



# 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

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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

## EDITORIAL

### 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](http://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	Rezult 2022	Rezult 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**

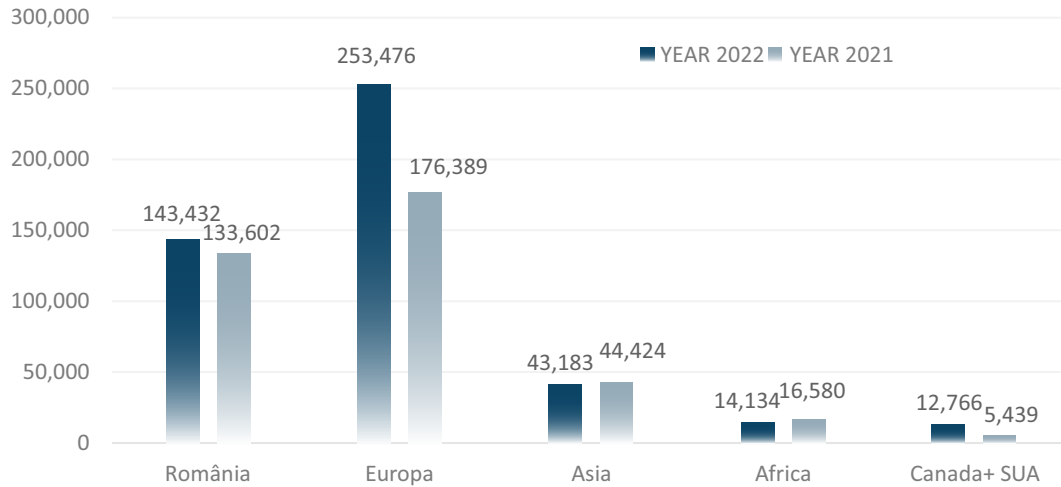
Monetary indicators	UM	31.12.2022	31.12.2021
Average exchange rate EURO/12 months	lei/euro	4,9315	4,9204
Average exchange rate USD/12 months	lei/USD	4,6885	4,1604
Average exchange rate GBP/12 months	lei/GBP	5,7867	5,7233
Inflation	%	13,80	8,19

\* Source: [www.bnr.ro/cursurivalutare](http://www.bnr.ro/cursurivalutare)

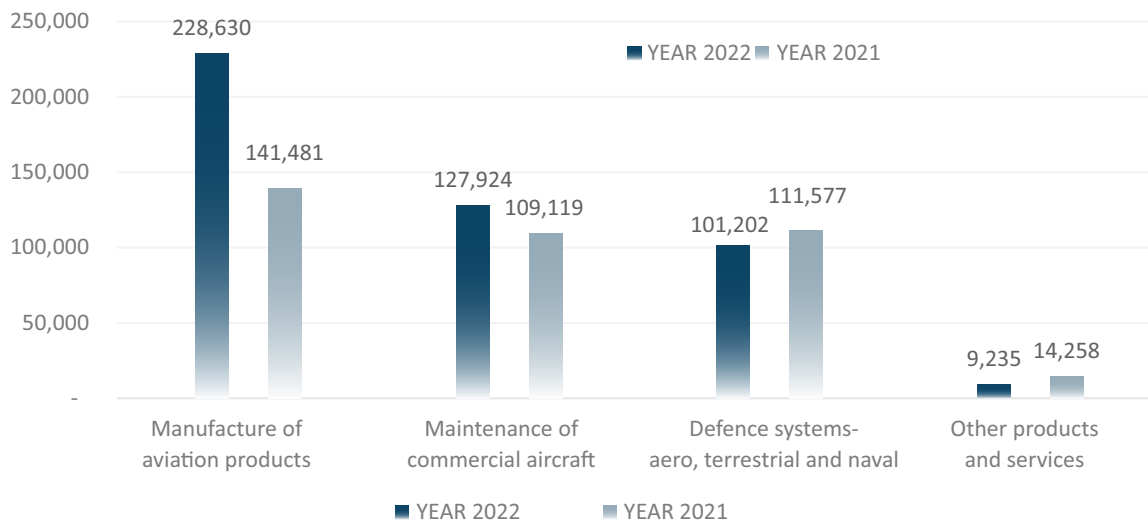
AEROSTAR prepares its individual financial statements in accordance with the International Financial Reporting Standards IFRS.



## 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.

## NON-FINANCIAL INDICATORS

### 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.

 [aerostar@aerostar.ro](mailto:aerostar@aerostar.ro)

### 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.



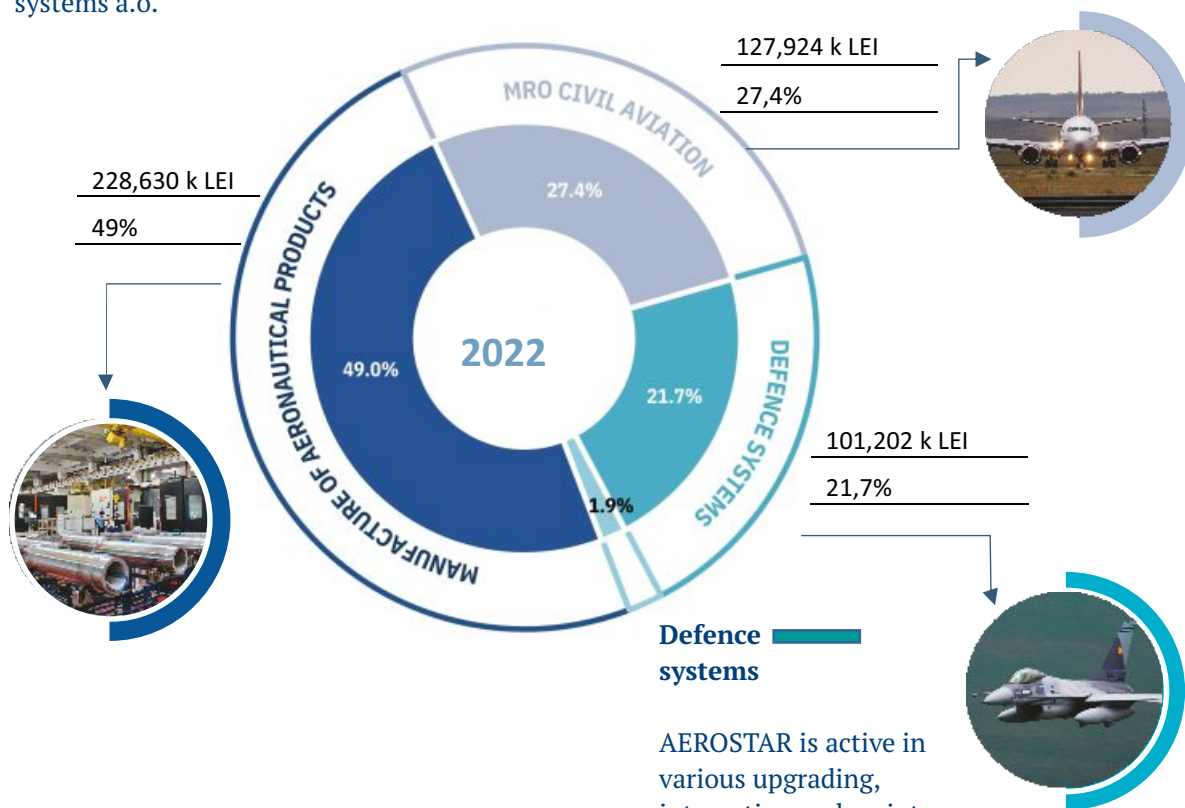
[www.aerostar.ro](http://www.aerostar.ro)

**Manufacturing of Aeronautical Products**

In the field of civil aviation Aerostar is a supplier of aerostuctures, 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.



AEROSTAR operates on three business lines.

**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 MARKETS

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

Turnover achieved in 2022

466.991 k LEI

up by 24%

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

Export sales

323.559 k LEI

up by 33%

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.

EUROPE 54,28%  
253.476 k LEI

ASIA 9,25%  
43.183 k LEI

ROMANIA 30,71%  
143.432 k LEI

AFRICA 3,03%  
14.134 k 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.

MANUFACTURE OF AERONAUTICAL PRODUCTS



MRO CIVIL AVIATION



DEFENCE SYSTEMS

## 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



## MRO CIVIL AVIATION

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

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.

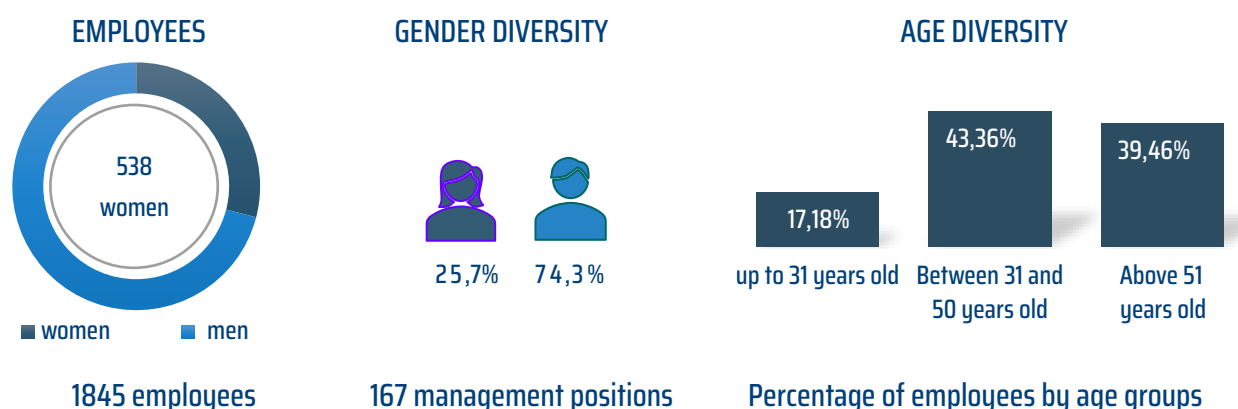
The comparative sales values for the services dedicated to defence systems show a downward trend on this level, compared to 2021.

#### **RESULTS IN FIGURES**

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



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.



### 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%**.

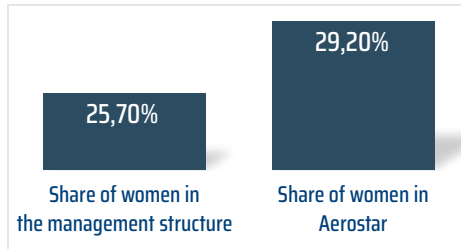
### Social and personal aspects

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.

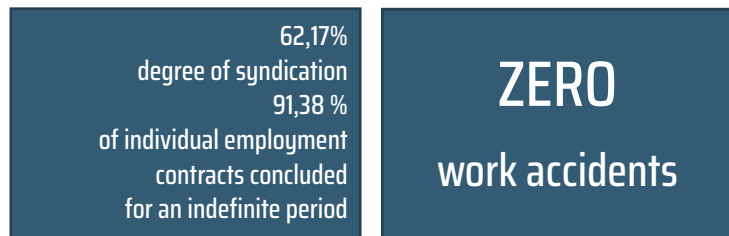
Through the HR policies adopted, AEROSTAR ensures equal opportunities for all employees, without discrimination, in terms of professional career or any other work practice.

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.

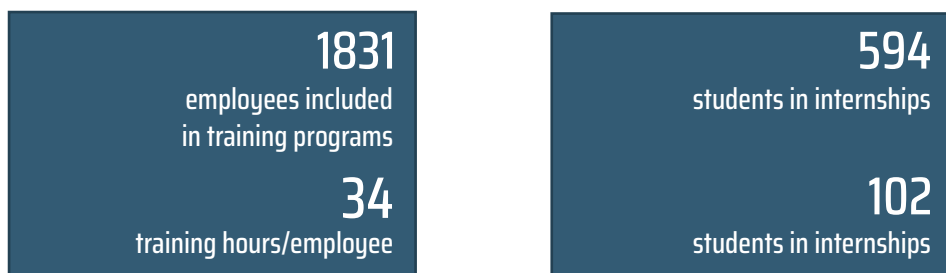
The average degree of syndication of the company in 2022 was 62,17%, a slight decrease compared to 2021.

## 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 to 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 50.

## 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.

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:

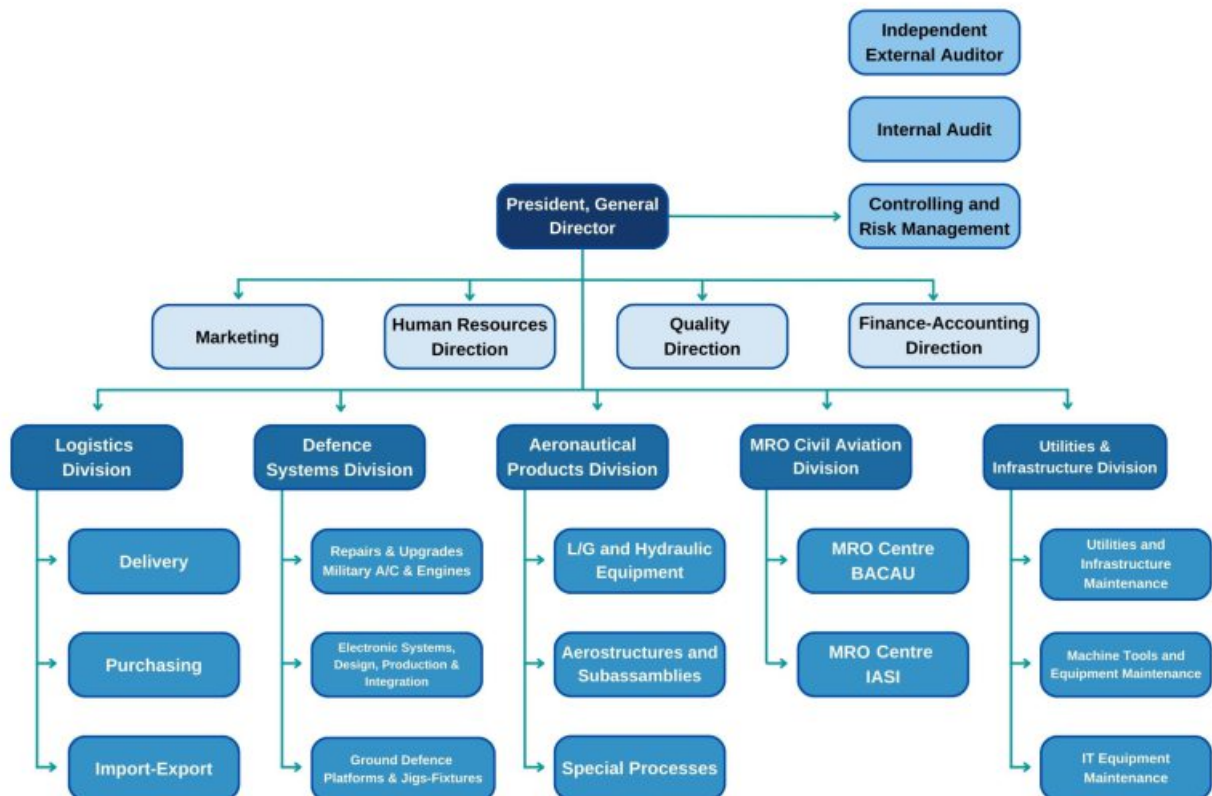
- The appointment of Mr. Filip Alexandru as a Deputy General Director
- The appointment of Mrs. Cristea Andra as a Logistics Division Director

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.

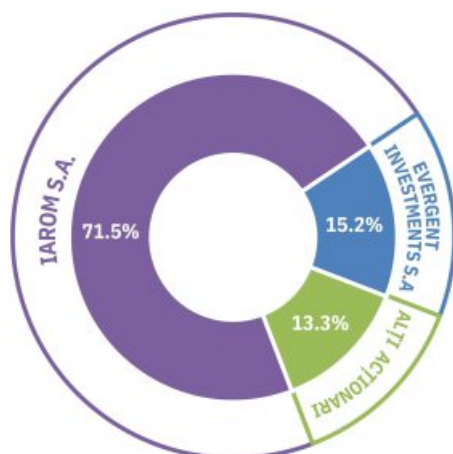
<b>Executive Management</b>	
Name	Position
Filip Grigore	General Director
Damaschin Doru	Financial-Accounting Director
Filip Alexandru	Deputy General Director
Rogoz Vasile Laurențiu	Quality Director
Popa Dan Paul Mălin	Human Resource Director
Cristea Andra	Logistics Division Director
Buhai Ovidiu	Defence Division Director
Iosipescu Șerban	Aeronautical Products Division Director
Veleșcu 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.



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
<b>Total</b>	<b>152,277,450</b>

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](http://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.

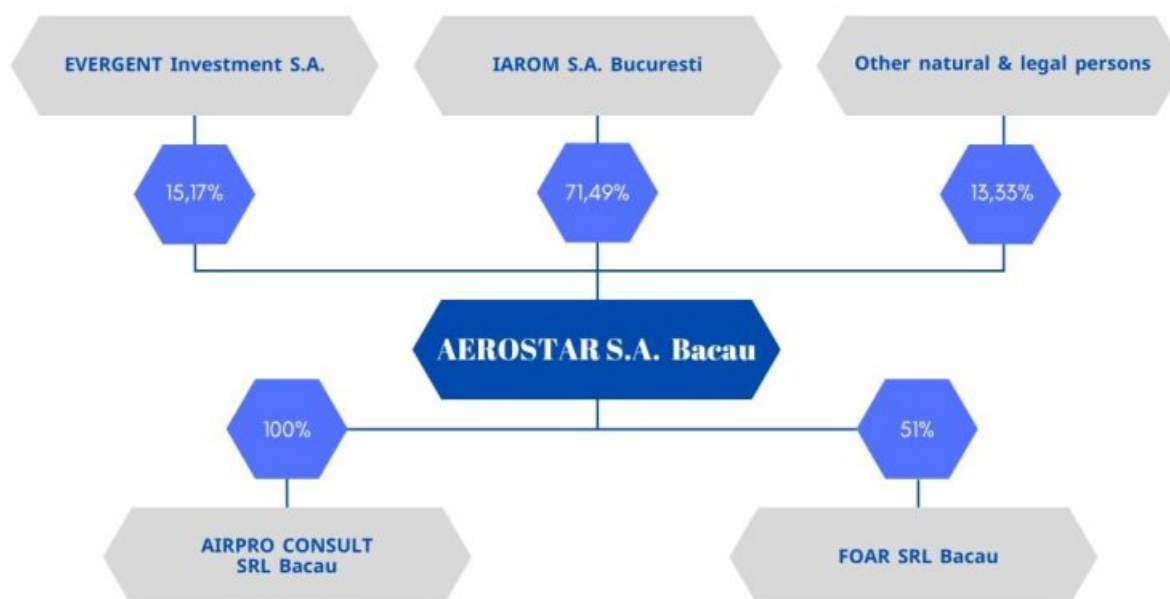
The company was not unable to comply with its financial obligations during this period.

