market's growth with innovative solutions created in collaboration with its customers. By combining São Marco and our existing capabilities in Brazil, Montana Aerospace intends to complement its product offering to its customers in the conductors and high-quality round wire segments and continue its path of constant development.

The closing of the transaction is subject to regulatory and antitrust approvals.

War in Ukraine

The impact of the ongoing war in Ukraine as well as related international sanctions imposed on Russia and the Belarus region on Montana Aerospace AG can yet not fully be assessed. However, direct sales for 2022 to these regions are budgeted with a single digit million EUR amount whereof approx. the half has already been prepaid. Montana Aerospace has no operational footprint (no facilities or offices) nor direct suppliers in either region. Nonetheless, Montana Aerospace will indirectly be impacted by the ongoing crisis as supply chains (e.g. material supply) could suffer as well as energy prices (for electricity and gas) could further increase. Concerning energy prices – which have already been at a high level in 2021 – they may have an impact on the Group's 2022 financial statement, where no direct or indirect pass-through clauses exist. Albeit, from today's perspective, the Management Board of Montana Aerospace AG is confident, that the supply chain of the Group's activities remains stable.

31. Group companies

As of 31 December 2021, Montana Aerospace AG held shares in the following companies:

Name of the company	Location	Country	Currency	Equity Participation	Capital Stock	Note
Montana Aerospace						
Alpine Metal Tech (Taicang) Co. Ltd	Taicang	CN	CNY	100.00%	1,491,708	
Alpine Metal Tech Brasil – Peças e Serviços Ltda.	Nova Lima	BR	BRL	100.00%	2,675,013	
Alpine Metal Tech Denmark ApS	Stenløse	DK	DKK	100.00%	5,000,000	
Alpine Metal Tech Germany GmbH	Dillingen/Saar	DE	EUR	100.00%	1,534,150	
Alpine Metal Tech Germany Holding GmbH	Dillingen/Saar	DE	EUR	100.00%	5,000,000	
ALPINE METAL TECH GmbH	Regau	AT	EUR	100.00%	36,500	
Alpine Metal Tech North America Inc.	Pittsburgh, PA	US	USD	100.00%	3,000	
Alpine Metal Tech UK Ltd.	Staffordshire	UK	GBP	100.00%	100	
Alu Menziken Euromotive GmbH	Ranshofen	AT	EUR	100.00%	35,000	
Alu Menziken Extrusion AG	Reinach	CH	CHF	100.00%	4,000,000	
Alu Menziken Germany GmbH	Dillingen/Saar	DE	EUR	100.00%	25,000	G
Alu Menziken SRL	Satu Mare	RO	EUR	100.00%	18,000,000	
ASTA Americas Inc.	Wilmington, DE	US	USD	100.00%	100	
ASTA-Asia Pte. Ltd.	Singapore	SG	SGD	100.00%	136	G
ASTA Bosnia d.o.o.	Ćoralići	BA	BAM	100.00%	1,000	
ASTA Conductors Co. Ltd.	Yangzhou	CN	CNY	100.00%	120,300,846	
ASTA Elektrodraht GmbH	Oed	AT	EUR	100.00%	1,500,000	
ASTA Energy Transmission Components GmbH	Oed	AT	EUR	100.00%	1,235,000	
ASTA India Pvt. Ltd.	Vadodara	IN	INR	100.00%	873,799,560	
ASTA Industrie GmbH	Oed	AT	EUR	100.00%	35,000	
ASTA International Pte. Ltd.	Singapur	SG	SGD	100.00%	18,879,551	LO
ASTA Singapore Pte. Ltd.	Singapur	SG	SGD	100.00%	18,879,551	LO
Cefival S.A.	Persan	FR	EUR	90.00%	7,713,855	E
ETV Montana Tech Holding GmbH	Vienna	AT	EUR	100.00%	2,450,000	
GeGa China Co. Ltd.	Shanghai	CN	CNY	100.00%	0	L
GeGa GmbH	Dillingen/Saar	DE	EUR	100.00%	66,700	
GeGa Iberica S.L.	Tarragona	ES	EUR	100.00%	543,500	
IH TECH Sondermaschinenbau und Instandhaltung GmbH	Behamberg	AT	EUR	100.00%	48,449	E
IMT Intermato S.p.A.	Crosio della Valle	IT	EUR	100.00%	13,900,000	
IndustrieCapital Alpha GmbH	Vienna	AT	EUR	100.00%	500,000	
Insulated Conductors and Enameled Wires N.V.	Amsterdam	NL	EUR	100.00%	250,000	
Makra GmbH	Vienna	AT	EUR	100.00%	17,500	
Montana Aerospace Components Inc.	Wilmington, DE	US	USD	100.00%	10	
Montana Aerospace Deutschland GmbH	Dillingen/Saar	DE	EUR	100.00%	25,000	G
Montana Aerospace ETV AG	Reinach	CH	CHF	100.00%	100,000	
Montana Aerospace GmbH	Vienna	AT	EUR	100.00%	35,000	
Montana AS Beteiligungs Holding AG	Zug	CH	CHF	100.00%	26,862,000	
Montana Tech Components GmbH	Vienna	AT	EUR	100.00%	35,000	
MTC Aerosystems Kft.	Budapest	HU	USD	100.00%	11,825	
MTC Aerosystems LLC	East Hanover, NJ	US	USD	100.00%	0	
MTC Management Kft.	Budapest	HU	USD	100.00%	11,825	
MTC US Corp.	Wilmington, DE	US	USD	100.00%	10	
Neviton Softech Pvt. Ltd.	Karnataka	IN	INR	100.00%	100,000	
PPE Fios Esmaltados S.A.	Cerquilho	BR	BRL	100.00%	131,749,860	
Simulation Live Fire Training Solution Inc.	Pittsburgh, PA	US	USD	100.00%	0	
UAC Airport SRL	Dumbravita	RO	EUR	100.00%	215	
UAC Design SRL	Baia Mare	RO	EUR	100.00%	217	
UAC Export Co.	East Hanover, NJ	US	USD	100.00%	0	
Universal Alloy Corp.	Canton, GA	US	USD	100.00%	8,950	
Universal Alloy Corp. Asia Pte. Ltd.	Singapur	SG	USD	97.50%	50,000	
Universal Alloy Corp. Europe S.R.L	Dumbravita	RO	EUR	100.00%	11,356	
Universal Alloy Corp. Vietnam Company Ltd.	Da Nang	VN	USD	97.50%	34,000,000	

E Acquired in actual reporting period
G Founded in actual reporting period
V Disposed in actual reporting period
L Liquidated in actual reporting period
LO as of 31st December in a not-yet-completed liquidation process

32. Significant accounting policies

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

32.1. Basis of consolidation

i. Business combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or Group of similar identifiable assets.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as in–curred, except if related to the issue of debt or equity securities.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

ii. Subsidiaries

The consolidated financial statements include all the companies controlled directly or indirectly by MTC. The Group has control, when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The subsidiaries are initially consolidated at the date at which control is transferred to the Group (closing). They are deconsolidated on the date at which such control ceases to exist.

iii. Non-controlling interests

Non–controlling interests are measured at the acquisition date with their proportionate share of the acquiree's identifiable net assets.

