

The Board of Directors' Report

1 JANUARY – 30 SEPTEMBER 2022

9 Condorilor Street, Bacău 600302, România
Telephone/fax number: 004-0234 575070/004-0234 572023



Date when the company was established: 17 APRIL 1953

European Unique Identifier of the company (EUID):

ROONRC.J04/1137/1991,

LEI identification code as a legal entity is 315700G9KRN3B7XDBB73;

Subscribed and paid-up share capital: 48.728.784 RON;

Unique Registration Code 950531, code ISIN ROAEROACNOR5,

The activities are carried out at the registered office, located in Bacău, 9 Condorilor Street, post code 600302;

As of January 2018, AEROSTAR also has a secondary registered place of business (workplace) within the premises of the International Airport of Iași;

The main field of activity of the company is production. The main object of activity of the company is “Manufacture of aircraft and spaceships” - **code CAEN 3030**

The individual financial statements prepared for 30 September 2022, are not accompanied by the statutory financial auditor’s report. They were audited by the company’s internal auditor.

Applicable accounting standards:

The individual financial statements are prepared in accordance with the provisions of the International Financial Reporting Standards (IFRS) adopted by the European Union, the Accounting Law no. 82/1991, as republished, with its subsequent amendments and supplements and they are submitted in accordance with the requirements of IAS 1 (Note 3);

AEROSTAR S.A. is listed on the Bucharest Stock Exchange under the code ARS, all the shares being issued in the Standard category. The record of its shares and shareholders is kept as provided by S.C. Depozitarul Central S.A. Bucharest.

Reporting Period: 1 JANUARY - 30 SEPTEMBER 2022.

The Report of the Board of Directors was prepared in accordance with the provisions of Law 24/2017 regarding the issuers of financial instruments and market operations and Regulation A.S.F. no. 5/2018 of the Financial Supervisory Authority, regarding the issuers of financial instruments and market operations, Appendix 13, respectively.

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GENERAL ASPECTS

With an experience of almost 7 decades, AEROSTAR places at the centre of its business the improvement of its performance through the employees' continuous improvement and development in the spirit of integration, innovation and initiative. We focus on accomplishing our mission to meet our customers' requirements and expectations through continuous improvement actions at all levels.

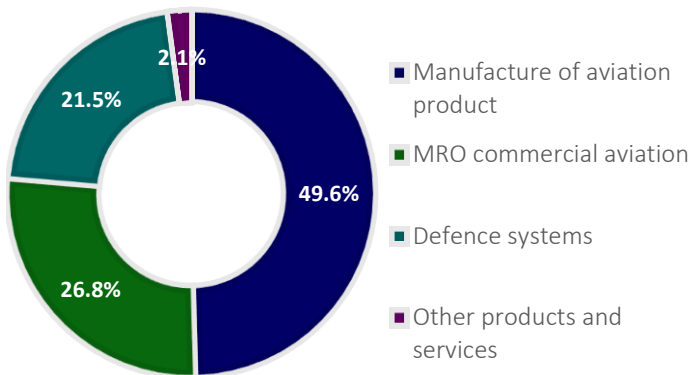
AEROSTAR S.A. is a company with private capital that operates in global manufacturing programs in the manufacturing global programs of the aeronautical and maintenance industry at industrial level for civil and military aircraft. All information about the company is disseminated simultaneously, as per the provisions of the Corporate Governance Code, both in Romanian and in English.

All shareholders can obtain information about AEROSTAR S.A. and its main events on the company's website www.aerostar.ro.

The purpose of this report is to inform the investors about the changes to the company status and performance that occurred during the reporting period January-September 2022, as well as regarding the foreseeable evolutions on the defence and aviation industry market and in relation to the company's development opportunities.

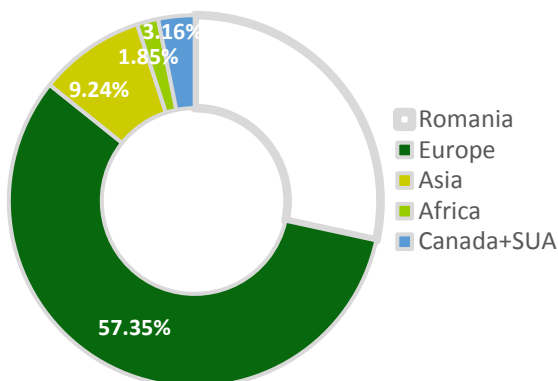
1 JANUARY – 30 SEPTEMBER 2022

Share of sales on business lines



1805	EMPLOYEES
3261	PARTICIPATIONS IN TRAINING SESSIONS
ZERO	WORK ACCIDENTS
15.5%	SALARY INCREASES
8.974 mii lei	INVESTMENTS

Share of export in turnover



Priorities



ARS share 6.5 lei

*Consolidating Aerostar’s position and activities globally;
Maintaining the stability of the workforce;
Mitigating the environmental impact by increasing the investments in non-polluting technologies.
Significant events*

Significant events during the reporting period

13 March

End of negotiations between the Administration of the Company AEROSTAR S.A. and the Employees' Committee for the Collective Labour Agreement 2022-2024. This Agreement stipulates a package of benefits intended to cover the dynamics of the employees' needs and requests as well as salary increases of **15.5 %**. The new provisions have been enforced as of **1 April 2022**;

20 April

During the Ordinary General Meeting, AEROSTAR's shareholders approved the following items:

- The Board of Directors' Report and the financial statements for the year 2021;
- The financial auditor's report on the auditing of the financial statements;
- The release of accountability from the executive management and Board of Directors' members;
- The distribution of the net result of the financial year 2021 .

16 June

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

Grigore HOROI, Mihai DEJU and Daniel BOTEZ as members of the Audit Committee, appointed by the Resolutions the General Meeting of 13 August 2020 i.a.w. art. 65 of Law no. 162/2017 regarding the statutory audit of the annual financial statements and the consolidated annual financial statements, until 10 July 2024.

The shareholders of the company AEROSTAR S.A. approved unanimously by votes validly cast (secret votes) the appointing of the company Auditeval Consulting S.R.L. as a financial auditor and the conclusion of the financial audit agreement for a minimum period of 1 (one) year, with the option to extend it by an Additional Act approved by the Company's Board of Directors.

The draft resolutions, the material subject to the approval of OGMS and the forms requested by AEROSTAR were posted on the company's website www.aerostar.ro, under Section Investor Relations.

Events after the reporting date

After the reporting date there were no records of events likely to impact the financial statements concluded on 30 September 2022.

External environment, internal environment and prospects

External environment

As of this summer, the pandemic-related restrictions were lifted and most countries cancelled their quarantine requirements. These decisions had a positive influence on the aviation industry that witnessed a recovery of the international air travelling traffic.

As far as the supply chains are concerned, the suppliers of products and services did not fully recover the production capacity they had before the pandemic and in some cases the shortage of qualified personnel contributed directly to the crisis of the global supply chain. Moreover, the increase of production costs and the general inflation generated uncertainty over future costs and therefore, some reluctance to take long-term commitments at the suppliers.

In terms of demand for the products and services provided by AEROSTAR, a selective increase was noticed, and the III-rd trimester business followed the trend recorded in the first months of 2022.

Price increases

During the reporting period, the electrical energy and gas prices continued to increase, which led to chain increases in the prices of various materials and services from certain suppliers. From now onward, the challenge will be to keep costs under control.

The war crisis in Europe

The geopolitical instability and the ensuing sanctions imposed have negative impacts both ways. The global logistic challenges and disruptions in the supply chains force the air companies to look for ways to purchase raw material from other sources, which slows down the recovery of the aviation industry and generates increases of the raw material purchasing prices.

Impact of the Covid pandemic

Even though most governs lifted the quarantine restrictions, there are still concerns that a new variant might lead to the re-introduction of travelling restrictions. AEROSTAR monitors the evolution of the Covid-19 pandemic and will continue to evaluate its future impacts.

Climatic impact

Climatic changes represent one of the major global challenges we are facing. AEROSTAR assesses continuously the potential impacts of the environmental risks and opportunities identified in the operations carried out. As for the reporting period, there has been no significant impact on the Company's assets and liabilities.

Internal environment

The labour shortage in the aviation industry remains a real problem and challenge, considering the need for qualified & specialized personnel and the high level of professional training and experience required by the specific activities in this field.

Prospects

The aviation industry is a dynamic sector that changes rapidly in a period governed by uncertainty. The company prospects largely depend on the global context and the evolution of key factors. The pandemic situation and the global economic and geopolitical crisis did not alter AEROSTAR's commitment about the established responsibilities. The conflict between Ukraine and Russia hasn't affected the company's business directly.



Our employees

The human resource is an important factor in the company performance, evolution and development. AEROSTAR is involved in supporting its employees and their professional development as well as in hiring and keeping them in the organization through the preoccupations encompassed in the company's strategy for development and performance evaluation.

Employees' benefits

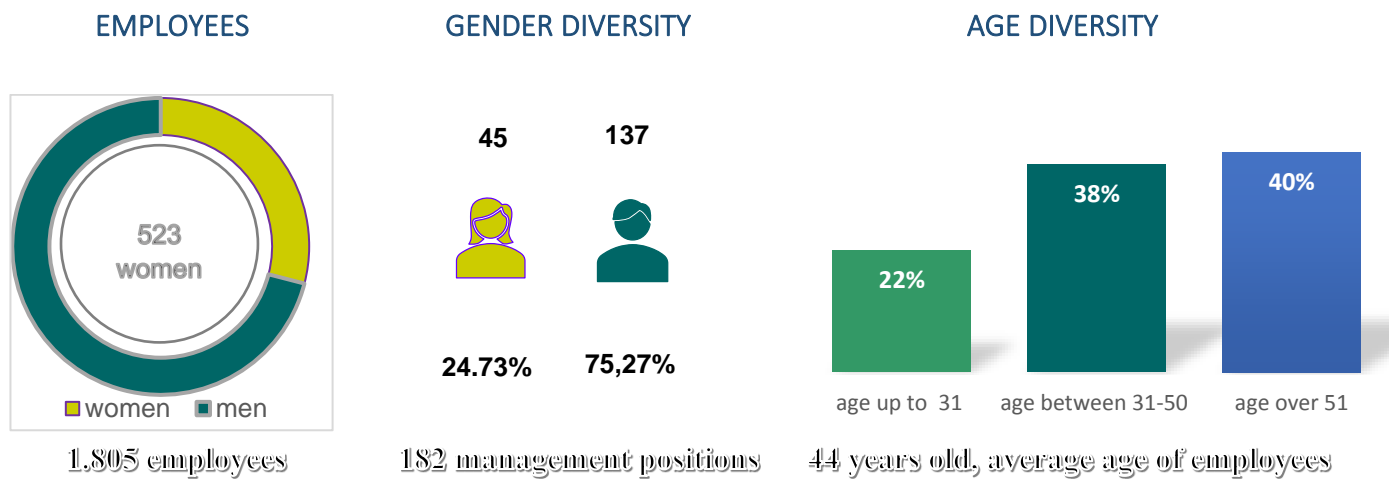
The Collective Labour Agreement for the period 01.04.2022 – 31.03.2024 stipulates a package of benefits intended to cover the dynamics of the employees' needs and requests as well as salary increases by 15.5%.

The Covid-19 pandemic

To protect its employees against Coronavirus infections, AEROSTAR continued to apply the General Plan of Measured with its specific regulations.

Health and safety

During the reporting period, no labour accidents occurred in AEROSTAR. Aerostar consistently takes actions to reduce the risks of accidents and diseases and operates based on internal norms and regulations that ensure compliance with the applicable legal provisions.



HEALTH AND SAFETY



62,34% average union membership

88,64% of the individual labour agreements concluded for an indefinite period of time

PROFESSIONAL TRAINING

1651	Employees included in professional training programs
37	Hours of training/employee
580	Pupils in internships
69	Students in internships



Performance in key figures

AEROSTAR prepares its individual financial statements in accordance with the international financial reporting standards IFRS (Note 3).