### 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, other shareholders and 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 Bacău.

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)

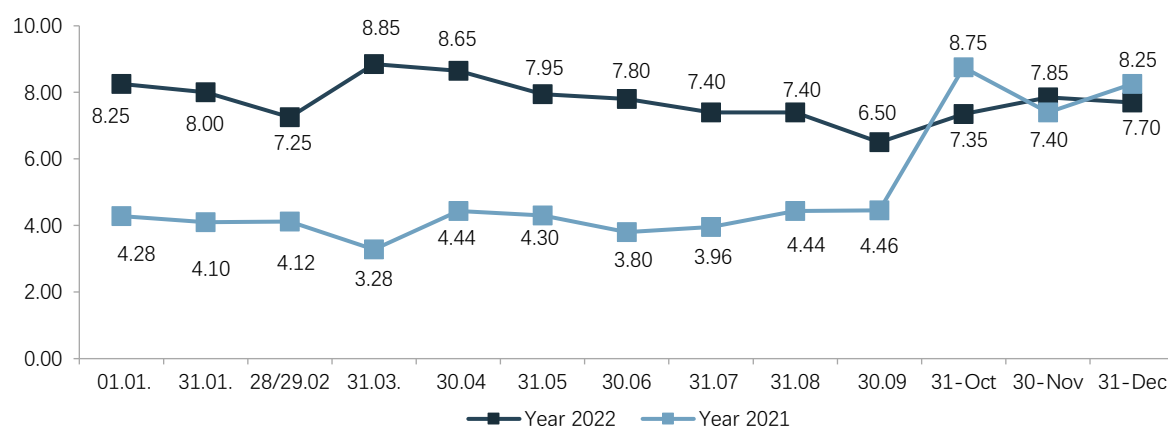
The shares of Aerostar S.A. Bacău have been traded since 1998 on the regulated market managed by the Bucharest Stock Exchange.

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.

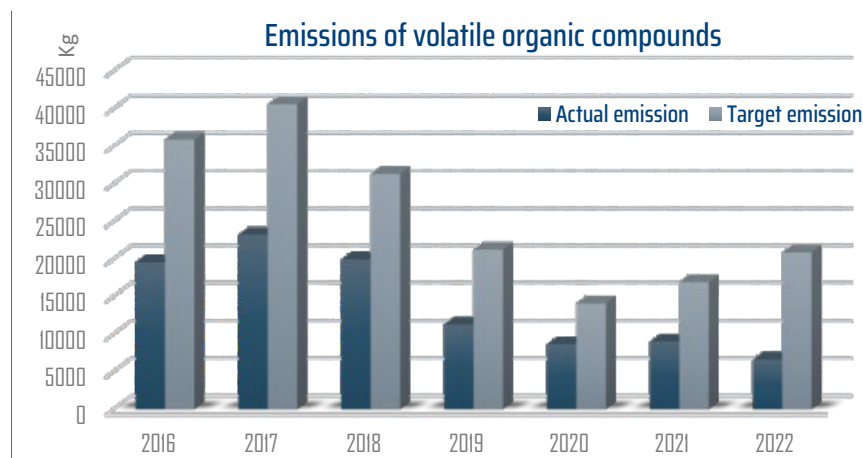
The total amount of water discharged to the sewer in 2022, in relation to the company's turnover, dropped by 14.5% compared to 2021 and by 45.4% compared to 2020.

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

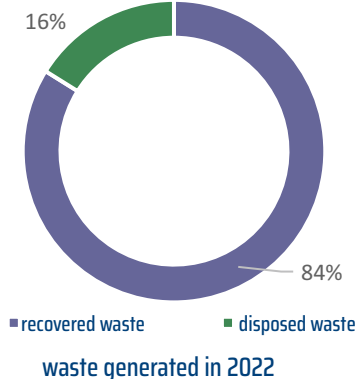
The volatile organic compound emissions decreased in 2022 by 26.5% compared to 2021 and by 23.8% compared to 2020, while the company continued to replace the solvent-based paints with water-based paints.



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.

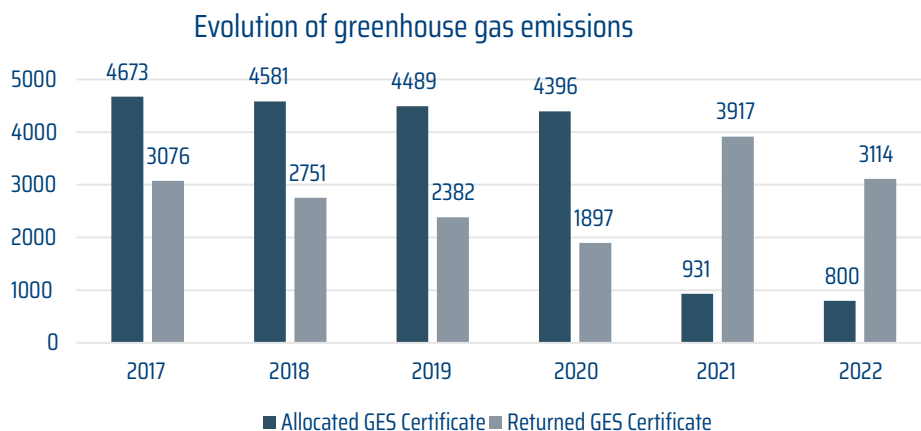
**Climate change mitigation**

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](http://www.aerostar.ro/Investor%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.

### **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](http://www.aerostar.ro/Investor%20Relations/Reference%20documents).

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](http://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:

- o that performance is achieved in terms of sustainable development of the company;
- o accuracy and transparency of the decision-making process of the company;
- o the observance of the shareholders' rights and their fair treatment by protecting and implementing their prerogatives in practice;
- o 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:

- o no BoD member is an independent member;
- o no member is in conflict of interest with the position he holds in the Board of Directors;
- o 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:

- o profit centres
- o cost centres.

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

The budgetary control ensures:

- o compliance with the forecasted values for each budgeted indicator
- o 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.

### 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 25.

## 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 and stakeholders	20
Context of the organization 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 and money laundering	17
Corporate governance		37
Corporate governance	Corporate governance	
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;

**Number of telephone/fax:**  
004-0234 575070/  
004-0234 572023;

**Web/e-mail:**

 [www.aerostar.ro](http://www.aerostar.ro)  
 [aerostar@aerostar.ro](mailto:aerostar@aerostar.ro)

**Reporting period:**  
**January 1 -**  
**31 December 2022**

**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.



# **AEROSTAR S.A. BACĂU**

## **INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED ON 31 DECEMBER 2022**

**Prepared in accordance with  
Order of the Minister of public Finance no. 2844/2016,  
for the approval of accounting regulations  
in accordance with the  
International Financial Reporting standards**



# **CONTENT**

**THE INDIVIDUAL SITUATION OF PROFIT OR LOSS**

**OTHER COMPREHENSIVE INCOME**

**THE INDIVIDUAL FINANCIAL POSITION**

**THE INDIVIDUAL STATEMENT OF CASH FLOWS**

**THE INDIVIDUAL SITUATION OF CHANGES IN EQUITY**

**NOTES TO INDIVIDUAL FINANCIAL STATEMENTS**

## INDIVIDUAL STATEMENT OF PROFIT OR LOSS FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2022

(all amounts are expressed in thousand lei, unless otherwise specified)

	Note	31 December 2022	31 December 2021
<b>Operating income</b>			
Sales revenue	19	466.991	376.434
Other revenue	19	2.838	2.993
Revenue related to stocks of finished products and production in progress	19	3.334	1.250
Income from the production of assets	19	451	410
Income from operating subsidiaries	19	169	1.420
<b>Total operating income</b>		<b>473.783</b>	<b>382.507</b>
<b>Operating costs</b>			
Material expenses	20	(172.076)	(121.255)
Expenses on employee benefits	20	(147.930)	(123.111)
Depreciation expenses of assets	5;6;20	(24.105)	(25.794)
Net income (expenses) from adjustments on current assets	20	(11.678)	1.478
Net income (expenses) from adjustments to provisions	20	2.054	(16.169)
Expenditure on external benefits	20	(29.829)	(28.908)
Other expenses	20	(6.840)	(4.925)
<b>Total operating expenses</b>		<b>(390.404)</b>	<b>(318.684)</b>
<b>Profit/loss from operating activity</b>		<b>83.379</b>	<b>63.823</b>
Financial income	21	25.269	9.190
Financial expenses	22	(8.977)	(3.365)
<b>Financial profit/loss</b>		<b>16.292</b>	<b>5.825</b>
<b>Profit before tax</b>		<b>99.671</b>	<b>69.648</b>
Current and deferred income tax	17;23	(9.398)	(9.708)
<b>Net profit of the period</b>		<b>90.273</b>	<b>59.940</b>

**INDIVIDUAL STATEMENT OF OTHER COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2022**

(all amounts are expressed in thousand lei, unless otherwise specified)

	31 december 2022	31 december 2021
Net profit of the period	90.273	59.940
Deferred income tax recognized on account equity	(2.345)	(648)
Revaluation at fair value of equity instruments through other elements of the global result	7.235	-
Other elements of the global result	4.890	(648)
Total global result of the period	95.163	59.292

## INDIVIDUAL STATEMENT OF THE FINANCIAL POSITION FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2022

(all amounts are expressed in thousand lei, unless otherwise specified)

	Note	31 december 2022	31 december 2021
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	166.176	163.914
Intangible assets	5	859	688
Investment property	6	6.514	6.395
Rights to use the assets under lease	32	1.753	1.773
Financial assets	7	59.029	52
Receivables regarding deferred profit tax	17	18.049	15.788
<b>Total non-current assets</b>		<b>252.380</b>	<b>188.610</b>
<b>Current assets</b>			
Inventories	10	130.610	98.770
Trade receivables and other receivables	8;9;18	83.982	59.801
Short-term prepaid expenses	31	617	579
Cash and cash equivalents	11	246.173	274.471
<b>Total current assets</b>		<b>461.382</b>	<b>433.621</b>
<b>Total assets</b>		<b>713.762</b>	<b>622.231</b>
<b>COMPANY EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	12	48.729	48.729
Current result	12	90.273	59.940
Result carried-forward	12	50.938	51.148
Reserve	12	331.384	284.365
Deferred income tax recognized on account of equity	17	(19.654)	(17.134)
Distribution of profit for legal reserve	12	(7.961)	(5.660)
<b>Total equity</b>	12	<b>493.709</b>	<b>421.388</b>
<b>Long-term liabilities</b>			
Liabilities regarding deferred income tax	17	21.676	19.418
Subsidies for long-term investments	14	2.008	3.025
Other long-term liabilities	16	1.503	1.525
<b>Total long-term liabilities</b>		<b>25.187</b>	<b>23.968</b>
<b>Long-term provisions</b>			
	13	95.271	105.383
<b>Current liabilities</b>			
Trade liabilities	15;18	48.610	28.450
Liability with current income tax	23	269	2.224
Prepaid income	31	1.876	196
Subsidies for short-term investments	14	1.020	1.167
Other current liabilities	16	13.297	13.009
<b>Total current liabilities</b>		<b>65.072</b>	<b>45.046</b>
<b>Short-term provisions</b>	13	<b>34.523</b>	<b>26.446</b>
<b>Total provisions</b>		<b>129.794</b>	<b>131.829</b>
<b>Total liabilities</b>		<b>90.259</b>	<b>69.014</b>
<b>Total company equity, liabilities and provisions</b>		<b>713.762</b>	<b>622.231</b>

**INDIVIDUAL STATEMENT OF CASH FLOWS FOR  
FINANCIAL YEAR ENDED ON 31 DECEMBER 2022  
(direct method)**

(all amounts are expressed in thousand lei, unless otherwise specified)

	Note	31.12.2022	31.12.2021
<b>CASH FLOWS FROM OPERATIONS</b>			
collected from customers		485.376	379.829
taxes and excises recovered from State Budget		6.478	3.055
collected as subsidies from the State Budget		98	2.466
payments to suppliers and employees		(344.098)	(221.820)
payment of taxes, contributions and dues to the State Budget		(70.752)	(65.966)
payment of profit tax to the State Budget		(13.676)	(6.005)
<b>NET CASH FROM OPERATIONS</b>	27	<b>63.426</b>	<b>91.559</b>
<b>CASH FLOWS FROM INVESTMENTS</b>			
interest collected from bank deposits set up		9.600	2.641
dividends collected from other entities		2.541	0
dividends collected from related entities		311	0
collected from selling tangible assets		0	39
payments for purchasing fixed assets	7, 27	(51.916)	0
payments for purchasing tangible and non-tangible fixed assets		(31.255)	(7.246)
<b>NET CASH FROM INVESTMENTS</b>	27	<b>(70.719)</b>	<b>(4.566)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
gross dividends paid		(21.991)	(17.568)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	27	<b>(21.991)</b>	<b>(17.568)</b>
Net increase/decrease of cash and cash equivalents		(29.284)	69.425
Cash and cash equivalents at the beginning of the period		274.471	202.660
Effect of the exchange rate variation on cash and cash equivalents	27	986	2.386
Cash and cash equivalents at the end of the period	11	246.173	274.471

**INDIVIDUAL SITUATION OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2022**  
(all amounts are expressed in thousand lei)

	Share capital	Reserve	Reserve from revaluation of financial assets through other elements of the global result	Deferred income tax recognized on equity	Result carried forward	Result of the period	Total equity
<b>Global result</b>							
<b>A. Balance on 1 January 2022</b>	48.729	284.365	-	(17.134)	51.148	54.280*	421.388
<b>Profit of the period</b>						90.273	90.273
<b>Other elements of the global result</b>							
Setting up of deferred profit tax recognized on account of equity				(2.520)	175		(2.345)
Distribution of the profit of the year 2021 to the destinations decided by the shareholders in OGMS of 20 April 2022 (Note 12)					54.280	(54.280)	-
Revaluation at fair value of the equity instruments through other elements of global result			7.235				7.235
Distribution of the profit made for tax facility reserves into gross amounts		7.961				(7.961)	-
Transfer to reserves of retained earnings representing surplus from revaluation reserves		385			(385)		-
<b>Total global result related to the period</b>	-	8.346	7.235	(2.520)	54.070	28.032	95.163
Reserve distributed from the profit of the year 2021		31.438			(31.438)		-
Distributed dividends related to the year 2021					(22.842)		(22.842)
<b>Transactions with the shareholders, recognized directly in equity</b>	-	31.438	-	-	(54.280)	-	(22.842)
<b>B. Balance on 31 December 2022</b>	48.729	324.149	7.235	(19.654)	50.938	82.312**	493.709
<b>C. Modifications of equity (Note 12)</b>	-	39.784	7.235	(2.520)	(210)	28.032	72.321

\*) The result of 59,940 thousand lei on 31.12.2021 is influenced by the distribution of the profit on other reserves from tax facilities in the amount of 5,660 thousand lei;

\*\*) The result of 90,273 thousand lei on 31.12.2022 is influenced by the distribution of the profit on other reserves from tax facilities in the amount of 7,961 thousand lei.

## INDIVIDUAL STATEMENT OF THE CHANGES IN COMPANY EQUITY FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2021

(unless specified otherwise, all amounts are stated in thousand lei)

	Share capital	Reserves	Deferred income tax recognized on equity	Result carried forward	Result of the period	Total equity
Global result						
A. Balance on 1 January 2021	48.729	270.214	(16.148)	51.214	26.361*	380.369
Profit of the period					59.940	59.940
Other elements of global result						
Set up deferred income tax recognized on the account of equity			(986)	338		(648)
Distribution of the profit of 2021 for reserves from fiscal facilities, in gross amount		5.660			(5.660)	-
Transfer to reserves of similar items of income from the year 2021		395		(395)		-
<b>Total global result relating to the period</b>	-	6.055	(986)	(57)	54.280	59.292
Distribution to other reserves of the net profit of the year 2020		8.096		(8.096)		-
Distribution of the profit of the year 2020 to the destinations decided by the shareholders in OGMS of 21 April 2021 (Note 12)				26.361	(26.361)	-
Distributed dividends related to the year 2020				(18.273)		(18.273)
Transactions with the shareholders, directly recognized in equity	-	8.096	-	(9)	(26.361)	(18.273)
<b>B. Balance on 31 December 2021</b>	<b>48.729</b>	<b>284.365</b>	<b>(17.134)</b>	<b>51.148</b>	<b>54.280**</b>	<b>421.388</b>
<b>C. Modifications to own equity (Note 12)</b>	<b>-</b>	<b>14.151</b>	<b>(986)</b>	<b>(66)</b>	<b>27.919</b>	<b>41.018</b>

\*) The result of the prior period is 26.361 k lei and is influenced by the distribution of the profit on the legal reserves in the amount of 12.082 k lei;

\*\*) The result on 31.12.2021 is 59.940 k lei and is influenced by the distribution of the profit on the legal reserves in the amount of 5.660 k lei;

# NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2022

(all amounts are expressed in thousand lei, unless otherwise specified)

## NOTE 1 – DESCRIPTION OF THE COMPANY

AEROSTAR was founded in 1953 and operates in accordance with Romanian Law.

AEROSTAR S.A. performs its activity at its registered head office located in Bacau, 9, Condorilor Street, code 600302. In accordance with the Agreement no. 2/14.12.2017 of the Board of Directors, a secondary place of business without legal personality (workplace) has been approved in Iasi, on 25B Aeroportului Street.