Changes in the Group's interest over a subsidiary that do not result in a loss of control are accounted for as equity transactions.

iv. Loss of control

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognized in profit or loss. Interest retained in the former subsidiary is measured at fair value when control is lost.

v. Transactions eliminated on consolidation

Intra-Group balances and transactions, and any unrealized income and expenses arising from intra-Group transactions, are eliminated. Unrealized gains from transactions with companies accounted for using the equity method are eliminated against the investment in the amount of the Group's share in the investment. Unrealized losses are eliminated in the same way as unrealized gains, but only if there are no evidence of impairment.

32.2. Currency translation

32.2.1. Foreign operations

Assets and liabilities of foreign operations, including goodwill and fair value adjustments arising from acquisitions are translated in euros at the exchange rate at the reporting date. Revenues and expenses from foreign operations are translated using the rate at the transaction date.

Foreign exchange differences are recognized in other comprehensive income and presented in the foreign currency translation reserve in equity except to the extent that the foreign currency translation difference is allocated to non-controlling interests.

Upon the disposal of a foreign operation that results in the loss of control, joint control or significant influence, the corresponding amount accumulated to this date and recognized in the foreign currency translation reserve is reclassified to profit or loss as part of the result upon disposal.

32.2.2. Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency at the exchange rates at the dates of the transactions. Outstanding amounts in foreign currencies are translated at the balance sheet date for monetary items and at historical cost for non-monetary items. Non-monetary assets and liabilities in foreign currency recognized at fair value are translated using the exchange rate at the revaluation date. Foreign exchange gains and losses resulting from the translation at the reporting date are presented, except for the translation from financial assets held for disposal and net investments in foreign operations, in the statement of profit or loss under other financial income / expenses. Foreign currency gains and losses resulting from intragroup loans that are classified as net investments in foreign operations are recognized in the consolidated statement of other comprehensive income.

The currency translation exchange rates with a material impact on the consolidated financial statements are as follows:

1 EURO EQUALS	CLOSING RATE		AVERAGE RATE	
Currency	31.12.2021	31.12.2020	2021	2020
USD (US Dollar)	1.1326	1.2271	1.1827	1.1422
BRL (Brazilian Real)	6.3101	6.3735	6.3779	5.8943
CHF (Swiss Franc)	1.0331	1.0802	1.0811	1.0705
CNY (Chinese Yuan)	7.1947	8.0225	7.6282	7.8747
RON (Romanian Leu)	4.9490	4.8683	4.9215	4.8383

32.3. Financial instruments

32.3.1. Recognition and initial measurement

Trade receivables and debt securities issued are recognized when they are originated. All other financial assets and liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

32.3.2. Classification and subsequent measurement

32.3.2.1. Financial assets

On initial recognition, a financial asset is classified and measured as follows:

- Amortized cost
- FVOCI debt instruments (investments in debt instruments measured at fair value with changes in other comprehensive income)
- FVOCI equity investments (equity instruments measured at fair value with changes in other comprehensive income)
- FVTPL (at fair value with value changes in profit or loss)

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold financial assets to collect con-tractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trade purposes the Group can decide irrevocably to present the subsequent changes in the investment's fair value in other comprehensive income. This decision is made on a case-by-case basis for each investment.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets.

32.3.2.2. Financial assets – Subsequent measurement and gains and losses

Financial assets – measured at fair value (FVTPL)

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss. For derivatives designated as hedging instruments see note 32.3.4.

Financial assets – measured at amortized cost

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairments are recognized in profit or loss. Any gain or loss resulting on derecognition is recognized in profit or loss.

Debt instruments – measured at fair value with no impact on profit or loss (FVOCI)

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairments are recognized in profit or loss. Other net gains or losses are recognized in other comprehensive income. On derecognition, the accumulated other comprehensive income is reclassified to profit or loss.

Equity instruments – measured at fair value with no impact on profit or loss (FVOCI)

These assets are subsequently measured at fair value. Dividends are recognized in profit or loss, unless the dividend is clearly designed to cover part of the investment's costs. Other net gains or losses are recognized in other comprehensive income; they are never reclassified to profit or loss.

32.3.2.3. Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified and measured at amortized cost or at fair value through profit or loss (FVTPL). A financial liability is classified at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition.

Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange differences are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

See to note 32.3.4 for financial liabilities that have been designated as hedging instruments.

32.3.3. Derecognition

32.3.3.1. Financial assets

The Group derecognizes a financial asset when the contractual rights to cash flows from the financial asset expire or it transfers the rights to receive cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are also transferred.

Derecognition is also performed if the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

32.3.3.2. Financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In such as case, a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of the extinguished liability and the consideration paid (including the non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

32.3.3.3. Offsetting

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Group has a current enforceable right to offset the recognized amounts against each other, and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

32.3.4. Derivative financial instruments and hedge accounting

32.3.4.1. Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its currency and interest rate risks exposure. Embedded derivatives are recognized separately from the underlying contract if certain conditions are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value. Resulting changes are generally recognized in profit or loss.

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates and interest rates.

At inception of designated hedging relationship, the Group documents the risk management objectives and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

32.3.4.2. Cash-flow hedges

When a derivative is designated as a cash-flow hedging instrument, the effective portion of changes in the fair value is recognized in other comprehensive income and accumulated in the hedging reserve. The effective portion of changes in the fair value that is recognized in other comprehensive income is limited to the cumulative change in the fair value of the hedged items, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

When the hedged forecast transaction subsequently results in the recognition of non-financial item, such as inventory, the amount accumulated in the hedging reserve and the cost of hedging reserve is included directly in the initial cost of the non-financial item when it is recognized.