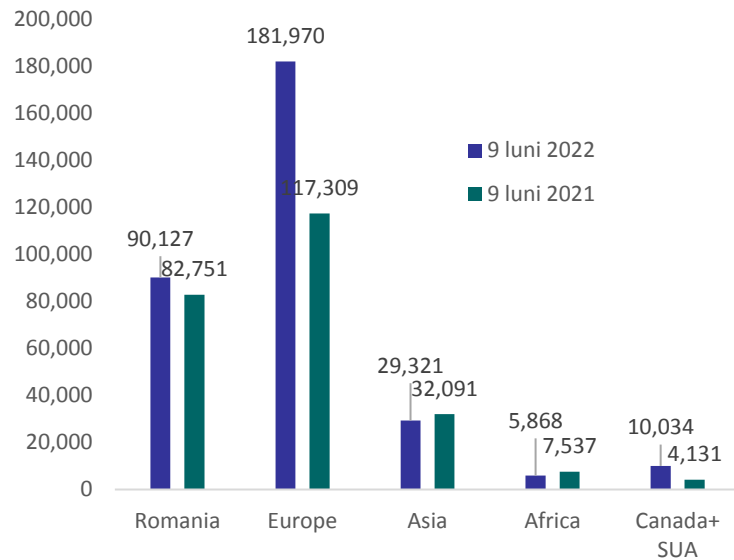
Key figures

	UM	30.09.2022	30.09.2021
Share capital	k lei	48.729	48.729
Turnover	k lei	317.363	243.819
• Export sales	k lei	227.192	161.068
• Share of export in turnover	%	72%	66%
Total number of employees	no.	1.805	1.705
Net profit	k lei	73.914	48.310
Cash - flow	k lei	232.316	240.978
Expenses for investments from own sources	k lei	8.974	5.294

	UM	30.09.2022	30.09.2021
Average exchange rate EURO/9 months*	lei/EUR	4,9352	4,9111
Average exchange rate USD/ 9 months*	lei/USD	4,6417	4,1050
Average exchange rate GBP/9 months*	lei/GBP	5,8300	5,6862
Inflation (compared to the end of the year preceding this report)	-%	13,06	5,55

Performance in sales

Results in total sales on Aerostar's sales markets

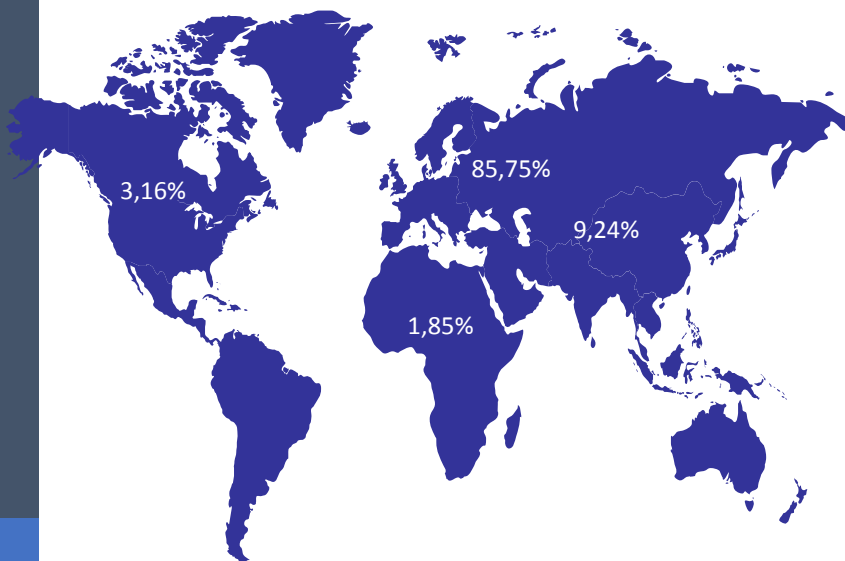


Up to 30 September 2022, AEROSTAR sold products and services on the domestic market in the amount of 90.127 thousand lei, and on the foreign market in the equivalent amount of 227.192 thousand lei.

About 72% of the sales represent export sales. Compared to the same period of last year, the export sales percentage for the zones Asia and Africa decreased, but significant increases of the sales percentage were recorded on the European and domestic market.

Turnover achieved on 30 September 2022: 317.363 thousand lei,
An increase compared to the same period of last year.

Share in total sales on Aerostar's sales markets



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

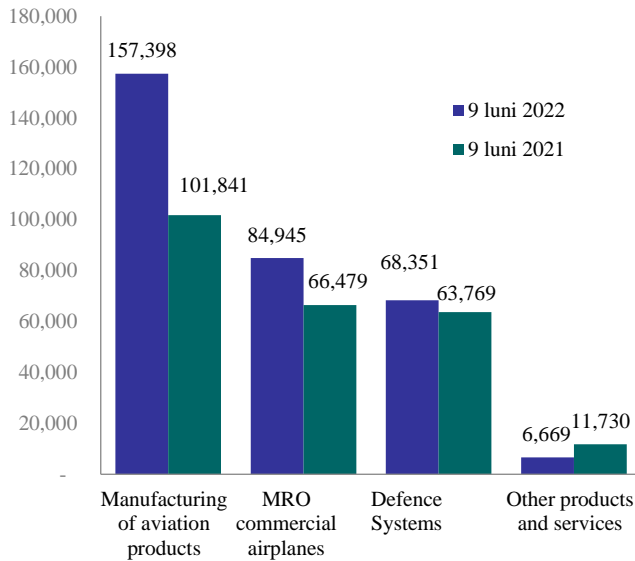
In Europe we provide maintenance services for civil aviation, aviation products (landing gear systems, mechanical parts, assemblies and subassemblies), electronic equipment and ground equipment.

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

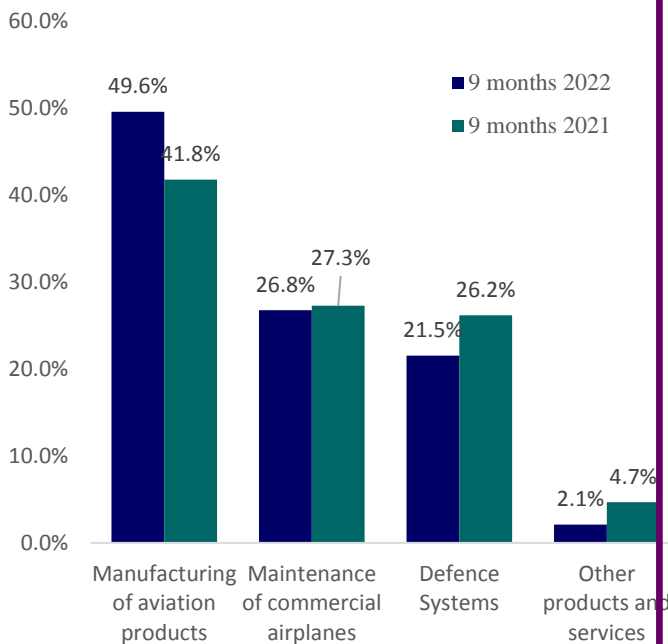
Aerostar's customers are located in Europe, Asia, Africa, USA and Canada

Performance on AEROSTAR'S main business lines

Sales corresponding to the main business lines



Share in turnover



Aerostar operates on three segments, materialized in business lines that reflect the organizational and management structure depending on the services provided:



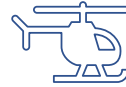
Manufacture of aviation products

Aerostar is a significant supplier of aerostructures, components, assemblies and hydraulic systems for the global manufacturing programmes. The equipment, assemblies and parts produced by AEROSTAR are used on 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 5000/6000.



Maintenance of commercial airplanes

AEROSTAR is an important provider of maintenance services at industrial level (basic and complex maintenance work, levels B, C and D, structural modifications, upgrades of avionics systems) for commercial airplanes Airbus family A320 and Boeing B737 series 300-900.



Defence systems - aero, ground and naval.

AEROSTAR activates in upgrading, integration and maintenance programmes for military aviation and defence systems, as a 1st tier supplier for the Romanian Ministry of National Defence and an authorized economic operator registered in the Unique Register of economic operators and production capacities and/or defence services in the national defence industry.

Business model

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

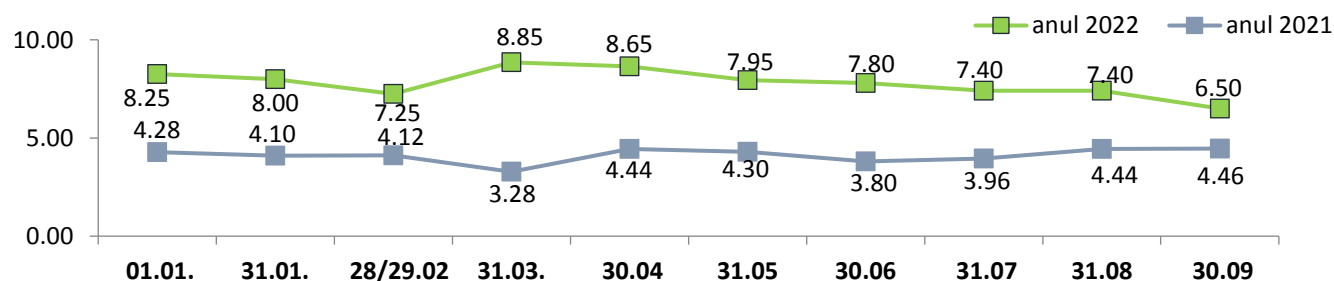
The business model adopted by the company is an integrated business model relying on RISK-based mentality.

The pandemic situation and the global economic and geopolitical crisis did not alter Aerostar's commitment, nor did they generate any impact on the company's compliance with the established responsibilities.

AEROSTAR share

The shares of the company Aerostar S.A. Bacău have been traded since 1998 on the regular market administrated by the Bucharest Stock Exchange. **The main characteristics of the securities issued: 152.277.450** registered, ordinary shares, of equal value, fully paid, issued in dematerialized form and identified by registration in the Shareholder's Registry that is managed by Depozitarul Central S.A. Bucharest.

Aerostar shares – in figures	30.09.2022	30.09.2021	30.09.2020
Number of shares	152.277.450	152.277.450	152.277.450
Nominal value per share (lei)	0,32	0,32	0,32
Price at the end of the period (lei)*	6,50	8,15	4,46
Stock exchange capitalization (lei)	989.803.425	1.241.061.218	679.157.427
Maximum price (lei)*	9,50	8,40	5,70
Minimum price (lei)*	6,40	4,00	3,00
Result per share (lei)	0,485	0,317	0,263



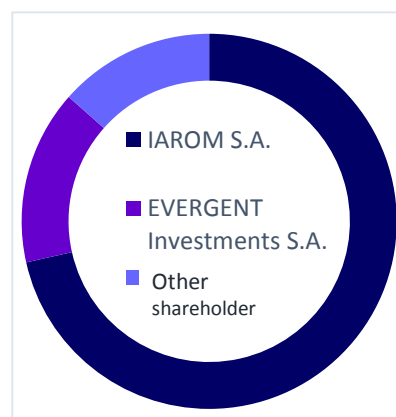
Monthly evolution of reference price of the ARS shares on 30 September 2022 compared to the same period of the year 2021 (lei/share):

Shareholders of AEROSTAR

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

This year there have been no subscriptions of new shares and no issues of participation certificates, convertible bonds, options or similar rights.

Shareholder	Number of shares	Participation held %
IAROM S.A.	108,854,869	71.49%
Evergent Investments S.A	23,106,135	15.17%
Other shareholders	20,316,446	13.34%
Total	152,277,450	100%



Board of Directors

The Board of Directors of AEROSTAR S.A. was elected for a period of four years at the General Meeting of Shareholders of 9 July 2020. The election was carried out by secret vote, with a mandate valid until 10.07.2024.

The Board of Directors is composed of:

Name	Position
Filip Grigore	President
Damaschin Doru	Vice-president
Toncea Mihail-Nicolae	Member
Doroş Liviu- Claudiu	Member
Vîrnă Daniel	Member

Executive management

The executive management is assured by the General Director and the Financial Director. The management structure at executive-operational level is complemented by the other division and directorate managers. There were no changes in this structure in the reporting period.

The Executive Management is composed of:

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

Investments for SUSTAINABILITY

AEROSTAR'S policies in the field of investments are aimed at ensuring sustainable development, as well as the lasting use of resources and a reduction of the environmental footprint, at supporting professional excellence, securing effectiveness and optimizing the flow of activities.

During the period 1 January - 30 September 2022, AEROSTAR made and set in motion investments in the amount of 8.974 k lei. The investment expenditure is represented as follows:

Category	Investments on 30 September 2022 - k lei
Construction upgrades	1,578
Technological equipment (machines, work installations and machinery)	5,778
Measuring, control and regulating devices and installations	293
Transport vehicles	1,039
Furniture, office instruments etc.	41

Category	Investments on 30 September 2022 - k lei
Investments for replacements	1,231
Investments for development	7,743
TOTAL INVESTMENTS	8,974

To above amounts are completed by financial investments in the amount of 50.318 k lei consisting in the purchase of shares from the capital market.



Priorities: Measures intended to reduce the energy consumption were implemented by putting in operation a photovoltaic park, so as to benefit the green energy generated from the company's own source. These measures lead to a reduction of the purchased energy by 20%.

Tangible assets

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

The company owns a total land of area of 47,54 hectare, with access to the European route E85. Aerostar has direct access to the runway of the airport "George Enescu" in Bacău.