The main field of activity of AEROSTAR is production.

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

The company was registered as a shareholding company at the Bacau Trade Register (under number J04/1137/1991), with the current name "AEROSTAR S.A." and the individual identification code 950531, the European Unique Identifier (EUID) code ROONRC J04/1137/1991.

The company is listed on the Bucharest Stock Exchange under THE ARS code, and the stock and shareholders record is kept, according to the law, by S.C. Central S.A. Depository Bucharest.

During 2022, there was no subscription of new shares, nor of any participation certificates, convertible bonds, warranties, options or similar rights.

In terms of accounting regulations, AEROSTAR S.A. 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 the registered office in Bucharest, 39, Aerogarii Blvd. The consolidated financial statements for the financial year 2021 were submitted to A.N.A.F. under registration no. 429231916-2022/30.08.2022. Copies of the consolidated financial statements can be obtained from the head office of the parent company, IAROM SA. 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.

The company has a sole business segment under IFRS 8 and no distinct financial information is available for various components of the entity. The information on sales by business lines and markets is detailed in the Board of Directors' Report.

The management policy is focused on maintaining a solid capital base in order to support the continuous development of society and the achievement of its strategic objectives.

The company will continue to act firmly to ensure the sustainability of investments and the preservation of production capabilities. At the same time, thanks to the experience gathered in our collective, the company acts in order to find the most suitable solutions to solve the new economic challenges, such as the lack of predictability of the energy costs and the workforce instability.

## NOTE 2 – ESTIMATES, ASSUMPTIONS AND ACCOUNTING REASONING

### 2.1. Estimates

The preparation and presentation of individual financial statements in accordance with IFRS requires the use of estimates, judgments and assumptions that affect the application of accounting policies as well as the reported value of assets, liabilities, income and expenses.

Estimates and judgments are made based on historical experience, as well as on a series of factors considered adequate and reasonable. The accounting estimates and judgments are continuously updated and they take into account reasonable expectations of likely future events. The reported carrying amounts of the assets and liabilities that cannot be determined or obtained from other sources are based on these estimates considered appropriate by the top management of the company.

Such estimates, as well as the reasoning and assumptions behind them are reviewed periodically, and the result thereof is recognized during the period when the estimate was reviewed.

Any change in accounting estimates will be recognized prospectively by including it in the result:

- of the period during which the change takes place, if it affects only that period; or

- of the period during which the change takes place and of the subsequent periods, if the change also has effect on them.

The company uses estimates to determine:

- the uncertain customers and the adjustments for impairment of the related receivables;

- the value of risk and expense provisions to be set up at the end of the period (month, quarter, year) for litigations, for decommissioning of property, plant and equipment, for guarantees to customers, for staff obligations and other obligations;

- the adjustments for impairment of tangible and intangible assets. At the end of each reporting period, the company estimates whether there are sign impairment indices. If such signs are identified, the recoverable amount of the asset is estimated to determine the extent of impairment (if any);

- the lifetimes of tangible and intangible non-current assets. The company reviews the estimated life of tangible and intangible non-current assets at least at each end of the financial year in order to determine their adequacy;

- the inventories of raw material and materials that require the setting up of impairment adjustments.

- deferred taxes.



### *Presentation of information*

To the extent possible, the company will disclose the nature and value of a change to an accounting estimate which has an effect in the current/subsequent period(s).

#### **2.2. Errors**

Errors may arise with regard to the recognition, measurement, presentation or description of the elements of the financial statements.

The company corrects retroactively the significant errors of the previous period in the first set of financial statements approved for publication after discovering the errors, by:

- restating the comparative values for the previous presented period when the error occurred, or
- if the error occurred before the earliest period presented, by restating the opening balances of assets, liabilities and equity for the prior period presented.

In case of identifying an error, the company presents the following information:

- the nature of the error of the previous period;
- for each previous period presented, insofar as possible, the value of the adjustment:
  - for each item – row affected in the financial situation;
  - for the basic and diluted results per share.
- the amount of the correction at the beginning of the earliest period presented;
- if retroactive restatement is impossible for a specific previous period, the circumstances leading to that condition and a description of how and when the error was corrected.

#### **2.3. Changes in the accounting policies**

Changes in the accounting policies are permitted only if required by IFRS or if they result in more relevant or credible information about the company's operations.

The company changes an accounting policy only if such change:

- is required by an IFRS; or
- results in financial statements that provide reliable

and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flows.

Application of changes in accounting policies:

- The entity accounts for a change in the accounting policy that results from the initial application of an IFRS in accordance with the specific transitory provisions, if any, of that IFRS; and
- Upon the initial application of an IFRS that does not include specific transitory provisions.

### *Presentation of information*

When the initial application of an IFRS has an effect on the current or previous periods, the company discloses in the explanatory notes the following:

- the title of the IFRS;
- the nature of the change in accounting policy;
- where applicable, the fact that the amendment is made as an effect of the transitional provisions and a description of those transitional provisions;
- for the current period and for each preceding period presented, the sum of adjustments for each affected item in the statement of financial position, to the extent possible.

When it is impossible to determine the specific effects for one or more previous periods presented, the Company will apply the new accounting policy to the carrying amount of assets and liabilities for the first period for which the retroactive application is possible, which may be the current period.

Where a voluntary change in the accounting policy has an effect on the current or previous period, the company shall present in the explanatory notes:

- the nature of the change in accounting policy;
- the reasons why the application of the new accounting policy provides reliable and more relevant information;
- for the current period and for each preceding period presented, the estimated amount of adjustments for each affected item of the statement of financial position, to the extent possible.

## **NOTE 3 – ACCOUNTING AND EVALUATION PRINCIPLES**

### **3.1. Basis for the preparation and presentation of financial statements**

The individual financial statements of Aerostar SA are prepared in accordance with the provisions of:

➤ The International Financial Reporting standards (IFRS) adopted by the European Union:

✓ ***New or revised standards adopted for the first time:***

1. Adoption of amendments to IFRS 1 "First-Time Adoption of International Financial Reporting Standards", IFRS 9 "Financial Instruments", IAS 41 "Agriculture" and illustrative examples of IFRS 16 "Leasing";
2. Adoption of amendments to IFRS 3 "Business

combinations";

3. Amendment to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' (the amendment refers to onerous contracts);

4. Adoption of amendments to IAS 16 „Property, plant and equipment“.

The amendments enter into force for annual reporting periods beginning

✓ ***Standards (amendments to standards) and interpretations adopted by the International Accounting Standards Committee and the European Union through Regulations issued but not entered into force:***

1. **The entry into force of IFRS 17 "Insurance Contracts"** introducing a new international approach to accounting for insurance contracts;
2. **Amendments to IAS 1 "Presentation of Financial Statements"**. The amendments relate to the classification of liabilities as current or long-term liabilities and the presentation of accounting policies;
3. **Amendment to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** introduces the definition of Accounting estimates;
4. **Amendments to IAS 12 "Income Taxes"**.

The amendments enter into force for annual reporting periods beginning on or after 1 January 2023. The company assesses the potential effects of the new standards and amendments on the International Financial Reporting standards and, according to the initial estimates, it predicts that they will not have a significant impact on its financial statements.

- Accounting Law No. 82/1991, republished, with subsequent amendments and completions;
- O.M.F.P. No. 881/2012 on the application of the International Financial Reporting Standards by companies whose securities are admitted for trading on a regulated market;
- O.M.F.P. No. 2.844/2016 for the approval of accounting regulations in accordance with the International Financial Reporting standards with subsequent amendments and completions;
- O.M.F.P. No. 2.861/2009 for the approval of the Norms on the organization and carrying out of the inventory of items such as assets, liabilities and equity;
- O.M.F.P. 1.826/2003 for the approval of the specifications regarding certain organizational and management measures for management accounting;
- O.M.F.P. no. 2.634/2015 on financial accounting documents, with subsequent amendments and completions.

The accounting is kept in Romanian and in the national currency.

The accounting of operations performed in foreign currency is kept both in national currency and in foreign currency.

The financial year is the calendar year.

The financial statements are prepared and reported in thousands of lei and all values are rounded to the nearest thousand lei. Due to rounding, the numbers shown do not always accurately reflect the totals

submitted and the percentages do not accurately reflect absolute figures.

The financial statements are prepared on the basis of historical cost.

The financial statements are presented in accordance with the requirements of IAS 1 Presentation of Financial Statements. The company opted for a presentation by nature and liquidity in the statement of financial position and a presentation of the revenues and expenses by nature in the statement of profit or loss, considering that these presentation methods provide information that is relevant to the company's situation.

### 3.2. Applied accounting policies

Aerostar S.A. describes the accounting policies applied in the notes to the individual financial statements and avoids repeating the text of the standard, unless it is considered relevant to understanding the content of the note.

The most significant accounting policies are presented below:

#### - Accounting policies for assets

The company chose the cost-based model as its accounting policy. After recognition as an asset, the property, plant and equipment are accounted for at their cost less the cumulative depreciation and any cumulative impairment losses.

The depreciable amount is allocated systematically over the useful life of the asset and represents the cost of the asset minus the residual value.

Taking into account the specific activity and the types of assets in the company's patrimony, it was considered that the residual values of the assets are insignificant. In practice, the residual value was calculated at the level of the value of the recoverable metal waste, after deducting the costs of dismantling, disassembly and sale.

The depreciation methods and useful lifetimes are reviewed at least at the end of each financial year and adjusted accordingly. The useful lifetimes are determined by committees made up of specialists from the company. Any changes to them shall be accounted for prospectively.

Subsequent expenditures related to property, plant and equipment are added to the carrying amount of the goods when:

- they have the effect of improving the initial technical parameters;
- they are sources of future economic benefits materialized by cash flows supplementary to those estimated initially; and
- they can be assessed reliably.

Benefits are achieved directly by increasing the revenues and indirectly by reducing the maintenance and operating expenses.

All other expenses for repairs and maintenance carried out for the purpose of ensuring the continued use of the assets are recognized in the statement of profit or loss at the time of making them. They are made in order to preserve the initial technical parameters.

Spare parts are generally accounted for as inventories and recognized as expenses when consumed. If the spare parts and service equipment of significant values can only be used in connection with an item of property, plant and equipment, they shall be accounted for as property, plant and equipment if the initial purchase value (upon commissioning) of the replaced part can be determined.

In order to decide whether the recognition is made separately, on separate components, each case is analysed using professional reasoning.

The property, plant and equipment in progress to be used in production or in administrative activities shall be presented in the statement of financial position at cost less any loss accumulated from impairment. Such assets are classified in the respective categories of assets when they are completed and ready for use in the manner desired by management for the intended purpose.

The management of the company has set a cap on the capitalization of assets at 2,500 lei. All purchases below this amount will be considered expenses of the period.

Exceptions: Computers are considered to be depreciable property, plant and equipment irrespective of the input value and shall be amortized over the useful life determined by the receiving commission. Tools and work devices are also accounted for as stocks and recognized as expenses of the period when consumed, irrespective of their input value, taking into account that they have a useful lifetime usually less than one year, as well as their degree of specialization (are intended to be used for a particular type of product/service).

In case of internally generated intangible assets, the phases of accomplishment are clearly separated, namely:

The research phase. The research costs are treated as expenses of the period;

The development phase. Development costs are recognized as an intangible asset if the following conditions are demonstrated:

- the technical feasibility of completing the asset so that it is available for use or sale;
- the availability of adequate resources – technical, financial, human to complete the development;
- the intention to complete and use or sell the intangible asset;
- the ability to use or sell the asset;
- how the asset will generate future economic benefits;
- the ability to assess costs.

If the company cannot distinguish between the research and development phase of an internal project to create an intangible asset, the company treats the project costs as being incurred exclusively during the research phase.

The company has chosen as its accounting policy the cost-based model that requires that the intangible

assets be valued at their net book value equal to their cost less the cumulative depreciation and any impairment losses recorded on those assets.

A real estate investment is initially valued at cost, including any other directly attributable expenses. After the initial recognition, the company opted for the cost model for all its real estate investments in accordance with the provisions of IAS 16 for that model.

Transfers into and out of the property investment category are made only if there is a change in their use.

Transfers between categories do not change the carrying amount of the transferred immovable property or the cost of that property for the purposes of evaluation or disclosure of information.

Real estate investments are amortized according to the same rules as property, plant and equipment.

In the category of financial assets are recorded:

- shares held in affiliated companies;
- other fixed-income securities;
- long-term loans and interest on them. This category includes the amounts granted to third parties based on interest-rate contracts, according to the law;
- other non-current receivables and related interest. This category includes collaterals, deposits and securities placed with third parties, and claims related to leasing contracts.

Financial assets recognized as an asset are measured at the cost of purchase or at the value determined in their acquisition contract.

Financial assets are presented in the statement of financial position at the input value less any recognized impairment losses.

#### - Accounting policies for items of inventory nature

The inventories are recorded on the date of transfer of risks and benefits.

The calculation of those stocks that are not usually fungible and of the resulting goods or services is determined through the specific identification of their individual costs.

When the stocks and fungible assets are removed from the inventory, they are assessed and recorded in the accounts by using the FIFO method.

Periodically, the management of the company approves the level of normal technological losses.

The inventory is kept based on quantity and value, by applying the method of permanent inventory.

Value adjustments are made for current assets such as stocks at each reporting period, based on the age of inventories, the findings of the inventory boards and/or the heads of the profit centres, in order to present the assets at the lowest value between cost and net achievable value.

#### - Accounting policies on the company's liabilities

The company's liabilities are recorded in the accounts on behalf of third parties' accounts. The accounts of suppliers and other liabilities are kept per category, as well as per natural or legal person.

Income tax is recognized as a liability within the limit of the unpaid amount.

The excise duties and special funds included in prices or tariffs are recorded in the accounts based on the corresponding liabilities accounts, without transiting through the accounts of income and expenses.

The operations that cannot be recorded separately in the corresponding accounts and for which further clarification is required are recorded in a separate account 473 'Accounts settled from operations under clarification'.

Foreign currency liabilities are recorded in the accounting both in lei and in foreign currency.

A liability is classified as a short-term liability, also called a current liability when:

○ it is expected to be settled in the normal course of the company's operating cycle, or

○ it is due within 12 months from the balance sheet date.

All other liabilities are classified as long-term liabilities.

Liabilities that are outstanding over a period of more than 12 months are long-term liabilities.

They are also considered long-term interest-bearing liabilities even when they are due within 12 months of the date of the financial statements, if:

a) the initial deadline was for a period of more than 12 months; and

b) a refinancing or rescheduling agreement is in place, concluded before the date of the financial statements.

#### - Accounting policies on the company's receivables

Receivables include:

- trade receivables, which are amounts due by customers for goods sold or services rendered in the normal course of business;

- commercial effects to be collected, third-party instruments;

- amounts owed by employees or affiliated companies;

- advances granted to suppliers of assets, goods and services;

- receivables related to manpower and state budget.

Receivables are accounted for under the accrual basis, according to the legal or contractual provisions.

Customers' booking is kept by categories (internal customers for services and products, and external customers for services and products) and for each natural or legal person.

Receivables settled in foreign currency or in lei according to the foreign exchange rate.

Receivables in foreign currencies, which are the result of the company's transactions, are recorded both in LEI, and in foreign currency.

The transactions in foreign currency are initially recorded at the foreign exchange rate, communicated by the National Bank of Romania, on the date of performing the operation.

The removal from accounting of the receivables with prescribed collection deadlines is performed only after all legal steps have been taken for their settlement.

The uncertain receivables are recorded separately in accounting, in the account 4118 Uncertain customers when the due date stipulated in the contract is exceeded by more than 30 days or when a dispute with the client has been registered.

In the annual financial statements, receivables are valued and presented at the value at which they are likely to be received.

When a receivable from a client has not been collected in full at the due date set in the contract, impairment adjustments are recorded at the terms and percentages approved by the Board of Directors in the Accounting Policy Manual.

#### - Accounting policies for revenue recognition

Income is recognized in the statement of profit or loss of the company when an increase in future economic benefits linked to an increase in an asset or a decrease in debt can be reliably measured. As a result, recognition of revenue occurs simultaneously with recognition of asset growth or debt reduction.

The revenue category includes both the amounts collected or receivable on their own behalf and the gains from any source.

Income is classified as follows:

Operating income;

Financial income;

The revenue is recognized on an accrual basis.

Synthetic income accounts are developed on analytical accounts, according to the accounting regulations in force (general plan of accounts) and according to the company's own needs, with the approval of the top management.

The income is measured at the fair value of the consideration received or receivable. Sales revenue is diminished for returns, trade rebates and other similar discounts.

Operating income includes:

- sales revenue related to contracts with customers (goods, services, goods, waste products);

- income related to the cost of the stocks of products;

- income from the production of assets;

- income from readjustments of the assets, i.e. from decreases or repayments of provisions;

- other operating income.

Revenue from contracts with customers is recognized under IFRS 15 "Revenue from Contracts with Customers". The Client is a party that has entered into a contract with the Company to obtain goods and services resulting from the ordinary activities of the Company.

Revenue recognition describes the transfer of control over goods and services to customers and their assessment reflects the consideration to which the company is expected to be entitled in exchange for those goods and services.

Control, in accordance with paragraph 33 of IFRS 15, includes the ability to prevent other entities from determining the use of the asset and obtaining benefits from it. The benefits of an asset are potential cash flows that can be obtained directly or indirectly through the use, sale or holding of the asset.

Income recognition is the result of completing the following five levels:

##### 1. Identification of the contract with a customer

The company accounts for a contract with a customer only if the following conditions are met:

a) the parties have approved the contract and agree to honour their obligations,

b) the company can identify the rights of each party with respect to the transferred goods and services,

c) the company can identify the terms of payment regarding the transferred goods and services,

d) the contract has a commercial substance (i.e. it changes the risk, the time of occurrence and the amount of the entity's future cash flows),

e) it is likely that the company will collect the consideration to which it is entitled in exchange for the goods and services transferred to the customer. This involves assessing the customer's ability and intention to pay the consideration when it is due.