For all other hedged forecast transactions, the amount accumulated in the hedging reserve and the cost of hedging reserve is reclassified to profit or loss in the same period(s) during which the hedged expected future cash flows affect profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument expires, is sold, terminated or exercised, then hedge accounting is discontinued prospectively. If hedge accounting for of cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until – for a hedge of a transaction that results in the recognition of a non-financial item – this amount is included in the acquisition cost of the non-financial item upon initial recognition or – for other cash-flow hedges – this amount is reclassified in profit or loss in the same period(s) as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are reclassified immediately to profit or loss.

32.4. Intangible assets

32.4.1. Goodwill

The positive difference between the fair value of the consideration transferred, plus the recognized amount of any non-controlling interests in the acquiree, plus the fair value of previously held equity interest in the acquiree in a business combination achieved in stages and the fair value of all net assets acquired is recognized as goodwill from the acquisition of subsidiaries (see note 5). If the difference is negative, the profit is recognized immediately in profit or loss.

Goodwill is measured at acquisition cost less accumulated impairment losses.

Goodwill is not systematically amortized but is tested for impairment at least annually or whenever there is any indication of impairment (see note 32.8).

32.4.2. Research and development

Research costs incurred for the purpose of obtaining new technological knowledge or basic understanding are recognized as an expense.

Development costs incurred to achieve new or significantly improved products or processes are capitalized provided all of the following conditions are fulfilled: the company must have the intention and be able to complete the intangible asset and use or sell it, and demonstrate how the asset will bring future economic benefits to the company. Capitalized development costs are recognized at cost less accumulated amortization and any impairment (see note 32.8). Other development costs are recognized as an expense as incurred.

32.4.3. Other intangible assets

Other intangible assets include industrial property rights, which include trademarks and patents, licenses as well as other intangible assets in which acquired client relationships are mainly capitalized within the Group.

Intangible assets with determinable useful lives are recognized at cost less accumulated amortization and impairment losses (see note 32.8). Subsequent expenditures are capitalized if it is probable that they will increase the future economic benefit. All other expenses are charged directly to profit or loss when incurred.

Intangible assets are amortized straight-line over their estimated useful lives, starting on the date on which they are available for use. The estimated useful life for industrial property rights, licenses and other intangible assets is 3 to 16 years, and customer relationships with determinable useful lives are amortized over a period of 5 and 15 years.

Intangible assets with indefinite useful lives are not amortized but subjected to an annual impairment test (see note 32.8).

32.5. Property, plant and equipment

Property, plant and equipment is measured at cost less accumulated depreciation and any impairment losses. Items of property, plant and equipment with different useful lives are recognized individually and depreciated separately. Subsequent expenditures are capitalized only if it is probable that the economic benefit will flow to the entity. All other expenses for property, plant and equipment are recognized immediately as an expense.

The Group holds real estate in order to achieve value increases as well as properties that are rented to third parties and are thus qualified as "investment property". These properties are measured at fair value.

With the exception of land, all property, plant and equipment is depreciated to profit or loss on a straight-line basis over the following expected useful lives:

Buildings	8 – 40 years
Technical equipment and machinery	8 – 25 years
Other equipment	3 – 15 years

The method of depreciation, the useful life and the assumed residual value, if not immaterial, are reviewed each year and adjusted prospectively where necessary.

Upon the disposal of items of property, plant and equipment, the difference between the carrying amounts and the net sale proceeds is recognized in the statement of profit or loss under other operating income or in the other operating expenses.

32.6. Leases

32.6.1. Accounting policies

The Group assesses at inception of a contract whether that contract is, or contains, a lease. The contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a certain period of time in exchange for a consideration

32.6.1.1. Lessee

At the commencement of the contract or when remeasuring a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component based on their relative stand-alone prices. In case of leases for land and buildings, the Group has elected not to separate the non-lease-related components and thus to recognize the lease and the non-lease-related components as a single lease component.

The Group recognizes a right of use asset and a lease liability at the lease commencement date. The right of use asset is measured at initial recognition at cost, which comprises the initial amount of the lease liability, adjusted for any lease payments before or at the beginning of the lease term, plus any initial direct costs incurred and an estimate of the costs of dismantling and removing the underlying asset or the restoration of the underlying asset or the location where it is located, less any leasing incentives received.

The right of use asset is subsequently depreciated using the straight-line method from the commencement date until the earlier of the end of the useful life of the right of use asset or until the end of the lease term. The estimated useful life of the right of use asset is determined on the same basis as for property, plant and equipment. In addition, the right of use asset is periodically reduced for any impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the future lease payments, discounted using the interest rate implicit in the lease or – if this rate cannot be readily determined – at the Group's incremental borrowing rate. In general, the Group uses the Group's incremental borrowing rate as a discount rate.

The lease payments included in the measurement of the lease liability are as follows:

- Fixed payments;
- Variable lease payments that depend on an index or a rate and were initially measured using the index or rate at the commencement date;
- Amounts that are expected to be paid under a residual value guarantee: and
- The exercise price of a purchase option if the Group is reasonably certain to exercise that option, lease payments in a renewal option if the Group is reasonably certain to exercise that option, and penalties for the early termination of the lease if the Group is reasonably certain to terminate the lease.

The lease liability is measured at amortized cost using the effective interest method. A remeasurement takes place when the future lease payments change as a result of a change in an index or the interest rate, if the Group's assessment of the amount that is likely to be paid under a residual value guarantee changes, or if the Group changes its assessment of whether a purchase, renewal or termination option is exercised.

If the lease liability is remeasured, the carrying amount of the right of use asset is adjusted accordingly or recognized in profit or loss if the carrying amount of the right of use asset has already been reduced to zero.

The Group presents right of use assets that do not meet the definition of investment property under "Property, plant and equipment" and lease liabilities under "Other financial liabilities" in the balance sheet (see note 9 and note 17).

Short-term leases and leases of low-value assets

The Group has elected not to recognize right of use assets and lease liabilities for short-term leases with a lease term of up to 12 months and for leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

32.7. Inventories

Inventories are recognized at the lower of cost or net realizable value. Net realizable value is the estimated average selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

Internally generated products are measured at the cost of conversion and purchased products at the cost of purchase. The cost of conversion includes direct materials and direct labor costs as well as the allocable portion of overheads. Fixed production overheads are based on the normal capacity of the production facilities. Inventories are generally measured using the first-in, first-out (FIFO) principle. Allowances are recognized when the net realizable value is lower than the carrying amount.

