



Annual Report

2022

Performance through Professionalism!

AEROSTAR has had the successive names URA-1953, IRAv (aircraft repair company)-1970, IAV (aircraft company)-1978, and AEROSTAR S.A. since 1991, when it was registered as a joint stock company with the Bacau Trade Register.

ANNUAL REPORT

Performance of 2022	2
Editorial	4
2022 vs.2021	5
Company Profile	11
Strategy and Business Model	20
Corporate Governance	37
Risk Management	43
Key Performance Indicators	48

Note: The Board of Directors' Report was prepared in accordance with the reporting regulations in force so as to provide additional information to the shareholders in the assessment of the company, its strategies and their potential to succeed.

AEROSTAR is a company with almost 7 decades of experience in the aviation and defence industry.

Over the years, we have established a global footprint, focused on fulfilling our customers' mission, requirements and expectations, through continuous improvement actions at all levels.

Today, thanks to our expertise, we are a national market leader and integrated supplier in the global supply chains of the major aerospace companies.

499.052 k Lei

Total income
up by 27.4%
compared to 2021

399.381 k Lei

Total expenditure
up by 24%
compared to 2021

323.559 k Lei

Export sales
up by 33%
compared to 2021

246.173 k Lei

Cash - flow
down by 10%
compared to 2021

26.606 k Lei

Investments
up by 224%
compared to 2021

Manufacturing
Aeronautical
Products



228.630 k lei

Sales

49.0%
of total sales

MRO
Civil
Aviation



127.924 k lei

Sales

27.4%
of total sales

Defence
systems



101.202 k lei

Sales

21.7%
of total sales

Other
products
and
services

9.235 mii lei

Sales

1.9%
of total sales

Aerostar team
Employees on 31 December 2022

1845

Aerostar share
On 31 December 2022

7.70 lei
per share

AEROSTAR AT A GLANCE

**Message of the
General Director & President
Grigore Filip**

In 2022, we proved ourselves to be resilient, by adapting to the new market requirements, to a new reality, by firmly addressing the instability of the international context combined with an increasingly volatile macroeconomic environment. We have performed in a complex environment, relying on the solid foundation of financial stability, strong partnerships and the expertise of our employees.

We need to evolve continuously, and however difficult this period has been, we have taken action to achieve our sustainability goals, making progress toward our long-term goals.

This is precisely why we have resumed our investments in new technological equipment.

We value the professionalism of all our employees and remain focused on building an inclusive culture that supports our people in their search for ideas and efforts to be performant at the workplace.

This year, when some disturbances in the supply chain and a global labour shortage are still foreseen, as a solution, we rely on the activities for which we laid the foundations together last year to give us stability.

13 March

The negotiations between the Administration of AEROSTAR S.A. and the Employees' Commission for the Collective Labour Agreement 2022-2024 were completed. They provide a benefit package covering the dynamics of the employees' needs and requirements as well as salary increases of 15.5%. These provisions were applied as of 1 April 2022;

31 March

The Aerostar share reached the trading threshold of 8.85 lei. At the end of 2022 the price of an Aerostar share was 7.70 lei.

17 April

Aerostar celebrated 69 years since its establishment: in 1953, the first maintenance and repair works of the military aircraft belonging to the Romanian Air Force began.

20 April

During the Ordinary General Meeting, the shareholders of AEROSTAR approved the following: the Board of Directors' Report and the Financial Statements for 2021; the Financial auditor's report on the audit of the financial statements; the discharge of duty of the members of the Board of Directors and executive management; the distribution of the net result of the financial year 2021.

16 June

The Ordinary General Meeting of Shareholders was held in accordance with the applicable legal regulations. The shareholders of AEROSTAR S.A. have unanimously approved the valid votes cast (by secret vote) the extension of the mandate for:

- Grigore HOROI, Mihai DEJU and Daniel BOTEZ as members of the Audit Committee, appointed by the General Meeting Decisions of 13 August 2020 according to Article 65 of Law no. 162/2017 on the statutory audit of the annual financial statements and consolidated annual financial statements, until 10 July 2024.
- The shareholders of AEROSTAR S.A. have unanimously approved the appointment of Auditeval Consulting S.R.L. as financial auditor and the conclusion of the financial audit contract for a minimum period of 1 (one) year, with the possibility of extension by Additional Act approved by the Board of Directors of the Company.

1 October

Two changes have been made to the executive board:

- Appointment of Mr. Filip Alexandru as a Deputy General Director as of October 1, 2022.

- Appointment of Mrs. Cristea Andra as a Director of the Logistics Division as of October 1, 2022.

15 December

The Ordinary General Meeting of Shareholders was held in accordance with the applicable legal regulations. At the meeting, the Aerostar shareholders approved the revenue and expenditure budget for 2023, the Treasury activity budget and the main economic and financial indicators for 2023.

The draft decisions, the materials subject to the approval of the GMS and the forms requested by AEROSTAR were posted on the company's website www.aerostar.ro, The investor Relations section.

Events after the reporting date

No events were recorded after the reporting date that would have an impact on the financial statements concluded on 31 December 2022.

Additional information on the **Events after the reporting date** can be found in Note 33.

KEY figures

	UM	31.12.2022	31.12.2021
Share capital	thousand lei	48.729	48.729
Turnover	thousand lei	466.991	376.434
Export sales	thousand lei	323.559	242.832
Export share in turnover	%	69%	65%
Actual number of staff	no.	1.845	1.748
Net profit	thousand lei	90.273	59.940
Cash flow	thousand lei	246.173	274.471
General liquidity	-	7,41	9,91
Expenses for investments	thousand lei	26.606	8.190

Main economic and financial indicators

Economic and financial indicators	Result 2022	Result 2021
Current liquidity indicator	7,41	9,91
Indebtedness rate	0	0
Rotation rate of customer debits	51	46
Fixed asset turnover ratio	1,99	2,18
General solvency ratio	11,18	13,87
Financial rate of return	0,18	0,14
Net profit rate	19,33%	15,92%
Net treasury	78.355 thousand lei	90.718 thousand lei

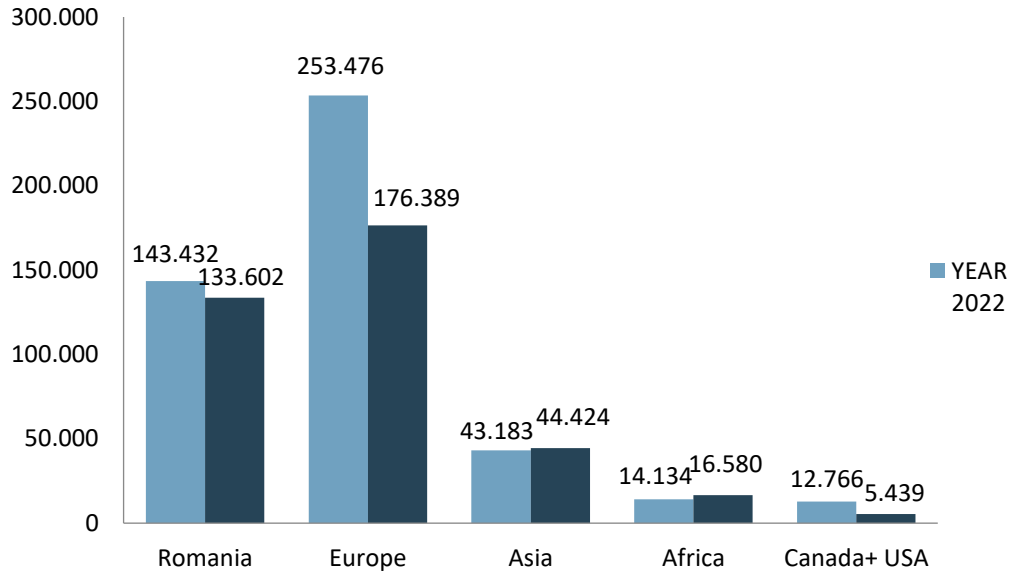
Exchange rates of the national currency for 2022

Monetary indicators	UM	31.12.2022	31.12.2021
Average exchange rate EURO/12 months	lei/euro	4,9315	4,9204
Average exchange rate USD/12 months	lei/USD	4,6885	4,1604
Average exchange rate GBP/12 months	lei/GBP	5,7867	5,7233
Inflation	%	13,80	8,19