## 2. Identification of obligations arising from the contract

A contract includes obligations to transfer goods or services to a customer. An obligation to transfer a good or service is separable if it meets all of the following conditions:

a) the customer may benefit from the transferred good or service separately or in combination with other resources at his disposal

b) the entity's promise to transfer the good or service to the customer is identifiable separately from other promises provided in the contract.

The company did not identify any types of contracts with separable obligations. In the case of guarantees granted for good performance, they do not represent an additional service, as such they do not represent a separate obligation.

## 3. Determination of the transaction price

The company must determine the amount of consideration to which it is expected to be entitled in exchange for the goods and services promised in the contract in order to recognize the income. The price may be a fixed amount or may vary due to discounts or similar items.

The price of the sale transactions of the Company is not adjusted for the effect of the time value of the money, as the Company does not have supply contracts with a settlement term over one year or containing a significant financing component.

For contracts concluded by the company, the price is negotiated and remains firm. Renegotiated contractual changes take effect prospectively from the date of renegotiation for subsequent orders, given that the performance obligation is distinct and is not part of a single performance obligation that is partially fulfilled at the date of the contract modification.

## 4. The allocation of the transaction price between the obligations generated by contract

If a contract contains several separate obligations, the company shall allocate the transaction price to each obligation in proportion to its individual price. The best record for the price of each individual obligation is the price at which the good or service is sold separately by the entity.

## 5. Recognition of income at a given time or as the company satisfies the obligation

An obligation arising from the contract is satisfied when control of the goods or services is transferred to the customer. Control is the ability to decide on the use and obtain the majority of the remaining benefits of the transferred good or service.

The standard sets the manner in which income is determined, in the sense that it must be recognized at a given time or over a period of time, which applies to both the sale of goods and the provision of services.

Paragraph 35 of IFRS 15 specifies that an obligation is

satisfied and income is recognized over a period of time if at least one of the following conditions is met:

- the customer receives and consumes the benefits of the performance performed by the entity as the entity performs,

- performance by the entity creates or improves an asset (e.g. production in progress) that the customer controls as the asset is created or improved,

- performance by the entity does not create an asset with an alternative use for the entity and the entity has an enforceable right to payment for the performance completed up to that date.

According to paragraph 38 of IFRS 15, if an obligation to perform is not met over time in accordance with paragraphs 35-37 to 6 of IFRS 15, an entity meets the obligation to perform at a specific time.

Paragraph (4) of IFRS 15 allows for the aggregation of contracts, i.e. the presentation of a portfolio of contracts with similar characteristics, if the company reasonably expects the effects on the financial statements for that portfolio, not to differ significantly from those determined by the application of the standard for individual contracts within that framework

The moment of recognition of revenue results from a cross-check of the specific contractual provisions with the provisions of IFRS 15.

## Income from rent

Rental income related to real estate investments is recognized in the linear profit or loss account during the lease term, in accordance with IFRS 16 provisions.

Financial income includes interest income, foreign exchange income, dividend income and other financial income.

Interest income is recognized in the profit or loss account on accrual basis, using the effective interest method. The interest income generated by a financial asset is recognized when the company is likely to obtain economic benefits and when that income can be accurately measured.

Dividend income generated by investments is recognized when the shareholder's right to receive payment has been established. The company records dividend income at the gross amount including dividend tax (where applicable), which is recognized as current expense.

## - Accounting policies for provisions

Provisions are recognized when the company has a present obligation (legal or implied) as a result of a past event, the company is likely to be required to settle the obligation and a reliable estimate of the value of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the current obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

The accounting of provisions is kept differently, according to the nature, purpose or object for which they were set up.

## Provisions for collaterals

The Company constitutes provisions for collaterals when the products or services covered by the collateral are sold.

The value of the provision for the collaterals granted is based on historical, contractual information or reasonable estimates for the products/services made/rendered for the first time in the company.

#### Provisions for risks and expenses

When identifying risks and expenses likely to be incurred by events that have occurred or are occurring and whose object is determined accurately but whose materialization is uncertain, the company covers these risks by setting up provisions.

Provisions for risks and expenses are set up for items such as:

- risks specific to the aviation industry, litigations, fines, penalties, compensations, damages and other uncertain debts.

#### Provisions for decommissioning of property, plant and equipment

Upon initial recognition of a property, plant and equipment, the value of the costs of disassembly, removal of the element and restoration of the site where it is located is estimated as a consequence of the use of the element over a certain period of time.

These costs are reflected by setting up a provision that is recorded in the profit and loss account throughout the life of property, plant and equipment, by being included in the depreciation expense. The revision of the estimates for the decommissioning and restoration provision is determined by the annual review of dismantling costs. The Commission of specialists from the company appointed by decision examines periodically whether the initial estimates of the dismantling costs are appropriate.

#### Provisions for employee benefits

They are recognized for the employee benefits granted in accordance with the applicable Collective Labour Agreement only if:

- the entity has a legal and implicit obligation to make such payments as a result of past events; and
- a reliable estimate of the obligation can be made.

The provisions are reanalysed at the end of each reporting period so as to reflect the current best estimate.

#### - Accounting policies for grants and other non-reimbursable funds

The subsidies reflect distinctly:

- government subsidies;
- non-reimbursable loans with the character of grants;
- other amounts received in the form of grants.

Grants are recognized at their approved value. Grants received as non-monetary assets are recognized at fair value.

Government grants are initially recognized as deferred income at fair value when there is reasonable assurance that it will be collected and the company will comply with the conditions associated with the grant.

Grants that compensate the company for the expenditure incurred are recognized in the profit or loss account on a systematic basis, in the same periods in which the expenses are recognized. Grants compensating the company for the cost of an asset are recognized in the profit and loss account systematically over the lifetime of the asset.

Revenue subsidies are recorded on a systematic basis as revenue from the periods corresponding to the related expenditure that such subsidies are to offset.

In the event that subsidies are collected during a specific period for expenditure not yet incurred, the subsidies received do not represent revenue for that current period. They are recognized in the accounts as advance income and are returned to the profit and loss account as the expenses they offset are made.

#### - Accounting policies for the production of goods and services

The management accounting organization in Aerostar is based on the applicable legal provisions and the manual of procedures and work instructions specific to the management accounting, adapted to the specific activity of the company.

The purpose of management accounting is to:

- collect direct, indirect and ancillary costs according to their nature;
- distribute indirect costs;
- settle direct and indirect costs.

The main purpose of management accounting is to determine the result per production orders or services and per organizational structure.

According to accounting regulations, the cost of goods, works, services performed does not include the following items that are recognized as expenses of the period in which they occurred:

- (a) losses in materials, labour or other production costs related to scrap and underactivity costs;
- (b) general administrative expenses.

The calculation method used in Aerostar SA is the order-based method.

This method is suitable for individual and series production. The object of recording and calculating costs by this method is the order launched for a certain quantity (lot) of products

Production costs are collected directly on each order (direct costs) or by distribution (indirect costs).

The actual cost per unit of product is calculated upon completing the order by dividing the production costs collected per related order by the quantity of products produced under that order.

Orders are launched at the planned price, as appropriate.

In case of orders related to export sales, the price is expressed in lei by converting the currency to the budgeted exchange rate.

In applying accounting policies, the company issues procedures, instructions and working provisions approved by the executive management.

## NOTE 4 - TRANSACTIONS IN FOREIGN CURRENCY

AEROSTAR considers the Romanian leu as a functional currency, and the financial statements are presented in thousands of LEI.

Transactions in foreign currency are recorded at the exchange rate of the functional currency on the date of the transaction.

On the date of the financial position statement, the financial assets and liabilities denominated in foreign currency are evaluated in the functional currency using the exchange rate of the foreign exchange market, communicated by the National Bank of Romania, valid at the end of the financial year:

Valuta	31.12.2022
1EUR (Euro)	4,9474 lei
1USD (US dollar)	4,6346 lei
1GBP (Pound sterling)	5,5878 lei

The favourable and unfavourable exchange rate differences resulting from the settlement of financial assets and liabilities denominated in foreign currency are recognized in the Profit or Loss Statement for the financial year when they occur.

Considering that 69% of the turnover recorded in the reporting period is denominated in USD and EUR, while a significant part of the operating expenses is denominated in LEI, changes in foreign exchange rates will affect both its net income and its financial position as expressed in the functional currency.

In the reporting period, the net foreign currency exposure resulting from the difference between the amounts collected from the financial assets and the payment of the financial liabilities denominated in

foreign currency was as follows:

YEAR 2022	K EUR	K USD	K GBP
Proceeds from financial assets	21.461	44.862	-
Payments of financial liabilities	(14.789)	(20.997)	(549)
<b>Net foreign exchange exposure</b>	<b>6.672</b>	<b>23.865</b>	<b>(549)</b>

During the reporting period, the quarterly variation of the average foreign exchange rate

USD/LEU was:

+ 0,82% in the 1st quarter compared to 31.12.2021  
 + 4,23% in the 2nd quarter compared to 31.03.2022  
 + 2,89% in the 3rd quarter compared to 30.06.2022  
 - 4,32% in the 4th quarter compared to 30.09.2022  
 and determined a +7,30% variation of the average USD/LEU rate in 2022 compared to the beginning of the year.

and  
 EUR/LEU:

- 0,04% in the 1st quarter compared to 31.12.2021  
 - 0,03% in the 2nd quarter compared to 31.03.2022  
 - 0,63% in the 3rd quarter compared to 30.06.2022  
 - 0,57% in 4th quarter compared to 30.09.2022  
 and determined a -0.30% variation of the average EUR/LEU rate in 2022 compared to the beginning of the year.

Thus, the devaluation of the LEU currency against the main foreign currencies determined the recording of a financial profit from favourable exchange rate differences of 2.153 thousand LEI.

## NOTE 5 - INTANGIBLE ASSETS: Reporting period 31 December 2022

	Values as on 31 Decembrie 2022			Values as on 01 Ianuarie 2022		
	Gross amount	Cumulative depreciation	Net value	Gross value	Cumulative depreciation	Net value
Licences	6.872	(6.034)	838	6.217	(5.606)	611
Other intangible assets (software)	497	(476)	21	417	(340)	77
<b>Total</b>	<b>7.369</b>	<b>(6.510)</b>	<b>859</b>	<b>6.634</b>	<b>(5.946)</b>	<b>688</b>

### Net book value

	Net value on 1 January 2022	Gross inflows	Depreciation from period	Net value on 31 December 2022
Licences	611	738	(511)	838
Other intangible assets	77	79	(135)	21
<b>Total</b>	<b>688</b>	<b>817</b>	<b>(646)</b>	<b>859</b>

## COMPARATIVE FIGURES - INTANGIBLE ASSETS

Reporting period 31 December 2021

	Values as on 31 Decembrie 2021			Values as on 01 Ianuarie 2021		
	Gross amount	Cumulative depreciation	Net value	Gross value	Cumulative depreciation	Net value
Licences	6.217	(5.606)	611	5.720	(5.200)	520
Other intangible assets (software)	417	(340)	77	404	(261)	143
<b>Total</b>	<b>6.634</b>	<b>(5.946)</b>	<b>688</b>	<b>6.124</b>	<b>(5.461)</b>	<b>663</b>

### Net book value

	Net value on 1 January 2021	Gross inflows	Depreciation from period	Net value on 31 December 2021
Licences	520	505	(414)	611
Other intangible assets	143	14	(80)	77
<b>Total</b>	<b>663</b>	<b>519</b>	<b>(494)</b>	<b>688</b>

The category of intangible assets includes the following classes of assets of a similar nature and use:

- Licences
- Other intangible assets

The software programs are recorded under other intangible assets.

The estimated useful lifetimes of the intangible assets are determined in years, based on the contractual period or the duration of use, as the case

may be. The useful lifetime of the IT software purchased or generated internally is 3 years.

The expenses with the depreciation are recognized in the profit and loss account by using the linear calculation method.

The intangible assets in balance as on 31.12.2022 are not impaired and no adjustments were made for the impairment thereof.

In determining the gross carrying amount of the intangible assets, the company uses the historical cost method.

The value of the fully amortized software licenses as on December 31, 2022 and which are still in use is 3,447 thousand lei.

All outstanding intangible assets as on 31 December 2022 are the property of AEROSTAR.

The intangible asset inflows were achieved through:

- |  |                  |
|--|------------------|
| • development of the IT production management system-version 3 | 817 thousand lei |
| • acquisition of software licenses                             | 79 thousand lei  |
|  | 738 thousand lei |

During the reporting period, there were no entries of licenses generated internally or acquired through business combinations.

During the reporting period, there were no assets classified as held for sale in accordance with IFRS 5.



NOTE 6 – PROPERTY, PLANT AND EQUIPMENT : Reporting period 31 December 2022

	Values as on 31 December 2022			Values as on 01 January 2022		
	Gross value	Cumulative depreciation	Net value	Gross value	Cumulative depreciation	Net value
Lands	29.534	-	29.534	29.266	-	29.266
Construction	96.634	(39.428)	57.206	95.193	(33.277)	61.916
Technological equipment and means of transport	202.640	(140.423)	62.217	193.970	(124.975)	68.995
Other equipment, office equipment	3.833	(1.793)	2.040	3.762	(1.477)	2.285
Investment property	11.275	(4.761)	6.514	10.537	(4.142)	6.395
Property, plant and equipment in progress	15.179	-	15.179	1.452	-	1.452
<b>Total</b>	<b>359.095</b>	<b>(186.405)</b>	<b>172.690</b>	<b>334.180</b>	<b>(163.871)</b>	<b>170.309</b>

	Net value on 1 January 2022	Gross inflows	Gross outflows	Depreciation from period	Net value on 31 December 2022
Lands	29.266	268	-	-	29.534
Construction	61.916	1.698	(249)	(6.159)	57.206
Technological equipment and means of transport	68.995	9.555	(9)	(16.324)	62.217
Other equipment, office equipment	2.285	71	-	(316)	2.040
Investment property	6.395	739	-	(620)	6.514
Property, plant and equipment in progress	1.452	25.787	(12.060)		15.179
<b>Total</b>	<b>170.309</b>	<b>38.118</b>	<b>(12.318)</b>	<b>(23.419)</b>	<b>172.690</b>

**COMPARATIVE FIGURES : PROPERTY, PLANT AND EQUIPMENT**  
reporting period 31 December 2021

	Values as on 31 December 2021			Values as on 01 January 2021		
	Gross value	Cumulative depreciation	Net value	Gross value	Cumulative depreciation	Net value
Lands	29.266	0	29.266	29.266	0	29.266
Construction	95.193	(33.277)	61.916	94.206	(26.781)	67.425
Technological equipment and means of transport	193.970	(124.975)	68.995	188.533	(107.613)	80.920
Other equipment, office equipment	3.762	(1.477)	2.285	3.475	(1.172)	2.303
Investment property	10.537	(4.142)	6.395	10.537	(3.542)	6.995
Property, plant and equipment in progress	1.452	0	1.452	1.009	0	1.009
<b>Total</b>	<b>334.180</b>	<b>(163.871)</b>	<b>170.309</b>	<b>327.026</b>	<b>(139.108)</b>	<b>187.918</b>

	Net value on 1 January 2021	Gross inflows	Gross outflows	Depreciation from period	Net value on 31 December 2021
Lands	29.266	0	0		29.266
Construction	67.425	987	0	(6.496)	61.916
Technological equipment and means of transport	80.920	5.953	(19)	(17.859)	68.995
Other equipment, office equipment	2.303	289	0	(307)	2.285
Investment property	6.995	0	0	(599)	6.395
Property, plant and equipment in progress	1.009	7.671	(7.229)		1.452
<b>Total</b>	<b>187.918</b>	<b>14.900</b>	<b>(7.248)</b>	<b>(25.261)</b>	<b>170.309</b>

Property, plant and equipment shall be measured at acquisition or production costs less accumulated depreciation and impairment losses.

The depreciation method used for property, plant and equipment is the linear depreciation method.

Depreciation expenses are recognized in the profit and loss account.

The following useful lives assumed for property, plant and equipment:

- construction	30-50 years
- technological equipment	2-25 years
- means of transport	4-18 years
- other property, plant and equipment	2-18 years
- real estate investments	25-50 years

The useful life spans are established by committees made up of specialists from our company. The depreciation tax times of property, plant and equipment are regulated by the relevant tax legislation.

The company did not acquire assets from business combinations and did not classify assets for sale.

The real estate investments comprise 11 real estate properties – buildings that are leased to third parties based on lease contracts.

The value of rental income for this category of assets was 4,930 thousand lei.

On the date of transition to IFRS, the company estimated and included in the cost of property, plant and equipment the estimated costs for decommissioning them at the end of the useful life.

These costs were reflected in the set-up of a provision, which is recorded in the profit and loss account throughout the lifetime of the property, plant and equipment, by inclusion in the depreciation expense.

The depreciation of an asset begins when the asset is available for use and ends on the date when the asset is reclassified in another category or on the date on which the asset is derecognized.

The depreciation does not cease when the asset is not in use.

The lands and buildings are separable assets and they are accounted for separately, even when acquired together.

The land has an unlimited useful life and therefore it is not subject to amortization.

In accordance with the provisions of IAS 36 "impairment of assets", the company has proceeded to identify any signs of impairment of the property, plant and equipment, taking into account both internal and external sources of information.

Internal sources of information:

The economic performance of the assets is good, all assets that are in operation benefit the company.

External source of information:

The indicator that provides information on the investors' interest in the companies listed on the capital market is the stock market capitalization relative to equity (MBR).

<b>MBR indicator - Market to book ratio</b>	31.12.2022	31.12.2021
stock market capitalization/equity	2,4	2,9

The over-unit value of the MBR indicator is obtained by companies that are well listed on the capital market and that are of interest to the investors.

The property, plant and equipment in balance on 31.12.2022 are not impaired and no significant impairment indices were found.

The gross carrying amount of the fully depreciated property, plant and equipment that was still in use on December 31, 2022 is 61,562 thousand lei.

As on 31.12.2022 there are no mortgages set up on the real estate assets owned by Aerostar S.A.