32.8. Impairment

32.8.1. Non-derivative financial assets

Financial instruments and contract assets

The Group recognizes allowances for expected credit losses (ECL) for:

- financial assets measured at amortized cost, and
- contract assets.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs (expected credit losses).

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

The maximum period to be taken into account when assessing ECLs corresponds to the maximum contract term in which the Group is exposed to a credit risk.

Measurement of estimated ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Financial assets with impaired creditworthiness

At each reporting date, the Group estimates whether the creditworthiness of financial assets at amortized cost is impaired. The creditworthiness of a financial asset is impaired if an event or several events occur with negative effects on the expected future cash flows of the financial asset:

Evidence that the creditworthiness of a financial asset is impaired include the following observable data:

- significant financial difficulties of the issuer or the borrower
- a breach of contract, such as default or an overdue period of over 90 days
- restructuring of a loan or credit by the Group that it would not otherwise take into consideration
- it is probable that the borrower will go bankrupt or be subject to other restructuring proceedings, or
- disappearance of an active market for a security due to financial difficulties.

If a financial asset is impaired, an individual valuation allowance is recognized

32.8.1.1. Presentation of the allowance for ECLs in the balance sheet

Allowances on financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

32.8.2. Non-financial assets

The carrying amounts of the Group's non–financial assets – except for assets from employee benefits, real estate held as investment property, inventories and deferred tax assets – are assessed for indications of impairment at each balance sheet date. If there are any such indications, the recoverable amount is determined. Goodwill and intangible assets with an indefinite useful life are subject to an annual impairment test.

When performing the impairment test, the assets are Grouped together into the smallest Group of assets that generates independent cash inflows (cash–generating units, CGU). The goodwill acquired in the context of a business combination is allocated to those CGUs or Groups of CGUs that are expected to benefit from synergies from the underlying business combination.

The recoverable amount of an asset or a cash–generating unit (CGU) is the higher of the value in use and fair value less cost of disposal. To estimate the value in use, the estimated future cash flows are discounted to present value, whereby a pre–tax discount rate reflecting the current market assess–ments of the time value of money and the specific risks of an asset or a CGU is used.

An impairment loss is recognized if the carrying amount of an asset or cash–generating unit exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. Impairment losses recognized for a cash–generating unit or a Group of cash–generating units are first allocated to goodwill and then pro rata to the other assets of the unit or Group.

Goodwill impairment is not reversed. In the case of impairment losses recognized for other assets, an impairment loss is reversed only if the carrying amount of the asset does not exceed the carrying amount that would have been determined less depreciation and amortization when no impairment loss had been recognized.

32.9. Post-employment benefits and other employee benefits

The Group provides defined benefit or defined contribution pension plans for portions of the workforce in addition to the government retirement benefits. The pension plans provide age-related benefits and benefits in the event of death or invalidity.

32.9.1. Defined contribution plans

In the case of defined contribution plans, the expenses reported in the statement of profit or loss correspond with the contributions made by the employer.

32.9.2. Defined benefit plans

For all significant defined benefit plans, the defined benefit obligation (DBO) is calculated each year by independent actuaries using the projected unit credit method. The expected pension payments are allocated in accordance with the employees' length of active service until retirement. Future salary increases are taken into account. The fair value of plan assets is deducted from the DBO. The discount rate is based on the interest rate for high-quality corporate bonds having terms similar to those of the defined benefit obligations. Plan costs resulting from employee service in the current period (current service cost) are recognized in profit or loss.

The Group calculates the net interest expense (income) on the net debt (asset) from defined benefit plans for the reporting period using the discount rate that was used for the measurement of the DBO at the beginning of the annual reporting period. This discount rate is applied to the net debt (asset) from defined benefit plans at this date. Any changes in the net debt (asset) from defined benefit plans that occur following the contribution and benefit payments in the course of the reporting period are taken into account. The net interest expense is recognized as income in the financial result.

Remeasurements of the net defined benefit liability is recognized immediately in other comprehensive income. The remeasurement includes the actuarial gains and losses, the return on plan assets (without interests) and the effect of any asset ceiling (without interests).

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in the benefit attributable to past service or the gain or loss upon curtailment is recognized immediately in profit or loss. The Group recognized gains and losses from the settlement of a defined benefit plan at the date of settlement.

Excess amounts of plan assets over the DBO are only recognized it they are actually available to the Group in the form of future contribution payments or reductions.

32.10. Trade payables and other liabilities

Trade payables and other liabilities are measured at amortized cost.

32.11. Accruals

Accruals refer to future expenditures that are uncertain in terms of their amount or timing but where the uncertainty is less than in the case of provisions. Accruals include liabilities for items or services received or supplied that have neither been paid for nor invoiced or formally agreed. They also include current liabilities to employees (for instance bonuses or holiday entitlements). Accruals are carried in the amount of the expected utilization.

32.12. Bank loans and borrowings and other financial liabilities

Bank loans and borrowings and other financial liabilities are presented as non-current only if the repayment term is unconditionally more than 1 year after the balance sheet date.Revolving amounts are presented as non-current if the whole period for the financing framework exceeds the one-year period.

32.13. Provisions

Provisions are recognized if the Group has a present obligation to a third party based on a past event, an outflow of resources to settle the obligation is probable and the amount of the obligation can be reliably estimated. Provisions are discounted where the effect is material.

Provisions where the outflow of resources is likely to occur within the next year are classified as current, and all other provisions as non-current.

32.14. Revenue and earnings recognition

Revenues are recognized after deduction of value added taxes and credits for returns and rebates when the client obtains control over the sold goods and services.

The assessment as to whether the Group transfers control at a point in time or over a period of time requires the use of judgements. According to IFRS 15, all contracts with customers must follow a 5-step model before revenues can be recognized.

Description of performance obligations and revenue recognition

The Group generates sales mainly from the sale of products. Sales are measured on the basis of the consideration specified in a contract with a customer. The Group recognizes revenue when it transfers control of a good or service to a customer.

In the Group, sales are mainly generated through

- the sale of aluminum profiles in the aerospace and e-mobility business segments.
- the sale of special machines and from the downstream after-sales area.
- the sale of high-quality insulated winding material made of copper for electrical engineering in the high-energy sector, so-called drill conductors for transformers and Roebel bars for generators.

