



Annual Report 2021

AEROSTAR S.A.

Performance through Professionalism!

AEROSTAR S.A.

The company AEROSTAR was named successively URA-1953, IRAv (abbreviation for Aircraft Repair Enterprise)-1970, IAv (abbreviation for Aircraft Enterprise) -1978, and AEROSTAR S.A. since 1991, when it was registered at the Trade Register.

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Note: The Report of the Board of Administrators was prepared in accordance with the reporting regulations in force with a view to providing further information to the shareholders for the evaluation of the company, its strategies and their potential to succeed.

Annual Report

2021

« Looking into the future, the industrial prospects will be strictly related to the pandemic evolutions, and our prospects will be strictly related to the fulfillment of our sustainability plans. »

Overview

« The year 2021 became the year of both resistance and adaptation to change.

It was the second year during which our expertise was put to the test through increased challenges due to the appearance of new pandemic strains that affected the global economy. We have followed the strategic priorities, while analyzing the new reality faced by the business environment in the aviation industry nowadays.

Our top priorities were, of course our employees' safety and protection in stricter sanitary conditions.

In an uncertain environment, with strong economic disruptions, we can state that the operational performance was as good as reasonably possible.

I, therefore thank all our employees, partners and associates for sticking together in the fight against Covid. »

Grigore FILIP
President & General Director

Additional information on page 3

Identification data and object of activity

The company AEROSTAR S.A. was established on April 17, 1953 by the Council of Ministers' Decision no. 1165.

Its activities are carried out at the registered head office, located at no. 9, Condorilor Street, Bacău, postal code 600302.

Since January 2018, AEROSTAR also has a secondary place of business, i.e. a workplace within the perimeter of the International Airport of Iași;

The unique identification code of the company at European level (EUID) is ROONRC.J04/1137/1991, and its identification code as a legal entity (LEI) is 315700G9KRN3B7XDBB73;

The main field of activity of the company is production. The main object of activity of the company is the "Manufacture of aircraft and spaceships" - code CAEN 3030;

Telephone/fax number:

004-0234 575070/

004-0234 572023;

Web/e-mail:



www.aerostar.ro



aerostar@aerostar.ro

Subscribed and paid-up share capital: 48.728.784 RON;

Applicable accounting standards: The individual financial statements are prepared in accordance with the provisions of the International Financial Reporting Standards (IFRS) adopted by the European Union, THE Accounting Law no. 82/1991, republished, as subsequently amended and supplemented and are presented in accordance with the IAS requirements. The bases of presentation of the financial statements are presented in Note 3;

The individual financial statements prepared for the year 2021 are accompanied by the independent financial auditor's report;

The company AEROSTAR S.A. is listed on the **Bucharest Stock Exchange** under **code ARS**, and the records of shareholders and shares are kept, as provided by law, by S.C. Depozitarul Central S.A. București;

Reporting period:

1 January

31 December 2021

Looking into the future

« After two years of pandemic, the aeronautical and aviation industry views with concern the new challenge generated by the imbalances in the global economy.

Such concerns also interest us, at Aerostar, as we look ahead, even though the results obtained in 2021 show an improvement and are close to those obtained in 2019.

Although the prospects for 2022 in the global analyses are indicative of recovery, it is critical to act with agility and flexibility in order to allow such recovery.

The lack of predictability of the energy costs, the breaking of the global supply chains and the workforce instability are key factors upon which the results of 2022 depend.

In today's reality it is therefore crucial to anticipate the risks and opportunities and to tackle the challenges with cautious optimism.

With our expertise, we search for the most suitable solutions to deal with these new challenges and continue our growth process. »

Message of the
President & General
Director

Eng. Grigore Filip
March 2022

Our approach in the Covid-19 context

Our number 1 priority is the safety of our employees, partners and all those associated with our business.

We have monitored actively the development of the situation and ever since the onset of the pandemic we have adopted all necessary measures so that our activity is carried out in safety conditions.

Throughout this period, safety materials against Covid-19 have been provided for our personnel as per the General Plan of Measures regarding the specific regulations for the employees' protection against Covid-19 infection, and measures have been implemented for subcontractors as per the Convention on the Delineation of Health and Labor Safety and Security Responsibilities, Fire-Extinguishing Plan and incident prevention.

Social distancing was ensured by redistributing the personnel at the workplaces, by spreading apart the starting hours as well as by installing panels and markings to warn the people about the need to observe a minimum distance of 2 meters from each other.

The mandate to wear safety masks within the perimeter of the company AEROSTAR is still in force until any risks of infection will be eliminated.

Newsletter were issued about the vaccination possibility and necessity for both the employees and their families' members. The anti-Covid-19 vaccination is a sustainable way to fight this pandemic.

The General Plan of Specific Measures established for the employees' protection against Covid-19 infections provides measures of permanent nature until all specific risks are removed.

Compliance with the non-financial reporting requirements

The annual report for the period 1 January - 31 December 2021 is prepared in accordance with the framework established by the Law 24//2017, the Regulation no. 5/2018 ASF regarding the issuers of financial instruments and market operations – Appendix 15, the applicable reporting requirements and the guidelines described in the European Commission Communication.

The annual report is accompanied by the Statement on the nonfinancial reporting aspects, the Statement „Comply or Explain” indicating compliance with the Code of Corporate Governance of the Bucharest Stock Exchange and the Individual Financial Statements of Aerostar.

Section in the Annual Report	Nonfinancial reporting requirements	Page
Corporate governance		41
Non-financial declaration	Non-financial declaration	
Our strategy and business model, context of the organization and interested parties	Business model, context of the organization and interested parties	8/33
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Corporate governance		

01 YEAR 2021

Main events

17 April - Aerostar celebrated 68 years since it was established: in 1953 were initiated the first maintenance and repair works on the military aircraft belonging to the Romanian Air Forces.

21 April – the Extraordinary and the Ordinary General Meeting of the Shareholders were held in accordance with the applicable legal regulations. The shareholders of the AEROSTAR S.A. company approved the distribution of the net profit corresponding to the financial year 2020, with a gross dividend per share of 0,12 lei, corresponding to a nominal value per share of 0,32 lei and the payment of dividends for the financial year 2020 on 22 June 2021.

- a financial audit agreement was signed with the BDO Audit SRL company for a minimum period of 3 (three) years, with the option to be extended by an Additional Act approved by the Board of Directors of the company.

26 May – the negotiations between the administration of the AEROSTAR S.A. company and the Employees' Committee were finalized by signing the Additional Act no. 6 to the Collective Labour Agreement 2019-2021, referring the employees' benefits, valid till 31 March 2022.

31 October – The Aerostar share reached the trading price of 8.75 lei. At the end of 2021 the price of an Aerostar share was 8.25 lei.

15 November - Aerostar received from Airbus the D2P Champion Challenger prize, as an ascertainment of the value created by the successful collaboration in the Airbus programs.

18 December – the General Meeting of the Shareholders took place in accordance with the applicable legal regulations. During that meeting, the Aerostar shareholders approved the Income and Expenditure Budget for the year 2022, the Treasury Activity Budget and the Main Economic-Financial Indicators for the year 2022.

For additional information, visit www.aerostar.ro, the domain Investor Relation/General Meetings.

Events after the reporting date

After the reporting date no events that could impact our financial statements finalized on 31 December 2021 were identified.

EVOLUTION of financial performance – Results

Key FIGURES

AEROSTAR prepares its individual financial statements in conformance with the international financial reporting standards IFRS.

	UM	31.12.2021	31.12.2020
Share capital	thousand lei	48.729	48.729
Turnover	thousand lei	376.434	294.839
Export sales	thousand lei	242.832	200.341
Share of export in turnover	%	65%	68%
Actual number of employees	no.	1.748	1.807
Net profit	thousand lei	59.940	38.443
Cash flow	thousand lei	274.471	202.660
General liquidity	-	9.91	14.89
Expenses for investments	thousand lei	8.190	46.586

MAIN Economic-Financial Indicators

Economic-financial indicators	Results for 2021	Results for 2020
Current liquidity	9,91	14.89
Indebtedness rate	0	0
Rate of customer debits	46	52
Rate of immobilized assets	2,18	1,55
General solvency rate	13,87	23,24
Financial rate of return	0,14	0,10
Net profit rate	15,92%	13,04
Net treasury	90.718 k lei	29.133 k lei

Monetary indicators	UM	31.12.2021	31.12.2020
Average exchange rate EURO/12 months	lei/EUR	4,9204	4,8367
Average exchange rate USD/12 months	lei/USD	4,1604	4,2451
Average exchange rate GBP/12 months	lei/GBP	5,7233	5,4437
Inflation	%	8,19	2,06

Exchange rates of the national currency for the year 2021.



SALES IN 2021 – Dashboard

Turnover

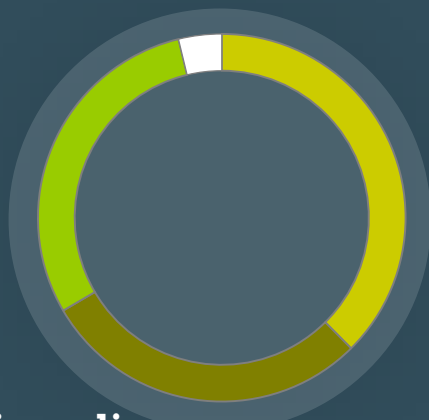
The turnover achieved in 2021 was **376.432 k lei**. AEROSTAR S.A. sold products and services on the foreign market in the amount of **242.832 k lei**, and on the domestic market in the amount of **133.602 k lei**.

Sales markets

AEROSTAR S.A. has a recognized footprint in the aviation industry in global manufacturing and maintenance programmes at industrial level for civil airplanes. Our customers are located in **Europe, Africa, Asia, Canada and USA**.

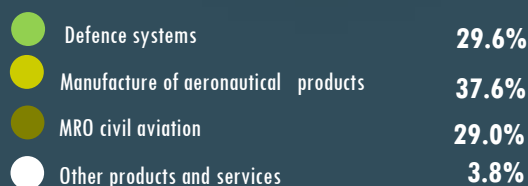
Export

In 2021, **65%** of the total sales represent export sales. The export market with a significant footprint in terms of percentage is represented by the European market.

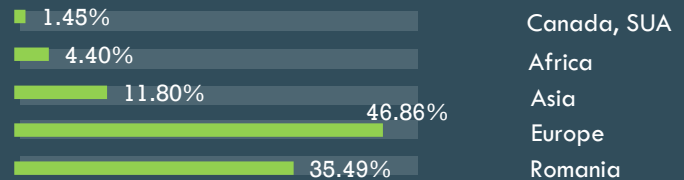


Business lines

Share of products and services



Percentage of total sales



Europe

In Europe we provide maintenance services for civil aviation, aviation products (landing gear systems, mechanical parts, assemblies and subassemblies), electronic equipment and ground equipment.

