

ANNUAL REPORT

2023

**PERFORMANCE
THROUGH
PROFESSIONALISM!**

Identification data and field of activity

AEROSTAR S.A. established on 17 April 1953 by Decision of the Council of Ministers No 1165.

The activities are carried out at the company's head office, located at 9, Condorilor Street, Bacău, postal code 600302.

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

In 2023 a new workplace and secondary office was opened in the municipality of Fetești;

The company's unique European identification code (EUID) is ROONRC.J04/1137/1991, and the LEI code identifying it as a legal entity is 315700G9KRN3B7XDBB73;

The company's core business is manufacturing. The company's core activity is 'Manufacture of aircraft and spacecraft' - CAEN code 3030;

Subscribed and paid-up share capital: 48.728.784 RON;

Applicable accounting standards: The company financial statements are prepared in accordance with the provisions of the International Financial Reporting Standards (IFRS) adopted by the European Union, the Accounting Law no. 82/1991, republished, as amended and supplemented, and are presented in accordance with the requirements of IAS1, Order 2844/2016 for the approval of the Accounting Regulations in accordance with International Financial Reporting Standards.

The bases of preparation and presentation of the financial statements are presented in Note 3;

The individual financial statements prepared for the **Year 2023** are accompanied by the independent financial auditor's report;

AEROSTAR S.A. is listed on the **Bucharest Stock Exchange under the code ARS**, and the record of shares and shareholders is kept, in accordance with the law, by S.C. Depozitarul Central S.A. București.

Telephone/fax number:

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004-0234 572023;

Web/e-mail:



www.aerostar.ro



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Reporting period:

1 January

31 December 2023

COMMITTED TO A SUSTAINABLE FUTURE!

Committed to a sustainable future, through its proposed objectives and commitments, our company channels its efforts into achieving its main goal of increasing sustainability by associating profitability with responsibility, increasing value in the short, medium and long term and thus increasing the company's performance. Through the objectives addressed in the company's strategy and confirmed in the sustainability statement, AEROSTAR aims year after year to exceed its targets by achieving its proposed goals.

AEROSTAR'S STRATEGY INVOLVES INCREASING ITS ENGAGEMENT IN ALL ASPECTS OF SUSTAINABILITY.

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

The information on sustainability presented in this report reflects the company's commitment, values and goals set for a sustainable business and for striking a balance between shareholders' expectations, the needs and concerns of our employees, members of our community as well as of all relevant stakeholders.

The financial statements are published on an individual basis, disclosing information that is audited, balanced and reader-friendly.

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

Meeting our customers' requirements, ensuring complete safety for the users of our products and services, engaging with the local community, improving continuously and increasing our environmental performance are the principles that guide our work.

Our sustainability goals, correlated with the business environment and global developments, are incorporated in our company's overall long-term strategy.

**WE BELIEVE THAT BY ACTING RESPONSIBLY
WE WILL CONTRIBUTE TO LONG-LASTING ECONOMIC SUCCESS.
BY PURSUING SUSTAINABLE DEVELOPMENT
WE ARE HEADING TOWARDS A MORE SECURE FUTURE.**

**MESSAGE FROM THE PRESIDENT OF THE BOARD OF DIRECTORS
AND GENERAL DIRECTOR GRIGORE FILIP**



In spite of being over 70, AEROSTAR still proves to be young.

We look optimistically to the future, determined to bring value to our customers, employees, investors and the local community.

The large number of young people interested in discovering what goes on at Aerostar combined with our achievements and the local community's progress in guiding and training them towards technical fields with application in the aviation industry, make me believe that in the future we will be able to meet the expectations of the dynamic market in which we operate.

**GENERAL DIRECTOR & PRESIDENT
GRIGORE FILIP**

AEROSTAR was named successively URA-1953, IRAv (Aircraft Repair Company)-1970, IAv (Aircraft Company)-1978, and AEROSTAR S.A. since 1991, when it was registered as a joint-stock company at the Bacău Trade Register.

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ANNUAL REPORT 2023

AEROSTAR's annual report was prepared in accordance with the reporting regulations in force, in order to provide additional information to all stakeholders about the company's sustainable strategy and the progress it has made in its corporate processes.

KEY FIGURES OF 2023

TOTAL INCOME
up by ~ 12%
compared to 2022

557.885 thousand Lei

TOTAL EXPENDITURE
up by ~ 15%
compared to 2022

460.929 thousand Lei

TURNOVER
up by ~9%
compared to 2022

506.294 thousand Lei

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

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

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

NATIONAL MARKET LEADER AND INTEGRATED SUPPLIER IN THE GLOBAL SUPPLY CHAINS FOR THE GLOBAL AVIATION INDUSTRY.