Revenue recognition:

The Group recognizes revenue mainly upon delivery to the customer in accordance with Incoterms (especially DAP, DDP and FCA).

32.15. Net financial result

Net interest expense includes income from financial assets and cash and cash equivalents as well as expenses from liabilities to financial institutions and other financial liabilities. Interest income and expenses are recognized in profit or loss in the period in which they are incurred using the effective interest rate method.

The Group recognizes borrowing costs incurred in connection with the acquisition of a qualifying asset in accordance with IAS 23.4. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

Other financial results include dividend income, gains from the sale of financial assets available for sale, changes in the fair value of financial assets measured at fair value in the statement of profit or loss, impairment losses of financial assets and the foreign exchange differences from foreign currency transactions. Dividend income is recognized in profit or loss when the right to receive payment is established.

32.16. Income taxes

Income taxes include both current and deferred. Current taxes and deferred tax are normally recognized in profit or loss unless they refer to a business combination or to an item that is recognized directly in equity or in other comprehensive income.

32.16.1. Current income taxes

Current income taxes are the expected tax payable or receivable on the taxable income or loss for the year, based on the tax rates that are applicable at the balance sheet date or will be applicable, including expenses for taxes for past periods. The amount of the expected tax payable or receivable reflect the amount that represents the best estimate taking into account tax uncertainties, if any. Current income taxes also include all tax liabilities resulting from the determination of dividends. Current tax assets and liabilities are offset only if certain criteria are met.

32.16.2. Deferred taxes

Deferred taxes are calculated according to the balance sheet liability method for all temporary differences between the carrying amount of an asset or liability on the balance sheet and its tax base. Deferred taxes are measured at the tax rates enacted or expected or substantially enacted to the Group entity in question.

Deferred taxes are not recognized for the following temporary differences: initial recognition of goodwill, initial recognition of an asset or liability associated with a transaction affecting neither taxable profit or accounting profit and temporary differences on investments in subsidiaries, provided that the entity is able to control the timing of the reversal of the differences and it is probable that the reversal will not occur in the foreseeable future.

Deferred tax assets on tax losses carried forward and deductible temporary differences are only recognized to the extent it is probable that it will be possible to utilize them against future taxable profits

32.17. Segment reporting

See note 6.

32.18. Changes in significant accounting policies

In 2021 the Group has implemented various minor amendments to existing standards and interpretations, which have no material effect on the Group's financial statements.

32.19. Amendments to IFRS standards with potential impact on the Group after 31 December 2021

The following new and revised standards and interpretations were approved up to the balance sheet date, but came only later into force and the Group has not early adopted them in preparing these consolidated financial statements. Their impact on Group's consolidated financial statements have not yet been analyzed systematically, except when this is specifically disclosed. The expected effects presented below constitute only a first estimate by the Group's management.

	Effective date	Planned application
New Standards or Interpretations		
IFRS 17 Insurance Contracts including Amendments to IFRS 17	1 January 2023	Reporting year 2023
Revisions and amendments of Standards and Interpretations		
Covid–19–Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)	1 April 2021	Reporting year 2022
Annual Improvements to IFRS Standards 2018–2020 – various standards	1 January 2022	Reporting year 2022
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	1 January 2022	Reporting year 2022
Reference to the Conceptual Framework (Amendments to IFRS 3)	1 January 2022	Reporting year 2022
Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)	1 January 2022	Reporting year 2022
Classification of Liabilities as Current or Non–current (Amendments to IAS 1)*	1 January 2023	Reporting year 2023
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	1 January 2023	Reporting year 2023
Definition of Accounting Estimates (Amendments to IAS 8)	1 January 2023	Reporting year 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	1 January 2023	Reporting year 2023

* In its latest exposure draft to IAS 1 the IASB is proposing to change the new requirements and to also defer the effective date for at least one year.

32.20. Determination of the fair values

Certain accounting and measurement policies and disclosures require the determination of the fair values both for financial and non-financial assets and liabilities. The fair value corresponds to the price that would be received for the sale of an asset resp. for the transfer of a liability in an arm's length transaction between market participants at the measurement date.

Statutory Auditor's Report

To the General Meeting of Montana Aerospace AG, Reinach (AG)

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Montana Aerospace AG and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2021 and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (pages 164 to 254) give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for Opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

EXISTENCE AND ACCURACY OF REVENUE

VALUATION OF GOODWILL AND OTHER INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIFE

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

EXISTENCE AND ACCURACY OF REVENUE

Key Audit Matter

In 2021, net sales amount to EUR 790.1 million. The Group's revenue is mainly related to the sale of structural parts and assemblies as well as lightweight components for the aerospace and other industries. Depending on the terms and conditions of the customer contracts, revenue is recognized when control over goods and services has been transferred to the buyer or overtime in accordance with the progress to completion of the performance obligation which involves a higher degree of judgment.

Revenue is a key performance indicator to assess business performance and therefore a key area of internal goal setting and external expectations. These expectations may put pressure on management to achieve set targets, leading to an increased risk in terms of recognizing revenue in the proper period.

Our response

Amongst others, we performed the following audit procedures:

- Gaining an understanding of key customer contracts and revenue streams, and testing the design and implementation of selected key revenue recognition controls;
- Reconciling a sample of sales transactions for the financial year to underlying sales orders, shipping documents and invoices;
- Verifying that sales transactions at the end of the balance sheet date and at the beginning of the new financial year have been recognized in the correct period by checking sales close to the balance sheet date against contractual terms such as shipping terms, invoices and delivery documents;
- Verifying for a sample of credit notes issued after the balance sheet date that they were recognized in the correct period;
- Testing the calculation of percentage of completion including the costs incurred and recorded against the customer contract, assessing the basis for determining the costs to complete and total contract cost and reperforming the percentage of completion calculation;
- Comparing sales and margins to budget and prior year to identify significant or unusual variances, discussing these analyses with management and requesting additional documentation where appropriate.

We also considered the appropriateness of disclosures in the consolidated financial statements.

For further information on Revenue refer to the following:

— Notes to the Consolidated Financial Statements, 6. Segment reporting, page 174

— Notes to the Consolidated Financial Statements, Significant accounting policies, 32.14 Revenue and earnings recognition, page 251

VALUATION OF GOODWILL AND OTHER INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIFE

Key Audit Matter

The Group reports goodwill and other intangible assets with indefinite useful life totalling EUR 90.3 million as of 31 December 2021, arising from past business combinations.