Asia, Africa, Canada, USA

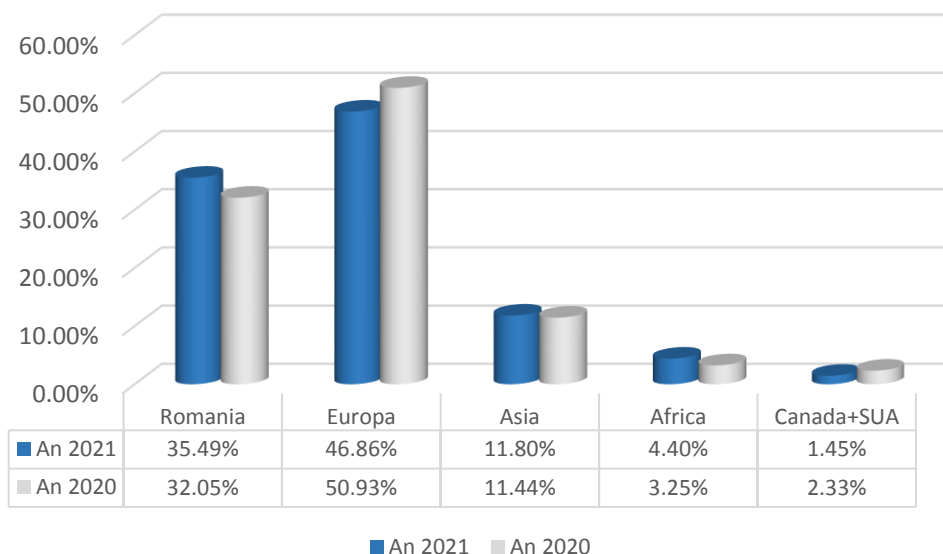
in Asia and Africa we provide maintenance services for civil aviation, while in Canada and USA we supply aviation products.

Romania

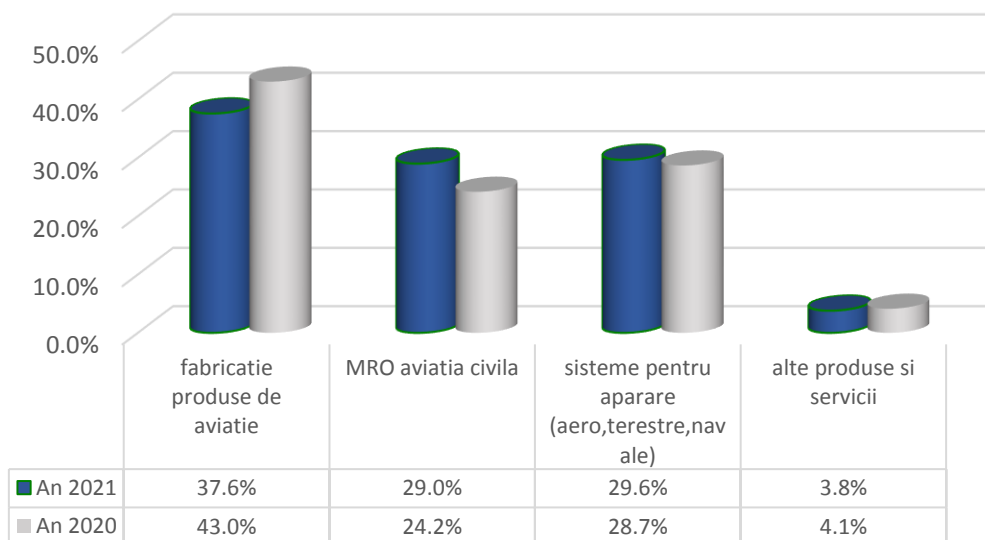
In Romania we provide repair services for military aircraft and repairs of electronic components and parts for military aircraft, upgrades, integrations and maintenance for military aviation systems, repair services for systems, launchers and aviation products.

Business share in total sales 2021 vs. 2020

Percentage in total sales on the sales markets of Aerostar



Share grouped by products and services representing business lines



From the turnover of 376.434 thousand lei, obtained in 2021, our company sold on the domestic market products and services in the amount of 133.602 mii lei, and on the foreign market the equivalent of 242.832 thousand lei. The percentage of sales on the

foreign market diminished in the zone of Europe, Canada, USA due to the pandemic effects, as evidenced by the reduced number of orders.

INFORMATION about the Aerostar share (ARS)

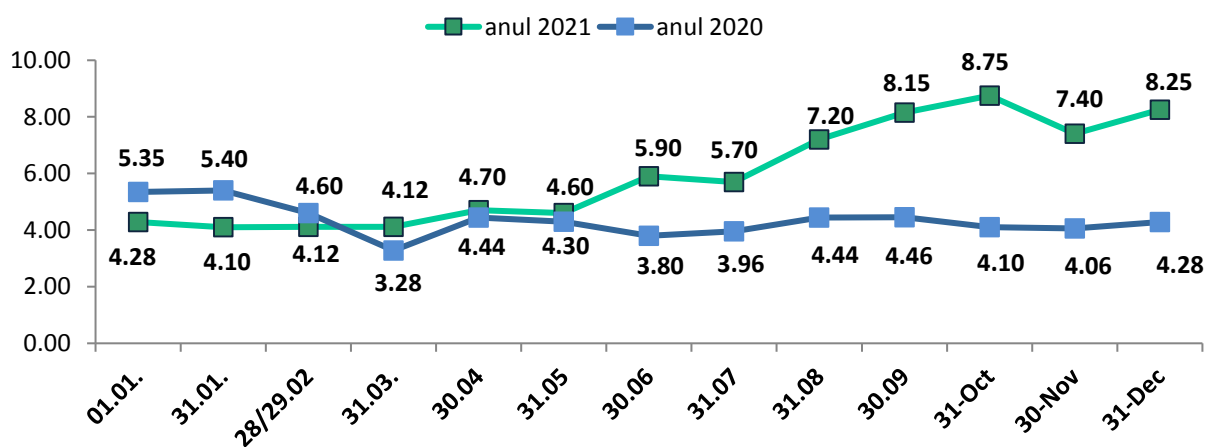
The shares of the Aerostar S.A. Bacau company have been traded since 1998 on the Bucharest Stock Exchange.

Aerostar shares in figures	31.12.2021	31.12.2020	31.12.2019
Number of shares	152.277.450	152.277.450	152.277.450
Nominal value per share (lei)	0,32	0,32	0,32
Price at the end of the period (lei) *)	8,25	4,28	5,35
Stock exchange capitalization (lei)	1.256.288.963	651.747.486	814.684.358
Maximum price (lei)*)	9,40	5,70	5,35
Minimum price (lei) *)	4,00	3,00	4,78
Result per share (lei)	0,394	0,254	0,433

*) source: Monthly bulletin issued by the Bucharest Stock Exchange

Main characteristics of the issued shares: 152.277.450 nominative, ordinary shares of equal value, fully paid, issued in dematerialized form and recorded by registration in the Shareholders' Register that is administered by Depozitarul Central S.A. Bucharest. Aerostar S.A. Bacau is registered as an issuer with the following data: Unique Registration Code 950531, code ISIN ROAEROACNOR5, ARS stock exchange symbol, all the issued shares belonging to the Standard category.

Monthly evolution of the reference price for ARS in the period January – December 2021 compared to the same period of 2020 (lei/share):



In the first 12 months of the year 2021, no program was in place to purchase own shares. In the first 12 months of the year 2021, Aerostar S.A. did not issue bonds or other similar securities.

In the first 12 months of the year 2021, there was no subscription of new shares and no issue of participation certificates, convertible bonds, options or similar rights.

INVESTMENTS for sustainability

Even though 2021 was an atypical year, amid the continued COVID-19 pandemic and the restrictive measures imposed worldwide, AEROSTAR S.A. made investments in the amount of 8.190 thousand lei. The weighting of the summarized investment expenses is presented in the table below:

Category	Achieved in 2021- k lei	Weighting (%)
Development expenses	7032	85.58%
Replacement expenses	1158	14.42%
TOTAL	8190	100.00%

Weighting by category of investments:

	Investments - k lei	Weighting (%)
Equipment	4929	60.00%
Constructions	1540	18.75%
Measurement, control and adjustment devices and installations	507	6.19%
Means of transport	410	4.99%
Intangible	546	6.64%
Furniture, instruments, office supplies	282	3.43%

Aerostar's policies in the field of investments aim at ensuring the sustainable development and use of resources as well as at reducing the environmental footprint, sustaining the professional excellence, securing the effectiveness and optimizing the workflow.

Nonfinancial indicators Dashboard

SOCIAL

ENVIRONMENT

Climate change mitigation

Greenhouse gas emissions:
931 GES certificates allocated
3917 GES certificates returned

A reserve of 16459 GES certificates

28% fewer CO2 emissions to sustain
the production processes

Pollution prevention

Waste
20% less waste generated in 2021

18.73% fewer volatile organic
compounds emissions generated in
2021

REACH -Regulation on the registration, evaluation and restriction of chemicals

Aerostar adhered as early as 2014 to
the provisions of the European
Regulation Reach, by sustaining
continuously and progressively the
actions to reduce the environmental
impact.

*We manage, evaluate and monitor in a
responsible and efficient manner the
activities with an environmental
impact!*

 aerostar@aerostar.ro

 www.aerostar.ro

Diversity and inclusion



1748 employees
28% women
72 % men
24% women in the management
structure
64,14% average degree of
unionisation

*We support, respect and guarantee an
equal and non-discriminatory
treatment!*

839 applications received
46% new hires, 19.0% women

Professional training



1678 employees included in the
professional training programs
29 hours of training/employee
47% less expenses made for the
annual professional training plan.

500 000 safety masks
distributed to our employees.



*We support high-quality education
and advocate for it!*

Internships completed in 2021
64 students
594 pupils

205 scholarships granted to the
pupils from dual education
institution (for the school year
2021/2022)

*Multiple partnerships made
with pre-university and university
education institutions*



GOVERNANCE

Business conduct and ethics

*We support the company's principles
and values with honesty, fairness and
integrity!*

Investments approved in 2021:

85% of the approved budget
allocated in development
investments
60% of the approved budget
allocated in state-of-the-art
equipment

47% more expenses made for the
yearly training plan.

Objectives for a sustainable future

In 2022 Aerostar will continue
investing in sustainable objectives
that can contribute coherently and
systematically to achieving climatic
neutralization – Increase the
investment budget for 2022 by 38%

Implement our objectives that
contribute to mitigating climate
changes and sustain power
efficiency through energy-securing
investments: implementation of a
photovoltaic park.

Involvement in research-
development projects that concur to
sustainable industrialization
through innovation.

02

AEROSTAR – Information about the activity of the company

The AEROSTAR business is focused on increasing performance through its employees' continuous improvement and professional development in the spirit of integrity, innovation and initiative. The competitiveness and productivity increase are the coordinates through which the successful model from the productive economy is developed among the employees. AEROSTAR focuses on meeting its customers' demands and expectations, by acting towards continuous improvement on all levels.

With an experience of almost 7 decades in the aviation and defence industry, we have become a sustainable pole of action, by focusing on accomplishing our mission, and on meeting our customers' demands and expectations, through continuous improvement on all levels.

Over the years, our company has known a continuous development, both in our main activity in the aeronautical and military equipment field, and in the field of products for the civil markets, and currently we are leaders in Romania in the aerospace and defence industry and we deliver value to our customers, employees and community through performance, adaptability and sustainability.

In the civil aviation field, we supply aerostructures, components and assemblies for the global aviation industry.

