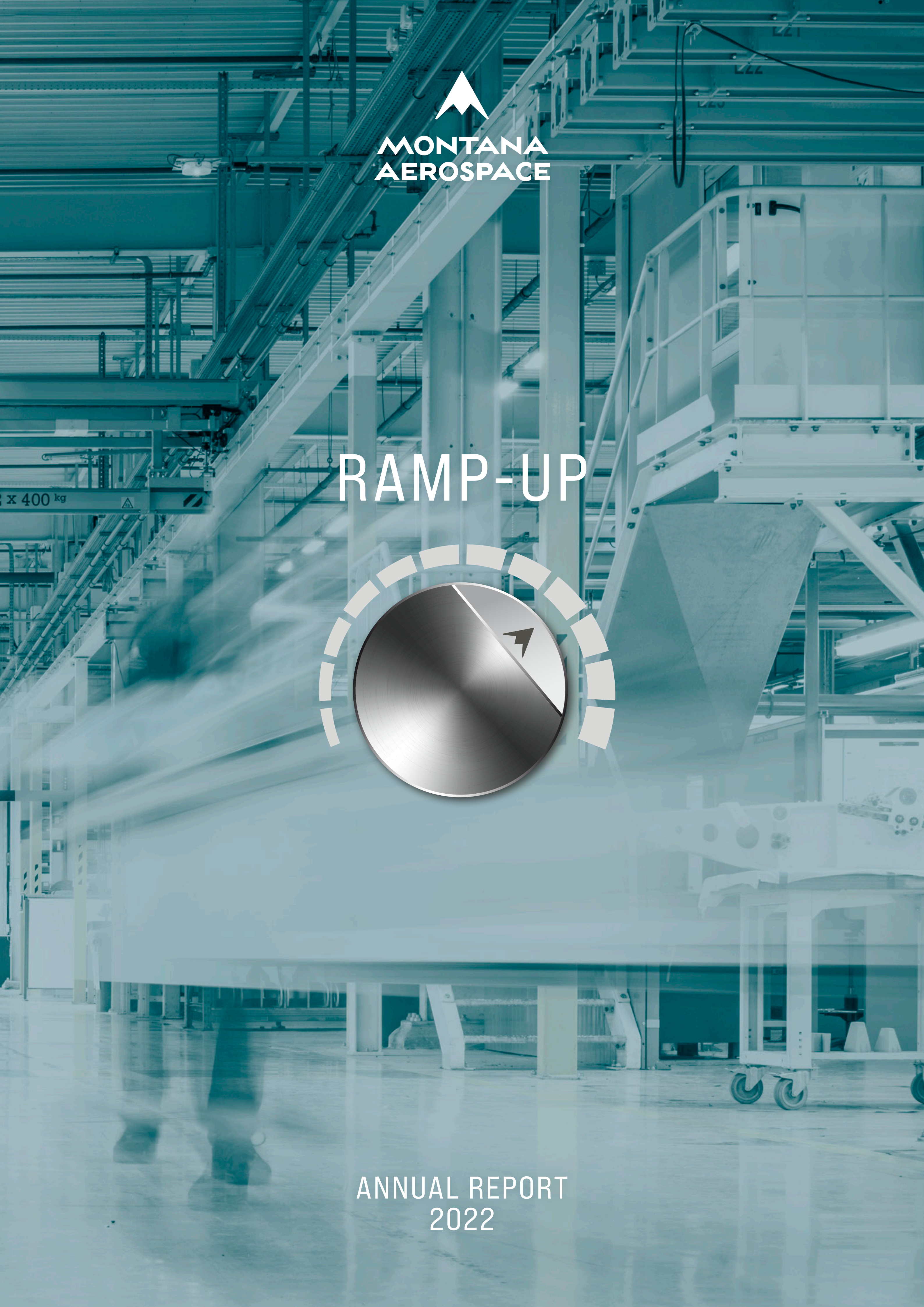

MONTANA AEROSPACE

RAMP-UP

ANNUAL REPORT
2022

MONTANA AEROSPACE AG — SELECTED KEY FIGURES

(in M€)	2022	2021	YoY change
Net Sales	1,306.1	790.1	+516.0
EBITDA	126.9	46.1	+80.8
Adjusted EBITDA	134.2	56.1	+78.1
Adjusted EBITDA margin (%)	10.3%	7.1%	+3.2%
Operating result	17.7	–25.8	+43.5
Operating result margin (%)	1.4%	–3.3%	+4.7%
Result for the period	–36.8	–49.4	+12.6
Cash Flow from operating activities	131.4	–27.8	+159.2
Cash Flow from investing activities	–150.3	–86.1	–64.1
Cash Flow from financing activities	–66.4	521.8	–588.2
Free Cash Flow	–18.9	–113.9	+95.0
CAPEX spent	–86.0	–121.4	+35.4
Trade Working Capital	301.7	265.2	+36.5
Equity Ratio (%)	43.1%	50.5%	–7.4%
Net Debt (cash)	279.4	81.8	+197.6
Total Assets	2,220.6	1,792.4	+428.2
Employees	6,708	5,554	+1.154

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

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LETTER TO OUR SHAREHOLDERS

LETTER TO OUR SHAREHOLDERS

Dear fellow shareholders,

Montana Aerospace performed excellently in the year 2022 despite the challenging market environment. With the exceptional commitment of all Montana Aerospace stakeholders, our organization safely navigated a period of highly volatile economic conditions, including some of the biggest directional shifts we have seen globally in the past decades. Recalling Winston Churchill's famous saying, "Never let a good crisis go to waste", we used the dynamic situation to take decisive action where others hesitated. Consequently, Montana Aerospace's strong growth story was unbroken and profitability continued to rise. We worked constantly to refine our market positioning and reinforced our role as partner of choice for the aerospace, e-mobility and energy industries.

Major market events, including the Russian invasion of Ukraine, the subsequent energy crisis, widespread supply chain disruptions and the difficult interest rate environment posed challenges for global markets and our business in the past year. The developments on international energy markets were a major factor that caused inflated input costs and posed a sizeable threat to global economies. Yet, our strong financial base, superior business strategy and the support of our loyal customers and suppliers all around the world made it possible for us to overcome the headwinds and lay the cornerstones of our future growth.

As a global leader in the aerospace, e-mobility and energy industries, we proved our ability to adapt fast and effectively, even amid unprecedented challenges, a trend we expect to continue also in 2023.

Aerostructures

The post-coronavirus ramp-up and simultaneous consolidation in supply chains in the aerostructure industry presented Montana Aerospace with a great opportunity in 2022. The higher build rates of the large OEMs such as Boeing and Airbus were the driving force behind the significantly higher sales. Supply bottlenecks at competitors created the opportunity for us to acquire additional contracts based on our one-stop-shop strategy. The strategy features a highly integrated vertical supply chain that relies on high recycling capabilities and offers better competitive lead times, thereby enabling substantial cost savings while reducing CO_2 emissions. This is reflected in the gain of +123% in net sales and +62% EBITDA growth, as well as in the expectation of widening market shares in the coming years. Since mid-2021, we have strategically held higher inventories to overcome any shortages in the materials supply chain. In the third quarter of 2023, Montana proactively started to bring working capital levels back into the normal range.

Energy

The energy crisis resulted not only in price hikes and higher input costs, but also prompted a surge in demand for infrastructure projects to meet the growing need for alternative energy sources, including low-to-zero emissions electricity. Consequently, the energy infrastructure market evolved from a pull market into a push market, as soaring demand started to outpace supply. As a technology leader in energy transmission components, Montana Aerospace strongly increased sales in the Energy segment —and expects to see sound future growth opportunities. Profiting from tremendous energy transition tailwinds, as the journey from fossil fuels to green fuels progresses, the energy business is expected to generate net sales of more than EUR 550 million in 2023.

E-Mobility

Besides Aerostructures and Energy, we also generated strong growth in the E-Mobility segment, driven by robust demand in the premium segment of German OEMs. With our solutions, we are a partner for blue-chip carmakers and are seeing unabated demand for electric cars in the high-end segment. With year-on-year net sales growth of +56%, we also expect a strong year in 2023, with sales estimated to reach more than EUR 200 million.

M&A activities

The consolidation of our one-stop-shop business model and our expansion strategy is also reflected in our recent merger and acquisition activities. Historically, Montana Aerospace acquisitions have focused on targets that are technology leaders with solid margins and enable us to enlarge our capacities, improve profitability and create mission-critical synergies. In 2022, our acquisitions included the takeover of the ASCO Group for the Aerostructures segment and of the company São Marco in Brazil for the Energy segment. Both companies are in the final stages of the post-merger integration process and will quickly extend Montana Aerospace's wide range of capabilities. The financial projections for next year are expected to reflect the synergies created by the two investments.

Stock price trend

The performance of Montana Aerospace's stock in 2022 was heavily impacted at the beginning of the year by Russia's invasion of Ukraine and the subsequent effects on energy prices, but also by the difficulties at the sister company VARTA. For historic reasons, VARTA's performance continued to influence Montana Aerospace's financing capabilities in 2022. However, the impressive performance of Montana Aerospace in Q4 2022, which featured strong positive cash flows, high EBITDA figures, and substantially lower net debt partially offset the negative externalities. This performance has once again demonstrated our strong capacity to generate cash flows (Q4) and embark on a highly promising growth trajectory. In addition, one defined goal is to reduce our ties with our majority shareholder Montana Tech Components AG (with respect to debt) and establish a more independent debt financing structure without its guarantees. This step will be a key focus of Montana Aerospace in 2023 with the aim of achieving a greater level of financial and operational independence.

Conclusion

We achieved solid performance in 2022, which is backed by our figures. Montana Aerospace closed the year with an impressive result, achieving record sales and a positive cash flow in the last quarter. Moreover, we significantly reduced net debt to EUR 279.4 million (<2.2x net debt/EBITDA), and increased net sales to EUR 1.3 billion, thereby boosting adjusted EBITDA to EUR 134.2 million. As trade working capital remained at record levels at the end of the third quarter in 2022 (~55% of net sales), we gradually reduced non-essential trade working capital to a more sustainable level in the fourth quarter. Additionally, our capital expenditure program with a volume of more than EUR 650 million since 2018 has focused on investments in major state-of-the art production plants such as those completed at the end of the year in Romania and Vietnam.

A number of macroeconomic challenges put the entire aerospace industry to a stress test due to higher energy costs, supply chain uncertainties and other market challenges. Nonetheless, our exceptionally robust organic growth as well as our well-thought-out M&A activities permitted us to achieve remarkable success. In a nutshell, we attained a favorable position for going forward in 2023.

Outlook

While 2022 was not an easy year, we do not expect smoother sailing in the first three quarters of 2023 either. Still, the positive key takeaways and experiences from the past crisis-ridden year make us confident that we will be able to leverage the know-how acquired and take advantage of the many opportunities of 2023 and beyond. At an estimated rise in total net sales to over EUR 1.5 billion in 2023, the Aerostructures segment is set to be the main driver of growth despite fluctuating build rates at OEMs, with projections for net sales in Aerostructures of around EUR 750 to 800 million. This is followed by the Energy segment with net sales estimated at over EUR 550 million and E-Mobility with net sales of over EUR 200 million. The company's adjusted EBITDA is estimated to be in the range of EUR 130 to 150 million in 2023, excluding the divested non-core machinery business (Alpine Metal Tech/AMT).

The successful integration of our recent acquisitions solidified our position as a market leader. We firmly believe this will enable Montana Aerospace to stay on its growth trajectory. We aim to strengthen our balance sheet independently through the reduction of our debt positions by generating a higher positive free cash flow. Montana Aerospace is looking forward to strengthening its leading market position, and helping customers and suppliers achieve success in 2023.

We would like to express our gratitude to you, our shareholders, and thank you for the trust placed in us. We look forward to growing together in 2023 and beyond.

Sincerely,
Reinach, 4 April 2023

For the Management Board,

Michael Pistauer, Co-CEO & CFO

Kai Arndt, Co-CEO

Silvia Buchinger, CHRO

For the Board of Directors,

Michael Tojner, Co-Chairman

Tom Williams, Co-Chairman

BUSINESS MODEL

As a global industrial group, Montana Aerospace specializes in the key technologies needed for three markets of the future: aerospace, e-mobility and energy. Our efforts also focus on achieving technology and market leadership in e-mobility and energy.

As a highly integrated company, we design, develop and manufacture system components and complex assemblies made of aluminum, titanium, composites, copper and steel.

Our strong innovation capabilities and commitment to sustainability are paving the way for our future as an industrial group. These strengths make us an important partner for the world's leading manufacturers in the aerospace, e-mobility and energy industries and their tier 1 suppliers.

22 locations in 13 countries in Europe, North America, South America and Asia demonstrate our customer proximity, as do our engineering and sales centers located around the world. Our concept consists of advising, developing, producing and providing service on a local-to-local basis within a global network. ~6,700 dedicated employees, fast response times, intelligent logistics concepts, and cost-optimized solutions are the cornerstones of our long-term customer relationships.

MONTANA AEROSPACE AT A GLANCE*

BUSINESS SEGMENTS

Aerostructures

E-Mobility

Energy

Multi-material competence in

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

composites, aluminum, titanium, copper and **steel**

22
locations **worldwide**

6,700
highly qualified employees

7
engineering and **development** centers

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

>300
CNC machines & >400 spindles in serveral high tech machine parks

High-profile global customer base

*Status as of April 4th, 2023

THE MONTANA AEROSPACE EQUITY STORY

Boosting structural change and the energy transition

Montana Aerospace offers shareholders an investment opportunity in high-growth niche and promising markets. We pursue a clear goal with our worldwide highly integrated manufacturing operations: to play an active role in shaping the far-reaching structural changes in the aerospace and e-mobility industries as well as in the energy transition. At the same time, we also aim to improve our ecological performance by making a positive contribution to climate change mitigation. As a full-service provider with a global local-to-local strategy and ~6,700 highly-skilled employees at 22 locations worldwide, we are ideally positioned to serve our customers by providing forward-looking solutions.

Reasons to invest in Montana Aerospace

a) We create shareholder value

Our strategic focus on growth, EBITDA margins and free cash flows aims to increase value for our shareholders. To achieve this goal, we concentrate on the following core areas.

Positioning ourselves with the times

Over the long term, population growth and increasing prosperity will raise demand for energy and the need for sustainable mobility concepts both in the air and on the ground.
Montana Aerospace's scalable business model supports the goal to increase its market shares in Europe, the US and the APAC region while strengthening its positioning as a technology leader in the megatrends.

Organic growth and inorganic growth

With long-term capital spending of more than EUR 650 million (CAPEX) from 2018 to 2022, most of which was invested in the expansion of capacities and know-how, we 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 based on long-term customer contracts (contracted sales).

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.

b) Clear commitment to ESG goals

Montana Aerospace's business model is based on a commitment to the sustainable mitigation 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) Reduce our CO_2 emissions by expanding the vertical integration of our value chain
b) Promote the circular economy by implementing in-house recycling processes
c) Establish sustainable, long-term working relationships with our employees and partners.

c) Strong positioning on the market

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, composites, 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 blue chip customers from the aerospace, e-mobility and energy sectors.

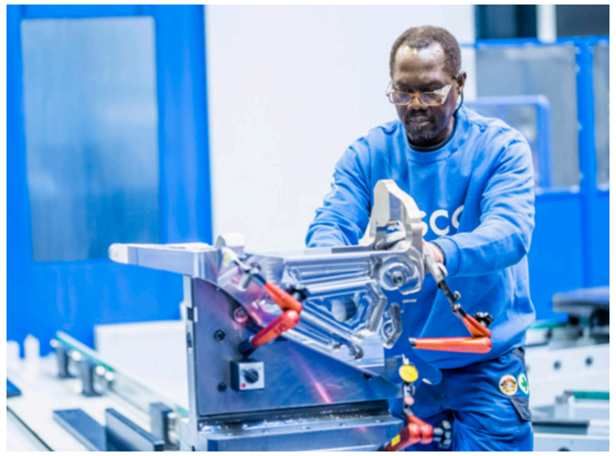
Resilience through diversification

As an industry group with a leading market position and strong brands, we specialize in the key technologies of three promising markets. With our strong industrial base with 22 locations and efficient overhead structures, we achieve optimal market coverage in the aerospace, e-mobility and energy industry. Diversification is carefully selected to strengthen our business model and helps balance the divergent business cycles. This resilience was successfully demonstrated during the pandemic by our highly engaged employees.

"Since our IPO in 2019, we have not only maintained earnings levels — even in the most challenging periods — but have also exceeded these in the past two years. This achievement was made possible by our business model with strong cash flows, our focus on high profitability, a stable balance sheet structure, and our high degree of efficiency on the shop floor, and, above all, by our dedicated management and team at all of our 22 locations."

Dr. Michael Pistauer
Co-CEO & CFO Montana Aerospace

THE YEAR 2022 AT A GLANCE



Takeover of ASCO Industries

ASCO Industries is a Belgian company specialized in high-lift mechanisms with production sites in Europe, the US and Canada.

Successful placement of promissory notes to finance sustainable growth

Recipient of prestigious Spirit Award in the category “Supplier Innovation”. The Spirit Award is conferred by Spirit, one of the world’s largest first-tier aerostructures manufacturer. Montana Aerospace’s innovative manufacturing network, its two new large production plants in Romania and Vietnam, and its highly vertically integrated value chain make it a reliable and efficient partner in times of crisis.

Start of serial production

Start of the new large-format extrusion line in Romania for aircraft components up to 30 meters in length.

January | February | March | April | May | June | July | August | September | October | November | December

Montana Aerospace makes first appearance at industry fair

Montana Aerospace at the Farnborough Airshow near London

Commissioning and initial testing phase of three new extrusion lines in Europe

Takeover of São Marco

a Brazilian manufacturer of critical copper components with integrated copper recycling expertise.

Successful completion of last testing phase of the titanium and drawn tube plant for lightweight components for the aerospace and e-mobility industries.

RAMPING UP THE PRODUCTION-POWER!

Corona pandemic, war in Ukraine, inflation—gloomy news has dominated our everyday life for months.

In 2022, we also saw the crisis as an opportunity, looked for new perspectives and grew personally, as a team and as a company. Through our strategic direction, successfully completed new acquisitions in 2022 and investments in new production facilities and capacities, we are now well positioned for the future and new challenges to come.

SWITCHING ON THE TALENTS!

The competition for the best talents has long since broken out. In order to remain successful in the race for the best brains and hands we have implemented a smart-recruiting program for the entire Montana Aerospace group. Our experience with that hiring strategy has been excellent in the past years and we #have now extended it to all locations and divisions.

RAMP-UP AT MONTANA AEROSPACE

CHALLENGE 2022 MASTERED

The year 2022 presented a number of challenges, including unstable supply chains and computer chip shortages as a result of the coronavirus pandemic. Moreover, we were impacted by the collateral damage and negative effects of the Russian war against Ukraine. Rising commodity prices and energy costs were factors that additionally fueled inflation, and we also partly faced problems in recruiting qualified employees for our production sites.

Over the past 48 months, Montana Aerospace took countercyclical measures and invested more than EUR 650 million to expand capabilities and capacities. Apart from extensive greenfield investments in the best-cost countries like Romania and Vietnam in 2019, we also invested in new production facilities.

In 2022, our investment activity concentrated on two strategic acquisition projects which we successfully finalized by years end. With the acquisition of the aerospace supplier ASCO and the Brazilian copper specialist São Marco, we expanded our product portfolio and customer base in 2022, gaining important market shares and improving our market position. With the commissioning of three new different types of extrusion plants in Romania, we are now also well positioned for the extrusion business in Europe and can serve our customers local-to-local in the European aerospace industry. After the pilot phase was completed at the end of 2022, the new titanium press, the extrusion line for large-format aluminum components and the drawn tube line will start serial production at our sites in Romania in 2023.

Another focus of the year 2022 was on reducing dependence on commodities and the energy markets. For example, the Energy segment launched the in-house copper recycling process in 2022 that we plan to develop into an integrated circular economy model in the long term. At the end of the year, we also launched a major pilot project in the field of photovoltaics at our site in Vietnam. The photovoltaic system consists of 7,000 modules and is projected to supply 6,000 MWh of clean energy for the production site from April 2023. The system enabled the Vietnam production site to cover 27% of its total electricity consumption, and in future, will help save more than 4,800 tons of CO_2 each year.

Our global network of locations became an advantage not only for our customers, but also for our own company in 2022. Specifically, we started work to establish an international, multi-country Montana Aerospace recruiting network to meet our global staffing needs by recruiting employees from high supply countries to meet the growing demand for staff in our European and US markets.

Co-CEO Kai Arndt, Co-CEO & CFO Michael Pistauer and CHRO Silvia Buchinger.

"We took advantage of the Covid-19 pandemic — which brought the global economy to a near standstill — to move us into the pole position for the post-pandemic time. In 2022, we successfully ramped up all of our new production facilities, developed new programs, acquired new orders and developed an international recruiting strategy. Starting in 2023, we will begin reaping the profits from these achievements."

Kai Arndt
Co-CEO Montana Aerospace

RAMP-UP
HIGHLIGHTS 2022

Best-in-class products are the key strategic element to market leadership in the aerostructures industry

The strategic roadmap for the Aerostructures segment until 2027 was developed under the leadership of Co-CEO Kai Arndt and provides clear guidance for our ambitious growth plans including strategic priorities, the functional operational model and the required governance structures.

ASCO has been integrated into our strategy and it is now fully embedded in our organization and is part of the centralized approach to optimizing global capacity utilization.

Montana Aerospace continues on its aggressive growth path to becoming a leading, highly-vertically integrated super tier-2 supplier of choice and best-in-class supply chain partner for tier-1-suppliers and OEMs of structural components and (sub-)assemblies.

Our strategy defines the path to sustainable and profitable growth, enabling free cash flow generation and adequate profitability.

In addition to the financial objectives, Montana Aerospace aims to become the employer of choice for global talents in the ramp-up to achieve a leading position as an aerospace supplier with the capability of preventing and avoiding CO_2 emissions due to its vertical integration and one-stop-shop concept.

"Backed by the experience of our employees, their spirit of innovation and the highest standards, Montana Aerospace is a gamechanger in the aerospace supply chain, shaping a carbon-neutral future and striving for new horizons."

Kai Arndt
Co-CEO Montana Aerospace

IN CONVERSATION WITH PAUL ANDREUCCI
CHIEF COMMERCIAL OFFICER

... about the Aerostructure strategy, key enablers and the process defining the roadmap.

What are the key strategic priorities within the Strategic Plan for the Aerostructures segment?
The successful ramp-up of the recently completed key investments will enable us to widen market shares in titanium and drawn tube extrusion, and also to continue our profitable growth trend in aluminum and titanium detail parts and assembly.

A key priority is the optimization of existing capacities and capabilities throughout our global organization based on a system of centralized coordination to fully leverage existing assets and thereby improve profitability and free cash flows.

Ultimately, our goal is to be a reliable partner for our customers, enabling the ramp-up by offering risk mitigating opportunities in the supply chain based on our vertical integration capabilities and operational excellence.

What was in your view a key enabler for the execution of the strategy?
One important change was the establishment of the Aerostructures Leadership Team based on a matrix organization with central functions that include Business Development, Procurement, HR, Industrial and R&D. The new organizational structure for the Aerostructures segment enables us to fully exploit synergies across all divisions and plants throughout the globe.

How have you personally experienced the process of defining the strategy roadmap?
The process of developing the strategy for the Aerostructures segment followed a fact-based approach with open discussions within the team. The focus on key technologies supported collaboration and encouraged team spirit thereby bolstering One Montana Aerospace. The way forward is clear and are working together very well to achieve the targets and meet our strategic objectives.

Smart hiring — Rollout of winning recruitment strategy

Montana Aerospace has 22 locations around the globe in Central and Eastern Europe, the US, North and South America, Canada, India and China. Our global positioning not only benefits our customers as it guarantees local-to-local sourcing, but also Montana Aerospace itself with respect to recruiting and talent management.

There are many reasons for the heightened competition on the market for skilled labor. In our case, we also need to find and retain suitable employees as part of the ramp-up of our new production sites and wherever we need to increase capacities. In this context, we simply take advantage of one of the causes this "global competition". We created a recruiting program for the entire Montana Aerospace group in which we address female employees where they are currently located and attract engaged persons from the APAC region to Europe and the US. Our experience with the smart hiring strategy has been very good in the past years, and we have now extended the concept to all locations and divisions.

Post-merger integration of ASCO Industries

With the acquisition of the ASCO Group in April 2022, Montana Aerospace acquired valuable competence in product design, testing and the manufacture of hard metal components and assemblies for wing and fuselage structures. The successful integration of the Belgian company, with subsidiaries in Belgium, Germany, the US and Canada into Montana Aerospace's global manufacturing network not only strengthened the ASCO brand, but also expanded Montana Aerospace's portfolio of products and services, and improved proximity to customers in the US, Canada and Europe.

By combining Montana Aerospace's materials expertise and best-cost country footprint with ASCO's design, engineering and assembly capabilities, Montana Aerospace supported its growth trajectory to becoming an industry leader for large components and complex assemblies in the aerospace industry.

IN CONVERSATION WITH OLAF LAWRENZ

CEO OF ASCO INDUSTRIES

... about ASCO's strengths, the advantages of being part of a large Group and future potential.

Since September 2022, the experienced aviation expert Olaf Lawrenz has been CEO of the ASCO Group, which was acquired and integrated into Montana Aerospace AG in April 2022.

To what extent has ASCO already been able to benefit from its integration into Montana Aerospace this year?
The year 2022 was not only a year of "integration into Montana Aerospace" for ASCO, but also one re-starting the plants post-coronavirus and also a period of work to get a grip on developments on the commodities markets. We were multi-tasking, so to speak. For me, a good example of the benefits of close cooperation within a global network is the fact that the international sales teams are better able acquire new business on the market to achieve higher rates of capacity utilization. Furthermore, we were able to reach important decisions regarding investments in new production lines that will secure further business in the future.

What strengths does ASCO bring to the Group?
Firstly, I would like to mention our colleagues at our four sites at Zaventem, Gedern, Stillwater and Vancouver. Together, we bring many years of aviation experience to the Montana Aerospace Group. The know-how to produce highly complex components and assemblies of the highest quality is definitely an absolute gain for the Montana Aerospace Group, especially because we are also close to the final assembly sites of the two most important OEMs, Airbus and Boeing.

Until the takeover by Montana Aerospace AG, ASCO was a family-run company of the Boas family for more than 60 years and many employees have also been with the aircraft manufacturer for several decades. How do you take employees on a journey into a new future and as part of a large international Group?
Very good question, as it definitely means a change in culture for all of us. The management team invests a lot of time on the shop floor to engage with colleagues and also to address the many questions. We encourage communication among departments at the plants within ASCO, and also with the colleagues of the partner division Universal Alloy Corporation. Social media channels also play a role, because our employees follow them very closely. I believe that with rising capacity utilization at the ASCO plants, the uncertainties on the team will diminish and the benefits of being part of a larger group of companies will become more and more evident to the team.

One year after the takeover, what is your summary? What were the major achievements in your view and where do see potential?
The summary is a positive one in any case, even if we still have a lot of work ahead of us, for example, setting up the headquarters of the Aerostructures segment in Zaventem. The joint strategy we developed together over recent months is an example of how well cooperation among the different areas of the Group works. The joint range of services and solutions we have already brought to market are showing initial success. Nonetheless, we need to give the market more examples of our strengths, our USPs, and to show that we have the perfect solution to many of the OEMs' problems.

Thinking ahead, what headline would you like to read about ASCO in the media in 2030?
65 years of ASCO Industries — the Belgian aerospace supplier, which ranks among the world's top five tier-1 suppliers, celebrates its best annual results since its foundation in 1965 at the company's headquarters in Zaventem.

Start of serial production of Europe's only large-diameter extrusion line (heavy press) for the aerospace industry

Montana Aerospace is a leading specialist in the extrusion of high-strength aerospace alloys and has seven extrusion plants throughout the world with more than 25 presses in operation, including large-diameter extrusion lines for the production of aluminum structural components up to 30 meters in length. Two of these special presses are in operation at plants in the US. At the end of 2022, another large-diameter extrusion line started serial production at the Mediesu Aurit plant in Romania. This is Montana Aerospace's third heavy press built and commissioned in just 18 months and is the first of its kind in Europe. The installation of the large-scale extrusion line in Romania permits Montana Aerospace to support the local-to-local procurement strategy of its European customers.

The expansion of its large format extrusion capabilities in Europe enabled Montana Aerospace to close a new contract with Airbus for the production of structural components for fuselage and wings for the Airbus models A320 to A350.

Initial test phase of new titanium press at Baia Mare plant completed successfully

Since 2022, the new titanium press at the plant in Baia Mare, Romania, has been in operation enabling Montana Aerospace to offer—apart from aluminum and special steel products—special profiles created in a hot extrusion process for the production of near-net shape profiles made of titanium alloys.

The forms of the extruded parts are designed and manufactured according to the specifications and requirements of customers, and can be processed directly into ready-to-install components as part of the one-stop shop concept. Our know-how permits us to significantly improve the buy-to-fly ratio and thereby reduce production and delivery times.

IN CONVERSATION WITH JULIA ZILLIES

CHIEF INDUSTRIAL STRATEGY OFFICER

... about lean management, better performance and the need to improve the problem-solving skills of employees and management.

Julia Zillies joined the Montana Aerospace team of experts in 2021 as Chief Industrial Strategy Officer and is responsible for operational excellence, performance and improvement management at the production sites of the Aerostructures Units.

What does operational excellence mean to you?
Operational excellence is the framework we are constantly working on to promote productivity, profitability and growth. It is about improving as a whole: in processes, as an organization, as an individual, as a team, and not only in some areas. At Montana Aerospace, this means that everyone along the value chain from the operator to the executive must understand their tasks as well as the underlying common corporate goals, thereby empowering them to solve problems independently and to work on improvements. Our aim is to work more productively, efficiently and to a higher quality standard with the same team by working together to optimize the deployment of our resources.

What are the crucial elements of lean manufacturing for you?
For many people, lean is more of a cultural challenge than an operational one, because everyone is expected to proactively contribute to the continuous improvement of our value chain. Often, it is about very practical things that can be easily resolved using common sense and goodwill. We have to work constantly to encourage our teams to strive for betterment and keep their eyes open to spot improvement potential when walking through the production halls. An important contribution on our part as management is to find the right way to make performance and efficiency, in other words, improvement, measurable, and therefore visible and tangible. A person who works to excellent standards will naturally want to also see it. For me, lean means that we design our processes to be as transparent and simple as possible, that we point out to each employee their ability to make improvements, and motivate our team to work to optimize our production processes to secure long-term growth.

In 2022, you introduced several measures, which are key building blocks for lean manufacturing. Which three measures had the biggest impact on performance in your view?

1. Inventory management
Last year, we launched an initiative to reduce our inventories, as they do, of course, tie up capital. A very important first step was to agree on the right KPIs, a transparent presentation and the measures that allow us to track progress reliably. We started a process that enables us to review on a weekly basis if we are moving in the right direction and if our measures are working or if we need further initiatives. Now, we are starting to see initial achievements. As a result, we have a very motivated team that will continue to work towards the goals defined this year as well.

2. Visual shop floor management
Our clearly structured boards on the shop floor are an important building block for performance improvement. These boards display clearly to every employee where we stand with respect to safety, quality, delivery, costs and people. Problems are made clear through analyses and are assigned clear actions and tracked. It is very important that our teams understand that problems and suggestions for improvement are noted and addressed as quickly as possible. Abstract expectations are turned into verifiable and understandable goals, and motivate our employees to proactively work on achieving the daily targets.

3. Best practices network
To this end, we created a team made up of experienced employees and new employees to work on lean and continuous improvement management. These employees, who work across the globe, meet to share ideas on current topics on a weekly basis. They support each other on projects through open dialogue and knowledge transfer. They are working on a standard training program to ensure that inexperienced employees and new hires learn about Montana Aerospace's Lean Principles, guidelines and standard tools for the Aerostructures Segment from the very start.

What is your experience with implementing new procedures or policies?
A major challenge is how to convince the teams and managers of the improvements and engage them to make the changes sustainable. Proposals and actions requested by local teams and local management have the best chances of success. We must stay involved to ensure that improvements are successful also over the long run and the new processes are followed.

The Aerostructures Segment has increased production capacity enormously in the past few years, but still, not every order is a good order. Which parameters are essential in your view and which criteria should be used to select orders?
First of all, it is important to us to use free capacities to manufacture products of high profitability, with one requirement being a transparent cost structure. The limits and thresholds of our products are discussed together. However, there are, of course, other factors that play a role. In the past few years, we have invested large volumes to expand our skills and competence in order to supply our customers with a wider range of services and products. When an order matches our strategy very well and we are able to qualify for new customers or manufacturing processes in areas we want to advance in, this may influence purely profit-based considerations.

How do you develop team work across functional areas? And how do you develop the problem-solving skills of your managers and staff?
It all starts with selecting a good team so that everyone can contribute real value to the initiative. For me, communication is a key success factor. Time and again, I have had the experience that communication between the different business areas is not flowing optimally. And sometimes working methods are "ingrained" in employees, so to speak. In both cases, it is important to define a common goal that everyone can identify with, or at least understand its value. In the best case, of course, an improvement has a positive impact on an employee's day-to-day work. For this reason, we make every effort to promote communication as well as collaboration and cooperation, and to win over each individual team member in every case; we ask their opinion and encourage communication among employees. It is very important for managers to have clear targets, take responsibility for problems and actively tackle them. Our aspiration is to help every employee to know their own strengths and thus be in a position to steadily expand their scope of action.

In your view, what is the best leverage for achieving improvements at the production facilities of Montana Aerospace in 2023?
At Montana Aerospace, we have different starting situations at the different plants. Many of our plants have been operating for more than 60 years, while some have only recently been completed. Due to the coronavirus pandemic and the resultant under-utilization of capacities, I see the focus at our new plants primarily on completing the commissioning of machinery, training personnel, and launching processes and industrialization. At these plants, we are working on the options for professionalization, and on making manufacturing processes more efficient, more productive and faster. At our established plants, we often encounter long-standing ingrained structures and processes that make processes slow and complicated, especially in the indirect areas. In my view, we can achieve a lot by changing the way we think, by rebuilding old structures and beliefs, and making our teams more agile again. Overall, it is not about standardizing everything, but about looking every day at where and how we can improve workflows and achieve our goals faster by working together.

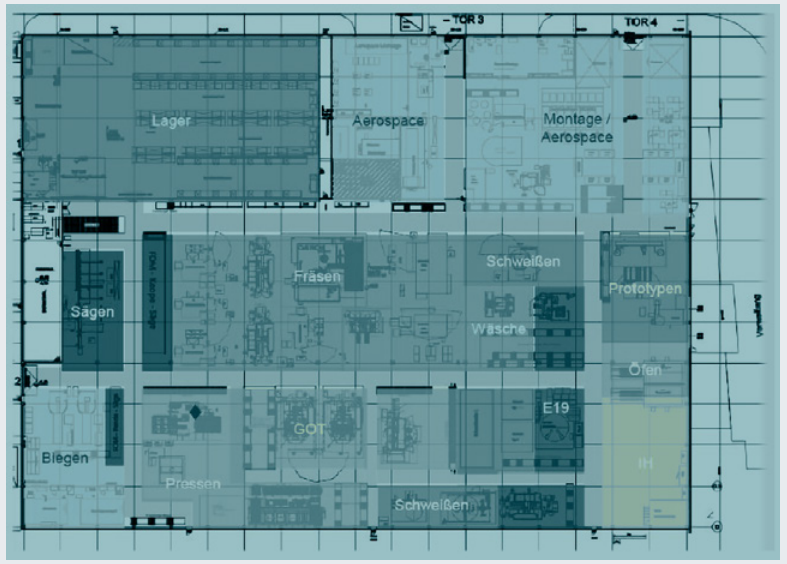
Automation Kick-off at Ranshofen

A project request from a well-known customer from the automotive industry for which Alu Menziken has been working for many years was behind the automation initiative launched in 2021 at the Ranshofen, Austria plant with the aim of being able to make a competitive bid. The machinery manufacturer Grob and Alpine Metal Tech (Montana Aerospace Joint Venture) joined forces to develop an automation concept for the site and invested in new milling machines and welding systems as well as in robotics. After only one and a half years—in mid-2022—the automated production line was successfully commissioned and started the serial production of battery components for e-cars. Alu Menziken convinced its long-standing customers not only with its cost-effective bid, but also its geographical proximity and high degree of vertical integration were contributing factors, which, apart from shorter delivery times and distances, also guarantee work to the highest quality standards.

With this order and additional new orders (running until 2029), the plant increased net sales by almost +47% versus the year 2022. The production line was designed in such a way as to permit it to be converted or expanded at any time to fit future projects.

New rationale for networked processes

Not only was a new automated production line ordered for the plant in Ranshofen, Austria in 2021, but the occasion was seen as an opportunity to optimize existing production facilities instead of investing in additional space. To this end, the entire plant—from incoming goods to the shipping gate and all processes in between—were carefully analyzed, product families grouped into clusters, and finally an optimized plant layout was developed based on the principles of lean manufacturing. The challenge was to design the production process in such a way so as to ensure that networked processes and material flows are optimally coordinated and throughput times are kept as short as possible, thereby permitting the company to fully exploit automation potential. By optimizing existing installations, additional open spaces were created, material flows improved, and efficiency in all processes increased as well as reducing waste to a minimum.



IN CONVERSATION WITH MARKUS ADAMS
CEO OF THE ALU MENZIKEN GROUP

... about the advantages of its location policy, how its recycling capabilities benefit customers, and about the significance of aluminum as a raw material of the future.

Alu Menziken opened a large new plant in Romania in 2019, while at the same time strengthening existing plants in Austria and Switzerland by investing in automation. What strategy is Alu Menziken pursuing with its investment?
The investment in Romania rounded off AME's footprint. With the new plant, the AME Group has added one site for the serial production of cost-efficient aluminum components which can be delivered directly to our customers, or to our plants in Austria and Switzerland for further processing. The value chain starts with the production of aluminum alloys from at least 70% scrap in our cast houses and the production of aluminum billets. The Romanian site is supported by our employees from the Swiss Technology Center in the area of product and process development. This means that the AME Group is perfectly positioned for serial production in Romania, for further processing of Automotive & Aerospace applications with prototype production in Ranshofen, and for the manufacture of niche applications in Switzerland to meet the different requirements of our customers.