Management assesses goodwill and other intangible assets with indefinite useful life for impairment on a yearly basis using a discounted cash flow model to determine the value in use of the cash-generating units (CGUs). In case of business combinations occurring during the reporting period, management applies judgement in allocating goodwill and intangible assets to the appropriate CGUs. Performing the impairment test on the level of individual CGUs requires the use of a number of key assumptions and judgements, including estimated future cash flows, long-term growth rates, profitability levels and discount rates.

We focused on this area in light of the amounts involved and the level of judgement and estimation required.

Our response

Our audit procedures included, amongst others, evaluating the methodical and mathematical accuracy of the valuation model used for the impairment testing, the appropriateness of the assumptions and the methodology used by management to prepare its cash flow forecasts. We used our own valuation specialists to support our procedures.

In particular, we performed the following:

- For intangible assets, challenging the adequacy of the indefinite useful life assumption used by management by assessing relevant factors, events and changes in circumstances;
- Gaining an understanding and assessing the reasonableness of business plans and forecasts by back-testing historical forecasts to actual results;
- Comparing business plan data against the latest plans approved by the board of directors and forecasts approved by management;
- Challenging the robustness of the key assumptions used to determine the recoverable amount, including identification of the CGUs and respective goodwill and intangible asset allocation, forecast cash flows, long-term growth rates, profitability levels and discount rates based on our understanding of the commercial prospects of the related CGUs and by comparing them with publicly available data, where possible;
- Conducting a sensitivity analysis on key assumptions;
- Recalculating the recoverable amount and its surplus over the carrying amount to assess the headroom for selected CGUs.

We also considered the appropriateness of disclosures in the consolidated financial statements.

For further information on Goodwill and Other Intangible Assets with indefinite useful life refer to the following:

— Notes to the Consolidated Financial Statements, 8. Intangible assets, page 181

— Notes to the Consolidated Financial Statements, Significant accounting policies, 32.4 Intangible assets, page 245

— Notes to the Consolidated Financial Statements, Significant accounting policies, 32.8 Impairment, page 248

Other Information in the Annual Report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements of the company, the remuneration report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report 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 in the annual report 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 materially misstated. If, based on the work we have performed, 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 regard.

Responsibility of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with Swiss law, ISAs and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

KPMG AG

Daniel Haas Licensed Audit Expert Auditor in Charge	Roman Künzle Licensed Audit Expert

St. Gallen, 30 March 2022

STATUTORY ACCOUNTS

BALANCE SHEET AS OF 31 DECEMBER

CHF	Notes	2021	2020
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		71,274,140.42	37,744.84
Other short-term receivables			
– from third parties		55,288.73	4,267.44
– to entities in which the entity holds a participation		522,522.80	0.00
Prepaid expenses / accrued income		2,234.40	0.00
Total current assets		**71,854,186.35**	**42,012.28**
NON-CURRENT ASSETS			
Financial assets	2.1	647,208,704.39	0.00
Investments	2.2	247,040,566.03	246,929,648.71
Total non-current assets		**894,249,270.42**	**246,929,648.71**
TOTAL ASSETS		**966,103,456.77**	**246,971,660.99**

LIABILITIES AND SHAREHOLDERS' EQUITY

CHF	Notes	2021	2020
SHORT-TERM LIABILITIES			
Trade accounts payable			
– to third parties		883,242.90	19,779.85
– to related parties		5,000.00	0.00
– to entities in which the entity holds a participation		1,865,129.33	166,267.88
Short-term Interest bearing liabilities			
– to holders of participations		0.00	432,901.89
Other short-term liabilities			
– to third parties		3,222,250.90	8,505.06
Accrued expenses and deferred income		343,438.33	12,000.00
Total short-term liabilities		**6,319,061.46**	**639,454.68**
LONG-TERM LIABILITIES			
Long-term non-interest bearing liabilities			
– to holders of participations	2.3	16,000,000.00	0.00
Total long-term liabilities		**16,000,000.00**	**0.00**
TOTAL LIABILITIES		**22,319,061.46**	**639,454.68**
SHAREHOLDERS' EQUITY			
Share capital	2.4	57,553,997.00	100,000.00
Legal capital reserves			
– Reserves from capital contributions	2.5	872,156,663.68	246,829,643.97
– Other capital reserves		92,751,823.00	0.00
Accumulated losses			
– Loss carried forward		–597,437.66	0.00
– Loss for the period		–78,080,650.71	–597,437.66
Total Shareholders' equity		**943,784,395.31**	**246,332,206.31**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**966,103,456.77**	**246,971,660.99**

INCOME STATEMENT

CHF	Notes	2021 01.01.2021 – 31.12.2021	2020 04.12.2019 – 31.12.2020
Financial income	2.6	13,275,633.10	985.03
Other income		2,108,114.57	0.00
Total income		**15,383,747.67**	**985.03**
Financial expenses	2.7	43,945,508.49	1,708.39
Personnel expenses	2.8	1,983,813.36	0.00
Other operating expenses	2.9	47,447,236.53	595,805.90
Direct taxes		87,840.00	908.40
Total expenses		**93,464,398.38**	**598,422.69**
LOSS FOR THE PERIOD		**−78,080,650.71**	**−597,437.66**

NOTES

1. Principles

1.1. General Aspects

These financial statements were prepared according to the principles of the Swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations). Where not prescribed by law the significant accounting and valuation principles applied are described below. It should be noted that to ensure the company's going concern, the company's financial statements may be influenced by the creation and release of hidden reserves.

1.2. Financial Assets

Financial assests include long-term loans. Loans granted in foreign currencies are valued at the exchange rate on the reporting date, whereby unrealized losses are recorded but unrealized profits are not recognized (imparity principle).

1.3. No cash flow statement, additional information in the notes and management report

As Montana Aerospace AG prepares consolidated financial statements in accordance with a recognised accounting standard (IFRS), it has omitted additional information in the notes to the annual financial statements, the cash flow statement and the management report in accordance with the statutory provisions in these financial statements.