We hold authorisations for the maintenance of civil aircraft and we are authorised to perform such work on the Boeing 737 aircraft, series 300-900, on the aircraft family Airbus 320, ceo & neo, and on their components, too.

We are part of the national defence industry in accordance with the law 232/2016. We are a maintenance centre for the F-16 aircraft belonging to the Romanian Army and we are part of the global supply chain Raytheon for supplying Patriot systems.

The synergy of our competences and experience on the civil and military market contribute to the strengthening of Aerostar as a promising, future-oriented sustainable company.

Business environment and model

AEROSTAR operates as an independent company on the global market of products and services in the aeronautical industry.

Our management has adopted an integrated business model based on a systemic process-oriented approach and on a RISK-based thinking.

The production activities are carried out based on commercial contracts concluded with the customers that are integrators and/or end users/beneficiaries in the aeronautical and defence industry.

The policy of the company's top management is focused on maintaining a solid capital base for continuous development in the context of global market and competitive edge through quality, capabilities, state-of-the-art technologies for continuous development and implicitly for reaching our strategic goals.

The business model of our company did not change under the conditions of the Covid-19 pandemic, but the manner of carrying out the activities was adapted to match the specific nature of the workflow activities.

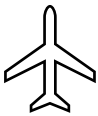
Aerostar continues to act firmly in order to ensure the business sustainability and to keep unaffected the production capabilities against the impact of the Covid-19 pandemic and is focused on ensuring the employees' safety and security.

We fully observe the applicable national and international legislation, while acting constantly and transparently in order to pursue the growth opportunities and to ensure access to new programs in the aviation and defence field.

Business lines

Manufacture of Aviation Products

aerostructures, components, assemblies and hydraulic systems for the global aviation industry



In the civil aviation field Aerostar is a supplier of aerostructures, components and assemblies for the global aviation industry, having as end customers companies such as: Airbus, Ariane Group, Boeing, Bombardier, Dassault, GKN Aerospace, Gulfstream, Premium Aerotec, SAFRAN Landing Systems s.a.

MRO Civil Aviation

Basic and complex maintenance work of level A, B, C and D, structural changes, upgrades of avionics systems



Aerostar holds authorizations for commercial aircraft maintenance, being currently authorised to perform such work on Boeing 737 aircraft, series 300-900, the aircraft family Airbus 320, ceo & neo, and components thereof.

Defence Systems

maintenance and upgrades, military aircraft electronics, production and integrations of electronic systems, communications and IFF



Aerostar views itself firstly as a first-tier supplier for the Romanian Ministry of National Defence. Aerostar is part of the global supply chain for Patriot systems.

Aeronautical Products Manufacturing Division



The equipment, assemblies and parts produced by AEROSTAR are used on a large number of commercial aircrafts: Airbus A320, A321, A330, A350, Boeing B737, B787, B767, Gulfstream G650, Dassault F7X, Bombardier Challenger series 600 and Global series 5000/6000. AEROSTAR also supplies parts for the aerospace industry in collaboration with the company Ariane.



Manufacture of Aeronautical Products

● Share in sales 37,6%

● AEROSTAR, a Strategic Supplier

In the Airbus supply chain, AEROSTAR is currently positioned as a Tier 2 sub-supplier of aerostructures 2, being recognized in 2021 as a Champion Challenger and a Tier 1 strategic supplier of SAFRAN Landing Systems for subassemblies, hydraulic systems and actuating cylinders, landing gears for several aircraft programs for Airbus, Boeing, Dassault or Gulfstream.

● *The decreased demand of airplanes has strongly affected the aviation manufacturing chain worldwide, AEROSTAR being part of this chain. As for the activity level, the area of hydraulic equipment and landing gears has been more dynamic in this period. The actions taken by AEROSTAR to counteract the pandemic effects are oriented towards extending the company's portfolio of customers and manufacturing programs.*

Sales



Results

The unfavourable market environment is reflected in the sales, by the share represented by the manufacture of aeronautical products in the main business lines.

Thus, the comparative values of the sales related to the manufacture of aeronautical products show an increase compared to 2020, but a decrease compared to their share in the business lines.

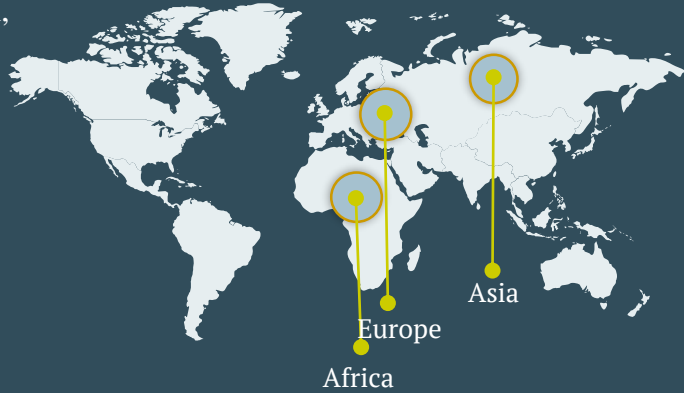
* Some of the major aircraft manufacturers (such as Airbus), have announced recovery programs for the aircraft production and deliveries so as to be able to reach the level of production attained in 2019 by the end of 2024.

Division

MRO Civil Aviation



AEROSTAR S.A. has a significant footprint as business volume in the field of MRO Civil Aviation, being an independent supplier of maintenance services at industrial level for commercial airplanes from the family Airbus A320 ceo&neo and Boeing B737 300-900.



● MRO maintenance centre of Bacău

The AEROSTAR maintenance base, authorised to Part-145 (RCAA) and a full-fledged member of the European Union Aviation Safety Agency (EASA), developed and strengthened in 2021 its position on the market and obtained a wide range of authorisations from the civil aviation authorities of several countries outside the European Union area, including from the American aeronautical authorities FAA.

The goal of obtaining the EASA authorized certificate as a design organization Part-21J for carrying out projects of repair and minor changes to civil aircraft is aimed at increasing the added value for our customers.

● MRO maintenance centre of Iași

The MRO maintenance centre of Iași is part of Aerostar's maintenance base, that is certified according to the aeronautical regulations Part 145 AACR/EASA, being included in the recertification scope of the Quality and Environmental Management system. Maintenance work can be performed here on Boeing and Airbus airplanes including aircraft registered in Bermuda and Morocco, authorizations revalidated in 2021.

Through the contribution of the Maintenance Centre of Iași, AEROSTAR has increased its significant footprint in the MRO Civil Aviation field, thus confirming its position as a main independent provider of MRO regional services.

● MRO civil aviation
Share in sales 29.0 %

Sales



Results

The year 2021 brought a recovery of the market demand of MRO services, so that the targets proposed for this year were reached successfully. The comparative values of the sales for MRO services in civil aviation reveal an increasing trend compared to the same period of last year.

Defence Systems

Division



AEROSTAR is an authorized economic operator registered in the Unique Register of economic operators and defence production capacities and/or services for the national defence industry.

Systems in the defence field

In the category of defence systems, AEROSTAR is active in upgrading, integration and maintenance programs for military and defence aviation systems, continuing to focus on those types of platforms for which it has proven expertise in both traditional and new programs for upgrades and integrations.

Maintenance centre F-16

Aerostar is a maintenance centre for F-16 aircraft belonging to the Romanian army. In 2021, investments were made to set up the capabilities needed for a gradual development, by allocating resources for personnel training, manufacturing and purchasing test benches and tools and for creating our own maintenance infrastructure for such aircraft.

Launcher systems and primary and secondary radar systems

AEROSTAR has constantly developed the capabilities needed to strengthen its position as a supplier and its expertise in the field of launching systems, platforms and launching and command components – firing control, manufacture of launchers, maintenance and logistic support, upgrades. Starting with the manufacture of 122mm launchers that were later upgraded to NATO standards, this experience was gained through several successive programs of manufacture, repairs and upgrades, integrations of artillery systems for the Romanian army service or for other customers' platforms or technological demonstrators financed from own sources, in the category of advanced launching and artillery systems.



Sales



Results

The comparative values of sales, in the field of defence systems show an increasing trend compared to the same period of last year.

Authorised supplier Raytheon – Patriot systems

AEROSTAR is part of the global supply chain Raytheon, being authorised for Patriot systems and acts continuously to develop and strengthen this position. Aerostar has been included on the Preferred Supplier List (PSL) and is authorized to take part in RAYTHEON programs by delivering parts manufactured in Aerostar.

03 OUR EMPLOYEES

Social and manpower aspects

On 31.12.2021, AEROSTAR had an effective number of 1748 employees, of which 97 employed through the temporary labour agent AirProConsult S.R.L. Compared to the same period of the previous year, the effective workforce on 31.12.2021 was lower by 59 employees.

Out of the total number of employees, 30% represents highly-educated personnel. 159 employees hold management positions.

The human resource is an important factor in the performance, effectiveness, evolution and development of the company. AEROSTAR S.A. is committed to supporting its employees and their professional development, to hiring and retaining them in the organization through the pursuits set out in the performance evaluation and development strategy.

Regarding these aspects, in 2021, at AEROSTAR S.A. a series of pursuits and actions materialised, such as:

- ensuring optimum conditions concerning the labour safety and security for all employees, as well as the course of action in case of such emergency situations; permanent measures have been implemented for the prevention and fight against the virus, in several stages, in order to protect the employees, both in terms of occupational health, and in terms of observing the social distancing (aspects described in chapter *Our approach in the context of Covid-19*).
- professional development of the employees, by including them in professional training programs and by applying an annual process of evaluation of the individual performances;
- facilitating the integration of the new employees, particularly young people, by including them in dedicated professional training programs.

Through the adopted HR policies, AEROSTAR S.A. ensures equal opportunities for all its employees, without discrimination, in terms of professional career or any other work practice.

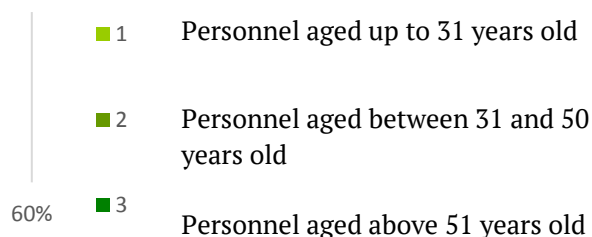
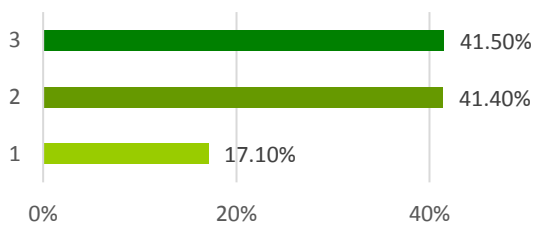
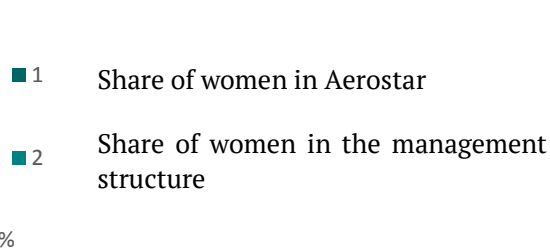
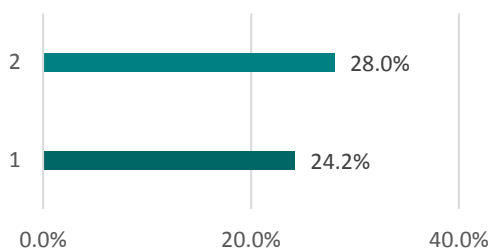
At the same time, recognizing the importance of stable employment conditions for the employees and at the same time for the local community, AEROSTAR S.A. has currently 77,12% of the individual labour agreement signed for an indefinite period, while avoiding the excessive use of temporary labour.