All types of facilities were built, as required for the proper performance of the production activity according to the object of activity.

The production sites comprise hangars, industrial halls, technological test benches, as well as administrative and social facilities. The company also has office areas for the technical and economic activities. All these areas are maintained in good conditions. The built area of the buildings is approximately 14,06 hectares.

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

On 30 September 2022 Aerostar S.A. Bacău owns tangible assets for carrying out its activity in a gross amount of 341.574 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 lifetime (years)
Land	29.347	N/A	N/A
Constructions	96.562	39,22%	30-50 years
Investment property	11.275	40,78%	25-50 years
Technical installations, of which:	200.600	68,31%	
• Technological equipment	193.592	68,08%	4-25 years
• Transport vehicles	7.008	74,60%	4-18 years
Other tangible assets	3.790	45,17%	2-18 years
TOTAL	341.574	53,05%	N/A

In the first 9 months of 2022 no risks were identified related to the ownership over the tangible assets.

Affiliated parties

AEROSTAR's shares in these companies are recorded under costs.

Both companies in which AEROSTAR hold shares are registered in Romania.

The transactions with the affiliated parties are presented in the Financial Statements, Note 26.

Name of subsidiary/affiliated company	Main activity	No. of shares held by Aerostar	Voting rights	Value of shares held by Aerostar (k lei)	Financial information for the past financial year (2021) for which the financial statements of the affiliated companies were approved		
					Sales (k lei)	Own capitals (k lei)	Net profit (k lei)
Airpro Consult S.R.L. Bacău	code CAEN 7820	100	100%	10	7.601	250	68
Foar S.R.L. Bacău	code CAEN 7739	408	51%	4	315	1.090	82
TOTAL				14			

Relation with the shareholders and CAPITAL MARKET

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

- The right to participate in the General Meetings, directly or by representation – by placing at their disposal special proxy forms, voting bulletins by correspondence or other relevant information;
- The right to a fair treatment, regardless of holdings;
- The right to receive dividends proportionally to each shareholder's holdings.

In relation with the capital market, Aerostar has honoured all the reporting obligations resulting from the legal provisions by publishing the mandatory current and periodical reports in the electronic system of the Financial Supervisory Authority and the Stock Exchange, on the company's website and via press releases.

In accordance with the provisions of the Corporate Governance Code, continuous and periodical information was disseminated simultaneously, both in Romanian and in English.

All the shareholders can obtain information about Aerostar and its main events from the company's website www.aerostar.ro. At the same time it is possible to download annual and semestrial reports

for the past ten years, quarterly reports for the past five years, current report, as well as any other information that is relevant for the shareholders.

There are no changes regarding the shareholders' rights. No major transactions were concluded by the company with persons who act concertedly or in which such persons were involved during the concerned period of time.

Aspects regarding the company's capital and administration

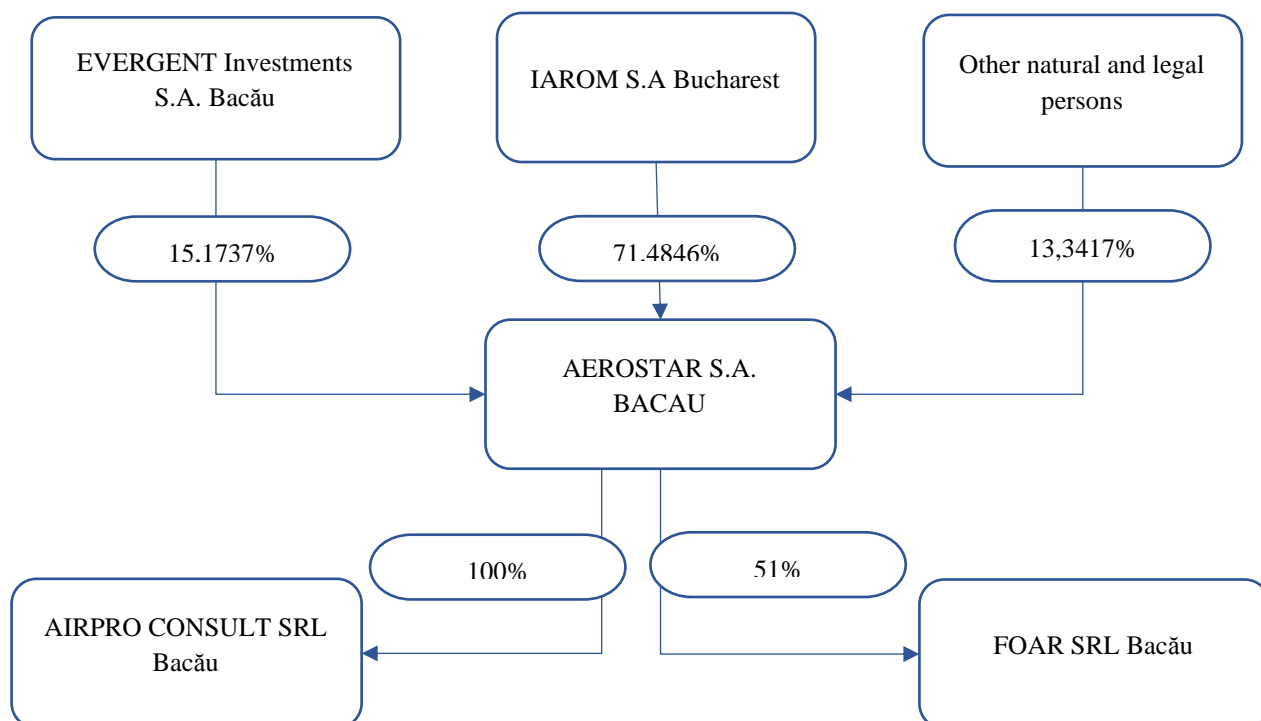
There were no changes with impact on the capital and administration of the company Aerostar S.A. The company was not unable to honour its financial obligations during this period.

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

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

The parent-company prepared and published a set of consolidated financial statements in accordance with the applicable accounting regulations for the financial year ended on 31.12.2021.

Aerostar's relation with the parent-company and the companies where it holds capital:



Business Model

Quality and Environment

In terms of social responsibility and sustainable development, Aerostar has set as environmental objectives the improvement of its performance in the field of pollution prevention, sustainable use of resources and mitigation of climatic changes, by following the guidelines of standard SR ISO 26000 on social responsibility.

The management system of the company AEROSTAR S.A places special emphasis on the risk and opportunity management.

Certifications, Authorisations, Accreditations

In the period 1 January - 30 September 2022 the following certifications were maintained, extended or obtained:

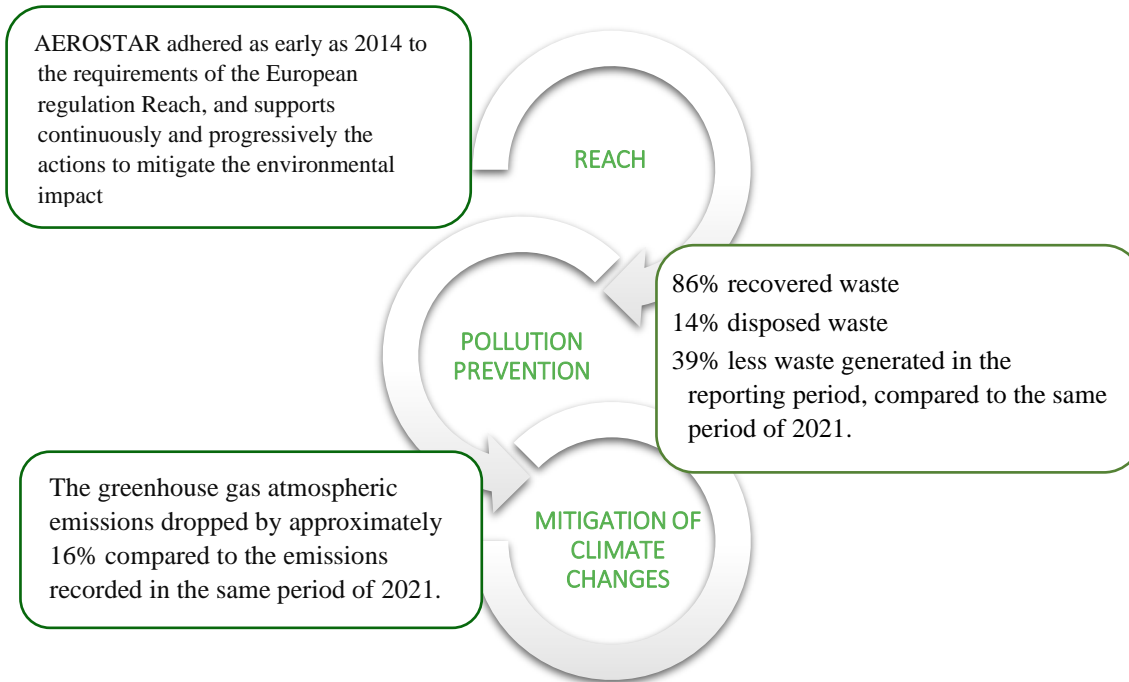
- * An extension for the certificate granted to AEROSTAR's quality management system as per the requirements of standard SR EN ISO 9001:2015/ EN ISO 9001:2015.
- * The certificate for AEROSTAR's quality management system was maintained as per the requirements of standard EN 9100:2018/ AS 9100D .
- * An extension of the authorisation scope of AEROSTAR as a Maintenance Organisation Part 45 for the MRO Centres of Bacău and Iași, issued by the Romanian Civil Aeronautical Authority.
- * The authorisation scope of AEROSTAR as a Maintenance Organization Part 145 was extended by the Turkish Civil Aeronautical Authority.
- * The quality management system was recertified to NATO's quality assurance requirements AQAP 2110 and certified to NATO's quality assurance requirements AQAP 2210.
- * An Authorisation of AEROSTAR as a Maintenance Organization was obtained from the Civil Aeronautical Authority of the Cayman Islands.
- * An Authorisation of AEROSTAR as a Pre-MRO and Testing Organisation - in accordance with section A of regulation RMAR 147 was granted by the National Military Aeronautical Authority.
- * An extension was obtained for the validity of the authorisation issued by the Aeronautical Authority of the United Arab Emirates.
- * An Authorisation of AEROSTAR as a Maintenance Organization was obtained in accordance with the regulations of the Aeronautical Authority in UK.
- * The Authorisation of AEROSTAR as a Maintenance Organization was renewed by the Federal Aviation Administration
- * All the approvals/certifications granted by AEROSTAR's customers were maintained.

Environment

The activities with environmental impact are kept under control by internal inspections (internal evaluations referring the compliance with the applicable legal and regulatory environmental requirements), and, on the other hand, by analysing the results of the monitoring activity and measurements made as provided by the environmental authorisations, as well as by running the environmental protection control and guidance programme.

The employees' training with a view to increasing their awareness level about the need to comply with the environmental requirements is a permanent preoccupation in our company.

1 JANUARY – 30 SEPTEMBER 2022



The environmental impact is studied by carrying out periodical analyses of: gas emissions into the atmosphere, noise generation, spills on the ground, waste generation, and various other environmental aspects are assessed, thus determining all significant aspects.



The results of the inspections performed in the first three trimesters of 2022 by the commissioners from the Environmental Guard of Bacău confirm AEROSTAR's compliance with the applicable legal and regulatory requirements.



All the dangerous chemicals and preparations used in AEROSTAR are managed as per the applicable regulations in force.

All the waste generated during the activities carried out inside the company is stored selectively in suitable containers and then delivered to operators authorised to collect, recycle and dispose it.

No nonconformities were documented after the audit of verification of the greenhouse gas emission management, the emissions for 2021 being, therefore, validated.

Risks and uncertainties

In a volatile and unpredictable business environment, any disturbing factor, such as a pandemic, commercial disputes, financial crises etc, can influence the end results of the players in the aviation industry.

The results recorded in the reporting period reflect the company's solid performance, with an increase of the company's turnover by 29% and an increase of the number of employees by approximately 6%, compared to the same period of last year, in the context of the complex geopolitical and economic environment, which illustrates the company's resilience and a stable environment in relation to the business environment.

Nevertheless, the company is exposed to risks that can affect its activity, financial situation and the outcomes of its operations. The additional risks and uncertainties that are either unknown to the company or deemed to be insignificant can also affect the company's operations and business.

Our company tries to minimize any such risks as far as reasonably possible, while identifying any future opportunities.

Risks related to manpower

It is one of AEROSTAR's main priorities to make sure that it can hire, develop and retain competent, motivated and flexible workforce, suitable for the company's current and future needs.

Risks related to the geopolitical and economic instabilities

Among the numerous negative effects of the escalated war in Ukraine are the price increases, export restrictions, international sanctions and rising military tensions all over the world.