<b><u>Inflows of property, plant and equipment were achieved through:</u></b>	<b>38.118 k lei</b>
- commissioning of technological equipment, hardware equipment, measurement and control equipment	12.063 k lei
- land acquisition	268 k lei
- Property, plant and equipment in progress in 2022	25.787 k lei

<b><u>Outflows of property, plant and equipment were achieved through:</u></b>	<b>12.318 k lei</b>
- transfer of assets in progress to property, plant and equipment as a result of commissioning	12.060 k lei
- derecognition of tangible assets as a result of the company no longer expecting future economic benefits from their use	9 k lei
- derecognition of a property, plant and equipment following the transfer free of charge to the patrimony of the Bacau County Council, at the location of the "George Enescu" International Airport, of the equipment used by the company in the operation of military aircraft.	249 k lei

## NOTE 7 - FINANCIAL ASSETS

	Shares/shares held in affiliated entities	Other non-current securities - shares	Other non-current titles - contribution to social patrimony	Other non-current claims-supplier warranties	Total
On 1 January 2022	14	0	0	38	52
Increases/Decreases	-	58.975	2	-	58.977
On 31 December 2022	14	58.975	2	38	59.029

### A) Investments in affiliated entities registered at cost:

Subsidiary name / Registered head office	CAEN code	No. of shares/shares issued	Voting rights (%) held	The value of Aerostar's ownership (k lei)	Financial Information related to 2021				
					Social capital of society (k lei)	Reserve (k lei)	Net profit (k lei)	Nominal value/share (k lei)	Net asset/share (k lei)
Airpro Consult SRL Bacau 9, Condorilor Street	main activity according to CAEN code 7820	100	100%	10	10	171	68	0,10	2,5
Foar SRL Bacau 9, Condorilor Street	main activity according to CAEN code 7739	408	51%	4	8	1.000	82	0,01	2,7
<b>TOTAL</b>	x	x	x	14	x	x	x	x	x

Aerostar's shareholdings in affiliated companies are recorded at cost.

As of 31.12.2022, the company did not change to increase/decrease the share of participations, maintaining the same influence, as in 2021, on the companies included in the equity portfolio. Both companies in which Aerostar holds shares are registered in Romania.

### B) Investments in equity instruments through other comprehensive income:

Name of the issuer Registered office	CAEN code	No. of shares	Symbol	Value price / share at 31.12.2022 (k lei)	Portfolio value at market price (k lei)
Evergent Investments S.A. 94C Pictor Aman, Bacău	- main activity according to CAEN code 6499	43.047.138	EVER	1,3700	58.975

The company acquired 43.047.138 shares of Evergent Investments S.A, listed on the Bucharest Stock Exchange. Aerostar accounts for holding shares at fair value through other comprehensive income in accordance with IFRS 9 "Financial instruments". The company used the irrevocable option of designating these equity instruments at fair value through other comprehensive income as these financial assets are held for both the collection of dividends and the gains on their sale, and not for trading. The gain or loss on these capital instruments is recognized in other comprehensive income, except for dividend income.

### C) Money contribution to the establishment of the initial patrimony of the association “C-EDD Education Cluster for Sustainable Development”

The Association was established voluntarily by the founding members, functioning as a Romanian legal person under private law without patrimonial purpose.

The Association is non-governmental, apolitical, non-profit and independent, not subordinated to any other legal person.

The purpose of the Association is to develop and implement effective public-private dialog mechanisms in the educational field, to act as a space for dialog and collaboration between the main actors involved in education, to increase the quality of educational processes and to connect continuing education with the economic environment in order to provide it with qualified human resources for sustainable development.

The value of the contribution of AEROSTAR company to the patrimony of the association “C-EDD Education Cluster” is in the amount of 2,500 lei.

## NOTE 8 - TRADE RECEIVABLES

	31 December 2022	31 December 2021
<b>TRADE RECEIVABLES OF WHICH:</b>		
Customers, of which:	74.311	54.139
Domestic customers	17.378	20.596
Foreign customers	56.933	33.543
Uncertain customers	1.871	1.819
Adjustments for impairment of receivables - customers	(954)	(1.332)
Suppliers – debtors	5.453	1.787
Adjustments for the impairment of receivables - advances granted to customers	-	(42)
<b>TOTAL TRADE RECEIVABLES</b>	<b>80.681</b>	<b>56.371</b>

In accordance with the provisions of the Accounting Policy Manual, to cover the risk of non-recovery of the amounts representing uncertain trade receivables, the company records adjustments for the impairment of uncertain customers, as follows:

- 50% of the value of receivables not collected on term, if the delay period is between 30 days and 180 days. On December 31, 2022, the company registered adjustments for depreciation of this nature in the amount of 916 thousand lei;
- 100% of the value of receivables not collected on term, if the delay period exceeds 180 days. On December 31, 2022, the company registered adjustments for depreciation of this nature in the amount of 38 thousand lei.

When determining the recoverability of a trade receivable, the changes considered were the ones occurred in the customer's creditworthiness from the date when the credit was granted till the reporting date.

The debtors-suppliers have the following discount limit:  
in 2023: 5.309 thousand lei  
in 2024: 145 thousand lei

The receivables expressed in foreign currency were evaluated at the market exchange rate communicated by the National Bank of Romania valid for the closure of December 2022.

The favourable or unfavourable exchange rate differences between the exchange market rate at which the receivables are accounted in foreign currency and the foreign exchange market rate communicated by the National Bank of Romania valid for the closure of December 2022 were recorded in the corresponding income or expense accounts

## NOTE 9 - OTHER RECEIVABLES

	31 December 2022	31 December 2021
Receivables relating to manpower and similar accounts	16	6
Receivables related to the budget of social insurance and the state budget, of which:	1.436	2.833
-Non-chargeable VAT	172	106
-amounts to recover from the National Health System (allowances for medical leaves)	654	2.050
-Amounts in the form of subsidies	75	2
-Excise duty to be recovered related to the fuel used	509	648
-Other claims in connection with the local budget representing the fee of public service to recover resulting from corrected declarations	10	17
-Other claims in connection with the social security budget and the state budget	16	10
Interest to be received from bank deposits	1.814	231
Diverse debtors	574	583
Adjustments for the depreciation of the receivables – diverse debtors	(539)	(223)
<b>TOTAL OTHER RECEIVABLES</b>	<b>3.301</b>	<b>3.430</b>

## NOTE 10 - INVENTORIES

	31 December 2022	31 December 2021
Of wich:		
Raw material *	52.381	32.332
Consumables **	63.093	43.539
Other materials	129	245
Semi-finished	471	1.151
Packaging	56	37
Finished products	23.828	25.653
Products and services in progress	42.559	35.999
<b>Gross value of inventories (unadjusted)</b>	<b>182.517</b>	<b>138.956</b>

## ADJUSTMENTS FOR DEPRECIATION OF INVENTORIES

	31 December 2022	Increases/ Setups/	Decreases/ Resumptions/	31 December 2021
<b>Total adjustments</b>	<b>51.907</b>	<b>19.187</b>	<b>7.466</b>	<b>40.186</b>
Adjustments for impairment of raw materials	23.050	6.110	3.794	20.734
Adjustments for impairment of consumables	27.144	11.693	2.070	17.521
Adjustments for impairment of semi- finished parts	471	247	926	1.150
Adjustments for impairment of finished products	676	312	285	649
Adjustments for impairment of production in progress	566	825	391	132

Note:

\* The raw material participates directly to the product manufacturing and is found in the semi-finished or finished product, either in their initial state, or shaped (bars, pipes, plates, profiles, wires etc);

\*\* The consumables participate or contribute to the manufacturing or operating process, without being usually found in the finished product (auxiliary materials, fuels, spare parts, tools, jigs and fixtures and other consumables).

The inventories are assessed at the lowest value between the cost and the net achievable value.

The net achievable value is the estimated sale price for inventories minus all estimated costs for completion and the estimated costs required for the sale.

The cost of inventories includes: acquisition costs, conversion costs as well as other costs incurred to bring inventories in the state and location where they are currently found.

Value adjustments are made regularly based on the findings of the inventory commissions and/ or the module managers in order to present them at the lowest value between the cost and the net achievable value.

Within the company the goods deemed to be depreciated are those older than the storage period established by internal decision of the Board of Directors.

In accordance with the Accounting Policy Manual, at Aerostar SA, adjustments are set up for the inventory

depreciation, as follows:

- For raw material, consumables, semi-finished parts and spare parts, distinct periods are established for each profit centre;

- For the inventories of finished products, depreciation adjustments are set up for each period, as follows:

- a) in a percentage of 100% of the value thereof, for the inventories of this nature that are not based on contracts with the customers;

- b) in variable percentages, as agreed with the profit centres involved, for the inventories of finished not delivered at the contractual deadlines.

The total value of inventories recognized as an expense during the period is 156.194 thousand lei.

AEROSTAR holds inventories of finished products (buffer stocks) at the levels agreed contractually with the customers.

AEROSTAR has no pledged inventories.

## NOTE 11 – CASH AND CASH EQUIVALENTS

The cash includes:

- current cash available at the company's cashier's desk;
- sight deposits held by banks (current accounts in banks).

The cash equivalents include:

- term deposits held by banks;
- Cheques and trade effects (promissory notes) deposited with banks for collection.

At the end of the reporting period the cash and cash equivalents consisted in:

	31.12.2022	31.12.2021
Cash at the cash desk	63	49
Sight deposits held by banks	20.269	39.220
Term deposits held by banks	225.833	
Cheques and trade effects to collect	8	235.202
Cash and cash equivalents	246.173	0
		274.471

There are no restrictions on the current bank accounts and deposits held by banks.

The value of the bank Credit Line that can be used as overdraft, available for future operations is 2.500 thousand USD (the equivalent of 11.587 THOUSAND LEI). During the reporting period the bank Credit Line was not used.

## NOTE 12 – COMPANY EQUITY

The company equity on 31 December 2022 is 493.709 thousand lei. The net increase of the equity in 2022 compared to the end of the year 2021 was 72.321 thousand lei.

The main elements of the company equity during the period January – December 2022 vs. 2021:

· The share capital remained unchanged

On 31 December 2022, the share capital of AEROSTAR SA is 48.728.784 lei, divided in 152.277.450 shares having each a nominal value of 0,32 lei.

· The reserves increased by 47.019 thousand lei:

- o An increase by 7.961 thousand lei on account of distributing the profit for the year 2022 for reserves from the fiscal facilities;
- o An increase by 385 thousand lei on account of moving to reserves the result carried forward, representing a surplus made of revaluation reserves;
- o An increase by 31.438 thousand lei as a result of distributing the profit for the year 2021 to the destinations decided by the shareholders at the OGMS dated 20 April 2022;
- o An increase by 7.235 thousand lei on account of re-evaluating at fair value the equity instruments through other elements of the global result.

· Other capital elements decreased by the amount of 2.520 thousand lei on account of the deferred income tax recognized in company equity.

· The result carried forward decreased by 210 thousand lei as follows:

- o An increase by 175 thousand lei on account of the deferred income tax recognized on account of equity;
- o A decrease of 385 thousand lei via transfer to reserves of the result carried forward, representing a surplus obtained from revaluation reserves;
- o The profit for the year 2021, taken over the result carried forward was distributed integrally to the destinations decided by the shareholders, following the decision of the OGMS dated 20 April 2022.

· The balance of the result account carried forward on 31 December 2022 is 50.938 thousand lei, comprising:

- the result carried forward incurred by the use, on the date of transition to IFRS, of the fair value as presumed cost – 26.775 thousand lei;
- the result carried forward representing the gain obtained from re-evaluation reserves, capitalized as the property, plant and equipment and intangible assets were amortized – 24.163 thousand lei;

· The result of the period was a profit in the amount of 90.273 thousand lei.



## NOTE 13 – PROVISIONS

	31 December 2021	Increases/ Set-ups/ Reclassification of provisions	Reductions/ Reruns/ Reclassification of provisions	Differences from revaluation	31 December 2022
<b>Total provisions</b>	<b>131.829</b>	<b>26.583</b>	<b>29.830</b>	<b>1.212</b>	<b>129.794</b>
Provisions for bonds granted to customers	45.807	18.803	17.986	1.220	47.844
Provisions for decommissioning property, plant and equipment	16.415	20	9	-	16.426
Provisions for the employees' benefits	5.756	7.760	5.732	-	7.784
Other provisions	63.851	-	6.103	(8)	57.740
<b>Long-term provisions</b>	<b>105.383</b>	<b>1.308</b>	<b>12.633</b>	<b>1.213</b>	<b>95.271</b>
Provisions for bonds granted to customers	30.666	6.073	12.071	1.220	25.888
Provisions for decommissioning property, plant and equipment	16.415	20	9	-	16.426
Other provisions	58.302	(4.785)	553	(7)	52.957
<b>Short-term provisions</b>	<b>26.446</b>	<b>25.275</b>	<b>17.197</b>	<b>(1)</b>	<b>34.523</b>
Provisions for bonds granted to customers	15.141	12.730	5.915	-	21.956
Provisions for employees' benefits	5.756	7.760	5.732	-	7.784
Other provisions	5.549	4.785	5.550	(1)	4.783

### Provisions set up for guarantees granted to customers

Provisions for bonds granted to customers are set up to cover the non-conformance risks of the products sold and the services performed, in accordance with the contractual provisions.

### Provisions for decommissioning of Property, Plant and Equipment

Provisions for decommissioning of property, especially buildings are set up to cover the decommissioning costs, of removal of the elements and restoration of the locations where they are placed and included in their cost. The value was estimated using an update annual rate of 6,5%.

### Provisions for benefits granted to employees

The provisions for benefits granted to employees are set up for the bonus granted according to the clauses of the applicable Collective Labour Agreement (bonus for the end of the financial year, for performance) and for the annual holidays leave not taken by the employees in the previous year.

### Other provisions

In the category Other provisions are found the provisions set up for:

- covering risks specific to the aviation industry, such as: risk of hidden defects, risk of discovering quality incidents that can incur damages.
- coverage of some expenses regarding the Company's obligations towards A.J.O.F.M., based on O.U.G. 95/2002;
- covering some risks regarding the application of penalties for delays and damages associated with the manufacture of aeronautical products.

## NOTE 14 – SUBSIDIES

### Subsidies related to assets

AEROSTAR recognizes as deferred income the subsidies related to assets.

	31.12.2022	31.12.2021
Balance on 1 January, of which:	4.192	5.893
Short term	1.167	1.948
Long term	3.025	3.945
Subsidies received:	-	-
Subsidies registered under income corresponding to the calculated amortization	(1.164)	(1.701)
Balance on 31 December, of which:	3.028	4.192
Short term	1.020	1.167
Long term	2.008	3.025

In 2022 AEROSTAR S.A. did not receive subsidies for financing its assets.

The subsidies received in the previous years for financing its assets were related to the implementation of 3 investment projects under 3 non-reimbursable financing agreements:

1.Contract no. 210304/22.04.2010: 'Extension of the manufacturing and assembly capacities for aerostructures for civil aviation', performed between April 2010 and October 2012, the value of the subsidy received from the Ministry of Economy, Trade and Business Environment (MECMA) being 5.468 thousand lei;

2.Contract no. 229226/14.06.2012: 'Setting up a new manufacturing capacity for diversifying production and export growth', carried through between June 2012 and May 2014, the value of the subsidy received from the Ministry of Economy, Trade and Business Environment (MECMA) being 6.011 thousand lei;

3.Contract no. 51M/013/24.03.2015: 'Consolidation and sustainable development of the machining and painting sectors by high performance investments', carried through between March and December 2015, the value of the subsidy received from the Ministry of European Funds (MFE) being 8.299 thousand lei;

All investment projects in immobilized assets were implemented and finalized in accordance with the contractual provisions assumed.

The balance registered on 31 December 2022 stands for subsidies related to investments in immobilized assets which are to be recorded as income as the calculated amortization is registered under costs.

## NOTE 15 – COMMERCIAL DEBTS

	31 December 2022	31 December 2021
Prepaid amounts collected on customers' account, of which:		
Customers-creditors from Romania	10.991	3.625
Customers-creditors from outside Romania	47	1.053
	10.944	2.572
Suppliers, of which:	37.619	24.825
Providers of materials and services from Romania	9.878	6.976
Providers of materials and services from outside Romania	21.162	11.514
Suppliers-invoices not arrived	2.576	5.271
Suppliers of non-current assets	4.003	1.064
<b>Total commercial debts</b>	<b>48.610</b>	<b>28.450</b>

The payments in advance collected from foreign customers are for aircraft maintenance and repair work (99,7%) and other services provided (0,3%).

For the registered debts no mortgages were set up.

The favourable or unfavourable exchange rate differences between the market exchange rate at which the debts in foreign currencies are registered and the market exchange rate communicated by the National Bank of Romania for the closure of December 2022, were registered in the corresponding accounts of revenues or expenses.

## NOTE 16 – OTHER LIABILITIES

	31 December 2022	31 December 2021
<i>Other current liabilities, of which:</i>	13.297	13.009
· <i>Liabilities related to manpower and similar accounts</i>	3.668	3.295
· <i>Liabilities related to social security budget and state budget,</i>	6.827	7.112
<i>of which:</i>		
- VAT payable	1.859	2.625
- Social insurance	3.678	3.325
- Labour safety contribution	234	212
- Tax on salary type revenues	722	658
- Contribution for people with unemployed disabilities	150	135
- Other taxes	137	107
- Other social liabilities	47	50
· <i>Other liabilities, of which:</i>	2.802	2.602
- dividends	2.502	2.300
- diverse creditors	257	267
- bonds received	43	35
<b>Other long-term liabilities</b>	<b>1.503</b>	<b>1.525</b>

In the category *Other long-term liabilities* is found the liability regarding the right to use the land leased for the Maintenance Hangar of Iasi.

The dividends in balance on 31 December 2022, in the amount of 2.502 thousand lei represent the amounts remained in balance for the shareholders who did not show up at the offices of the paying agent CEC Bank S.A. (the paying agent designated by AEROSTAR) and which were not time-barred.

The company did not register overdue liabilities to the state budget, the social insurance budget and the local budgets.