Diversity and inclusion

AEROSTAR S.A. observes and guarantees an equal and non-discriminatory treatment in the relation with its employees, partners, collaborators and customers.

Within the frame of work relations in the company, the principle of equal treatment for all the employees is applied, which forbids any direct or indirect discrimination against and employee aimed at non-granting, restricting or removing the recognition of the use or exercise of the rights stipulated by the labour legislation and Collective Labour Agreement, based on criteria related to gender, sexual orientation, age, race, ethnicity, religion, political option, social origin, handicap, marital status or familial responsibility, trade union membership or activity.

The share of women in the management structure rose by 5% compared to the year 2020.



Gender and age diversity

In term of gender distribution, given the object of activity of AEROSTAR S.A., a share of 28% is represented by the women in the personnel structure.

The ratio between the average basic salary negotiated for female employees and the average basic salary negotiated for the company is 0,926, and the ratio between the average basic salary negotiated for male employees and the average basic salary negotiated for the company is 1,029.

The average age of the employees of AEROSTAR S.A. and AIRPRO CONSULT S.R.L. is 45 years old.

Labour relations and social dialogue

In AEROSTAR S.A. a Collective Labour Agreement is in effect for the period 2019-2021, which was concluded with the employees in accordance with the provisions of the social dialogue law no. 62/2011, whose validity was extended until 30.03.2022. The average degree of unionisation of the company in 2021 is 66,14%, maintained on the same level as in 2020.

Workers with high incidence or high risk of diseases

As a result of these applied policies and practices, during 2021 there were no records of employees with professional diseases and no hazardous incidents.

In 2021 the following indicators referring work-related accidents were obtained:

- Number of accidents per 100.000 hours of work = 0,007%;
- Time wasted due to work-related accidents per 100.000 hours of work = 1.58%.

Health and labour safety, work conditions

AEROSTAR consistently acts to reduce the risks of accidents and diseases and applies in its activity internal norms and regulations that ensure compliance with the legal requirements.

Permanent measures to prevent and fight the spreading of the new coronavirus were taken in several stages, to protect the employees both in terms of occupational health and by observing the social distancing.

Training, instruction and professional development

In 2021, professional training courses were organized for the company's employees, mainly focused on covering the training needs in the areas of interest for the production activities. Through the adopted HR policies, AEROSTAR S.A. ensures equal opportunities for all the employees, without discrimination, in terms of professional career and any other labour practice.

Principles and values, human rights, fighting corruption and bribery

AEROSTAR S.A. has a clear-cut and precise policy on the norms of conduct and behaviour to be observed by its employees and agents when carrying out activities for the company's business. The Collective Labour Agreement includes the *Code of Business Conduct and Ethics* that stipulates the general guidelines on the business conduct of the company in accordance with the highest ethical standards in business.

AEROSTAR S.A. respects and guarantees an equal and non-discriminatory treatment in the relation with its employees, partners, collaborators and clients. The company's personnel have a professional behaviour, ensure in a transparent and impartial manner the diversity and equal opportunities in its relation with all the parties involves, by avoiding any action that could be interpreted as discrimination.

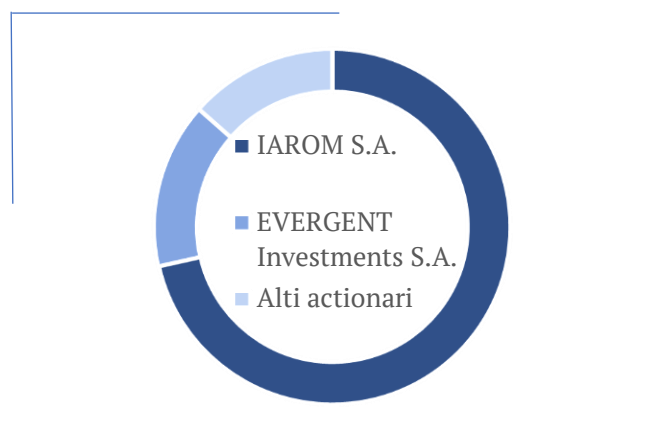
AEROSTAR respects the Universal Declaration of Human Rights.

04

AEROSTAR'S SHAREHOLDERS

The significant shareholders of the company AEROSTAR S.A. are IAROM S.A. Bucharest and EVERGENT Investments S.A. Bacu.

The synthetic shareholding structure of the company on 31 December 2021 is shown below:



Shareholders	Number of shares	Participation held %
IAROM S.A.	108,854,869	71.48%
Evergent Investments S.A	23,112,232	15.17%
Other shareholders	20,310,349	13.33%
Total	152,277,450	100.00%

There are no litigations with the above-mentioned persons. This year there have been no records of subscriptions of new shares, participation certificates, convertible bonds, options or similar rights.

RELATION with the shareholders and the capital market

In its relation with the shareholders, Aerostar has aimed at protecting and securing the shareholders' rights, namely:

- *the right to participate in the General Meetings directly or by representation – by making available to them special proxy forms, voting bulletins by correspondence, other useful information;
- *the right to have a fair treatment, regardless of shareholdings;
- *the right to receive dividends proportionally to each shareholder's holdings.

In relation to the capital market, Aerostar fulfilled all its reporting obligations arising from the legal provisions by publishing the mandatory current and periodical reports in the electronic system of the Financial Supervisory Authority and of the Stock Exchange, on the company website and by means of press releases.

According to the provisions of the Corporate Governance Code, the current and periodical information was disseminated simultaneously, both in Romanian and in English.

The shareholders can obtain information about Aerostar and the main events on the company's website page www.aerostar.ro.

Annual and semestrial reports for the last ten years, quarterly reports for the last five years, current reports and other useful information for the shareholders can also be downloaded from the same source.

There are not modifications regarding the shareholders' rights. There were no major transactions concluded by the company with its concertedly acting persons or in which such persons were involved in the relevant period of time.

Aspects concerning the company capital and administration

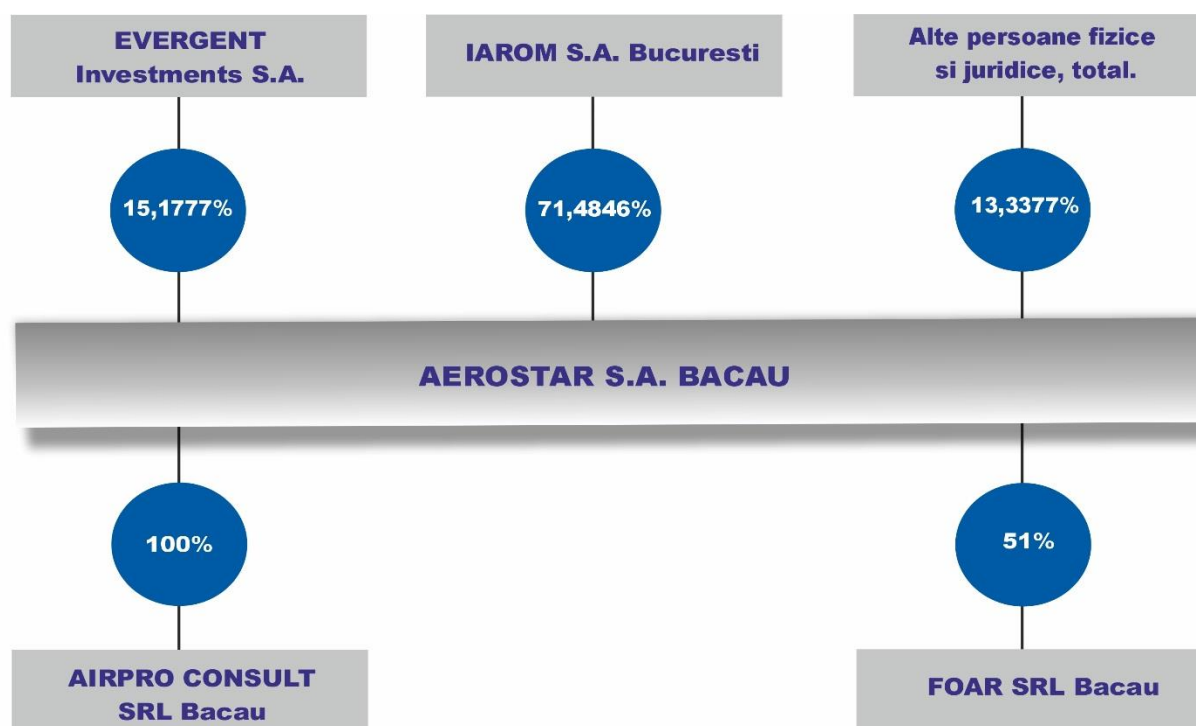
There were no changes that affect the capital and administration of the company Aerostar S.A.

The company was not unable to fulfil its financial obligations during the reported period.

RELATION with the parent company, other shareholders and the companies where Aerostar holds capital

Aerostar is a subsidiary of IAROM S.A. and, therefore, the parent company that consolidates the group's financial statements is IAROM S.A., with the unique registration code 1555301 and the registered office in Bucharest, at no. 39, Aerogării Blvd.

The parent company will prepare and publish a set of consolidated financial statements in accordance with the applicable accounting regulations, for the financial year ended on 31.12.2021.



Related parties

The holdings of AEROSTAR S.A. in these companies are registered on a cost basis. Both companies in which Aerostar still holds shares are registered in Romania. The transactions with the related parties are covered in the Financial statements, Note 26.

On 31.12.2021 the participations of AEROSTAR S.A. in other companies are as follows:

Name of subsidiary/ affiliated company	Basic activity	No. of shares held by Aerostar	Voting rights	Value of Aerostar holding (k lei)	Financial information for the last financial year (2020) for which the financial statements of the affiliated companies were approved		
					Sales (k lei)	Own capitals (k lei)	Net profit (k lei)
Airpro Consult S.R.L. Bacau	CAEN code 7820	100	100%	10	6.149	181	69
Foar S.R.L. Bacau	CAEN code 7739	408	51%	4	254	1.008	5
TOTAL				14	6.403	1.189	74

TANGIBLE ASSETS

The production facilities and capacities of Aerostar S.A. are located in Bacau, where is also located the registered office of the company, at no. 9, Condorilor Street, Bacau 600302, Romania.

Aerostar S.A. has a secondary place of business without legal personality, a workplace in Iași, no. 25B, Aeroportului Street.

The company owns a land area of 47,33 hectares, with access to the European road E85.

Aerostar has direct access to the runway of the airport “George Enescu” in Bacau.

All types of facilities necessary for the proper performance of the production activity are built at the registered office, according to the object of activity.

The production sites include hangars, industrial halls, test benches and rigs, administrative and social facilities. The company also holds office spaces for technical and economic activities.