The increased purchasing costs of the raw material induce pressure on the manufacturing costs. Therefore, we maintain our pro-active policies, while monitoring and analysing continuously the main conflict zones.

Risks related to the pandemic

Our top management believes that there are no uncertainties concerning the company's ability to continue its activity in case of some successive pandemic surges.

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

Summarised financial statement

K lei

Summarised assets, company equity, liabilities and provisions	30 September 2022	31 December 2021
Non-current assets	232.134	188.610
Circulating assets	451.222	433.621
Total assets	683.356	622.231
Company equity	473.893	421.388
Provisions	128.189	131.829
Liabilities	81.274	69.014
Total company equity, prepaid income, liabilities and provisions	683.356	622.231

k lei

Summarised income, expenses, results	30 September 2022	30 September 2021
Income from operation, of which:	326.647	262.969
– income from sales	317.363	243.819
Operational expenses	(255.626)	(211.534)
Profit/loss from the operational activity	71.021	51.435
Financial income	18.698	7.327
Financial expenses	(3.544)	(2.789)
Financial profit/loss	15.154	4.538
Profit before tax deduction	86.175	55.973
Tax on current and deferred profit	(12.261)	(7.663)
Net profit of financial year	73.914	48.310

AEROSTAR S.A. BACĂU
INDIVIDUAL FINANCIAL STATEMENTS
FOR 30 SEPTEMBER 2022

UNAUDITED

The Financial statements on 30.09.2022 were audited by the internal auditor of Aerostar.

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AEROSTAR S.A. BACĂU
COMPANY STATEMENT OF THE PROFIT OR LOSS
FOR 30 SEPTEMBER 2022
(unless specified otherwise, all amounts are stated in thousand lei)

	Notes	30 September 2022	30 September 2021
Operating income			
Proceeds from sales	19	317.363	243.819
Other income	19	1.798	1.662
Proceeds related to the inventories of finished goods and work in progress	19	7.361	15.746
Proceeds from production of fixed assets	19	130	323
Proceeds from operating subsidies	19	(5)	1.419
Total operating income		326.647	262.969
Operating expenses			
Material expenses	20	(114.178)	(86.425)
Expenses with employees' benefits	20	(106.018)	(88.233)
Expenses regarding amortization of fixed assets	5;6;20	(17.995)	(19.682)
Net income (expenses) from adjustments regarding current assets	20	1.631	(5.816)
Net income (expenses) from adjustments regarding provisions	20	3.640	10.258
Expenses regarding external services	20	(19.731)	(19.423)
Other expenses	20	(2.975)	(2.213)
Total operating expenses		(255.626)	(211.534)
Profit/loss from operating activity		71.021	51.435
Financial revenues	21	18.698	7.327
Financial expenses	22	(3.544)	(2.789)
Financial profit/loss		15.154	4.538
Profit before tax		86.175	55.973
Tax on current and deferred profit	17;23	(12.261)	(7.663)
Net profit of the period		73.914	48.310

**General Director,
Grigore Filip**

**Financial Director,
Doru Damaschin**

AEROSTAR S.A. BACAU
COMPANY STATEMENT OF OTHER ELEMENTS OF THE GLOBAL RESULT
FOR 30 SEPTEMBER 2022
(unless specified otherwise, all amounts are stated in thousand lei)

	30 September 2022	30 September 2021
Net profit of the period	73.914	48.310
Deferred income tax recognized on company equity	(1.272)	(335)
Re-evaluation at fair value of equity instruments through other elements of the global result	2.705	-
Other elements of the global result	1.433	(335)
Total global result of the period	75.347	47.975

**General Director,
Grigore Filip**

**Financial Director,
Doru Damaschin**

AEROSTAR S.A. BACAU
COMPANY STATEMENT OF THE FINANCIAL POSITION
FOR 30 SEPTEMBER 2022
(unless specified otherwise, all amounts are stated in thousand lei)

	Notes	30 September 2022	31 December 2021
ASSETS			
Non-current assets			
Property, plant and equipment	6	154.935	163.914
Intangible assets	5	474	688
Investment property	6	6.677	6.395
Rights to use an asset under lease	32	1.744	1.773
Financial assets	7	53.371	52
Receivables regarding deferred profit tax	17	14.933	15.788
Total non-current assets		232.134	188.610
Current assets			
Inventories	10	133.902	98.770
Trade receivables and other receivables	8;9;18	84.045	59.801
Short-term prepaid expenses	31	959	579
Cash and cash equivalents	11	232.316	274.471
Total current assets		451.222	433.621
Total assets		683.356	622.231
COMPANY EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	12	48.729	48.729
Current result	12	73.914	59.940
Result carried-forward	12	51.298	51.148
Reserves	12	324.285	284.365
Deferred income tax recognized on account of equity	17	(18.557)	(17.134)
Distribution of profit for legal reserves	12	(5.776)	(5.660)
Total equity	12	473.893	421.388
Long-term liabilities			
Liabilities regarding deferred income tax	17	20.625	19.418
Subsidies for long-term investments	14	2.223	3.025
Other long-term liabilities	16	1.504	1.525
Total long-term liabilities		24.352	23.968
Long-term provisions	13	106.115	105.383
Current liabilities			
Trade liabilities	15;18	36.561	28.450
Liability with current income tax	23	4.645	2.224
Prepaid income	31	1.515	196
Subsidies for short-term investments	14	1.071	1.167
Other current liabilities	16	13.130	13.009
Total current liabilities		56.922	45.046
Short-term provisions	13	22.074	26.446
Total provisions		128.189	131.829
Total liabilities		81.274	69.014
Total company equity, liabilities and provisions		683.356	622.231

General Director,
Grigore Filip

Financial Director,
Doru Damaschin

AEROSTAR S.A. BACĂU
COMPANY STATEMENT OF THE CASH FLOWS (direct method)
FOR 30 SEPTEMBER 2022
(unless specified otherwise, all amounts are stated in thousand lei)

	Note	30.09.2022	30.09.2021
CASH FLOWS FROM OPERATIONS			
collected from customers		329.616	255.903
taxes and excises recovered from State Budget		4.766	2.188
collected as subsidies from the State Budget		0	2.466
payments to suppliers and employees		(235.067)	(152.153)
payment of taxes, contributions and dues to the State Budget		(52.420)	(48.580)
payment of profit tax to the State Budget		(9.031)	(4.133)
NET CASH FROM OPERATIONS	27	37.864	55.691
CASH FLOWS FROM INVESTMENTS			
interest collected from bank deposits set up		5.667	1.725
dividends collected from other entities		2.541	0
dividends collected from related entities		311	0
collected from selling tangible assets		0	33
payments for purchasing fixed financial assets	7, 27	(50.785)	0
payments for purchasing property, plant and equipment and intangible assets		(18.409)	(3.862)
NET CASH FROM INVESTMENTS	27	(60.675)	(2.104)
CASH FLOWS FROM FINANCING ACTIVITIES			
gross dividends paid		(21.866)	(17.453)
NET CASH FROM FINANCING ACTIVITIES	27	(21.866)	(17.453)
Net increase/decrease of cash and cash equivalents		(44.677)	36.134
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	2.522	2.184
Cash and cash equivalents at the end of the period	11	232.316	240.978

General Director,
Grigore Filip

Financial Director,
Doru Damaschin

AEROSTAR S.A. BACĂU
COMPANY STATEMENT OF THE MODIFICATIONS OF EQUITY
FOR 30 SEPTEMBER 2022
(unless specified otherwise, all amounts are stated in thousand lei)

	Share capital	Reserves	Reserves from re-evaluation 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
Global result							
A. Balance on 1 January 2022	48.729	284.365	-	(17.134)	51.148	54.280*	421.388
Profit of the period						73.914	73.914
Other elements of the global result							
Setting up of deferred profit tax recognized on account of equity				(1.423)	151		(1.272)
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)	-
Re-evaluation at fair value of the equity instruments through other elements of global result			2.705				2.705
Distribution of the profit made after 9 months for reserves representing fiscal facilities in gross amounts		5.776				(5.776)	-
Total global result related to the period	-	5.776	2.705	(1.423)	54.431	13.858	75.347
Reserves distributed from the profit of the year 2021		31.438			(31.438)		-
Distributed dividends related to the year 2021					(22.842)		(22.842)
Transactions with the shareholders, recognized directly in equity	-	31.438	-	-	(54.280)	-	(22.842)
B. Balance on 30 September 2022	48.729	321.579	2.705	(18.557)	51.299	68.138**	473.893
C. Modifications of equity (Note 12)	-	37.214	2.705	(1.423)	151	13.858	52.505

*) The result on 31.12.2021 is 59.940 thousand lei and is influenced by the profit allocation to other reserves from fiscal facilities in the amount of 5.660 thousand lei.

***) The result on 30.09.2022 is 73.914 thousand lei and is influenced by the profit distribution to other reserves from fiscal facilities in the amount of 5.776 thousand lei.

**General Director,
Grigore Filip**

**Financial Director,
Doru Damaschin**

AEROSTAR S.A. BACAU
NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR 30 SEPTEMBER 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*	380.370
Profit of the period					48.310	48.310
Other elements of the global result						
Setting up of deferred profit recognized on account of equity			(621)	286		(335)
Distribution of profit of the financial year 2020 and of the amount remaining unallocated in the profit of the year 2019 to the destinations decided by the shareholders in OGMS of 21 April 2021 (Note 12).				26.361	(26.361)	-
Distribution of the profit made in the first 9 months of 2021 for reserves representing fiscal facilities in gross amounts		3.509			(3.509)	-
Total global result of the period		3.509	(621)	26.647	18.440	47.975
Reserve distributed from the profit of the years 2019 and 2020		8.097		(8.097)		-
Distributed dividends for the year 2020				(18.273)		(18.273)
Transactions with shareholders, directly recognized in equity		8.097		(26.370)		(18.273)
B. Balance on 30 September 2021	48.729	281.820	(16.769)	51.491	44.801**	410.072
C. Modifications of equity (NOTE 12)	-	11.606	(621)	277	18.440	29.702

*) The result on 31.12.2020 is 38.443 thousand lei and is influenced by the profit allocation to reserves from fiscal facilities in the amount of 12.082 thousand lei

***) The result on 30.09.2021 is 48.310 thousand lei and is influenced by the profit allocation to reserves from fiscal facilities in the amount of 3.509 thousand lei.

**General Director,
Grigore Filip**

**Financial Director,
Doru Damaschin**

**NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR 30 SEPTEMBER 2022
(unless specified otherwise, all amounts are stated in thousand lei)**

NOTE 1 - DESCRIPTION OF THE COMPANY

AEROSTAR was established in 1953 and operates in accordance with the 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 Resolution no. 2/14.12.2017 of the Board of Directors, the opening of a secondary place of business without legal personality (workplace) was approved in Iasi, on 25B Aeroportului Street.

The main line of work of AEROSTAR S.A. 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 record of its shares and shareholders is kept, as provided by law, by S.C. Depozitarul Central S.A. Bucharest.

During the first 9 months of 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 the subsidiary of the company IAROM S.A. and, therefore, the parent company that consolidates the financial statements of the group is S.C. IAROM S.A., with the unique identification code 1555301, having its registered head office in Bucharest, 39 Aerogarii Blvd. The consolidated financial statements for the financial year 2021 were submitted to A.N.A.F. under registration number 429231916-2022/30.08.2022. Copies of the consolidated financial statements can be obtained from the head office of the parent company, IAROM S.A. The parent company will prepare and publish a set of consolidated financial statements in accordance with the applicable accounting regulations, for the financial year ended on 31.12.2022.

The company has a sole operating segment in accordance with IFRS 8 and no distinct financial information is available for various components of the entity. The information regarding the sales by categories of products and markets is presented in detail in the Report of the Board of Directors.

The company’s policy is focused on maintaining a solid capital basis in order to support the continuous development of the company and accomplish its strategic objectives.

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

AEROSTAR S.A. BACAU
NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR 30 SEPTEMBER 2022
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 2 - ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

2.1. Estimates

The preparation and presentation of the individual financial statements in accordance with IFRS involves the use of estimates, judgements and assumptions that affect the implementation of the accounting policies as well as the reported value of the assets, liabilities, revenues and expenses.

The estimates and judgements are made based on the historic experience as well as on a series of factors considered adequate and reasonable. The accounting estimates and judgements are continuously updated and take into account reasonable expectations with respect to future probable events. The reported accounting values of the assets, the liabilities that cannot be determined or obtained from other sources are based on these estimates considered adequate by the company's management.

Such estimates, as well as the reasoning and assumptions behind them are reviewed on a regular basis and the result thereof is recognized in the time period when the estimate was reviewed.