## NOTE 17 – DEFERRED PROFIT TAX

The *deferred tax* is determined for the temporary differences which occur between the tax base of the assets and liabilities and their accounting base. The deferred tax is calculated at a tax rate of 16% applicable to the temporary differences.

The Company estimated and registered liabilities regarding the deferred tax related to non-current

assets (which results from differences between accounting and fiscal values, the different useful life, s.o.) and of the reserves and recognized receivables regarding the deferred tax related to securities (shares), stocks and receivables that were adjusted for depreciation, provisions for customer bonds, and other provisions.

The structure of deferred income tax registered on 31.12.2022 is:

<b>Liabilities from deferred tax</b>	
1. Liabilities related to the deferred tax generated by the differences between the accounting bases (higher) and the fiscal ones (lower) of the non-current assets	1.356
2. Liabilities related to the deferred tax concerning legal reserves	1.559
3. Liabilities on deferred tax related to reserves from the fiscal facility	17.542
4. Liabilities on deferred tax related to the reported result representing a surplus from revaluation reserves	61
5. Liabilities on deferred tax related to immobilized securities-shares	1.158
<b>Total liabilities on long-term deferred tax</b>	<b>21.676</b>
<b>Receivables on deferred tax</b>	
1. Receivables on deferred tax related to other provisions	604
2. Receivables on deferred tax related to provisions for bonds granted to customers	7.655
3. Receivables on deferred tax related to provisions for manpower benefits	1.246
4. Receivables on deferred tax related to short-term adjustments for depreciation of the inventories	8.305
5. Receivables on deferred tax related to short-term adjustments for depreciation of trade receivables	239
<b>Total receivables on deferred tax</b>	<b>18.049</b>

The Company did not recognize receivables on deferred tax related to other provisions for the risks specific to the aviation industry due to an uncertainty regarding the fiscal deductibility of the expenses that could derive from the settlement of the obligations arising in the future periods. Therefore, the differences between the tax base and the accounting base would be null.

In the period 01 January 2022 – 31 December 2022, the company registered income from the tax on deferred profit in the amount of 6.985 thousand lei and expenses with the tax on deferred profit in the amount of 4.636 thousand lei.

The tax on deferred profit recognised on the account of equity in the amount of 19.654 thousand lei consists of liabilities on deferred tax in the amount of 20.258 thousand lei and receivables on deferred tax in the amount of 604 thousand lei.

## NOTE 18 – FINANCIAL INSTRUMENTS

A financial instrument is any contract generating simultaneously a financial asset for an entity and a financial liability or an equity instrument for another entity.

The financial assets and liabilities are recognized when AEROSTAR SA becomes part of the contractual provisions of the instrument.

On the reporting date AEROSTAR S.A. does not hold:

- financial instruments kept for making transactions (including derived instruments);
- financial instruments kept till due date;
- financial instruments available for sale.

The financial assets of AEROSTAR S.A. include:

- sight deposits and term deposits with banks;
- trade receivables;
- immobilized receivables (bonds for third parties);

The financial liabilities of AEROSTAR S.A. include:

- trade liabilities;

On the reporting date AEROSTAR does not have financial liabilities on overdrafts and long-term bank loans.

The main types of risks generated by the financial instruments held, to which AEROSTAR S.A is exposed are:

- a) credit risk
- b) liquidity risk,
- c) currency risk,
- d) interest rate risk.

The maximum exposure to credit risk on the reporting date is presented in the table below:

	31.12.2022	31.12.2021
Sight and term deposits with banks	246.102	274.422
Trade receivables, net of adjustments	66.941	53.637
for depreciationImmobilized receivables	38	38
<b>Total</b>	<b>313.081</b>	<b>328.097</b>

The maximum exposure to credit risk by geographical areas for trade receivables net of depreciation adjustments is presented in the table below:

	31.12.2022	31.12.2021
Domestic market	17.379	20.596
Euro zone countries	21.810	15.243
Great Britain	14.939	12.373
Other European countries	2.176	1.574
Other regions	10.637	3.851
<b>Total</b>	<b>66.941</b>	<b>53.637</b>

### Depreciation adjustments

The timeframe structure for the gross trade receivables on the reporting date is presented in the table below:

	Gross value	Adjustments for depreciation	Gross value	Adjustments for depreciation
	31.12.2022		31.12.2021	
In due time	65.400		53.078	
Past due, total of which:	2.495	954	1.891	1.332
31-60 days	1.568	632	674	337
61-90 days	567	127	145	70
91-120 days	63	32	172	53
Over 120 days	286	152	859	831
Over 1 year	11	11	41	41
<b>Total</b>	<b>67.895</b>	<b>954</b>	<b>54.969</b>	<b>1.332</b>

### a) Credit risk

The credit risk is the risk that one of the parties involved in a financial instrument generates a financial loss for the other party as a result of the failure to meet a contractual obligation, related mainly to:

- sight deposits and term deposits with banks
- trade receivables;

The sight & term deposits are placed only at first-rank bank institutions with ratings that reflect the lowest degree of risk.

In some cases, specific instruments of commercial credit risk decrease (receipts in advance, letters of payment bank security, confirmed export credentials) are requested. AEROSTAR has no significant exposure toward a single partner and records no significant concentration of receivables on a single geographical area.

### Exposure to credit risk

The accounting value of the financial assets, net of depreciation adjustments, represents the maximum exposure to the credit risk.

The movement in the adjustments for the depreciation of trade receivables during the year is presented in the following table:

	31.12.2022	31.12.2021
Balance on 1 January	1.332	438
Adjustments set up for depreciation	1.967	1.987
Adjustments for depreciations resumed as revenues	(2.345)	(1.093)
Balance on 31 December	954	1.332

On 31.12.2022, 97% of the balance of trade receivables is related to customers with a good payment record.

#### b) Liquidity risk

The liquidity risk is the risk that AEROSTAR encounters difficulties in meeting the obligations associated to the financial liabilities which are settled by cash payments.

AEROSTAR's policy regarding this risk is to maintain an optimum level of liquidity so as to be able to pay for the liabilities, as they become due.

To evaluate the liquidity risk, the treasury cash flows from operations, from investments and from financing operations are monitored and reviewed weekly, monthly, quarterly and yearly in order to determine the estimated level of net liquidity modifications.

Also, the specific liquidity indicators are reviewed monthly (general liquidity, immediate liquidity and rate of general solvency) against the budgeted levels.

Moreover, in order to reduce the liquidity risk, AEROSTAR maintains annually a liquidity reserve as a Credit Line (usable as an overdraft) granted by banks to a maximum limit of 2.500 thousand USD.

The time intervals used to review the contractual due dates of the financial liabilities, with a view to recording the timeframe for the cash flows are shown in the table below:

		Accounting value	Contractual cash flows	0-30 days	31-60 days	oper 60 days
31.12.2022	Debts Trade liabilities	34.472	(34.472)	(28.638)	(4.922)	(912)
31.12.2021	Trade liabilities	19.554	(19.554)	(16.950)	(2.276)	(328)

#### c) Foreign currency risk

The foreign currency risk is the risk that the fair value or future cash flows of a financial instrument fluctuate because of the changes in the currency exchange rates.

##### Exposure to the foreign currency risk

AEROSTAR is exposed to the foreign currency risks, as 69% of the turnover recorded in the reporting period is denominated in USD and EUR, while a significant part of the operating expenses is denominated in LEI.

Therefore, Aerostar is exposed to the risk that the currency exchange rate variations will affect both its net income and its financial position as expressed in lei.

The net exposure of the financial assets and liabilities to the foreign exchange risk is presented below based on the carrying accounting values denominated in foreign currency recorded at the end of the reporting period.

31.12.2022	Thousand EUR	Thousand USD	Thousand GBP
Cash and cash equivalents	1.641	2.491	17
Trade receivables	1.976	8.585	-
Trade liabilities	(1.556)	(3.210)	(34)
Net exposure in original currency	2.061	7.866	(17)

### Sensitivity analysis

Taking into consideration the net exposure calculated in the above table, AEROSTAR can be deemed to be exposed mainly to the foreign exchange risk generated by the variation of the foreign exchange rates USD/LEU and EUR/LEU.

Taking into consideration the evolution of USD/LEU and EUR/LEU exchange rate in the previous years, a relatively high volatility (+/- 10%) of the USD/LEU exchange rate and a moderate volatility (+/-2%) of the EUR/LEU exchange rate can be noticed.

Thus, a reasonably possible variation of +/- 10% of the USD/LEU foreign exchange rate and +/-2% of the EUR/LEU exchange rate and may be factored in at the end of the reporting period.

31.12.2022	EUR/LEU	USD/LEU
Net exposure, in the currency of origin	2.061 Thousand EUR	7.866 Thousand USD
Currency exchange rate	4,9474	4,6346
Net exposure in functional currency	10.197 Thousand LEI	36.456 Thousand LEI
Possible reasonable variation of exchange rate	+/- 2%	+/- 10%
Effect of variation on the financial result	+/- 204 Thousand LEI	+/- 3.646 Thousand LEI

#### d) Interest rate risk

For the reporting period AEROSTAR has available a multi-product Credit Facility of 7.000 thousand USD, intended for financing the Company's operations, which includes:

1) *Product A*: in the amount of 2.500 thousand USD, usable as an overdraft, set up to provide at any given time the necessary financial liquidity and flexibility (liquidity reserve);

2) *Product B*: in the amount of 7.000 thousand USD (provided that the aggregate amount used from Product A and product B does not exceed the value of the multi-product Credit Facility), usable as a facility of issuing bonds as instruments to ensure collateral for the commercial contractual obligations by issuing bank bond letters and import Letters of Credit.

The bank interest is applicable only for the overdraft for Product A in the amount of 2.500 thousand USD.

As during the reporting period AEROSTAR did not use the Product A, the company revenues and cash flows are independent from the interest rate variations on the banking market.

On 31.12.2022, the level of bonds granted by AEROSTAR under commercial agreements, by issuing bank bond letters and import Letters of Credit amounts to 6.237 thousand USD (the equivalent of 1.346 thousand LEI).

On 31.12.2022 no mortgages are set up on the property assets in AEROSTAR's ownership.

## NOTE 19 – OPERATING INCOME

	31 December 2022	31 December 2021
Revenues from sales, of which:	466.991	376.434
Revenues from product sales	238.706	150.309
Revenues from services provided	224.979	222.367
Revenues from selling goods	20	806
Revenues from rents	2.750	2.538
Trade discounts granted	-	(27)
Revenues from other activities	536	441
Revenues related to inventories of finished products and production underway	3.334	1.250
Revenues from the production of fixed assets	451	410
Revenues from operating subsidies	169	1.420
Revenues from subsidies for investments	1.164	1.699
Other revenues from operations	1.674	1.294
<b>Total operating income</b>	<b>473.783</b>	<b>382.507</b>

In 2022 the company recorded incomes from operating subsidies in the amount of 169 thousand lei for hiring for an indefinite period of time graduates from various educational institutions in accordance with Law no. 76/2002 regarding the unemployment insurance system and the stimulation of employment;

Other revenues from operation in the amount of 1.674 thousand lei are represented, among others, by revenues from time-barred dividends, revenues from recovering debts from former employees (tuition expenses and other debts), revenues from indemnities and recovered taxes.



## NOTE 20 – OPERATING EXPENSES

	31 December 2022	31 December 2021
Expenses with employee benefits, of which:	147.930	123.111
Salaries and allowances	132.579	109.717
Expenses with ticket meals and holiday vouchers granted to employees	7.608	7.059
Expenses with social security	7.743	6.335
Expenses with raw material and other materials	144.579	99.574
Energy, water and gas	14.663	10.476
Other material expenses, of which:	12.834	11.205
Expenses with non-inventory materials	1.219	1.270
Expenses with goods	14	912
Expenses with packaging	619	327
Expenses with other materials	10.982	8.696
Expenses with external services, of which:	29.829	28.908
Repairs	11.187	12.016
Transport costs	3.801	2.987
Commissions and fees	4.021	3.116
Travels, deployments	1.475	1.545
Renting expenses	739	691
Other expenses with services provided by third parties	8.606	8.553
Trade discounts received	(94)	(16)
Amortizations	24.105	25.794
Net expenses (revenues) from adjustments on provisions	(2.054)	16.168
Net expenses (revenues) from adjustments on current assets	11.678	(1.478)
Other operational expenses	6.934	4.942
<b>Total operating expenses</b>	<b>390.404</b>	<b>318.684</b>

In accordance with the provisions of the International Financial Reporting Standards and of the Accounting Policies Manual, the company registers adjustments on provisions (Note 13) and adjustments for the impairment of the current assets, inventories, production in progress and receivables (Note 8, Note 9 and Note 10).

In 2022, AEROSTAR granted meal tickets to its employees, in the amount of 6.994 thousand lei and holiday vouchers in the amount of 614 thousand lei.

In the category of other operating expenses in the amount of 6.934 thousand lei are included among others: expenses with local taxes and fees, sponsorship, donations.

In 2022 AEROSTAR registered increased/set up and decreased/resumed adjustments, as follows:

	31 December 2022	31 December 2021
Adjustments on provisions		
Increases / setups	27.825	48.799
Decreases / reruns	(29.879)	(32.630)
<b>Net expenses (revenues) from adjustments on provisions</b>	<b>(2.054)</b>	<b>16.169</b>

In 2022 the impact of the adjustments on provisions is a decrease of the operating expenses by the amount of 2.054 thousand lei.

	31 December 2022	31 December 2021
<b>Adjustments regarding impairment of current assets</b>		
Increased/set up adjustments		
Adjustments for the impairment of investments	19.187	14.245
Adjustments for impairment of receivables	2.286	2.107
Losses from receivables and various debtors	63	43
<b>Total increased/set up adjustments</b>	<b>21.536</b>	<b>16.395</b>
Decreased/resumed adjustments		
Adjustments for the impairment of inventories	(7.466)	(16.760)
Adjustments for the impairment of receivables	(2.392)	(1.113)
<b>Total decreased/resumed adjustments</b>	<b>(9.858)</b>	<b>(17.873)</b>
<b>Net expenses (revenues) from adjustments on the impairment of current assets</b>	<b>11.678</b>	<b>(1.478)</b>

In 2022 the impact of the adjustments on the impairment of current assets is an increase of the operating expenses by the amount of 11.678 thousand lei.

## NOTE 21 - FINANCIAL INCOME

	31 December 2022	31 December 2021
Income from foreign currency exchange differences	11.100	6.595
Income from interest	11.183	2.595
Income from shares held at subsidiaries 536137	311	-
Income related from financial assets evaluated at fair value	2.675	-
<b>Total financial income</b>	<b>25.269</b>	<b>9.190</b>

Aspects regarding the Company's exposure to the risks generated by the financial instruments held are presented in *Note 18 Financial Instruments*.

The income related from financial assets evaluated at fair value represents the dividends related to holding instruments in the equity of Evergent Investments S.A.

## NOTE 22 - FINANCIAL EXPENSES

	31 December 2022	31 December 2021
Expenses from exchange rate differences	8.947	3.333
Expenses with interest related to leasing contracts	30	30
Other financial expenses	-	2
<b>Total financial expenses</b>	<b>8.977</b>	<b>3.365</b>

In 2022 the company registered in the financial expenses category:

- expenses from unfavourable exchange rate differences;
- expenses with interests related to the right to use the land leased for the Maintenance Hangar of Iași.

## NOTE 23 - IMPOZITUL PE PROFIT

### Tax on profit

The tax on profit is recognized in the statement of profit or loss.

The tax on profit is the tax payable related to the profit made in the current period, as determined in accordance with the fiscal regulations applicable on the reporting date.

The profit tax rate applicable for 31.12.2022 was 16% (the same rate was applied for the financial year 2021).

	31 December 2022	31 December 2021
Gross accounting profit	99.671	69.648
Expenses with current tax on profit	11.721	9.964

Reconcilierea profitului contabil cu cel fiscal pentru 31 decembrie 2022				Differences
Accounting revenues*	496.123	Fiscal income	453.778	-42.345
Accounting expenses*	396.384	Fiscal expenses	342.013	-54.371
Gross accounting profit, restated*	99.739	Fiscal profit	111.765	+12.026
Accounting tax (16%)	15.958	Fiscal tax (16%)	17.882	+1.924
		<i>Tax reductions, of which:</i>	6.161	+6.161
		related to investments made	1.273	+1.273
Tax reductions	-	acc.to Art. 22 Fiscal Code		
		- sponsorship	3.290	+3.290
		- a 12% bonus as per OUG 153/2020	1.598	+1.598
Tax on final profit	15.958	Tax on final profit	11.721	-4.237
Applicable legal rate	16,00%	Legal rate applicable	16,00%	

Actual average tax rate, calculated on gross accounting profit, restated 11.75%

\* The revenues and expenses are obtained after deducting from the total revenues and total expenses, respectively, the revenues and expenses related to the activities subject to the specific tax.

Comparative figures	31 December 2021
Gross accounting profit	69.648
Expenses with current tax on profit	9.964

Reconcilierea profitului contabil cu cel fiscal				Differences
Accounting revenues*	389.408	Fiscal income	338.144	-32.662
Accounting expenses*	319.207	Fiscal expenses	249.534	-29.556
Gross accounting profit, restated*	70.201	Fiscal profit	88.610	-3.106
Accounting tax (16%)	11.232	Fiscal tax (16%)	14.178	-497
		<i>Tax reductions, of which:</i>	4.214	+754
		related to investments made	786	
Tax reductions	-	acc.to Art. 22 Fiscal Code		
		- sponsorship	2.678	+562
		- a 7% bonus as per OUG 153/2020	750	+192
Tax on final profit	11.232	Tax on final profit	9.964	-1.251
Applicable legal rate	16,00%	Legal rate applicable	16,00%	

Actual average tax rate, calculated on gross accounting profit, restated 14.19%

\* The revenues and expenses are obtained after deducting from the total revenues and total expenses, respectively, the revenues and expenses related to the activities subject to the specific tax.