The ramp-up of the plants post-coronavirus, rising commodity and energy costs, the shortage of skilled workers in Europe, and, additionally, the often-used slogan to keep up morale "use the crisis as an opportunity" dominated the challenging year 2022. In which areas did AME come out stronger. And where do you see potential for improvement in 2023?
The coronavirus crisis was used to optimize our internal processes with the aim of reducing lead times, inventories and costs. At the same time, we increased flexibility to be able to respond even more efficiently and faster to the rapidly changing market requirements.

The recycling of aluminum scrap and the production of specific aluminum alloys are some of the core areas of competence of Alu Menziken. What concrete advantages do the know-how and skills create for your customers?
The use of secondary aluminum has four main advantages, which also benefit our customers, of course.
1. Compared to the use of primary aluminum, the production of 1 tonne of aluminum from recycled raw materials saves 2—3 tonnes of CO_2 and 95% of energy. The excellent recyclability is a major advantage of the material in terms of sustainability and cost.
2. We obtain our raw aluminum from low-CO_2 sources where the material is produced in an environmentally-responsible manner using renewable energy. This is of great importance to us.
3. The use of purchased as well as our own aluminum scrap reduces the dependence on primary raw material markets, which is an important contribution to guaranteeing supply security and reliability for our customers.
4. The use of aluminum scrap makes economic sense, and benefits not only our customers but the environment in general.

A look into the future: E-mobility and autonomous driving are expected to put high-quality plastics on automakers' shopping lists according to diverse media. Will this make aluminum and steel less important?
Due to its low weight, aluminum is a material that has become indispensable for the mass production of movable goods, apart from the sustainable properties already described. Recyclability has a very big advantage over plastics and composites. The expected increase in volume due to the need for lightweight construction as part of e-mobility is just one factor. Against this backdrop, their application and widespread use will increase steeply in the coming years. Alu Menziken Group is well prepared for this growth with its four production sites.

Post-merger integration of São Marco

The synergy potential from verticalization combined with a strong position in North and South America as well as the company's dedicated and competent team motivated Montana Aerospace to acquire the Brazilian supplier of copper components to the energy industry in 2022. The integration process of São Marco and its 300 highly-qualified employees began in September.

This acquisition puts Montana Aerospace in a position to offer a complete one-stop-shop concept also in the Energy segment. Montana Aerospace also has plans to set up the recycling competence of São Marco at its locations in Europe and subsequently also to India and China. To this end, a knowledge transfer project has already been launched. The goal is to develop additional innovative and sustainable solutions as well as a circular business model together with our customers for the expanding energy and e-mobility markets.

IN CONVERSATION WITH KARL SCHÄCKE, SPEAKER OF THE MANAGEMENT BOARD, CSO AND COO OF THE ASTA GROUP

... about São Marco, the opportunities on the energy market, what a future-ready global energy industry looks like, and the role ASTA could play.

With the acquisition of São Marco, a Brazilian manufacturer of copper components for the energy industry, ASTA has been operating two plants in Brazil since September 2022. What makes the Brazilian market particularly interesting for the ASTA Group?
With this acquisition, we created market and cost synergies at our existing plants and not only strengthened our position in South America, but also gained competitive advantages for supplying the North American market. We are also working to deepen our competence in the mobility segment and our expertise in copper processing. With the takeover, we are pursuing our local-to-local strategy with sites worldwide in the best-cost countries.

What is the area of competence of São Marco and how does it supplement the skills of the second ASTA subsidiary PPE and likewise of the whole Group?
With the acquisition of São Marco, we gained many dedicated employees with solid skills for the Group. Furthermore, we not only acquired access to new markets and customers, but also massively expanded our manufacturing competence. The reason is that the Brazilian experts have the capability of producing and enameling extremely thin round wires (0.052 mm diameter) at the plant in Três Corações. These are used for the circuit boards of smart cards, among other things. We are pleased to have entered the copper recycling market by taking this step. We plan to expand this area of competence in 2023 and transfer the know-how within the Group.

Energy consumption is rising rapidly worldwide. Emerging markets are investing in major infrastructure projects and the industrialized countries are driving the changeover to renewable energy sources to mitigate climate change. The starting position for ASTA and its partners seems promising. What is your strategy to profit the most from this trend?
ASTA's copper components are critical for the success of the energy transition, as our products increase energy efficiency in high-power generators, transformers and motors, among other things. At our plants around the world, we are working to optimize efficiency. Also high on our agenda is the goal of promoting the transfer of know-how such as by lean management concepts. This is the only way to sustainably increase our profitability. To this end, we are equipping all locations with data glasses to permit experts from all over the world to connect online directly with the shop floor.

In your opinion, what do you think a sustainable, global energy industry should look like?
I believe that in the future we should think in terms of circular economy, also in the energy sector. First and foremost, what is needed is a binding commitment from end customers, i.e., grid operators and energy producers. A sustainable energy industry is possible with the active participation of all parties. This starts with policies that create the framework conditions and rules, and also includes industry and commerce as well as end customers. The sustainable use of resources is a challenge for everyone, because for me this means not only producing energy sustainably over the long term, but also consuming energy sustainably.

What role do you think ASTA's production sites in China, Brazil, India and Europe should or will play?
We are preparing to become CO_2 neutral step-by-step by 2030 and to expand our recycling activities as far as possible through alliances and cooperation at a global level. Why as far as possible? Because this sustainability has a price. For emerging markets, we will therefore find low-cost options. All sites will make their contribution, albeit in varying chronological order; in Brazil, we already started. China, for example, has fully committed to electric mobility, so the next step is equally conceivable.

BOOSTING SUSTAINABILITY!

Those who care about this planet must act now and set the course for a future worth living. In order to do so we have launched a series of major sustainability-focused innovations. Those may be costly today, but will pay off tomorrow a thousandfold — not only for us as a company. That makes us a promising partner for our stakeholders throughout the globe.

MONTANA AEROSPACE STRATEGY

Our corporate activities are guided by our long-term vision, a clearly defined strategy and our ambitious ESG criteria. Our key business objectives are to increase added value at all business segments, enlarge market shares as a full-service provider of system solutions for the respective industries, and create sustainable shareholder value.

In 2023, we expect to generate Net Sales of more than EUR 1.5 billion as well as an adjusted EBITDA in the range of EUR 130 to 150 million (excluding our divested non-core machinery business Alpine Metal Tech/AMT).

Four drivers of our strategy to accelerate profitable growth

Improve our competitive advantage through
VERTICAL INTEGRATION

Increase value sustainably through
TECHNOLOGY AND INNOVATION LEADERSHIP

Optimize resources, create economies of scale and improve results through
MANUFACTURING EXCELLENCE AND LEAN MANAGEMENT

Achieve organic and inorganic growth through
CAPACITY EXPANSION, PORTFOLIO OPTIMIZATION AND STRATEGIC M&A

OUR SUCCESS FACTORS

Focus on customers

We operate at 22 locations in 13 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.

Operational excellence

Operational excellence means driving profitability, cash flow and revenues. For this reason, our focus is to attain a higher level of efficiency in the use of resources (materials, equipment, production times, employees) and the use of synergies, while guaranteeing the highest quality standards. We use near net-shape manufacturing, we reduce the complexity of processes, we strictly apply lean structures and concentrate on acquiring better business.

Value creation — highly 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.

Human Capital

Our team is the backbone of our success and a key factor in the development of our business. With their dedication and commitment, they set the standards for the sustainable success of our customers. We are therefore committed to creating an attractive, stable and safe working environment for all Montana Aerospace employees and to supporting their individual professional development in a variety of ways.

Multi-material competence

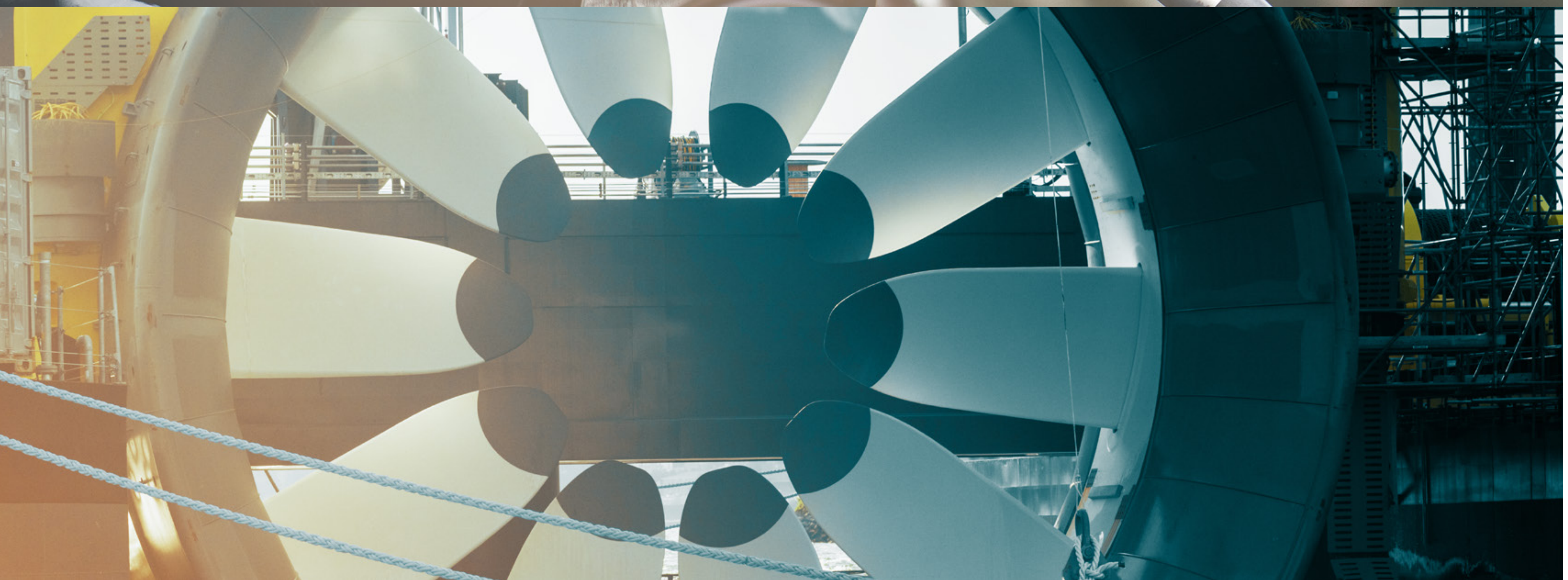
Product quality and innovation are based on our extensive competence. A special area of competence is the profound materials know-how of our experts. At Montana Aerospace, multi-material know-how includes recycling know-how for aluminum and copper, the development of new alloys, advisory services for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

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.

Focus on the key technologies of future markets

Mobility and energy 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 development of key technologies and low carbon manufacturing are the foundation of our innovative strength and secure our competitive position.



OUR BUSINESS SEGMENTS

As a globally operating industrial group, we specialize in key technologies in three markets of the future. In addition to the **aerostructures** 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.

In our three business segments, we focus on best-in-class efficiencies in all core processes of our value chain. This creates added value for our customers, increases our competitive advantage and enhances the motivation and team spirit of our employees.

AEROSTRUCTURES

We are an important partner for leading aircraft manufacturers. 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 and wings, as well as critical engine components and functional components for cabin interiors.

12
locations
in 8 countries

~300,000 m^2
of **industrial space**

>250
CNC machines

~4,700
highly qualified
employees

Aluminum, Titanium, Special Steels and Composites
Material competencies

13 Al | 22 Ti | 6 C | 26 Fe

One Stop Shop for the Aerospace Industry

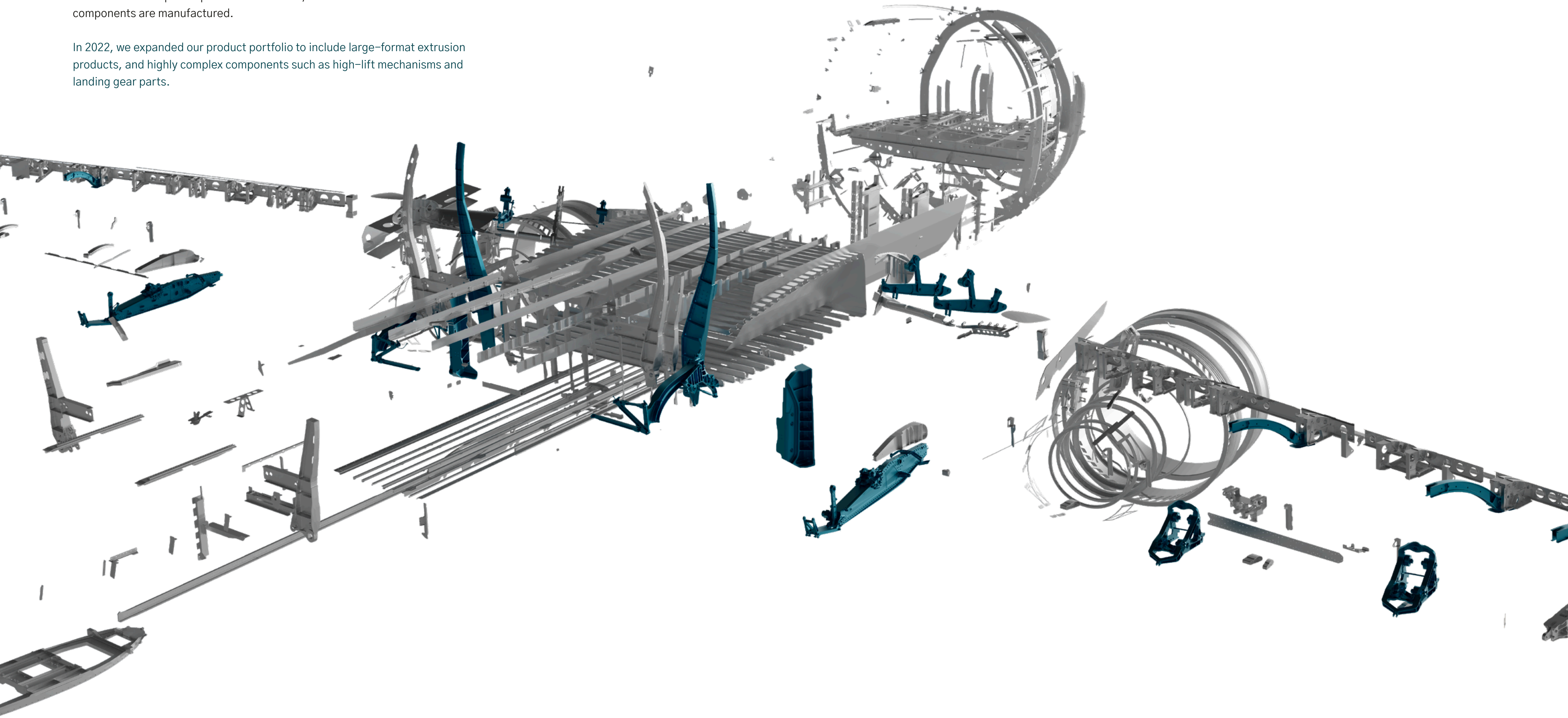
Recycling, Melting & Continous Casting → Extrusion & Heat Treatment → Metal Form → Machining & CNC Processing → Surface Treatment & Painting → Pre-Assembly & Assembly

Engineering & Project Management

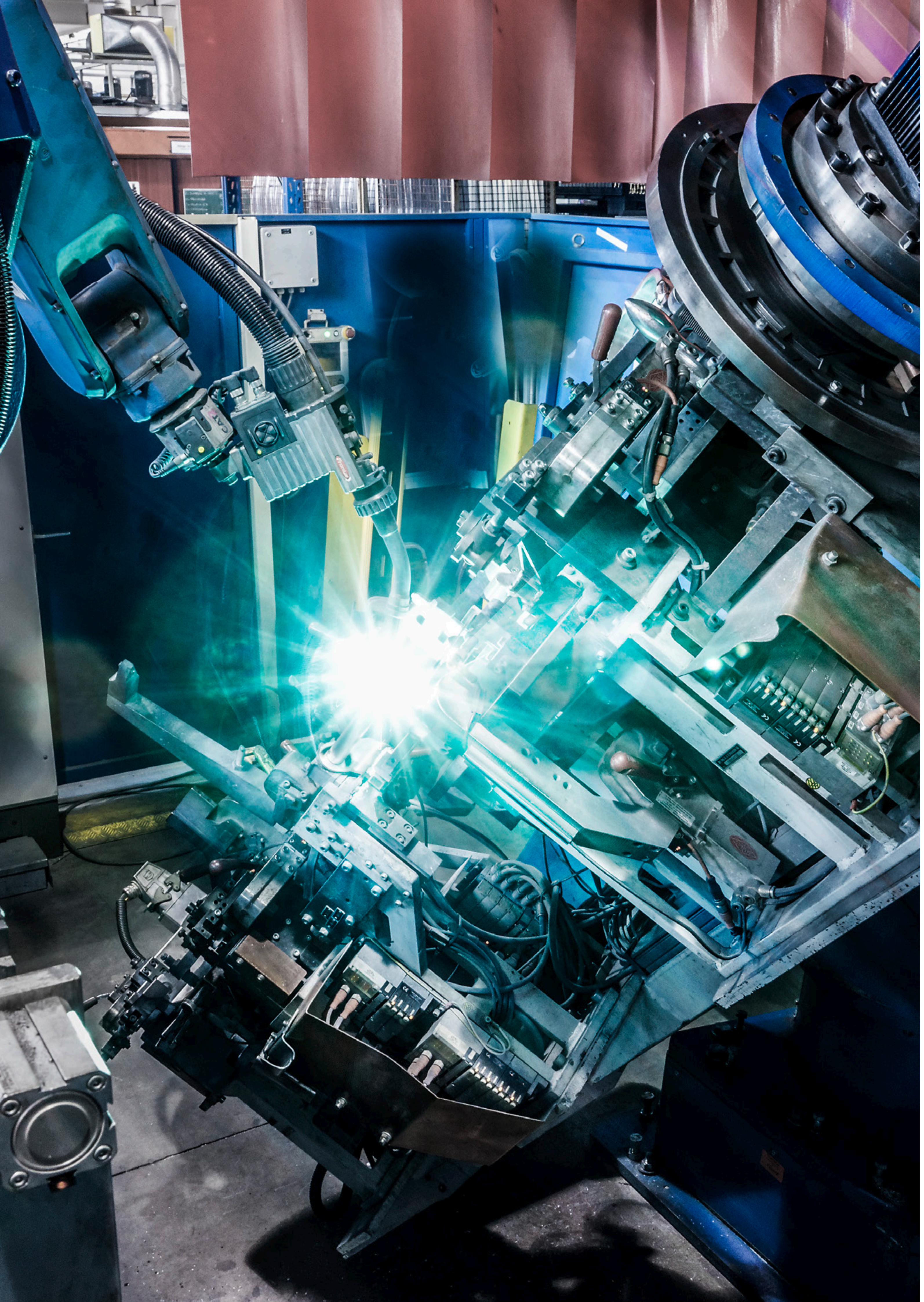
COMPETENCE CENTER FOR THE AEROSPACE INDUSTRY

At Montana Aerospace's production facilities, 1.5 million commercial aircraft components are manufactured.

In 2022, we expanded our product portfolio to include large-format extrusion products, and highly complex components such as high-lift mechanisms and landing gear parts.



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



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 e-battery systems, structural components, crash management, fluid systems, roof systems and exteriors.

4
locations
in 3 countries

~130,000 m²
of **industrial space**

>30
CNC machines

~700
highly qualified
employees

Aluminum
Material competence

Al

One Stop Shop for the E-Mobility Industry

Melting, Continuous Casting & Recycling → Extrusion → Mechanical Processing & CNC Processing → Surface Treatment → Forming → Joining Technology → Assembly

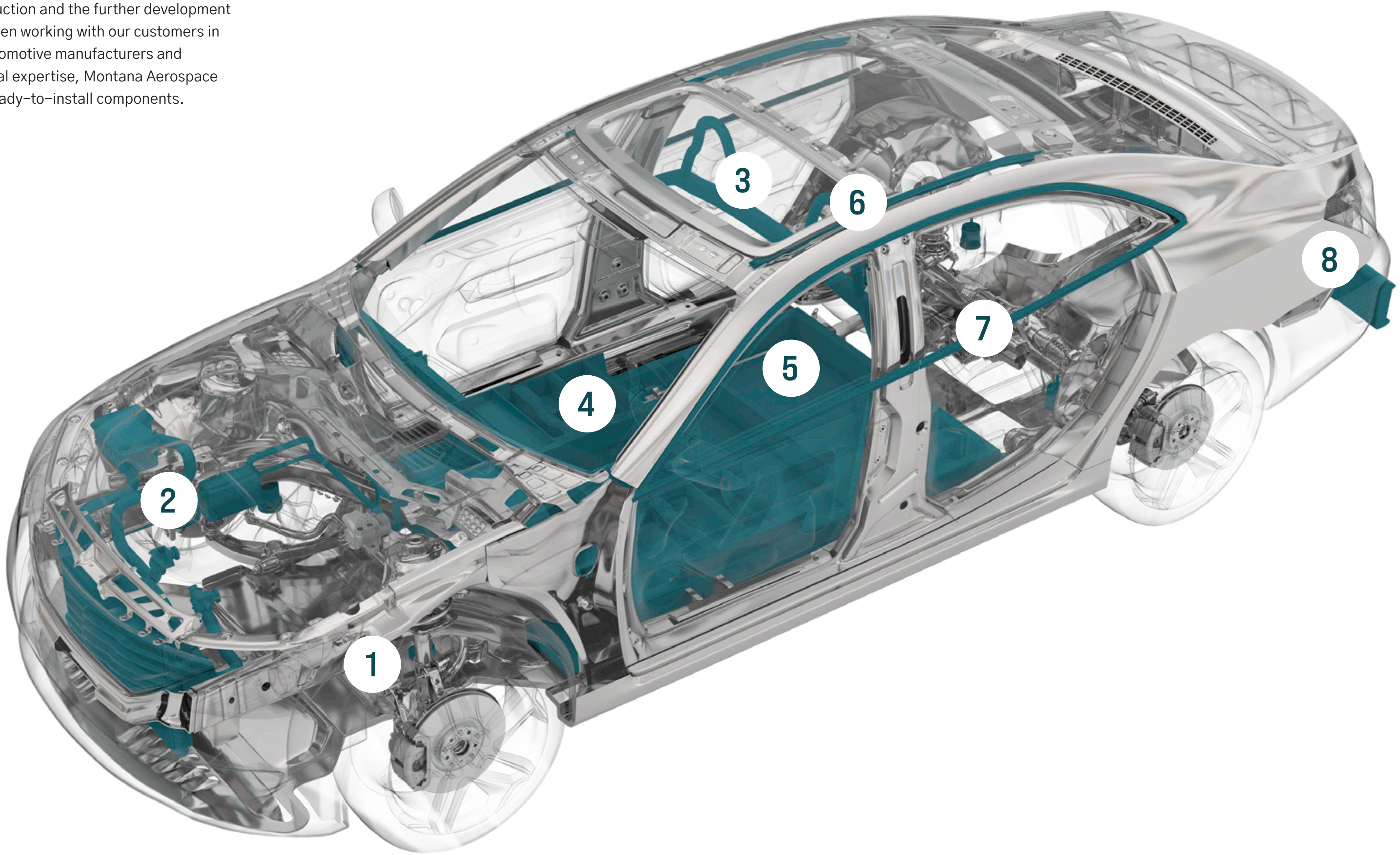
Engineering & Project Management

EXCELLENCE IN LIGHTWEIGHT DESIGN FOR THE E-MOBILITY INDUSTRY

The main drivers of the automotive industry are constant weight reduction and the further development of technologies and materials such as magnesium alloys. We have been working with our customers in these areas for years. Montana Aerospace is an ideal partner for automotive manufacturers and suppliers and boasts years of experience. Combined with its technical expertise, Montana Aerospace is able to offer a wide range of products from aluminum profiles to ready-to-install components.

We offer solutions for many areas within the car:

1 Chassis
2 Fluid systems
3 Structural components
4 Seat structure
5 Battery housing, cover, caring and cooling
6 Roof systems
7 Exterior
8 Crash management



One of Montana Aerospace's core products are CTCs (continuously transposed conductors) for power transformers or transmission.

ENERGY SEGMENT

Montana Aerospace's mission is to power the energy transition globally. The Energy segment is specialized in copper processing and is highly competent in the areas of copper refinement and insulation systems across the whole value chain. Montana Aerospace produces components for energy generation & transmission systems and powers the (e-)mobility with its solutions. Our world-class innovative technologies enhance the full potential of energy solutions by reducing resistance and improving the efficiency of generators, transformers and (e-)mobility applications around the world. To support the global transition to the use of green energy and meet the CO_2 quota, we recycle and provide next-level components today, while researching and developing even more advanced solutions for tomorrow.

6
locations
in 5 countries

~120,000 m^2
of **industrial space**

>200
years of
experience

~1,300
highly qualified
employees

Copper
Material competence

29 Cu

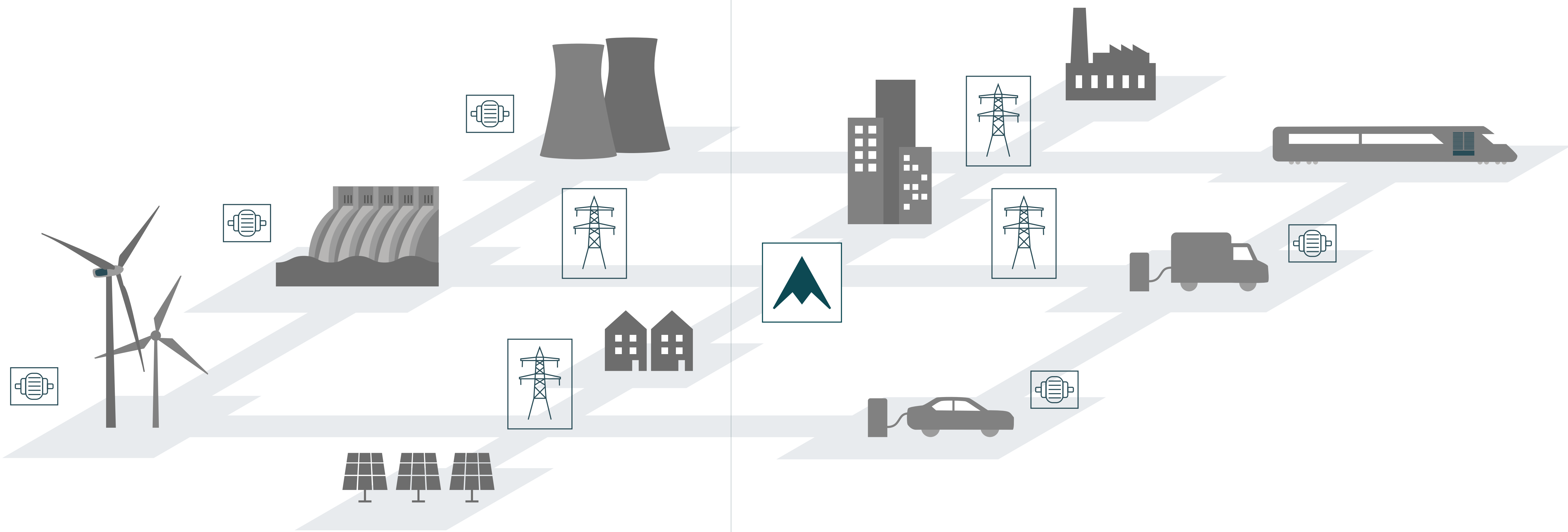
One Stop Shop for the Energy Industry

- Recycling
- Bare Wire Manufacturing
- Enamel Insulation
- Transposing
- Other insulation systems

POWERING THE GLOBAL TRANSITION TO GREEN ENERGY

With energy consumption on the rise and our climate's time running out, the chance for incremental improvements has passed. We are in need of drastically optimizing the efficiency of existing systems.

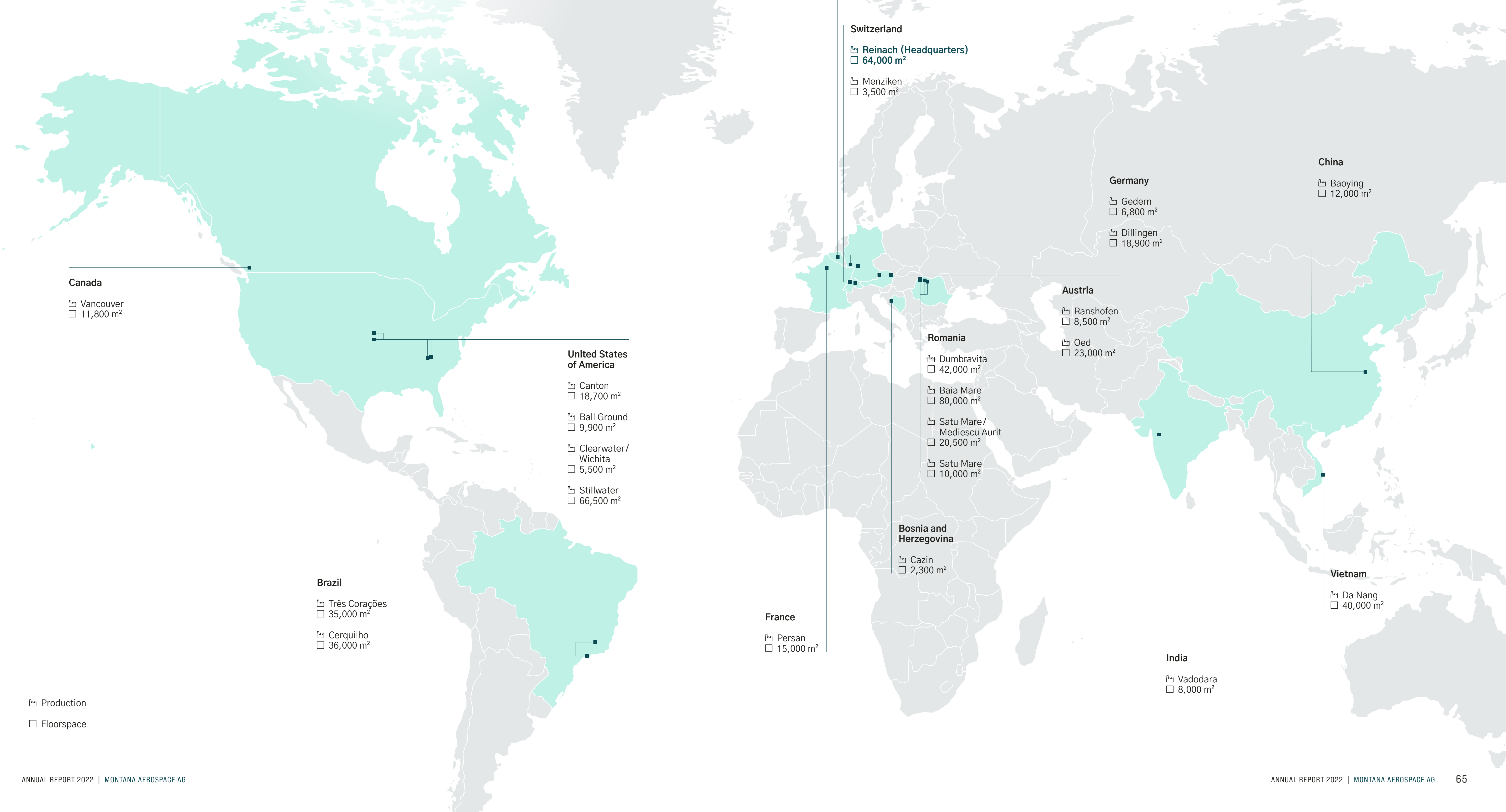
Montana Aerospace products are used throughout the entire energy infrastructure. We produce components for generators at power plants to produce electricity, for high-voltage transformers that convey electricity and control voltage, and for the (e-)mobility sector.



BUSINESS SEGMENTS

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 industries worldwide.



FINANCIAL HIGHLIGHTS

Earnings

(in T€)	2022	2022 (adjustments)	2021	2021 (adjustments)
Net Sales	**1,306,134**		**790,052**	
Change in finished and unfinished goods	12,433		21,830	
Own work capitalized	29,739		34,584	
Other operating income	104,832		33,999	
Cost of materials, supplies and services	–857,150		–558,334	
Personnel expenses	–268,265		–173,645	
Other operating expenses	–200,799		–102,433	
EBITDA	**126,924**		**46,053**	
Legal cost for Arconic lawsuit		2,568		2,651
IPO related cost				3,377
M&A and PMI related expenses		2,539		0
Management stock option program related cost		2,198		3,519
Other service cost from affiliated companies				480
Adjusted EBITDA		**134,230**		**56,080**
Adjusted EBITDA margin		10.3%		7.1%
Depreciation and amortization	–109,233		–71,808	
Operating Profit (EBIT)	**17,691**		**–25,755**	
Financial result	–46,381		–17,702	
Result before tax	**–28,690**		**–43,457**	
Income tax income (expenses)	–8,085		–5,923	
Result for the period	**–36,775**		**–49,380**	
Thereof attributable to:				
Owners of the company	–36,110		–49,009	
Non-controlling interests	–665		–371	

Net Sales

In the financial year 2022, Montana Aerospace generated consolidated net sales of EUR 1,306.1 million, which is 65.3% above the previous year's EUR 790.1 million, by far surpassing any pre-Covid levels. While all segments showed significant improvements, the greatest contribution to net sales was generated by the business segment Aerostructures, closely followed by Energy. This favorable development was supported by Montana Aerospace's acquisitions of ASCO in the Aerostructures segment and São Marco in the Energy segment, contributing EUR 192.3 million and EUR 27.0 million respectively to net sales in 2022. The continued increase in sales in all segments is further strengthening the confidence in the future market development.

EBITDA
Accounting for one-off and non-operative effects—most notably the expenses related to the most recent acquisitions—the adjusted EBITDA reached EUR 134.2 million in 2022, exceeding the level of EUR 56.1 million in the financial year 2021. This translates into an adjusted EBITDA margin of 10.3%, surpassing last year's margin of 7.1% and Q3's margin of 6.0% respectively. On a non-adjusted level, reported Group EBITDA increased from EUR 46.1 million (in 2021) to EUR 126.9 million (in 2022), which represents a 175.6% increase, and which is in line with the increase in the adjusted EBITDA (increase of 139.4% as compared to the previous period).

The largest adjustments to EBITDA 2022 were the costs related to lawsuits (EUR 2.6 million), followed by merger and acquisition (M&A) and post-merger integration (PMI) expenses related to the acquired ASCO Group and São Marco (EUR 2.5 million) as well as the management stock option program (MSOP), which amounts to EUR 2.2 million.

Since activated costs in 2022 were lower as compared to 2021 (EUR 29.7 million vs. EUR 34.6 million), this increase in EBITDA can partly be attributed to the substantial improvement in the production output (sales plus change in finished goods; +EUR 506.7 million as compared to 2021), which was largely supported by the gain in market share and higher build rates in 2022 as well as a favorable sales mix with high Aerostructures net sales. The cost of materials, supplies and services increased in line with the production output as compared to 2021 (EUR 857.2 million vs. EUR 558.3 million).

In addition to the strong operative performance, especially in the fourth quarter of 2022, one-off effects, amounting to approximately EUR 30.0 million (roughly devided by two thirds Aerostructures segment and one third Energy segment), impacted the adjusted EBITDA of EUR 134.2 million. The most significant as well as positive effects for the Group were generated by the sale of the non-core machinery business (Alpine Metal Tech/AMT) and the two most recent acquisitions (ASCO and São Marco).

Personnel expenses increased from EUR 173.6 million in 2021 to EUR 268.3 million in 2022, consistent with the expanded workforce to 6,708 employees (already excluding the workforce from our divested machine building capacity Alpine Metal Tech/AMT) but reflects in terms of net sales a reduction of personnel costs from 21.9% to 20.5%. We continue to see the access to qualified personnel as a crucial milestone to sustain growth in the future.

Net sales and adj. EBITDA development per segment

	Aerostructures		E-Mobility		Energy	
(in MEUR)	2021	2022	2021	2022	2021	2022
Net sales	**285.0**	**636.4**	**122.5**	**191.2**	**383.0**	**479.6**
yoy growth	+123.3%		+56.1%		+25.2%	
Adj. EBITDA	42.9	69.4	6.5	24.4	8.6	33.6
yoy growth	+61.6%		+273.2%		+292.5%	

Segment sales and EBITDA performance in the full financial year 2022 show that, while some challenges may still lie ahead, many key challenges have already been mastered: Aerostructures as a key driver of Montana Aerospace's business expansion posted growth of 123.3% with total net sales of EUR 636.4 million and an adj. EBITDA of EUR 69.4 million, leaving many hurdles of 2021 behind. Increased build rates of OEMs, additional contracts as well as our strongly integrated value chain were the main drivers of this growth. E-Mobility also raised its net sales on a year-on-year comparison by 56.1%, which translates into EUR 191.2 million sales in 2022 and can largely be attributed to solid demand in the segment of German premium OEMs. The adj. EBITDA further grew by 273.2% as compared to the same period in 2021, also partially impacted by one-offs related to subsidies and state aid. The Energy segment reported net sales of EUR 479.6 million, which is well above the EUR 383.0 million in 2021, and an adj. EBITDA of EUR 33.6 million. The energy crisis triggered not only price hikes and enhanced input costs, but also a solid boost in infrastructure project demand to meet the rising necessity for alternative energy sources, including a spotlight on low-to-zero emission electricity. Consequently, the energy infrastructure market evolved from a pull- to a push market, as ramped-up demand started to leap beyond supply.

Operating Result (EBIT)

On a reported level, the operating result (EBIT) reached EUR 17.7 million as of 31 December 2022 compared to EUR -25.8 million in 2021, on the back of the one-off and non-operative effects mentioned earlier. Taking these adjustments into account, the adjusted EBIT would amount to EUR 25.0 million.

Total expenses for depreciation and amortization aggregated to EUR 109.2 million in the 2022 as compared to EUR 71.8 million in the same period in 2021. This increase reflects the ongoing commitment of our investments into new and improved production capacities. No adjustments to depreciation and amortization (impairments) were made.