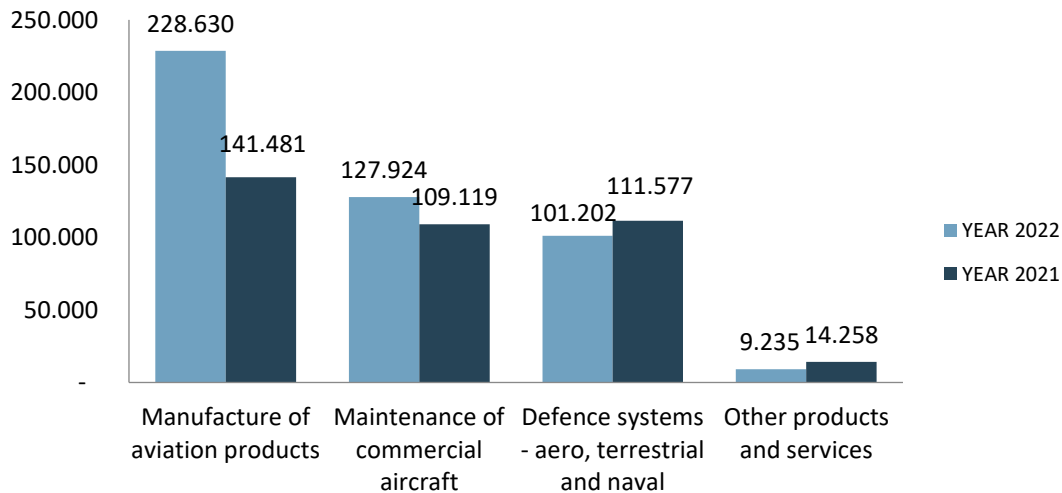
* Source: www.bnr.ro/cursurivalutare

AEROSTAR prepares its individual financial statements in accordance with the International Financial Reporting Standards IFRS.

Distribution of sales in the sales markets of AEROSTAR



Share of products and services representing business lines



From the turnover of **466,991 thousand lei** obtained during 2022, the company sold products and services in the amount of **143,432 thousand lei** on the domestic market, and of **323,559 thousand lei** on the foreign market.

About 69% of the turnover represents export sales. Compared to 2021, the percentage of export sales slightly decreased in Asia and Africa, but there were significant increases in the percentage of sales on the European market.

Investments for Sustainability

In light of the assumed responsibility to build a sustainable future for its employees and the community, AEROSTAR invests for sustainable goals.

We are going through a period of climate emergency. The energy efficiency measures included in AEROSTAR's policies as an energy consumption reduction target, materialized in 2022 through the implementation of a three-million-euro photovoltaic park so as to benefit from green energy. The company has achieved the goal that contributes to the increase of sustainability, by reducing global warming and achieving climate neutrality.

The photovoltaic park consists of over 7000 panels, located on the rooftops of the buildings owned by AEROSTAR S.A., with a total installed power of 3MW.

In 2022, AEROSTAR S.A. made investments amounting to 26,606 thousand lei. The synthetic summary of the investment expenses had the weighting shown in the table below:

Category	Made in 2022- thousand lei	Weighting
Development expenses	24.334	91.5%
Replacement expenses	2.271	8.5%
Total	26.606	100%



Aerostar's investment policies aim at ensuring the sustainable development, as well as the sustainable use of resources and at reducing the environmental footprint, while sustaining the professional excellence, securing the effectiveness and optimizing the activity flows.

Weighting by investment category:

	Investments - thousand lei	Weighting (%)
Equipment	20.458	76.89
Constructions	2.436	9.16
Measurement, control and adjustment devices and installations	624	2.35
Means of transport	2.188	8.22
Intangible	818	3.07
Furniture, equipment, office supplies	82	0.31
Total	26.606	100%

These investments are completed by financial investments worth 50.318 thousand lei consisting in the acquisition of shares from the capital market.

ENVIRONMENT

Climate change mitigation

Atmospheric emissions of greenhouse gases:

800 allocated GES certificates

3114 GES certificates returned

Reserve of 14245 GES certificates

21% less CO2 emissions to support production processes

We respect the environment, nature and natural resources

Pollution prevention

Waste

51% more waste recovered in 2022

Emissions of volatile organic compounds

26,5% less emissions generated in 2022

REACH - Regulation on the Registration, Evaluation and Restriction of Chemicals

Aerostar adhered to the requirements of the European reach Regulation as early as 2014, while continuously and progressively supporting various actions to reduce the environmental impact.

We manage, evaluate and monitor in a responsible and effective manner the activities with an environmental impact.

Through the Environmental Management System we have clearly defined the responsibilities and actions needed to follow and comply with the conditions authorized under the REACH Regulation.

SOCIAL

Diversity and inclusion

1845 employees

29.2% women

70.8 % men

25.7% women in management

62.17% trade union membership

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

877 interviews

53% new jobs, 28% women

We support the professional development of our employees by including them in professional training programs.

1831 employees included in professional training programs

34 hours of training/employee

We support and advocate for quality education!

Internships conducted in Aerostar in 2022

104 students

594 pupils

208 scholarships granted by Aerostar to students in dual education (for the school year 2021/2022)

The value of the scholarships granted for 2022 is 318 033 lei

Multiple partnerships concluded with pre-university and university education institutions

GOVERNANCE

Business Conduct and Ethics

We uphold the company's principles and values honestly, fairly and with integrity, respecting the highest ethical standards!

Investments approved in 2022:

91,5% of the approved budget allocated to development investments

77% of the approved budget, invested in state-of-the-art equipment.

with 49% more expenditure achieved for the annual training plan.

Goals for a sustainable future

In 2022, Aerostar continued to invest in sustainable targets that would contribute consistently and systematically to achieving climate neutrality

Implementing our objectives that contribute to climate change mitigation and support energy efficiency through energy security investments: implementing a photovoltaic park.

An increase in investment expenses for 2022 by 224% compared to 2021
Involvement in development research projects that contribute to sustainable industrialization through innovation.

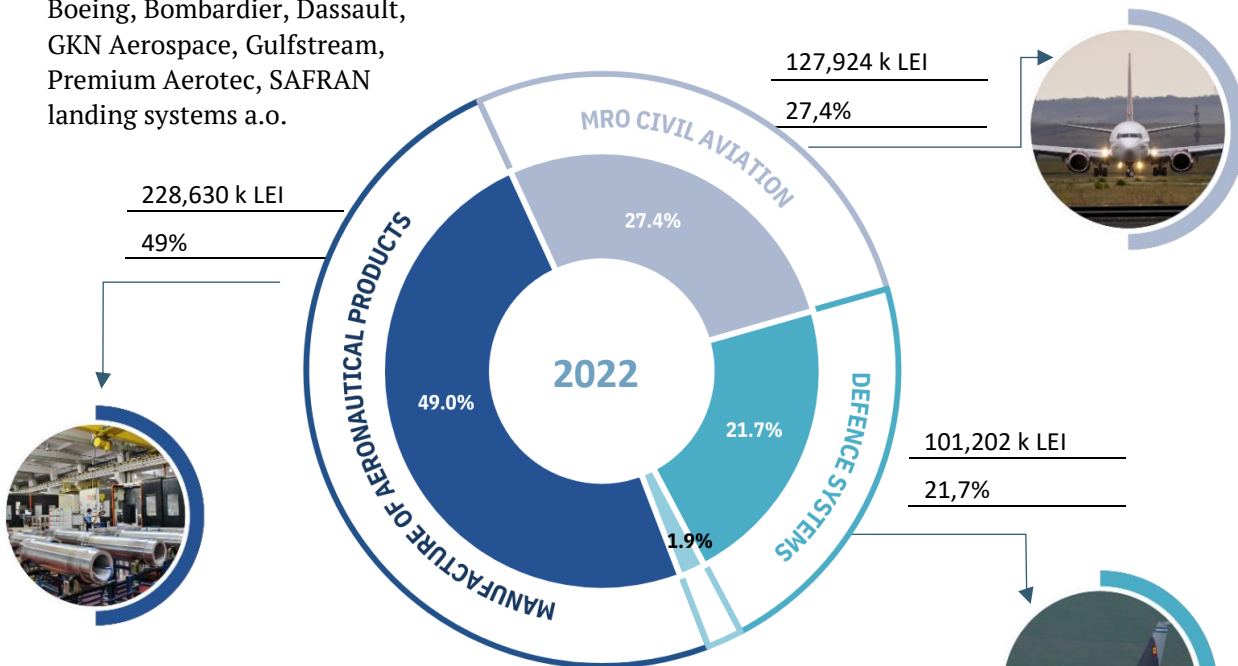


Manufacturing of Aeronautical Products

In the field of civil aviation Aerostar is a supplier of aero-structures, 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 a.o.

MRO Civil Aviation

Aerostar, as a leading regional independent maintenance service provider, holds authorizations for the execution of MRO works on Boeing 737 aircraft series 300-900, Boeing 737 MAX, the Airbus 320 family of aircraft, ceo & neo, as well as for components.