Any change in the accounting estimates will be recognized prospectively by its inclusion in the result:

- of the period of time when the change occurs, if it affects only that period of time; or
- of the period of time when the change occurs and of the subsequent periods, if the change also affects such periods.

The company uses estimates in order to determine:

- the uncertain customers and the adjustments for impairment of related receivables;
- the value of the provisions for risks and expenses to set up at the end of the period (month, trimester, year) for litigations, for the dismantling of property, plant and equipment, for collaterals granted to customers, for obligations toward manpower and other obligations;
- the adjustments for impairment of property, plant and equipment and intangible assets. At the end of each reporting period, the company estimates whether there are indications of impairment. If such signs are identified, the recoverable amount of the asset is estimated to determine the extent of impairment (if any).
- the lifetimes of property, plant and equipment and intangible fixed assets. The company reviews the estimated life of the tangible and intangible fixed assets at least at the end of each financial year to determine their adequacy.
- the inventories of raw materials and materials requiring the setting up of adjustments for impairment.
- deferred taxes.

Presenting the information

To the extent possible, the company will present 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 regarding the recognition, evaluation, presentation or description of the items of the financial statements.

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

- restating the comparative values for the prior period presented when the error occurred, or

AEROSTAR S.A. BACAU
NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR 30 SEPTEMBER 2022
(unless specified otherwise, all amounts are stated in thousand lei)

- if the error occurred before the prior 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 for the previous period;
- the value of the adjustment for each previous period presented, to the possible extent:
 - for each item - row affected in the financial statement;
 - for the basic result and diluted per share.
- the amount of the correction at the beginning of the earliest period presented;
- if retrospective restating is impossible for a specific prior period, the circumstances leading to the existence of such circumstance and a description of the manner in which and the time when such error was corrected.

2.3. Changes in the accounting policies

Any change in the accounting policies is only permitted if requested by IFRS or if it results in more relevant or more reliable information with reference to the company operations.

The company modifies an accounting policy only if such change:

- is required by an IFRS; or
- results in financial statements that provide reliable and more relevant information with reference to the effects of the transactions, of other events or conditions on the financial performance or cash flows of the entity.

Application of changes in the Accounting Policies:

- the entity takes into account a change in the accounting policy that results from the initial implementation of an IFRS in accordance with the specific transitory provisions, if any, of that IFRS; and
- at the initial application of an IFRS that does not include specific transitory provisions.

Presenting the information

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

- the title of IFRS;
- the nature of the accounting policy change;
- when applicable, the fact that the change is made as an effect of the transitory dispositions and a description of these transitory provisions;
- for the current period and for each prior period, the amount of adjustments for each affected element of the statement of the financial position, to the extent possible.

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

When a voluntary change of the accounting policy has an effect on the current or prior period, the company presents in the explanatory notes:

- the nature of the change of accounting policy;
- the reasons for which the application of the new accounting policy provides more reliable and relevant information;
- for the current period and for each prior accounting period, the estimated amount of the adjustments for each affected item of the statement of the financial position, as far as possible.

AEROSTAR S.A. BACAU
NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR 30 SEPTEMBER 2022
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 3 - ACCOUNTING AND EVALUATION PRINCIPLES

3.1. Bases for the preparation and presentation of financial statements

The individual financial statements of AEROSTAR S.A. 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 subsequently amended and supplemented;
- O.M.F.P. no. 881/2012 on the application of International Financial Reporting Standards by companies with securities admitted for trading on a market regulated by the International Financial Reporting Standards;
- O.M.F.P. no. 2.844/2016 on the approval of the Accounting Regulations conforming to the International Financial Reporting Standards, as amended and supplemented;
- O.M.F.P. no. 2.861/2009 for the approval of the Norms regarding the organization and execution of the inventories of elements such as assets, liabilities and equities;
- O.M.F.P. no. 1.826/2003 on the approval of the Explanations regarding some measures of business accounting organization and management;
- O.M.F.P. no. 2.634/2015 regarding the financial accounting documents, as amended and supplemented.
- Law no. 24/2017, republished, regarding the issuers of financial instruments and market operations.

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

The accounting for transactions in foreign currency is carried out both in national currency and in foreign currency.

The financial year is the calendar year.

The financial statements are prepared and reported in thousand lei and all values are rounded to the nearest thousand lei. Due to rounding, the numbers presented do not always accurately reflect the totals provided, and the percentages do not accurately reflect absolute figures.

The financial statements are prepared based on historical cost.

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

3.2. Applied Accounting Policies

Aerostar SA describes the accounting policies applied 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. Compared to the presentation made at the end of the financial year 2021, no changes were made to the applied accounting principles, methods, policies and procedures.

AEROSTAR S.A. BACAU
NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR 30 SEPTEMBER 2022
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 4 – TRANSACTIONS IN FOREIGN CURRENCIES

AEROSTAR considers the Romanian LEU as the functional currency and the financial statements are presented in thousand LEI.

The currency transactions 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 assets and financial liabilities denominated in foreign currency are evaluated in the functional currency using the exchange rate, communicated by the Romanian National Bank, valid on the date of ending the financial year:

Currency	30.09.2022
1 EUR (Euro)	4,9490 lei
1 USD (American Dollar)	5,0469 lei
1 GBP (British pound)	5,6367 lei

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

Considering that 72% of the turnover registered in the reporting period is denominated in USD and EUR, while a significant part of the operating costs is denominated in LEI, the foreign exchange rate variations will affect both its net income and the financial position as expressed in the functional currency.

In the reporting period, the net currency exposure resulted as a difference between the amounts collected from the financial assets and the payment of the financial liabilities denominated in that currency is as follows:

01.01-30.09.2022	thousand EUR	thousand USD	thousand GBP
Collected from financial assets	14.742	32.733	0
Payments of financial liabilities	(10.417)	(13.407)	(400)
Foreign exchange net exposure	4.325	19.326	(400)

In the reporting period, the quarterly variation of the foreign exchange rate USD/LEU was:

+ 0,82% in the 1st quarter of 2022 compared to 31.12.2021

+ 4,23% in the 2nd quarter of 2022 in comparison to 31.03.2022

+ 2,89% in the 3rd quarter of 2022 in comparison to 30.06.2022

and

EUR/LEU:

- 0,04% in the first quarter of 2022 compared to 31.12.2021

- 0,03% in the 2nd quarter of 2022 compared to 31.03.2022

- 0,63% in the 3rd quarter of 2022 compared to 30.06.2022

has determined a recorded profit from favourable exchange rate differences of 5.086 thousand LEI.

AEROSTAR S.A. BACAU
NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR 30 SEPTEMBER 2022
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 5 - INTANGIBLE ASSETS: reporting period 30 September 2022

	Values on 30 September 2022			Values on 1 January 2022		
	Gross amount	Accumulated depreciation	Net value	Gross amount	Accumulated depreciation	Net value
Licences	6.311	(5.900)	411	6.217	(5.606)	611
Other intangible assets (software)	483	(420)	63	417	(340)	77
Total	6.794	(6.320)	474	6.634	(5.946)	688

Net accounting value

	Net value on 1 January 2022	Entries at gross value	Depreciation/ impairment during the period	Net value on 30 September 2022
Licences	611	178	(378)	411
Other intangible assets	77	65	(79)	63
Total	688	243	(457)	474

AEROSTAR S.A. BACĂU
NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR 30 SEPTEMBER 2022
(unless specified otherwise, all amounts are stated in thousand lei)

COMPARATIVE FIGURES - INTANGIBLE ASSETS: reporting period 30 September 2021

	Values on 30 September 2021			Values on 1 January 2021		
	Gross amount	Accumulated depreciation	Net value	Gross amount	Accumulated depreciation	Net value
Licences	6.050	(5.496)	554	5.720	(5.200)	520
Other intangible assets (software)	413	(319)	94	404	(261)	143
Total	6.463	(5.815)	648	6.124	(5.461)	663

Net accounting value

	Net value on 1 January 2021	Entries at gross value	Depreciation/ Impairment during the period	Net value on 30 September 2021
Licences	520	330	(296)	554
Other intangible assets	143	10	(59)	94
Total	663	340	(355)	648

AEROSTAR S.A. BACĂU
NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR 30 SEPTEMBER 2022
(unless specified otherwise, all amounts are stated in thousand lei)

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

- Licences
- Other intangible assets

The software programmes are registered under other intangible assets.

The useful lifetimes for the intangible assets are established in years, based on the period of the contract or the service life, as the case may be. The useful lifetime of the licenses and software purchased or generated internally is 3 years. The fiscal durations of depreciation of the intangible assets are stipulated by the fiscal legislation on assets.

The expenses with amortization are recognized in the profit or loss account using the linear method of calculation.

The intangible assets in the balance sheet account as on 30.09.2022 are not depreciated and no adjustments were made for the depreciation thereof.

When determining the gross accounting value of the intangible assets, the company uses the historical cost method.

The value of the completely amortized software licenses on 30 September 2022 and which are still in use is 3.376 thousand lei.

All the intangible assets recorded in the balance sheet on 30 September 2022 are the property of AEROSTAR.

The increased values of intangible assets were a result of:

- | | |
|--|--------------------------------|
| | <u>243 thousand lei</u> |
| • development of production management IT system - version 3 | 65 thousand lei |
| • purchase of software licences | 178 thousand lei |

In the reporting period there were no entries of licences generated internally or acquired through business combinations.

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

S.C. AEROSTAR S.A. BACAU
NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR 30 SEPTEMBER 2022
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 6 – PROPERTY, PLANT AND EQUIPMENT: reporting period 30 September 2022

	Values on 30 Septembrie 2022			Values on 1 January 2022		
	Gross value	Accumulated amortization	Net value	Gross value	Accumulated amortization	Net value
Land	29.347	-	29.347	29.266	-	29.266
Constructions	96.562	(37.870)	58.692	95.193	(33.277)	61.916
Technological equipment and vehicles	200.600	(137.021)	63.579	193.970	(124.975)	68.995
Other equipment and office equipment	3.790	(1.712)	2.078	3.762	(1.477)	2.285
Investment property	11.275	(4.598)	6.677	10.537	(4.142)	6.395
Property, plant and equipment under construction	1.239	-	1.239	1.452	-	1.452
Total	342.813	(181.201)	161.612	334.180	(163.871)	170.309

	Net value on 1 January 2022	Inflows at gross value	Outflows at gross value	Amortization during the period	Net value on 30 September 2022
Land	29.266	81			29.347
Constructions	61.916	1.369		(4.593)	58.692
Technological equipment and vehicles	68.995	6.808		(12.224)	63.579
Other equipment and office equipment	2.285	29		(236)	2.078
Investment property	6.395	738		(456)	6.677
Property, plant and equipment under construction	1.452	8.731	(8.944)	-	1.239
Total	170.309	17.756	(8.944)	(17.509)	161.612

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COMPARATIVE FIGURES: PROPERTY, PLANT AND EQUIPMENT: reporting period 30 September 2021

	Values on 30 September 2021			Values on 1 January 2021		
	Gross value	Accumulated amortization	Net value	Gross value	Accumulated amortization	Net value
Land	29.266	0	29.266	29.266	0	29.266
Constructions	94.999	(31.786)	63.213	94.206	(26.781)	67.425
Technological equipment and vehicles	192.534	(120.886)	71.648	188.533	(107.613)	80.920
Other equipment and office equipment	3.697	(1.397)	2.300	3.475	(1.172)	2.303
Investment property	10.537	(3.996)	6.541	10.537	(3.542)	6.995
Property, plant and equipment under construction	587	0	587	1.009	0	1.009
Total	331.620	(158.065)	173.555	327.026	(139.108)	187.918

	Balance on 1 January 2021	Inflows at gross value	Outflows at gross value	Amortization during the period	Net value at 30 September 2021
Land	29.266	0	0	0	29.266
Constructions	67.425	793	0	(5.005)	63.213
Technological equipment and vehicles	80.920	4.357	(18)	(13.611)	71.648
Other equipment and office equipment	2.303	225		(228)	2.300
Investment property	6.995	0	0	(454)	6.541
Property, plant and equipment under construction	1.009	4.953	(5.375)	0	587
Total	187.918	10.328	(5.393)	(19.298)	173.555

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The property, plant and equipment are evaluated at their acquisition or production costs minus cumulative amortization and depreciation losses.

These items of property, plant and equipment are amortized by using the linear method.

Amortization expenses are recognized in the profit and loss statement.

The following useful lifetimes are assumed:

- constructions	30-50 years
- technological equipment	4-25 years
- vehicles	4-18 years
- other property, plant and equipment	2-18 years
- investment property	25-50 years

The useful lifetimes are established by committees consisting of specialists from the company. The useful lifetimes of the property, plant and equipment are stipulated by the fiscal legislation on assets.