FINANCIAL HIGHLIGHTS

Cash flow statement

(in T€)	2022	2021
Cash and cash equivalents at the beginning of the period	**509,059**	**95,803**
Net cash provided/used in operating activities	131,396	–27,837
Net cash used in investing activities	–150,267	–86,068
Net cash used in/from financing activities	–66,427	521,791
+/– effect of exchange rate fluctuations on cash held	2,454	5,370
Cash and cash equivalents at the end of the period	**426,215**	**509,059**

The cash flow statement reflects the net cash from operating, investing and financing activities. After adjusting the result before tax (EUR –28.7 million) for non-cash items and changes in assets and liabilities as well as income taxes paid, the net cash from operating activities amounts to EUR 131.4 million. The most significant impacts are related to the add-back of depreciation and amortization (EUR 109.2 million) to the result before tax, and the changes in assets and liabilities, which add up to EUR 58.1 million.

The investing cash flow amounts to EUR –150.3 million. The main contributors are the acquisition of subsidiaries (EUR –91. 1million) related to ASCO and São Marco, and the acquisitions of intangible assets and property, plant and equipment (EUR –86.0 million).

The net cash from financing activities for 2022 amounted to EUR –66.4 million, impacted largely by repayments of interest-bearing liabilities (EUR –154.1 million) as well as the issuance of interest-bearing liabilities (EUR 137.4 million).

Hence, the net change in cash and cash equivalents for 2022 amounted to EUR –85.3 million, taking these cash flows and the effect of exchange rate changes into account.

Balance Sheet

(in T€)	31 December 2022	31 December 2021
ASSETS		
Non-current assets	1,167,650	853,833
Current assets	1,052,997	938,547
o/w cash and cash equivalents	426,215	509,059
Total assets	**2,220,647**	**1,792,380**
EQUITY AND LIABILITIES		
Total equity	957,631	904,851
Non-current liabilities	789,995	590,682
Current liabilities	473,020	296,847
Total equity and liabilities	**2,220,647**	**1,792,380**

At 31 December 2022, total assets were at EUR 2,220.6 million (31 December 2021: EUR 1,792.4 million), reflecting an extended asset base mainly due to the acquisitions in 2022. At the end of the reporting period, total non-current assets amounted to EUR 1,167.7 million (31 December 2021: EUR 853.8 million) and included mainly intangible assets and goodwill of EUR 305.8 million (31 December 2021: EUR 193.5 million) as well as property, plant and equipment of EUR 745.0 million (31 December 2021: EUR 603.8 million). Within total current assets of EUR 1,053.0 million (31 December 2021: EUR 938.5 million), other receivables and assets amounted to EUR 96.7 million (31 December 2021: EUR 35.6 million), inventories to EUR 324.0 million (31 December 2021: EUR 245.4 million), trade receivables to EUR 171.4 million (31 December 2021: EUR 129.1 million) and cash and cash equivalents to EUR 426.2 million (31 December 2021: EUR 509.1 million).

Total liabilities were at EUR 1,263.0 million at 31 December 2022 (31 December 2021: EUR 887.5 million), of which EUR 473.0 million refer to current liabilities (31 December 2021: EUR 296.8 million) and EUR 790.0 million to non-current liabilities (31 December 2021: EUR 590.7 million). Non-current liabilities include EUR 466.4 million in loans and borrowings (31 December 2021: EUR 448.7 million), EUR 104.6 million in other financial liabilities (31 December 2021: EUR 32.2 million) and EUR 93.8 million in other liabilities and accruals (31 December 2021: EUR 58.4 million). Total equity increased to EUR 957.7 million (31 December 2021: EUR 904.9 million) and includes EUR 918.2 million of share premium (31 December 2021: EUR 849.1 million) and EUR 0 million of non-redeemable loans (31 December 2021: EUR 15.2 million).

At 31 December 2022, Montana Aerospace's trade working capital amounted to EUR 301.7 million compared to EUR 265.2 million at 31 December 2021.

2023 — REAPING THE REWARDS OF OUR COUNTER-CYCLICAL INVESTMENT PROGRAM

Major investment program completed (>EUR 650m)

While Montana Aerospace has invested more than EUR 650 million in new capacities in the past few years (2018 to 2022), starting in 2023 we will be reaping the rewards of our counter-cyclical investment strategy. We have moved ahead of our competitors, with the help of a strong order book, the acquisition of new market shares and the support of our highly dedicated team of experts around the world.

Encouraging our global talents

At Montana Aerospace, making our employees feel valued enjoys high priority. This includes helping them grow both as professionals and as individuals. To this end we have set up the Montana Aerospace Mentorship Program, which is a voluntary, global 6-month professional development program offered twice each year. Mentors and mentees from all divisions are paired to match mentees' goals with mentors' skills. Cross-cultural competence is promoted by bringing applicants across countries and divisions together. We are happy to announce that the first cohort of 2023 just started with 29 paired mentors and mentees.

Focus on net income and free cash flow

After completing the largest capital expenditure program in Montana Aerospace's history — a stress test for our financial KPIs — now the time has come to demonstrate that we can generate a positive and sustainable level of net income and free cash flow going forward. Additionally, as of 2023 we will focus only on sustainable capital expenditure and maintenance.

Streamlining our balance sheet

In 2023, we plan to strengthen our balance sheet and reduce dependence by lowering our debt positions and generating higher positive free cash flows. One defined goal is to reduce our ties with our majority shareholder Montana Tech Components AG (with respect to debt) and establish a more independent debt financing structure without its guarantees. This step will be a key focus of Montana Aerospace in 2023 with the aim of achieving a greater level of financial and operational independence.

Commodities

While 2022 was not an easy year, we do not expect smoother sailing in the first three quarters of 2023 either. We are countering any shortages caused by the war in Ukraine with a forward-looking commodities strategy:

- Price increases on world markets can be contained by contractual clauses regarding commodity costs, a common practice on markets.
- Our goal is to achieve a high level of recycling in our production processes — particularly regarding aluminum for which our alloys consist of 70% recycled materials.
- The high vertical integration of our value chain gives us greater independence from external commodity supply chains.

Montana Aerospace's new goals & 2027 segment strategy

We aim to achieve operational excellence in the Aerostructures segment in 2023.
We will focus on three key areas:

- Execution: ensure a fast and smooth ramp-up
- Performance: achieve greater efficiency to improve operating margins, expand digitization capabilities and optimize internal as well as external supply chains
- Growth: expand sustainable and profitable business areas in specific segments and increase diversification

FINANCIALS:

EBITDA Montana Aerospace estimates EBITDA for 2023 to be within the range of

EUR 130 TO 150 MILLION

EUR >1.5 BILLION
IN NET SALES

TAKING RESPONSIBILITY AND LIVING SUSTAINABILITY

ESG REPORT

ESG REPORT

ENVIRONMENT, SOCIAL RESPONSIBILITY AND GOVERNANCE AT MONTANA AEROSPACE

About this report

The ESG Report presents our activities, progress and developments in the area of sustainability. It covers our financial year from 1 January to 31 December 2022 and provides an overview of the company's performance and presents selected key performance indicators.

The report includes information on 33* of our locations in over 17* countries that employ 7,200* persons where we have a controlling influence over operations. Montana Aerospace's subsidiaries, Cefival and ASCO, have been included in ESG reporting for the first time, and therefore, comparability with the preceding ESG Report of 2021 is limited.

All data and figures were collected locally and compiled centrally for the reporting period. For the purposes of this report, the terms "company", "Montana Aerospace" and "we" refer to the entities covered in the report unless otherwise made clear by the context.

This section of the Annual Report (ESG Report) has not been audited or reviewed externally.

* The ESG Report refers to the period until December 31, 2022 and includes the employees and sites of AMT.

OUR APPROACH TO ESG

Sustainability is more than just a buzzword at Montana Aerospace: it is a core value of our corporate culture. We are aware of the emissions the manufacturing industry produces and the responsibility it bears for the global carbon footprint. This is why we feel a strong sense of duty to reduce our environmental impact and achieve a high level of sustainability.

Montana Aerospace is an expert in the key technologies needed for three markets of the future: aerospace, energy and e-mobility. We have a strong position in the aerospace sector and aim for technology and market leadership in e-mobility. We are also highly competent partners for the high energy and energy infrastructure sectors. The environment we work in and our business operations not only pose challenges and call for accountability, but also offer opportunities for sustainability.

It is important to take into account the environmental, social and governance aspects of our activities in our overall strategy to ensure sustainable business practices. After the IPO in 2021 and the major structural changes triggered by the acquisition of ASCO and Cefival, we focused primarily on gaining an overview of what ESG means for the Montana Aerospace Group as a whole.

In 2022, we intensified efforts to create a solid foundation as a starting point to improve sustainability. We conducted a critical evaluation of our first actions and steps, and identified the areas that actively contribute to our objectives. We also reorganized and enlarged our Global ESG team to make sure our efforts bear fruit, adding a centralized group for coordination tasks and local teams to help understand the requirements of each site and country.

Although we are at the beginning of our ESG journey, our technological know-how, innovations and new approaches to manufacturing play an active role in shaping the mobility of tomorrow. This is why we work with high-tech materials, and constantly strive to optimize designs, and create forward-looking manufacturing processes. Our major investments in new and modern manufacturing facilities underpin our claims.

We have a created a solid foundation for going forward and are well-prepared for the next steps in 2023. Proactively addressing and embracing the challenges of our times gives us the tailwind we need to take off.

Let's embark on this journey together!

IN CONVERSATION WITH SILVIA BUCHINGER

CHIEF HUMAN RESOURCES OFFICER

... about the importance of living the ESG strategy, Montana Aerospace's goals, the Group's present status and each of the areas of responsibility and the steps that need to be taken to establish ESG lastingly at the company.

What is the first thought that comes to your mind when you hear ESG?
Considering the scope and the enormous significance of ESG, there are, of course, many things that come to mind that affect me personally and in my everyday work. Apart from the numerous environmental challenges and the fact that sustainability is now an indispensable component of our personal and professional daily lives, it goes without saying that the social pillar must also be given priority. Therefore, I am very pleased to be responsible for ESG and HR at Montana Aerospace. These two areas are also inseparable in my view.

What were pivotal moments in your career where you realized how important sustainability is going to become for companies?
It was the many personal conversations with employees and job candidates that made me aware of the company's responsibility as an employer. Considering how intensely society is already focusing on sustainability (also in private life), it would be irresponsible as an employer not to give this topic the same level of importance. Many of our colleagues work directly in production, and therefore, recognize very precisely whether and in what form we are able to meet our aspirations to operate more sustainably and identify the potential for development. The unfiltered information from our employees and the findings arrived at based on this information make it possible for us to conduct very precise site analyses of our sustainability activities at any time and moreover identify possible areas for action.

In this context, one must of course also mention one's appeal as an employer. The majority of applicants now include ESG initiatives and the activities of companies and potential new employers in their decision-making process about a new job. And in my opinion, quite rightly so. Sustainability in human resources policy has become essential and the goal is no longer only about performance, which is something we do expect, but about the behavior, values and principles that guide a company in its daily work.

Have you or people working at Montana's divisions all over the world already been affected by climate change?

I believe that worldwide, most people have already personally experienced the effects of climate change. The images we see daily in the news from all over the world also show very clearly in which direction things are developing. However, I also see an opportunity to steer things in the right direction, especially if we all become aware of our joint responsibility and act on it.

What are Montana Aerospace's long-term goals for sustainability?

Sustainability is part of our overall business strategy and one of our five corporate principles. We take climate protection and sustainability very seriously and these topics are always considered in our decision-making processes. This requires structured processes and methods, which we continuously work to improve. Over the long term, it is particularly important to us to align environmental and ethical standards with our business activities, to constantly evaluate and improve our processes, and increase the environmental efficiency of our products. This calls for cooperation within our Group as well as within the entire industry to work on innovative solutions to meet the challenges of tomorrow.

What role do the United Nations Sustainability Development goals (UN SDGs) play in Montana Aerospace's ESG strategy?

In my opinion, the 17 UN Sustainable Development Goals (SDGs) constitute the comprehensive framework for all relevant topics that must be addressed when defining the key objectives of any strategy. People—who are at the heart of any sustainable development—are of particular importance in this context. As all key areas of life are represented within the framework of the SDGs, it is very easy to communicate the importance of our ESG measures to all our employees within their own environments. As a globally operating company, we have identified a total of seven goals at Montana Aerospace to which we can contribute, want to contribute, and will contribute.

Where do you see improvements in ESG at Montana Aerospace in the past year?

In a company of our size there are, of course, a large number of individual measures that must be highlighted such as the continued development of our "one-stop-shop" strategy and the related continuous improvement of our carbon footprint, as well as the many activities of our HR strategy (health and safety, leadership program, mentoring, etc.).

Our practice of open communication across all levels encourages employees from the many different divisions to develop new ideas and approaches—some of which are highly innovative.

Of course, we also consider it our duty to act on the issue of compliance and have already taken some basic measures in this area (for example, we installed a Group-wide whistleblowing tool).

These building blocks constitute the first steps towards an appropriate and sustainable ESG strategy, but at the same time they are only the foundation, and therefore, just the beginning.

We know that it involves initial monetary investment to bring a company's ESG practices forward. How do you handle inertia and reluctance to progress regarding ESG within the company?

I think there has already been a change in thinking here, and ESG will continue to play an even greater, albeit different, role in investments in the future. In the past the question had been when do investments pay off, but now we will increasingly have to look at the medium to long-term cost effects caused by the lack of ESG measures. Business cases and their objectives will therefore (have to) be overhauled. ESG has now become a performance indicator, just like any other, that can no longer be considered alone.

How do diversity, equality and inclusion intersect with your sustainability strategy?

When we say "diversity, equality and inclusion", we are not simply talking about the terms themselves, but rather about the fundamental building blocks of our daily HR work and corporate culture in practice, which subsequently also contribute to the economic success of our company. We are taking more and more measures to promote interaction and communication across divisions and countries, which over the long term helps us achieve better results through diverse teams. We have also developed a comprehensive "People Policy" as a framework for Montana Aerospace.

In what area, E, S or G, do you think Montana Aerospace is already on a good path and where do you see potential for improvement?

There are some areas in E, S and G, that we at Montana Aerospace already cover very well and, in addition, can sometimes be described as best practice. With our one-stop-shop concept, for example, we are already sending a strong signal supportive of more sustainable production.

Many measures and initiatives, such as our global talent and Buddy program (social, S) are already being implemented. Nonetheless, the topic is—and remains—work in progress. In the area of governance (G), we have already laid the groundwork with regard to the IPO process completed. But here, too, it is important to avoid stagnation and to continue developing tools and policies.

As regards environmental factors (E), we are confronted with special requirements by our stakeholders, both as a company and as part of the entire aviation industry. We are well aware of this special responsibility and know what we can actively contribute to sustainable development.

Our company, Montana Aerospace, has operations in more than 30 locations worldwide, thus bundling the know-how of international leaders in the industry. For our customers, this means being able to benefit fully from a local-to-local service concept. However, as a company, this corporate structure creates challenges for our ESG activities and will continue to do so in the future. The conditions in the different countries are very heterogeneous, not only from a regulatory point of view, and must therefore be considered on a case-by-case basis. This is prominent, for example, in data collection and subsequently in the evaluations.

Who is ultimately responsible for the success of the sustainability strategy?

We implemented a global ESG structure with the corresponding local contact persons some time ago and will continue to entrust them with additional competencies and tasks. It has been—and still is—my goal to create a centralized ESG strategy, aligned with local requirements and frameworks. Ultimately, however, I believe that all employees have a responsibility to take a look very closely at our ESG strategy. It is perfectly clear to my colleagues on the Management Board and to me that our journey has only just begun and we still have a great deal of work ahead of us. This is precisely why we have to ensure very quickly and flexibly that the right measures are feasible and are being implemented at the right time.

How is Montana Aerospace preparing for the upcoming regulatory changes?

We are a global company with employees at over 30 sites so regulatory changes are not necessarily new to us. On the contrary, we have impressively and repeatedly demonstrated in the past that we can respond very quickly and flexibly to changes in our markets. Still, I believe we are pioneers in many areas, and therefore ideally equipped for the upcoming regulatory adjustments.

What skills do people need to push ESG at their companies?

Essentially, it requires the willingness to think things through in new ways, the courage to constantly question the tried and tested, and ultimately, the ability to convince all of our colleagues of the necessity of constant further development. In addition, synergies within our Group and between the sites should be identified and exploited at all times and as best as possible.

What is your philosophy and approach to leadership as a senior executive in general, apart from ESG?

Personally, no matter what my role or position, I have always tried to stay true to my principles and convictions. I think this is the only way to remain authentic in any situation, no matter how critical or challenging. In all my years as a manager, it was probably this quality that always enabled me to work with my employees on an equal footing and in a spirit of trust.

I also believe that "leadership" is an absolute prerequisite for enabling employees to do a good job and make a significant contribution to the success of the company. Trust and proactive communication are the foundation needed for successful leadership.

OUR STRATEGIC FOCUS

Our strategy addresses our three business segement: Aerostructures, E-Mobility and Energy. We defined a nine-point plan to address the following key topics of the three pillars: environment, social and governance.

ENVIRONMENT

- ENERGY AND CO_2 EMISSIONS
- WATER
- WASTE & RECYCLING

SOCIAL

- HEALTH AND SAFETY
- DIVERSITY, EQUALITY AND INCLUSION
- COMMUNITY ENGAGEMENT

GOVERNANCE

- STATUTORY COMPLIANCE
- VALUES AND ETHICS
- SUPPLY CHAIN

Environment

We are making every effort to reduce our direct and indirect carbon emissions. We regularly evaluate our processes to see how we can reduce resource consumption and switch to more sustainable alternatives wherever possible. Our vertically integrated supply chain permits us to reduce long transport routes and emissions. We are currently evaluating our solar panel installations to increase the share of renewable energy at our production sites.

Our goal is to raise awareness of the issue of water consumption by increasing efficiency and using recycled water. Our sites have implemented state-of-the-art wastewater treatment systems that recycle and re-use water sources efficiently and safely.

We are mindful of the waste we produce. Almost 100% of our cuttings, clippings and scrap is recycled internally at our plants. The high-tech aluminum components used in our components are produced with around 70% recycled aluminum.

Social Responsibility

Montana Aerospace has a safety-first culture with the goal of zero workplace incidents. We offer our employees at all sites regular safety training courses and impose strict instructions accompanied by rigorous monitoring and tracking and also support improvement. To promote the personal and professional growth of our employees, we offer career and development programs.

We do not tolerate any kind of discrimination or harassment. Diversity, equality and inclusion are the core principles of our daily business. We strive to make our Montana Aerospace family a respectful, safe and appealing workplace.

We engage with our communities to gain insights into the opinions of diverse groups and to create inclusive and effective solutions.

Governance

We are committed to our ideals and work hard to advance them. Our transparency measures are important to prevent corruption and bribery. The morally, ethically and legally sound behavior of our employees is a critical and a core principle of our corporate culture.

Montana Aerospace is committed to acting responsibly and takes social and environmental considerations into account. We select our suppliers based not only on quality and costs, but also on their due diligence practices, their respect for human rights and their environmental mindset.

COMMITMENT TO THE UN SUSTAINABLE DEVELOPMENT GOALS

We are committed to the Sustainable Development Goals of the United Nations (SDGs) which are fundamental to our business model. Our management and global ESG team have identified the following areas in which we can contribute and play an active role.

However, the other SDGs are, of course, also part of our company's philosophy. This chapter presents our contributions to the SDGs. The goals we evaluate remained largely the same compared to the preceding reporting period, except for the newly introduced SDG No 8, Decent Work and Economic Growth.

QUALITY EDUCATION

Ensuring inclusive and equitable quality education and promoting lifelong learning opportunities for all.

4.4 Eliminate gender disparities in education and ensure equal access to all levels of education and vocational training for the vulnerable

4.5 Increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship

4.7 Ensure that all learners acquire the knowledge and skills needed to promote sustainable development

Developing our skilled workforce is the foundation of our success. We strive to provide the best environment for our employees to grow, advance and continuously learn. This includes regular training and education, mentoring and guidance for our employees all over the world. Our development programs also create opportunities for students and young professionals that permits them to engage with Montana Aerospace and take active and leading roles in our company. To promote scientific culture, we engage with schools, universities and other educational institutions to provide young people with the opportunity to participate in workshops and courses to gain practical insights.

27 mentor-mentee matches participated in our **Mentoring program** from July to December 2022 to upgrade and improve their hard and soft skills.

GENDER EQUALITY

Achieving gender equality and empowering women and girls.

5.1 End gender-based discrimination

5.5 Ensure women's full and effective participation and equal opportunities for leadership

5.9 Adopt and strengthen sound policies and enforceable legislation for the promotion of gender equality and the empowerment of all women and girls at all levels

Montana Aerospace stands for diversity, inclusion and equality. We promote gender equality by offering appealing career opportunities through our employment and workplace policies. We strongly support women's empowerment and improve the gender balance in STEM-related positions and leadership positions. At Montana Aerospace, there is a zero-tolerance policy for any kind of gender-based discrimination.

The share of women in our total workforce is **~20%.**

DECENT WORK AND ECONOMIC GROWTH

Promoting sustained, inclusive and steady economic growth, full and productive employment and decent work for all employees.

8.2 Achieve higher levels of economic productivity through diversification, technological upgrading and innovation
8.5 Achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value
8.8 Protect workers' rights and promote safe and secure working environments for all workers

As an international group, we foster an environment that ensures decent working conditions, while improving our business model and fostering economic growth. Our business model is scalable, sustainable and solid. We do our best to drive our economic productivity through diversification, technological improvements and innovation. To ensure the best working conditions, Montana Aerospace commits itself to the highest internationally-recognized standards and regulations. Moreover, we aim to provide a safe, flexible, and respectful working environment where all our employees can work in a setting free from any form of harassment or discrimination.

We have a zero-tolerance statement for any kind of child or forced labor.

INDUSTRY, INNOVATION AND INFRASTRUCTURE

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

9.1 Develop quality, reliable, sustainable and resilient infrastructure
9.2 Promote inclusive and sustainable industrialization
9.4 Upgrade and retrofit existing infrastructure to make industries sustainable
9.5 Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries

Montana Aerospace invests globally not only to achieve growth but also to improve sustainability and the efficient use of resources in all our processes. We foster scientific activities for innovation and technological progress. As a global player in the sectors of aerospace, mobility and energy, we supply a huge amount of technology and skills to support the construction and operation of these assets. We engage in research, development and innovative business models that are capable of meeting the world's long-term infrastructure challenges.

As an aerospace supplier, we help airlines retrofit their fleets to make them more efficient and sustainable.

REDUCING INEQUALITY

Ensuring a working environment free of harassment, discrimination and unjust behavior.

10.2 Empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status
10.3 Ensure equality opportunity and reduce inequalities of outcome

As a global company, we know that our diverse workforce is a major asset. We ensure a workplace where everyone is treated equally, irrespective of race, ethnicity, gender, sexual orientation or religion.

Our **newly published People Policy** prohibits any form of harassment, discrimination or indecent working conditions and lays down our principles and values.

RESPONSIBLE CONSUMPTION AND PRODUCTION

Ensuring sustainability in consumption and production patterns.

12.2 Achieve the sustainable management and efficient use of natural resources by 2030
12.5 Substantially reduce waste through prevention, reduction, recycling and reuse by 2030

Our efforts in recycling and the reuse of materials enable Montana Aerospace to advance the circular economy. We reduce waste by adopting sustainable and responsible practices. Our products are designed to facilitate lightweight components for aircraft that help reduce the amount of fuel combustion. Our manufacturing methods are state-of-the-art with respect to energy efficiency. The vertical integration of products and processes reduces the logistics requirements for customers and the environment.

Nearly 100% of the scrap and clippings of our products are **recycled** internally at Montana Aerospace.

CLIMATE ACTION

Taking urgent action to combat climate change and its impacts.

13.3 Improve education, raise awareness, and increase the human and institutional capacity for climate change mitigation, adaptation, impact reduction and early warning

The industries we operate in must tackle the significant challenge of reducing their impact on the climate, but there are also opportunities. We contribute directly and indirectly by defining targets to mitigate our greenhouse gas emissions and to reduce our energy, water and waste consumption.

Our vertical value chain builds **resilience across multiple tiers of the supply chain** and the communities related to them.






“SKIES OF TOMORROW” DOCUMENTARY

As a leading provider of advanced aerostructures solutions, we recognize the importance of environmental, social, and governance (ESG) issues in the aviation industry, and are committed to contributing to a more sustainable future.

Therefore, we are proud to have been given a chance to be part of the recent “Skies of Tomorrow” documentary series produced by the UK-based Zinc Media Group. The series features insightful stories from the world’s aviation sector, highlighting how the industry is focused on sustainable practices, modernization, and growth. The project, produced in partnership with the Air Transport Action Group (ATAG), a not-for-profit association representing all sectors of the commercial aviation industry, explored what is driving change in the innovative and fast-moving aviation industry.

Being part of the “Skies of Tomorrow” documentary, which was produced in December 2022 at two of our Universal Alloy Corporation sites in Romania, was a great opportunity for us to showcase our commitment to sustainability and share our experiences and knowledge with a wider audience.
We believe that by working together, we can make a positive impact on the world and help create a more sustainable future for generations to come.

Our company has always been at the forefront of innovation and sustainability, and we are constantly striving to reduce our impact on the environment. With our state-of-the-art manufacturing processes and our one-stop-shop concept, we are committed to reducing waste and emissions, and to promoting responsible business practices.

Scan this code to go directly to the video about Montana Aerospace.

ENVIRONMENT

Building a stronger tomorrow

The manufacturing industry is the second largest source of emissions after the energy industry. This means there is also a great deal of potential here for mitigating climate change long term by using advanced technology and smart concepts. Smokestacks and soot-producing factory chimneys have become very rare thanks to modern plant technology. But there is still a long way to go for everyone involved and that is why it is important to tackle the challenges of the future and take responsibility for our daily business.

As a manufacturing company, it is clear to us that not only do we have an impact on climate change, but that climate change also affects us, our clients and, of course, our production facilities. We are not immune to the unforeseeable effects of climate change. This may result in higher costs for all of us, which is why it is important to be proactive against climate change instead of just reacting to problems.

We want to contribute to a sustainable mobility system that is responsive to the requirements of our planet and to climate change. A joint effort is needed to enable this transition and to develop technological innovations and new approaches to mobility.

Our many years of experience in the development and production of multi-material competence enables us to contribute to the transition of our mobility systems. We are one of the world's leading manufacturers of complex lightweight components, which are crucial for reducing weight, and thereby, emissions in the aerospace, automotive and e-mobility sectors. In the energy sector, Montana Aerospace sets the standard for the entire energy industry by supplying a new generation of components for generators, transformers and electric motors. We are not only working on improving our products, but above all on making our production processes more sustainable. To this end we are constantly improving our recycling skills, investing in state-of-the-art production systems and processes, and turning all the screws that enable us to reduce our energy consumption.

Our integrated supply chain and full-service provider integration enable us to reduce emissions due to shorter transportation routes and in-house production steps. Together with our high level of innovation and strong commitment to sustainability, we are paving the way for the future success of our Group.

We take climate change very seriously and work sustainably, following our visions and values. Lasting success in our opinion only comes from responsible and sustainable business practices.

ESG REPORT | ENVIRONMENT

HIGHLIGHTS OF OUR ENVIRONMENTAL ACTIVITIES IN 2022

Streamlining logistic chains through vertical integration

Our facilities throughout the world cover the various steps of the supply chain, including melting and casting, extrusion, forming and processing as well as surface treatment and sub-assembling. This one-stop-shop approach is an advantage that helps us achieve our sustainability goals and is unique in the aviation industry.

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.

Titanium Seat Track

-5 suppliers

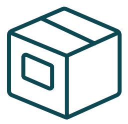
The number of suppliers decreased from 7 to 2

-15,000 km

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

-780t tons

CO_2 footprint is reduced by ~60%



-50 weeks

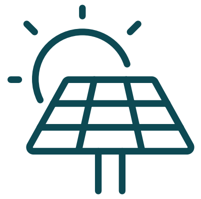
Delivery time is shortened from 60 to 10–12 weeks

Identifying priority issues

After the first IPO in 2021 and major structural changes in 2022, we shifted our focus to our carbon footprint. We conducted a first analysis of our company's emissions and product portfolio. We identified the areas in which we are able to contribute significantly to the reduction of emissions and critically evaluated our initial actions and steps. Therefore, we were well-prepared for a fresh start in 2023.

Improving our product portfolio

For us at Montana Aerospace, sustainability starts in the production design stage. The intelligent use of available resources permits us to reduce our impact on the environment to a minimum. We have invested in state-of-the-art production plants, and with our one-stop-shop concept we can cut back not only on raw materials and resources, but also reduce green gas emissions. We support the transition in both sectors with innovative solutions by supplying lightweight products for the aerospace and mobility sectors. Thanks to long-lasting materials, our components are durable and flexible. Lightweight products reduce the energy consumption of aircraft and cars. We aim to make our products more efficient and durable by using recycled materials.



Increasing our share of renewables

Several of our facilities currently rely entirely on ecological and renewable energy sources, and we plan to increase the proportion of renewable energy used across the Group by installing solar panels at multiple sites. In this effort, we are not only considering unused roof spaces, but also all available open areas. Our team is constantly assessing opportunities to expand the usage of renewable energy sources.

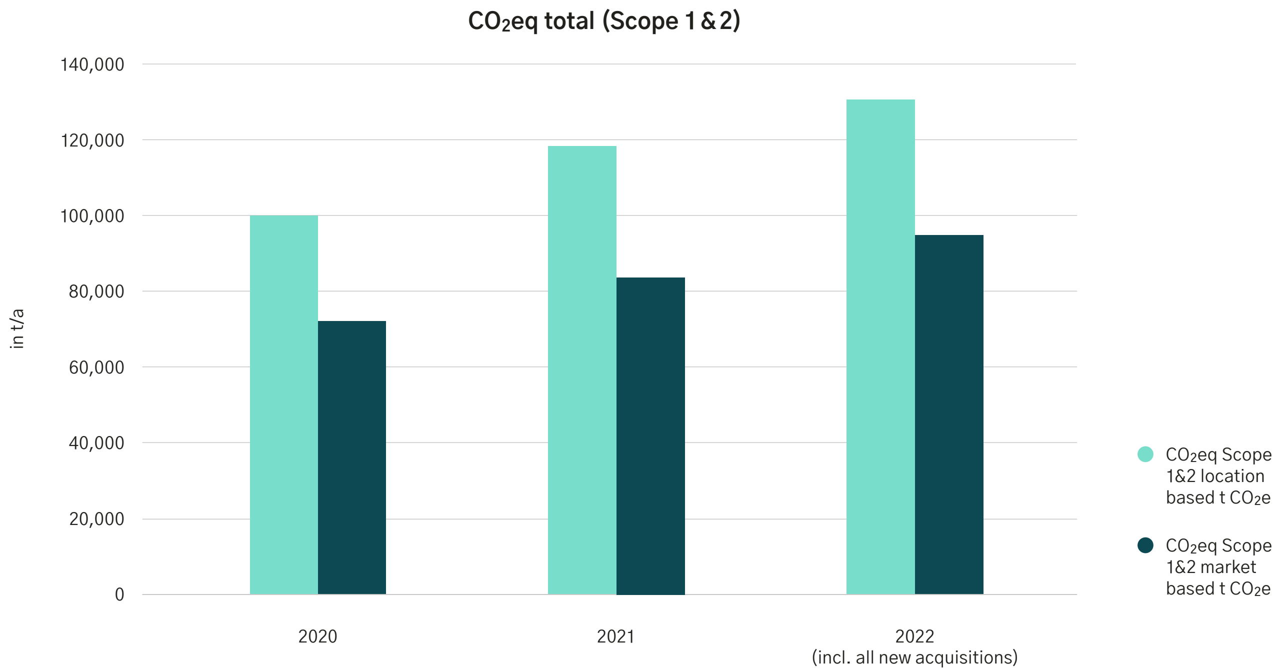
New global ESG team

A new global team was established to manage our environmental footprint from Brazil to Vietnam. While coordination is monitored centrally, the members of our global ESG team understand the needs and particularities of our different sites. This allows us to get the best overview of the requirements at the local as well as the global level.

CO_2 EMISSIONS

Our Scope 1 emissions represent direct emissions from sources that we own or control. These emissions account for ~21% (location based) or ~29% (market based) of total GHG emissions (sum of Scope 1 and 2). Our Scope 2 emissions represent indirect emissions from the generation of electricity as well as heating and cooling energy. This percentage accounts for ~79% (location based) or ~71% (market based) of total GHG emissions from Scope 1 and 2.

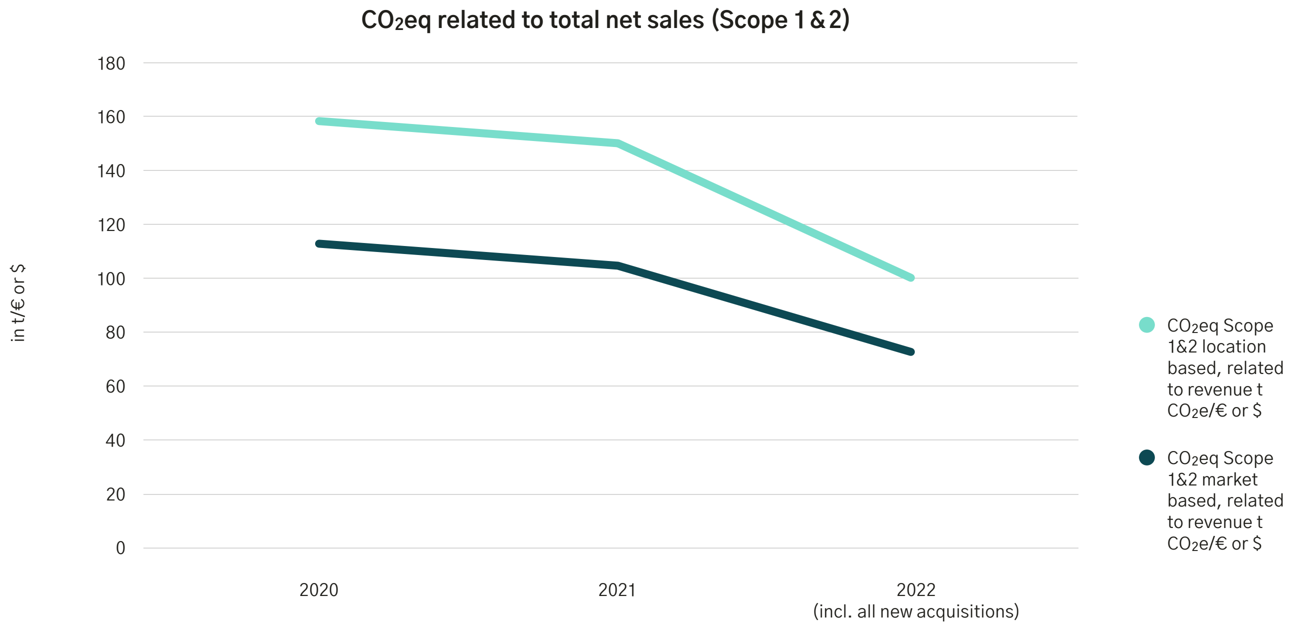
Total scope 1 and scope 2 emissions were 130,579 tCO_2e (location based) or 94.921 tCO_2eq (market based) in 2022, which is an increase of ~10% (location based) or ~13% (market based) compared to 2021. The baseline figure for 2021 was 118,877 tCO_2e (location based) or 83.664 tCO_2e (market based) and increased mainly due to the inclusion of the acquired production sites in our ESG reporting scope in the period from 2022 as well as significantly higher production rates and a massive ramp-up. This has also resulted in a decrease by more than 35% of CO_2 in relation to total net sales since 2020.



Scope 1 and 2 emissions of the Montana Aerospace Group

[A] Scope 1 and 2 emissions are calculated based on the Greenhouse Gas Protocol (GHG).

According to the GHG Protocol a location-based method reflects the average emissions intensity of grids on which energy consumption occurs (using mostly grid-average emission factor data). A market-based method reflects emissions from electricity that companies have purposefully chosen (or their lack of choice).



RAMP-UP

Use of augmented reality tools cut carbon emissions and reduce travel

In the manufacturing and machining field, a great deal of travel is done to install and maintain equipment. With the use of augmented reality (AR) tools, some of these tasks can be accomplished by our technicians at the office and the tools can also be used to help the local support team.

The AR tools allow remote experts to intervene in real time, carrying out maintenance procedures or resolving technical failures. Field technicians, equipped with AR glasses or mobile devices, can communicate in real time with remote experts sitting at their desks through video conferencing. The remote expert can diagnose the problem and provide accurate solutions, making the repair process faster and more efficient.

This method has increased the efficiency of maintenance work, while reducing emissions and saving time.

The augmented reality tools are also used for training our technicians.

ENERGY

At Montana Aerospace, the responsible use of energy is very important to us and we are strongly committed to reducing our impact on the environment. We regularly assess and report on energy consumption to track our progress towards sustainability goals.

In line with our commitment to the use of sustainable energy, we are actively exploring renewable energy sources. We believe that the transition to renewable energy sources is not only a crucial step towards a more sustainable future but also a business opportunity.

Switching to green energy creates independence

Montana Aerospace pursues two very important goals by installing photovoltaic systems at its sites. First, the reduction of CO_2 emissions in production processes. Second, to become more independent from external energy suppliers and volatile market prices over the long term. With steadily rising electricity prices and simultaneously decreasing prices for photovoltaic systems, Montana Aerospace benefits from a higher solar return on investment.

RAMP-UP

Green Energy Project Da Nang, Vietnam

Our division Universal Alloy Corporation Vietnam (UACV), located in the coastal city of Da Nang, Vietnam has partnered with Asia Clean Capital Vietnam (ACC Vietnam), a leading developer of clean energy solutions, a move that contributes to a greener and more sustainable future.

In December 2022, UACV signed a fifteen-year power purchase agreement with ACC Vietnam, which will provide the company with a turnkey clean energy solution powered by a 4.3 MWp rooftop solar PV system. This system has been designed and built to the highest safety standards, making it capable of handling the heavy storms and typhoons common in the region.