Defence systems

AEROSTAR is active in various upgrading, integration and maintenance programs for military aviation and defence systems, being a first-rate provider for the Romanian Ministry of National Defence.

AEROSTAR operates on three business lines.

Aerostar markets

AEROSTAR customers are located in Europe, Asia, Africa, USA and Canada.

Turnover achieved in 2022

466.991 k LEI

up by 24%

Export sales

323.559 k LEI

up by 33%

We are a national leader and authorized subcontractor for the global aviation industry.



CANADA+USA 2.73%
12,766 k LEI

In Canada - USA we supply aviation products and in Asia and Africa we provide civil aviation maintenance services.

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 9.25%
43,183 thousand LEI

EUROPE 54.28%
253,476 thousand LEI

ROMANIA 30,71%
143.432 thousand LEI

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

AFRICA 3.03%
14,134 thousand LEI

MANUFACTURING OF AERONAUTICAL PRODUCTS

The equipment, assemblies and parts produced by AEROSTAR are part of a large number of commercial aircraft: Airbus A320, A321, A330, A350, Boeing B737, B787, B767, Gulfstream G650, Dassault F7X, Bombardier Challenger Series 600 and Global Series 5000/6000, as well as parts for the Ariane 6 European missile.

By readapting itself to the new market requirements for the new production structure, as well as to the new quality and environmental requirements, AEROSTAR maintains its leading position in Romania for the manufacturing of aviation products and strengthens its position in the supply chain of major global aviation and space companies.

In 2022, Airbus Atlantic was added to the list of our customers, through the negotiated package for the production of some parts that are part of the A330.

At the same time, in 2022, serial production was achieved and started for some A350 aircraft components, for the customer Airbus Aerostructures.

Due to the fact that demand does not increase at the same pace for all aircraft types, the reported period was characterized by a change in the weighting of various products in the production structure, with implications in the relocation and hiring of human resources.

The comparative sales values for the manufacture of aeronautical products show the increase on this level compared to 2021.

RESULTS IN FIGURES

2022	228,630 thousand lei
2021	141,481 thousand lei

AEROSTAR S.A. has a significant business footprint in the field of MRO Civil Aviation, being an independent industrial maintenance service provider for commercial aircraft of the Airbus A320 family CEO&NEO and Boeing B737 300-900.

In 2022, the AEROSTAR maintenance base, EASA part-145 authorized, developed and consolidated its market position, obtaining an extensive range of permits from civil aviation authorities in several countries outside the European Union.

In 2022, the maintenance portfolio of the Boeing 737 MAX aircraft was expanded, with maintenance work carried out on the first Boeing 737-MAX8 aircraft operated by one of our traditional customers “SMARTWINGS”.

In 2022 we continued the development and upgrading programs, both at the Bacau maintenance centre and at the maintenance centre in Iași. The investment process aims both to accelerate the training efforts and implicitly to specialize the technicians and engineers dedicated to these activities and to continue the endowment of hangars with modern equipment, which implicitly lead to an increase in maintenance capabilities and capacities and last but not least to the improvement of the efficiency of the operating personnel.

The comparative sales values for MRO Civil Aviation services show the increase on this level, compared to 2021.

RESULTS IN FIGURES

2022	127,924 thousand lei
2021	109,119 thousand lei

DEFENCE SYSTEMS

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

AEROSTAR is a maintenance centre for the F-16 aircraft of the Romanian Army.

In the category of defence systems, AEROSTAR is active in modernization, integration and maintenance programs of military aviation and defence systems.

AEROSTAR has consistently developed the capabilities needed to strengthen its position as a supplier and its expertise in the field of launch systems, platforms and launch and command components – fire control, manufacture of launchers, maintenance, logistic support and upgrades.

The comparative sales values for the services dedicated to defence systems show a downward trend on this level, compared to 2021.

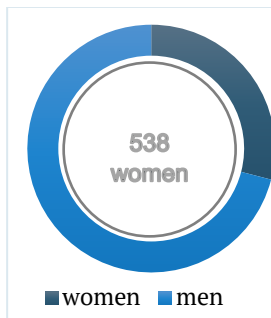
RESULTS IN FIGURES

2022	101,202 thousand lei
2021	111,577 thousand lei

Our employees

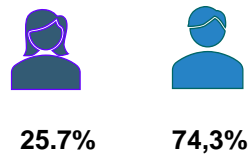
Human resources are an important factor in the performance, evolution and development of the company. AEROSTAR is involved in supporting its employees, their professional development, as well as in attracting and retaining them in the organization through the pursuits included in the development strategy and performance evaluation.

EMPLOYEES



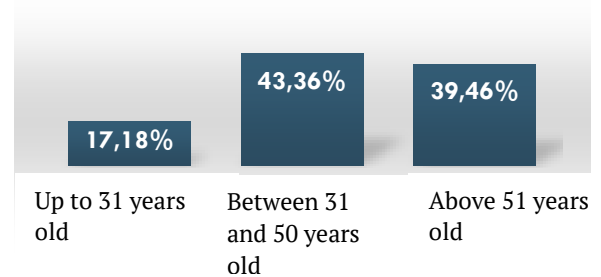
1845 employees

GENDER DIVERSITY



167 management positions

AGE DIVERSITY



Percentage of employees by age groups

Employee benefits

The collective labour contract for the period **01.04.2022 – 31.03.2024** provides a benefit package to cover the dynamics of the employees' needs and requirements and salary increases of **15.5%**.

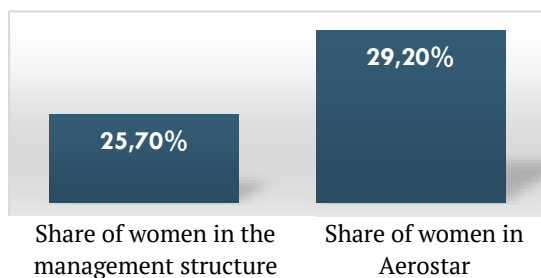
Social and personal aspects

On 31.12.2022, AEROSTAR had an effective number of 1845 employees. Compared to the same period of last year, the staff has increased with 97 employees. Of the total employees, 31% are employees with higher education. 167 employees are in management positions.

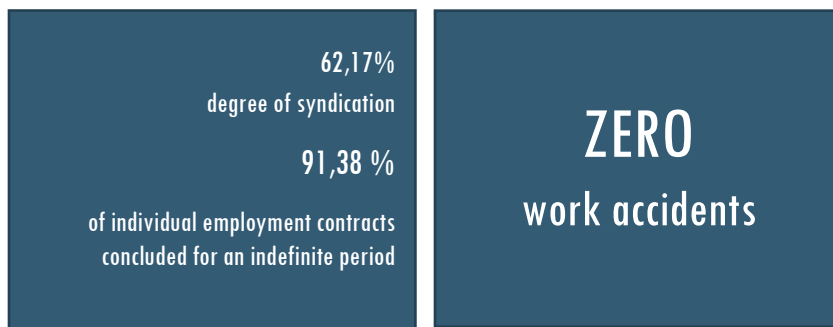
Through the HR policies adopted, AEROSTAR ensures equal opportunities for all employees, without discrimination, in terms of professional career or any other work practice.

Moreover, while recognizing the importance of stable employment for both the employees and the local community, AEROSTAR continuously seeks to improve professional and social integration, currently having 91.38% of the individual employment contracts concluded for an indefinite period, thus avoiding the excessive use of temporary work.

GENDER DIVERSITY



HEALTH AND SECURITY



Diversity and inclusion

Being aware that diversity and inclusion are powerful drivers of stability, creativity and performance, through its policy, AEROSTAR promotes equal opportunities and fights all forms of discrimination.

Thus, in the context of employment relations in the company, the principle of equal treatment for all employees applies, which prevents any direct or indirect discrimination against the employees aimed at not granting, restricting or removing the recognition of use or exercise of rights provided for by labour legislation and the Collective Labour Agreement, based on sex criteria, sexual orientation, age, race, ethnicity, religion, political options, social origin, disability, family situation or responsibility, membership or trade union activity.

The share of women in the management structure is 25,7%.

The share of newly employed women in 2022 is 28,0%

Gender and age diversity

In terms of gender distribution, given the object of activity of AEROSTAR S.A., a share of 29,2% is represented by women in the personnel structure.

Work relations and social dialog

In AEROSTAR S.A. a collective Labour Agreement is in effect for the period 2022 – 2024, which was concluded between the administration of the company and the social partners and includes the Code of Conduct and Ethics that sets out the general guidelines for conducting the company business in accordance with the highest standards of business ethics.