The main factors that affected the actual tax rate:

- non-deductible expenses in fiscal terms (expenses concerning the set-up or increase of certain provisions and value adjustments on the current assets, which are non-deductible fiscally, expenses with fiscally non-deductible accounting amortization a.o.);
- fiscal facilities representing the tax exemption on profit corresponding to the investments made in accordance with Art. 22 of the Fiscal Code and sponsorships and a 12% bonus as per OUG 153/2020 regarding the implementation of fiscal measures for maintaining/increasing the company equity;
- non-taxable income obtained from the recovery of certain non-deductible expenses.

On 31 December 2022 the company registered a debt related to the tax on current profit in the amount of 269 thousand lei corresponding to the IV-th quarter of 2022.

## NOTE 24 – RESULT PER SHARE

The profit per basic share was calculated based on the profit attributable to the ordinary shareholders and on the number of ordinary shares.

The diluted result per share is equal to the result per basic share, as the company did not register any potential ordinary shares.

IN LEI	31.12.2022	31.12.2021
Profit attributable to ordinary shareholders	90.272.999	59.939.980
Number of ordinary shares	152.277.450	152.277.450
Profit per share	0,593	0,394

## NOTE 25 - AVERAGE NUMBER OF EMPLOYEES

Average number of employees	12 months 2022	12 months 2021
Own employees	1.602	1.531
Employees hired through temporary labour agent	78	51
<b>Total average number of employees</b>	<b>1.680</b>	<b>1.582</b>

Number of employees	31.12.2022	31.12.2021
Own employees	1.741	1.651
Employees hired through temporary labour agent	104	97
<b>Total number of employees</b>	<b>1.845</b>	<b>1.748</b>

## NOTE 26 - TRANSACTIONS WITH AFFILIATED PARTIES

Acquisitions of goods and services	Year 2022	Year 2021
Airpro Consult SRL Bacău	7.087	3.052
Foar SRL Bacău	424	373
<b>TOTAL</b>	<b>7.511</b>	<b>3.425</b>

Sales of goods and services	Year 2022	Year 2021
Airpro Consult SRL Bacău	-	-
Foar SRL Bacău	7	2
<b>TOTAL</b>	<b>7</b>	<b>2</b>

Liabilities	Balance on 31.12. 2022	Balance on 31.12. 2021
Airpro Consult SRL Bacău	690	601
Foar SRL Bacău	34	41
<b>TOTAL</b>	<b>724</b>	<b>642</b>

Dividends collected by Aerostar	Year 2022	Year 2021
Airpro Consult SRL Bacău	68	-
Foar SRL Bacău	242	-
<b>TOTAL</b>	<b>310</b>	<b>-</b>

The transactions with the affiliated parties between 01.01.2022 and 31.12.2022 consisted in:

- Services provided by Airpro Consult SRL Bacău to AEROSTAR SA Bacău for temporary manpower;
- Machinery rental services provided by Foar SRL Bacău to AEROSTAR SA Bacău;
- Space rental services provided by AEROSTAR SA Bacău to Foar SRL Bacău;
- Dismantling services provided by AEROSTAR SA to Foar SRL Bacău for dismantling a milling machine CNC MAHO from AEROSTAR SA worth 6 thousand Ron ;
- Dividends collected by AEROSTAR SA from Airpro Consult SRL Bacău and Foar SRL Bacău.

## NOTE 27 – INFORMATION REGARDING THE CASH FLOW

The method used in the Cash Flow Statement is the direct method.

The cash flows statement presents the cash flows and cash equivalents classified by operating activities, investments and financing, thus indicating the manner in which AEROSTAR generates and uses the cash and cash equivalents.

In the context of the Cash Flows Statement:

- the cash flows are the amounts collected and paid in cash and cash equivalents;
- the cash includes the cash available in the company's cash office and the sight deposits held with banks (available in the current accounts).
- the cash equivalents comprise the deposits formed in banks, bills and promissory notes deposited with banks in order to be collected.

The treasury cash flows from the transactions made in foreign currency are registered in the functional currency by applying to this value the exchange rate between the functional currency (LEU) and the foreign currency as on the date when the treasury cash flow was generated (date of making payments and collections).

The earnings and losses arising from the exchange rate variation are not treasury cash flows. Nevertheless, the effect of the exchange rate variation on the cash and cash equivalent held or owned in foreign currency is reported in the treasury cash flows statement, but separately from the treasury cash flows arising from operations, investments and financing, so as to reconcile the cash and cash equivalents at the beginning and end of the reporting period.

The operating activities are AEROSTAR S.A.'s main cash-generating activities.

Thus, in 2022:

- the amounts collected from the customers were 485.376 thousand LEI,
- the amounts collected from the State Budget were 6.478 thousand LEI, representing VAT and excise tax refunds
- the payments to the suppliers and employees amounted to 344.098 thousand LEI, of which 255.241 thousand LEI payments to the suppliers and 88.857 thousand LEI payments to the employees;
- the payments of taxes and duties to the State Budget amounted to 84.428 thousand LEI, of which

13.676 thousand LEI profit tax.

The operating activity generated a net cash of 63.426 thousand LEI, i.e. 28.133 thousand LEI less than the previous year.

The investment activity included:

- payments to purchase tangible and intangible assets in the amount of 31.255 thousand LEI.
- payments to purchase financial fixed assets in the amount of 51.916 thousand LEI, representing purchases of Evergent Investment S.A. shares (stock exchange symbol: EVER), traded on the Bucharest Stock Exchange;

The purchased shares are held for collecting dividends and for earnings from their sale and not for trading.

Taking into account the tender Offer to buy stock (EVER shares) initiated by Evergent Investments S.A. in December 2022, the executive management of Aerostar S.A. analyses the opportunity to participate in the offer in January 2023.

- Collected dividends in the amount of 2.541 thousand LEI from Evergent Investments S.A.;
- Collected dividends in the amount of 311 thousand LEI from the affiliated entities;
- Collected interests in the amount of 9.600 thousand LEI from the bank deposits set up.

The value of the treasury cash flows allocated to increase the operating capacity represents 6% of the aggregate value of the cash used for operational, investment and financing activities.

As part of the financing activity, an amount of 21.991 thousand LEI was paid, representing dividends due to the shareholders.

The level of cash and cash equivalents registered on 31.12.2022 amounts to 246.173 thousand LEI, i.e. 28.298 thousand LEI less compared to the beginning of the year.

## NOTE 28 - LIABILITIES AND OTHER OFF-BALANCE ITEMS

AEROSTAR S.A. registers as off-balance items, the rights, liabilities and goods which are not recognized in the company assets and liabilities, i.e.:

	31 December 2022	31 December 2021
- Liabilities:		
o Guarantees granted to customers as letters of bank guarantee and letters of credit	186	465
o Guarantees received from suppliers – as letters of bank guarantees and letters of credit	84.353	134.255
- Goods, of which:		
o inventories of other materials released for use (tooling, jigs, fixtures, safety equipment, measuring and control equipment, technical library etc.)	42.240	36.823
o materials received in consignment	2.239	2.262
o finished products received in consignment	65	65
o materials – customers	157	216
o tangible and intangible assets –obtained or purchased as a result of co-financed activity	573	573
o material values received for processing/repairs	29.328	11.454
o supporting assets related to the leasing contracts – Hangar of Iasi	2.477	2.477
o Fixed assets proposed for disposal	446	296
- Other off-balance values, of which:		
o Material guarantees set up for the managers' responsibility regarding the management of goods	201	179
o Liabilities for covering certain future obligations to A.J.O.F.M. based on OUG 95/2002 regarding the defense industry	3.777	4.330
o debtors removed from accounts, monitored further on	127	175
o creditors	25	21
o de minimis aid for participation to fairs and exhibitions	514	324
- Greenhouse Gas Emission Certificates	5.701	6.842

On 31 December 2022, AEROSTAR S.A. had a number of 14.245 greenhouse gas emission certificates. The market value on the last transaction day of a GES certificate was 80,90 Euro, according to the European Energy Exchange website (in December 2021: 79,51 Euro) at a re-evaluation exchange rate of 4,9474 Lei/Euro.

## NOTE 29 – DIRECTORS' REMUNERATION

The Board of Directors of AEROSTAR S.A.:

Surname and first name	Position	Profession
FILIP GRIGORE	President of the Board of Directors	Aviation engineer
DAMASCHIN DORU	Vice-president of the Board of Directors	Economist
TONCEA MIHAIL-NICOLAE	Member of the Board of Directors	Aviation engineer
DOROȘ LIVIU-CLAUDIU	Member of the Board of Directors	Economist
VÎRNĂ DANIEL	Member of the Board of Directors	Legal Advisor

In 2022, the company AEROSTAR did not grant advance payments or credits to the members of the Board of Directors and did not make any commitment on their account as a collateral of any kind.

In the Ordinary General Meeting of 16 December 2022, the shareholders of the company Aerostar approved the freezing at the level decided by the ordinary general meeting of shareholders dated 09 July 2020 of the directors' compensation for the financial year 2023, i.e.:

✓ Maintaining a monthly net fixed remuneration of 4.750 lei for each elected BOD member;

✓ A maximum level of additional remunerations for the BOD members who also have executive attributions, of a monthly fixed amount of at most 10 (ten) times (inclusively) the value of the fixed remuneration of 4.750 lei, applied individually, as the case may be.

✓ Mandating the BOD to negotiate these remunerations, within the approved ceiling.

The amount of the gross compensations granted to the members of the Board of Directors for 2022, by virtue of their responsibilities, was 1.725 thousand lei.

## NOTE 30 – RISK MANAGEMENT

AEROSTAR is exposed to multiple risks and uncertainties that can affect its financial performance. The business lines run by AEROSTAR, the operational results or the financial statements, may be affected by the materialization of the risks presented below.

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

The risk management processes ensure the identification, analysis, assessment and management of risks in order to minimize their effects to an agreed level.

However, there may be risks and uncertainties additional to the ones presented below, which are currently unknown or considered insignificant, but which in the future may affect the business lines run by AEROSTAR.

### Operational Risk

It is the risk to incur losses or of failure to make the estimated profits determined by:

- the use of processes, systems and manpower that

were either inadequate or failed to function properly  
- external events and actions: deterioration of the global economic conditions, natural catastrophes or other events that can affect AEROSTAR's assets.

In light of the global political turbulence, in the future we may face new types of risks, AEROSTAR analysing very carefully the main conflict areas.

The Operational Risk is also associated to the Legal Risk, defined as the risk of loss, resulting from the fines, penalties and sanctions AEROSTAR is liable to in case of non-application or misapplication of dispositions, legal or contractual regulations, as well as the fact that the rights and contractual obligations of AEROSTAR and/or of the business partner are not properly established.

The effects of the legal risk are monitored and eliminated through a permanent information system regarding the legislative modifications, as well as by setting up a review, endorsement and approval system for the terms and conditions included in the commercial agreements.



AEROSTAR has allocated and will continue to allocate investment funds and other operational expenses in order to prevent and manage the operational risk.

Moreover, by setting up provisions for risks and related expenses, AEROSTAR aims to have its own funding to cover its risks of exposure.

Furthermore, in order to minimize the operational risk, AEROSTAR renews annually, with 1st tier insurance-reinsurance companies, a civil liability insurance contract related to the main business lines (manufacturing of aircraft products and maintenance for commercial aircraft).

The **Credit Risk** is the risk that AEROSTAR might bear a financial loss as a result of the failure to meet the contractual obligations by a partner, being determined mainly by cash, cash equivalents (bank deposits) and trade receivables.

The bank deposits are placed only in 1st tier bank institutions, deemed to have a high solvency rating.

The credit risk, including the country risk for the country where the customer performs its activity, is managed per business partner. When necessary, specific instruments of credit risk mitigation are requested (advance payments, letters of bank guarantee, confirmed letters of credit).

AEROSTAR has no significant exposure towards a single partner and does not register a significant concentration of the turnover on a single geographical area.

However, there is significant exposure of the Airbus programs to the global market, a large share of our company's products being incorporated on Airbus airplanes.

A presentation of the quantitative information regarding AEROSTAR's exposure to the credit risk is detailed in Note 18 (Financial Instruments) to the Financial Statements.

The **Liquidity Risk** is the risk that AEROSTAR might encounter difficulties in fulfilling its liabilities-related obligations as they become due.

To manage the liquidity risk, the cash flows are monitored and analysed weekly, monthly, quarterly and annually in order to establish the estimated level of the net modifications of the cash. Such reviews provide the basis for the financing decisions and for the capital expenditures.

In order to reduce the liquidity risk, AEROSTAR keeps an annual cash-reserve in the form of a Credit Line usable as an overdraft granted by banks in the amount of 2.500 thousand USD. During the reporting

period, AEROSTAR did not use the Credit Line, all the activities of the Company being financed from own sources.

The **Market Risk** is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to the modifications of the market prices.

The market risk comprises the price risk, the exchange rate risk and the risk of the interest's rate.

AEROSTAR is exposed mainly to the price risk determined by the fluctuations of the price of raw material and material used in the manufacturing processes, caused by exceptional events such as the Brexit agreement with an impact on the procurement of material from UK, the established international sanctions that lead to limited possibility to provide parts and material, increased costs due to specific duties for the import/export of metallic products to and from USA.

The risk is managed by:

- diversifying the portfolio of suppliers, which offers increased leverage in negotiations in case the price of raw materials is increased by certain suppliers.
- long-term contract agreements, with provisions on fixed prices.

AEROSTAR is exposed to the exchange rate risk because 65% of its turnover is related to USD and EUR, while a significant part of the operating expenses is denominated in LEI.

Thus, AEROSTAR is exposed to the risk that the exchange rate variations will affect both its net income, as well as its financial position, as they are expressed in LEI.

An analysis of AEROSTAR's sensitivity to the foreign exchange rate's variations as detailed in Note 18 (Financial Instruments) to the Financial Statements.

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

Other aspects concerning risk management are presented in the chapter OPPORTUNITY AND RISK MANAGEMENT of the Board of Directors' Report.

## NOTE 31 – PREPAID EXPENSES AND INCOME

	31 December 2022	31 December 2021
Expenses registered in advance (in the short term)	617	579
Income registered in advance (in the short term)	1876	196

The expenses made and the income obtained in the current period, but concerning future periods or financial years are registered distinctly in the accounting department, as prepaid expenses or prepaid income, as applicable.

In the category expenses registered in advance in records on 31 December 2022 are found amounts to resume within a year representing, among others, taxes and duties, subscriptions, insurance policies, fees, participation to trade fairs and conferences, on-line services, maintenance of IT systems.

On 31 December 2022, Aerostar derecognised the long-term income registered in advance. In the category of short-term income registered in advance are highlighted as values corresponding to provided services and delivered goods for which the income recognition conditions of IFRS 15 "Revenue from Contracts with Customers" are not met (the control over goods/services hasn't been transferred yet).

## NOTE 32 – ASSETS REGARDING THE RIGHTS TO USE THE LEASED ASSETS: Reporting period 31 December 2022

	31 December 2022			01 January 2022		
	Gross amount	Cumulative depreciation	Net amount	Gross amount	Cumulative depreciation	Net amount
Asset related to the right to use the land for the Maintenance Hangar in Iași	1.907	(154)	1.753	1.888	(115)	1.773
Total	1.907	(154)	1.753	1.888	(115)	1.773

### Net book value

	Net amount on 1 January 2022	Re-evaluations in 2022	Updated provision for cost of dismantling/ removal / restoration of supporting assets	Depreciation in the period	Net amount on 31 December 2022
Asset related to the right to use the land for the Maintenance Hangar in Iași	1.773	-	20	(40)	1.753
Total	1.773	-	20	(40)	1.753

**COMPARATIVE FIGURES – ASSETS REGARDING THE RIGHTS TO USE  
THE LEASED ASSETS – reporting period 31 December 2021**

	Valori la 31 Decembrie 2021			Valori la 01 Ianuarie 2021		
	Gross amount	Cumulative depreciation	Net amount	Gross amount	Cumulative depreciation	Net amount
Asset related to the right to use the land for the Maintenance Hangar in Iași	1.888	(115)	1.773	1.864	(75)	1.789
<b>Total</b>	<b>1.888</b>	<b>(115)</b>	<b>1.773</b>	<b>1.864</b>	<b>(75)</b>	<b>1.789</b>

	Net amount on 1 January 2021	Re-evaluations in 2021	Updated provision for cost of dismantling / removal / restoration of supporting assets	Depreciation in the period	Net amount on 31 December 2021
Asset related to the right to use the land for the Maintenance Hangar in Iași	1.789	4	19	(39)	1.773
<b>Total</b>	<b>1.789</b>	<b>4</b>	<b>19</b>	<b>(39)</b>	<b>1.773</b>

The right to use the land for the Maintenance Hangar in Iași was re-evaluated at the foreign exchange rate communicated by the National Bank of Romania on the last banking day of each reporting period (31 March 2021, 30 June 2021, 30 September 2021).

**NOTE 33 – EVENTS AFTER THE REPORTING PERIOD**

AEROSTAR S.A did not identify any events after the reporting date likely to have an impact on the financial statements related to the financial year ended on 31 December 2022.

As a result of the Tender Offer to buy own shares initiated by Evergent S.A. in December 2022, the executive management of Aerostar S.A. decided to offer for sale the whole package of shares held. Given the subscription rate, the Company was able to sell a number of 3.912.279 shares at the price listed in the Tender Offer.