With more than 7,000 modules installed, the new solar PV system will generate nearly 6,000 MWh of electricity and help UACV reduce its carbon footprint by avoiding emissions of more than 4,800 tons of CO_2 every year. This is a significant milestone for UACV as it will help it to offset 27% of current annual power demand.

In addition to the rooftop solar PV system, ACC Vietnam provides a complete solution that addresses the growing demand for measurable, recordable, and verifiable data (MRV data). The company will have access to ACC Vietnam's dedicated blockchain platform powered by Allinfra, which collects verifiable carbon data directly at the source for reporting. This means transparent ESG reporting for UAC Vietnam and dRECs (digital Renewable Energy Certificates) that are traceable to the underlying data at the production meter.

The installation of UACV's new solar PV system is expected to be completed by April 2023, with the power being switched on as soon as each production hall is covered with panels.

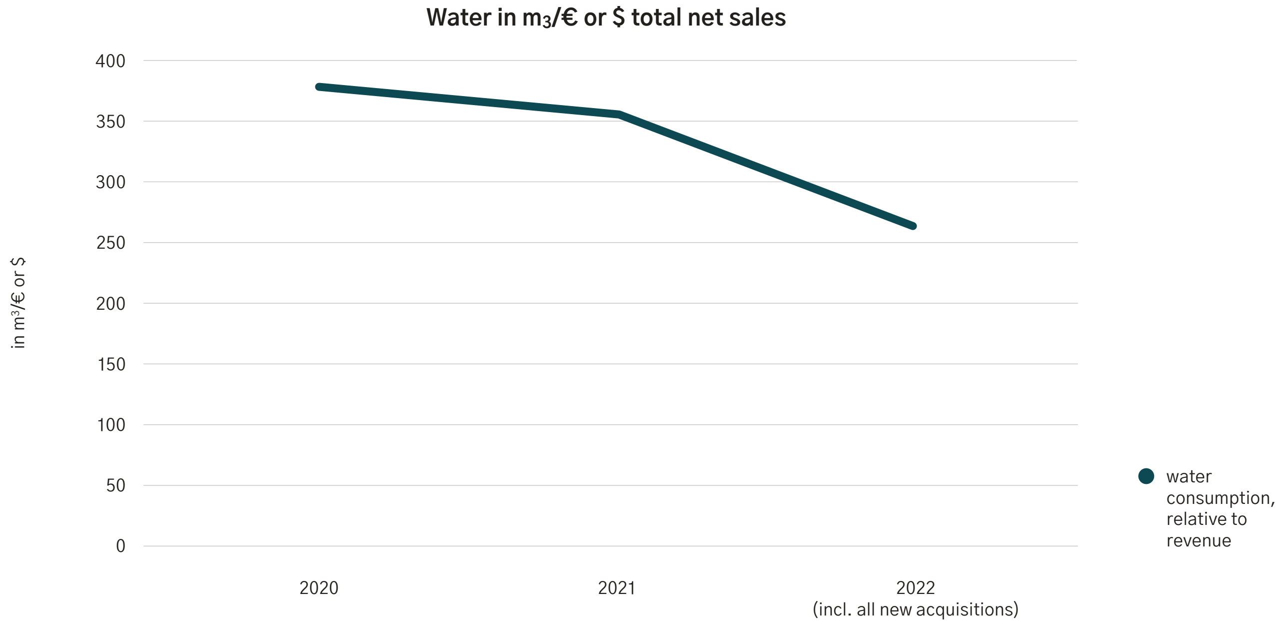
We consider this to be a great step forward towards our net-zero goal, while also reaping the many benefits of solar power such as reduced energy costs and a positive impact on the environment.

Our most recent investment in Romania was the installation of next generation wastewater treatment equipment, which is an example of how Montana Aerospace promotes social and environmental responsibility throughout the Group.

WATER MANAGEMENT

At Montana Aerospace, our goal is to reduce the total amount of water consumed and to lower operating costs at our operations to mitigate our environmental impact. The responsible use of water is important to us and we are committed to involving local stakeholders in consumption planning whenever the need arises.

Our total water consumption related to total net sales has decreased by 30% since 2020. A large proportion of our water consumption is related to our production processes. That is why we recognize the importance of properly treating our wastewater and have implemented systems for treating and discharging wastewater in compliance with all relevant regulations.



WASTE MANAGEMENT

We are continuously optimizing our processes to minimize waste and to reduce and recycle our materials within the production processes. Our innovative manufacturing capabilities permit us to reduce the initial waste of materials from the very beginning.

We strive to reduce the amount of waste produced at all our operations and to improve our existing recycling programs. The remaining waste is separated and processed at our local waste management systems.

Recycling: part of the solution and our core competence

In addition to streamlining our logistics chains through vertical integration, we also sort and recycle our raw materials. We use approximately 70% of recycled aluminum to produce our components and composites. Recycling aluminum is very important for keeping the proportion of aluminum produced with primary raw materials as low as possible.

We are equipped to recycle our metal returns, and in some cases, also external scrap. These are fed back into our production processes as extrusion bolts. Almost 100% of our cuttings, clippings and scrap is recycled internally at one of our three state-of-the-art casting plants.

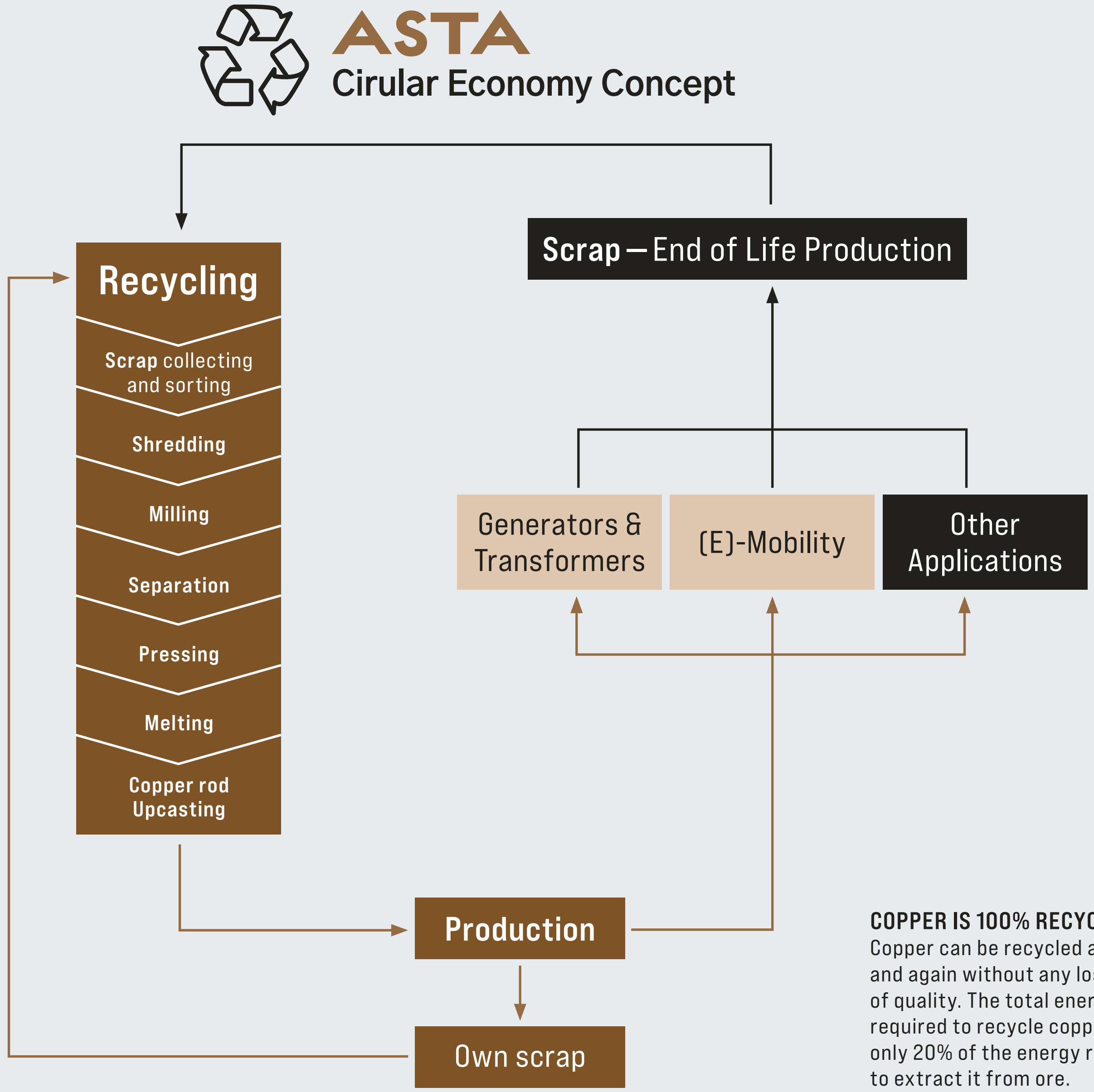
The use of recycled aluminum saves up to **95% of the energy** that would be required for the production from raw materials. Not only is energy consumption reduced, but natural resources are conserved, thereby also reducing the need for new mining operations.

Our recycling method also has a positive effect on our procurement strategy: it makes us less dependent on external suppliers. Our experience and know-how in the production of customer-specific alloys and of different materials for the extrusion process translates into greater business potential for recycling as a viable option for our Group. Locating our aluminum foundries next to the pressing plants underpins our sustainability efforts and eliminates additional transport routes.

Since the acquisition of São Marco in 2022, we were able to expand our recycling capabilities to encompass not only aluminum but also copper. This latest technology has several advantages: energy savings, resource conservation, reduced environmental impact, and a larger supply of copper. It also makes us one of the few manufacturers of copper components that have the capability to recycle their raw materials.

First steps in copper recycling

As a copper expert with more than 200 years of experience, Montana Aerospace plans to expand its recycling capabilities to include copper. Implementation will take place in several steps. Step one provides for the recycling of our own copper scrap from production. This new process step will be launched in 2024 as a pilot project within the Group and will permit the Energy segment to increase added value by deepening vertical integration. In 2023, the recycling plant will be installed and trial operation will begin. In the next step, the know-how will be introduced at the local sites. Over the long term, the recycling operations will be enlarged to include external scrap and create a circular economy with customers and partners. Negotiations are already underway.



COPPER IS 100% RECYCLABLE:
Copper can be recycled again and again without any loss of quality. The total energy required to recycle copper is only 20% of the energy required to extract it from ore.

BALANCING SUSTAINABILITY AND PERFORMANCE: LIGHTWEIGHT DESIGN

Montana Aerospace specializes in lightweight design and eco-design when producing aluminum and titanium parts as well as composite parts for certain industries. By prioritizing sustainability and efficiency in our production processes, we are able to deliver high-quality products that meet the needs of our customers while minimizing the impact on the environment. With a focus on innovation and excellence, Montana Aerospace is setting the standard for sustainable manufacturing practices in the aerospace industry and beyond.

IN CONVERSATION WITH JOHN DANIELS

CHIEF TECHNICAL OFFICER

... about sustainable product design, the benefits of reducing weight in aircraft structure, and Montana Aerospace's contribution to Airbus' "Wing of Tomorrow" project and the future role in the circular economy.

John, Montana Aerospace specializes in lightweight design and in the processing of light metals such as aluminum and titanium. What are the benefits of lightweight design for the aerospace industry? Who ultimately benefits?

There are two significant elements that need to be considered when discussing aircraft weight. First, the physics of flying and the maximum weight that can be lifted by the aerodynamic effect of the wings. In simple terms this means that the heavier the aircraft structure, the smaller the capacity available for passengers and cargo. A lighter airframe means that more useful weight can be carried by the aircraft. Second, the fuel consumption needed to keep heavier aircraft in the air. Again, a lighter aircraft will consume less fuel than a heavier aircraft for the same payload. With less fuel burn and more passengers and freight moved per flight, the beneficiaries are the passengers who buy tickets, businesses that move freight and the environment, which ultimately benefits everyone.

Montana Aerospace and its Aerostructure Divisions ASCO and UAC are known for their exceptional materials know-how and engineering expertise. In 2020, Airbus launched the "Wing of Tomorrow" project and invited ASCO and UAC to participate. What is behind the "Wing of Tomorrow" project and what are the expectations in it?

The "Wing of Tomorrow" project was started by Airbus to ensure technology, capability and production readiness for the launch of the next aircraft program.

Key expectations:

- Wing structure that delivers an improved configuration (sufficient strength and stiffness, lighter, reduced maintenance, etc.).
- Technology that is qualified and ready for use in production and is cost effective (i.e. not more than current best practices).
- A new aircraft program brought to market as quickly as possible from launch (less than 5 years).
- Production that achieves the desired build rate, and gets there as quickly as possible.

ESG REPORT | ENVIRONMENT

In what way is Montana Aerospace involved in this project, or what components are being produced for the project?
Montana Aerospace supports this major project in two key areas:
First, the application of technical and product expertise to design improved leading edge high-lift devices using composite materials and advanced structural analysis. Moreover, the design team has developed a mechanism that allows slat deployment without the traditional use of tracks that require the spar to have cut outs.

Second, by introducing extrusion expertise into the design, analysis and manufacturing process for wing ribs and rib posts. This enables a much improved material buy-to-fly ratio and capitalizes on the material characteristics for fatigue and damage tolerance requirements.

The Flightpath 2050 Strategy contains an agreement between the EU Commission and the aerospace industry to strengthen the competitiveness of the European aviation sector with ambitious emissions reduction targets. CO_2 emissions are to be reduced by 75% by 2050. The EU has also defined guidelines with respect to eco-design. What is behind the concept of eco-design and what goals does it pursue?
Traditionally, environmental performance and the impact of an aircraft are measured in the final stages of its life cycle, i.e. once it is in operation. Unfortunately, by this stage the key elements of the configuration are locked in and it is difficult to modify the design to make improvements.

The eco-design philosophy aims to ensure that all aspects of the life cycle are considered in all stages including the operation, the concept and the detailed design; manufacturing, operation and in the end, the disposal of the aircraft. This approach ensures that consideration is given to each aspect of the process and a balanced view is taken to achieve the best use of the Earth's resources while minimizing the overall environmental impact.

Give us examples of how Montana Aerospace puts eco-design into practice.
There are several ways this can be turned into practical opportunities.

Aluminum alloys are highly recyclable and this allows off-cuts and machine chips from the manufacturing process to be re-used relatively easily. Additionally, the aircraft components at the end of their service life can be converted back into usable raw materials.

The energy used to process parts to their final configuration, either by forming or machining, can be reduced significantly if the initial material billet is closer to the final product size. Moreover, the energy cost of transporting materials is directly related to weight, therefore, the lighter the raw materials, the less fuel needed to ship between locations. These two factors are supported by the use of extrusions that permit the production of nearer netshapes.

A look into the future. In some sectors, such as the automotive, furniture or construction industries, people are already working successfully on circular economy concepts, and the topics of recycling, remanufacturing and, above all, reclaiming old products are becoming increasingly important in these sectors. What could the circular economy look like in the aviation industry?
The circular economy is an emerging concept for the aviation sector. The sector is categorized into aircraft, flights and airfields where there are numerous opportunities such as the reuse and recycling of end-of-life materials found in aircraft, the reduction and recycling of in-flight and ground infrastructure waste (food, packaging, municipal solid waste, construction and demolition debris), as well as the reduction of energy, water and raw materials consumption.

We would like to point out that the aviation industry is dominated by safety considerations and the continuous drive to ensure the public is not exposed to unacceptable risks. The safety aspect presents additional challenges when issues such as the reclaiming of old products and recycling are considered. Every generation of aircraft and products aims to be safer than the previous one and airworthiness regulations reflect this aspiration. This means that products previously considered acceptable will no longer be viewed as adequate for future aircraft. This may limit the opportunities for the repurposing of products, but does not mean that a new design should not consider future applications. Assemblies and materials need to take the requirements of end-of-life management into consideration, for example, recycling.

What role could Montana Aerospace play here in the future? What contribution could it make? As a developer and manufacturer of aircraft components, we believe it is our responsibility to always think ahead with respect to design and production. With our recycling competence, our worldwide one-stop stores and our approach of near netshape manufacturing, I would argue that we are definitely perceived as a benchmark in the industry also in terms of a circular economy. However, it is also clear that there is still room for improvement in the entire aviation industry, and we are, as always, ready to embark on this endeavor together with our partners and customers.

SOCIAL RESPONSIBILITY

Our more than 7,200 employees around the globe united under Montana Aerospace make us the company we are today, because they are the key to our success in the past and to a promising future. For us, our employees are our most valuable asset, therefore, our goal is to promote the safety, development, diversity and well-being of our employees.

Our corporate culture, which is based on diversity, respect and inclusion, is living practice at our company and also applies to the companies that recently joined the Montana Aerospace Group. We always work to provide our employees with a healthy and, above all, safe working environment. We achieve this by training our employees and implementing extensive safety precautions, because even just one occupational accident is one too many.

Likewise, we encourage diversity and a diverse mix of perspectives and experiences. At the same time, we require all employees to treat each other respectfully and offer assistance in cases in which employees are not treated as they should be. We offer employees various training and further education options, which we are constantly enlarging and improving, thus giving employees an opportunity for further development. Because as a company, we can only grow if our employees can also grow.

~7,200	~1,600	~12%
Total employees	New employee hires	Employee turnover rate

* The ESG Report refers to the period until December 31, 2022 and includes the employees and sites of AMT.

HIGHLIGHTS OF OUR SOCIAL ACTIVITIES IN 2022

Employee Engagement Survey

You can only improve if you are able to clearly assess your current status. To this end we conducted an employee engagement survey at all Montana Aerospace sites in June 2022 in which around 40% of employees participated. The survey, which turned out to be quite positive in all areas, consisted of the following six questions and could be completed using a 4-point Likert scale (from strongly agree to strongly disagree):

- I know what is expected of me at work.
- I feel valued by the company.
- The mission/purpose of my company makes me feel my job is important.
- I would recommend my company as a great place to work.
- In the last year, I have had opportunities at work to learn and grow.
- Over the last year, I have been able to handle my workload.

The results of the survey show that we are on the right track, but also give us an incentive to develop further opportunities for our employees to grow professionally as well as personally. In addition, the low participation rate revealed that we have room for improvement in the area of internal communication.

Achieving equality and fairness

In 2022, we implemented a Group-wide job levelling system to increase clarity and transparency. This structure ensures that every position/job is placed at the appropriate level according to defined criteria like size of the role, impact, complexity. With this a clear and consistent framework for all position (regardless of position holder) is set up. The new structure will be used for performance management, alignment of compensation & benefits and career development processes and will help Montana Aerospace to attract and retain the best talent while fostering a positive work environment and promoting employee satisfaction. By creating a transparent and equitable system, the new job architecture is instrumental in driving the company forward in its pursuit of success.

ESG REPORT | SOCIAL RESPONSIBILITY

Silvia Buchinger talking to the participants of the Montana Aerospace Talent Program.

Development and rollout of employee programs

Encouraged by the outcome of the employee engagement survey, we continued to work on our global employee development programs, jointly known as “Grow at Montana Aerospace” of which individual programs already existed at some sites.

New employees are supported by the Buddy Program, and all employees have opportunities for professional and personal development, including the mentorship program, Talent Program, First Time Management Program, and Sales Academy. These programs aim to provide employees with skills and support in their roles at Montana Aerospace.

Find out more about the individual programs on pages 122—123.

IN CONVERSATION WITH LORI THOMPSON

VICE PRESIDENT OF HUMAN RESOURCES AT UAC US

... about our corporate culture, the benefits of being an international employer, and employee development opportunities at Montana Aerospace.

Lori Thomson holds the position of Vice President of Human Resources at Universal Alloy Corporation in Georgia, US. With over three years of experience in this position, Lori brings a wealth of knowledge and expertise to the HR department. In our talk, we discussed Lori's background in HR, the challenges faced by Montana Aerospace in the field of HR management, and the opportunities for employee development and training within the company.

Lori, thank you for participating in this interview. First things first: What contributed to your decision to work in HR?

Overall, it was my desire to make a meaningful impact in other people's lives, and HR provides an excellent opportunity to improve the employee experience in a variety of ways that helps to shape the culture of a company.

As a relatively new organization, Montana Aerospace brings together a diverse range of divisions, some with rich histories spanning over 200 years. Recently, the company has welcomed UAC Cefival from France, ASCO from Belgium, and São Marco from Brazil. However, one of the biggest challenges faced by Montana Aerospace is to effectively unite the unique cultures and traditions of these various companies into a cohesive, unified whole.

How do you define company culture? What do you do to help maintain it as the company grows?

Company culture is the reality of the employee experience. It includes both the formal aspects such as company values, policies, etc., as well as the unwritten expectations within an organization which are critically important to determine if these unwritten expectations are in line with the culture an organization is striving to achieve and maintain. Communication is key for maintaining a company culture as the company grows. Transparent and regular communication between leaders and team members to stay abreast of the reality of their employee experience will help to measure how well the corporate culture aspired to is being maintained. Utilizing tools that help create company cohesiveness like the recent Corporate Identity rollout

ESG REPORT | SOCIAL RESPONSIBILITY

where each of the Montana Aerospace companies is now consistently branded with the Montana Aerospace pin; also ensuring all team members have access to the Group-wide newsletter Satellite to stay informed and learn about interesting information on all Group companies around the globe. Both tools are helpful for maintaining company culture and introducing it to our new team members.

In the field of HR management, Montana Aerospace is facing a difficult task. On the one hand, the company has been growing robustly for years, and production has been expanding continuously. On the other hand, nearly all industries face the problem that well-skilled personnel is difficult to find and retain on a global level due to multiple crises.

How do you ensure that you are hiring and retaining top employees?
We start by utilizing several resources to ensure our job postings reach potential candidates through social media, local advertising, and employee referrals, which have been very successful. Once an individual is in our hiring process, they enter a swift and efficient process, and take part in an assessment process and interviews with HR and the hiring manager. The assessments and interviews are tailored to the specific job. We also introduce candidates to our benefit programs and give them a tour of their potential workplace to give them as much information as possible to help them decide if our opportunity is a good fit for the career they are seeking.

Which role does the fact play that Montana Aerospace is an international company with locations worldwide?
As mobility opportunities for talents continue to increase, we offer employees the opportunity to gain work and life experience in another country.

What advantage does an employee gain from the international nature of the company?
Employees can gain a sense of job stability based on the fact that the company is diversified across multiple segments around the world.

In a corporation the size of Montana Aerospace, it's essential to get new employees on board quickly and effectively. How do you do that?
Our expeditious hiring process that was developed by HR and Operations analyses each step of the process to ensure there are no lags and that every step of the process adds value and also meets all compliance requirements. For process sustainability, we created a one-page workflow and communicated it to hiring managers as a reference guide for existing and new supervisors. Once hired, employees go through an Onboarding Program with regular touch points and milestones. Some sites already have the new Buddy Program in place in which new team members are introduced to their Buddy on their first day. A Buddy is a seasoned employee who helps new team members smoothly acclimate to their new role, team, and company.

In a few sentences, what possibilities for development does Montana Aerospace offer employees?
We have been very pleased to have launched several programs in the past year that offer team members an opportunity for development in a variety of areas. We are currently working on more programs that will be launched in 2024. Depending on interest and development needs, team members, with the support of their manager, can create an individualized development path that may include offerings such as the mentorship program, project management, sales academy and the talent program. We look forward to expanding development possibilities for all team members to grow with Montana Aerospace and "Grow at Montana Aerospace".

To whom would you recommend being part of the mentorship program? Both mentors and mentees.
Our mentorship program is open to all Montana Aerospace employees and I would encourage all team members to consider participating. It is a 6-month professional development program with meaningful monthly topics such as personal brand, self-awareness, building credibility, value of interpersonal skills, exploring conflict, taking initiative, and the power of attitude. Mentees record their development goals and progress in an Individual Development Plan (IDP) throughout the entire program. Team members that would like to develop in these areas may apply to be a mentee as next step, and team members that believe they can help other persons develop, may apply to be a mentor. We received such excellent responses and feedback after the first cohort completed the program in December 2022 that we saw participation increase significantly for 2023.

After overseeing several Group-wide development programs, which benefits did you recognize and what are the key takeaways for employees?
It has been encouraging to see team members aspiring to further their professional development by participating in our Group-wide development programs. Each of the programs has been carefully reviewed to ensure that the topic is relevant to team members in our organization based on many factors. The high levels of participation in the programs prove that we are focusing on the right topics which our team members are interested in. In addition to the formal development that team members gain by participating in these programs, there is organic development that innately occurs through our inclusive Group-wide programs with team members from all operating companies of Montana Aerospace. It is great to give team members the opportunity to expand their network to include persons that work at partner companies and thereby make the "One Montana Aerospace" experience possible.

How do you motivate employees to become part of talent programs to foster development?
When launching new programs, the key is concise and clear communication. Communications that quickly articulate the WIIFM ("What's in it for me?" from the team member's perspective) with a high-level summary of the program are more effective for motivating team members to participate. For existing programs, positive testimonials are a fantastic way to encourage participation. And as long as the programs yield added value, communication by word of mouth among colleagues coupled with the formal communications has resulted in even higher participation rates. Also helpful in driving motivation has been the practice of educating managers about the programs so that they are better able to support their team members when asked questions, and thus recommend the programs.

What advice would you give someone who wants to evolve and further develop within the company?
Definitely plug-in where your interests are. The mentorship program is a great way to start, and each team member's HR team is a good resource to talk through the various development programs that currently exist, and the ones planned for the future.

What are the benefits of employee development and training on teamwork within departments?
Teamwork is a paramount professional life skill. Training to help employees deepen their understanding of why teamwork is so important and what good teamwork looks like, benefits the team members in the training course, benefits those who they work with, and ultimately may positively impact company culture and performance.

We would like to thank Lori for her insights on HR management and global employee development at Montana Aerospace and for promoting employee well-being and growth. As the company continues to expand, Lori and her team will play a crucial role in maintaining a positive company culture and providing opportunities for professional development.

Check out the following pages to learn more about our various Employee Development Programs.

LIVING DIVERSITY

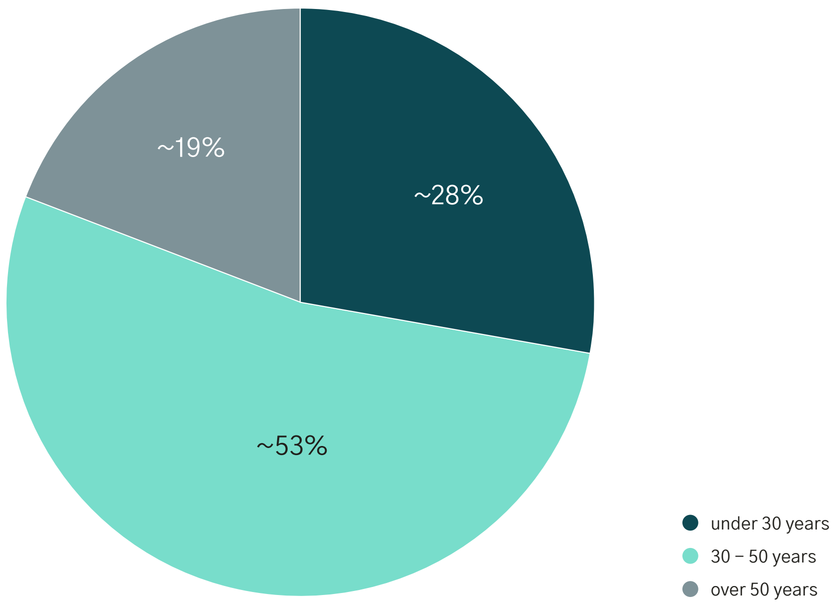
We believe that diversity is a critical component of today's global and highly competitive business environment. A diverse workforce brings together a variety of perspectives and experiences, which leads to innovative solutions and better decision-making. Therefore, we promote inclusiveness and value diversity as it raises the likelihood of attracting and retaining top talent from diverse backgrounds, as well as ensuring equal opportunity.

People with disabilities: ~1.3% of total workforce
We at Montana Aerospace are proud to report that roughly 1.3% of our workforce are individuals with officially certified disabilities.

While this number only includes persons with certified disabilities, we recognize that disability comes in many forms and are committed to creating an inclusive workplace where all employees feel supported and valued.

Montana Aerospace works on breaking down barriers and to promote a better understanding of disability and its impact in the workplace.

Workforce by age



Female empowerment

At Montana Aerospace, we believe that a diverse and inclusive workforce is essential to our success. This is why we are proud to support our female employees and make sure they have the same opportunities as everyone else.

We know that women bring unique perspectives and skills to the table, and we value their contributions to our company. We work to create a work environment where all employees feel valued and supported, regardless of gender, age, or origin.

Wherever possible, we offer flexible working hour arrangements and professional development programs to help our female employees reach their full potential. We also take measures to eliminate any barriers that may prevent women from advancing in their careers.

We believe that when women succeed, our company succeeds. We are committed to promoting diversity and inclusion, and to supporting all of our employees, including our talented women.

Together, we are building a company that celebrates diversity and empowers everyone to reach their full potential.

~20%

Total percentage of women in workforce

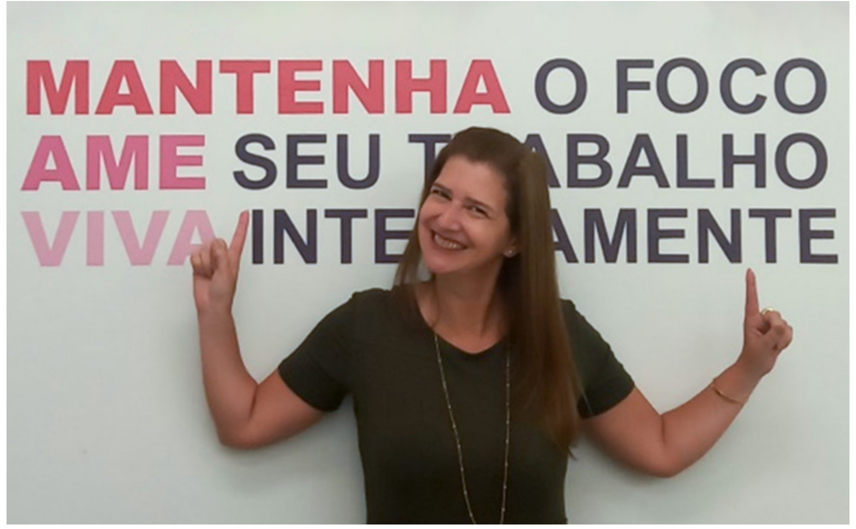
While the acquisition of ASCO in 2022 led to a higher proportion of male staff in production and thus resulted in a lower percentage of female employees, we remain committed to creating a diverse and inclusive workplace. We are pleased to report that in recent years, we have made significant progress in increasing the share of women in management positions, including on the production floor. By actively seeking to attract and support women in all areas of business, we are working to create a workplace where everyone has the opportunity to thrive and succeed. We believe that promoting gender diversity and inclusivity is not only the right thing to do, but also helps us better serve our customers and meet the challenges of a rapidly changing industry.

Women in the spotlight

We are proud of the many great women who work at Montana Aerospace. We would like to briefly present some of our female colleagues here. They are representative of all of our female employees and show that the manufacturing industry is no longer a purely male domain. They are living proof that Montana Aerospace offers lots of opportunities for personal development and career advancement.

> "Diversification is a key success factor for our company! I would love to see more women in leadership positions."

Kai Arndt,
Co-CEO Montana Aerospace



Meet **Jane Bighetti**, who started as HR Manager in February 2021 at ASTA Brazil. Jane quickly rose through the ranks and was promoted to CHRO in 2022. Today, she proudly holds the title of Global HR Director.

Under Jane's leadership, the HR department has made a smooth transition from traditional HR practices to a more strategic approach, with a focus on putting people at the forefront of all decision-making. Her impact on the organization has been immeasurable, particularly in driving social responsibility initiatives. But what sets Jane apart is her personal story. Despite being hearing impaired, she has used her challenge as a source of inspiration and motivation to push boundaries and achieve great things. Jane serves as a shining example of the diversity, resilience, and strength of the ASTA Group's workforce.

ESG REPORT | SOCIAL RESPONSIBILITY

Magdalena "Maggie" Hochuli started as an export clerk at Alu Menziken in Reinach in 1986 and held the position for many years. Later, she specialized in pipes for high-end printers in the industrial and private sectors, acquiring extensive knowledge of the available production technology with support from the technical and production teams. Maggie also created the first offer for pipes and profiles for the pneumatic cylinder industry, contributing to Alu Menziken's current reputation as a significant supplier in this market. She is now a Key Account Manager and Deputy Head of Sales and has significantly shaped Alu Menziken through her dedication over the past 36 years.

Meet **Cathy Mao,** who started as HR/Administrative Assistant at ASTA China more than ten years ago and was promoted to HR Manager in 2022.

Cathy often took the initiative in the past to amend policies and regulations to make them more widely accepted and in line with the company's interests. Her thorough understanding of the company's current situation and development requirements made it possible for her to achieve significant progress in human resources planning and new employee recruitment across various departments. Cathy's dedication and hard work have contributed to the success of ASTA China, making her a shining example of a successful female leader. Her journey serves as an inspiration to young women looking to make their mark in the business world.

EMPLOYEE DEVELOPMENT

Promoting potential, leveraging strengths

"Grow at Montana Aerospace"

Our mission at Montana Aerospace is to hire the most talented people and retain them by providing opportunities for advancement, transition and growth—professionally as well as personally.

We created the program "Grow at Montana Aerospace" to support our employees by offering various programs and training courses to promote their development.

1. The Buddy Program

The program, which was designed at the end of 2022 and will be rolled out through all divisions in 2023, is a valuable addition to the Montana Aerospace Group's onboarding process. It helps new employees make a successful transition and feel at home at their new company. The program pairs new hires with experienced staff members who serve as a support system and guide them through their first few days on the job. The Buddy takes on the responsibility of introducing the new employee to their colleagues, showing them around their workplace, and providing them with crucial information about the company. They also include the new employee in social activities to help them feel more comfortable and connected with their team. Whenever newly hired staff needs assistance, their Buddy is always there to help. New employees feel encouraged and empowered by the program and enjoy the open communication and social activities.

2. The Mentorship Program

The Montana Aerospace Global Mentorship Program matches mentors and mentees from all divisions. It is a voluntary professional development program offered twice a year that lasts six months. Mentees and mentors go through an application process guided by the Montana Aerospace HR team to best match the mentees' desired goals with the mentors' skills. Cross-cultural competence is promoted by connecting applicants across countries and divisions.

At monthly sessions, mentors and mentees discuss meaningful topics:

1) Introductory meeting
2) Individual development plan
3) Personal brand and self-awareness
4) Building credibility
5) Value of interpersonal skills and exploring conflict
6) Taking the initiative and the power of attitude

Moreover, the meetings provide an opportunity to discuss individual issues of relevance to the mentors and mentees.

In 2022, **27 pairs** were matched under the program.

"I hope this program can be maintained for the future and I can join another time at another level, not just this once. Thank you for giving me a chance to have a mentor!"
Mentee

"Keep this program rolling. I consider it immensely helpful for many people."
Mentor

3. The Talent Program

The global Montana Aerospace Talent Program has the purpose of developing and enhancing the potential of our top talents and focuses on increasing internal mobility and promoting the exchange of ideas. It offers a wide range of activities and social engagement options, and includes the preparation of a personal Individual Development Plan to structure the talented employee's career aspirations and professional development expectations. Based on this Plan, the employee's supervisor and HR manager provide guidance and support throughout the entire development process.

The 8-month-long program last year included 18 participants from all divisions. These are some of the highlights:

- Two-day kick-off workshop in Austria facilitated by an experienced consultant
- Professional one-on-one coaching sessions with topics chosen according to their professional needs
- Working on business projects in smaller cross-functional groups to solve current business challenges
- Thought-provoking fireside chats with the Management Board
- Two-day Program Finale at the Montana Aerospace HQ with personal development and team-building activities
- Reports on the Business Project results as well as on employees' personal progress to the full Management Board of the Montana Aerospace Group

4. The First Time Management Program

Starting in December 2022, Montana Aerospace is now offering a new, eight-week training program, designed and sustained by the Training Center of UACE, to support employees who are in a management position for their first time. The program is part of a broader leadership development objective in the Montana Aerospace HR Strategy. It is designed for all new first-time managers who are eager to grow, want to improve their soft skills and want to become better leaders. Therefore, the program provides learning opportunities and basic management tools to improve leadership skills.

The topics of the 8-week online course are divided into 8 modules and are given the suggestive titles Know Montana, Self-Awareness, Effective Communication, Conflict Management, Team Motivation, Team Development, Time Management and Planning.

The first cohort, which started the program in 2022, includes 14 participants from the different divisions of Montana Aerospace at the different sites in Brazil, Bosnia, Belgium and US. For the next training session that will take part from April to June 2023, 12 participants have already signed up —which proves a high interest among our Montana Aerospace junior managers in such a program.

5. The Sales Academy

The Montana Aerospace Sales Academy is the newest addition to the six employee development programs and is designed to meet the learning needs of all Sales Teams across its affiliates, including Aerostructures, Energy, and E-Mobility. Its aim is to offer a comprehensive and innovative learning possibility, that provides our employees with the skills and knowledge they need to excel in their sales roles. The Sales Academy is based on a target group-oriented and modular learning concept that incorporates both digital and classroom training methods to create added value for the participants. Areas of focus include typical sales skills, products and processes, business acumen, strategy and market knowledge, sales and leadership skills, as well as business unit procedures and governance.

After the execution of the "8 steps to sales success" training a happy participant sent us the following:
"The Sales Academy is an exceptional training adapted specifically to our needs. It teaches us body language techniques and focuses on training us how to behave in front of the customer, starting from shaking hands all up to the presentation techniques."

Employee development stories

Further development and career planning is part of the company-wide HR strategy. Especially in times of shortages of skilled workers in all industries, we made a conscious decision to promote our existing talents. Career planning for employees already working for the company not only saves costs and time, but is more efficient than searching for personnel with the desired qualifications. It also increases employee morale and commitment, as they feel valued and recognized.

That is why we would like to introduce some of our employees who have grown with us:

Born and raised in India, **Nithin Theredath Sunny's** ambition and hard work have helped him achieve a steep career after he moved to Romania for his job at UACE. With a degree in Mechanical Engineering, Nithin started his career as a CNC helper at UACE, but with hard work, dedication, and the opportunities provided by the company, he quickly rose through the ranks and was recently promoted to team leader. He credits his success to the company's supportive environment and the opportunities provided for improving his skills and knowledge.