All these spaces are maintained in adequate conditions.

The built area of the buildings is approximately 14,06 hectares.

The assets of the company Aerostar S.A. comply with the provisions established in the health, safety and environmental management system, in line with the applicable occupational safety legislation and regulations, as well as with the norms on property safety and security.

On 31 December 2021 Aerostar S.A. Bacau owned tangible assets for carrying out its activity in a gross value of 332.728 thousand lei, materialized in land, buildings, special constructions, installations, technological equipment, means of transport:

Category of tangible assets	Gross value (thousand lei)	Rate of wear (%)	Estimated useful life (years)
Land	29.266	n/a	N/A
Constructions	95.193	34,96%	30-50 years
Investment property	10.537	39,30%	25-50 years
Technical installations, of which:	193.970	64,43%	
• Technological equipment	187.603	64,10%	4-25 years
• means of transport	6.367	74,10%	4-18 years
Other tangible assets	3.762	39,26%	2-18 years
TOTAL	332.728	49,25%	N/A

During 2021 no risks were identified related to the ownership over the tangible assets.

05

QUALITY AND ENVIRONMENT

The quality and environmental policy adopted by Aerostar has the following strategic objectives: meeting the customers' requirements, complying with the legal and regulatory requirements applicable to the activities performed, enhancing the environmental performance, full safety for the users of Aerostar products and services, continuous improvement of the competitiveness of our products and services, „zero defects” on the products and services in warranty.

In terms of social responsibility and sustainable development, Aerostar has set the following objectives in the environmental field: improving the performance in the pollution-prevention area, in the field of sustainable use of resources and climate change mitigation, in compliance with the guidelines of standard SR ISO 26000 on social responsibility.



Certifications, Authorisations, Accreditations in 2021

In 2021 the Quality Management System was recertified to the requirements of standard EN 9100:2018.

The Quality Management System was also recertified to the requirements of standard SR EN ISO 9001:2015, and the MRO centre of Iași was included in the certification scope.

For a systematic and dynamic approach of the environmental protection issue – based on the continuous improvement principle – the environment management system implemented and maintained within the company was recertified to the requirements of standard SR EN ISO 14001:2015, the MRO centre of Iasi being included in the certification scope.

In 2021 was extended the validity of the authorizations allowing the performance of the maintenance work on the Boeing 737-700/800 aircraft registered in Maroc, the Boeing 737-400 aircraft registered in Ghana and the Boeing and Airbus aircraft registered in Bermuda.

The Romanian Military Aeronautical Authority authorized Aerostar as a Design Organization that meets the requirements of RMAR 21 - Section A Chapter J and as an authorized Maintenance Organization RMAR 145.

Following the evaluations carried out by the Romanian Civil Aeronautical Authority, the authorization scope of AEROSTAR S.A as a Part 21, Subpart G authorized Production Organization was extended in accordance with the European Regulation no.748/ 2012. The authorization scope of Aerostar as a Production Organization was extended for a new category of parts.

Thus, in 2021 were maintained both the authorizations issued by the civil aeronautical authorities and the authorizations obtained from the customers: Airbus, Boeing, Safran, GKN, Premium Aerotech.

Referring the accreditations held by Aerostar for the special processes applied in the company, in 2021 the NADCAP accreditation for welding processes and non-destructive testing was renewed.

The renewed and maintained validity for each of these certifications and authorizations confirm the good practice and concern established in AEROSTAR for the risk management.

IMPROVING THE ENVIRONMENTAL PERFORMANCE

AEROSTAR complies with the environmental legislation and the requirements of the Integrated Environmental Authorization, the Water Management Authorization and the Authorization for Greenhouse Gas emissions (GHG).

The implementation of the environmental policy in accordance with SR EN ISO 14001 and the courses of action established for the implementation of the general management objectives led to the improvement of the environmental performance of the company.

The results of the inspections carried out by the inspectors of the Environmental Guard Bacău confirm that AEROSTAR complies with the applicable legal and regulatory requirements.

The activities with environmental impact are controlled by internal operational controls, namely by the analysing the results of the monitoring actions and measurements made as per the provisions of the environmental authorizations referring emissions into the air, generation of waste, noise and spillage.

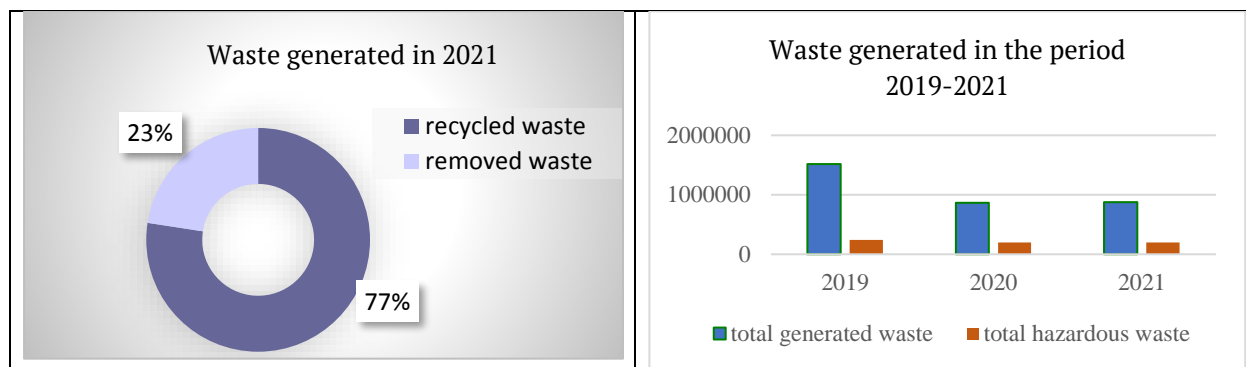
Pollution prevention and waste recovery

All the waste generated from the activities performed within the company is stocked selectively in adequate containers and then delivered to operators authorized to collect, recover and dispose them.

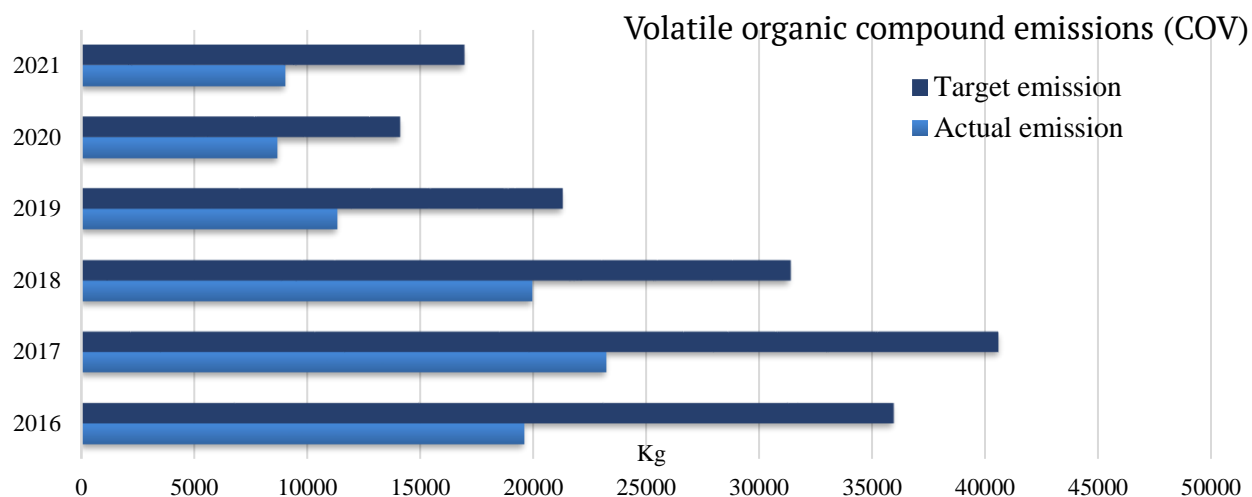
All categories of waste are managed in compliance with the specific legislative requirements.

In 2021 Aerostar has reduced the quantity of generated waste by 20 % compared to the year 2020 and by 39% compared to 2019, in relation to the turnover.

The quantity of recoverable waste represented over 77 % of the total quantity of generated waste.



The volatile organic compound emissions also decreased in 2021 by **18,73%** compared to the year 2020 and by 15% compared to 2019, thus continuing the actions to replace the solvent-based paints with water-based paints.



Requirements for compliance with the REACH regulation

All the hazardous chemical substances and mixtures used in AEROSTAR are managed in accordance with the applicable regulations in force. The hazardous substances and mixtures covered by the provisions of the REACH regulation are used in compliance with the conditions laid down by the European Commission.

Climate change mitigation

AEROSTAR has fulfilled all the obligations deriving from the **Greenhouse Gas Emissions Permit**:

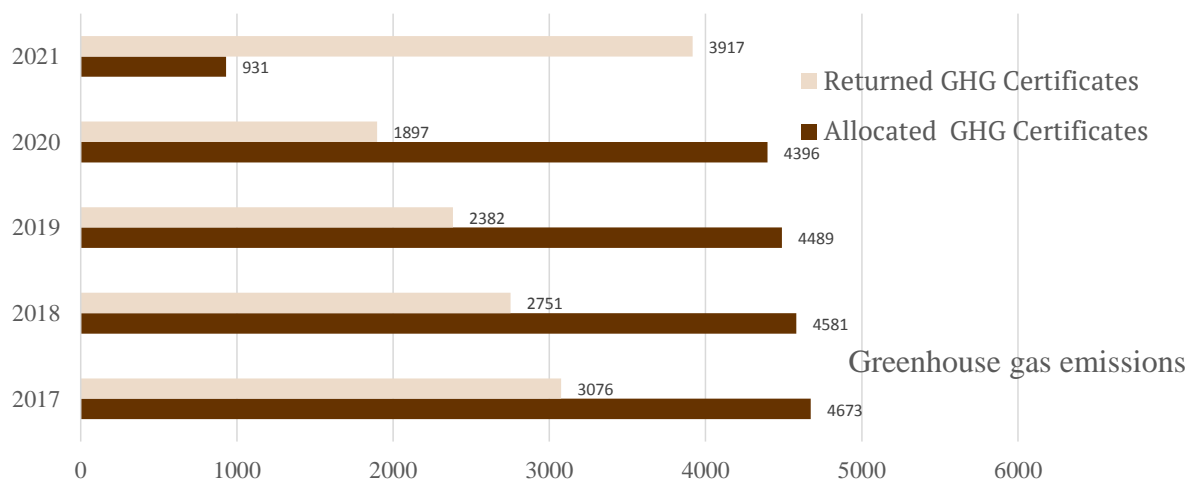
- a monitoring report for the greenhouse gas emissions generated in 2020 was prepared and validated via an audit performed by an accredited surveyor;
- conformation in the Unique European Register for Greenhouse Gas Emissions – completed in April – when 1897 certificates were returned.

Following the survey audit on the greenhouse gas emission management, no nonconformities were reported, and the emissions for the year 2020 validated.

The atmospheric emissions measured in 2021 revealed values much below the maximum value allowed in the applicable legislation in force.

For the year 2021, 931 GES certificates were allocated and 3917 GES certificates were returned.