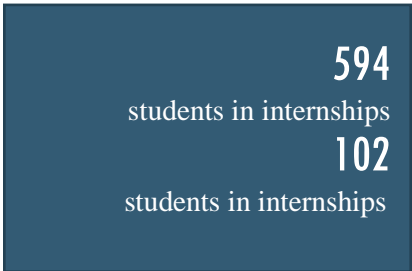
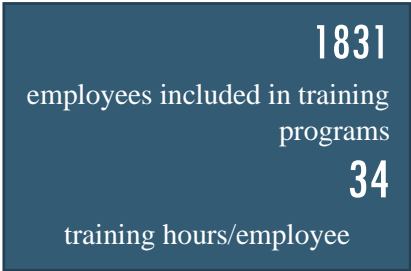
The average degree of syndication of the company in 2022 was 62,17%, a slight decrease compared to 2021.

Health and safety

During the reporting period, no work accidents were recorded in AEROSTAR. Aerostar acts consistently to reduce the risks of accidents and diseases and applies in its activity internal rules and regulations that ensure compliance with legal requirements. During 2022 no employees suffered from occupational diseases or dangerous incidents.

COVID-19 pandemic

In order to protect its employees against Coronavirus infections, AEROSTAR continued in 2022 the implementation of the General Plan of measures with specific regulations.



Training, training and professional development

Aerostar creates long-term partnerships to strengthen its connections with the educational institutions, in order to attract young people to internships and study.

At the same time, the priority of AEROSTAR is the implementation of agreements concluded with both vocational and technical pre-university education institutions and higher education institutions, with a view to setting up classes and/or groups in specializations of interest to the company.

By training employees in professional development and supporting inclusive culture, each employee can realize their full potential and contribute with our help, thus ensuring the evolution of the professions of tomorrow.

We facilitate the integration of new employees, and especially young people, by including them in dedicated vocational training programs. In 2022, professional training courses were organized for the employees of the company, aiming with priority to cover the training needs in the areas of interest for the production activities.

Principles and values, human rights, fighting corruption and bribery

Aerostar’s activities are conducted in accordance with the highest international standards of business, honesty and integrity.

AEROSTAR S.A. respects and guarantees equal and non-discriminatory treatment in relation to its employees, partners, collaborators and customers. The personnel of the company behave professionally, thus ensuring in a transparent and impartial manner diversity and equal opportunities in relation to all stakeholders, while avoiding any action that could be interpreted as an act of discrimination. AEROSTAR respects the Universal Declaration of Human Rights.

STRATEGY, ENVIRONMENT AND BUSINESS MODEL

AEROSTAR, Information about the company's activity

AEROSTAR's business focuses on increasing performance through continuous improvement and professional development of employees in the spirit of integrity, innovation and initiative. AEROSTAR focuses on meeting the requirements and expectations of its customers, while acting for continuous improvement at all levels.

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

We hold authorisations for the maintenance of commercial aircraft and are currently authorized to perform type A, B, C and D works on the Boeing 737 aircraft series 300-900, Boeing 737 MAX, Airbus 320 family, CEO & NEO, as well as for components.

We are a maintenance centre for F-16 aircraft belonging to the Romanian Army and we are part of the national defence industry in accordance with Law 232/2016.

The synergy of our skills and experience for the civil and military market contributes to strengthening Aerostar as a sustainable and future-proof company.

Environment and business model

AEROSTAR acts in the global market of products and services in the aviation and defence industry as an independent company.

Committed to a sustainable future, our company's top management has adopted an ambitious strategy and an integrated business model based on the process-systemic approach and RISK-based thinking.

The production activities are carried out on the basis of commercial contracts concluded with the clients, who are integrators and/or end users/beneficiaries in the aeronautical and defence industry.

The company's management policy is focused on maintaining a solid capital base, for continuous development, in the context of the global market and competitive edge through quality,

capabilities, high-level technologies for continuous and organized development and implicitly for achieving our strategic objectives.

The business model of the company did not change despite the instability conditions caused by the international context, but the way the activities were carried out was adapted in relation to the specific nature of the activity flows.

Aerostar continues to act firmly to ensure business sustainability and to keep unaffected the production capabilities, and focuses on ensuring the employees' health and safety.

We fully comply with the applicable national and international law, acting constantly, intensively and transparently to pursue the growth opportunities and to ensure access to new programs in the aviation and defence field.

External environment

Internal environment

Perspectives

The year 2022 was characterized by instability due to the international context, with difficulties in the supply of raw materials and materials, along with a general increase in demand. Furthermore, the increase in production costs as well as the overall inflation led to uncertainty over future costs and as a result, the suppliers' reluctance to make long-term commitments.

In terms of demand for products and services provided by AEROSTAR, a selective increase was observed.

The external environment

Since the summer of 2022, the pandemic restrictions have been lifted and most countries have dropped the quarantine requirements. This has positively influenced the aviation industry, by the resumption of the international air travel traffic.

In terms of supply chains, the suppliers of products and services did not manage to regain the production capacity they had before the pandemic, and in some cases the lack of qualified personnel has directly contributed to the crisis in the global supply chain.

Price increase

The year 2022 saw an increase in electricity and gas prices, which led to chain increases in the prices of various materials and services from certain suppliers.

The war crisis in Europe

Both the geopolitical instability and the imposed sanctions had various influences. The new global logistical challenges and disruptions in the supply chains force the airlines to seek ways to supply raw materials from other sources, which slows down the recovery of the aviation industry and leads to higher raw material purchase prices.

The impact of the COVID pandemic

The impact of the pandemic on both the social and economic aspects, and the changes thus generated, have imposed a preventive management approach in relation to all components and functions of the organization. During 2022, AEROSTAR continuously monitored the evolution of the COVID-19 pandemic, considering that there are no uncertainties regarding its ability to continue operating in the event of successive pandemic waves.

Climate impact

Climate change is one of the major global challenges we face. AEROSTAR continuously assesses the environmental risks and opportunities identified in its operations. As regards the reporting period, there is no significant impact on the company's assets and liabilities.

Internal environment

The workforce shortage in the aviation industry remains a real problem and challenge given the demand for qualified and specialized personnel, the high level of professional experience and training required by the specific activities in the field.

Perspectives

The aviation industry is a dynamic sector with rapid changes, in a period of uncertainty. The company's prospects largely depend on the global context and the evolution of key factors. The pandemic situation as well as the global economic and geopolitical crisis have not changed AEROSTAR's commitment to its established responsibilities. The conflict between Ukraine and Russia did not directly affect the company's business, but the resulting effects are a constant concern for the company.

STRATEGY

Committed to a sustainable future, through its objectives and commitments, the company channels its efforts to achieve the main goal of increasing sustainability by associating profitability with responsibility, by increasing value in the short, medium and long term and thus by increasing the company's performance. Through the objectives addressed in the company strategy and confirmed in the non-financial statement, AEROSTAR aims year after year to exceed the targets by meeting the proposed objectives. The AEROSTAR strategy involves increasing commitment in all aspects of sustainability.

The environmental, social and personnel aspects, the respect for the human rights, fighting corruption and bribery are priorities for AEROSTAR, therefore the relevant performance data and indicators are communicated in the annual and regular reports in line with the best practices, procedures and policies of the company, while following the guidelines of the legislation in force.

We are continuously following the progress of the proposed commitments!

1. Climate change mitigation	2. Top employer	3. Involvement in the community and its development	4. Customer satisfaction
<p>Reduction of atmospheric emissions of greenhouse gases and emissions of volatile organic compounds;</p> <p>Reducing the environmental impact by increasing waste recovery and educating all employees in the spirit of minimizing waste generation to improve environmental performance;</p> <p>We respect the environment, nature and resources.</p>	<p>Training the employees in their professional development and supporting inclusive culture, in which each employee can reach their full potential and contribute with our help, thus ensuring the evolution of tomorrow's professions;</p> <p>Improving the quality of life at work, ensuring the health and safety of employees and maintaining a thriving social dialog;</p> <p>We respect, support and guarantee equal, non-discriminatory treatment through equal opportunities for all our employees.</p>	<p>Developing partnerships to attract young people to internships and study;</p> <p>Improving professional and social integration.</p>	<p>Developing partner relationships so that we can be a reference point for our customers;</p> <p>Strengthening the position of strategic player in the civil and military aviation industry and creating sustainable added value;</p> <p>We uphold the highest standard of professional ethics.</p>

These targets are listed in the table of key performance indicators on page 48.

AEROSTAR MANAGEMENT

Board of Directors

The Board of Directors of AEROSTAR S.A. was elected for a period of four years at the General Meeting of the Shareholders on 9 July 2020. The election took place by secret ballot, with the new 4-year term from 11.07.2020 to 10.07.2024.