Nithin is not only a successful professional, but also a student, as he is currently studying product design. Despite his busy schedule, he still makes time for his hobbies and to explore the local area. With his passion for learning and his leadership skills, there is no doubt that Nithin will continue to thrive in his career. His advice to anyone considering a move abroad is to think beyond just the salary and take the people and environment into consideration. Nithin's journey is a testament to the power of hard work, determination, and the opportunities that come from being open to new experiences.

Sebastian Costin has already achieved a lot since joining Universal Alloy Corporation in Romania as a Press Operator in 2009. Sebastian's hard work and dedication helped him steadily climb the career ladder to become a team leader, shift supervisor, production manager for lightweight extrusion, and can now call himself Production Manager for Heavy Weight Extrusion. Sebastian was recently responsible for the implementation of the third heavy press in Mediesu, Romania, a challenging process but nonetheless successfully completed with the help of strong teamwork. The timeline was tight, but the first phase was completed in less than a year.

Talking about his current role, he emphasized the importance of hard work, dedication, and a deep understanding of the aluminum extrusion process as the key to success. These qualities make him a better leader and support him in making informed decisions. We would like to thank Sebastian Costin for his unwavering commitment and great performance over the past years, and will support him throughout his career.

Anamaria Bodea started her employment at Alu Menziken Romania in November 2021 as an assistant manager at the Die Shop Department. Her primary tasks included ordering dies, monitoring their arrival, preparing inspection documents, archiving records, and communicating with suppliers. She was also responsible for ordering the necessary equipment, tools, spare parts, and consumables for the department.

In July 2022, Anamaria was promoted to project manager in the Engineering Department. In this role, she oversees every new project from start to finish, and for complex projects, she monitors their progress until they are stable. Anamaria analyses and stores the documentation for these projects; she collects information and communicates regularly with all participants in the process to ensure the profiles are extruded to high-quality standards and delivered on time.

This position allows Anamaria to spend more time in production, surrounded by experienced professionals who bring projects to life. Alu Menziken Romania has given her the opportunity to learn and master challenges, demonstrating that she is capable of more than she had previously realized.

OUR COMMITMENT TO HEALTH, SAFETY AND THE ENVIRONMENT

At Montana Aerospace, we believe it is our duty to provide the highest level of health and safety measurements to our employees to ensure their well-being and guarantee a risk-free work environment.

The health and safety measures taken help reduce the risk of workplace accidents and workplace-related illness. These also ensure that our employees have the necessary protective equipment and training to carry out their tasks safely. This helps promote their physical and mental well-being, reduces the risk of stress and burnout, and improves overall job satisfaction.

Improving health and safety measures calls for a proactive and ongoing approach at all our divisions, including regular risk assessments, written policies and procedures, training and education, and safety technology.

- Regular risk assessments
- Development of safety policies and procedures
- Training and education
- Regular reviews and updates of measures
- Involving employees in health and safety initiatives
- Implementing safety technology
- Maintaining equipment and facilities

In 2022, we can also report zero fatalities, a testament to our unwavering commitment to safety.

Apart from the safety aspect, we aim to increase the well-being of our employees by taking the following actions:

- Encouraging physical activity
- Providing healthy food options
- Promoting mental health
- Fostering a positive workplace culture
- Supporting a work-life balance
- Providing ergonomic workspaces
- Offering medical assistance

At some of our locations, our employees have flexible working hours, home office arrangements, and part-time working options. We believe such benefits are crucial for our employees as they provide greater work-life balance, and this can improve job satisfaction.

We aim to provide as much assistance as possible to employees with children as well. At our UAC locations in Romania, we offer childcare facilities, as well as dedicated breastfeeding facilities, which are also available at ASTA in Brazil and UAC Vietnam.

A brief update on Covid-19

The effects of the corona pandemic partially subsided in 2022, but they were still present and taken seriously. For this reason, the measures taken in the preceding year were continued, such as remote office options, strict hygiene guidelines, in-house testing capacities, vaccination campaigns, and improved ventilation systems.

Our health and safety measures in 2022

Actions speak louder than words, and we at Montana Aerospace live the words Health & Safety. Below you will find examples of the measures that have particularly inspired us over the past year.

350 employees and two weeks of HSE

ASCO Belgium recently held a successful two-week Health, Safety, and Environmental (HSE) event, in which over 350 employees participated. The event, which took place at the end of September, was an opportunity for employees to receive intense safety training and engage in a fun and educational experience.

One highlight of the event was the environmental quiz, which provided a fun and interactive way for participants to learn about the importance of environmental sustainability. With the opportunity to win cinema tickets as a reward, the quiz was well received and helped to reinforce the message about the importance of environmental responsibility.

Providing safety training for students

ASCO US in Stillwater has formed a partnership with Oklahoma State University to provide hands-on learning opportunities for students. As part of this collaboration, incoming freshmen will have the chance to gain a deeper understanding of industrial safety standards through visits to our facility. Additionally, students will have the opportunity to participate in exchange programs and complete capstone projects on a range of Health, Safety, and Environmental (HSE) topics.

ASCO US celebrates two years without a “lost time injury”

ESG REPORT | SOCIAL RESPONSIBILITY

Staying fit

At Montana Aerospace, the health and well-being of our employees is a top priority, and we provide a range of initiatives designed to promote wellness. Physical activity plays a crucial role in improving both physical and mental health.

That’s why we are proud to have participated in the Vienna City Marathon again in 2022 and extended an invitation to all our employees to join us. This event provided a great opportunity to foster teamwork and promote healthy habits, while also encouraging personal growth and achievement.

A role model for health and well-being at Montana Aerospace

Our UAC division in Vietnam is one of our role models whose activities in the area of health and well-being will also guide the other divisions in the future.

For instance, at UAC Vietnam you can find a canteen where fresh and healthy food is cooked daily. There is a medical room with a nurse working full time on site and all employees have the opportunity of a comprehensive medical checkup covered by the company once a year.

In addition, air filtering and dust collection systems were installed in all deburring areas, most production halls are climate controlled, and reverse osmosis water filtering systems are installed in several parts of the plant to provide pure drinking water.

CELEBRATING LOYALTY AND DEDICATION

At Montana Aerospace, we are proud to bring together a wealth of knowledge and expertise from over 200 years of combined experience in our field. The professionalism, dedication and commitment of our employees is our success factor. Many of them have been loyal to the company for decades. For this reason, we would like to thank the many loyal staff members, especially those who have been with us for more than 10, 20 or 30 years:

Employee Jubilees in 2022:

Alu Menziken Group
10 years: 7 employees
15 years: 10 employees
20 years: 8 employees
25 years: 6 employees
30 years: 5 employees
35 years: 2 employees

Alpine Metal Tech
10 years: 16 employees
20 years: 12 employees
30 years: 4 employees

ASTA Group
10 years: 132 employees
20 years: 26 employees
30 years: 6 employees
45 years: 2 employees

ASCO Group
10 years: 53 employees
20 years: 6 employees
30 years: 4 employees
45 years: 1 employee

UAC Group
10 years: 72 employees

ASCO's 2-day retirement

James Brewer, an electromechanical technician, retired from ASCO Aerospace after working at the same location since 1976. He was one of the first employees hired when ASCO expanded into the US. However, he did not stay retired for long and decided to return to work at ASCO just two days after retiring. He now works in maintenance support and provides advice and assistance in obtaining replacement parts. ASCO is delighted to have James back on the team.

PHILANTHROPIC ACTIVITIES AND COMMUNITY ENGAGEMENT

We aim to strengthen our relationship with local communities by participating in philanthropic activities and we contribute to the social and environmental well-being of our stakeholders.

We at Montana Aerospace not only support our employees in their personal and professional development, but are also involved in several programs to promote educational achievements at all scholarly levels among students from diverse backgrounds. We also engage in helping people in need who are at risk from natural disasters, war and the pandemic.

Empowering communities through partnerships and programs

Our UAC site in Georgia, US, is dedicated to supporting the local community through various community engagement and donation initiatives. They are involved in several programs, such as the Cherokee FOCUS collaborative, which supports families and children, and the Cherokee County Educational Foundation, which promotes teaching and learning in the local school district. UAC also partnered with the Cherokee Recreation & Parks Agency to plant 25 new trees at the Veterans Park and is a Leader Level sponsor of Cherokee By Choice, a public-facing fundraising campaign launched by the Cherokee Office of Economic Development. UAC supports Creekview Takedown Club, which helps raise money for specific extracurricular activities at Creekview High School, and hires interns and full-time employees from Goshen Valley, a foster care program that supports sibling groups in Georgia. We are proud of UAC's involvement in these initiatives, which showcases its commitment to making a positive impact on the local community.

Helping people in need

Over the summer, 80 Ukrainian refugees, mostly orphans, received counselling, help with school and had a chance to have fun while learning to practice water sports under the supervision of specialized personnel, in addition to other fun events, like going horseback riding. The aim of the program was to help integrate them and help them forget the atrocities of the war. Another program invited Ukrainian children aged 10 to 13 from the local school in Mediesu Aurit to learn robotics, teaching them programming and mechanics. ALU MENZIKEN also donated pillows and blankets for refugees as well as medical equipment to the local hospital.

Spreading holiday cheer

Alu Menziken embraced the values of kindness, giving, love, and compassion during the holiday season in Romania. The staff was honored to serve as Santa's helpers, delivering gifts to the children of Turulung Secondary School and spreading joy and happiness.

Our mission is to make a positive impact on our community, especially during the festive season. The excitement and joy on the children's faces when they received their gifts is a testament to our commitment to giving back and spreading happiness.

GOVERNANCE

At Montana Aerospace AG, we believe that sustainability is at the heart of responsible corporate management and is guided by the principles of integrity, honesty, sustainability and transparency. As a global industrial group, our international activities come with various social, political, and legal obligations. We understand that any violation of these obligations could have severe and lasting effects on our financial standing and business, which is why we are committed to ensuring ethical and legally sound behavior of all our employees and business partners.

We take pride in being a market and technology leader with operations established over decades, and we are committed to pursuing a long-term, sustainable and comprehensive growth strategy for value creation. Our success is driven by our team's high degree of personal commitment, strong team spirit, open communication, unwavering focus on quality innovation, and strong customer orientation.

We are also committed to the values and principles that are summarized in our Code of Conduct, which was rolled out company-wide last year and serves as a framework for sustainable and responsible behavior within the Montana Aerospace Group. 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.

In 2022, we went a step further in our commitment to sustainability and responsible corporate management by expanding our Code of Conduct, releasing a group-wide People Policy and implementing a Whistleblower tool, which allows employees to anonymously report any violations of our Code of Conduct, ensuring that all employees have a voice in maintaining our standards of integrity and ethical behavior. With these additions to our governance framework, we are confident that Montana Aerospace AG is well-positioned to continue leading the industry with our sustainable and responsible business practices.

We believe that sustainability cannot be prescribed or decreed top-down and that it is crucial to incorporate all levels, disciplines, and geographical regions into our sustainability governance. As the Montana Aerospace Group, it is vital for us as a company to ensure that our governance guidelines are followed globally, ensuring that our commitment to responsible and sustainable behavior is upheld in all our divisions and sites.

HIGHLIGHTS OF OUR GOVERNANCE ACTIVITIES IN 2022

Code of Conduct

The Code of Conduct of Montana Aerospace was defined at the beginning of 2022 and outlines the ethical values and principles that guide the company's operations. It applies to all employees and to all companies in which Montana Aerospace holds a stake of more than 50%, ensuring consistent ethical standards across the entire enterprise. Our Code of Conduct is based on the principles of human rights and seeks to promote transparency, honesty, sustainability, and integrity in all of Montana Aerospace's business practices. It is the foundation of our corporate culture and serves as an ethical guide for all employees.

People policy

At Montana Aerospace, we are dedicated to promoting human rights and ethical business practices and have established a work environment that is inclusive and equal, and prioritizes employee health and development. We also published our People Policy in 2022, which was endorsed by the Board of Directors and the Management Board. The Policy aims to prevent any form of discrimination or harassment in the workplace. The Policy is part of the onboarding process and defines a procedure for addressing breaches.

Whistleblower tool

In 2022, we implemented a whistleblower tool to encourage employees or outside parties to report any wrongdoing or violations of company values and principles in a secure and trustworthy manner. We at Montana Aerospace take every individual report seriously and believe it is important to take responsibility as a company.

Supply chain guidelines

Montana Aerospace is committed to responsible and sustainable business practices in our supply chain guidelines. Our supplier selection process considers a range of factors, including quality, safety, cost, anticorruption practices, responsible sourcing, human rights due diligence, environmental practices, and protection of intellectual property. We only partner with suppliers who share our commitment to human rights and sustainability principles. In 2022, we established new guidelines in our Code of Conduct to further strengthen our focus on responsible sourcing. In 2023, we will be working on a supplier code of conduct based on these guidelines to ensure that all our suppliers align with our values and ethical principles. Our supplier selection process, coupled with our upcoming Supplier Code of Conduct, guarantees long-term efficiency and continuity in our supply chain.

IN CONVERSATION WITH RENATE KRENN

HEAD OF LEGAL & COMPLIANCE AT MONTANA AEROSPACE

… about promoting responsible behavior and sustainability within the company, changes in corporate governance, and the legal aspects associated with Montana Aerospace's acquisitions.

Renate Krenn has been Head of Legal & Compliance for more than four years—first at Montana Tech Components and, since its foundation, at Montana Aerospace AG. In 2021, she played an important role as a legal advisor for the company's IPO.

You have been Head of Legal at Montana Aerospace since its foundation. What are your main responsibilities?
My principal tasks include the implementation of the legal aspects of projects such as IPOs or acquisitions, the review of contracts, the implementation of corporate law obligations at our Group companies, the preparation of the annual general meeting, support in legal disputes as well as the implementation of Group-wide approval and reporting requirements and policies.

What were the most important or exciting projects for you last year?
The year 2022 included a number of firsts: not only was the first Annual Report published, together with the Corporate Governance Report and the Compensation Report, but the first Annual General Meeting after the IPO also took place, although unfortunately still with restrictions due to Covid-19.

Additionally, the ASCO acquisition was completed, marking the conclusion of a complex and exciting project.

What changed at Montana Aerospace last year in terms of governance, including ESG?
The importance of governance has come into even sharper focus over the past year, and we have implemented or standardized Group-wide approval and reporting requirements in this context. In addition, the Code of Conduct and the Whistleblower Policy, including the associated whistleblower tool, were implemented.

What legal issues are important at Montana Aerospace right now?
We are currently concerned with the implementation of various legislative projects: in Switzerland, a revision of the Stock Corporation Act came into force on 1 January 2023, which means that amendments to the Articles of Association will have to be proposed to this year's Annual General Meeting. In addition, we are analyzing the possible need for adjustments to our whistleblower policy or whistleblower tool due to the national implementation of the EU Whistleblower Directive in the countries in which Montana Aerospace AG is represented by subsidiaries. We are receiving more and more inquiries from colleagues in purchasing and sales as to whether contracts can be adjusted accordingly due to the strong price movements and inflation trends.

What legal aspects are important in a company like Montana Aerospace, considering that there have been some acquisitions in recent years, such as ASCO Industries or Cefival?
We need to ensure that approval and reporting requirements are implemented consistently, but without creating inefficiency or diverting focus from operations.

What are the difficulties of working in a company that has so many different divisions under one roof?
On the one hand, not every legal topic is equally relevant for every segment, and contractual relationships with suppliers or customers are structured differently; a circumstance that must also be taken into account in our policies. On the other hand, these differences are also interesting.

Why have you created a Code of Conduct and People Policy and what are its main contents?
Due to international activities, it was important to Montana Aerospace to set out the fundamental values in relationships with our employees, customers, suppliers and other business partners in guidelines. The aim was also to emphasize the high priority Montana Aerospace attaches to sustainable and responsible conduct and a strategy of long-term, sustainable and comprehensive growth and value. All contents are relevant, of course, but I would particularly like to emphasize the importance of compliance with laws and social standards, respect and integrity, non-discrimination, avoidance of conflicts of interest, and commitment to environmentally friendly and resource-efficient production.

Why did you create a whistleblower tool and what does it improve at the company?
The Whistleblower Tool is an important component for enabling employees and others to report potential misconduct in a confidential and anonymous manner to enable an investigation and appropriate action. Because the tool allows for anonymous reporting, it ensures that a whistleblower who reports misconduct in good faith will not be subject to retaliation or suffer intimidation, discrimination or other adverse employment consequences as a result of making such a report.

Thank you, Renate, for the overview of the legal aspects of the preceding year and the importance of the new Code of Conduct, the People Policy and the Whistleblower Tool. Read more about these important tools that help Montana Aerospace remain an ethical and sustainable company on the following pages.

CODE OF CONDUCT

Our stakeholders rightly have high expectations in our business practices. Our top priority is to meet these high expectations and act with the required integrity and honesty. We want to continue to be perceived by our stakeholders as reliable, transparent and fair.

As a global group of industrial companies, Montana Aerospace AG and its subsidiaries adhere to a policy of responsible corporate governance based on the principles of integrity, honesty, sustainability and transparency. This behavior is one of the most important factors of influence for our reputation as a global company. In this respect, it is especially important to us to take the political, legal and social conditions in our markets seriously and comply with all rules and regulations.

We are bound by our fundamental values and promises in our relationships with employees, customers, suppliers and business partners. We summarized these in our Code of Conduct, published in March 2022, which you can find by scanning the QR Code.

The establishment of our whistleblower tool for inquiries and complaints will further highlight our ethical commitment.

The Code of Conduct applies to all employees of Montana Aerospace AG and to all companies in which Montana Aerospace is a major shareholder (over 50%), regardless of geographic location or job profile. Our Code of Conduct is the foundation of our corporate culture and the basis of everything we do. Its purpose is to serve as ethical guidelines for all people who are part of Montana Aerospace and to define the ethical values, principles and policies.

PEOPLE POLICY

OUR COMMITMENT

We, Montana Aerospace, are committed to ethical and sustainable business practices and human rights.

We, Montana Aerospace, are committed to creating a work environment that is defined by equality and inclusion.

We, Montana Aerospace, promote a healthy and safe workplace where employees feel valued and are given development opportunities.

We, Montana Aerospace, strive to establish business relationships with partners committed to our values and principles.

Respect for human rights and human dignity has always been a priority for us as a company and are integral elements of every single step we take as a company. We believe that every person is equally entitled to human rights and that these rights must be understood, respected, guaranteed and promoted.

Our own contribution to human rights is our Human Rights Policy published in November 2022, which is supported and endorsed by our Board of Directors and the Group Management.

This Policy illustrates how important it is to us to respect human rights and to prevent any kind of discrimination. This Policy is also designed to ensure that all our employees can work in an environment free from any form of harassment or discrimination. We take responsibility, not only for our business activities, but also for the well-being of our employees by offering fair and equal opportunities for development in a healthy and motivating working environment.

Our Policy is part of the onboarding process to ensure that all employees understand it and its scope of application.

In addition to being embedded in our traditional governance structure, it also defines a process on how to proceed in the event of a breach.

WHISTLEBLOWER TOOL

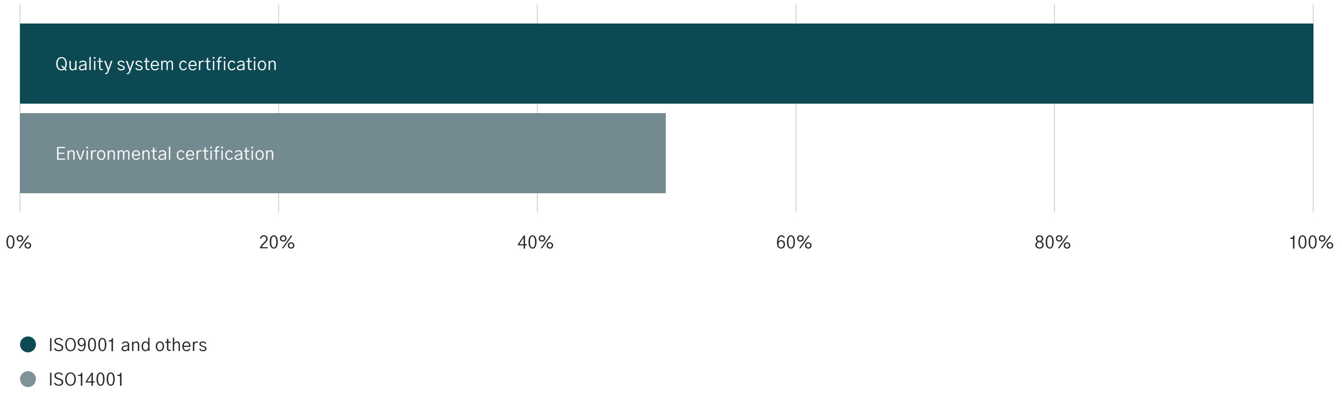
At Montana Aerospace we aim to create a workplace of mutual respect and freedom from discrimination of any kind. This tool allows employees and also outsiders who become aware of misconduct or violations of our values and principles to share their concerns and perceptions using a safe and trustworthy channel.

It permits the reporting of any irregularities or violations. It is very important to us to give every point of view due consideration. This is the only way we can work together responsibly.

In 2022, **no incidents** were reported via the whistleblower tool.

CERTIFICATIONS

At Montana Aerospace, we take our commitment to security and reliability seriously, and we demonstrate this with our industry-relevant certifications. Our manufacturing operations are built on a foundation of quality systems, which are subject to audits and certification processes across all business areas. In addition, we have developed further qualification standards where necessary and are proud to report that 50% of our locations have completed environmental management certification audits. These certifications reflect our dedication to meeting the highest standards of quality, safety, and environmental responsibility in all of our operations.



ESG REPORT | GOVERNANCE

RATING

In 2022, Montana Aerospace once again conducted the S&P Global Corporate Sustainability Assessment (CSA) using its 2021 data set. The results of the assessment demonstrated significant progress in the company's sustainability performance. We were able to improve our score from 5 to 17 points in just one year, representing an impressive increase of 12 points, and moved up from the 16th percentile to the 48th percentile. With the new result, we are now in the average range compared to other companies in our industry.

The CSA highlighted that Montana Aerospace performed well above average in critical areas such as business ethics, social reporting and labor practices, human rights, and human capital development. These areas are essential for any company striving to operate sustainably and ethically, and our strong performance demonstrates our commitment. In addition, we can report significant improvements in the areas of climate strategy, environmental policy & management, and occupational health and safety.

In 2023, Montana Aerospace plans to continue its ESG journey by focusing on key areas such as materiality analysis, risk management, supply chain management and environmental reporting. By addressing these areas, we are committed to further enhancing our sustainability performance and making a positive impact on the world.

”As Montana Aerospace Group, we operate in a very specific and challenging environment, also with regard to ESG. There is no doubt, however, that we can make a very significant contribution to our environment and thus to society, not least thanks to engaged and innovative product development work. We – and our employees – are well aware of this special responsibility and embrace it proactively.”

Silvia Buchinger,
CHRO

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. On 1 January 2023, the revised Swiss corporate law entered into force. Swiss corporations are required to amend their Articles of Association to comply with the new law by the end of 2024 at the latest. Montana Aerospace's Board of Directors intends to submit corresponding proposals to amend the Company's Articles of Association at the Annual General Meeting in May 2023. The proposed amendments, if approved by the shareholders at the Annual General Meeting, will affect some of the provisions mentioned in this Corporate Governance Report.

CORPORATE GOVERNANCE 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 2022 comprise the Company and its subsidiaries (collectively the 'Group' and individually 'Group companies') described in detail in chapter 30 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 2022, 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 more than 6,700 highly skilled employees at 22 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 shares of the Company have been listed on the SIX Swiss Exchange since 12 May 2021 under the Swiss Securities Number (Valor) 111042565, the International Securities Identification Number (ISIN) CH1110425654 and the ticker symbol AERO. As of 31 December 2022, market capitalization was CHF 888.87 million (EUR 884.7 million). There are no cross shareholdings. Prior to the offering, there had been no public market for the shares.

Due to the successful completion of the acquisition of 100% of shares of S.R.I.F. NV (the "Asco Group" or "Asco"), the Asco Group, 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, has become part of the Group companies as of 31 March 2022. The purchase price was paid partly in cash, and, as the sellers also had a strong interest in being shareholders of Montana Aerospace - believing and participating in the long-term and sustainable development of the Group including Asco - by a share consideration of 4,431,600 ordinary shares of the Company. The payment has been paid upon closing and the aggregate purchase price was subject to customary price adjustments. In addition to the purchase price, an earn-out of up to EUR 30 million based on the attainment of certain performance indicators by the Company has been agreed, that will be paid by 30 June 2025 at the earliest.

On 27 December 2022, the Company has sold the majority share (53%) of the machine shop Alpine Metal Tech GmbH and its subsidiaries, headquartered in Regau, Austria, with the clear focus to concentrate on its core business „Aerostructures" in order to support the FY2022 EBITDA and reduce Net Debt by a low double-digit EUR Mio. amount. The selling price was paid in cash, consisting of a first tranche, payable immediately, which was fixed, and a second tranche with a variable component based on the financial performance of AMT, payable following availability of the 2022 annual financial statement of AMT. The proceeds from the divestiture will be used for further strategic projects in the 'Aerostructures' segment. The buyer is an entity directly owned by DDr. Michael Tojner, Co-Chairman of the Company, potentially joined by a consortium of members of the management of Alpine Metal Tech (AMT). In a first step, Montana Aerospace AG will remain a minority shareholder of AMT (47%) to benefit from the future growth trajectory on an independent level, as well as to account for several joint strategic projects across the group, for which reason the Company and AMT will enter into a shareholder's agreement. In a second step, the Company will consider selling the remaining shares in AMT.

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 2022:

Significant shareholder (beneficial owner)	% of voting rights	Number of shares
Montana Tech Components AG, Reinach Switzerland (Michael Tojner, Vienna, Austria)	52.26%	32.395'969
Christian Boas, in La Hulpe, Belgium Emile Boas, in Kraainem, Belgium partly through DREDA, in Watermael-Boitsfort, Belgium through DREDA, in Watermael-Boitsfort, Belgium through DREDA, in Watermael-Boitsfort, Belgium	7.15%	4,431,600
Capital Research and Management Company (The Capital Group Companies, Inc.)	5.53%	2,157,933 shares held 1,272,866 voting rights delegated

Montana Aerospace is not aware of any other shareholders holding shares in excess of 3% of the share capital on 31 December 2022. 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 2022. 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 2022.
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 2022, 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 2022, the Company's ordinary share capital was CHF 61,985,597.00, divided into 61,985,597 fully paid-in registered shares with a nominal value of CHF 1.00 each.

As of 31 December 2022, 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 5,000,000.00 through the issuance of up to a maximum of 5,000,000 fully paid-in registered shares with a nominal value of CHF 1.00 each at any time until 18 May 2024. 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 subscription 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.

Pursuant to Article 3.c of the Articles of Association of Montana Aerospace, the share capital may be increased by a maximum amount of CHF 1,000,000 through the issuance of a maximum of 1,000,000 registered shares with a nominal value of CHF 1.00 each, to be fully paid up, through the exercise of option and conversion rights issued in connection with bonds, similar debt instruments, loans or other financial market instruments or contractual obligations of the Company or one of its Group companies and/or through the exercise of option rights issued by the Company or one of its Group companies (the "Financial Instruments". The subscription rights of the shareholders are excluded. The respective holders of financial instruments shall be entitled to subscribe for the new shares. The terms and conditions of the financial instruments shall be determined by the Board of Directors.

The Board of Directors may exclude shareholders' advance subscription rights in whole or in part when issuing financial instruments: (i) for the purposes of the financing or refinancing of the acquisition of companies, parts of companies or participations, products, intellectual property rights, licenses, cooperations or new investment project of the Company, (ii) if the issuance is made on domestic or international capital markets, including private placements, (iii) for the purpose of underwriting of the Financial Instruments by a bank or a bank syndicate and a subsequent public offering or (iv) for the purpose of a replacement of existing financing arrangements. To the extent that advance subscription rights are excluded, (i) the financial instruments shall be placed at market conditions; (ii) the period of exercise, conversion or exchange of the financial instruments shall be set at a maximum of 10 years from the date of issuance; and (iii) the price of the conversion, exchange or other exercise of the financial instruments shall be determined taking into account the market price.

The acquisition of registered shares on the basis of a conditional share capital increase for participation plans or financing purposes as well as any transfer of such 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 17,153,997 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.

On 7 April 2022, the Company placed 4,431,600 new registered shares from existing authorized share capital with a par value of CHF 1.00 to the sellers of the Asco Group in (the "Capital Increase Asco"). The placement price was set at CHF 16.28 per share (the "Share Consideration") as a part of the purchase price under the acquisition of the Asco group was to be paid in form of shares.

On 7 April 2022, to implement the capital increase from the Capital Increase Asco, the Company's ordinary share capital was increased to CHF 61,985,597,00, divided into 61,985,597 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 4,600,000 was reduced to CHF 568,400.

On 18 May 2022, the ordinary general meeting resolved to increase the authorized capital from CHF 568,400 to CHF 5,000,000 and its extension until 18 May 2024 and to establish a new conditional capital for financing purposes in the reduced amount of CHF 1,000,000 to ensure the necessary flexibility in line with the management's duty of acting to the best interest of the Company.

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 2022, 765,400 options under the MSOP were issued by Montana Aerospace.[1]

As of 31 December 2022, no other outstanding convertible bond or options on Montana Aerospace's equity were recognized on the balance sheet.

1 The MSOP, originally established by Montana Tech Components AG with no compensation by Montana Aerospace, was transferred to a large part to Montana Aerospace in December 2022, see section Management Stock Option Program / pages 186, 187 of the Compensation Report.

Board of Directors

The Board of Directors (BoD), the members of which are all non-executive, 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	2023
Thomas Williams	Co-Chairman of the Board of Directors	2020	2023
Martin Ohneberg	Vice-Chairman of the Board of Directors	2020	2023
Christian Hosp	Member of the Board of Directors	2019	2023
Markus Vischer	Member of the Board of Directors	2020	2023

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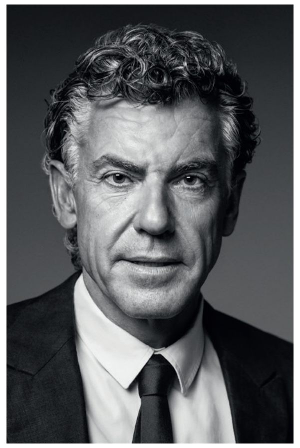
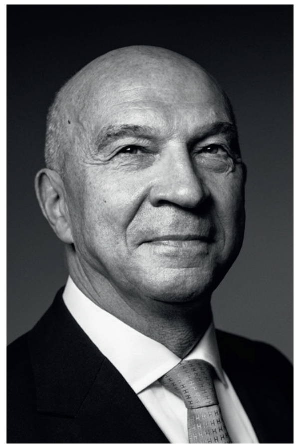


Michael Tojner (Austrian citizen)
Mr. Tojner holds a Ph.D. in management and business studies from the Vienna University of Economics and Business Administration as well as a Ph.D. in law from Faculty of Law of the University of Vienna. He also participated in the executive programs at Stanford University in 2001 and Harvard Business School in 2002. Mr. Tojner has 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, Montana Tech Components AG and has served as chairman of its board of directors 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 a 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. He was awarded Commander of the British Empire (CBE) by Queen Elizabeth and holds a Legion d Honneur from France.

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 University of London (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 2022 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 2022, the Board of Directors, due to the restrictions to movement imposed as a result of the Covid-19 pandemic, held six hybrid meetings with the majority of the members attending in person and two virtually, and, four virtual meetings. Nine meetings were attended by all members of the Board of Directors and one meeting was attended by four members. At seven meetings, members of the Management Board have been called in and at three meetings, one external advisor 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
- Nomination and Compensation Committee
- Investment and Strategy 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 compensation report and making motions to the General Shareholders' Meeting regarding approval of the compensation 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 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.

CORPORATE GOVERNANCE REPORT

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 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 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 2022, the Committee met five 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 2022. 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 2022, the Committee consisted of the following members:

Mr. Christian Hosp, Chairman since September
Mr. Martin Ohneberg, Chairman until September
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 Management Board or have been a member of the 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 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 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 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 2022, the committee met four times with an average duration of one hour and 45 minutes of the meetings. All members attended all meetings. At two meetings, members of the Management Board have been called in and at one meeting all members of the Board of Directors attended the Committee. In two meetings, two members of the Management Board were invited to the meeting. No external specialists were called in in 2022. 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 2022, 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 compensation strategy and guidelines, and the qualitative and quantitative criteria for compensation. It also assists with the preparation of the motions to the General Shareholder's Meeting concerning the compensation of the Board of Directors and the Management Board. It may submit to the Board of Directors suggestions and recommendations on further compensation 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 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 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 Management Board to the Board of Directors;
h. submitting suggestions to the Board of Directors for establishing principles for the compensation of the members of the Board of Directors and of the Management Board, in accordance with the provisions of the law and the Company's Articles of Association;
i. regularly reviewing the Company's compensation system for compliance with the principles for compensation in accordance with the law, Articles of Association, regulations, and the resolutions of the General Shareholders' Meeting with regard to compensation;
j. auditing matters in connection with the general compensation regulation for employees and the practices of the Company's personnel management;
k. proposing to the Board of Directors the amounts of the fixed compensation 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 compensation for the members of the Management Board;
m. proposing to the Board of Directors the amounts of fixed and variable compensation for the CEO;
n. recommending to the Board of Directors, based on a proposal by the CEO, the amounts of fixed and variable compensation for the members of the 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 compensation 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.

CORPORATE GOVERNANCE REPORT

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 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.

In 2022, the Committee met two times with an average duration of one hour of the meetings. All members attended all meetings. No external specialists were called in in 2022. 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 2022, 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 are 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 2022, there were internal audits at four 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 CFO, 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.

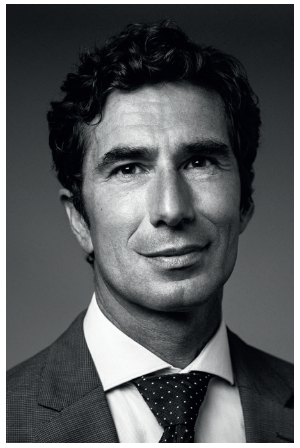
Management Board

Members of the Management Board on 31 December 2022

Name	Born	Position	Date of Appointment	Date of resignation
Michael Pistauer	1969	Co-CEO, CFO	June 5, 2020 Since July 1, 2022: Co-CEO	
Kai Arndt	1971	Co-CEO	December 1, 2021 Since July 1, 2022: Co-CEO	
Silvia Buchinger	1964	CHRO	July 1, 2022	

Members of the Management Board that left the company in 2022

Name	Born	Position	Date of Appointment	Date of resignation
Markus Nolte	1965	CEO	June 5, 2020	June 30, 2022
Herbert Roth	1965	Special Projects Manager	June 5, 2020	June 30, 2022



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 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. Since 2019, Mr Pistauer acts as CFO of the newly formed Montana Aerospace group. In addition to his position as CFO as Montana Aerospace AG, Mr. Pistauer simultaneously holds several functions within and outside the Montana Tech Group. As of July 1, 2022 he has been appointed as Co-CEO of the management board of Montana Aerospace AG, in addition to his role as CFO.

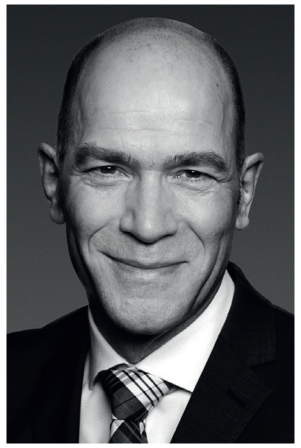
Kai Arndt (German citizen)

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. As of July 1, 2022, he has been appointed as Co-CEO of the management board of Montana Aerospace AG.

Dipl.Ing. Silvia Buchinger (Austrian citizen)

Silvia Buchinger studied computer science at the Vienna Technial University. As an experienced manager, she can look back on a career covering over 30 years in international corporations such as the Telekom Austria Group, Hewlett Packard and Alcatel Austria. From 2015 to 2019, Buchinger was in charge of strategic and operational HR management, including all relevant HR issues, with a focus on developing a global HR process structure at KUGA AG, an international automation Group in Augsburg. In her last position prior to starting at Montana Aerospace in November 2021, Buchinger held global HR responsibility for more than 25,000 employees at the Theo Müller Group of companies as Group Chief Human Resources Officer and was a member of Group management. She has been a member of Management Board since July 1st, 2022.

Members of the Management Board that left the company in June 2022



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 the newly formed Montana Aerospace group as CEO and was elected as a member of the Group Management Board as of 5 June 2020 and resigned on June 30, 2022.

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 and was elected as a member of the Management Board as of 5 June 2020. Since then, he has been member of the Management Board and was responsible for special projects within the Montana Aerospace Group until his resignation in June 30, 2022.

The 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 ("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 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 Management Board shall only take measures which might affect the area of responsibility of another member of the Management Board after prior consultation with the Co-CEOs or in case of imminent danger.

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

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

Appointment

The Management Board is appointed by the Board of Directors on the recommendation of the Nomination and Compensation Committee. It consists of the Co-CEO Aero, the Co-CEO E&E & CFO, the CHRO and one or more other members of management.

Number of permissible activities

Members of the 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.

CORPORATE GOVERNANCE REPORT

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 Management Board from liability.

It also approves the compensation of the members of the Board of Directors and of the Management Board as specified in the Compensation Report on page 181 and 182, which is an integral part of the Annual Report 2022.

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 compensation 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.

CORPORATE GOVERNANCE REPORT

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 Ltd (formerly known as 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	824	419
Additional services	348	36
o/w tax consulting	118	43

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 2022, 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/.

CORPORATE GOVERNANCE REPORT

The financial calendar of Montana Aerospace AG for the year 2023 is outlined below:

Date	Announcement
22 Feb 2023	Announcement on preliminary sales for the full year 2022
4 Apr 2023	Publication of the Annual Report 2022
9 May 2023	Interim Financial Report – 1st Quarter 2023
23 May 2023	Annual General Meeting
15 Aug 2023	Interim Financial Report – 2nd Quarter 2023
14 Nov 2023	Interim Financial Report – 3rd Quarter 2023

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

COMPENSATION REPORT

The Compensation Report describes the compensation framework and compensation 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 compensation framework in the year 2022. 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. 14 to 16 of the Ordinance Against Excessive Compensation in Listed Stock Companies. The audit report is presented on page 191–193.