2. Disclosure on balance sheet and income statement

2.1. Financial assets

CHF	2021	2020
Loans to entities in which the entity holds a participation	647,208,704.39	0.00

2.2. Investments

Company	Domicile	Country	Currency	2021 Voting– and capital rights in %	2021 Capital	2020 Voting– and capital rights in %	2020 Capital	
Direct investments								
Montana AS Beteiligungs Holding AG	Zug	CH	CHF	100.00	26,862,000	100.00	26,862,000	
Montana Aerospace GmbH	Vienna	AT	EUR	100.00	35,000	100.00	35,000	
Universal Alloy Corp. Europe S.R.L.	Dumbravita	RO	EUR	100.00	11,354	100.00	11,354	
UAC Design SRL	Dumbravita	RO	EUR	100.00	258	100.00	258	
Montana Aerospace ETV AG	Reinach	CH	CHF	100.00	100,000	100.00	100,000	
Montana Aerospace Deutschland GmbH	Dillingen/Saar	DE	EUR	100.00	27,308	0.00	0.00	
Cefival S.A.	Persan	FR	EUR	90.00	7,713,855	0.00	0.00	E
Significant indirect investments								
Alpine Metal Tech (Taicang) Co. Ltd	Taicang	CN	CNY	100.00	1,491,708	100.00	1,491,708	
Alpine Metal Tech Brasil – Peças e Serviços Ltda.	Nova Lima	BR	BRL	100.00	2,675,013	100.00	2,675,013	
Alpine Metal Tech Denmark ApS	Stenløse	DK	DKK	100.00	5,000,000	100.00	5,000,000	
Alpine Metal Tech Germany GmbH	Dillingen/Saar	DE	EUR	100.00	1,534,150	100.00	1,534,150	
Alpine Metal Tech Germany Holding GmbH	Dillingen/Saar	DE	EUR	100.00	5,000,000	100.00	5,000,000	
ALPINE METAL TECH GmbH	Regau	AT	EUR	100.00	36,500	100.00	36,500	
Alpine Metal Tech UK Ltd.	Derbyshire	UK	GBP	100.00	1,100	100.00	1,100	
Alpine Metal Tech North America Inc.	Pittsburgh	US	USD	100.00	3,000	100.00	3,000	
Alu Menziken Euromotive GmbH	Ranshofen	AT	EUR	100.00	35,000	100.00	35,000	
Alu Menziken Extrusion AG	Reinach	CH	CHF	100.00	4,000,000	100.00	4,000,000	
Alu Menziken SRL	Şomcuta Mare	RO	EUR	100.00	4,010,468	100.00	4,010,468	
Alu Menziken Germany GmbH	Dillingen/Saar	DE	EUR	100.00	25,000	0.00	0.00	G
ASTA Americas Inc.	Wilmington, DE	US	USD	100.00	100	100.00	100	
ASTA-Asia Pte. Ltd	Singapore	SG	SGD	100.00	136	0.00	0.00	G
ASTA Bosnia d.o.o.	Zivinice	BA	BAM	100.00	1,000	100.00	1,000	
ASTA Conductors Co. Ltd.	Yangzhou	CN	CNY	100.00	120,300,846	100.00	120,300,846	
ASTA Elektrodraht GmbH	Oed	AT	EUR	100.00	1,500,000	100.00	1,500,000	
ASTA Energy Transmission Components GmbH	Oed	AT	EUR	100.00	1,235,000	100.00	1,235,000	
ASTA India Pvt. Ltd.	Vadodara	IN	INR	100.00	873,799,560	100.00	873,799,560	
ASTA Industrie GmbH	Oed	AT	EUR	100.00	35,000	100.00	35,000	
ASTA International Pte. Ltd.	Singapore	SG	SGD	100.00	18,879,551	100.00	18,879,551	LO
ASTA Singapore Pte. Ltd.	Singapore	SG	SGD	100.00	18,879,551	100.00	18,879,551	LO
ETV Montana Tech Holding GmbH	Vienna	AT	EUR	100.00	2,450,000	100.00	2,450,000	
GeGa GmbH	Dillingen/Saar	DE	EUR	100.00	66,700	100.00	66,700	
GeGa Iberica SL	Tarragona	ES	EUR	100.00	3,500	100.00	3,500	
IH TECH Sondermaschinenbau und Intandhaltung GmbH	Behamberg	AT	EUR	100.00	48,449	0.00	0.00	E
IMT Intermato S.p.A.	Varese	IT	EUR	100.00	13,900,000	100.00	13,900,000	
IndustrieCapital Alpha GmbH	Vienna	AT	EUR	100.00	500,000	100.00	500,000	
Insulated Conductors and Enameled Wires N.V.	Amsterdam	NL	EUR	100.00	250,000	100.00	250,000	
Makra GmbH	Vienna	AT	EUR	100.00	17,500	100.00	17,500	
Montana Aerospace Components Inc.	Wilmington, DE	US	USD	100.00	10	100.00	10	
Montana Tech Components GmbH	Vienna	AT	EUR	100.00	35,000	100.00	35,000	
MTC Aerosystems Kft.	Budapest	HU	USD	100.00	12,000	100.00	12,000	
MTC Aerosystems LLC	Wilmington, DE	US	USD	100.00	0.00	100.00	0.00	
MTC Management Kft.	Budapest	HU	USD	100.00	12,000	100.00	12,000	
MTC US Corp.	East Hanover, NJ	US	USD	100.00	10	100.00	10	
Neviton Softech Pvt. Ltd.	Odisha	IN	INR	100.00	100,000	100.00	100,000	
PPE Fios Esmaltados S.A.	Cerquilho	BR	BRL	100.00	0.00	74.38	0.00	
Simulation Live Fire Training Solution Inc.	Wilmington, DE	US	USD	100.00	0.00	100.00	0.00	
UAC Airport SRL	Dumbravita	RO	EUR	100.00	0.00	100.00	0.00	
UAC Export Co.	Wilmington, DE	US	USD	100.00	0.00	100.00	0.00	
Universal Alloy Corp.	Canton, GA	US	USD	100.00	8,950	100.00	8,950	
Universal Alloy Corp. Asia Pte. Ltd.	Singapore	SG	USD	97.50	50,000	97.50	50,000	
Universal Alloy Corp. Vietnam Company Ltd.	Da Nang	VN	USD	100.00	34,000,000	100.00	34,000,000	
HENN Industrial Group GmbH & Co KG	Dornbirn	AT	EUR	0.00	0.00	25.45	5,000	V
VRT Pensionen GmbH	Ellwangen	DE	EUR	0.00	0.00	100.00	25,000	V
GeGa China Co. Ltd.	Shanghai	CN	CNY	0.00	0.00	100.00	2,204,704	L
Medies Investimo SRL	Satu Mare	RO	EUR	0.00	0.00	100.00	2,144	V

E Acquired in actual reporting period
G Founded in actual reporting period
V Disposed in actual reporting period
L Liquidated in actual reporting period
LO as of 31st December in a not-yet-completed liquidation proces

2.3. Long-term liabilities

CHF	2021	2020
Long–term non–interest bearing liabilities to holders of participation	16,000,000.00	0.00

2.4. Shareholders' equity

The share capital was increased in two steps in May 2021 in the course of the IPO and in November 2021 from CHF 100,000 to CHF 57,553,997 through capital contributions. As of December 31, 2021, the share capital amounted to CHF 57,553,997 and was divided into 57,553,997 registered shares with a nominal value of CHF 1 each.