AEROSTAR's Board of Directors consists of:

FILIP GRIGORE

Aviation engineer
President



**DAMASCHIN
DORU**

Economist
Vice-president



**TONCEA MIHAIL-
NICOLAE**

Aviation engineer
Member



**DOROȘ LIVIU-
CLAUDIU**

Economist
Member



VÎRNĂ DANIEL

Legal adviser
Member



Further information on the Board of Directors can be found in the Chapter Corporate Governance.

Executive Management

In relation 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 organization that relies on administrative centres in the field of production, auxiliary activities and functional activities.

The executive management is ensured by the General Director and the Financial Director. The management structure at the executive-operational level is completed by the other division directors and directorates.

On October 1, 2022, two changes occurred in the executive management, as follows:

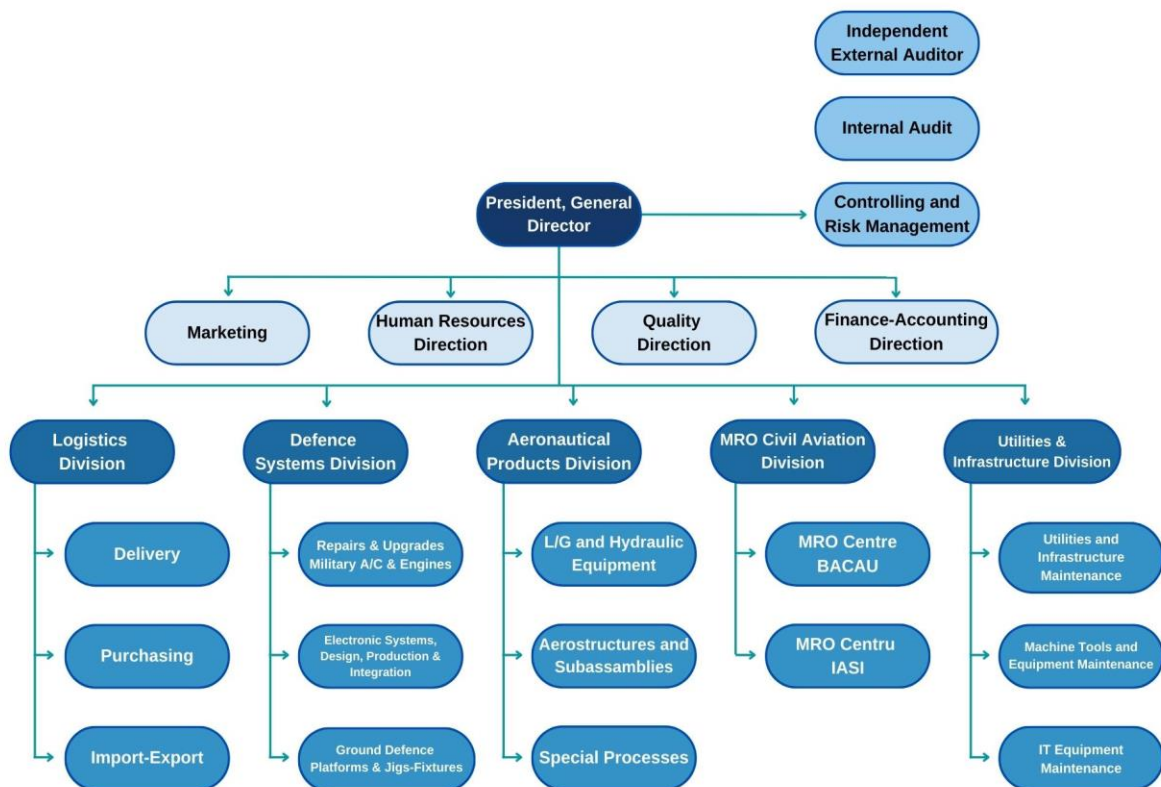
- The appointment of Mr. Filip Alexandru as a Deputy General Director
- The appointment of Mrs. Cristea Andra as a Logistics Division Director

The direct participation of the executive managers in the share capital of the company is below 1%. There were no litigations with the above-mentioned persons.

Executive management	
Name	Position
Filip Grigore	General Director
Damaschin Doru	Financial-Accounting Director
Filip Alexandru	Deputy General Director
Rogoz Vasile Laurențiu	Quality Director
Popa Dan Paul Mălin	Human Resources Director
Cristea Andra	Logistics Division Director
Buhai Ovidiu	Defence Division Director
Iosipescu Șerban	Aeronautical Products Division Director
Veleşcu Ioan - Dan	Director of MRO Civil Aviation Division
Branche Cătălin Bogdan	Utilities and Infrastructure Division Director

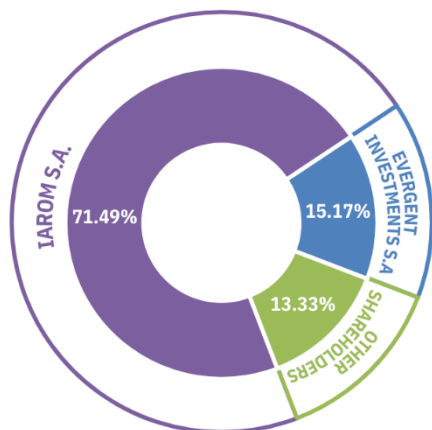
Divisional organisation of the company

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 organizational principles and the use of resources in a unitary, competitive and integrated manner. This organising manner has ensured the development of capacities needed to carry through new programs in the field of civil aviation and defence, as well as the necessary investments for this purpose. The management of the company is in a unitary system.



AEROSTAR Shareholders

The significant shareholders of AEROSTAR S.A. are IAROM S.A. Bucharest and EVERGENT Investments S.A. Bacau. The synthetic shareholding structure of the company on 31 December 2022 is shown below:



Shareholders	Number of shares
IAROM S.A.	108,866,403
Evergent Investments S.A	23,106,135
Other shareholders	20,304,912
Total	152,277,450

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

Relation with shareholders and the capital market

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

- The right to participate in the General Assemblies directly or by representation – by providing them with special powers of attorney, ballots by correspondence, other useful information;
- The right to have a fair treatment, regardless of holdings;
- The right to receive dividends in proportion to each shareholder's holdings.

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

According to the provisions of the Corporate Governance Code, continuous and regular 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 www.aerostar.ro.

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

There are no changes to the rights of shareholders. There were no major transactions entered into 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 management

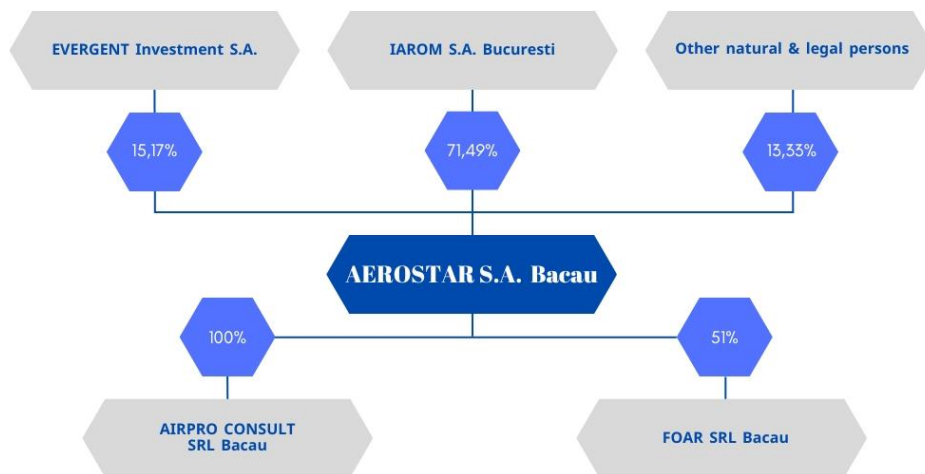
There have been no changes affecting the capital and management of Aerostar S.A.

The company was not unable to comply with its financial obligations during this period.

AEROSTAR's relation with the parent company, other shareholders and the companies where it holds capital

Aerostar is a subsidiary of IAROM S.A. and therefore the parent company that consolidates the financial statements of the group is IAROM S.A., with the unique identification code 1555301 and its registered office in Bucharest, at no. 9, 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 31.12.2022. Aerostar's relationship with its parent company and with the companies where it holds capital:



Affiliated parties

As of 31.12.2022, AEROSTAR S.A.'s holdings in other affiliated entities are as follows:

Name of subsidiary/branch	Main activity	Number of shares held by Aerostar	Voting rights	Value of Aerostar holding (k lei)	Financial information for the last financial year (year 2021) for which the financial statements of the affiliated companies were approved		
					Sales (k lei)	Equity (k lei)	Net Profit (k lei)
Airpro Consult S.R.L. Bacău	cod CAEN 7820	100	100%	10	7.601	250	68
Foar S.R.L. Bacău	cod CAEN 7739	408	51%	4	315	1.090	82
TOTAL				14			

AEROSTAR's holdings in these companies are recorded at cost. Both companies in which AEROSTAR holds stakes are registered in Romania. The transactions with the affiliated parties are covered in financial statements, Note 26.