Since its establishment in 1953, AEROSTAR has expanded nationally and internationally. AEROSTAR's customers are located in Europe, Asia, Africa, USA and Canada.

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

AEROSTAR is the leading independent regional provider of maintenance services and is authorized to perform MRO work on Boeing 737 300-900 series, Boeing 737 MAX, Airbus 320 family, ceo & neo and component types.

AEROSTAR is active in modernization, integration and maintenance programs for military aviation and defence systems, and is a leading supplier for the Romanian Ministry of National Defence.

The synergy of our skills and experience in the civil and military market contributes to consolidating Aerostar as a sustainable and forward-looking company.

**EXPORT SALES
achieved in 2023
410.908 thousand Lei
up by ~26%**

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

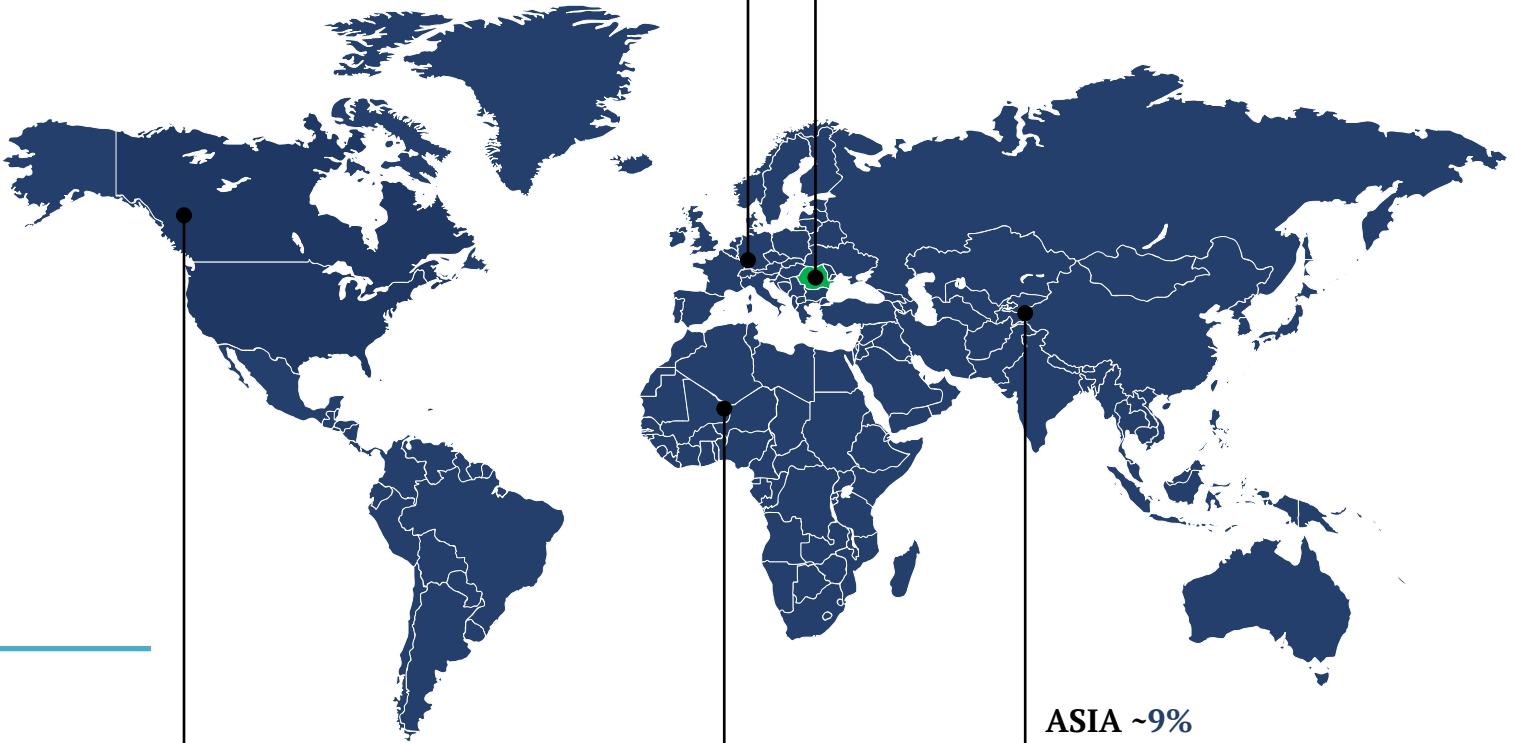
In Europe we provide maintenance services for civil aviation, aviation products (landing gear systems, mechanical parts, assemblies and sub-assemblies), electronic equipment and ground equipment.