Compensation framework

Principles

The compensation 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 holders of shares and/or options under the MSOP in the Company. This encourages a long-term view and aligns their interests with those of shareholders. In addition, the extended management also participates in the MSOP.[2]

Retaining talent

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

Transparency

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

[2] See section Management Stock Option Program / pages 186, 187 of the Compensation Report for further details.

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]	None[3]	Participation in the MSOP
Other	None	Company car, partly casualty insurance, partly company flat

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 contingent 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 or the Management Board. 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 at Montana Aerospace's Annual General Meeting 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 originally established by Montana Tech Components AG with no compensation by Montana Aerospace. In 2022, parts of the MSOP have been transferred to the Company; see section Management Stock Option Program / pages 186, 187 of the Compensation Report.
2 Not every member of the Management Board has received all other items.
3 Mr. Williams, formerly a participant in the MSOP, has waived any claims under the MSOP granted by Montana Tech Components AG.

Compensation framework and procedure for members of the Management Board

Pursuant to Article 30 of the Articles of Association of Montana Aerospace, the compensation 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 compensation 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 compensation 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 compensation 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 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 compensation – procedure in 2022

The actual amount of short-term performance-based variable compensation ("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 compensation for 100% target achievement ("target bonus") is set by the Board of Directors separately for each member of the Management Board. In 2022, the maximum variable amounts ranged between 50% and 152% 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 150% for some members, and zero and a maximum of 200% of the for one member, shall be determined by the Nomination and Compensation Committee and approved by te Board of Directors. 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

The following main changes have been implemented for all members of the Management Board in 2022: the existing short-term performance based variable compensation has been rearranged: it is based on EBITDA before special effects and the free cash flow (FCF) as quantitative metrics reflected as KPI with each having a weight of 30%. The relative weighting of non-financial individual targets have been decreased to 40%. 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 compensation 2022 ("bonus")	
60% quantitative element	40% qualitative elements
Company's EBITDA FCF	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 compensation – procedure in 2022

According to Article 30 of Montana Aerospace's Articles of Association, the long-term variable compensation 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 2022, Montana Aerospace did not pay any long-term performance based compensation.

MSOP

The Management Board participates in the management stock option program (MSOP) that was established by Montana Tech Components AG in 2021 in the course of the IPO. In December 2022, the Company and Montana Tech Components AG agreed to transfer a large part of the MSOP to the Company in order to strengthen the identification with the Company of the respective employees and to follow the governance recommendation expressed by shareholder groups in the course of the last general meeting to strive for greater independence of the Company from the majority shareholder. According to the respective transfer agreement between the Company and Montana Tech Components AG, the rights and obligations out of 615,320 options granted under the MSOP (i.e. up to 43% of all options at an exchange ratio 1:1, relating to up to 1% of the outstanding shares of the Company) were transferred from Montana Tech Components AG to the Company as of 23 December 2022. Options that have already vested in 2021 or will vest in 2022 as well as other certain options, such as for beneficiaries employed by the Alpine Metal Tech Group, where the majority had been sold outside of the Company group, were not transferred to the Company.

In addition, the Board of Directors of the Company resolved to reduce the strike price of the transferred options from CHF 25.65 to CHF 18.00 per option. For the transfer, the Company received a consideration of CHF 1.9 million.

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 2022, 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 re-elected in the ordinary Annual General Meeting on 18 May 2022. 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 2022, the Nomination and Compensation Committee met four times. All members were present at all meetings. In two meetings, two members of the Group Management Board were invited to the meeting. No external specialists were called in in 2022. 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 2022, the Nomination and Compensation Committee reported its findings to the Board of Directors on four occasions.

COMPENSATION REPORT

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	Co-CEO
Maximum compensation of the Board of Directors	D	E	P	
Maximum compensation of the Management Board	D	E	P	
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
Advisory vote on compensation report[4]	D	E	P	

4 the compensation report is only subject to such advisory vote if variable compensation is voted on prospectively.

For the compensation in 2022, compensation advisors were involved in the preparation of a possible new long term incentive program.

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 CFO and Co-CEO is employed under an employment contract with an unlimited term subject to a notice period of twelve months.

The Co-CEO has an employment contract with an unlimited term subject to a notice period of twelve months. The CHRO has an employment contract with an unlimited term subject to a notice period of six months.

The employment contract of Mr. Roth expired on 30 June 2022.
The former CEO, Mr. Nolte,is employed under an employment contract with a fixed term expiring on 31 March 2023.

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 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 have been entitled to participate in the Management Stock Option Program. The program has a term of five years. 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. In December 2022, the Company and Montana Tech Components AG agreed to transfer a large part of the MSOP to the Company in order to strengthen the identification with the Company of the respective employees and to follow the governance recommendation expressed by shareholder groups in the course of the last general meeting to strive for greater independence of the Company from the majority shareholder. According to the respective transfer agreement between the Company and Montana Tech Components AG, the rights and obligations out of 615,320 options granted under the MSOP (i.e. up to 43% of all options at an exchange ratio 1:1, relating to up to 1% of the outstanding shares of the Company) were transferred from Montana Tech Components AG to the Company as of 23 December 2022. Options that have already vested in 2021 or 2022 will not be transferred. In addition, the board of directors of the Company has resolved to reduce the strike price of the transferred options from CHF 25.65 to CHF 18.00. For the transfer, the Company received a consideration of CHF 1.9 million.

Under the Management Stock Option Program, the Principal Shareholder and the Company granted 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 as follows:

- in relation to the 20% that remained with the Principal Shareholder: from the shareholdings of the Principal Shareholder.
- in relation to the 80% of the MSOP transferred to the Company: from future capital increases from conditional capital
- To implement the Management Stock Option Program, the Principal Shareholder entered into separate option agreements with each beneficiary. Each beneficiary expressly agreed to the partial transfer of the options granted under the MSOP. 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 as follows:

- in relation to the 20% that remained with the Principal Shareholder: equal to the Offer Price, i.e. CHF 25.65.
- in relation to the 80% of the MSOP transferred to the Company: from future capital increase: CHF 18

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 or respectively the Company 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 2022

Board of Directors

The amount of compensation of the members of the Board of Directors is a fixed amount only. In the year 2022, the compensation was awarded in cash and amounted to EUR 213 k / CHF 214 k. In addition, based on a consultancy agreement that expired on 30 June 2022 between Montana Tech Components AG and Mr. Williams, Mr. Williams received a compensation of EUR 105 k / CHF 106 k in the year 2022 (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 / 1.0047.

2022 (audited)	Role	Fixed compensation in cash in EUR k / CHF	Social security and pension contributions in EUR k / CHF k	Total compensation by Montana Aerospace AG EUR k / CHF k	Compensation granted by third parties / MTC AG EUR k / CHF k	Total compensation including compensation by third parties 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 31 CHF 31		EUR 31 CHF 31		EUR 31 CHF 31
Thomas Williams	Co-Chairman of the Board of Directors, Member of the Nomination and Compensation Committee and the Investment and Strategy Committee	EUR 127 CHF 128		EUR 127 CHF 128	EUR 105 CHF 106	EUR 233 CHF 234
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 24 CHF 24		EUR 24 CHF 24		EUR 24 CHF 24
Christian Hosp	Member of the Board of Directors and of the Audit and Compliance Committee	EUR 16 CHF 16	EUR 1 CHF 1	EUR 17 CHF 17		EUR 17 CHF 17
Markus Vischer	Member of the Board of Directors and of the Audit and Compliance Committee	EUR 15 CHF 15		EUR 15 CHF 15		EUR 15 CHF 15
SUM EUR **SUM CHF**		**EUR 213** **CHF 214**		**EUR 214** **CHF 215**		**EUR 319** **CHF321**

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).

				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 compensation in cash in EUR k / CHF k**	**Total EUR k / CHF k by Montana Aerospace AG**	**MSOP**	**Other**	**Total compensation 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 **SUM CHF**		**EUR 62** **CHF 67**	**EUR 62** **CHF 67**	**EUR 379** **CHF 410**	**EUR 101** **CHF 109**	**EUR 542** **CHF 586**

Management Board

As of 31 December 2022, the Management Board consisted of Michael Pistauer (CFO and Co-CEO), Kai Arndt (Co-CEO) and Silvia Buchinger (CHRO). In 2022, members of the Management Board (including Markus Nolte and Herbert Roth who resigned with effect as of 30 June 2022 from the Management Board) received the compensation detailed in the table below in cash. The amounts stated are all gross and include social insurance and pension contributions required by law and CHF amounts were translated using an average EUR/CHF exchange rate of 1/ 1,0047. Besides the payment outlined below, members of the Management Board received no other payments.

2022 (audited)	Base compensation in cash in EUR k / CHF k	Variable compensation 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	MSOP – grant by MAAG in EUR k / CHF k*	MSOP – consideration in relation to transfer of MSOP options to MAAG in EUR k / CHF k**	Total compensation by Montana Aerospace AG EUR k / CHF k	Compensation granted by third parties / MTC AG EUR k / CHF k	Total compensation including compensation by third parties EUR k / CHF k
Total compensation: Management Board	EUR 1,520 CHF 1,527	EUR 1,050 CHF 1,055	EUR 108 CHF 109	EUR 92 CHF 92	EUR 207 CHF 208	EUR 101 CHF 102	EUR 3,078 CHF 3,093	EUR 1,148 CHF 1,153	EUR 4,226 CHF 4,246
Highest compensation: Kai Arndt	EUR 476 CHF 478	EUR 350 CHF 352	EUR 14 CHF 14	EUR 39 CHF 39	EUR 177 CHF 178		EUR 1,056 CHF 1,061		EUR 1,056 CHF 1,061

* In the Compensation Report, the value of the stock options granted under the MSOP in 2022 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].
** Calculated as follows: [number of options transferred by MTC AG to MAAG] x [fair value of options at transfer date with exercise price CHF 25,65] - [number of options transferred by MTC AG to MAAG] x [fair value of options at transfer date with new exercise price CHF 18]

In June 2022, Markus Nolte and Herbert Roth resigned from the Management Board. In July 2022, Silvia Buchinger 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 302 in the statutory accounts of Montana Aerospace, which are an integral part of the Annual Report.

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 compensation 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) as of the first day of trading until the end of the fiscal year 2021	Base compensation in cash in EUR k / CHF k	Variable compensation 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 compensation including MSOP EUR k / CHF k
Total compensation: 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 compensation: 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.

Outlook

In order to better align Montana Aerospace's compensation policy with its long-term strategic objectives, the Management Board is currently revising a long-term incentive program with the support of external compensation advisors for the extended management other than the Management Board and the Board of Directors within the parameters of the law and the Articles of Association with the intention that the such revised compensation 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.

KPMG

Report of the Statutory Auditor

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

Report on the Audit of the Remuneration Report

Opinion

We have audited the Remuneration Report of Montana Aerospace AG (the Company) for the year ended 31 December 2022. The audit was limited to the information on remuneration, loans and advances pursuant to Art. 14-16 of the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (Verordnung gegen übermässige Vergütungen bei börsenkotierten Aktiengesellschaften, VegüV) in the tables marked “audited” on pages 188 to 190 of the Remuneration Report.

In our opinion, the information on remuneration, loans and advances in the Remuneration Report complies with Swiss law and Art. 14-16 VegüV.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the “Auditor's Responsibilities for the Audit of the Remuneration Report” section of our report. We are independent of the Company 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.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the tables marked “audited” in the Remuneration Report, the consolidated financial statements, the financial statements and our auditor's reports thereon.

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

In connection with our audit of the Remuneration Report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the audited financial information in the Remuneration Report 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.

Board of Directors' Responsibilities for the Remuneration Report
The Board of Directors is responsible for the preparation of a Remuneration Report 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 a Remuneration Report that is free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's Responsibilities for the Audit of the Remuneration Report
Our objectives are to obtain reasonable assurance about whether the information on remuneration, loans and advances pursuant to Art. 14-16 VegüV is 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 SA-CH 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 this Remuneration Report.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

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 to 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.

KPMG AG

Daniel Haas Licensed Audit Expert Auditor in Charge	Roman Künzle Licensed Audit Expert

St. Gallen, 31 March 2023

KPMG AG, Bogenstrasse 7, CH-9001 St. Gallen

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in TEUR)	Notes	31.12.2022	31.12.2021
ASSETS			
Intangible assets and goodwill	7	305,752	193,504
Property, plant and equipment	8	744,997	603,843
Investment properties	8	5,521	5,263
Joint ventures and shares in associates	9	30,125	0
Loans	26	10,870	0
Other financial assets	26	3,011	271
Other receivables and assets	12	60,458	42,387
Deferred tax assets	14	6,916	8,565
Non-current assets		**1,167,650**	**853,833**
Inventories	11	323,980	245,429
Contract assets	26	23,969	13,469
Trade receivables	26	171,413	129,130
Income tax receivables	14	6,140	3,630
Receivables from affiliated companies	27	1,525	2,271
Loans	26	3,058	0
Other receivables and assets	12	96,697	35,559
Cash and cash equivalents	13	426,215	509,059
Current assets		**1 052 997**	**938 547**
TOTAL ASSETS		**2,220,647**	**1,792,380**
EQUITY AND LIABILITIES			
Share capital	16	56,480	52,164
Share premium	16	918,245	849,076
Non-redeemable loan	16	0	15,195
Retained earnings	16	−15,689	−10,880
Equity attributable to owners of Montana Aerospace AG	16	**959,036**	**905,555**
Non-controlling interests	16	−1,405	−704
Total equity	16	**957,631**	**904,851**
Loans and borrowings*	17	466,436	448,722
Other financial liabilities*	17	104,641	32,162
Deferred tax liabilities	14	62,823	21,270
Provisions	18	39,548	8,377
Employee benefits	15	16,809	21,712
Contract liabilities	26	5,944	0
Other liabilities and accruals	19	93,794	58,439
Non-current liabilities		**789,995**	**590,682**
Loans and borrowings*	17	122,913	107,481
Other financial liabilities*	17	11,593	2,448
Tax liabilities	14	718	708
Provisions	18	7,781	4,625
Employee benefits	15	21,544	15,128
Trade payables	26	224,141	110,789
Contract liabilities	26	3,698	19,626
Liabilities from affiliated companies	27	989	1,991
Other liabilities and accruals	19	79,643	34,051
Current liabilities		**473,020**	**296,847**
TOTAL LIABILITIES		**1,263,015**	**887,529**
TOTAL EQUITY AND LIABILITIES		**2,220,647**	**1,792,380**

* For reclassification, see note 17.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(in TEUR)	Notes	2022	2021
Net sales	**5**	**1,306,134**	**790,052**
Change in finished and unfinished goods		12,433	21,830
Own work capitalised		29,739	34,584
Other operating income	21	104,832	33,999
Cost of materials, supplies and services		−857,150	−558,334
Personnel expenses	20	−268,265	−173,645
Other operating expenses	22	−200,799	−102,433
EBITDA*		**126,924**	**46,053**
Depreciation and amortization	7/8	−109,233	−71,808
OPERATING RESULT		**17,691**	**−25,755**
Interest income	23	7,990	1,518
Interest expenses	23	−32,995	−18,423
Other financial income	23	5,700	5,671
Other financial expenses**	23	−27,076	−6,468
FINANCIAL RESULT		**−46,381**	**−17,702**
RESULT BEFORE TAX		**−28,690**	**−43,457**
Income tax expense	14	−8,085	−5,923
RESULT FOR THE PERIOD		**−36,775**	**−49,380**
Thereof attributable to:			
Owners of Montana Aerospace AG		−36,110	−49,009
Non-controlling interests		−665	−371
EARNINGS PER SHARE (IN EUR)			
Basic earnings per share	16	−0.59	−1.17
Diluted earnings per share	16	−0.59	−1.17

* 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.

** Other financial expenses as well as foreign exchange differences are mainly affected by the devalution of the currency Euro compared to the US dollar and the Swiss franc.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(in TEUR)	Notes	2022	2021
Result for the period		**–36,775**	**–49,380**
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS			
Remeasurements of the defined benefit liability (asset)	15	10,613	12,011
Related taxes	14	–1,350	–2,223
		9,263	**9,788**
ITEMS THAT ARE OR MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS			
Effective portion of changes in fair value of cash flow hedges		–4,824	796
Foreign exchange differences**		23,933	28,427
Related taxes	14	384	0
		19,493	**29,223**
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**28,756**	**39,011**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**–8,019**	**–10,369**
Thereof attributable to:			
Owners of Montana Aerospace AG		–7,319	–9,957
Non-controlling interests		–700	–412

** Other financial expenses as well as foreign exchange differences are mainly affected by the devalution of the currency Euro compared to the US dollar and the Swiss franc.

CONSOLIDATED STATEMENT OF CASH FLOWS

(in TEUR)	Notes	2022	2021
CASH FLOW FROM OPERATING ACTIVITIES			
Result before tax		–28,690	–43,457
Net interest income		25,005	16,905
Depreciation and amortization	7/8	109,233	71,808
Changes in fair value of real estate held as investment property		0	–705
Measurement of financial assets		0	–445
Gains and losses from disposals of property, plant and equipment and intangible assets		–8,667	259
Gains from disposal of subsidiaries	6 / 21	–10,203	0
Bargain purchase	6 / 21	–16,850	–3,440
Other non-cash income and expenses		10,107	4,231
Subtotal		**79,935**	**45 156**
Changes in assets and liabilities:			
Inventories		–39,990	–49,444
Trade receivables and other current assets		–25,169	–42,677
Trade payables and other current liabilities		110,955	22,970
Provisions and liabilities for employee benefits		12,353	–654
Subtotal		58,149	–69,805
Income taxes paid		–6,688	–3,188
NET CASH FROM OPERATING ACTIVITIES		**131,396**	**–27,837**
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of subsidiaries less cash acquired	6	–91,135	–4,321
Disposal of subsidiaries less cash disposed of	6	8,480	0
Acquisition of intangible assets and property, plant and equipment	7 / 8 / 25	–85,956	–121,370
Disposal of intangible assets and property, plant and equipment	7 / 8 / 25	11,195	15,480
Payments made for capital contribution to associates		–833	0
Repayments of loans granted to affiliates		0	13,919
Other payments received for disposal of financial assets		4	0
Other payments received from affiliates for disposal of financial assets		0	8,452
Dividends received		0	319
Interest received		7,978	1,453
NET CASH FROM INVESTING ACTIVITIES		**–150,267**	**–86,068**
CASH FLOW FROM FINANCING ACTIVITIES			
Payments received for capital increase	25	0	136,999
Proceeds from issuance of ordinary shares		0	421,397
Payments for the costs of initial public offering		0	–29,147
Capital contribution		0	15,020
Payments received from affiliated companies in connection with share-based remuneration	16 / 24 / 27	1,923	0
Repayment of the non-redeemable loan	16 / 25	–13,557	0
Issuance of interest-bearing liabilities	17	137,376	230,842
Repayment of interest-bearing liabilities	17	–154,150	–169,857
Repayment of interest-bearing liabilties from affiliates		0	–58,135
Payment of lease liabilities	17	–10,123	–6,736
Interest paid		–27,896	–18,592
NET CASH FROM FINANCING ACTIVITIES		**–66,427**	**521,791**
NET CHANGE IN CASH AND CASH EQUIVALENTS		**–85,298**	**407,886**
Cash and cash equivalents as at 1 January	13	509,059	95,803
Effect of exchange rate changes on cash and cash equivalents		2,454	5,370
Cash and cash equivalents as at 31 December	13	426,215	509,059

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	Total	Non-controlling interest	Total equity
Balance as of January 1, 2022		**52,164**	**849,076**	**15,195**	**16,308**	**−545**	**−26,642**	**−10,880**	**905,555**	**−704**	**904,851**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD											
Result for the period							−36,110	−36,110	−36,110	−665	−36,775
Other comprehensive income for the period, net of tax					23,968	−4,440	9,263	28,791	28,791	−35	28,756
Total		**0**	**0**	**0**	**23,968**	**−4,440**	**−26,847**	**−7,319**	**−7,319**	**−700**	**−8,019**
TRANSACTIONS WITH OWNERS OF THE COMPANY											
Capital increase	16 / 25	4,316	65,954						70,270		70,270
Transaction costs from capital increase	16		−907						−907		−907
Effect of share-based payments	16 / 24		2,198						2,198		2,198
Payments received from affiliated companies in connection with share-based remuneration	16 / 24 / 27		1,923						1,923		1,923
Repayment of the non-redeemable loan	16			−15,195			2,511	2,511	−12,684		−12,684
Total		**4,316**	**69,168**	**−15,195**	**0**	**0**	**2,511**	**2,511**	**60,800**	**0**	**60,800**
Balance as of December 31, 2022		**56,480**	**918,245**	**0**	**40,276**	**−4,985**	**−50,978**	**−15,689**	**959,036**	**−1,405**	**957,631**

CONSOLIDATED FINANCIAL STATEMENTS

	Attributable to owners of the Company										
(in TEUR)	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	42,197	379,200							421,397		421,397
Transaction costs from the IPO		−29,147							−29,147		−29,147
Issue of non-redeemable loan			153,803						153,803		153,803
Reclassification of the non-redeemable loan			−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		4,705	−4,705						0		0
Capital increase	5,128	131,871							136,999		136,999
Effect of share-based payments		3,519							3,519		3,519
Capital contribution		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**

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 was incorporated on 25 November 2019 in Switzerland with its registered office in Reinach, Switzerland. These consolidated financial statements as at and for the twelve months ended 31 December 2022 comprise the Company and its subsidiaries (collectively the 'Group' and individually 'Group companies').

The controlling parent company of Montana Aerospace is Montana Tech Components AG ("MTC").

2. Basis of preparation

Transactions with MTC Group
Transactions between the Group and MTC Group entities outside the scope of Montana Aerospace have not been eliminated and are reported as transactions with affiliated companies in these Consolidated Financial Statements (see note 27).

Basis of accounting
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

Details of the Group's accounting policies are included in note 31.

Changes to significant accounting policies are described in note 31.18.

These financial statements were authorized for issue by the Board of Directors on 31 March 2023. 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.

3. 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.

CONSOLIDATED FINANCIAL STATEMENTS

4. 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 recognized 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 7).

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 7 and note 8).

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 7).
More information on the impairment tests conducted is given in note 7. 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 recognized in profit or loss.

Deferred taxes

Deferred taxes are recognized 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 recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

5. Segment reporting

5.1. 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 decision maker.
In the case of Montana Aerospace, the chief operating decision maker is the Board of Montana Aerospace AG.

The reporting is divided into the segment “Aerostructures”, “E-mobility” and “Energy”.
In addition, unallocated costs are reported separately under “Reconciliation”.

Aerostructures

The **Aerostructures 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 5.3).

5.2. Adjusted performance indicators

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:

(in TEUR)	2022	2021
EBITDA as reported	**126,924**	**46,053**
Legal costs	2,568	2,651
Stock option plans (share-based payment)	2,198	3,519
M&A and PMI related expenses	2,539	
IPO expenses		3,377
Expected rental income from affiliated companies		480
Adjusted EBITDA	**134,230**	**56,080**

5.3. Information according to reportable segments

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

	Aerostructures		E-mobility		Energy		Total		Reconciliation		Group	
(in TEUR)	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
External net sales	635,523	284,587	191,018	122,493	479,594	382,972	1,306,134	790,052			1,306,134	790,052
Net sales between segments	904	378	204	1			1,108	379	−1,108	−379	0	
Total net sales	**636,427**	**284,965**	**191,222**	**122,494**	**479,594**	**382,972**	**1,307,243**	**790,431**	**−1,108**	**−379**	**1,306,134**	**790,052**
Adjusted EBITDA	**69,398**	**42,942**	**24,397**	**6,538**	**33,617**	**8,564**	**127,412**	**58,044**	**6,818**	**−1,964**	**134,230**	**56,080**
Non-operative income and expenses	−3,690	−7,815		2,044	−327		−4,017	−5,771	−3,289	−4,256	−7,306	−10,027
EBITDA	**65,708**	**35,127**	**24,397**	**8,582**	**33,290**	**8,564**	**123,395**	**52,273**	**3,529**	**−6,220**	**126,924**	**46,053**
Depreciation and amortization	−89,418	−54,104	−10,514	−9,731	−9,079	−7,644	−109,011	−71,479	−222	−329	−109,233	−71,808
Operating result											**17,691**	**−25,755**
Financial result											**−46,381**	**−17,702**
Result before tax											**−28,690**	**−43,457**
Income tax expense											−8,085	−5,923
Result for the period											**−36,775**	**−49,380**
Investments	**77,222**	**100,787**	**6,647**	**5,444**	**8,211**	**6,454**	**92,080**	**112,685**	**−18**	**−997**	**92,062**	**111,688**

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 are not directly allocated to any segment, such as the effects of share-based payment.

5.4. Entity-wide disclosures

INFORMATION BY GEOGRAPHICAL SEGMENT

	2022		2021	
(in TEUR)	Net sales*	Non-current assets**	Net sales*	Non-current assets**
Switzerland	26,723	39,239	19,399	38,981
Germany	208,559	5,351	139,108	9,083
Austria	41,566	34,132	36,575	64,116
UK	26,288		17,907	289
Poland	21,813		23,856	
Slovenia	24,703		17,608	
Turkey	16,502		17,385	
France	25,649	3,339	15,227	2,833
Spain	11,041		5,973	8
Italy	21,262		26,277	4,907
Finland	8,484		7,018	
Sweden	12,496		7,351	
Romania	11,737	396,441	5,666	401,169
Russia	7,931		4,845	
Belgium	110,695	199,043		
Rest of Europe	62,430	6,238	32,246	4,201
USA	254,570	195,493	113,495	154,253
Canada	17,188	27,995	13,709	
Mexico	18,014		9,409	
Brazil	142,134	37,096	87,254	15,727
Rest of America	31,281		20,495	
China	102,025	7,427	100,921	8,301
India	38,271	8,298	33,764	9,238
Vietnam	10,473	96,178	2,902	89,504
Rest of Asia	48,129		26,184	
Africa, Australia and New Zealand	6,170		5,478	
Total	**1,306,134**	**1,056,270**	**790,052**	**802,610**

* 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:

	2022		2021	
(in TEUR)	Net sales	Trade receivables	Net sales	Trade receivables
thereof product sales	1,298,434	171,262	783,871	126,195
thereof service sales	7,700	152	6,181	2,935
Total	**1,306,134**	**171,413**	**790,052**	**129,130**

Key accounts

In 2022 – 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 2022 as well as at 31 December 2021 that have an original expected duration of one year or less, as allowed by IFRS 15.

6. Significant changes to the scope of consolidation / combination

6.1. Significant changes in 2022

6.1.1. Business combinations (according to IFRS 3)

6.1.1.1. Asco

On 31 March 2022, the Group acquired 100% interest in S.R.I.F. NV (the ”Asco Group” or ”Asco”).

a) Consideration transferred

The acquisition of the Asco Group was closed by effectuating a payment payable in cash, and, as the sellers also had a strong interest in being a shareholder of Montana Aerospace – believing and participating in the long-term and sustainable development of the Group including Asco – by a share consideration of 4,431,600 ordinary shares of Montana Aerospace AG. The shares to be newly issued from the authorized share capital of the Company – excluding the pre-emptive subscription rights of existing shareholders – were issued to the sellers on 7 April 2022.

The fair value of the ordinary shares issued was based on the listed share price of the Company at 31 March 2022 of CHF 16.28 (EUR 15.86) per share. The payment has been paid upon 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 attainment of certain performance indicators by the Company has been agreed, that will be paid by 30 June 2025 at the earliest.

b) Costs associated with the business combination

Costs of TEUR 1,248 were incurred in the consolidated financial statements for financial year 2021 in connection with the business combination. These costs were recognized in other operating expenses in the previous year’s income statement. In the consolidated financial statements for the current fiscal year 2022, costs of TEUR 1,729 were incurred in connection with the business combination. Furthermore, PMI (post-merger integration) related expenses of TEUR 483 were incurred. These costs were recognized in other operating expenses.

c) Goodwill

Goodwill results primarily from the synergies arising from Asco’s product portfolio with a focus on hard metals (titanium) and Montana Aerospace’s material competence with a focus on aluminum as well as its best-cost-country footprint, which will accelerate growth and reinforce the Group’s standing as a strong and diversified industrial company.

The resulting goodwill is completely allocated to the Aerostructures segment. The resulting goodwill is not expected to be deductible for tax purposes.

d) Contributions to revenue and financial results

The company acquired contributed revenue of TEUR 192,265 and a loss for the period of TEUR 20,317 to the Group’s results for the nine months to 31 December 2022. If the acquisition had occurred on 1 January 2022, management estimates that revenue would have been EUR 252 million, and loss for the year would have been EUR 23 million.

6.1.1.2. São Marco

On 1 September 2022, the Group acquired 100% interest in São Marco Industria y Comercio LTDA ("São Marco").

a) Costs associated with the business combination

Costs of TEUR 47 were incurred in the consolidated financial statements for financial year 2021 in connection with the business combination. These costs were recognized in other operating expenses in the previous year's income statement. In the consolidated financial statements for the current fiscal year 2022, costs of TEUR 168 were incurred in connection with the business combination. Furthermore, PMI (post-merger integration) related expenses of TEUR 159 were incurred. These costs were recognized in other operating expenses.

b) Contributions to revenue and financial results

The company acquired contributed revenue of TEUR 27,022 and a loss for the period of TEUR 415 to the Group's results for the four months to 31 December 2022. If the acquisition had occurred on 1 January 2022, management estimates that revenue would have been EUR 94 million, and profit for the year would have been EUR 7 million.

6.1.1.3. Identifiable net assets, goodwill / bargain purchase and cash outflows

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

(in TEUR)	Asco	São Marco	Total
Intangible assets	80,250	5,917	86,167
– thereof customer relations	*53,151*	*5,911*	*59,062*
– thereof brand	*26,998*	*0*	*26,998*
Property, plant and equipment	156,005	16,471	172,476
Financial assets	1,494	0	1,494
Other non-current assets	13,012	12,894	25,906
Inventories	55,723	16,096	71,819
Trade receivables	72,439	17,774	90,213
Other current receivables	4,117	6,875	10,992
Cash and Cash equivalents	53,511	1,223	54,734
Non-current financial liabilities	−124,678	0	−124,678
Other non-current liabilities	−83,228	−15,720	−98,948
Current financial liabilities	−4,913	−16	−4,929
Other current liabilities	−68,389	−9,126	−77,515
Total identifiable net assets acquired	**155,343**	**52,387**	**207,730**
Cash and cash equivalents	115,986	29,382	145,368
Equity instruments	70,270	0	70,270
Deferred consideration	25,474	6,154	31,628
Total consideration transferred	**211,730**	**35,536**	**247,266**
Fair value of identifiable net assets acquired	−155,343	−52,387	−207,730
Goodwill	**56,387**	**0**	**56,387**
Bargain purchase	**0**	**−16,850**	**−16,850**
Cash and cash equivalents	115,986	29,382	145,368
Less acquired cash and cash equivalents	−53,511	−1,223	−54,734
Cash and cash equivalents relating to business combinations of previous years			500
Total cash outflow (+), cash inflow (−)	**62,475**	**28,159**	**91,135**

Trade accounts receivable include gross amounts of contractual receivables amounting to TEUR 90,451 , of which TEUR 150 relating to Asco as well as TEUR 88 relating to São Marco were estimated to be uncollectible at the time of acquisition.

6.1.2. Disposal of group companies

6.1.2.1. Disposal of AMT group

As of 23 December 2022, Montana Aerospace sold 53% of its share in company ALPINE METAL TECH GmbH and its subsidiaries ("AMT group") to the company Hahl Pedex Group GmbH. Consequently, AMT group had to be deconsolidated.

a) Result from disposal

(in TEUR)	Total
Total consideration received	31,346
Investment retained in AMT group	27,797
Carrying amount of net assets disposed (100%)	–48,941
Gain from disposal of AMT group	**10,203**
– thereof gain attribuatble to the investment retained	*4,795*

b) Valuation of the remaining share in AMT group (47%)

According to the articles of association of ALPINE METAL TECH GmbH, a 75% majority is required for essential operational decisions, leading to a joint arrangement. Consequently, Montana Aerospace recognizes its share in AMT group at fair value at initial recognition. For subsequent measurement, the joint venture is accounted for using at-equity accounting.

c) No discontinued operation

Net sales and earnings contribution of AMT group is insignificant from a group perspective. AMT group is no significant line of business and consequently no discontinued operation.

6.1.2.2. Disposal of Neviton

As of 5 August 2022, Montana Aerospace sold its share in company Neviton Softech Pvt. Ltd. ("Neviton") to the company Arco Lab Private Limited. Consequently, Neviton group had to be deconsolidated.

a) Result from disposal

(in TEUR)	Total
Total consideration received	4,100
Carrying amount of net assets disposed	–4,113
Loss from disposal of Neviton	**–13**

6.1.2.3. Disposed net assets, total consideration received and cash inflows

The disposed net assets, total consideration received and cash inflows were as follows:

(in TEUR)	AMT group	Neviton	Total
Intangible assets	27,667	2,734	30,401
Property, plant and equipment	16,923	112	17,035
Financial assets	264	0	264
Other non-current assets	2,237	45	2,282
Inventories	37,532	0	37,532
Trade receivables	27,922	1,249	29,171
Other current receivables	2,200	259	2,459
Cash and Cash equivalents	7,523	97	7,620
Non-current financial liabilities	–19,136	–56	–19,192
Other non-current liabilities	–8,297	0	–8,297
Current financial liabilities	–2,209	0	–2,209
Other current liabilities	–43,685	–327	–44,012
Carrying amount of net assets disposed	**48,941**	**4,113**	**53,054**
Cash and cash equivalents	15,000	1,100	16,100
Deferred consideration	16,346	3,000	19,346
Total consideration received	**31,346**	**4,100**	**35,446**
Cash and cash equivalents received	15,000	1,100	16,100
Less disposed cash and cash equivalents	–7,523	–97	–7,620
Total cash outflow (–), cash inflow (+)	**7,477**	**1,003**	**8,480**

7. 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, 2021	**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**
FX differences	1,870	2,195	109	−3	1,465	56	5,692
Additions consolidation scope	56,387	59,062	26,998		10	97	142,554
Disposals consolidation scope	−31,811	−10,079	−847	−919	−4	−1,790	−45,450
Additions		533		326	17,393	112	18,364
Disposals		−17					−17
Transfer		13,160		−262	−14,211	208	−1,105
Balance as of December 31, 2022	**107,973**	**208,739**	**28,873**	**2,904**	**49,379**	**5,445**	**403,313**
ACCUMULATED AMORTIZATION AND IMPAIRMENT LOSSES							
Balance as of January 01, 2021	**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**
FX differences		186	20	−1	198	35	438
Disposals consolidation scope	−2,264	−9,888	−414	−862	−4	−1,617	−15,049
Additions		15,723	1,624	68	4,054	861	22,330
Impairment		112					112
Disposals		−17					−17
Transfer		−23					−23
Balance as of December 31, 2022	**19,825**	**61,275**	**1,850**	**2,447**	**7,903**	**4,262**	**97,562**
CARRYING AMOUNT							
as of January 01, 2021	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
as of December 31, 2022	88,149	147,464	27,023	457	41,476	1,183	305,752

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In 2022, research and development costs of TEUR 52 (2021: TEUR 128) were recognized through profit or loss. In 2022, there were impairment losses of TEUR 112 (2021: TEUR 109) 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	First Article Inspection*	Other intangible assets	Corporate brand with finite useful life
31 December 2022						
Aerostructures	88,023	32,497	50,493	52,517	5,515	27,023
thereof Aerospace Components	*31,636*	*32,497*		*52,517*	*5,515*	*1,375*
thereof Asco	*56,387*		*50,493*		*0*	*25,648*
E-mobility	126				775	0
Energy			5,340		328	0
Total	**88,149**	**32,497**	**55,833**	**52,517**	**6,618**	**27,023**
31 December 2021						
Aerostructures	59,312	30,832	341	48,759	6,276	1,993
thereof Aerospace Components	*32,427*	*30,832*	*99*	*48,759*	*6,202*	*1,413*
thereof Metal Tech	*26,885*		*242*		*74*	*580*
E-mobility	126				1,417	0
Energy			892		187	0
Total	**59,438**	**30,832**	**1,233**	**48,759**	**7,880**	**1,993**

* **First Article Inspection**
First Article Inspection (FAI) represents the inspection of the first production run for a new product industrialized, part of a processing, assembly or surface treatment program. The purpose of such article is to provide objective evidence that the manufacturer's processes can produce compliant product and that they have understood and incorporated associated requirements. At the same time, it is meant to reduce potential risks associated with serial production startup and/or process changes. Therefore, it is used to verify that the production processes, production documentation and tooling have the capability to produce products that meet the expected requirements. The process shall be repeated when changes occur that invalidate the original results (e.g. engineering changes, manufacturing process changes, tooling changes, etc.).

Once the process is finalized a FAI report is issued, which is then sent to the client, along with the products. The products will then undergo a series of verifications and tests. After the tests are performed, FAI needs to be validated by the client.

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 2022 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 to five financial years. After this period 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
2022			
Aerospace Components	9.84%	11.58%	3.51%
Asco	9.23%	10.98%	3.50%
2021			
Aerospace Components	9.85%	11.72%	2.30%
Metal Tech	10.62%	13.23%	1.50%

In 2022, 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 the CGU Aerospace Components is higher than the carrying amount and would correspond to the carrying amount with a post-tax discount rate of 11.95% (instead of 9.84%) resp. a growth rate in the terminal value of 0.76%. The estimated recoverable amount of the CGU exceeded its carrying amount by approximately TEUR 74,759. The underlying planning period is 3 years.

In the CGU Asco, the value in use is higher than the carrying amount and would correspond to the carrying amount with a post-tax discount rate of 11.98%(instead of 9.23%) resp. a negative growth rate in the terminal value of 0.74%. The estimated recoverable amount of the CGU exceeded its carrying amount by approximately TEUR 142,890. The underlying planning period is 5 years .