TANGIBLE ASSETS

The production facilities and capacities of Aerostar S.A. are located in Bacău, Romania, where the company's registered office is located, at no. 9, Condorilor Street, postal code 600302 and at the secondary place of business headquarters without legal personality, that is a workplace in Iași, 25B Aeroportului Street.

The company owns land in a total area of 47.87 hectares, with access to the European road E85. Aerostar has direct access to the runway of the "George Enescu" airport in Bacau.

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

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

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

On 31 December 2022, Aerostar S.A. Bacău owned tangible assets for carrying out the activity in a gross value of 343,916 thousand lei, materialized in land, buildings, special constructions, installations, technological equipment, means of transport:

Category of tangible assets	Gross value (k lei)	Degree of wear (%)	Estimated useful life (years)
Lands	29.534	N/A	N/A
Construction	96.634	40,80%	30-50 years
Investment property	11.275	42,23%	25-50 years
Technical installations, of which:	202.640	69,30%	
• technological equipment	195.108	69,20%	4-25 years
• means of transport	7.532	71,80%	4-18 years
Other tangible assets	3.833	46,78%	2-18 years
TOTAL	343.916	54,20%	N/A

In 2022, there were no identified risks regarding the ownership over tangible assets.

Information Regarding Shares (ARS)

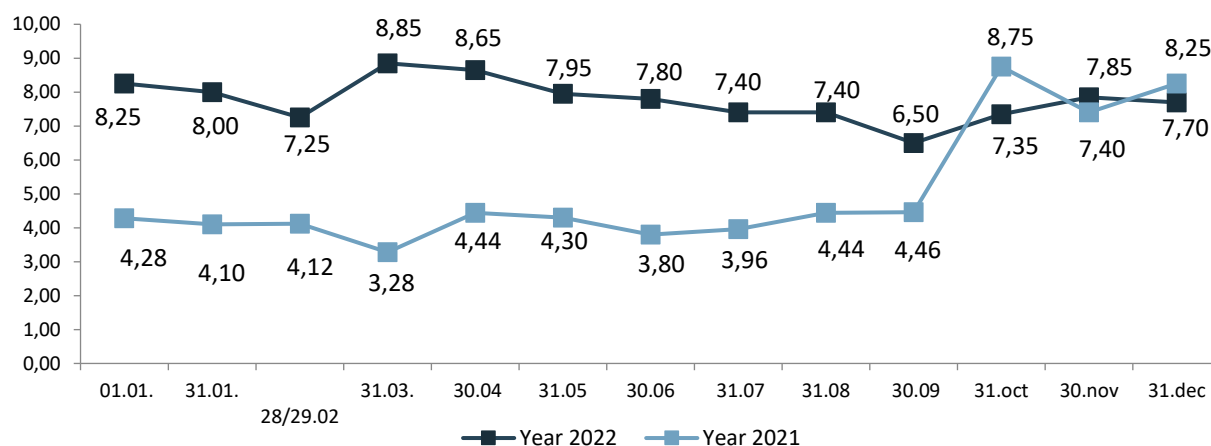
The shares of Aerostar S.A. Bacău have been traded since 1998 on the regulated market managed by the Bucharest Stock Exchange.

Main characteristics of the issued securities: 152.277.450 nominative, ordinary shares of equal value, fully paid, issued in dematerialized form and highlighted by registration in the shareholders Register administered by Depozitarul Central S.A. Bucharest.

Aerostar S.A. Bacău is registered as an Issuer with the following data: Unique registration code 950531, ISIN code ROAEROACNOR5, stock exchange symbol ARS, all the issued shares belonging to the Standard category.

Aerostar shares – in figures	31.12.2022	31.12.2021	31.12.2020
No. 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) *)	7,70	8,25	4,28
Market capitalisation (lei)	1.172.536.365	1.256.288.963	651.747.486
Maximum price (lei)*)	9,50	9,40	5,70
Minimum price (lei) *)	6,35	4,00	3,00
Result per share (lei)	0,593	0,394	0,254

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



During 2022 Aerostar S.A. did not issue bonds or other similar securities; no new share subscriptions were registered, no certificates of participation, convertible bonds, options or similar rights; there was no program to purchase own shares.

QUALITY AND ENVIRONMENT

The quality and environmental management system complies with all relevant regulations and standards and meets the strictest expectations. Therefore, we use an integrated quality and environmental management system to ensure that the quality and environmental aspects are compliant, continuously improved and standardized.

We are certified on the requirements of the standard ISO 9001, the environmental management standard ISO 14001 and the occupational health and safety standard ISO 45001.

We are also authorized as a maintenance organization Part 145, a manufacturing and design organization part 21G and part 21J respectively. Our defence-related partnerships have led us to implement the quality management system on NATO quality assurance requirements AQAP 2110 and AQAP 2210.

From the point of view of social responsibility and sustainable development, AEROSTAR has set the following objectives in the environmental field: to improve the performance in the field of pollution prevention, sustainable resource use and climate change mitigation, in compliance with the guidelines of SR ISO 26000 on social responsibility.

The quality and environment policy adopted by Aerostar has as strategic objectives: to meet the customer requirements, to comply with the legal and regulatory requirements applicable to the activities carried out, to increase the environmental performance, to ensure full safety for the users of Aerostar products and services, as well as continuous improvement of the competitiveness of our products and services.

Certifications, Authorization, Accreditation in 2022

In 2022, the certification of the quality management system in AEROSTAR S.A. to the requirements of ISO 9001:2015 was extended for the field “design, development and maintenance of software products”.

At the same time, the certification of the quality management system was maintained, according to the requirements of the standard SR EN ISO 9001:2018.

AEROSTAR S.A.’s scope of authorization as a maintenance organization Part 145 for the MRO Centres of Bacau and Iasi, issued by the Romanian Civil Aviation Authority was extended.

AEROSTAR S.A.’s scope of authorization as a maintenance organization was extended by the Turkish Civil Aviation Authority.

AEROSTAR S.A. has been authorized as a maintenance organization by the Cayman Islands Civil Aviation Authority and the UK Civil Aviation Authority.

The quality management system was recertified to the NATO quality assurance requirements of AQAP 2110 and AQAP 2210.

AEROSTAR S.A. has been authorized as a maintenance training and examination organization, RMAR 147, by the National Military Aeronautical Authority.

Thus, in 2022 were maintained both the authorizations issued by civil aviation authorities and the authorizations obtained from the customers Airbus, Boeing, Safran, GKN, Premium Aerotec.

The re-certification and continued validity of each of these certifications and authorizations confirm the concern and good practice established in AEROSTAR for risk management.

Improving the environmental performance

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

Aerostar has a dedicated department for verifying the compliance with the provisions of the environmental legislation, which coordinates all activities specific to environmental protection.

AEROSTAR has complied with the environmental legislation, as well as with the requirements of the integrated Environmental permit, water Management permit and greenhouse gas emissions permit. The results of the inspections carried out by the Commissioners from the Environmental Guard of Bacău confirm that AEROSTAR complies with the applicable legal and regulatory requirements.

Activities with an environmental impact shall be controlled by internal operational controls, respectively by analysing the results of the monitoring actions and measurements carried out in accordance with the provisions of the environmental authorizations relating to air emissions, generation of waste, noise and spillage.

Sustainable use of resources

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

The industrial water needs are fully ensured by the operation of own wells. The technological wastewater resulting from chemical and electrochemical processes is collected and treated at the wastewater neutralization stations located on the company's site.

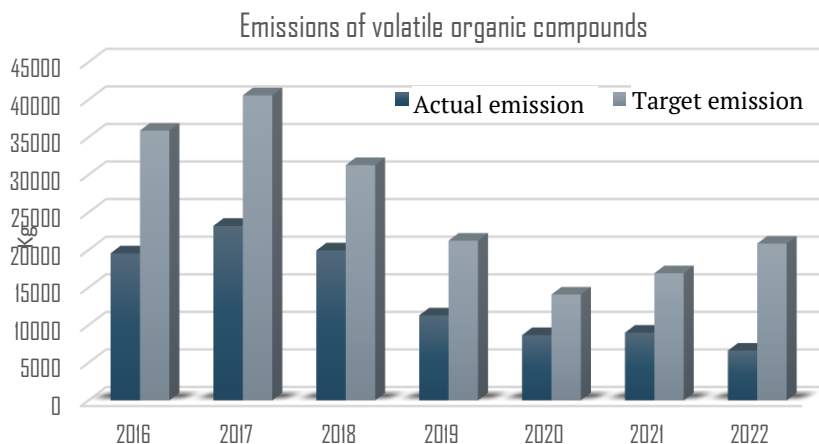
The total amount of water discharged to the sewer in 2022, in relation to the company's turnover, dropped by 14.5% compared to 2021 and by 45.4% compared to 2020.