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

AEROSTAR'S PRESENCE ON THE GLOBAL MARKET

EUROPE ~66%
334.143 thousand Lei

ROMANIA ~18 %
95.059 thousand Lei



CANADA+USA ~ 2%
13.283 thousand Lei

ASIA ~9%
49.919 thousand Lei

AFRICA ~2%
13.890 thousand Lei



Aviation products



Civil aviation maintenance



Defence systems



Iași



**Headquarters
 Bacău**



Fetești



Year 53

Founding the Aircraft Maintenance Plant on 17 April 1953 for the purpose of repairing the Romanian Army's aircraft.

Years '70

The name of the Aircraft Maintenance Plant was changed to the Aircraft Repair Enterprise

Assimilation of the series production of the Iak-52 school and training aircraft.

Participation in the design and execution of the prototype of the first Romanian jet fighter IAR-93.

Years '90

IRAv became a shareholding company with the name AEROSTAR S.A.

Aerostar became the main contractor for the upgrade of the MiG-21 aircraft of the Romanian Army.

A total of 110 MiG-21 aircraft have been upgraded.

Years '10

Assimilation of know-how in the maintenance of Boeing B737 300-900 series and Airbus A320 family civil aircraft.

Years '60

Diversification of production by manufacturing military ground products and initiation of repairs on the first MiG-21 aircraft types.

Years '80

Assimilation of repair of RU-19 A300, M-14 engines

Extension of maintenance services for fighter aircraft, including L-39.

Founding of the Electronics and Radio Equipment Factory.

Design and production of landing gear for IAR-99 aircraft.

Years '00

Attracting customers in the Western region for the manufacture of aeronautical products and collaborating with major players in the civil aviation market.

Conversion from military to civil aviation.

2023

70 years in the aviation industry!

Over 1000 civil aircraft released into service after maintenance.

Over 4000 military aircraft released to service after maintenance.

Over 7000 military engines repaired.

THE EVENTS OF 2023

24 March 2023

The annual negotiation between the AEROSTAR S.A. Management and the Employees' Committee of a new Supplementary Agreement to the Collective Labour Agreement for the period: 01.04.2023 - 31.03.2024 has been completed. As of 1 April, **benefit packages and salary increases of 15%** have been provided for the company's employees.

17 April 2023

AEROSTAR CELEBRATED 70 YEARS OF CONTINUOUS ACTIVITY!

28 April 2023

Information on the dividend payment arrangements was posted on the company's website www.aerostar.ro in the Investor Relations section.

17 May 2023

The mandate of the external auditor Auditeval Consulting SRL was extended for a period of 3 years.

7 June 2023

A BLOOD DONATION CAMPAIGN was organised at the headquarters of AEROSTAR with the support of our colleagues who wanted to offer a second chance at life for those in distress. With the support of the volunteers from AEROSTAR, a BOOK DONATION CAMPAIGN was organised, and thanks to these donations, we managed to populate a mini library with over 500 books for a school in the county of Bacau.

7 June 2023

Opening of a secondary office in the municipality of Fetești, Romania.

EVENTS AFTER THE REPORTING DATE

Appointment of Mr. Alexandru Filip as DIRECTOR GENERAL as from 1 March 2024, following the retirement of Mr Grigore Filip.

Appointment of Mr. Vîrnă Daniel as DIRECTOR OF LEGAL AND HUMAN RESOURCES DEPARTMENT, with effect from 1 March 2024.

Appointment of Mr. Popa Dan Mălin as ASSISTANT DIRECTOR VOCATIONAL TRAINING with effect from 1 March 2024.

Inauguration of the BLACK HAWK S-70 HELICOPTER MAINTENNACE CENTRE on 18 January 2024, authorised by both the helicopter manufacturer - Sikorsky (part of the Lockheed Martin group) and the National Military Aviation Authority.