The company did not purchase assets from business combinations, nor did it classify assets for future sale.

The investment property contains a number of 11 real estate – buildings that are rented to third parties based on renting contracts.

The value of renting income in this category of fixed assets was 1.862 thousand lei.

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

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 amortization expense.

The amortization of an asset begins when the asset is available for use (i.e. when the asset is in the location and condition necessary to operate as envisioned by the top management) and ends on the day when the asset is reclassified in another category or when it is derecognized.

The amortization does not end when the asset is not in use.

The land and buildings are separable assets, and their accounts are kept separately, even when they are acquired together.

The land has an unlimited useful lifetime and, therefore, is not submitted to amortization.

In accordance with the provisions of IAS 36 - Impairment of assets, the company proceeded to the identification of any signs of impairment of property, plant and equipment, taking into consideration the external and internal sources of information.

Internal sources of information:

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

External source of information:

The indicator that offers information regarding the interest from the investors in the companies listed on the capital market is the market capitalization with reference to the company equity (MBR).

<u>indicator MBR-Market to book ratio</u>	<u>30.09.2022</u>	<u>31.12.2021</u>	<u>30.09.2021</u>
Stock exchange capitalization/ company equity	2,1	2,9	3,0

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

The property, plant and equipment in the balance sheet on 30.09.2022 are not depreciated and no significant depreciation indicators were identified.

The gross accounting value of the fully amortized property, plant and equipment still in operation on 30 September 2022 is 54.392 thousand lei.

On 30.09.2022 no mortgages were set on the fixed assets owned by Aerostar S.A.

Inflows of property, plant and equipment, achieved by:	<u>17.756 k lei</u>
• commissioning of technical equipment, hardware equipment, measuring and control equipment	8.944 k lei
• land purchase	81 k lei
• property, plant and equipment under construction in 2022	8.731 k lei
Outflows of property, plant and equipment, achieved by:	<u>8.944 k lei</u>
• transfer of property, plant and equipment as a result of the commissioning thereof	8.944 k lei

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NOTE 7- FIXED FINANCIAL ASSETS

	Shares held in affiliated entities	Other immobilized securities - shares	Other immobilized securities – contributions to capital assets	Other immobilized receivables – supplier guarantees	Total
On 1 January 2022	14	0	0	38	52
Increases/Decreases	-	53.317	2	-	53.319
On 30 September 2022	14	53.317	2	38	53.371

A) Investments in related entities registered under cost:

Subsidiary name/ Registered head office	CAEN Code	No. of shares/ shares issued	Voting rights (%)	Value of shares held by (k lei)	Financial information related to the year 2021				
					Company's share capital (k lei)	Reserves (k lei)	Net profit (k lei)	Nominal value/share (k lei)	Net asset/ share (k lei)
Airpro Consult SRL Bacău Str. Condorilor nr.9	- main activity according to CAEN code 7820	100	100%	10	10	171	68	0,10	2,5
Foar SRL Bacău Str. Condorilor nr.9	- main activity according to CAEN code 7739	408	51%	4	8	1.000	82	0,01	2,7
TOTAL	x	x	x	14	x	x	x	x	x

AEROSTAR's share contribution in these companies is registered under cost.

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On 30.09.2022, the company recorded no modifications i.e. no increases/decreases as to the shareholding percentage, maintaining the same influence as in 2021 on the remaining companies in the equity portfolio.

Both companies in which AEROSTAR holds shares are registered in Romania.

B) Investments in equity instruments through other elements of global result:

Issuer's name	CAEN code	No. of shares	Symbol	Value of price /share on 30.09.2022 (lei)	Value of portfolio at market price (k lei)
Registered head office					
Evergent Investments S.A.	- main activity according to CAEN code 6499	42.147.757	EVER	1,265	53.317
Pictor Aman Str., 94C, Bacău					

The Company purchased 42.147.757 shares of the company Evergent Investments S.A, listed at the Bucharest Stock Exchange. Aerostar records the shares held at fair value through other elements of global result, in accordance with IFRS 9 “Financial Instruments”. The Company used the irrevocable option to designate such equity instruments at fair value through other elements of global result as these financial assets are held both to collect dividends, and also for earnings from their sale, but not for trading. The earning or loss related to these equity instruments is recognized in other elements of global result, except for the revenue from dividends.

C) Contribution in cash to setting up the original patrimony of the Association “Education cluster for sustainable development C-EDD”

The association was established voluntarily by the founding members, operating as a Romanian legal person of private law without patrimonial purpose. The association is non-governmental, non-political, non-profit and independent, not subordinated to any other legal person.

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

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NOTE 8 - TRADE RECEIVABLES

	30 September 2022	31 December 2021
TRADE RECEIVABLES, of which:		
Customers, of which:	70.712	54.139
Domestic customers	21.206	20.596
Foreign customers	49.506	33.543
Uncertain customers	1.386	1.819
Adjustments for impairment of receivables – customers	(747)	(1.332)
Suppliers – debtors	8.660	1.787
Adjustments for the impairment of receivables – advances granted to customers	-	(42)
TOTAL TRADE RECEIVABLES	80.011	56.371

In accordance with the provisions of the Accounting Policies Manual, to cover the non-recovery risk of the amounts that represent the uncertain trade receivables, the company registers adjustments for the depreciation of the uncertain customers as follows:

- in percentage of 50% of the value of the receivables not collected on time if the due date is between 30 days and 180 days. On 30 September 2022, the company registered adjustments for depreciation of this nature in the amount of 640 thousand lei;
- in percentage of 100% of the value of the receivables not collected, having no receivables with due date exceeding 180 days. On 30 September 2022, the company registered adjustments for depreciation of this nature in the amount of 107 thousand lei.

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

Debtors-suppliers have a discount limit:

- in 2022: 8.544 thousand lei
- in 2024: 116 thousand lei

The receivables were evaluated at the market exchange rate communicated by the National Bank of Romania available for the end of September 2022.

The favourable and unfavourable exchange rate differences between the exchange market rate, for which are accounted the receivables in currency, and the market exchange rate communicated by the National Bank of Romania available for the end of September 2022, were recorded in the related income or expense account.

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NOTE 9 – OTHER RECEIVABLES

	30 September 2022	31 December 2021
Receivables related to manpower and similar accounts	51	6
Receivables related to the budget of social insurance and the state budget, of which:	2.266	2.833
– VAT to recover	278	-
– Non-exigible VAT	96	106
– Amounts to recover from the National Health System (allowances on medical leaves)	1.307	2.050
– Amounts to recover from A.J.O.F.M. representing the allowance for the reduced working time according to OUG 132/2020	-	2
– Excise duty to recover, related to the fuel used	560	648
– Other receivables in connection with local budget representing the fee of public service to recover resulting from corrected declarations filed	2	17
– Other receivables in connection with the social security budget and the state budget	23	10
Interest to receive from bank deposits	1.677	231
Various debtors	575	583
Adjustments for the depreciation of the receivables – diverse debtors	(535)	(223)
TOTAL OTHER RECEIVABLES	4.034	3.430

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NOTE 10 - INVENTORIES	30 September	31 December
	2022	2021
of which:		
Raw material *	42.367	32.332
Consumables **	58.998	43.539
Other materials	47	245
Semi-finished products	544	1.151
Packaging	32	37
Finished products	28.166	25.653
Products and services in progress	42.555	35.999
<i>Gross value of the inventory (unadjusted)</i>	<u>172.709</u>	<u>138.956</u>

ADJUSTMENTS FOR IMPAIRMENT OF INVENTORIES

	30 September	Increases/	Decreases/	31 December
	2022	Setups	Reruns	2021
Total adjustments	38.807	4.974	6.353	40.186
Adjustments for impairment of raw material	18.063	1.119	3.790	20.734
Adjustments for impairment of consumables	18.992	2.901	1.430	17.521
Adjustments for impairment of semi-finished products	544	247	853	1.150
Adjustments for impairment of finished products	681	312	280	649
Adjustments for impairment of production in progress	527	395	-	132

Note:

* The raw material directly participates in the manufacture of the products and is found in the semi-finished or finished product, either in their initial state, or transformed (bars, pipes, plates, profiles, wires etc.);

** The consumables participate or help the manufacturing or operating process, without being usually found in the finished product (auxiliary materials, fuels, spare parts, tools, jigs, 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 to the state and in the place 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.

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Within the Company, the goods considered to be depreciated are those that are 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 products and spare parts different periods are established as follows, for each profit centre;

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

- a) 100% of the value thereof, for inventories of this nature that do not rely on contracts with the customers;
- b) in variable percentages, as agreed with the profit centres involved, for the inventories of unfinished products not delivered in due time as per the contractual provisions.

The total value of inventories recognized as an expense during the period is of 102.410 thousand lei.

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

AEROSTAR S.A. has no pledged inventories.

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NOTE 11 – CASH AND CASH EQUIVALENTS

The cash contains:

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

The cash equivalents consist in:

- term deposits held by banks;
- paychecks and trade effects (promissory notes) deposited for collection at the banks.

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

	30.09.2022	30.09.2021
Cash at the cashier's desk	48	58
Sight deposits held at banks	27.119	37.127
Term deposits held at banks	205.092	203.793
Paychecks and trade effects to collect	57	0
Cash and cash equivalents	232.316	240.978

All the term deposits held by banks have a maturity below 3 months.

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

The value of the bank Credit Line usable in the form of an overdraft, available for the future operating activity, is 2.500 THOUSAND USD (the equivalent of 12.617 THOUSAND LEI). During the reporting period the bank Credit Line was not used.

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NOTE 12 – COMPANY EQUITY

The company equity on 30 September 2022 is 473.893 thousand lei. The net increase of the equity in 2022 in comparison to the end of the year of 2021 was of 52.505 thousand lei.

Main equity elements in the period January-September 2022 compared to 2021:

- **The share capital remained unchanged:**

On 30 September 2022, the share capital of AEROSTAR SA Bacau is 48.728.784 lei, divided into 152.277.450 shares having a nominal value of 0,32 lei.

- **The reserves had a net increase by 39.919 thousand lei:**

- An increase by 5.776 thousand lei on account of the distribution of the profit made in the first 9 months of 2022 for reserves from fiscal facilities;
- An increase by 31.438 thousand lei as a result of the distribution of the profit of year 2021 to the destinations decided by the shareholders in the OGMS meeting of 20 April 2022;
- An increase by 2.705 thousand lei on account of re-evaluating at fair value the equity instruments through other elements of global result.

- **Other equity elements decreased by the amount of 1.423 thousand lei** on account of the deferred income tax recognized in the company equity.

- **The result carried forward increased by 151 thousand lei as follows:**

- An increase by 151 thousand lei on account of the deferred income tax recognized in the company equity;
- Following the resolution of OGMS dated 20 April 2022, the profit made in the financial year 2021, taken over the result carried forward, representing the undistributed profit, was fully distributed to the destinations decided by the shareholders;

- The balance of the result carried forward on 30 September 2022 is 51.299 thousand lei, consisting of:

- The result carried forward incurred by the use, on the date of transition to IFRS, of the fair values as presumed cost = 28.685 thousand lei;
- The result carried forward representing a surplus obtained from re-evaluation reserve, capitalized in proportion to the depreciation of the property, plant and equipment and intangible assets = 22.614 thousand lei.

- **The result of the period was a profit in the amount of 73.914 thousand lei.**

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NOTE 13 - PROVISIONS

	31 December 2021	Increases/ Set-up/ Reclassification of provisions	Reductions/ Resumed/ Reclassifica- tions of provisions	Differences from re- evaluation	30 September 2022
Total provisions	131.829	9.841	(16.616)	3.135	128.189
Provisions for bonds granted to customers	45.807	9.841	(9.553)	3.126	49.221
Provisions for decommissioning property, plant and equipment	16.415	-	-	-	16.415
Provisions for the employees' benefits	5.756	-	(5.653)	-	103
Other provisions	63.851	-	(1.410)	9	62.450
Long-term provisions	105.383	3.965	(6.367)	3.134	106.115
Provisions for bonds granted to customers	30.666	3.965	(5.957)	3.126	31.800
Provisions for decommissioning property, plant and equipment	16.415	-	-	-	16.415
Other provisions	58.302	-	(410)	8	57.900
Short-term provisions	26.446	5.875	(10.248)	1	22.074
Provisions for bonds granted to customers	15.141	5.875	(3.595)	-	17.421
Provisions for customer's benefits	5.756	-	(5.653)	-	103
Other provisions	5.549	-	(1.000)	1	4.550

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 the 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 in which they are placed and such provisions are included in their cost. Their value was estimated using an update annual rate of 6,5%.

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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. The provision set up for the annual holidays leave not taken by the employees during 2021 is found in the balance.