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 2022 in relation to the turnover decreased by 42% compared to 2021 and by 40% compared to 2020.

In 2022 Aerostar completed the implementation of a photovoltaic park consisting of over 7000 panels, located on the roof of the buildings owned by AEROSTAR S.A., with a total installed power of 3MW, to benefit from its own green energy.

Pollution prevention and waste recovery

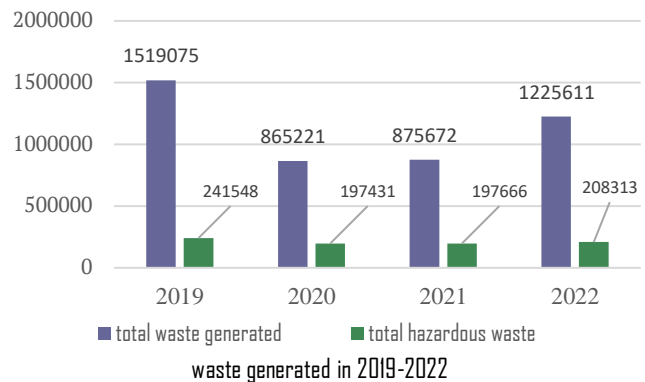
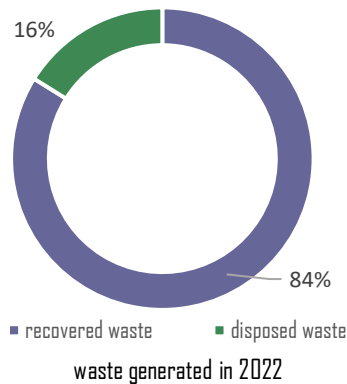
The volatile organic compound emissions decreased in 2022 by 26.5% compared to 2021 and by 23.8% compared to 2020, while the company continued to replace the solvent-based paints with water-based paints.



We monitor both the hazardous and the non-hazardous waste, we use it and transfer it through an authorized recycling company, in accordance with the legislation in force.

All waste categories are managed in compliance with specific legislative requirements. All waste generated from the activities carried out within the company is stored separately in suitable containers and then handed over to authorized operators for their collection, recovery, disposal.

In 2022, the amount of recoverable waste represented about 84% of the total amount of waste generated from internal activities (51% more waste recovered than in 2021 and 54% more waste recovered than in 2020).



Requirements for compliance with the REACH Regulation

All hazardous chemicals and mixtures used in AEROSTAR are managed according to the applicable regulations in force. The hazardous chemicals and mixtures covered by the REACH regulation are used in compliance with the conditions imposed by the authorizations issued by the European Commission.

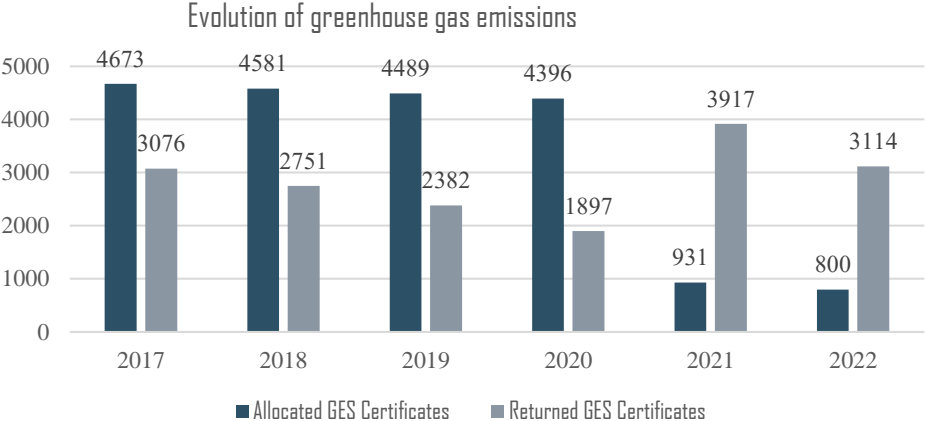
Climate change mitigation

AEROSTAR has complied with all obligations arising from the greenhouse gas emissions permit:

- a monitoring report for greenhouse gas emissions generated in 2022 was prepared and validated by the audit carried out by an accredited surveyor;
- compliance in the Unique European Register for Greenhouse Gas Emissions - completed in April
- when 3945 certificates were returned.

No non-conformities were documented following the survey audit on the greenhouse gas emission management, and consequently, the emissions for the year 2022 were validated.

The atmospheric emission values measured in 2022 revealed that these values are below the maximum allowable value provided for in the applicable legislation in force.



Assessment of issues related to impact of the activity

As regards the impact of the company’s business, AEROSTAR acts responsibly, efficiently and continuously to ensure compliance with the applicable legal and regulatory requirements and the contractual requirements in relation to the customers.

A permanent preoccupation within the company remains the employees’ training with a view to raising their awareness of the need to comply with the environmental requirements.

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, as well as with 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.

Corporate governance structures

The corporate governance structures are:

Shareholders – The General Meeting of the Shareholders

Board of Directors

Audit Committee

Executive management

General Meeting of Shareholders

The procedure for organizing and conducting the General Meetings of the Shareholders is published on the website www.aerostar.ro/Investor Relations/Reference Documents.

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.

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 2022.

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.

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 functioning 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.

Independent auditor: The shareholders of AEROSTAR S.A. have unanimously approved the appointment of Auditeval Consulting S.R.L. as a financial auditor and the conclusion of a financial audit contract for a minimum period of 1 (one) year, with the possibility of extension by Addendum approved by the Board of Directors of the Company.

Code of Conduct and Ethics

AEROSTAR upholds 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 voluntarily adopting 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 labour 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

Management control

There is a department in AEROSTAR that performs the tasks of financial management control. It ensures the inventory of all items of the nature of assets, liabilities and equity in the company's 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 centres
- cost centres.

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 centres and the cost centres 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 and to the Audit Committee.

Table on compliance with the Corporate Governance Code 2022

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 2022, 9 meetings took place, of which: In 2 meetings all the BoD members were present; In 1 meeting 4 members were present, while the fifth member was absent; In 6 meetings 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		

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 risk management process is conducted in a manner that ensures the handling of risks so as to eliminate them or to secure the agreed level of risk.

In Aerostar, the risk management is a continuous process that is carried out in order to evaluate risks and handle them, to identify new risks that never occurred and to reassess the risks that reoccur.

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' needs and expectations in obtaining the organization's forecasted results.

In order to identify the risks related to quality and environment, the internal and external context of the company was taken into account, as well as the relevant requirements of the interested parties, the activities with impact on the environment and the compliance obligations applicable to them.

Main risks and their management

The risks identified by AEROSTAR are in a limited number, grouped according to the degree of probability of occurrence. The risk profile of this period is uncertain.

Risks related to geopolitical and economic instability

Among the many negative effects of an escalation of the war in Ukraine are the rising costs, the export restrictions, the international sanctions and the rising military tensions around the world. At the same time, the increase in procurement costs, raw materials and materials induce pressure on the manufacturing costs.

We maintain our pro-active policies, while continuously monitoring and analysing the main conflict areas.

Risks related to the workforce

It is a priority to make sure that AEROSTAR can attract, develop and retain a competent, motivated and flexible workforce that fits the current and future requirements. The workforce is becoming a challenge for the future, given the need for qualified staff with advanced skills in new technologies.

As measures for handling this risk, AEROSTAR develops partnerships with pre-university and university education institutions, organizes internships for students from specialized institutions, grants dual scholarships to students from the dual vocational education.

Risks related to pandemic

The COVID-19 pandemic was one of the most profound challenges in the history of our company. The impact of the pandemic on both the social and economic aspects and the changes thus generated require preventive management in relation to all components and functions of the organization. Our top management believes that there are no uncertainties about the ability to continue working in the event of further successive pandemic waves.

The exposure to other types of risks is presented in Note 18 – Financial instruments.

Given the global political turmoil, in the future we can face new types of risks that can affect our business, operations results and financial situation. Additional risks and uncertainties that are not currently known to the company or that are currently considered to be insignificant may also affect its business and operations. The Company strives to minimize risk to the extent reasonably possible.

The trend of main risks and uncertainties for the next period

The aviation industry is a dynamic sector with rapid changes, in a period of uncertainty. The company's prospects depend largely on the global context and the evolution of key factors. The pandemic situation as well as the global economic and geopolitical crisis have not changed AEROSTAR's commitment to its established responsibilities. The conflict between Ukraine and Russia did not directly affect the company's business, but the resulting inflationary effects are a continuing concern for the company.