From 2021, according to the provisions of the environmental regulations, the fourth stage of marketing GES certificates was initiated. Thanks to an effective management of the certificated allocated in the previous stages, Aerostar has in its account a reserve of 16459 GES certificates.



Sustainable use of resources

The sustainable use of resources and the energy efficiency is a continuous concern inside AEROSTAR S.A.

All the necessary industrial water is covered by exploiting the company's own wells. The technological wastewater resulted following the chemical and electrochemical processes is collected and treated in the wastewater treatment stations located on the site of the company.

The total amount of water discharged to sewage in 2021, in relation to the company's turnover, dropped by 36% compared to 2020 and by 33% compared to 2019.

The company continued to optimize the distribution of the thermal agent and to increase the energy efficiency of the buildings, so that the electricity consumed in 2021, in relation to the turnover, dropped by 11% compared to 2020 and by 9% compared to 2019.

Evaluation of aspects related to the impact of the company's activity

Concerning the **evaluation of the aspects related to impact of the company's activity**, AEROSTAR acts in a responsible, efficient and continuous manner to ensure compliance with the applicable legal and regulatory requirements and the contractual requirements in relation to the customers.

A permanent concern within the company remains the employees' training in order to increase their awareness regarding the compliance with the environmental requirements.

06

STRUCTURE OF AEROSTAR

The Board of Directors of AEROSTAR S.A. was elected for a period of four years during the General Meeting of the Shareholders dated 9 July 2020.

The election took place by secret ballot, for a term of 4 years, starting from 11.07.2020 until 10.07.2024. The Board of Directors consists of:

Filip Grigore	Damaschin Doru	Toncea Mihail-Nicolae	Doroş Liviu-Claudiu	Vîrnă Daniel
Aviation engineer President	Economist Vice-president	Aviation engineer Member	Economist Member	Legal Advisor Member
				

The attributions and responsibilities of the Board of Directors are provided in the Constitutive Deed. The résumés of the Board of Directors' members can be found on the company's website.

The direct participation of the Board of Directors' members in the company's equity is below 1%. There were no litigations with the above-mentioned persons in 2021 or in the last 5 years.

There is no agreement, understanding or family tie in connection with the nomination of the administrators of the company. There were no resignations or dismissals among the members of the Board of Directors or in connection with the auditor. None of the administrators was involved in a litigation or administrative procedure with AEROSTAR S.A. over the last five years.

Business management

With reference to the organization and management system of AEROSTAR S.A., the management structure at operational level ensures the management of the activities based on a divisional type organization that relies on administrative centres outside the production area, the auxiliary and functional activities.

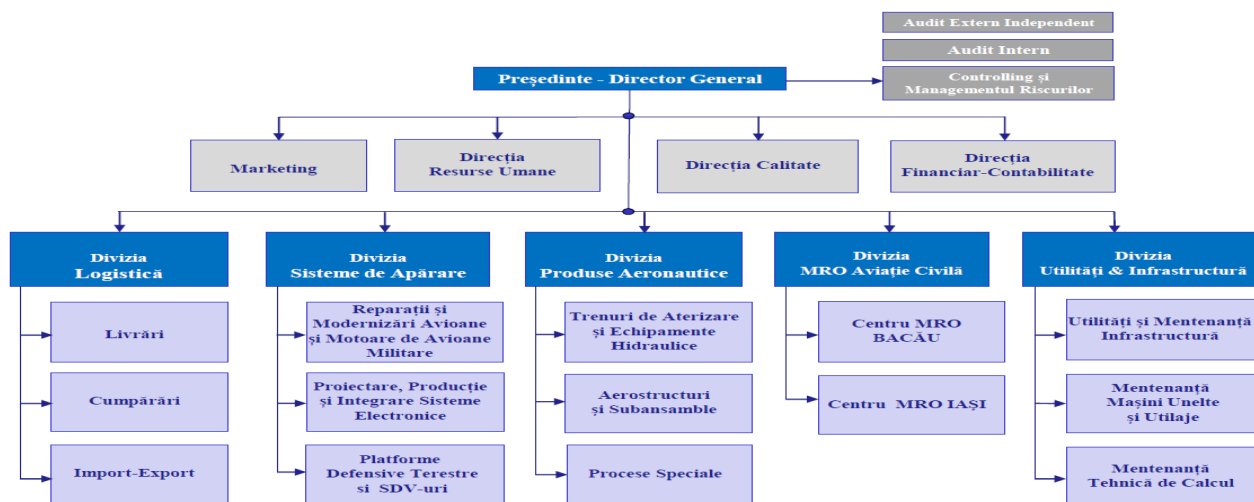
The executive management is ensured by the General Director and the Financial Director.

The management structure at operational-executive level is completed with the other division and directorate managers. There were no changes in 2021 regarding this structure. The direct participation of the executive managers in the company's equity is below 1%. There were no litigations with the above-mentioned persons.

Executive management	
Name	Position
Filip Grigore	General Director
Damaschin Doru	Director, Finance-Accounting
Rogoz Vasile Laurențiu	Quality Director
Popa Dan Paul Mălin	HR Director
Filip Alexandru	Director, Logistics Division
Buhai Ovidiu	Director, Defence Systems Division
Iosipescu Șerban	Director, Defence Systems Division
Veleșcu Ioan - Dan	Director, MRO Civil Aviation Division
Branche Cătălin Bogdan	Director, Utilities & Infrastructure Division

Divisional organization of the company

AEROSTAR S.A. carries out its object of activity by using the joint resources of the organization in an integrated manner. The divisional structure maintains the organizing principles and use of resources in a unitary, competitive and integrated manner. This organizing structure has ensured the development of capacities needed to carry out new programs in the field of civil aviation and defence, as well as the investments needed for this purpose. The administration of the company is carried out in a unitary system.



07

CORPORATE GOVERNANCE

As a company listed on the Bucharest Stock Exchange, AEROSTAR S.A. aims at complying with the principles and recommendations provided in the **Code of Corporate Governance of the Bucharest Stock Exchange** adopted on 11 September 2015.

At the same time AEROSTAR's Corporate Governance System is in accordance with the provisions of the constitutive deed of the company and in accordance with the provisions of the laws nos. 31/1990 and 24/2017, Regulation no. 5/2018 of the Financial Supervisory Authority.

The implementation of the corporate governance rules ensures a transparent decision-making process, founded on clear rules and objectives meant to lead to an increased level of trust of the shareholders in the company. AEROSTAR S.A. attaches special importance to the corporate governance by reviewing the level of compliance with the provisions of the Corporate Governance Code issued by the Bucharest Stock Exchange, entered into force on 4 January 2016.

In the process of nomination and selection of the candidates, the present Board of Directors can set up a nomination Committee that will consider at least the following criteria: the involvement of the significant shareholders; solid expertise and experience in aerospace engineering, economics, legal, environment and managing social aspects; moral and professional integrity; independence.

The priority goal of the diversity policy applied in connection with the administrative, management and supervisory bodies of the entity, e.g.: age, gender, education, professional experience in to guarantee performance.

Corporate governance structures

The corporate governance structures are:

- Shareholders – The General Meeting of the Shareholders
- Board of Directors
- Audit Committee
- Executive management

The General Meeting of the Shareholders

The procedure for organizing and conducting the general meeting of the shareholders is published on the website [www.aerostar.ro/Inverstor Relations/Reference Documents](http://www.aerostar.ro/Inverstor%20Relations/Reference%20Documents).

In order to ensure an equal treatment and a full and fair exercise of the rights of the shareholders, the company provides them all relevant information with reference to the GMS and the resolutions adopted both in the regulated communication system (national newspaper, reports to the Financial Supervisory Authority and BSE), as well as in the special section „Investor Relations” on the company’s website that is easily identifiable and accessible.

AEROSTAR exercises all due diligence, in compliance with the requirements of the relevant legislation, to facilitate the participation of shareholders in the proceedings of the general meetings and the full exercise of their rights. Shareholders may participate and vote personally in the General Meeting, but they also have the possibility to vote by proxy or by correspondence.

The General Meetings of the Shareholders took place in full compliance with the Law 31/21990 regarding the companies, the Law 24/2018 regarding the capital market and the applicable regulations issued by FSA, as well as any other incidental legal norm.

Over the last years, the company has distributed dividends to the shareholders and consolidated a dividend policy that guarantees the shareholders’ satisfaction while also providing resources for the development of the company.

In accordance with the legal provisions applicable, the claim to collect the dividends approved by the General Meeting of Shareholders ceases to generate effects after the expiry of three years calculated from the “date of payment” of the dividends for each financial year.

The Board of Directors

The Board of Directors of AEROSTAR was elected for a four-year period from 11.07.2020 until 10.07.2024) at the General meeting of shareholders of 9 July 2020.

AEROSTAR manages its activity in accordance with responsible corporate governance principles aimed to create sustainable values in all areas of activity of the company.

9 (nine) meetings of the BoD took place during 2021.

There is no agreement, understanding or family tie in connection with the nomination of the administrators of the company. There were no resignations or dismissals among the members of the Board of Directors, or in connection with the auditor.

There is no litigation between the company and the directors regarding their activity. None of the administrators was involved in a litigation or administrative procedure with AEROSTAR during the last 5 years.

The audit committee

Based on the provisions of the Corporate Governance Code in conjunction with the provisions of Law no. 162/2017, an independent **audit committee** was established, consisting of three members appointed by the Ordinary General Meeting of 13 August 2020.

The attributions of the independent audit committee are the ones provided in its rules of procedure, approved by the Board of Directors, completed with the provisions of Law no. 162/2017 and of UE Regulation no. 537/2014, that can also be found on www.aerostar.ro/ Investor Relations/ Reference documents.

Since 2018, an Audit Committee has been operating in AEROSTAR in accordance with the provisions of Law no. 162/2017 regarding the statutory audit of the yearly and consolidated financial statements.

The Audit Committee meets regularly, at least 4 times a year, as well as exceptionally, as the case may be.

The independent auditor appointed by the general meeting of the AEROSTAR shareholders has signed with BDO Audit SRL the agreement no. 6753/2021 on 28.04.2021, based on the Decisions of OGMS by which it was appointed an independent auditor.

The contract comes into force when revising the interim individual financial statements prepared by the company for the first 6 months (on 30.06.2021).

Code of business conduct and ethics

AEROSTAR supports the company principles and values in an honest and fair way, with integrity, while consistently acting to comply with the highest ethical standards in business, by adopting voluntarily for several years AEROSTAR's Code of business conduct and ethics. This code is posted on the company's website www.aerostar.ro and is part of the provisions of the collective labor agreement.

Insofar as this Code requires a higher standard than the one required by the commercial practice or by the applicable laws, rules or regulations, we adhere to these higher standards. This code is mandatory for the administrators, employees and is adopted in all the aspects related to the employees, as well as in relation to the investors, customers, suppliers, representatives of the local community, other business partners.

The Board of Directors pays special attention to the observance of the corporate governance principles in order to guarantee:

- that performance is achieved in terms of sustainable development of the company;
- accuracy and transparency of the decision- making process of the company;
- the observance of the shareholders' rights and their fair treatment by protecting and implementing their prerogatives in practice;
- transparency and access to information by periodically publishing the relevant financial and operational information.