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

FINANCIAL PERFORMANCE RESULTS

KEY FIGURES

	UM	31.12.2023	31.12.2022
Share capital	thousand lei	48.729	48.729
Turnover	thousand lei	506.294	466.991
Export sales	thousand lei	410.908	323.559
Export share of turnover	%	81%	69%
Actual number of staff	no	1.846	1.745
Net profit	thousand lei	93.028	90.273
Cash flow	thousand lei	245.792	246.173
Overall liquidity	-	8,3	7,41
Investment expenditure	thousand lei	19.329	26.606

MAIN ECONOMIC AND FINANCIAL INDICATORS

Financial Indicators	Result 2023	Result 2022
Current liquidity indicator	8,30	7,41
Leverage ratio indicator	0	0
Debt turnover - customers	52	51
Fixed assets turnover rate	2,22	1,99
Overall solvency ratio	12,10	11,18
Financial rate of return	0,17	0,18
Net profit rate	18,37%	19,33%
Net cash position	89.796 thousand lei	78.355 thousand lei

NATIONAL CURRENCY EXCHANGE RATES FOR 2023

Monetary indicators	UM	31.12.2023	31.12.2022
Average exchange rate EURO/12 months	lei/euro	4,9465	4,9315
Average exchange rate USD/12 months	lei/USD	4,5743	4,6885
Curs average exchange rate GBP/12 months	lei/GBP	5,6869	5,7867
Inflation	%	6,6	16,4

*Source: www.bnr.ro/cursurivalutare

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

THE COMPANY'S APPROACH TO SUSTAINABILITY - DASHBOARD

ENVIRONMENT

Mitigating climate change

Atmospheric emissions of greenhouse gases:

800 allocated GHG certificates

2983 GHG allowances surrendered

a reserve of 11931 GHG certificates

4% less CO2e emissions compared to 2022

We respect the environment, nature and resources

Pollution prevention

Waste

46% more waste recovered in 2023

Emissions of volatile organic compounds

32% fewer emissions generated in 2023.

REACH - Regulation on Registration, Evaluation and Restriction of Chemicals

AEROSTAR has adhered to the requirements of the European Reach Regulation since 2014, continuously and progressively supporting various actions to reduce environmental impact.

We manage, evaluate and monitor in a responsible and effective way the activities with environmental impacts!

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

SOCIAL

Diversity and inclusion

1846 employees

29% women

71% men

27% women in the management structure

60,62% average degree of unionisation

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

509 selection interviews,

70% of the candidates participating in the selection interviews were employed, the percentage of women was 19,83%

We support the professional development of employees by including them in training programmes

1870 employees included in training programmes

29 training hours / employee / year

We support and campaign for quality education!

Internships at AEROSTAR in 2023

580 pupils

39 students

259 scholarships granted by Aerostar to students in dual education for the school year 2022-2023.

The value of the grants awarded for 2023 was 344.789 lei.

Budget allocated for the annual training plan.

Multiple partnerships entered into with pre-university and university institutions.

GOVERNANCE

Business conduct and ethics

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

We are committed to Building a Sustainable Future!

In 2023 AEROSTAR continued to invest in sustainable objectives that contribute coherently and systematically to achieving climate neutrality.

Investments made in 2023:

90% of the approved budget allocated to development investments

78% of the approved budget invested in state-of-the-art equipment

Investment expenditure in 2023 is over 19.000 thousand lei.

Implementing our climate change mitigation objectives.

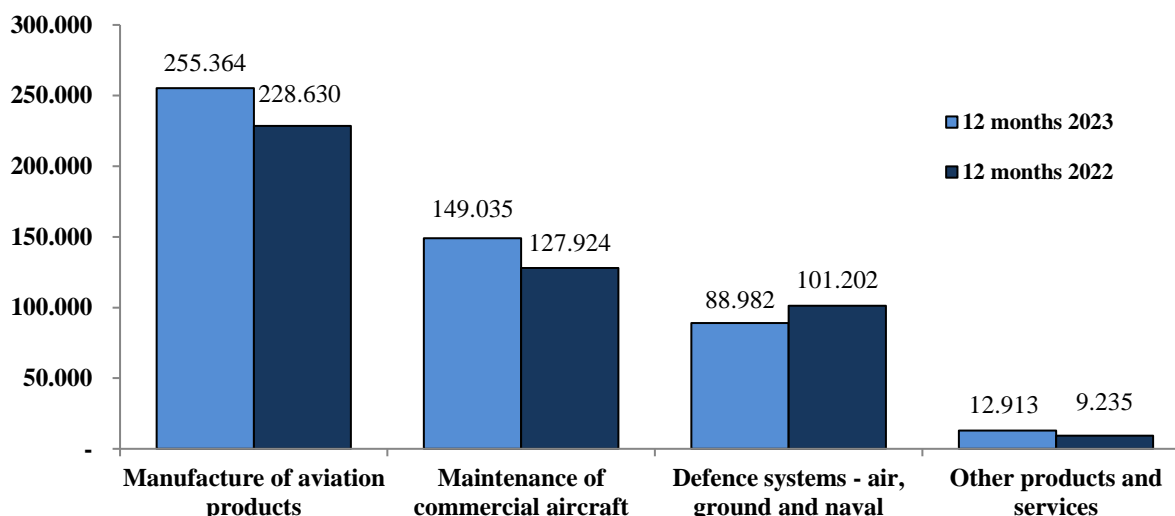
Involvement in research and development projects that contribute to sustainable industrialisation through innovation.