Reasonable possible changes in key assumptions would not lead to an impairment. It was analyzed how the value in use would change if the WACC was adjusted by +/- 0.8% in combination with changes in the terminal value growth rate of +/- 50%.

8. Property, plant and equipment and Investment properties

(in TEUR)	Investment properties	Land	Buildings	ROU – Land & Buildings	Technical equipment and machinery	ROU – Technical equipment and machines	Other equipment	ROU – Other equipment	Plant under construction and payments in advance	Property, plant and equipment
COST										
Balance as of January 01, 2021	**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	0	−593	900	885	1,181	64	109	5	399	2,950
Additions	0		1,530	7,252	7,403	56	5,061	696	61,329	83,327
Disposals	0	−367	−16,836	−78	−1,585	−138	−1,436	−178		−20,618
Transfer	0		1,366		33,715		1,229		−33,287	3,023
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**
FX differences	258	−260	1,395	2,141	10,048	9	1,985	68	124	15,510
Additions consolidation scope	0	27,818	63,155	4,469	72,059		2,394	1,665	916	172,476
Disposals consolidation scope	0	−987	−8,845	−10,947	−4,980	−655	−4,511	−2,004	−11	−32,940
Additions	0	531	1,309	7,295	7,683	30	12,997	1,806	42,046	73,697
Disposals	0	−153	−20,352	−118	−3,831		−7,146	−108		−31,708
Transfer	0		9,911		58,162		5,028		−71,996	1,105
Other	0	0	0	0	0	0	2,435	0	0	2,435
Balance as of December 31, 2022	**5,521**	**56,220**	**203,651**	**51,444**	**585,249**	**206**	**89,871**	**4,736**	**105,194**	**1,096,571**
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES										
Balance as of January 01, 2021	**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**
FX differences		−14	467	787	4,281	8	1,632	49		7,210
Disposals consolidation scope		−485	−2,363	−4,358	−3,398	−652	−3,293	−1,355		−15,904
Depreciation		615	8,589	8,029	54,414	64	12,027	1,519	112	85,369
Impairment loss					724		697			1,421
Disposals			−8,295	−46	−3,294		−6,972	−92		−18,699
Transfer			23		4		−4	0		23
Balance as of December 31, 2022	**0**	**5,356**	**28,304**	**23,133**	**232,023**	**150**	**60,307**	**2,188**	**112**	**351,573**
CARRYING AMOUNT										
as of January 01, 2021	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
as of December 31, 2022	5,521	50,864	175,347	28,311	353,226	56	29,564	2,548	105,082	744,997

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

Operating property, plant and equipment show restrictions on disposal of TEUR 69,680 (2021: TEUR 61,788). Contractual commitments for the acquisition of property, plant and equipment amount to TEUR 18,940 (2021: TEUR 12,150).

In 2022, there were impairment losses of TEUR 1,421 (2021: TEUR 0) in company Universal Alloy Corp., USA.

In 2022, item "Other" amounting to TEUR 2,435 relate to a transfer from non-current other assets.

Investment properties

Real estate held as investment property is measured at fair value. In 2022 changes in fair value were zero (2021: TEUR 705).

Real estate held as investment property achieved rental income of TEUR 182 (2021: TEUR 102).

9. Joint ventures and shares in associates[1]

The carrying amounts of the joint ventures and shares in associates are as follows:

(in TEUR)	2022	2021
Alpine Metal Tech GmbH	27,798	0
Total carrying amount of joint ventures	**27,798**	**0**
Belairbus NV	129	0
Flabel Coproation NV	81	0
Belightning NV	2,117	0
Total carrying amount of associates	**2,327**	**0**
Total carrying amount of joint ventures and shares in associates	**30,125**	**0**

Alpine Metal Tech GmbH (AMT)

Since 23 December 2022, the company is holding 47% of the limited partner's share of AMT group. Further information relating to the disposal of 53% in AMT group see note 6.1.2.1.

(in TEUR)	2022
Non-current assets	60,055
Current assets	75,177
Non-current liabilities	30,195
Current liabilities	45,894
Equity	59,144
Net Sales	109,619
Result before tax	10,026
Result for the year	8,620
Other comprehensive income for the year, net of tax	992
Total comprehensive income for the year	9,612

Transfer of the carrying amount to AMT:

(in TEUR)	2022
Montana Aerospace AG share in equity	27,798
Carrying amount	**27,798**

[1] Any company of which Montana Aerospace holds directly or indirectly more than 20% of the voting rights or over which it has a significant influence, but which is controlled neither directly nor indirectly by Montana Aerospace, is considered as an associate.

10. Leases

10.1. Right of use assets

(in TEUR)	2022	2021
Balance as of January 1	**31,217**	**26,920**
Depreciation	–9,612	–5,938
Additions consolidation scope	6,134	954
Disposals consolidation scope	–7,241	0
Additions	9,131	8,004
Derecognition of right-of-use assets	–88	–99
FX-differences	1,374	1,376
Balance as of December 31	**30,915**	**31,217**

The right of use assets mainly relate to rental agreements for buildings in the U.S.

10.2. Amounts recognized in the the consolidated statement of profit or loss

(in TEUR)	2022	2021
Depreciation of right-of-use assets	–9,612	–5,938
Interest expense on lease liabilities	–1,120	–939
Short-term lease expenses	–926	–598
Expenses from leases of low-value assets, excluding short-term leases of low-value assets	–1,759	–1,554
Total amount recorded in the consolidated statement of profit or loss	**–13,417**	**–9,029**

10.3. Amounts recorded in the consolidated statement of cash flow

(in TEUR)	2022	2021
Total cash outflow for leases	**–13,928**	**–9,827**

10.4. Leases in which Montana Aerospace Group is a lessor

(in TEUR)	2022	2021
Rental income	1,700	961
Rental income from investment property	182	160
Total rental income	**1,882**	**1,121**

11. Inventories

Inventories are distributed amongst the individual items as follows:

(in TEUR)	31.12.2022	31.12.2021
Raw materials and supplies	174,674	132,751
Tools and replacement parts	2,258	282
Unfinished goods and services	98,395	50,067
Finished goods and merchandise goods	44,686	59,463
Payments in advance	3,966	2,865
Inventories	**323,980**	**245,429**
Valuation adjustment realised in the profit and loss statement	–266	1,158

Inventories with a carrying amount of TEUR 90,762 (2021: TEUR 44,015) are pledged as security for liabilities.

12. Other receivables and assets

Other receivables and assets are composed as follows:

(in TEUR)	31.12.2022	31.12.2021
Derivative financial instruments	1,543	0
Performance guarantee*	22,169	21,459
Prepaid expenses tools & equipment**	8,979	11,396
Recoverable tax credits (Brazil)***	26,278	5,738
Other receivables and assets	1,488	3,794
Total non-current other receivables and assets	**60,458**	**42,387**

(in TEUR)	31.12.2022	31.12.2021
Derivative financial instruments	1,358	187
Receivables from insurance captive	1,161	3,379
Prepaid expenses / deferred charges	11,715	11,475
Recoverable tax credits (Brazil)***	15,120	6,062
Other tax receivables****	18,185	7,366
Receivables from related parties from disposal of property, plants and equipment	10,391	0
Receivables from related parties from disposal of subsidiaries	16,346	0
Performance guarantee*	1,819	0
Escrow account	5,701	0
Securities with a duration of 3–12 months	785	593
Other receivables and assets	14,116	6,498
Total current other receivables and assets	**96,697**	**35,559**

* **Performance guarantee:**
With a contract dated February 2019, a customer has undertaken to provide Montana Aerospace with various services that are necessary for Montana Aerospace to be able to fulfill its contractual obligations towards the customer. Customer deliverables include, but are not limited to, facility engineering and design, access to Customer operational and design training, assistance with certification processes, supply chain services, assistance with design specification of transportation equipment, and industrialization assistance such as programming and troubleshooting machinery.

The contractually stipulated compensation amounts to USD 25 million, which was contractually paid to the customer in 2019. The underlying contracts have a term until December 31, 2030, and the customer's services to Montana Aerospace will be provided during this term. The payment is accordingly deferred as an advance payment. The services provided by the customer are recognized as an expense accordingly.

** **Prepaid expenses tools & equipment:**
This item includes advance payments for tools and equipment. These are used when called up for the underlying customer contract period and are accordingly long-term in nature.

*** **Recoverable tax credits (Brazil)**
This item includes credits to the Brazilian tax authorities from indirect taxes (ICMS – tax on the movement of goods and services, on transportation and communication), which is expected to materialize in the next 4 years. The credit can be used indefinitely but can only be redeemed by offsetting against future sales in certain Brazilian states.

**** **Other tax receivables**
This item mainly includes value-added tax receivables.

13. Cash and cash equivalents

Cash and cash equivalents are composed of as follows:

(in TEUR)	31.12.2022	31.12.2021
Cash	264	58
Bank deposits	263,580	197,036
Time deposits with an initial duration of up to 3 months	162,371	311,965
Cash and cash equivalents	**426,215**	**509,059**

Cash and cash equivalents of TEUR 9 (2021: TEUR 5,111) are pledged explicitly as security.

14. Income taxes

14.1. Income tax expense

(in TEUR)	2022	2021
Current tax expense		
Income tax expense from current year and from previous periods	−5,897	−3,349
Deferred tax expense	−2,187	−2,573
Tax expense for the year	**−8,085**	**−5,923**

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	31.12.2022 net	Deferred tax assets	Deferred tax liabilties	31.12.2021 net
Intangible assets	28	25,933	−25,905	0	6,960	−6,960
Property, plant and equipment	0	46,360	−46,360	4	20,486	−20,482
Financial assets	316	6,306	−5,990	21	2,955	−2,934
Other non current receivables and assets	0	1,226	−1,226	5	979	−974
Inventories	5,351	1,054	4,297	4,644	0	4,644
Trade receivables	304	128	176	536	7	529
Other current receivables and assets	478	27	451	316	21	295
Non-current financial liabilities	837	2,043	−1,206	882	161	721
Other non-current liabilities	3,336	210	3,126	427	31	396
Non-current liabilities for employee benefits	1,105	151	954	3,159	151	3,008
Current financial liabilities	33	0	33	2	0	2
Trade payables	236	4	232	333	15	318
Other current liabilities	2,088	4,694	−2,606	1,020	58	962
Tax loss carried forward	18,115	0	18,115	7,768	0	7,768
Offset	−25,313	−25,313	0	−10,554	−10,554	0
Total deferred tax assets / liabilities	**6,916**	**62,823**	**−55,907**	**8,565**	**21,270**	**−12,705**

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 −28% in the reporting year (2021: −14%). The tax expense is calculated as follows:

(in TEUR)	2022	2021
Result before tax	**−28,690**	**−43,457**
Income tax rate of the entity	17,1%	17,4%
Tax using the Group's weighted average applicable tax rate	4,906	7,577
Effect of tax rates in foreign jurisdictions	−4,438	−2,100
Adjustments because of local tax rate changes as compared to the previous year	515	69
Tax-free income	9,863	126
Current-year losses for which no deferred tax asset is recognised	−16,431	−16,489
Utilisation of unrecognised tax losses brought forward	8,603	1,309
Capitalisation of losses carried forward that have not been recognised yet	5,850	4,426
Non-tax deductible expenses	−8,566	−822
Non-tax deductible interest	−345	−1,225
Effective tax expense/tax income for previous years	−2,077	2
Change in evaluation of deferred tax assets	−3,805	−698
Other	−2,160	1,902
Income tax	**−8,085**	**−5,923**

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)	2022	2021
Net balance at 1 January	**−12,705**	**−6,839**
Recognised in profit or loss	−2,187	−2,573
Acquired in business combinations	−38,107	−28
Other	−2,908	−3,265
Net balance at 31 December	**−55,907**	**−12,705**

Income taxes of TEUR 384 (2021: TEUR 0) 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 −1,350 (2021: TEUR −2,223).

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

(in TEUR)	31.12.2022	31.12.2021
in the forthcoming financial year – to be used within 1 year	24	933
within 2 years	21	87
within 3 years	119	1,826
within 4 years	17,235	5,624
within 5 years	13,190	17,781
within 6 years	5,140	14,837
within 7 years	126,844	40,242
after more than 7 years	4,646	3,846
no expiration	251,990	148,513
Total tax loss carryforwards as of end of period	**419,209**	**233,689**

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 2022, based on the above-mentioned estimates, deferred taxes on tax loss carryforwards of TEUR 18,115 (2021: TEUR 7,768) 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)	31.12.2022	31.12.2021
Pensions*	9,441	10,296
Severance payments	5,260	9,437
Anniversary bonuses	1,590	2,603
Pre-retirement programs	1,182	0
Employee bonuses	4,326	4,686
Other accruals for personnel	3,250	2,088
Entitlement to holiday, overtime, compensatory time	13,146	7,648
Defined contribution pension commitments	159	71
Redundancy payments	0	12
Total liabilities for employee benefits	**38,353**	**36,840**
thereof current	21,544	15,128
thereof non-current	16,809	21,712

* 2022 excluding surplus plan assets in the amount of TEUR 1,527 (2021: TEUR 695) 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, Belgium and Germany, the main pension plan being located in Switzerland.

(in TEUR)	31.12.2022	31.12.2021
Present value of defined benefit obligation (DBO) at the balance sheet date	110,250	107,113
Fair value of plan assets	−106,537	−97,512
Effect of asset ceiling according to IAS 19.64b	4,201	0
Net liablity in the balance sheet	**7,914**	**9,601**

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)	2022	2021	2022	2021	2022	2021
Balance at 1 January	**9,601**	**21,219**	**−97,512**	**−95,350**	**107,113**	**116,569**
Included in profit or loss						
Current service cost	1,874	1,358			1,874	1,358
Past service cost	0	−675			0	−675
Interest (income) cost	407	348	−600	−137	1,007	485
Plan settlements	−382	0			−382	0
	1,899	**1,031**	**−600**	**−137**	**2,499**	**1,168**
Included in OCI						
(i) Remeasurement:						
Actuarial gain/loss arising from	−22,054	−8,395			−22,054	−8,395
– experience adjustment	*−1,294*	*−1,157*			*−1,294*	*−1,157*
– demographic assumptions	*13*	*−4,672*			*13*	*−4,672*
– financial assumptions	*−20,773*	*−2,566*			*−20,773*	*−2,566*
Return on plan assets, excl. interest income/expenses	8,317	−3,278	8,317	−3,278		
Effect of asset ceiling according to IAS 19.64b	4,201		4,201			
(ii) Effect of movements in exchange rates:	390	581	−4,584	−4,610	4,974	5,191
	−9,146	**−11,092**	**7,934**	**−7,888**	**−17,080**	**−3,204**
Other						
Changes in consolidation scope	7,951	0	−16,024	0	23,975	0
Contributions paid by the employer	−2,391	−1,559	−2,393	−1,486	2	−73
Contributions paid by employee	0	0	−905	−827	905	827
Benefits paid	0	0	7,164	8,175	−7,164	−8,175
Other			0	0	0	0
	5,560	**−1,559**	**−12,158**	**5,862**	**17,718**	**−7,421**
Balance at 31 December	**7,914**	**9,601**	**−102,336**	**−97,512**	**110,250**	**107,113**
Funded via provision	5,634	1,358			5,634	1,358
Funded via plan assets	104,616	105,755			104,616	105,755
Thereof Switzerland	4,611	4,395	−98,417	−93,806	103,028	98,201

The main defined benefit pension plan in Switzerland (Alu Menziken Extrusion AG, E-mobility segment), 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 2022, it amounted to 1,00% (2021: 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 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. Most 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) are as follows:

	31.12.2022	31.12.2021
Discount rate (in %)	2.30%	0.30%
Expected salary increase (in %)	1.50%	1.00%
Expected pension increase (in %)	0.00%	0.00%
Fluctuation workers/employees (in %)	BVG 2020 GT	BVG 2020 GT
Life excpectancy	BVG 2020 GT	BVG 2020 GT
Retirement age men (in years)	65	65
Retirement age women (in years)	65	64

The actuarial assumptions of the other pension plans are as follows:

	31.12.2022	31.12.2021
Discount rate (in %)	3.00% – 3.80%	1.22% – 1.80%
Expected salary increase (in %)	0.00% – 2.00%	0.00%
Expected pension increase (in %)	1.50% – 3.75%	1.50% – 3.30%
Fluctuation workers/employees (in %)	0.00%	0.00%
Retirement age men (in years)	66 – 67	65 – 67
Retirement age women (in years)	66 – 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 2022 would increase or reduce the corresponding DBO of the company as follows:

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

2022:

(in TEUR)	Increase	Reduction
Discount rate (+/– 0.50%)	–3,818	4,230
Life expectancy (+/– 1 year)	3,094	–2,638
Pension trend (+/– 0.50%)	804	–770

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

The effective return on the plan assets amounted to TEUR –8,724 in the reporting year (2021: TEUR 2,930). The expected employer contributions for defined benefit plans upon termination of employment for the subsequent year amount in total to TEUR 1,966 (2021: TEUR 834).

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 9.8 years (2021: 11.9 years).

15.3. Severance

Provisions for severance are constituted to cover the employees' legal and contractual claims mainly in Austria, France and India. 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)	31.12.2022	31.12.2021
Present value of defined benefit obligation (DBO)	5,260	9,437
Defined benefit liability (provision for severance)	**5,260**	**9,437**

The development of the provision for severance is as follows:

(in TEUR)	2022	2021
Present value of defined benefit obligation (DBO) as of January 1	**9,437**	**9,168**
FX differences	–6	9
Changes in consolidation	–2,480	795
Current service cost	219	255
Interest expense	86	68
Actuarial gains (–) / losses (+)	–1,077	–338
Benefits paid	–555	–293
Change of plans (+/–)	–39	–106
Other	–326	–121
Present value of defined benefit obligation (DBO) as of December 31	**5,260**	**9,437**

The severance expense is as follows:

(in TEUR)	2022	2021
Current service cost	219	255
Interest expense	86	68
Expense realized in the profit and loss statement	**305**	**323**
Actuarial gains (–) / losses (+)	–1,077	–338
Severance expense for the period	**–772**	**–15**

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

	31.12.2022	31.12.2021
Discount rates (in %)	3.70% – 7.55%	0.80% – 6.70%
Expected rate of salary increases (%)	3.50% – 8.00%	2.00% – 8.00%
Fluctuation of workers/employees (%)	0.00% – 8.87%	0.00% – 7.11%
Age at entry into pension male (years)	58–65	58–65
Age at entry into pension female (years)	58–65	58–65

16. Equity

16.1. Share capital

Capital increase

As of 7 April 2022, the Company executed the capital increase in connection with the closing of the acquisition of the Asco Group (see note 6). Therefore, 4,431,600 new ordinary shares of a nominal value of CHF 1.00 each out of its authorized capital were issued to the sellers of the Asco Group in a capital increase. The pre-emptive subscription rights of existing shareholders are excluded. Following the issuance of the new shares, the total number of issued shares of the Company increased to 61,985,597 shares.

As of 31 December 2022, the total authorized and issued number of ordinary shares comprises 61,985,597 shares with a nominal value of CHF 1.00 each. The split of the capital stock is shown in the table below:

CAPITAL STOCK	31.12.2022	31.12.2021
Nominal value per share (CHF)	1.00	1.00
Total number of shares	61,985,597	57,553,997
Total amount of share capital (CHF)	61,985,597	57,553,997
Total amount of share capital (EUR)	56,479,902	52,163,549

RECONCILIATION OF SHARES ISSUED	NUMBER OF SHARES
1 January 2021	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
Capital increase as of 7 April 2022	4,431,600
31 December 2022	61,985,597

The authorized share capital of TCHF 5,000 is limited until 18 May 2024 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 1,000 is designated for new acquisitions and capital increases in existing investments.

The Principal Shareholder (Montana Tech Components AG) holds 52.3% of the shares as of 31 December 2022.

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 2022.

	2022	2021
Weighted average of ordinary shares in circulation as of 31 December	60,807,884	41,768,683

(in EUR)	2022	2021
Result of the period attributable to owners of Montana Aerospace AG	-36,110,421	-49,009,465

(in EUR)	2022	2021
Basic earnings per share	-0.59	-1.17
Diluted earnings per share	-0.59	-1.17

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 2,198 (2021: TEUR 3,519) was recognized in equity as share-based remuneration. Furthermore, the company received payments amounting to TEUR 1,923 from Montana Tech Components AG in connection with share-based remuneration. These share-based remuneration components are explained under note 24.

16.4. 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 a share placement in November 2021, 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, as of 31 December 2021, an amount of TCHF 16,000 (TEUR 15,195) remains outstanding under the perpetual loan.

As of 20 December 2022 an early repayment of the perpetual loan amounting to TCHF 16,000 (TEUR 15,195) was carried out under the consideration of a discount of TCHF 2,500 (TEUR 2,511) towards Montana Tech Components AG.

16.5. 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.

16.6. 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)	01.01.2022	Reclassi-fication	Addition consolidation scope	Disposal consolidation scope	Repayment	Proceeds	Other non-cash changes	Interest accrued	Currency translation	31.12.2022
NON-CURRENT FINANCIAL LIABILITIES										
Loans and borrowings*	448,721	−86,046	46,973	0	−28,846	84,796		190	648	466,436
Lease liabilities	31,862	−1,670	3,178	−7,500	−8,232		8,545	1,045	1,403	28,632
Other*	300	−788	74,527	0	0	0	−6	2,225	−247	76,010
CURRENT FINANCIAL LIABILITIES										
Loans and borrowings*	107,480	86,046	2,866	0	−124,067	45,676		1,074	3,838	122,913
Lease liabilities	637	1,670	1,172	0	−1,892		445	77	22	2,131
Other*	1,812	788	891	0	−1,236	6,904		247	56	9,461
Total	**590,812**	**0**	**129,607**	**−7,500**	**−164,273**	**137,376**	**8,984**	**4,858**	**5,720**	**713,084**

(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									
Loans and borrowings*	412,560	−71,884	583	−83,412	188,013		8	2,853	448,721
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*	0	0	0	0	0	293	0	7	300
CURRENT FINANCIAL LIABILITIES									
Loans and borrowings*	79,693	71,884	0	−86,445	41,808		−765	1,305	107,480
Loans from affiliated companies	64,434			−58,135		−6,299		0	0
Lease liabilities	530	13	128	−608		529	50	−5	637
Other*	518	0	257	0	1,021		16	0	1,812
Total	**735,693**	**0**	**1,792**	**−234,727**	**230,842**	**−148,679**	**198**	**5,693**	**590,812**

* Reclassification of promissory notes in the comparison period 2021 (01.01.2021: TEUR 332,044 non-current, TEUR 28,436 current; 01.01.2022: TEUR 409,591 non-current, TEUR 49,754 current) between the items “Loans and borrowings” and “Other”.

In 2022, the difference between position “Disposal consolidation scope” amounting to TEUR 7,500 and positions “Non-current financial liabilities” and “Current financial liabilities” in total amounting to TEUR 21,401 in note 6 refers to intercompany loans between Alpine Metal Tech group and other companies within Montana Aerospace group.

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 2022
Loan	USD	30.09.2023	variable	6.53%	17,700	4,488
Loan	USD	30.09.2023	variable	6.53%	7,300	1,884
Working Capital Line	EUR	30.09.2023	variable	6.23%	20,000	11,167
Loan	EUR	until 2027	fixed	0.00%	195	195
Loan	EUR	30.09.2023	fixed	1.50%	24,989	12,501
Loan	EUR	until further notice	fixed	1.50%	9,996	1
Loan	USD	15.04.2023	variable		9,376	6,563
Loan	USD	01.08.2023	fixed	4.16%	2,983	2,983
Loan	EUR	18.11.2025	variable	1.65%	80,000	36,293
Loan	EUR	30.06.2024	fixed	2.41%	1,200	448
Loan	USD	July 2023	variable	4.68%	2,164	2,115
Loan	USD	01.09.2023	variable	6.51%	4,072	4,001
Loan	USD	Oct. 2023	variable	6.74%	887	901
Loan	USD	July 2023	variable	7.30%	8,901	8,901
Loan	BRL	March 2023	fixed	16.85%	4,434	4,562
Loan	CNY	23.02.2023	fixed	3.70%	14	14
Loan	EUR	30.11.2027	variable	1.62%	no credit line	8,571
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						14,202
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	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	15.05.2024	variable	1.50%	6,000	
Promissory note 2016 – Tranche	EUR	06.06.2024	fixed	2.14%	1,500	
Promissory note 2016 – Tranche	EUR	06.06.2024	fixed	2.12%	5,000	
Promissory note 2016						73,508
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%	,,,,,,,,	
Promissory note 2019 – Tranche	EUR	16.06.2024	variable	1.25%	17,500	
Promissory note 2019						57,734
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%	0	
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						82,484
Promissory note 2021 – Tranche	EUR	29.04.2024	variable	0.90%	14,000	
Promissory note 2021 – Tranche	EUR	29.04.2026	variable	1.20%	13,500	
Promissory note 2021 – Tranche	EUR	29.04.2028	variable	1.40%	10,000	
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						175,494
Promissory note 2022 – Tranche	EUR	08.07.2025	fixed	3.03%	10,000	
Promissory note 2022 – Tranche	EUR	08.07.2025	variable	1.00%	9,500	
Promissory note 2022 – Tranche	EUR	08.07.2027	fixed	3.50%	12,000	
Promissory note 2022 – Tranche	EUR	08.07.2027	variable	1.25%	48,500	
Promissory note 2022						80,340
Total						**589,349**
Thereof non-current						466,436
Thereof current						122,913

(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	31.12.2021	fixed	1.15%	no credit line	9
Loan	USD	until further notice	variable	2.30%	no credit line	6
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						**556,203**
Thereof non-current						448,722
Thereof current						107,481

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

In relation to the promissory notes, MTC acts as guarantor and covenants on the level of MTC (net debt/EBITDA, equity ratio) need to be met. While the covenant figures are met as per 31.12.2022 based on MTC's unaudited financial statements, these consolidated financial statements will only be approved by the board of MTC at the end of April. It is Montana Aerospace Management's assessment that the covenant requirements will be met in full by MTC.

17.3. Other financial liabilities

Other financial liabilities are composed as follows:

(in TEUR)	31.12.2022	31.12.2021
Lease liabilities	30,763	32,497
Other*	85,471	2,114
Other financial liabilities	**116,234**	**34,611**
Thereof non-current	104,641	32,162
Thereof current	11,593	2,448

* Item "Other" results mainly from profit certificates in the amount of TEUR 60,304 (including accrued dividends): The Belgian Federal Holding and Investment Company ("FPIM / SFPI") holds profit certificates in Asco, issued against a cash consideration in the amount of TEUR 54,312. These profit certificates were subscribed respectively in 2008, 2012 and 2020. A put option is granted to FPIM / SFPI, exerciseable from 2027 (relating to the nominal value amounting to EUR 24.3 million) and 2035 (relating to the nominal value amounting to EUR 30.0 million), to be increased with any dividends related to the past financial year(s) that have not been paid. This put option is recognized as a financial liability.

18. Provisions

The provisions are as follows:

(in TEUR)	Onerous contracts	Guarantees	Waste disposal, restoration	Litigation	Other provisions	Total
Balance as of January 01, 2022	**868**	**1,351**	**564**	**1,461**	**8,758**	**13,002**
Change in consolidation scope	10,322		1,841	10,442	−732	21,873
Provisions made during the year	4,156	17	292	19,633	1,362	25,460
Provisions used	−2,017	−593		−4,410	−2,039	−9,059
Reversal		−86	−500		−2,779	−3,365
FX differences			4	−524	−62	−582
Balance as of December 31, 2022	**13,328**	**688**	**2,202**	**26,602**	**4,509**	**47,329**
MATURITY						
Thereof non-current	9,436	0	2,134	25,403	2,575	39,548
Thereof current	3,892	688	68	1,199	1,934	7,781
Total provisions	**13,328**	**688**	**2,202**	**26,602**	**4,509**	**47,329**

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.

In 2022, provisions amounting to TEUR 18,684 were made for legal processes in Brazil.

As of 31 December 2022, other provisions include an earn-out provision amounting to TEUR 0 (2021: TEUR 7,422).

19. Other liabilities and accruals

Other liabilities comprise the following items:

(in TEUR)	31.12.2022	31.12.2021
Accruals	18,114	13,604
Deferred income	6,658	1,572
Other tax payables	9,352	4,190
Derivative financial instruments	16,551	408
Payables from government aid & grants*	59,450	60,290
In the context of social security	3,671	5,419
Deferred consideration**	28,107	0
Other payables from joint ventures and from associated companies	19,991	0
Other payables	11,542	7,007
Other liabilities and accruals	**173,437**	**92,490**
Thereof non-current	93,794	58,439
Thereof current	79,643	34,051

Payables from government aid & grants mainly refer to government grants received from the Romanian government for investments in two 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 in the 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 the 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. This project was finalized in March 2022 and the company entered the monitorization phase. Similar conditions apply.

In 2021 the company received funding in amount of TEUR 5,350 for a cast house project in Satu Mare county. The project is in the investment phase at the end of 2022 and it is estimated to be finalized at the end of 2023. 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.

** **Deferred consideration**
In connection with the acquisition of Asco group, an earn-out of up to TEUR 30,000 based on the attainment of certain performance indicators by Montana Aerospace AG has been agreed, that will be paid by 30 June 2025 at the earliest. This earn-out has the payoff structure of an exotic derivative which is valued by performing a Monte Carlo simulation of the 30-day VWAP of Montana Aerospace AG. See note 6 for further explanations relating to the acquisition of Asco group.

20. Personnel expenses

Personnel expenses contain the following items:

(in TEUR)	2022	2021
Wages and salaries	208,380	135,612
Severance and redundancy	1,088	837
Compulsory social security expenses	36,057	21,773
Pension expenses	3,413	1,765
Stock option plans (share-based payment)*	2,198	3,519
Other personnel expenses	17,128	10,139
Personnel expenses	**268,265**	**173,645**

* Stock option plans (share-based payment) are described in note 24.

Pension expenses are composed as follows:

(in TEUR)	2022	2021
Defined contribution plans	1,539	1,082
Defined benefit plans	1,874	683
Total	**3,413**	**1,765**

Number of employees:

	2022	2021
As of reporting date	6,708	5,554
Average of the reporting period	7,034	5,057

21. Other operating income

Other operating income contains the following items:

(in TEUR)	2022	2021
Income from reversal of provisions and accruals	4,500	1,772
Income from disposal of property, plant and equipment	9,112	116
Income from insurance	1,432	3,247
Income from claims	1,475	69
Rental income	1,700	961
Rental income from investment property	182	160
Grants and public benefits	27,038	15,493
Other income from affiliated companies	3,245	3,160
Bargain purchase	16,850	3,440
Income from tax credits (Brazil)	19,997	0
Gains from disposal of subsidiaries	10,203	0
Measurement of investment property	0	705
Other	9,098	4,876
Other operating income	**104,832**	**33,999**

22. Other operating expenses

Other operating expenses comprise the following items:

(in TEUR)	2022	2021
Energy costs	52,899	16,623
Maintenance from third parties	25,308	13,114
Freight-out costs and customs duties	35,583	20,680
Accrual of provisions for bad debt	1,082	1,384
Commissions	2,235	1,663
Legal advice, audit and consulting fees	20,944	12,779
Rental and leasing expenses	2,685	2,152
Travel expenses	6,277	2,596
Phone and postal charges, IT supplies	5,388	3,689
Insurance	3,955	2,510
Fees and charges	1,621	1,815
Expenses for cleaning services	1,941	1,346
Other expenses to affiliated companies	277	667
Marketing, advertising and entertainment expenses	1,732	729
Directors' remuneration	412	566
Taxes other than income taxes	4,743	2,563
Legal processes provision (Brazil)	13,764	357
Other	19,953	17,200
Other operating expenses	**200,799**	**102,433**

23. 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)	2022	2021
Interest income from affiliated companies	0	216
Interest income from financial institutions	950	108
Interest income on tax credits (Brazil)	4,407	3
Other interest income	2,633	1,191
Interest income	**7,990**	**1,518**

(in TEUR)	2022	2021
Interest expense vs. affiliated companies	0	1,737
Interest expense vs. financial institutions	13,943	6,847
Interest expense for promissory notes	7,386	6,502
Interest expense on tax proceedings (Brazil)	6,115	0
Interest on lease liabilities	1,120	939
Other interest expense	4,431	2,398
Interest expense	**32,995**	**18,423**

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

(in TEUR)	2022	2021
Foreign currency exchange gains	4,340	4,832
Revaluation of securities	0	462
Gains from disposal of IC investments	393	38
Financial income from affiliated companies	733	0
Other	234	339
Other financial income	**5,700**	**5,671**

(in TEUR)	2022	2021
Foreign currency exchange losses	17,479	4,346
Impairment of loans	0	17
Guarantee fee to affiliated companies	4,338	642
Other	5,258	1,463
Other financial expenses	**27,076**	**6,468**

Foreign exchange effects resulting from the classification of net investments in foreign operations amounted to TEUR 17,395 (2021: TEUR 21,255). These were not recognized in the result of the period but in the consolidated statement of comprehensive income.

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24. Share-based payment arrangements

24.1. Management stock option program 2021 (MSOP 2021)

In 2021, a 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	2022	2021
Outstanding as of January 1	**1,208,268**	**0**
Lapsed during the year	−280,400	0
Exercised during the year	0	−4,182
Promised during the year	0	1,212,450
Outstanding as of December 31	**927,868**	**1,208,268**
Exercisable as of December 31	185,574	117,063

(in CHF)	2022	2021
Exercise price of outstanding options	25.65	25.65
Average share price at exercise date	n/a	34.12

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:

(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.

As of 16 December 2022, Montana Tech Components AG and Montana Aerospace AG agreed to transfer all rights and obligations in relation to the options vesting from 2023, to Montana Aerospace AG. In this context, Montana Aerospace AG received payments amounting to TEUR 1,923 from Montana Tech Components AG. Furthermore, the exercise price relating to all options transferred to Montana Aerospace AG was reduced from CHF 25.65 to CHF 18.00. The resulting additional expenses are not significant.

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

Relating to the MSOP 2021, the expense recognized in the income statement for share-based payment came to TEUR 2,193 in fiscal year 2022 (2021: TEUR 3,519). The effects in equity amounted to TEUR 2,193 (2021: TEUR 3,519; see note 16.3) and consisted of allocations from the forward projection of the MSOP.

24.2. Management stock option program 2022 (MSOP 2022)

In 2022, a further management stock option program (MSOP) was launched by the companies Montana Tech Components AG, Reinach, Switzerland (300,000 options; exercise price CHF 25.65), and Montana Aerospace AG, Reinach, Switzerland (150,080 options; exercise price CHF 18.00), to allow employees to subscribe to ordinary shares in Montana Aerospace AG. The vesting period on which the program is based amounts to three 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	2022
Outstanding as of January 1	**0**
Lapsed during the year	0
Exercised during the year	0
Promised during the year	450,080
Outstanding as of December 31	**450,080**
Exercisable as of December 31	90,016

(in CHF)	2022
Exercise price of outstanding options	25.65 / 18.00
Average share price at exercise date	n/a

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:

(in CHF)	MANAGEMENT STOCK OPTION PROGRAM (MSOP) 2022	
Grant date	13.12.2022	27.12.2022
Fair value (weighted average)	0.55	1.38
Share price on the date the option was granted	15.40	15.08
Exercise price	25.65	25.65 / 18.00
Expected volatility (in %)	38.39%	38.35%
Expected term (in years)	3.0	3.0
Expected dividends (average, in %)	0.00%	0.00%
Risk-free interest rate (average, in %)	0.92%	1.28%

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
Relating to the MSOP 2022, the expense recognized in the income statement for share-based payment came to TEUR 6 in fiscal year 2022. The effects in equity amounted to TEUR 6 (see note 16.3) and consisted of allocations from the forward projection of the MSOP.

25. Consolidated statement of cash flow

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 9,131 (2021: TEUR 8,004), due to capitalized interest amounting to TEUR 222 (2021: TEUR 786) as well as due to open positions resulting from investments of TEUR 4,429 (2021: TEUR 7,631) [translated at the annual average rate, the difference amounts to TEUR -3,247]. The open positions resulting from investments from the previous year were paid for a large part in fiscal year 2022 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 88 (2021: TEUR 99) as well as due to open positions resulting from disposals of TEUR 10,391 (2021: TEUR 0).

The item "Payments received for capital increase" cannot be reconciled with the capital increase according to the consolidated statement of changes in equity 2022 due to the fact that the referring capital increase relates to 4,431,600 newly issued shares from the authorized share capital of the Company (see note 16) in connection with the acquisition of Asco group (see note 6). This capital increase did not result in any cash inflow.

The item "Repayment of the non-redeemable loan" cannot be reconciled with the corresponding item in the consolidated statement of changes in equity 2022 due to foreign exchange effects amounting to TEUR 873.

26. Risk management

26.1. 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.

26.2. 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)	2022	2021
Cash and cash equivalents	426,215	509,059
Trade receivables	171,413	129,130
Receivables from affiliated companies	1,525	2,271
Loans to joint ventures	13,928	0
Other financial assets	3,011	271
Contract assets	23,969	13,469
Other receivables and assets*	112,134	53,043
Total financial assets	**752,195**	**707,243**

* Does not include other tax receivables TEUR 33,305 (2021: TEUR 13,428) and prepaid expenses TEUR 11,715 (2021: TEUR 11,475).

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)	31.12.2022	31.12.2021
Trade receivables	173,608	131,974
Allowance	–2,195	–2,844
Trade receivables – net	**171,413**	**129,130**

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)	2022	2021
At the beginning of the year	2,844	2,042
Addition	1,502	1,503
Consumption	–412	–609
Reversal	–284	–77
Other changes	–1,488	–55
FX differences	33	40
Total Allowance	**2,195**	**2,844**

The following table discloses the information on overdue trade receivables:

			31.12.2022			31.12.2021
(in TEUR)	Gross	Allowance	Net	Gross	Allowance	Net
not yet due	142,585	–169	142,416	105,621	–221	105,400
0 to 10 days past due	9,201	–674	8,527	6,300	–530	5,770
11 to 30 days past due	6,724	0	6,724	5,997	0	5,997
31 days to 60 days past due	4,410	–143	4,267	5,356	0	5,356
61 days to 180 days past due	8,379	–227	8,152	5,457	–768	4,689
181 days to 360 days past due	283	0	283	1,134	–44	1,090
> 360 days past due	2,026	–981	1,045	2,108	–1,280	828
Total	**173,608**	**–2,195**	**171,413**	**131,973**	**–2,843**	**129,130**

The net overdue trade receivables primarily relate to receivables from long-term customer relationships. 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.