Details about the compliance with the principles and recommendations provided in the Corporate Governance Code of the Bucharest Stock Exchange are presented as an integral part of this report.

Handling conflicts of interest

In terms of accounting regulations, AEROSTAR is a subsidiary of the company IAROM S.A. Aerostar presented in transparency conditions, according to the applicable regulations, the structure of the company's shareholding and related parties.

At the same time, Aerostar fully complies with the requirements of law 129/2019 regarding the real beneficiaries. In relation to the significance thresholds provided in the legislation specific to the capital market, there is no data available on *cross board membership* or about shares held by suppliers and other interested parties in Aerostar's shareholding structure. The evaluation of the BoD members' performance is carried out in accordance with the provisions of the Internal Regulations of the Board of Directors.

In the wake of the evaluation carried out, based on these statements, it was found out that:

- no BOD member is an independent member;
- no member is in conflict of interest with the position he holds in the Board of Directors;
- no measures or changes are required in the Board of Directors.

Executive management

AEROSTAR is managed in a unitary system, with the executive management of the company delegated to the General Director and to the Financial Director.

Internal control system

The internal control system of AEROSTAR comprises the following components:

Financial management control

Budgetary control

Controlling

Internal audit

Financial management control

At AEROSTAR there is a dedicated department responsible with financial management control. This department ensures the inventory of all the elements related to assets, debts and own capitals in the company records. Throughout this period of time the inventory activity was performed in compliance with the legal provisions and company regulations. The results of the inventory processes were registered in the company's accounting records. No significant deviations were found compared to the records on paper.

Budgetary control

The budgetary control is carried out by budget managers. From a budgeting perspective, the company is organized on:

- profit centers
- cost centers.

Various budgets are defined in the company based on activity programs corresponding to the functions of the company.

The budgetary control ensures:

- compliance with the forecasted values for each budgeted indicator
- the groundwork for any corrective actions

On a quarterly basis, both the profit centers and the cost centers report to the executive management the methods for achieving the budgetary forecasts and the necessary, timely, efficient, effective and legal nature of the expenses incurred by the company.

Controlling

In AEROSTAR, the concept of controlling has been implemented and continuously developed as a higher stage of budgetary control. Controlling also ensures alignment with the company's mission and strategic goals.

Internal audit

The company has in place an Internal Audit team with members registered in the Romanian Chamber of Financial Auditors. AEROSTAR's internal auditing activity is organized according to law, as a distinct department in the organizational structure, in accordance with the organizational chart.

The internal audit is directly subordinated to the Board of Directors and is an independent and objective activity of enforcement and consultancy, designated to evaluate and improve the company's operations.

The internal auditing activity is conducted based on the annual activity program approved by the Board of Directors.

The internal audit missions have confirmed the positive impact of the internal audit activity on the overall activity performed in the AEROSTAR.

The internal audit reports are periodically submitted at the meetings of the Board of Directors.

Table of compliance with the Code of Corporate Governance 2021

Code provisions	Compliant	Non-compliant or partially compliant	Reason for non-compliance
A.1	x		
A.2	x		
A.3	x		
A.4		x	Three of the five BoD members are non-executive. The Board of Directors does not include an independent member, this structure being voted by the General Meeting of the Shareholders.
A.5	x		
A.6	x		
A.7	x		
A.8	x		
A.9	x		During 2021 a number of 9 meetings took place, of which: <ul style="list-style-type: none"> - In 3 meetings all the BoD members were present; - In 2 meetings 4 members were present, while the fifth member attended by telecon; - In 2 meetings 3 members were present, and the other 2 members attended by telecon; - In 1 meeting 4 members were present, the fifth being absent; - In 1 meeting 3 members were present, the other 2 being absent.
B.1	x		The company has set up an independent audit committee in accordance with art. 65 of the Law no. 162/2017
B.2	x		The members of the audit committee are independent persons elected by the General Meeting of the Shareholders and have competencies in the accounting and statutory audit field.
B.3	x		
B.4	x		
B.5	x		
B.6	x		
B.7	x		
B.8	x		
B.9	x		
B.10	x		
B.11	x		
B.12	x		
C.1	x		All the GMS resolutions regarding the remuneration of the BoD members were published. Currently there is a distinct section in the BoD Regulation.
D.1	x		
D.1.1	x		
D.1.2		x	The information in this section is available, upon request, but it is not published on the company's website.
D.1.3	x		
D.1.4	x		
D.1.5	x		
D.1.6	x		
D.1.7	x		
D.2	x		
D.3	x		
D.4	x		
D.5	x		
D.6	x		
D.7	x		
D.8	x		
D.9	x		
D.10	x		

08

RISK AND OPPORTUNITY MANAGEMENT

Within AEROSTAR particular emphasis is placed on the risk and opportunity management process that is an integral part of the management and decision-making processes and is integrated in the core and support processes of the company.

AEROSTAR applies a risk-based mentality with a view to developing a strategic and sustainable development by means of:

- improving the governance;
- creating a proactive culture for improvement;
- assuring consistently the high quality of our products and services.

Risk management is a continuous process that is applied with a view to:

- assessing the risks and handling them;
- identifying new risks that did not manifest themselves previously;
- reassessing the persisting risks.

The risk management process involves the systematic implementation of procedures and practices in the communication and consulting activities, the assessment, handling, monitoring, reviewing, recording and reporting of risks.

The performance of the risk management process ensures the handling of risks at the agreed level of risk.

Our top management has made sure that all necessary authorities and responsibilities are established at the relevant levels within the company, and that all necessary resources for risk management are allocated.

Within the company are allocated all necessary resources for risk management and are established the authorities and responsibilities for the relevant functions and levels.

The general framework for risk management relies on understanding the interested parties' necessities and expectations in obtaining the organization's forecasted results.

Risks are understood as uncertainties in meeting the interested parties' requirements and expectations due to the effect of some factors caused by the context in which the organization operates.

External context in 2021

For the aviation industry, the year 2021 was marked by efforts to recover and return to normality. The aviation industry focuses on transforming the supply chains into more resilient and durable networks with tangible value for the business, community and consumers. Therefore, the digitalization solutions can help the companies to cut their costs by increasing the visibility, optimizing quality, improving quality and reducing the unplanned downtimes to minimum.

Many players in the industry, pressured into implementing ecologically sustainable production practices, have committed to reduce the net emissions by 2050, through the production and distribution of sustainable aviation fuel, against the ambitious challenge of developing the necessary production and storage infrastructure. However, the footprint emission mapping along the value chain can be a much more significant challenge.

Despite the many challenges encountered in 2021, the defence industry was protected against the pandemic impact. Nevertheless, the supply chains are a vulnerability that can affect the development strategies in this sector.

Effects of the pandemic in 2021:

Reduced demands, supply disruptions, economic junctures and vulnerabilities created by price increases and the shortage of skilled labour in industry lead to a global instability in the aviation industry.

Prospects for the aerospace industry:

An increase in aircraft deliveries is expected following the recovery of the air traffic demands. Furthermore, the resumption of many deliveries in the aerospace industry will create a gap with the OEM-s as the production rates begin to grow and the aircraft producers continue to deplete the stocks. The relevant companies will focus on rebuilding the lost income streams, on increasing the agility of the operations, on recalibrating the supply networks in order to meet the demands of the changing market, on resizing the business for the commercial airplanes and on redefining the supply chains.

Context of the organization and interested parties

The impact produced by the pandemic, in light of both the social-economic aspect and of the changes thus generated, require a preventive and proactive management in relation to all the components and functions of the organizations.

In order to understand the context of the organization, to determine the external and internal aspects and to identify the interested parties, the guidelines of the international standard ISO 9001 were used.

The aspects identified as a part of the *external context* of AEROSTAR are: political, economic, social, technical, legal and environmental.

The aspects identified as a part of the *internal context* of AEROSTAR belong to the following categories: human resources, infrastructure, capabilities and authorizations, in the governance field, but also in the field of organizational performance.

The relevant external and internal aspects that were identified are the ones that can affect the accomplishing of the strategic mission and objectives as well as AEROSTAR's ability to achieve the desired results of its management system.

The relevant interested parties that were identified are: customers, employees, investors, applicable technical and regulatory authorities, certifying bodies, suppliers, educational institutions, trade unions, the local community and the state.

The interested parties were identified based on the impact their requirements might have over AEROSTAR's ability to achieve its objectives as well as its ability to meet their Customers' requirements and the applicable regulations.

Main risks and their management

AEROSTAR is exposed to a series of risks and uncertainties, as presented in this chapter, that can affect significantly its activity and financial performances. These are not the only risks, as further risks, still unknown, may also influence its business and operations.

Although a certain degree of risk is inherent to the company's activity, as described in this chapter and in Note 30, through the risk-management policies, the company does its best to minimize them as far as possible, while making sure that our business practices are compliant with the laws, regulations, ethical principles and principles of integrity.

The generated risks are identified, monitored and removed by means of a permanent information system in relation to the legislative amendments, the technological progress, the market demand, as well as by organizing an analysis, advisory and approval system for the terms and conditions included in the commercial contracts.

Quality and Environment

To identify the quality and environment-related risks, we took into account the company's internal and external context, the relevant requirements of the interested parties, the activities with environmental impact and their inherent compliance obligations.

Risk management involves risk evaluation and handling.

Within AEROSTAR S.A., risk assessment is a systematic activity that is carried out with a view to:

- identifying new risks that did not manifest themselves previously;
- reassessing the persisting risks.

It was also taken into account that the actions for handling risks and opportunities must be proportional to their potential impact on the conformity of our products and services.

The status of implementation of the actions for handling risks and opportunities is monitored permanently, and the effectiveness of the actions is determined based on their capacity to generate the expected results after being implemented.

Epidemiologic risk

The health situation caused by the maintained pandemic and its successive waves, as well as the impact of the economic crisis are still felt.

The safety measures adopted in AEROSTAR S.A. have helped us eliminate the risk of infection in our teams. However, the educational, instructive and professional training processes as well as the operational processes at organizational and management level are still affected.

In the pandemic context, in order to fight the risks induced by it, AEROSTAR has informed, trained and brought to the attention of its employees and delegates/visitors the risks of infection with the new coronavirus COVID-19 by internal decisions, memos, warning materials/specific announcements, briefings.

The specific measures adopted in order to eliminate such risks are presented in the section *Our approach in the context of Covid-19*.

Human resource

The labour shortage in the industry is a global issue considering the need for qualified and specialized personnel, the high level of experience and professional training required by the specific activities in aerospace. At the same time, manpower becomes a challenge for the future given the need for personnel skilled in new technologies, artificial intelligence or „intelligent machines.”

As steps for handling this risk, AEROSTAR develops school workshops for practice, grants dual scholarships to the pupils from the dual vocational education centres, organizes internships for the students from the specialized institutions and enters into partnerships with various pre-university and university educational institutions. Hiring and recruiting new employees and their professional development are a top priority for the company. We support our employees' professional growth and the development of their skills.

The efficiency of the process of handling this risk can be quantified as the ratio between the number of hires and the number of job opening recorded between January and December 2021, which is 100%, given the sanitary crisis that affects the whole world and the economic environment, including the aerospace.