Next, the company's management aims to secure medium and long-term sustainability and to reduce the uncertainty associated with its strategic objectives and focuses on mitigating the consequences of the economic and financial imbalances.

The results of 2022 reflect the company's solid performance, with a growth in sales and an increase in the number of employees, in the context of the complex geopolitical and economic environment. The financial performance increased by 24% in turnover compared to the same period of last year, reflects resilience and a stable framework of the company in relation to the business environment.



NON-FINANCIAL STATEMENT

Our approach in sustainability

The non-financial statement along with the sustainability information presented in this report, reflect the company's commitment, values and objectives, set for a sustainable business and for reaching a balance between the shareholders' expectations, the needs and concerns of our employees, members of our community and all stakeholders.

We believe that our responsible actions will contribute to lasting economic success. By pursuing sustainable development, we are moving toward a safer future.

We are guided by responsibility for sustainable development, we consistently apply the best practices in the field, in accordance with the practices of our business partners, we provide transparent information, explanations and data from these categories of financial and non-financial information.

Meeting our customers' requirements, full safety for the users of our products and services, continuous improvement and increasing the environmental performance are the principles by which we guide ourselves in our business.

Our sustainability goals, correlated with the business environment and global evolution have been integrated in our company's overall long-term strategy.

We are committed to being a top Employer!

In this regard, we plead for an inclusive culture in which each person can fulfil his or her potential and contribute through their individual perspectives. We are convinced that the diversity of our workforce and our organizational culture have a positive impact on the success of our business and the evolution of the company.

We are committed to strengthening our culture and the diversity of our workforce by attracting, retaining and developing our employees professionally, by developing partnerships to attract young people to internships and study.

We take action against all forms of discrimination, we build teams with a balanced age structure and a diverse foundation of educational backgrounds and experience, and we create a balanced working environment. Our skills matrix shows how managers and employees can create an adequate environment through open collaboration and support.

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

We respect the environment, nature and natural resources!

We see climate change as a challenge and a threat to the environment, with an impact on society and economy.

This can lead to uncertainties for planning, investment and strategies. Legal regulations and provisions also evolve in an attempt to encourage eco-friendly behaviour.

We believe that everyone's efforts must be consistent. We also believe that our actions to mitigate climate change and to ensure energy efficiency will bear fruit in the long term.

Respect for the environment is at the heart of sustainable behaviour. In this regard, we monitor greenhouse gases and carry out analyses compared to the previous years, we establish actions to reduce consumption and we make investments that will be a long-term benefit.

We continue to commit ourselves to protecting all natural resources by responsibly using water and energy, to reducing greenhouse gas emissions, waste from activities, to reducing the use of chemicals, materials and processes that have a negative effect on the environment, and to improve and develop the company's locations in such a way as to avoid any negative environmental impacts.

We see improvements in our indicators from year to year. This is only possible by respecting our assumed commitment. We are committed to communicating our environmental policy and strategy to all stakeholders and, where possible, to exceed the requirements of the applicable regulations and standards.

We are committed to building a sustainable future!

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

The pandemic situation and the global economic crisis have not altered our commitment and have not caused any impact on the compliance of our company with its established responsibilities.

In our company, the Board of Directors determines the strategic orientation and ensures its implementation. At the same time, the Board of Directors is also responsible for ensuring compliance with all applicable legal provisions, the company's internal regulations, as well as the proper 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 and Environmental Director.

The responsibilities for the social, manpower, occupational health and safety aspects, the fight against discrimination and the promotion of diversity are allocated/delegated to the Director of Human Resources.

The responsibilities for compliance with the legislation on human rights, fighting corruption and bribery are assigned/delegated to the Legal Department.

The responsibilities regarding the sustainable use of resources and the reduction of energy consumption are allocated/delegated to the Utilities & Infrastructure Division Director.

The responsibilities regarding the measures of enforcement in relation to money laundering prevention are assigned/delegated to the Finance-Accounting Director.

The corporate governance responsibilities are assigned to the general secretariat of the company.

The regulatory framework established by AEROSTAR for compliance is based 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.

Performance indicators

We are continuously monitoring the progress of the proposed commitments!

1. CLIMATE CHANGE MITIGATION		
	2021	2022
Reduction of atmospheric greenhouse gas emissions	Down by 28%	Down by 21%
Reduction of volatile organic compound emissions	Down by 23,8%	Down by 26,5%
Increase of the percentage of waste recovery	Up by 1,5%	Up by 51%
Reduction of electricity consumption/production of electricity from renewable sources	Down by 40%	Down by 42%
Total amount of water discharged to the sewer	Down by 45,4%	Down by 14,5%
2. TOP EMPLOYEEER		
	2021	2022
Training employees in professional development (number of internal and external training hours/employed per year)	29 hours of training/employee.	34 hours of training/employee.
Ensuring the health and safety of employees (number of accidents per 100,000 hours worked)	0,007	0
Diversity and inclusion/share of women in Aerostar	28,0%	29,2%
Number of women in the management structure	24,2%	25,7%
3. INVOLVEMENT IN THE COMMUNITY AND ITS DEVELOPMENT		
	2021	2022
Developing partnerships to attract young people in internships and study	12	17
Individual employment contracts concluded for an indefinite period	77,12%	91,38 %

Performance indicators in accordance with the strategic objectives presented at page 23.

**Compliance
with reporting requirements
non-financial**

The annual report for the period 1 January - 31 December 2022 was prepared in accordance with the framework set out in Law 24//2017, ASF Regulation No 5/2018 on issuers of financial instruments and market operations – Annex 15, the applicable reporting requirements and the Guidelines described in the Communication from the European Commission.

The annual report is accompanied by the statement on non-financial reporting issues, the “apply or explain” statement of compliance with the Bucharest Stock Exchange Corporate Governance Code and the individual financial statements of Aerostar.

Section in the Annual Report	Non-financial reporting requirements	Page
Corporate governance		37
Non-financial statement	Non-financial statement	45
Our strategy and business model	Business model, the context of the organization	20
Context of the organization and stakeholders	and stakeholders	23
Quality and environment	Quality and environmental policy	32
Quality and environment	Improving the environmental performance	32
Quality and environment	Improving the performance in the field of pollution prevention	34
Quality and environment	Climate change mitigation	35
Quality and environment	Sustainable use of resources	35
Principles and values, conduct	Principles and values, Code of Ethics and Business Conduct	37
Corporate governance		
Corporate governance	Sustainable development	45
Our employees	Social and personal aspects	17
Our employees	Promoting diversity	17
Corporate governance		
Our employees	Human rights and the fight against corruption	17
Corporate governance	and money laundering	17
Corporate governance	Corporate governance	37
Risk and opportunity management	Risk and opportunity management	43
Corporate governance		

SUMMARY OF FINANCIAL STATEMENTS 2022

Financial performance	UM	31.12.2022	31.12.2021
Total income	k lei	499.052	391.697
Total costs	k lei	399.381	322.049
Gross profit	k lei	99.671	69.648

Financial position	UM	31.12.2022	31.12.2021
Non-current assets (net values)	k lei	252.380	188.610
Current assets	k lei	461.382	433.621
Share capital	k lei	48.729	48.729
Equity	k lei	493.709	421.338
Total debt	k lei	90.259	69.014

Identification data and field of activity

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

The company activities take place at the registered office, which is located at no. 9, Condorilor Street, Bacau, postal code 600302.

Since January 2018, AEROSTAR has registered a secondary office, a workplace on the perimeter of the International Airport of Iasi;

The unique European company identification code (EUID) is ROONRC.J04/1137/1991, and the LEI identification code of the legal entity 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 spacecraft" - NACE code 3030;

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, Accounting Law no. 82/1991, republished, as amended and supplemented, and are presented in accordance with the requirements of IAS1, order 2844/2016 for the approval of accounting regulations in accordance with the International Financial Reporting standards.

The basis for preparing and presenting the financial statements are presented in Note 3;

The individual financial statements prepared for 2022 are accompanied by the independent financial auditor's report;


AEROSTAR S.A. is listed on the **Bucharest Stock Exchange** under the **ARS** code and the stock and shareholders records are kept, according to the law, by S.C. Central Depository S.A. Bucharest;

Number of telephone/fax:

004-0234 575070/
004-0234 572023;

Web/e-mail:

 www.aerostar.ro

 aerostar@aerostar.ro

Reporting period:

**January 1 -
31 December 2022**

Contact us:

AEROSTAR S.A.

9, Condorilor Street, Bacau - 600302, Romania

tel:+40 234 575070

e-mail: aerostar@aerostar.ro, www.aerostar.ro