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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 2022

(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							
Loans and borrowings	589,349	624,670	1	39,853	94,512	490,304	
Lease liabilities	30,763	33,749		2,217	6,652	23,992	888
Other financial liabilities*	85,066	93,485	6,481	2,573	1	6,796	77,634
Trade payables**	222,150	222,150	46,374	149,540	26,235	2	
Trade payables from affiliated companies	813	813		813			
Accruals	18,114	18,114			18,114		
Contract liabilities***	0						
Other liabilities from affiliated companies	176	176			176		
Other liabilities from joint ventures and from associated companies	19,991	19,991			18,569	1,421	
Other liabilities****	99,097	99,097	628	10,586	5,814	56,631	25,439
Total non-derivative financial liabilities	**1,065,519**	**1,112,245**	**53,484**	**205,582**	**170,073**	**579,146**	**103,961**

* Does not include accrued interest TEUR 406.
** Does not include other payments received TEUR 1,993.
*** Does not include payments received payments from contracts with customers TEUR 9,642.
**** Does not include deferred income TEUR 6,658, derivatives TEUR 16,551 and liabilities from other taxes as well as in the context of social security TEUR 3,671.

(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							
Commodity price contracts (Cash Flow Hedge)	104	104		104			
Commodity price contracts (Fair Value Hedge)	16	16		16			
Forward exchange contracts (Cash Flow Hedge)	16,316	16,316		2,601	7,513	6,202	
Forward exchange contracts (Fair Value Hedge)	115	115		115			
Total derivative financial liabilities	**16,551**	**16,551**	**0**	**2,836**	**7,513**	**6,202**	**0**

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							
Loans and borrowings	556,203	575,178	1	18,351	96,687	443,217	16,921
Lease liabilities	32,497	35,497		1,873	5,620	25,292	2,712
Other financial liabilities*	2,096	2,099	1,418		3	679	
Trade payables**	110,155	110,155	24,729	76,366	9,058	3	
Trade payables from affiliated companies	735	735		735			
Accruals	13,604	13,604			13,604		
Contract liabilities***	0						
Other liabilities from affiliated companies	1,256	1,256			1,256		
Other liabilities****	67,293	67,293	1,162	5,254	4,835	22,299	33,744
Total non-derivative financial liabilities	**783,839**	**805,818**	**27,310**	**102,579**	**131,063**	**491,490**	**53,377**

* Does not include accrued interest TEUR 17.
** Does not include other payments received TEUR 637.
*** Does not include payments received payments from contracts with customers TEUR 19,626.
**** Does not include deferred income TEUR 1,572, derivatives TEUR 408 and liabilities from other taxes as well as in the context of social security TEUR 5,419.

(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**

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.

			31.12.2022			31.12.2021
(in TEUR)	CHF/EUR	CHF/USD	EUR/USD	CHF/EUR	CHF/USD	EUR/USD
Cash and cash equivalents	28,194	21,745	45,692	47,803	23,351	12,254
Trade receivables	2,832	1,445	57,033	3,361	73	25,044
IC receivables	13,320	18,149	8,811	8,595	1,020	7,960
IC loans	472,945	244,376	131,750	490,295	154,891	112,602
Other financial liabilities	−916	0	−9,596	−300	0	−13,206
Trade payables	−10,139	−25,159	−35,483	−2,846	−1,215	−11,081
IC payables	−4,568	−24	−35,007	−3,928	−661	−12,445
IC loans	−6,100	−182,900	−77,763	0	−166,594	−30,962
Total currency exposure – gross	**495,568**	**77,632**	**85,437**	**542,980**	**10,865**	**90,166**
Forward exchange contracts	0	0	−312,793	0	0	−50,716
Total currency exposure – net	**495,568**	**77,632**	**−227,356**	**542,980**	**10,865**	**39,450**

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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 of 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 2022					
CHF / EUR	+/– 8.2%	–33,494	33,494	0	0
CHF/ USD	+/– 9.9%	–7,751	8,064	0	0
EUR / USD	+/– 10.3%	–12,243	13,381	–16,092	19,778
31 December 2021					
CHF / EUR	+/– 3.5%	–15,607	15,607	0	0
CHF/ USD	+/– 6.2%	–1,082	1,138	0	0
EUR / USD	+/– 5.1%	–5,026	5,160	0	0

The volatility for each relevant currency pair was calculated with the historical data for the last 250 exchange days (before 31 December 2022). 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)	31.12.2022	31.12.2021
Financial instruments with fixed interest		
Financial assets*	176,563	312,023
Financial liabilities**	289,699	259,994
Financial instruments with variable interest		
Financial assets*	263,580	197,036
Financial liabilities**	415,884	330,819

* including bank deposits, fixed deposits as well as loans
** including promissory notes, lease liabilities, 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 1,263 (2021: reduction of TEUR 1,105). 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 1,263 (2021: increase of TEUR 1,105). 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.

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

31 December 2022	Currency	Nominal value (in thousand original currency)	Fair Value (in TEUR)	Thereof recognised in equity	Maturity
Commodity price contract	EUR	–7	–7	0	up to 1 year
Commodity price contract	EUR	19	–20	0	up to 1 year
Forward exchange contract	USD	333	7	0	up to 1 year
Forward exchange contract	USD	256	6	0	up to 1 year
Forward exchange contract	USD	286	6	0	up to 1 year
Forward exchange contract	USD	199	4	0	up to 1 year
Forward exchange contract	USD	216	4	0	up to 1 year
Forward exchange contract	USD	214	4	0	up to 1 year
Forward exchange contract	USD	203	4	0	up to 1 year
Forward exchange contract	USD	305	6	0	up to 1 year
Forward exchange contract	USD	325	6	0	up to 1 year
Forward exchange contract	USD	273	5	0	up to 1 year
Forward exchange contract	USD	230	4	0	1 – 5 years
Forward exchange contract	USD	217	3	0	1 – 5 years
Forward exchange contract	USD	219	–15	0	up to 1 year
Forward exchange contract	USD	228	–15	0	up to 1 year
Forward exchange contract	USD	19,000	567	567	up to 1 year
Forward exchange contract	USD	44,000	1,071	1,071	1 – 5 years
Forward exchange contract	USD	107,500	–8,806	–7,572	up to 1 year
Forward exchange contract	USD	102,000	–5,423	–5,423	1 – 5 years
Forward exchange contract	USD	1,500	1	1	up to 1 year
Forward exchange contract	USD	18,500	–1,012	–685	up to 1 year
Forward exchange contract	USD	22,000	–779	–527	1 – 5 years
Commodity price contract	USD	875	33	10	up to 1 year
Commodity price contract	USD	841	–4	0	up to 1 year
Forward exchange contract	USD	3,500	–85	0	up to 1 year
Forward exchange contract	EUR	2,796	0	0	up to 1 year
Forward exchange contract	USD	30,836	–296	–203	up to 1 year
Commodity price contract	USD	8,472	–104	–81	up to 1 year
Commodity price contract	USD	841	4	0	up to 1 year
Commodity price contract	CNY	13,890	35	0	up to 1 year
Forward exchange contract	USD	5,200	17	0	up to 1 year
Forward exchange contract	USD	2,720	6	0	up to 1 year
Forward exchange contract	USD	12,320	26	0	up to 1 year
Forward exchange contract	USD	10,000	35	0	up to 1 year
Forward exchange contract	USD	11,505	555	0	up to 1 year
Forward exchange contract	USD	2,880	5	0	up to 1 year
Forward exchange contract	USD	20,300	37	0	up to 1 year
Forward exchange contract	USD	11,505	465	0	1 – 5 years
Total			**–13,650**	**–12,842**	

In 2022, TEUR –246 (2021: TEUR 65) were reclassified from the statement of comprehensive income to the statement of profit or loss.

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

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 they correspond primarily to the fair values. The fair value of the promissory notes (as of 31 December 2022 amounts to TEUR 475,360 (2021: TEUR 459,017).

31 December 2022	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 cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets – measured at fair value									
Forward exchange contracts (hedge accounting)	2,844				2,844		2,844		2,844
Commodity price contracts (hedge accounting)	57				57		57		57
Securities		785			785		785		785
	2,901	**785**	**0**	**0**	**3,686**				
Financial assets – not measured at fair value									
Escrow account			5,701		5,701				
Loans to joint ventures			13,928		13,928				
Contract assets			23,969		23,969				
Trade receivables			171,413		171,413				
Receivables from affiliated companies			1,525		1,525				
Other receivables and assets			105,758		105,758				
Cash and cash equivalents			426,215		426,215				
	0	**0**	**748,509**	**0**	**748,509**				
Financial liabilities – measured at fair value									
Forward exchange contracts (hedge accounting)	16,431				16,431		16,431		16,431
Commodityswaps (hedge accounting)	120				120		120		120
Other financial liabilities		300			300			300	300
	16,551	**300**	**0**	**0**	**16,851**				
Financial liabilities – not measured at fair value									
Loans and borrowings				589,349	589,349		475,360	0	475,360
Other financial liabilities*				84,766	84,766				
Lease liabilities				30,763	30,763				
Trade payables**				222,150	222,150				
Trade payables from affiliated companies				813	813				
Contract liabilities***				0	0				
Other liabilities from affiliated companies				176	176				
Other liabilities from joint ventures and from associated companies				19,991	19,991				
Accruals				18,114	18,114				
Other liabilities****				99,097	99,097				
	0	**0**	**0**	**1,065,219**	**1,065,219**				

* Does not include accrued interest TEUR 406.
** Does not include other payments received TEUR 1,993.
*** Does not include payments received payments from contracts with customers TEUR 9,642.
**** Does not include deferred income TEUR 6,658, derivatives TEUR 16,551 and liabilities from other taxes as well as in the context of social security TEUR 3,671.

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 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				556,203	556,203		460,814		460,814
Other financial liabilities*				1,796	1,796				
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.
** Does not include other payments received TEUR 637.
*** Does not include payments received payments from contracts with customers TEUR 19,626.
**** Does not include deferred income TEUR 1,572, derivatives TEUR 408 and liabilities from other taxes as well as in the context of social security TEUR 5,419.

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.

27. 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).

27.1. Overview

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

Transaction type (in TEUR)	Transaction volume* Income	Transaction volume* Expenses	Outstanding amount Receivables	Outstanding amount Payables
2022				
Transactions with persons and companies related to the main shareholder	5	1,913	5	2
Transactions with joint ventures and associated companies	81,417	556	21,434	20,111
Transactions with affiliated companies**	3,870	6,082	1,525	989
Operating activity / Balance as of December 31, 2022	**85,292**	**8,551**	**22,964**	**21,102**
Balance as of January 1, 2022			**0**	**0**
– Disposal of property, plant and equipment	21,277	0	10,391	0
– Disposal of subsidiaries	31,366	0	16,366	0
– Loans granted to joint ventures (until 23 december 2022 group companies)	0	0	13,928	0
Transactions with affiliated companies	52,643	0	40,685	0
Investing activity / Balance as of December 31, 2022	**52,643**	**0**	**40,685**	**0**
Balance as of January 1, 2022			**0**	**0**
– Guarantee fees to affiliated companies	733	4,338	0	0
– Payments received in connection with management stock option programs	1,923	0	0	0
– Repayment of the non-redeemable loan	0	13,557	0	0
Transactions with affiliated companies	2,656	17,895	0	0
Financing activity / Balance as of December 31, 2022	**2,656**	**17,895**	**0**	**0**
Total / Balance as of December 31, 2022	**140,591**	**26,446**	**63,649**	**21,101**
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			**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**
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	–13,061	–214,984
Financing activity / Balance as of December 31, 2021	**13,061**	**214,984**	**0**	**0**
Total / Balance as of December 31, 2021	**53,701**	**233,204**	**2,271**	**1,992**

* Loans granted and repaid to affiliated companies as well as to related companies are shown in col-umn "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 5,055 (2021: TEUR 3,336).

27.2. 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)	2022	2021
Short-term employee benefits	3 155	1 704
Share-based payments	–343	1 404
Remuneration to Group's Management and Board of Directors	**2,812**	**3,108**

The Board of Directors of Montana Aerospace AG is composed of Misters Michael Tojner, Christian Hosp, Markus Vischer, Martin Ohneberg and Thomas Williams. The Group's Management is composed of Kai Arndt as Co-CEO of the company, Michael Pistauer as Co-CEO and CFO of the company as well as Silvia Buchinger as CHRO of the company.

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

28. Contingent liabilities

As at the balance sheet date, there were contingent liabilities of TEUR 0 (2021: TEUR 1,036) 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, 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 July 2023. 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 7,500).

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

29. Subsequent events

Subsequent events have been considered for adjustment of disclosure up to 31 March 2023, the date these consolidated financial statements were authorized for issue.

30. Group companies

As of 31 December 2022, Montana Aerospace AG held shares in the following companies:

Name of the company	Location	Country	Currency	Equity Participation	Capital Stock	Note
Alpine Metal Tech (Taicang) Co. Ltd	Taicang	CN	CNY	47.00%	1,491,708	AE
Alpine Metal Tech Brasil – Peças e Serviços Ltda.	Nova Lima	BR	BRL	47.00%	2,675,013	AE
Alpine Metal Tech Denmark ApS	Stenløse	DK	DKK	47.00%	5,000,000	AE
Alpine Metal Tech Germany GmbH	Dillingen/Saar	DE	EUR	47.00%	1,534,150	AE
Alpine Metal Tech Germany Holding GmbH	Dillingen/Saar	DE	EUR	47.00%	5,000,000	AE
ALPINE METAL TECH GmbH	Regau	AT	EUR	47.00%	36,500	AE
Alpine Metal Tech North America Inc.	Pittsburgh, PA	US	USD	47.00%	3,000	AE
Alpine Metal Tech UK Ltd.	Staffordshire	UK	GBP	47.00%	100	AE
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	
Alu Menziken SRL	Satu Mare	RO	RON	100.00%	18,004,500	
Asco Aerospace Canada Ltd.	Vancouver, BC	CA	CAD	100.00%	22,934,211	E
Asco Aerospace USA LLC	Oklahoma City, OK	US	USD	100.00%	5,300,000	E
Asco Deutschland GmbH	Gedern	DE	EUR	100.00%	3,823,000	E
Asco Finance USA NV	Zaventem	BE	EUR	100.00%	4,061,500	E
Asco Industries NV	Zaventem	BE	EUR	100.00%	7,500,799	E
Asco Industries USA Inc.	Carson City, NE	US	USD	100.00%	4,459,097	E
Asco Management NV	Zaventem	BE	EUR	100.00%	62,000	E
Asco Real Estate Canada Ltd.	Vancouver, BC	CA	CAD	100.00%	4,000,002	E
Asco Real Estate USA Inc.	Oklahoma City, OK	US	USD	100.00%	2,500	E
ASTA Americas Inc.	Wilmington, DE	US	USD	100.00%	100	
ASTA Bosnia d.o.o.	Ćoralići	BA	BAM	100.00%	1,000	
ASTA Bosnia Immobiliare d.o.o.	Ćoralići	BA	BAM	100.00%	1,000	G
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	n/a	0	L
ASTA Singapore Pte. Ltd.	Singapur	SG	SGD	n/a	0	L
ASTA–Asia Pte. Ltd.	Singapore	SG	SGD	100.00%	136	
Beightning NV	Schaerbeek	BE	EUR	16.67%	85,801,804	AE
Belairbus NV	Waterloo	BE	EUR	34.75%	1,271,202	AE
Cefival S.A.	Persan	FR	EUR	90.00%	7,713,855	
ETV Montana Tech Holding GmbH	Vienna	AT	EUR	100.00%	2,450,000	
Flabel Corporation NV	Schaerbeek	BE	EUR	27.30%	405,888	AE
GeGa GmbH	Dillingen/Saar	DE	EUR	47.00%	66,700	AE
GeGa Iberica S.L.	Tarragona	ES	EUR	47.00%	543,500	AE
IH TECH Sondermaschinenbau und Instandhaltung GmbH	Behamberg	AT	EUR	47.00%	48,449	AE
Immobiliere Asco NV	Zaventem	BE	EUR	100.00%	750,000	E
IMT Intermato S.p.A.	Crosio della Valle	IT	EUR	47.00%	13,900,000	AE
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	
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	0.00%	100,000	V
PPE Fios Esmaltados S.A.	Cerquilho	BR	BRL	100.00%	131,749,860	
S.R.I.F. NV	Zaventem	BE	EUR	100.00%	47,606,494	E
São Marco Industria y Comercio LTDA	Três Corações	BR	BRL	100.00%	440,938,872	E
Simulation Live Fire Training Solution Inc.	Pittsburgh, PA	US	USD	47.00%	0	AE
SREC LLC	Oklahoma City, OK	US	USD	100.00%	59,097	E
UAC Airport SRL	Dumbravita	RO	EUR	n/a	0	L
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%	14,911,356	
Universal Alloy Corp. Vietnam Company Ltd.	Da Nang	VN	USD	97.50%	34,000,000	

AE At-Equity accounting
E Acquired in actual reporting period
G Founded in actual reporting period
V Disposed in actual reporting period
L Liquidated in actual reporting period

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31. Significant accounting policies

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

31.1. 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 incurred, 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

The Group's interests in equity-accounted investees comprise interests in associates and a joint venture.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and the joint venture are accounted for using the equity method. They are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence or joint control ceases.

vi. 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.

31.2. Currency translation

31.2.1. 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.

31.2.2. 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	31.12.2022	31.12.2021	2022	2021
USD (US Dollar)	1.0666	1.1326	1.0530	1.1827
BRL (Brazilian Real)	5.6386	6.3101	5.4399	6.3779
CHF (Swiss Franc)	0.9847	1.0331	1.0047	1.0811
CNY (Chinese Yuan)	7.3582	7.1947	7.0788	7.6282
RON (Romanian Leu)	4.9495	4.9490	4.9313	4.9215

31.3. Financial instruments

31.3.1. 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.

31.3.2. Classification and subsequent measurement

31.3.2.1. 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 contractual 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.

31.3.2.2. 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 31.3.4.

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.

31.3.2.3. 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 note 31.3.4 for financial liabilities that have been designated as hedging instruments.

31.3.3. Derecognition

31.3.3.1. 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.

31.3.3.2. 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 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.

31.3.3.3. 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.

31.3.4. Derivative financial instruments and hedge accounting

31.3.4.1. 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.

31.3.4.2. 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.

31.4. Intangible assets

31.4.1. 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 6). 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 31.8).

31.4.2. 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 31.8). Other development costs are recog-nized as an expense as incurred.

31.4.3. 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 31.8). 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 31.8).

31.5. 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.

31.6. Leases

31.6.1. 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.

31.6.1.1. 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 8 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.

31.7. 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.

31.8. Impairment

31.8.1. 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.

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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.

31.8.1.1. 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.

31.8.2. 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 assessments 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.

31.9. 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.

31.9.1. 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.

31.9.2. 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.

31.10. Trade payables and other liabilities

Trade payables and other liabilities are measured at amortized cost.

31.11. 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.

31.12. 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.

31.13. 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.

31.14. 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 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, FCA and DDP).

31.15. 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.

31.16. 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.

31.16.1. 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.

31.16.2. 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.

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31.17. Segment reporting

See note 5.

31.18. Changes in significant accounting policies

In 2022 the Group has implemented various minor amendments to existing standards and interpretations, which have no material effect on the Group's financial statements.

31.19. Amendments to IFRS standards with potential impact on the Group after 31 December 2022

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		
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
Lease Liability in a Sale and Leaseback (Amendments to IFRS®16)	1 January 2024	Reporting year 2024
Classification of Liabilities as Current or Non-current (Amendments to IAS®1)**	1 January 2024	Reporting year 2024
Non-current Liabilities with Covenants (Amendments to IAS®1)	1 January 2024	Reporting year 2024

* Amendments to IFRS 17 issued in June 2020 and December 2021.

** In October 2022, the Board issued additional amendments to IAS 1 (Non-current Liabilities with Covenants) and deferred the effective date of these amendments to align with the effective date of 1 January 2024.

31.20. 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 2022 and the consolidated statement of profit and 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 194 to 285) give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, 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 Standards on Auditing (SA-CH). 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, together with 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

ACCOUNTNING FOR ASCO BUSINESS COMBINATION

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.

KPMG AG
St. Gallen, 31 March 2023

EXISTENCE AND ACCURACY OF REVENUE

Key Audit Matter

In 2022, net sales amount to EUR 1,306.1 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, 5. Segment reporting, page 205

— Notes to the Consolidated Financial Statements, Significant accounting policies, 31.14 Revenue and earnings recognition, page 283

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 120.6 million as of 31 December 2022, 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, 7. Intangible assets, page 214

— Notes to the Consolidated Financial Statements, Significant accounting policies, 31.4 Intangible assets, page 277

— Notes to the Consolidated Financial Statements, Significant accounting policies, 31.8 Impairment, page 280

ACCOUNTING FOR ASCO BUSINESS COMBINATION

Key Audit Matter

On 31 March 2022, Montana Aerospace acquired 100% interest in S.R.I.F. NV ("Asco") for a total consideration of EUR 211.7 million. The consideration consists of cash and cash equivalents of EUR 116.0 million, a transfer of 4,431,600 shares of Montana Aerospace AG in the value of EUR 70.3 million and a deferred consideration (earn-out) depending on the attainment of certain performance indicators of Montana Aerospace AG (capped at EUR 30.0 million) which is due on 30 June 2025 and valued at EUR 25.5 million as of acquisition date.

The Goodwill which is the difference between net assets acquired and the total consideration amounts to EUR 56.4 million as of acquisition date.

IFRS 3 "Business Combinations" requires performing a purchase price allocation to fair values of identifiable assets and liabilities of the acquired business as of acquisition date.

Accounting for the Asco business combination is an area of focus due to its size and the number of complex accounting judgements and estimates sensitive to key assumptions such as valuation methods used, estimated future cash-flows and margins, discount rates, growth rates, royalty rates, churn rates or estimated rental values. In addition, the useful life applied to intangible assets acquired also requires judgement that affects current and future periods.

Montana Aerospace engaged valuation experts to assist in the identification and measurement of assets and liabilities assumed as well as for the measurement of the contingent consideration.

Our response

With the support of our own valuation specialists, our audit procedures included, among others, the following:

- Reading the share purchase agreement to understand relevant terms and conditions of the transaction and their impact on accounting;
- Auditing the opening balance sheet of the entity acquired;
- Challenging the completeness of the identified assets and liabilities in the purchase price allocation;
- Reviewing and assessing the work performed by management's valuation experts for customer relationship and brand intangible assets as well as for property, plant and equipment. This included the selection of valuation methods along with key judgments and assumptions made in determining fair values;
- Testing the mathematical accuracy of valuation models used;
- Recalculating the amount of Goodwill recognised.

We also considered the appropriateness of disclosures in the consolidated financial statements.

For further information on business combinations refer to the following:

— Notes to the Consolidated Financial Statements, 6. Significant changes to the scope of consolidation / combination, page 209

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the 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 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 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.

Board of Directors' Responsibilities 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 SA-CH 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 SA-CH, 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 PS-CH 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, 31 March 2023

STATUTORY ACCOUNTS

STATUTORY ACCOUNTS

BALANCE SHEET AS OF 31 DECEMBER

CHF	Notes	2022	2021
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		27,651,618.30	71,274,140.42
Other short-term receivables			
– from third parties		82,897.37	55,288.73
– to entities in which the entity holds a participation		1,478,667.44	522,522.80
Prepaid expenses / accrued income		172,081.52	2,234.40
Total current assets		**29,385,264.63**	**71,854,186.35**
NON-CURRENT ASSETS			
Financial assets	2.1	673,420,385.69	647,208,704.39
Investments	2.2	300,532,316.03	247,040,566.03
Total non-current assets		**973,952,701.72**	**894,249,270.42**
TOTAL ASSETS		**1,003,337,966.35**	**966,103,456.77**

LIABILITIES AND SHAREHOLDERS' EQUITY

CHF	Notes	2022	2021
SHORT-TERM LIABILITIES			
Trade accounts payable			
– to third parties		1,072,472.49	883,242.90
– to related parties		0.00	5,000.00
– to entities in which the entity holds a participation		2,566,918.44	1,865,129.33
Other short-term liabilities			
– to third parties		4,781.85	3,222,250.90
– to related parties		90,495.50	0.00
Accrued expenses and deferred income		364,522.32	343,438.33
Total short-term liabilities		**4,099,190.60**	**6,319,061.46**
LONG-TERM LIABILITIES			
Long-term non-interest bearing liabilities			
– to holders of participations	2.3	0.00	16,000,000.00
Total long-term liabilities		**0.00**	**16,000,000.00**
TOTAL LIABILITIES		**4,099,190.60**	**22,319,061.46**
SHAREHOLDERS' EQUITY			
Share capital	2.4	61,985,597.00	57,553,997.00
Legal capital reserves			
– Reserves from capital contributions	2.5	933,559,331.40	872,156,663.68
– Other capital reserves		115,453,569.28	92,751,823.00
Accumulated losses			
– Loss carried forward		-78,678,088.37	-597,437.66
– Loss for the period		-33,081,633.56	-78,080,650.71
Total Shareholders' equity		**999,238,775.75**	**943,784,395.31**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**1,003,337,966.35**	**966,103,456.77**

INCOME STATEMENT

CHF	Notes	2022	2020
Financial income	2.6	17,725,331.18	13,275,633.10
Other income		5,396,460.11	2,108,114.57
Total income		**23,121,791.29**	**15,383,747.67**
Financial expenses	2.7	46,990,856.88	43,945,508.49
Personnel expenses	2.8	3,355,849.05	1,983,813.36
Other operating expenses	2.9	5,819,249.21	47,447,236.53
Direct taxes		37,469.71	87,840.00
Total expenses		**56,203,424.85**	**93,464,398.38**
LOSS FOR THE PERIOD		**–33,081,633.56**	**–78,080,650.71**

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	2022	2021
Loans to entities in which the entity holds a participation	673,420,385.69	647,208,704.39

2.2. Investments

				2022		2021		
Company	Domicile	Country	Currency	Voting– and capital rights in %	Capital	Voting– and capital rights in %	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	100.00	27,308	
Cefival S.A.	Persan	FR	EUR	90.00	7,713,855	90.00	7,713,855	
Alu Menziken Srl	Satu Mare	RO	RON	0.05	18,004,500	0.00	18,000,000	
Significant indirect investments								
Alpine Metal Tech (Taicang) Co. Ltd	Taicang	CN	CNY	47.00	1,491,708	100.00	1,491,708	
Alpine Metal Tech Brasil – Peças e Serviços Ltda.	Nova Lima	BR	BRL	47.00	2,675,013	100.00	2,675,013	
Alpine Metal Tech Denmark ApS	Stenløse	DK	DKK	47.00	5,000,000	100.00	5,000,000	
Alpine Metal Tech Germany GmbH	Dillingen/Saar	DE	EUR	47.00	1,534,150	100.00	1,534,150	
Alpine Metal Tech Germany Holding GmbH	Dillingen/Saar	DE	EUR	47.00	5,000,000	100.00	5,000,000	
ALPINE METAL TECH GmbH	Regau	AT	EUR	47.00	36,500	100.00	36,500	
Alpine Metal Tech North America Inc.	Pittsburgh, PA	US	USD	47.00	3,000	100.00	3,000	
Alpine Metal Tech UK Ltd.	Staffordshire	UK	GBP	47.00	100	100.00	100	
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 Germany GmbH	Dillingen/Saar	DE	EUR	100.00	25,000	100.00	25,000	
Alu Menziken Srl	Satu Mare	RO	RON	99.95	18,004,500	100.00	18,000,000	
Asco Aerospace Canada Ltd.	Vancouver, BC	CA	CAD	100.00	22,934,211	0.00	0	E
Asco Aerospace USA LLC	Oklahoma City, OK	US	USD	100.00	5,300,000	0.00	0	E
Asco Deutschland GmbH	Gedern	DE	EUR	100.00	3,823,000	0.00	0	E
Asco Finance USA NV	Zaventem	BE	EUR	100.00	4,061,500	0.00	0	E
Asco Industries NV	Zaventem	BE	EUR	100.00	7,500,799	0.00	0	E
Asco Industries USA Inc.	Carson City, NE	US	USD	100.00	4,459,097	0.00	0	E
Asco Management NV	Zaventem	BE	EUR	100.00	62,000	0.00	0	E
Asco Real Estate Canada Ltd.	Vancouver, BC	CA	CAD	100.00	4,000,002	0.00	0	E
Asco Real Estate USA Inc.	Oklahoma City, OK	US	USD	100.00	2,500	0.00	0	E
ASTA Americas Inc.	Wilmington, DE	US	USD	100.00	100	100.00	100	
ASTA Bosnia d.o.o.	Ćoralići	BA	BAM	100.00	1,000	100.00	1,000	
ASTA Bosnia Immobiliare d.o.o.	Ćoralići	BA	BAM	100.00	1,000	0.00	0	G
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.	Singapur	SG	SGD	n/a	0	100.00	18,879,551	L
ASTA Singapore Pte. Ltd.	Singapur	SG	SGD	n/a	0	100.00	18,879,551	L
ASTA–Asia Pte. Ltd.	Singapore	SG	SGD	100.00	136	100.00	136	
Beightning NV	Schaerbeek	BE	EUR	16.67	85,801,804	0.00	0	
Belairbus NV	Waterloo	BE	EUR	34.75	1,271,202	0.00	0	
ETV Montana Tech Holding GmbH	Vienna	AT	EUR	100.00	2,450,000	100.00	2,450,000	
Flabel Corporation NV	Schaerbeek	BE	EUR	27.30	405,888	0.00	0	
GeGa GmbH	Dillingen/Saar	DE	EUR	47.00	66,700	100.00	66,700	
GeGa Iberica S.L.	Tarragona	ES	EUR	47.00	543,500	100.00	543,500	
IH TECH Sondermaschinenbau und Instandhaltung GmbH	Behamberg	AT	EUR	47.00	48,449	100.00	48,449	
Immobiliere Asco NV	Zaventem	BE	EUR	100.00	750,000	0.00	0	E
IMT Intermato S.p.A.	Crosio della Valle	IT	EUR	47.00	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	11,825	100.00	12,000	
MTC Aerosystems LLC	East Hanover, NJ	US	USD	100.00	0	100.00	0	
MTC Management Kft.	Budapest	HU	USD	100.00	11,825	100.00	12,000	
MTC US Corp.	Wilmington, DE	US	USD	100.00	10	100.00	10	
Neviton Softech Pvt. Ltd.	Karnataka	IN	INR	0.00	100,000	100.00	100,000	V
PPE Fios Esmaltados S.A.	Cerquilho	BR	BRL	100.00	131,749,860	100.00	131,749,860	
S.R.I.F. NV	Zaventem	BE	EUR	100.00	47,606,494	0.00	0	E
São Marco Industria y Comercio LTDA	Três Corações	BR	BRL	100.00	440,938,872	0.00	0	E
Simulation Live Fire Training Solution Inc.	Pittsburgh, PA	US	USD	47.00	0	100.00	0	
SREC LLC	Oklahoma City, OK	US	USD	100.00	59,097	0.00	0	E
UAC Airport SRL	Dumbravita	RO	EUR	n/a	0	100.00	0	L
UAC Export Co.	East Hanover, NJ	US	USD	100.00	0	100.00	0	
Universal Alloy Corp.	Canton, GA	US	USD	100.00	8,950	100.00	8,950	
Universal Alloy Corp. Asia Pte. Ltd.	Singapur	SG	USD	98.00	50,000	97.50	50,000	
Universal Alloy Corp. Vietnam Company Ltd.	Da Nang	VN	USD	98.00	34,000,000	100.00	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

2.3. Long-term liabilities

CHF	2022	2021
Long–term non–interest bearing liabilities to holders of participation	0.00	16,000,000.00

2.4. Shareholders' equity

The share capital was increased in April 2022 from CHF 57,553,997 to CHF 61,985,597 through capital contribution. As of December 31, 2022, the share capital amounted to CHF 61,985,597 and was divided into 61,985,597 registered shares with a nominal value of CHF 1 each.

The authorized share capital of TCHF 5,000 is limited until May 18, 2024 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.

An additional conditional share capital of TCHF 1,000 is designated for new acquisition and capital increases in existing investments.

2.5. Reserves from Capital Contributions

The reserves from capital contributions consist of a premium from contribution in kind and capital increases in 2021 and 2022. Reserves in the amount of CHF 84,104,414 are not yet confirmed by the Swiss tax authorities. From a fiscal point of view any distribution made from these reserves are treated the same way as repayment of share capital.

2.6. Financial income

CHF	2022	2021
Interest income from loans to entities in which the entity holds a participation	11,412,250.67	5,505,670.30
Discount loan repayment	2,500,000.00	0.00
Foreign exchange gains	3,813,080.51	7,769,962.80
	17,725,331.18	**13,275,633.10**

2.7. Financial expenses

CHF	2022	2021
Bank interest, expenses and fees	31,236.58	49,264.93
Interest for loans from holders of participation	0.00	3,571.88
Foreign exchange losses	46,959,620.30	43,892,671.68
	46,990,856.88	**43,945,508.49**

2.8. Personnel expenses

Personnel expenses include passed-on personnel costs in the amount of TCHF 3,355 (prior year: TCHF 1,984).

2.9. Other operating expenses

CHF	2022	2021
Administration expenses	2,553,772.96	45,042,838.86
Consulting expenses	3,265,476.25	2,404,397.67
	5,819,249.21	**47,447,236.53**

The administrative expenses of the prior year include TCHF 44,124 in the context of that year´s IPO.

3. Other information

3.1. Full-time equivalent

Montana Aerospace AG does not have any employees.

In line with national legislation, Montana Aerospace AG carried out an equal pay analysis for its Swiss entities with at least 100 employees. The analysis showed that all in scope entities met the equal pay requirements and are within the applicable thresholds for salary and overall compensation (salary plus actual bonus).

3.2. Stock Option Plan

A management stock option program (MSOP) was launched in 2021 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. In 2022, a large part of the stock option program was transferred from Montana Tech Components AG to Montana Aerospace AG. For the transfer, the Company received a consideration of CHF 1.9 million. In 2022 an additional 450,080 stock options were granted. The residual amount of stock options as of 31 December 2022 amount to 1,377,948. Thereof, 578,720 are allocated to the Management Board and 42,880 are allocated to the Board of Directors. The value of granted stock options in 2022 amounts to CHF 371,660 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 31/12/2022	Shareholder Percentage of voting rights as of 31/12/2021
Montana Tech Components AG	52.26%	56.33%
Christian Boas, in La Hulpe, Belgium Emile Boas, in Kraainem, Belgium partly through DREDA, in Watermael-Boitsfort, Belgium	7.15%	0.00%
Capital Research and Management Company, Los Angeles, California, USA	5.53%	0.00%

3.4. Participation of the group management and the board of directors including their related parties

Board of director	Number of shares as of 31/12/2022	Number of shares as of 31/12/2021
DDr. Michael Tojner	32,420,969	32,442,719
Thomas Williams	7,850	0

Group management	Number of shares as of 31/12/2022	Number of shares as of 31/12/2021
Dr. Michael Pistauer	9,288	5,288
Kai Arndt (from July 20, 2022)	6,650	n/a
Herbert Roth (until July 20, 2022)	n/a	1,286
Markus Nolte (until July 20, 2022)	n/a	4,288

3.5. Contingent liabilities

Montana Aerospace AG has provided support letters to guarantee fullfillment of payment obligations of its affiliated companies as follows:

- ALU Menziken Euromotive GmbH
- ALU Menziken SRL
- ASTA ETC
- ASCO Industries
- Alpine Metal Tech UK Ltd.
- Cefival S.A.
- Universal Alloy Corp. Europe S.R.L.
- Universal Alloy Corp. Vietnam Company Ltd.

3.6. Significant events after the balance sheet date

There are no other significant events after the balance sheet date that have an impact on the book values of the assets or liabilities shown or that have to be disclosed here.

STATUTORY ACCOUNTS

Proposed Appropriation of Available Result

CHF	2022
Net loss carried forward (previous year(s))	−78,678,088.37
Net loss for the year	−33,081,633.56
	−111,759,721.93

The Board of Directors proposes to the General Meeting of Shareholders the following appropriation of available result:

CHF	2022
To be carried forward	−111,759,721.93
	−111,759,721.93

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 (the Company), which comprise the balance sheet as at 31 December 2022, 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 292 to 303) 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 Standards on Auditing (SA-CH). 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 Company in accordance with the provisions of Swiss law, together with 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements of the Company, the compensation report and our auditor's reports thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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.

Board of Directors' Responsibilities 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company 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 SA-CH 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 SA-CH, 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 the Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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 PS-CH 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 carry forward of the accumulated losses 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 Licensed Audit Expert Auditor in Charge	Roman Künzle Licensed Audit Expert

St. Gallen, 31 March 2023

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 6,700 highly skilled employees at 22 locations on four continents—designing, developing and producing ground-breaking technologies for tomorrow's aerospace, e-mobility and energy industries out of aluminum, titanium, composite, copper and steel.

DISCLAIMER:
Some of the information contained in this Annual Report may be forward-looking statements. Montana Aerospace AG cautions that such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially from those in the forward-looking statements as a result of various factors. Montana Aerospace AG undertakes no obligation to publicly update or revise any forward-looking statements.

PUBLISHED AND EDITED BY:
Montana Aerospace AG, Reinach, Switzerland

CONCEPT:
Daniela Wagner, fillim.at

DESIGN:
Büro X Design, buerox.at
Buero New York, buero-newyork.com
Peter Rieder, flammen.at

PHOTO:
Sarah Katharina, sarahkatharina.com
Jan Hosan, hosan.eu
Wolfram Schroll, industriefotografie.wolframschroll.com
Guenter Parth, guenterparth.com
Oliver Helbig, oliverhelbig.com
iStock
Getty Images
Montana Aerospace

RENDERINGS:
Leo Miedaner, Büro X Desgin
Alu Menziken

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:
montana-aerospace.com

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