These individual financial statements which comprise: the statement of the financial position, the statement of the profit or loss, other elements of the global result, the statement of the company equity's modifications, the statement of the cash flows and the explanatory notes to the financial statements were approved by the Board of Directors on 16 March 2023 and signed on behalf of the Board of Directors by:

**Grigore FILIP**  
President & General Director

**Doru DAMASCHIN**  
Vice President & Financial Director



**Auditeval Consulting s.r.l.** **SIMTEX-OC**  
ISO 9001 REGISTERED C.3264.1

Bacău, Str. Vadul Bistriței 29/C/4 Mobil: 0744 / 381.993 E-mail: dascalumaric@gmail.com  
Nr. Înregistrare Registrul Comerțului J04/1836/2008 CUI: RO 24600940 Capital social: 200 lei  
Intesa Sanpaolo România sucursala Bacău RO64 WBAN 0204 1V03 7508 R001  
TREZORERIA BACĂU RO84 TREZ 0615 069X XX00 5679

**INDEPENDENT AUDITOR'S REPORT**  
**on the financial statements concluded on**  
**December 31, 2022**  
**by**  
**AEROSTAR SA**

*Note: This is the English translation of the Romanian version of the auditor's report.  
In case of any discrepancies, the Romanian version will prevail.*

**INDEPENDENT AUDITOR'S REPORT**

To,  
Shareholders of AEROSTAR S.A. Bacău  
Report on the Audit of Financial Statements

*Unreserved Opinion*

1. We have audited the financial statements of **AEROSTAR S.A. Bacău (the "Company")**, with the registered office in Bacău, no. 9, Condorilor Street, identified at the Trade Register with J4/1 137/1991 and identified by the unique tax registration code RO950531, which include the statement of financial position on 31 December, 2022, the profit or loss statement, the statement of other elements of the global result, the statement of changes in equity and the statement of cash flows for the financial year ended on the same day and the explanatory notes to the financial statements, including a summary of significant accounting policies.

2. The individual financial statements as on 31 December, 2022, are identified as follows:

<b>Net assets/ Total Equity:</b>	493.709 k lei,
<b>Net profit for the financial year:</b>	90.273 k lei.

3. In our opinion, the accompanying financial statements of the company **AEROSTAR S.A. Bacău** faithfully present, in all respects, the financial position of the Company on 31 December 2022, as well as its financial performance and cash flows for the financial year ended on this date, in accordance with the Order of the Minister of Public Finance from Romania no. 2844/2016 for the approval of the accounting regulations in accordance with the International Financial Reporting Standards, with subsequent amendments ("OMFP 2844/2016") and with the accounting policies described in the notes to the financial statements.

### **Groundwork for our opinion**

4. We conducted our audit in accordance with the International Standards on Auditing ("ISA"). EU Regulation no. 537 of the European Parliament and of the Council (hereinafter called "Regulation") and Law no. 162/2017 ("Law"). Our responsibilities under these standards are described in detail in the "Auditor's Responsibilities in an Audit of Financial Statements" section of our report. We are independent from the Company in accordance with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA Code), in accordance with the ethical requirements that are relevant to the audit of financial statements in Romania, including the Regulation and the Law, and we have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code.

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

### **Key audit aspects**

5. The key audit aspects are those aspects that, based on our professional judgment, were of the greatest importance for auditing the financial statements for the current period. These aspects have been addressed in the context of the audit of the financial statements as a whole and in forming our opinion on them, and we do not provide a separate opinion on these key aspects.

<b>Key audit aspects</b>	<b>Audit procedures performed to address the key audit matter:</b>
<b>1. Provisions</b>	
<p>The provision recognition policy is presented in Note 3-Accounting and valuation principles/3.2 - "Applied accounting policies-accounting policies regarding provisions" and Note 13-"Provisions".</p> <p>As presented in Note 13 to the Financial Statements, the Company registered on December 31, 2022 provisions in the total amount of 129.794 thousand lei.</p> <p>The estimation of a provision involves significant professional judgments on the part of the Company Management regarding the likely results of the relevant events and the quantification of the related probable obligations.</p> <p>Due to the importance of the amounts reported in the Provisions statement and to the fact that, by their nature, provisions imply a significant degree of professional judgment, we consider that they represent a key aspect for the audit of the financial statements concluded on 31 December, 2022.</p>	<p>Our audit procedures included, among others:</p> <ul style="list-style-type: none"><li>- We analysed the current obligations of the Company on the basis of which the provisions were recognized;</li><li>- We analysed the professional reasoning used by the Company Management in determining the probable results of the events and quantifying the potential obligations;</li><li>- We identified the recognition criteria as they were detailed in the calculation made by the company during the audited period.</li></ul> <p>The recognition criteria in the financial statements are logical and prudent approaches of the company regarding the risks in the conditions of an economy affected by the post-pandemic and geopolitical crisis.</p> <ul style="list-style-type: none"><li>- We obtained from the legal department of the company, where it was the case, a point of view regarding the settlement of the current litigations, as well as the best estimate of the consideration needed to settle the obligations arising from these litigations;</li></ul>

	<ul style="list-style-type: none"> <li>- We obtained from the legal department of the company, where it was the case, a point of view regarding the settlement of the current litigations, as well as the best estimate of the consideration needed to settle the obligations arising from these litigations;</li> </ul>
<b>2. Production in progress</b>	
<p>Due to the specificity of the activity, there is a risk that the over- or under-valuation and reporting of the ongoing production will influence the result of the current exercise of the company activity and implicitly the continuity of its activity.</p>	<ul style="list-style-type: none"> <li>- We addressed the recognition in the audited period of the production cost and we checked the criteria used by the company for its evaluation and recognition in the financial statements (IAS-2), finding that they are adequate.</li> <li>- We checked these recognition criteria as they are detailed in the determination of the ongoing production by the company, we reviewed the applied procedures and we found that they cannot have significant misstatements.</li> </ul> <p>The evaluation of the ongoing production was carried out at the production cost, which is lower than the net achievable value under normal conditions of the company activity.</p>

### **Other Information – Administrators' Report**

6. The Administrators are responsible for compiling and presenting the Other Information. The Other Information includes the Administrators' Report, which also includes the non-financial statement, as well as the Remuneration Report, but does not include the financial statements and the auditor's report on it.

The Other Information includes the Administrators' Report, but does not include the financial statements and the auditor's report thereon.

Our opinion on the financial statements does not cover this Other Information and, except for the case where it is explicitly mentioned in our report, we do not express any kind of assurance conclusion regarding them.

In connection with the audit of the financial statements for the financial year ended December 31, 2022, it is our responsibility to read such other information and, in doing so, to assess whether the Other Information is materially inconsistent with the financial statements, or with the knowledge that we have obtained during the audit, or if they appear to be significantly distorted.

Regarding the Administrators' Report, which also includes the non-financial statement, we have read and reported whether it was drawn up, in all significant aspects, in accordance with OMFP 2844/2016, points 15-18, respectively 39-42, of the Accounting Regulations compliant with International Financial Reporting Standards.

Based exclusively on the activities to be carried out during the audit of the financial statements, in our opinion:

a) " The information presented in the Administrators' Report for the financial year for which the financial statements have been prepared is consistent, in all material respects, with the financial statements;

b) The Administrators' Report, identified as an annex to the balance sheet, which also includes the non-financial statement, was drawn up, in all significant aspects, in accordance with the information required by OMFP 2844/2016, points 15-19, respectively 39-42, of the Regulations accounting compliant with International Financial Reporting Standards.

c) The remuneration report has been prepared, in all significant aspects, in accordance with the provisions of Law no.24/2017, articles no.106-107.

Moreover, based on our knowledge and understanding of the Company and its environment, acquired during the audit of the financial statements for the year ended December 31, 2022, we are required to report whether we have identified material misstatements in the Administrators' Report. We have nothing to report on this matter.

#### ***Responsibilities of management and those responsible for the governance for the Financial Statements.***

7. The Company's management is responsible for preparing the financial statements that provide a true and fair view in accordance with OMFP 2844/2016 and for such internal control as the management deems necessary to enable the preparation of financial statements free from material misstatement, whether due to fraud or error.

8. In preparing the financial statements, the management is responsible for evaluating the Company's ability to continue its activity based on the going concern principle, for the presentation, if necessary, of the aspects related to the continuity of the activity and the adequacy of the use of the accounting principle of the continuity of the activity, only if the management does not intend to liquidate the Company or stop its operations, or has no other realistic alternative apart from them.

The company does not intend and there are currently no reasons to reduce or stop its activity. There are no commercial or other disputes affecting the continuity of the activity, and the financing resources, the working capital and the workforce necessary for the further development of an efficient activity are ensured.

9. Those responsible for governance are responsible for overseeing the Company's financial reporting process.

## ***Auditor's Responsibilities in an Audit of the Financial Statements***

10. Our objectives are to obtain reasonable assurance about the extent to which the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but there is no guarantee that an audit conducted in accordance with the ISA will always detect a significant misstatement, if any. Distortions may be caused by either fraud or error and are considered significant if they can reasonably be expected to have an individual or cumulative effect on the economic decisions of users, based on these financial statements.

11. As part of an ISA-compliant audit, we exercise professional judgment and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures in response to those risks, and obtain sufficient and appropriate audit evidence to provide a basis for our opinion. The risk of not detecting a significant misstatement caused by fraud is higher than the risk of not detecting a significant misstatement caused by error, as fraud may involve secret agreements, forgery, intentional omissions, misrepresentation and circumvention of internal control.

- We understand the internal control relevant to the audit, in order to design audit procedures appropriate to the circumstances, but without the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- We assess the adequacy of the accounting policies used and the reasonableness of the accounting estimates and related disclosures made by management.

- We formulate a conclusion regarding the adequacy of management's use of accounting based on business continuity and we determine, based on the audit evidence obtained, whether there is significant uncertainty' about events or conditions that could raise significant doubts about the Company's ability, to continue its activity. If we conclude that there is significant uncertainty, we must draw attention in the auditor's report to the related disclosures in the financial statements or, if those disclosures are inadequate, we must change our opinion. Our findings are based on audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Company to cease operations on a going concern basis.

We evaluate the overall presentation, structure and content of the financial statements, including the presentation of information, and the extent to which the financial statements reflect the transactions and events underlying them in a manner that results in a faithful presentation.

12. We communicate to those responsible for governance, among other things, the planned scope and timing of the audit, as well as the main findings of the audit, including any significant deficiencies in internal control, which we identify during the audit.

13. We also provide those charged with governance with a statement of our compliance with the ethical independence requirements and disclose to them all relationships and other matters that could reasonably be considered to affect our independence and, where appropriate, any related protective measures.

14. Among the issues we have communicated to those charged with governance, we identify those issues that were most important in the audit of the current financial statements and are therefore key audit issues. We describe these aspects in our audit report, unless the applicable legislation or regulation prevents the public disclosure of the matter in question or unless, in extremely rare circumstances, we believe that a matter should not be disclosed in our report because the benefits to the public interest are reasonably expected to be outweighed by the negative consequences of such disclosure.



13. We also provide those charged with governance with a statement of our compliance with the ethical independence requirements and disclose to them all relationships and other matters that could reasonably be considered to affect our independence and, where appropriate, any related protective measures.

14. Among the issues we have communicated to those charged with governance, we identify those issues that were most important in the audit of the current financial statements and are therefore key audit issues. We describe these aspects in our audit report, unless the applicable legislation or regulation prevents the public disclosure of the matter in question or unless, in extremely rare circumstances, we believe that a matter should not be disclosed in our report because the benefits to the public interest are reasonably expected to be outweighed by the negative consequences of such disclosure.

### ***Other aspects***

15. The financial statements for the financial year ended on December 31, 2021 were audited by another auditor who expressed a qualified opinion on March 25, 2022.

16. This independent report is addressed exclusively to the Company's shareholders, as a whole. Our audit was carried out in order to be able to report to the Company's shareholders those aspects that we must report in a financial audit report, and not for other purposes.

To the extent permitted by law, we accept and assume responsibility only towards the Company and its shareholders, as a whole, for our audit, for this report or opinion.

Report on other legal and regulatory provisions

17. We were appointed auditors of the Company by the General Shareholders' Meeting of dated June 16, 2022 to audit the financial statements of AEROSTAR SA for the financial year ended on December 31, 2022. The total uninterrupted duration of our commitment is 1 year covering the financial year ended on December 31, 2022.

### ***We confirm that:***

Our audit opinion on the individual financial statements expressed in this report is in accordance with the additional report presented to the Company's Audit Committee, which we issued on the same date as this report. Also, in conducting our audit, we maintained our independence from the audited entity; We have not provided for the Company the prohibited non-audit services referred to in Article 5 (l) of EU Regulation No 537/2014.

Report on compliance with Delegated Regulation (EU) 2018/815 of the Commission (Regulatory Technical Standard on the Single European Electronic Reporting Format or ESEF)

***Report on compliance with Delegated Regulation (EU) 2018/815 of the Commission (Regulatory Technical Standard on the Single European Electronic Reporting Format or ESEF)***

18. We performed a reasonable assurance commitment on the compliance of the individual financial statements presented in XHTML format of AEROSTAR SA (the Company) for the financial year ended on December 31, 2022, with the requirements of Delegated Regulation (EU) 2018/815 of the Commission of December 17, 2018 for completion of Directive 2004/109/EC of the European Parliament and of the Council regarding regulatory technical standards regarding the specification of a single electronic reporting format ("ESEF Regulation") as presented in the digital files containing the unique code LEI 315700G9KRN3B7XDBB73 (The Digital Files).

These procedures refer to the testing of the format and the consistency of the electronic format of the individual financial statements (XHTML) with the audited individual financial statements and the expression of an opinion on the conformity of the electronic format of the Company's financial statements for the financial year ended on December 31, 2022 with the requirements of the ESEF Regulation.

***Responsibility of the management and the persons responsible for the governance regarding the Digital Files prepared in accordance with the ESEF***

19. Management is responsible for the preparation of Digital Files in accordance with ESEF. This responsibility includes:

- ✓ design, implementation and maintenance of internal control relevant for the application of ESEF;
- ✓ ensuring compliance between the Digital Files and the financial statements that will be published in accordance with Order no. 2844/2016 with subsequent amendments.

The persons in charge of governance have the responsibility of supervising the financial reporting process regarding the preparation of individual financial statements, including the application of the ESEF Regulation.

***Auditor's Responsibilities for the Audit of Digital Files***

20. We have the responsibility to express a conclusion on the extent to which the financial statements included in the annual financial report are in accordance with ESEF, in all material respects, based on the evidence obtained. Our reasonable assurance engagement was performed in accordance with International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (ISAE 3000) issued by the International Auditing and Assurance Standards Board.

A reasonable assurance engagement in accordance with ISAE 3000 involves performing procedures to obtain evidence about compliance with the ESEF. The nature, timing and extent of the procedures selected depend on the auditor's judgment, including the assessment of the risk of significant deviations from the provisions provided in the ESEF, caused either by fraud or error. A reasonable assurance engagement includes:

- acquiring an understanding of the Digital File preparation process in accordance with ESEF, including the relevant internal controls;
- the reconciliation of the Digital Files with the Company's audited financial statements that will be published in accordance with Order no. 2844/2016 with subsequent amendments;
- evaluating whether all the financial statements that are included in the annual financial report are drawn up in a valid XHTML format.

We believe that the evidence obtained is sufficient and adequate to provide a basis for our conclusion.

A reasonable assurance engagement includes:

- acquiring an understanding of the Digital File preparation process in accordance with ESEF, including the relevant internal controls;
- the reconciliation of the Digital Files with the Company's audited financial statements that will be published in accordance with Order no. 2844/2016 with subsequent amendments;
- evaluating whether all the financial statements that are included in the annual financial report are drawn up in a valid XHTML format.

We believe that the evidence obtained is sufficient and adequate to provide a basis for our conclusion.

In our opinion, the financial statements for the fiscal year ended on December 31, 2022 included in the annual financial report and presented in the Digital Files comply, in all significant aspects, with the requirements of ESEF.

In this section, we do not express an audit opinion, a review conclusion or any other assurance conclusion regarding the financial statements.

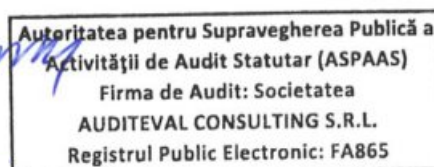
Our audit opinion on the Company's financial statements for the financial year ended December 31, 2022 is included in the Report on financial statements section above.

In the name of AUDITEVAL CONSULTING SRL

Registered with the Public Supervisory Authority of the Statutory Audit Activity (ASPAAS) in the electronic Public Register of financial auditors and audit firms with number FA865

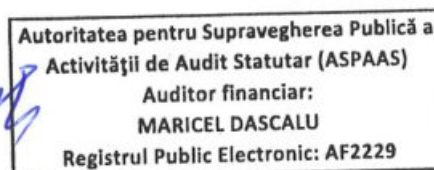
through

Audit partner: financial auditor Maricel Dascalu



Registered with the Public Supervisory Authority of the Statutory Audit Activity (ASPAAS) in the electronic Public Register of financial auditors and audit firms with number AF2229

Bacău, March 15, 2023



The undersigned GRIGORE FILIP, as President of the Board of Directors and General Director of AEROSTAR S.A. and DORU DAMASCHIN, as Vice-president of the Board of Directors and Financial Director of AEROSTAR S.A., hereby undertake the responsibility for the preparation of the individual financial statements as on 31.12.2022, and we confirm hereby that:

- a) The accounting-financial statement for 2022 that was prepared in accordance with the applicable accounting standards provides a fair image, compliant with the reality of the assets, obligations, financial position, of the profit and loss account of the company Aerostar S.A. Bacău;
- b) The report of the Board of Directors on the financial year 2022, prepared in accordance with the provisions of Regulation no. 5/2018 issued by the Financial Supervisory Authority – Annex no. 15 contains a correct review of the company's development and performance, as well as a description of the main risks and uncertainties specific to the activity of Aerostar S.A. Bacău.

President of the Board of Directors and General Director,  
GRIGORE FILIP

Vice President of the Board of Directors and Financial Director,  
DORU DAMASCHIN

## DISTRIBUTION OF THE NET PROFIT REALISED IN 2022

Net profit for the period ended 2022	90.272.999,12 lei
- Distribution to legal reserves of profits reinvested in the business (fiscal facilities)	7.961.284,14 lei
- Distribution to retained earnings	54.901.773,98 lei
- Dividend distribution (gross dividend per share: 0,18 lei)	27.409.941,00 lei

Chairman of the Board of Directors and Chief Executive Officer  
GRIGORE FILIP

Vice-chairman of the Board of Directors and Chief Financial Officer  
DORU DAMASCHIN



Contact us:

**AEROSTAR S.A.**

9, Condorilor Street, Bacau - 600302, Romania

tel: +40 234 575 070, fax: +40 234 572 023

e-mail: [aerostar@aerostar.ro](mailto:aerostar@aerostar.ro), [www.aerostar.ro](http://www.aerostar.ro)