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;
- coverage of some risks regarding the application of delay penalties and damages associated with the production of aeronautical products for the customer GKN Aerospace.

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NOTE 14 - SUBSIDIES

Subsidies related to assets

AEROSTAR recognizes as deferred income the subsidies regarding assets.

	30.09.2022	30.09.2021
Balance on 1 January, of which:	4.192	5.893
Short-term	1.167	1.948
Long-term	3.025	3.945
Subsidies received	0	0
Subsidies registered in income corresponding to the calculated amortization	(898)	(1.340)
Balance on 30 September, of which:	3.294	4.553
Short-term	1.071	1.248
Long-term	2.223	3.306

During January-September 2022, AEROSTAR S.A. did not receive any 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 – 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", performed between June 2012 – 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. 5IM/013/24.03.2015: "Consolidation and sustainable development of the machining and painting sectors by high performance investments", carried out between March – 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 30 September 2022 representing subsidies related to investments in immobilized assets which are to be recorded as income as the calculated amortization is registered under costs.

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NOTE 15 – COMMERCIAL DEBTS

	30	31
	September	December
	2022	2021
Prepaid amounts collected on customers' account, of which:	8.262	3.625
Domestic customer-creditors	842	1.053
Foreign customer-creditors	7.420	2.572
Suppliers, of which:	28.299	24.825
Domestic suppliers of material and services	7.592	6.976
Foreign suppliers of material and services	16.646	11.514
Suppliers – invoices not arrived	3.714	5.271
Suppliers of non-current assets	347	1.064
Total commercial debts	36.561	28.450

The payments in advance collected from the foreign customers are for aircraft maintenance and repair work (99,38 %) and other services provided (0,62 %).

For the registered debts no mortgages were set up.

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

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NOTE 16 - OTHER LIABILITIES

	30 September 2022	31 December 2021
Other current liabilities, of which:	13.130	13.009
• <i>Liabilities related to manpower and similar accounts</i>	3.688	3.295
• <i>Liabilities related to social security budget and state budget, of which:</i>	5.809	7.112
– VAT payable	802	2.625
– social insurance	3.792	3.325
– labour safety contribution	241	212
– tax on salary revenues	760	658
– contribution for unemployed people with disabilities	144	135
– other taxes	24	107
– other social liabilities	46	50
• <i>Other liabilities, of which:</i>	3.633	2.602
– dividends	3.317	2.300
– diverse creditors	279	267
– bonds received	37	35
Other long-term liabilities	1.504	1.525

In the category *Other long-term liabilities* are found:

- the liability regarding the right to use the land leased for the Maintenance Hangar of Iasi.

The dividends in balance on 30 September 2022, in the amount of 3.317 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 that were not time-barred.

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NOTE 17 – DEFERRED PROFIT TAX

The **deferred tax** is determined for the temporary differences occurring 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 immobilized assets (resulting from differences between accounting and fiscal values, the different useful life, s.o.) and reserves, and it recognized receivables regarding the deferred tax related to immobilized securities (assets), inventories and trade receivables that were adjusted for depreciation, provisions for customer bonds, provisions for benefits granted to the employees and other provisions.

The structure of the deferred income tax registered on 30.09.2022 is:

Liabilities from deferred tax

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	1.380
2. Liabilities related to the deferred tax concerning legal reserves	1.559
3. Liabilities on deferred tax related to reserves from the fiscal facility	17.192
4. Liabilities on deferred tax related to the result carried forward representing a surplus from re-evaluation reserves	61
5. Liabilities on deferred tax related to immobilized t assets-securities	433
Total liabilities on deferred tax	20.625

Receivables on deferred tax

1. Receivables on deferred tax relating to other provisions	627
2. Receivables on deferred tax relating to provisions for bonds granted to customers	7.876
3. Receivables on deferred tax related to provisions for bonds granted to employees	16
4. Receivables on deferred tax related to adjustments for depreciation of inventories	6.209
5. Receivables on deferred tax related to adjustments for depreciation of trade receivables	205
Total receivables on deferred tax	14.933

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

In the period 1 January 2022 – 30 September 2022, the company registered income from the tax on deferred profit in the amount of 2.555 thousand lei and expenses with the tax on deferred profit in the amount of 3.344 thousand lei.

The tax on deferred profit recognized on the account of equity in the amount of 18.557 thousand lei consists of liabilities on deferred tax in the amount of 19.184 thousand lei and receivables on deferred tax in the amount of 627 thousand lei.

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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:

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

The financial assets of AEROSTAR S.A. include:

- cash and cash equivalents;
- 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 any liabilities concerning financial leasing, 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.

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:

- cash, cash equivalents (bank deposits)
- trade receivables.

The cash and cash equivalents are placed only at first-rank bank institutions considered to have a high solvency rate.

In some cases, specific instruments of commercial credit risk decrease (receipts in advance, letters of payment bank security, confirmed export letters of credit).

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 the depreciation adjustments, represents the maximum exposure to the credit risk.

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

	30.09.2022	30.09.2021
Sight and term deposits held at banks	232.211	240.920
Trade receivables, net of adjustments for depreciation	66.005	39.734
Immobilized receivables	38	38
Total	298.254	280.692

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

	30.09.2022	30.09.2021
Domestic market	21.219	9.450
Euro zone countries	21.713	13.469
Great Britain	15.891	12.903
Other European countries	628	1.377
Other regions	6.554	2.535
Total	66.005	39.734

Depreciation adjustments

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

	Gross value	Adjustments for depreciation 30.09.2022	Gross value 30.09.2021	Adjustments for depreciation
In due time	64.781		38.755	
Past due, total of which:	1.971	747	2.067	1.088
1-30 days	0	0	0	0
31-60 days	954	449	417	198
61-90 days	852	166	84	32
91-120 days	20	10	596	183
Over 120 days	104	81	960	665
Over 1 year	41	41	10	10
Total	66.752	747	40.822	1.088

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

	30.09.2022	30.09.2021
Balance on 1 January	1.332	438
Adjustments set up for depreciation	1.162	1.280
Adjustments for depreciations resumed as revenues	(1.747)	(630)
Balance on 30 September	747	1.088

On 30.09.2022, 98% of the balance of trade receivables are related to customers with a good payment record.

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b) Liquidity risk

The liquidity risk is the risk that AEROSTAR encounters difficulties to meet 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 pay for the liabilities, as they become due.

To evaluate the liquidity risk, the treasury cash flows from operations, investments and 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.

Furthermore, 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 in due time, are shown in the table below:

	Financial debts	Accounting value	Contractual cash flows	0-30 days	31-60 days	over 60 days
30.09. 2022	Trade liabilities	24.455	(24.455)	(19.768)	(3.911)	(776)
30.09. 2021	Trade liabilities	18.539	(18.539)	(15.863)	(2.424)	(252)

The cash flows included in the analyses of the due dates are not expected to take place earlier or at significantly different values.

On 30.09.2022 AEROSTAR has no records of overdue financial liabilities.

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 72% 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 amounts denominated in foreign currency recorded at the end of the reporting period:

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30.09.2022	thousand EUR	thousand USD	thousand GBP
Sight and term deposits held at banks	3.048	2.144	21
Trade receivables	1.915	6.997	0
Trade liabilities	(1.276)	(2.417)	(13)
Net exposure in original currency	3.687	6.724	8

Sensitivity analysis

Taking into consideration the net exposure calculated in the above table, AEROSTAR can be considered to be exposed mainly to the foreign exchange risk generated by the variation of the foreign exchange rate USD/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% for of the USD/LEU foreign exchange rate and +/-2% for the EUR/LEU foreign exchange rate may be taken into account at the end of the reporting period.

The effect of the reasonably possible variation of the USD/LEU and EUR/LEU exchange rates over the financial result of AEROSTAR is calculated in the following table:

30.09.2022	EUR/LEU	USD/LEU
Net exposure, in the currency of origin	3.687 K EUR	6.724 K USD
Currency exchange rate	4,9490	5,0469
Net exposure in functional currency	18.247 K LEI	33.935 K LEI
Possible reasonable variation of exchange rate	+/- 2%	+/- 10%
Effect of variation on the financial result	+/- 365 K LEI	+/- 3.394 K LEI

d) Interest rate risk

For the reporting period AEROSTAR contracted 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 under the form of 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 utilized from Product A in 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 30.09.2022, the level of bonds granted by AEROSTAR under commercial agreements, by issuing bank bond letters and import Letters of Credit amounts to 5.510 thousand USD (equivalent 1.092 thousand LEI).

On 30.09.2022 no mortgages are set up on the property assets in AEROSTAR ownership.

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NOTE 19 - OPERATING INCOME

	30 September 2022	30 September 2021
Revenues from sales, of which:	317.363	243.819
Revenues from product sales	155.537	107.251
Revenues from services provided	159.396	133.606
Revenues from selling goods	16	802
Revenues from renting	2.035	1.854
Trade discounts granted	-	(27)
Revenues from other activities	379	333
Revenues related to inventories of products finished and in progress	7.361	15.746
Revenues from the production of fixed assets	130	323
Revenues from operating subsidies	(5)	1.419
Revenues from subsidies for investments	897	1.337
Other revenues from operations	901	325
Total operating income	326.647	262.969

In 2022 the company hasn't recorded income from operating subsidies.

Other revenues from operation in the amount of 901 thousand lei are represented, among others, by revenues from recovering debts from former employees (tuition expenses and other debts).

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NOTE 20 – OPERATING EXPENSES

	30 September 2022	30 September 2021
Expenses with employee benefits, of which:	106.018	88.233
Salaries and allowances	94.644	78.334
Expenses with meal tickets granted to employees	5.860	5.416
Expenses with social security	5.514	4.483
Expenses with raw material and material	93.645	72.063
Energy, water and gas	10.834	6.078
Other material expenses, of which:	9.699	8.284
Expenses with non-inventory materials	934	941
Expenses with goods	11	911
Expenses with packaging	445	182
Expenses with other material	8.309	6.250
Expenses with external services, of which:	19.731	19.423
Repairs	6.240	8.111
Transport costs	2.605	2.111
Commissions and fees	2.913	1.378
Travels, deployments	1.087	1.227
Renting expenses	533	484
Other expenses with services supplied by third parties	6.353	6.112
Trade discounts received	(76)	(15)
Amortizations	17.995	19.682
Net expenses (revenues) from adjustments on provisions	(3.640)	(10.258)
Net expenses (revenues) from adjustments on current assets	(1.631)	5.816
Other operational expenses	3.051	2.228
Total operating expenses	255.626	211.534

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, respectively (Note 8, Note 9 and Note 10).

In the first 9 months of 2022, AEROSTAR granted to its employees meal tickets in the amount of 5.274 thousand lei and holiday vouchers in the amount of 586 thousand lei.

In the category of other operational expenses in the amount of 3.051 thousand lei are included among others: expenses with local taxes and fees, sponsorship, donations.

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In the first 9 months of 2022, AEROSTAR registered increased/set up and decreased/resumed adjustments, as follows:

Adjustments on provisions	30 September 2022	30 September 2021
Increases / setups	13.009	13.032
Decreases / reruns	(16.649)	(23.290)
Net expenses (revenues) from adjustments on provisions	(3.640)	(10.258)

In the first 9 months of 2022, the impact of the adjustments on provisions is an increase of the operating expenses by the amount of 3.640 thousand lei.

Adjustments regarding impairment of current assets	30 September 2022	30 September 2021
Increased/set up adjustments		
Adjustments for the impairment of investments	4.974	12.961
Adjustments for the impairment of receivables	1.481	1.370
Losses from receivables and various debtors	63	-
Total increased/set up adjustments	6.518	14.331
Decreased/resumed adjustments		
Adjustments for the impairment of inventories	(6.353)	(7.884)
Adjustments for the impairment of receivables	(1.796)	(631)
Total decreased/resumed adjustments	(8.149)	(8.515)
Net expenses (revenues) from adjustments on the impairment of current assets	(1.631)	5.816

The impact of the adjustments on the impairment of current assets is an increase of the operating expenses by the amount of 1.631 thousand lei.

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NOTE 21 - FINANCIAL INCOME

	30 September 2022	30 September 2021
Income from foreign currency exchange differences	8.599	5.556
Interest income	7.113	1.771
Income from shares held in subsidiaries	311	-
Income on financial assets measured at fair value	2.675	-
Total financial income	18.698	7.327

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

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

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NOTE 22 – FINANCIAL EXPENSES

	30 September 2022	30 September 2021
Expenses from exchange rate differences	3.514	2.757
Expenses with interest related to leasing contracts	30	30
Other financial expenses	-	2
Total financial expenses	3.544	2.789

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.

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NOTE 23 - TAX ON 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 30.09.2022 was 16% (the same rate was applied for the financial year 2021).