The authorized share capital of TCHF 4,600 is limited until 16 April 2023 and can be used by way of a resolution of the Board of Directors. The Board of Directors is entitled to exclude the shareholders' subscription rights and to attribute them to third parties under certain circumstances.

The conditional share capital of TCHF 5,000 is designated for an employee stock option plan.

2.5. Reserves from Capital Contributions

The reserves from capital contributions consist of a premium from contribution in kind. Reserves in the amount of CHF 718,078,843 are not yet confirmed by the Swiss tax authorities. From a fiscal point of view any distribution made from the reserves from capital contributions are treated the same as repayment of share capital.

2.6. Financial income

CHF	2021	2020
Interest income from loans to entities in which the entity holds a participation	5,505,670.30	0.00
Foreign exchange gains	7,769,962.80	985.03
	13,275,633.10	**985.03**

2.7. Financial expenses

CHF	2021	2020
Bank interest, expenses and fees	49,264.93	450.18
Interest for loans from holders of participation	3,571.88	567.89
Foreign exchange losses	43,892,671.68	690.32
	43,945,508.49	**1,708.39**

2.8. Personnel expenses

Personnel expenses include passed-on personnel costs in the amount of TCHF 1,984 (prior year: TCHF 0).

2.9. Other operating expenses

CHF	2021	2020
Administration expenses	45,042,838.86	227,973.23
Consulting expenses	2,404,397.67	367,832.67
	47,447,236.53	**595,805.90**

The administrative expenses include CHF 44,123,500 in the context of this year´s IPO and capital increases.

3. Other information

3.1. Full-time equivalent

Montana Aerospace AG does not have any employees.

3.2. Stock Option Plan

The management stock option program (MSOP) was launched by the parent company Montana Tech Components AG, Reinach, Switzerland, to allow employees to subscribe to ordinary shares in Montana Aerospace AG. The vesting period on which the program is based amounts to five years. The share-based payment arrangement requires employees to be in an active employment relationship with the company whenever options are exercised. The total number of granted stock options amounts to 1,212,450 out of which 4,182 were exercised in 2021. No stock options expired in 2021. The residual stock options are 1,208,268. Thereof, 42,880 are allocated to Mr. Thomas William (Board of Directors), 128,640 to Mr. Markus Nolte (CEO), 128,640 to Mr. Michael Pistauer (CFO) and 85,760 to Mr. Herbert Roth (Management Board). The value of the granted stock options amounts to CHF 14,324,251 at grant date.

3.3. Significant shareholders

The following shareholders held more than 5% of voting rights as of December 31:

Shareholder	Shareholder Percentage of voting rights as of 31/12/2021	Shareholder Percentage of voting rights as of 31/12/2020
Montana Tech Components AG	56.33%	100.00%

3.4. Contingent liabilities

Montana Aerospace AG has provided support letters to guarantee fullfillment of payment obligations of its affiliated companies as follows:

- **ALU Menziken Euromotive**
- **ALU Menziken SRL**

3.5. Significant events after the balance sheet date

The impact of the ongoing war in Ukraine as well as related international sanctions imposed on Russia and the Belarus region on Montana Aerospace AG can yet not fully be assessed. However, direct sales for 2022 to these regions are budgeted with a single digit million EUR amount whereof approx. the half has already been prepaid. Montana Aerospace has no operational footprint (no facilities or offices) nor direct suppliers in either region. Nonetheless, Montana Aerospace will indirectly be impacted by the ongoing crisis as supply chains (e.g. material supply) could suffer as well as energy prices (for electricity and gas) could further increase. Concerning energy prices – which have already been at a high level in 2021 – they may have an impact on the Group's 2022 financial statement, where no direct or indirect pass-through clauses exist. Albeit, from today's perspective, the Management Board of Montana Aerospace AG is confident, that the supply chain of the Group's activities remains stable.

Statutory Auditor's Report

To the General Meeting of Montana Aerospace AG, Reinach (AG)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Montana Aerospace AG, which comprise the balance sheet as at 31 December 2021, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements (pages 262 to 269) for the year ended 31 December 2021 comply with Swiss law and the company's articles of incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.

Responsibility of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity'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 the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor’s Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors’ 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 entity’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the entity to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG

Daniel Haas	Roman Künzle
Licensed Audit Expert	Licensed Audit Expert
Auditor in Charge	

St. Gallen, 30 March 2022

ABOUT MONTANA AEROSPACE AG:

Montana Aerospace AG is a leading producer of system components and complex assemblies for the aerospace industry, with worldwide engineering and manufacturing operations. As of April 2022, the company has approximately 6,600 highly skilled employees at 32 locations on four continents – designing, developing and producing ground-breaking technologies for tomorrow's aerospace, e-mobility and energy industries out of aluminium, titanium, composite, copper and steel.

DISCLAIMER:

PUBLISHED AND EDITED BY:

Montana Aerospace AG, Reinach, Switzerland

CONCEPT:

Daniela Wagner, fillim.at

DESIGN:

Büro X Wien, buerox.at
Buero New York, buero-newyork.com
Peter Rieder, flammen.at

PHOTO:

Oliver Helbig, oliverhelbig.com
Guenter Parth, guenterparth.com
Wolfram Schroll, industriefotografie.wolframschroll.com
iStock

Contact:

Marc Vesely recte Riha
Head of M&A and Investor Relations
Phone: +43 664 61 26 261
E-mail: ir@montana-aerospace.com

Download the report:
www.montana-aerospace.com

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