Cybernetic vulnerabilities

The pandemic made people embrace digitalization more than ever, for an increased efficiency, which of course led to higher risks of cyberattacks. For this reason, efforts must be made to create a consolidated IT infrastructure to protect the cyberspace. Aerostar makes targeted, consistent and continuous efforts to prevent such risks, their management being provided in the legal risk management.

Commercial competitiveness in the competitive contractual area

The global trend of replacing the aviation fleet (with lighter airplanes that are more effective in terms of fuel consumption) require state-of-the-art technologies. The impact of the innovations (hydrogen fuelling, electric motor) will leave behind the companies that are unable to adapt quickly enough to remain competitive. The competitive market in China is extending due to the manufacture, launch and rapid certification of airplanes under own license.

Aerostar operates on a highly competitive market. To handle this risk, Aerostar constantly analyses the market evolution, demands and innovations.

Economic junctures and vulnerabilities resulting from it

The fluctuations of the currency exchange rates and the price fluctuations affect considerably the manufacturing costs and profitability; all purchases of materials and raw material (such as aluminium, titanium, copper, steel) are made in foreign currency. The increase of the oil barrel cost has generated price increases.

On the other hand, the orders cancelled throughout 2020 have created a domino effect in the entire industry and supply chain: economic slowdowns on the key markets – low liquidity and extreme volatility on the credit markets, currency exchange markets, commodity markets and stock markets.

These risks are managed through the measures provided in the market risk, currency risk and interest rate risk.

International uncertainties

The political changes brought about by the big global players' actions – e.g. the trade and cooperation agreement UE - UK entered into force in January 2021, the trade dispute between USA and CHINA that causes instability on the markets all over the world, the trade measures adopted by UE in relation with SUA regarding the extra

customs fees and safeguard duties maintained in 2021, lead to cost increases and adjustments of the integrated supply chains.

The modifications of the laws/regulations regarding the legislation in force, the legislative restrictions imposed by the state of emergency and the ordinances and then by the lockdown have led to a reduced transport capacity and hindered freight traffic. The management of such risks is covered by the measures associated to legal risk and market risk.

Operational risk

In order to reduce the operational risk, AEROSTAR renews annually, with first-rank insurance and reinsurance companies, a civil liability insurance contract for the main business lines (manufacture of aviation products and maintenance of commercial planes), in full knowledge of and compliance with the specific provisions of the insurance risk and while closely monitoring and mitigating any signs of influence on the organization's reputation and the risk of damaging the company's image.

Legal risk

Legal risk – the risk of loss caused by the fines, penalties and sanctions AEROSTAR S.A. is liable of in case of failure to apply or faulty application of the legal or contractual dispositions and or regulations.

The wide range of suppliers and customers with which AEROSTAR operates across many countries and continents makes legal risk extremely important, as detailed and emphasized by: the risks regarding international changes/uncertainties; the risks related to the fierce commercial competitiveness in the aviation field, including customer concentration and the risks regarding changes to the laws/regulations regarding the legislation in force.

The effects of the legal risk are removed by permanent information on legislative changes. Furthermore, by setting up provisions for risks and related expenses, AEROSTAR S.A., aims to have its own funds to cover the risks it is exposed to, also taking into account any risks related to associations/partnerships.

In this context, the focus is on the possible deadlocks in the development and execution of certain programmes to which the partners may give up as a result of exceptional events

or collaborations where delayed, postponed or non-sustainable programmes may occur adjacently (the risk of the lifecycle discontinuity for the Programmes).

Moreover, adequate resources have been allocated to monitor and reduce any potential risks specific to cyberattacks, and also to minimize the resilience of the risk of safe and secure downtime of the information system.

Market risk

The market risk is relevant through the price risk, the currency risk and the interest rate risk.

AEROSTAR is mainly exposed to the price risk determined by the fluctuations of the price of raw materials and materials used in the production processes, due to some extraordinary events (the Brexit Agreement with an impact on the purchasing of materials from Great Britain, the implementation of certain international sanctions that limited the possibility to purchase the necessary parts and materials, etc.), as well as the increase of the costs related to specific duties for the import/ export of metallic products (steel and/ or aluminum) to and from USA. This risk is pregnant in the context of the economic recession in the aviation industry caused by the COVID-19 pandemic.

AEROSTAR is exposed to *foreign exchange risk* because 65% of the turnover for the year 2021 is related to USD and EUR, while a significant part of the operating costs is denominated in LEI. AEROSTAR is thus exposed to the risk of being affected by the changes in the exchange rates both in its net income and its financial position, as expressed in LEI.

As far as the ***interest rate risk*** is concerned, due to the fact that AEROSTAR did not use the contracted Credit Line during the reporting period, the cash revenues and flows are independent from the interest rate variation on the banking market.

THE TREND of the main risks and uncertainties for the immediate future

The trend of the main risks and uncertainties is mainly influenced by the pro-active actions specific to the continuous monitoring of the direction of evolution of the market under the pressure of the COVID-19 pandemic.

The business lines run by AEROSTAR S.A., the operational results or the financial situation could be affected by the materialization of the risks.

AEROSTAR pursues to secure its mid- and long-term sustainability and to reduce the uncertainty associated to its strategic and financial objectives.

At the same time, our company emphasizes the constant dialogue with the customers and partners in the supply chain, in order to correlate and coordinate their action so as to successfully overcome together this global challenge with minimum losses.

For the immediate future, risks and uncertainties have been identified, related to the company's ability to maintain the organizational performance against the reduced demand on the market in the field of civil aviation.

The company's top management is focused both on diminishing the probability of occurrence of new infection cases and monitoring the evolution of the confirmed cases, as well as on mitigating the social and economic consequences regarding the economic and financial imbalances against the backdrop of the short-, medium- and long-term decreases in production rates.

In light of such considerations, we firmly believe that the integrated management system implemented in our company will lead to the early identification of other types of risks so as to apply adequate and effective measures.

Given the global political turmoil, in the future we may face new types of risks. Currently, our company carefully analyses the main conflict areas.

09**NONFINANCIAL DECLARATION, our approach to sustainability**

We are guided by our responsibility towards a sustainable development, this notion encompassing both the sustainability and the responsibility for the company's business.

Responsible operation is a pre-requisite to ensuring sustainability. By pursuing sustainable development, we orient ourselves towards a safe future.

We consistently apply the best practices in the field, and, in line with the best practices of our business partners, we provide transparent information, explanations and data in these categories of financial and nonfinancial information.

Our guiding principles are to meet our customers' requirements, the total safety for the users of our products and services, the continuous improvement and the increase of the environmental performance.

We fully comply with the applicable national and international standards and regulations, applicable to the environmental, social and manpower aspects, human rights, fighting corruption and bribery as well as promoting diversity.

The global pandemic situation and economic crisis did not alter our commitment or generate any impact on the company's compliance in relation to the established responsibilities.

We are fully committed to ensuring the business continuity, while also protecting our colleagues' health and safety.

In our company the Board of Directors determines the strategic orientation and ensures its implementation. The Board of Directors is also responsible for ensuring the compliance with all the applicable legal provisions, the company's internal regulations, as well as for the adequate risk management and control.

The executive management closely coordinates the activity of the departments that are duly in charge with the economic, environmental and social aspects.

In our company:

- the responsibilities for the quality and environmental aspects, as well as the Risk Management, are assigned/delegated to the Quality & Environment Director.

- The responsibilities for social and manpower aspects, occupational health and safety, the fight against discrimination and the promotion of diversity are assigned/delegated to the Human Resources Director; in terms of scope of interference, these responsibilities correlate with:
- The responsibilities regarding compliance with the legislation on human rights, the fight against corruption and bribery, which are assigned/delegated to the Legal Department.
- The responsibilities regarding the sustainable use of resources and the reduction of energy consumption are assigned/delegated to the Utilities & Infrastructure Division Director.
- The responsibilities regarding the enforcement measures in connection with money laundering prevention are assigned/delegated to the Finance-Accounting Director.
- The responsibilities regarding the corporate governance are assigned/delegated to the general secretariat of the company.

In 2021 we established new goals for sustainability, correlated with the business environment and the global evolution and we integrated them in the company's long-term general strategy.

To this end, we plead for an inclusive culture where each person can achieve their potential and contribute via their individual perspectives. We are convinced that the workforce diversity and our organizational culture have a positive impact on our business success and our company's evolution.

We are committed to consolidating our culture and workforce diversity, by hiring new employees and by supporting their professional development.

We take action against all forms of discrimination, we build teams of balanced age structures and a diverse base of educational environments and experience and we create a balanced work environment. Our skill matrix shows the way in which our managers and employees can establish a suitable environment by open collaboration and support.

Climate change is one of the global major challenges we are dealing with. It can generate uncertainties in planning, investments and strategies. The legal regulations and provisions also evolve, in an effort to encourage an environment-conscious behaviour.

We believe that the efforts of each of us must be consistent. We also believe that the actions for climate change mitigation and power efficiency will pay off in the long term. The respect for the environment lies at the heart of a sustainable behaviour. In that respect, we monitor the greenhouse gas emissions and we make comparative analyses with the previous years, we establish actions to reduce our consumption and we make investments that can be beneficial in the long run.

We continue to be committed to protecting the natural resources, by using responsibly water and energy, by cutting the greenhouse gas emissions and the waste resulted from the internal activities, by reducing the use of chemicals, materials and processes that adversely affect the environment, as well as by improving and developing the company's locations so as to avoid any negative impact on the environment.

The analyses we made have revealed improvements of our indicators from one year to another. This can only be achieved by honouring our commitment.

We commit ourselves to communicating our environmental strategy and policy to all interested parties and, where possible, to exceed the requirements of the applicable standards and regulations.

The regulatory framework established by AEROSTAR for compliance relies on:

- * The Management System in place at AEROSTAR, the Quality and Environmental Management System and the Occupational Health and Safety Management System respectively, certified in AEROSTAR in accordance with the requirements of the standards ISO 9001, ISO 14001, AS EN 9100, AQAP 2110 and ISO 45001:2018, respectively.
- * AEROSTAR customers' requirements
- * The guidelines described in the international standard ISO 26000
- * The regulatory framework provided by the Romanian legislation
- * The guidelines described in the Communication from the European Commission regarding the reporting of nonfinancial information
- * The guidelines described in the Global Reporting Initiative (GRI) standards, without recording and declaring the compliance with them.

10

The summary financial situation for the year 2021

Thousands lei

Summary of Assets, Company Equity, Debts and Provisions	31.12. 2021	31.12. 2020
Non-current assets	178.421	195.970
Circulating assets	443.810	350.269
Total Asstes	622.231	546.239
Company equity	421.388	380.370
Provisions	131.829	115.641
Debts	69.014	50.228
Total company equity, debts & provisions	622.231	546.239

Thousands lei

Summary of income, Expenses, Results	31.12. 2021	31.12 2020
Operating income, of which	382.507	316.408
– sales income	376.434	294.839
Operating expenses	(318.684)	(278.059)
Profit/Loss from operations	63.823	38.349
Financial Income	9.190	9.868
Financial Expenses	(3.365)	(6.158)
Financial profit/Loss	5.825	3.710
Profit before tax	69.648	42.059
Tax on current and deferrend profit	(9.708)	(3.616)
Net profit on the financial period	59.940	38.443