	<u>30 September 2022</u>	<u>30 September 2021</u>
Gross accounting profit	86.175	55.973
Expenses with current tax on profit	11.452	7.739

Reconciliation of accounting profit with the fiscal profit for 30 September 2022				Differences
Accounting revenues*	343.082	Fiscal income	315.581	-27.501
Accounting expenses*	256.935	Fiscal expenses	235.489	-21.446
Gross accounting profit, restated*	86.147	Fiscal profit	80.092	-6.055
Accounting tax (16%)	13.784	Fiscal tax (16%)	12.815	-969
Tax reductions	-	<i>Tax reductions, from which:</i>	1.363	+1.363
		• Related to investments made acc. to Art. 22 Fiscal Code	924	+924
		• Sponsorship	439	+439
Tax on final profit	13.784	Tax on final profit	11.452	-2.332
Applicable legal rate	16,00%	Legal rate applicable	16,00%	
Actual average tax rate, calculated on gross accounting profit, restated		13.29 %		

**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 key figures 30 September 2021

Gross accounting profit	55.973
Expenses with current tax on profit	7.739

Reconciliation of accounting profit with the fiscal profit				Differences
Accounting revenues*	268.206	Fiscal income	235.544	- 32.662
Accounting expenses*	212.021	Fiscal expenses	182.465	- 29.556
Gross accounting profit*	56.185	Fiscal profit	53.079	-3.106
Accounting tax (16%)	8.990	Fiscal tax (16%)	8.493	-497
Tax reductions	-	<i>Tax reductions, of which:</i>	754	+754
		• Related to investments made acc. to Art. 22 Fiscal Code	562	+562
		• Sponsorship	192	+192
Tax on final profit	8.990	Tax on final profit	7.739	-1.251
Applicable legal rate	16,00%	Applicable legal rate	16,00%	
Actual average tax rate, calculated on gross accounting profit, restated		13.77%		

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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, sponsorships;
- non-taxable income obtained from the recovery of certain non-deductible expenses.

On 30 September 2022 the company registered a debt related to the tax on current profit in the amount of 4.645 thousand lei corresponding to the third quarter of 2022.

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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	<u>30.09.2022</u>	<u>30.09.2021</u>
Profit attributable to ordinary shareholders	73.914.382	48.309.728
Number of ordinary shares	152.277.450	152.277.450
Profit per share	<u>0,485</u>	<u>0,317</u>

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NOTE 25 - AVERAGE NUMBER OF EMPLOYEES

Own employees:

	9 months 2022	9 months 2021
Average number of employees	1.591	1.543

Employees hired through temporary labor agent:

	9 months 2022	9 months 2021
Average number of employees	75	29

	9 months 2022	9 months 2021
Total average number of employees	1.666	1.572

Total number of employees on 30.09.2022:

	9 months 2022	9 months 2021
Total number of personnel	1.805	1.705

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NOTE 26 - TRANSACTIONS WITH AFFILIATED PARTIES

<u>Acquisitions of goods and services</u>	<u>9 months 2022</u>	<u>9 months 2021</u>
Airpro Consult SRL Bacău	4.645	1.215
Foar SRL Bacău	301	270
TOTAL	4.946	1.485
<u>Sales of goods and services</u>	<u>9 months 2022</u>	<u>9 months 2021</u>
Airpro Consult SRL Bacău	-	-
Foar SRL Bacău	1	1
TOTAL	1	1
<u>Liabilities</u>	<u>Balance on 30.09.2022</u>	<u>Balance on 30.09.2021</u>
Airpro Consult SRL Bacău	468	357
Foar SRL Bacău	38	31
TOTAL	506	388
<u>Dividends received by Aerostar</u>	<u>9 months 2022</u>	<u>9 months 2021</u>
Airpro Consult SRL Bacău	68	-
Foar SRL Bacău	242	-
TOTAL	310	-

The transactions with the affiliated parties in the first semester of 2022 consisted in:

- Services provided by Airpro Consult SRL Bacau to AEROSTAR SA Bacău for temporary manpower;
- Machinery rental services provided by Foar SRL Bacau to AEROSTAR SA Bacău;
- Space rental services provided by AEROSTAR SA Bacau to Foar SRL Bacău;
- Dividends received by AEROSTAR SA from Airpro Consult SRL Bacău and from Foar SRL Bacău (NOTE 7).

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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 how AEROSTAR generates and uses the cash and cash equivalents.

In the context of preparing 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 term deposits held with banks.

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 owed 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, during January-September 2022:

- the amounts collected from customers were 329.616 thousand LEI;
- payments of taxes and duties to the State Budget amounted to 4.766 thousand LEI, representing VAT and excise recoveries;
- payments to the suppliers and employees amounted to 235.067 thousand LEI, of which 171.377 thousand LEI payments to suppliers and 63.690 thousand LEI payments to the employees;
- payments of taxes and duties to the State Budget were in the amount of 61.451 thousand LEI, of which 9.031 thousand LEI tax on profit payments.

The operating activity generated a net cash of 37.864 thousand LEI, down by 17.827 thousand LEI compared to the same period of the previous year.

The investment activities comprised the following:

- payments for the purchase of tangible and intangible assets in the amount of 18.409 thousand LEI.
- payments for the purchase of financial assets in the amount of 50.785 thousand LEI, representing acquisitions of shares Evergent Investment S.A. (stock symbol: EVER), traded on the Bucharest Stock Exchange;
The purchased shares are held in the portfolio for the collection of contractual cash flows (dividends), and not for trading.
- dividend receipts from Evergent Investments S.A. in the amount of 2.541 thousand LEI;
- dividend receipts from affiliated entities in the amount of 311 thousand LEI;
- bank interest receipts of 5.667 thousand LEI.

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The amount of cash flows allocated to increase the operating capacity represents 5% of the aggregate amount of cash used in operating, investment and financing activities.

Within the financing activity, the amount of 21.866 thousand LEI was paid, representing dividends due to the shareholders of AEROSTAR.

The level of cash and cash equivalents recorded at 30.09.2022 is 232.316 thousand LEI, down by 42.155 thousand LEI compared to the beginning of the year.

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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:

	30 September 2022	31 December 2021
• Liabilities:		
○ guarantees granted to partners as letters of bank guarantee and letters of credit	-	465
○ guarantees received from partners – as letters of bank guarantee and letters of credit	79.993	134.255
• Goods, of which:		
○ Inventories of other material released for use (tooling, jigs, fixtures, safety equipment, measuring and control equipment, technical library etc.)	40.922	36.823
○ material values received in consignment	2.264	2.262
○ finished products	65	65
○ materials - customers	165	216
○ tangible and intangible assets – obtained or purchased as a result of co-financed activity	573	573
○ material values received from processing/repairs	24.024	11.454
○ supporting assets related to the leasing contracts - Hangar Iasi	2.477	2.477
○ fixed assets proposed for disposal	185	296
• Other off-balance values, of which:		
○ material guarantees	205	179
○ liabilities for covering certain future obligations to A.J.O.F.M. based on OUG 95/2002 regarding the defence industry	3.919	4.330
○ debtors removed from accounts, monitored further on	186	175
○ creditors	21	21
○ de minimis aid for participation to fairs and exhibitions	324	324
• Greenhouse Gas Emission Certificates	4.674	6.842

On 30 September 2022, AEROSTAR S.A. held a number of 14.245 greenhouse gas emission allowances.

The market value of the last trading day of a GHG certificate was 66,30 euros, according to the European Energy Exchange website (in December 2021: 79,51 euros), at a reevaluation exchange rate of 4,9490 lei/euro.

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NOTE 29 – DIRECTORS’ REMUNERATION

Board of Directors of AEROSTAR S.A. on 30.09.2022:

	Surname and first name	Position	Profession
▪	FILIP GRIGORE	President of the Board of Directors	Aviation engineer
▪	DAMASCHIN DORU	Vicepresident 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 2021, the shareholders of Aerostar approved the freezing, at the level decided by the ordinary General meeting of shareholders of 09 July 2020, of the directors’ allowance **for the financial year 2022**, namely:

- ✓ Maintaining for each elected Member of the Board of Directors a monthly, net fixed remuneration of 4.750 lei;
- ✓ A maximum level of additional remuneration for the members of the Board of Directors who also have executive duties of a fixed monthly amount of no more than 10 (ten) times (including) the fixed remuneration of 4.750 lei, applied individually, according to each case;
- ✓ Empowering the Board of Directors to negotiate them within the approved ceiling.

The amount of gross allowances granted to the members of the Board of Directors in the first 9 months of 2022, by virtue of their responsibilities, was 1.294 thousand lei.

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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 could 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 what is presented further on, which are currently unknown or considered insignificant, but which may affect in the future the business lines run by AEROSTAR.

Operational Risk

It is the risk to incur losses or the risk 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 disaster or other events that can affect AEROSTAR's assets.

Considering the global political turmoil, in the future we may face new types of risks, which is why the Company is carefully analyzing the main conflict areas.

The appearance and maintaining of the COVID-19 pandemic through its subsequent surges still affects significant sectors of the global economy and markets. Nevertheless, a significant increase in the aircraft deliveries is expected once the traffic air demand recovers.

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 legal or contractual dispositions or regulations, as well as due to the fact that the rights and contractual obligations of AEROSTAR and/or of its 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.

Also, 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 sight and term bank deposits with banks and trade receivables.

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

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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 exposure to the global market of Airbus programs, a large share of our company's products being used 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 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 statement will fluctuate due to the modifications of the market price.

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

AEROSTAR is exposed mainly to the price risk determined by the fluctuations of price of raw material and material used in the production processes, caused by exceptional events such as the Brexit agreement with an impact on the procurement of material from UK, the international sanctions established leading to limited possibility to provide parts and material, increased costs due to specific duties for the import/export of metallic products (made of steel and/or aluminium) to and from USA. This risk manifests strongly due to the economic recession in the aeronautical industry caused by the COVID-19 pandemic.

The management of this risk is carried out by:

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

AEROSTAR is exposed to the exchange rate risk because 72% 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 variations is 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 reporting 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.

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NOTE 31 – PREPAID EXPENSES AND INCOME

	30 September 2022	31 December 2021
Expenses registered in advance (in the short term)	959	579
Income registered in advance (in the short term)	1.515	196

The expenses made and the income obtained in the current period, but regarding 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 30 September 2022 are found amounts to resume within a year representing, among others, subscriptions, insurance policy, fees, participation to trade fairs and conferences, taxes and duties, on-line services, maintenance of IT systems etc.

On 30 September 2022, Aerostar derecognised the **long-term income registered in advance**. In the category of **short-term income registered in advance** are recorded the values corresponding to provided services and delivered goods for which the income recognition conditions of IFRS 15 are not met (the customers have not gained control over goods/services yet).

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NOTE 32 - ASSETS REGARDING THE RIGHTS TO USE THE LEASED ASSETS:
reporting period 30 September 2022

Account 251	Values on 30 September 2022			Values on 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 MRO Hangar in Iași	1.888	(144)	1.744	1.888	(115)	1.773
Total	1.888	(144)	1.744	1.888	(115)	1.773

	Net amount on 01 January 2022	Revaluations in 2022	Depreciation in the period	Net amount on 30 September 2022
Asset related to the right to use the land for the MRO Hangar in Iași	1.773	-	(29)	1.744
Total	1.773	-	(29)	1.744

The right to use the land for the Maintenance Hangar in Iași was reassessed at the foreign exchange rate communicated by the National Bank of Romania on the last banking day of each reporting period (31 March 2022, 30 June 2022, 30 September 2022).

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COMPARATIVE KEY FIGURES - ASSETS REGARDING THE RIGHTS TO USE THE LEASED ASSETS: reporting period 30 September 2021

Account 251	Values on 30 September 2021			Values on 01 January 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	1.869	(105)	1.764	1.864	(75)	1.789
Total	1.869	(105)	1.764	1.864	(75)	1.789

Net accounting value

	Net amount on 1 January 2021	Revaluations in 2021	Depreciation in the period	Net amount on 30 September 2021
Asset related to the right to use the land for the MRO Hangar in Iași	1.789	4	(29)	1.764
Total	1.789	4	(29)	1.764

The right to use the land for the Maintenance Hangar in Iași was reassessed 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).

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NOTE 33 - EVENTS AFTER THE REPORTING PERIOD

After the reporting date, AEROSTAR S.A. did not identify any events that could have an impact on the financial statements for 9 months 2022.

These individual financial statements that comprise the statement of financial position, statement of profit or loss, other comprehensive income, statement of changes in equity, statement of cash flows and explanatory notes to the financial statements were approved by the Board of Directors on 10 November 2022 and signed on its behalf by:

Grigore FILIP,
President & General Director

Doru DAMASCHIN,
Vicepresident & Financial Director