We are guided by the responsibility for sustainable development

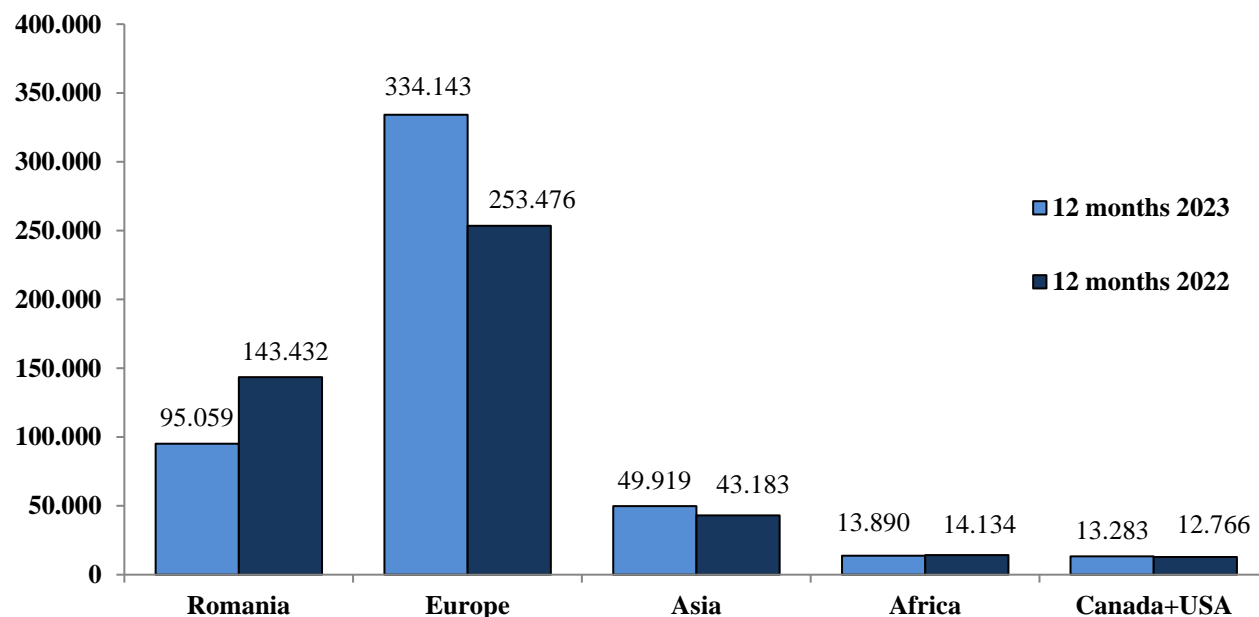
 www.aerostar.ro
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2023 vs.2022

DISTRIBUTION OF SALES BY PRODUCTS AND SERVICES REPRESENTING BUSINESS LINES



DISTRIBUTION OF SALES ON AEROSTAR'S MARKETS



From the turnover of **506.294 thousand lei**, achieved during 2023, the company sold products and services worth **95.386 thousand lei on the domestic market** and worth **410.908 thousand lei on the foreign market**.

Approximately 81% of the turnover represents export sales. Compared to 2022, the percentage of export sales has increased in Europe and Asia. In terms of demand for the products and services provided by AEROSTAR, a selective growth has been noted.

INFORMATION ABOUT THE COMPANY'S ACTIVITY

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

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

We hold commercial aircraft maintenance authorisations and are currently authorised to carry out Type A, B, C and D work on Boeing 737 300-900 series, Boeing 737 MAX, Airbus 320 family, ceo & neo and component types.

We are a maintenance centre for the F-16 aircraft of the Romanian Army and we are part of the national defence industry according to law 232/2016.

MANUFACTURE OF AERONAUTICAL PRODUCTS



Sales results

2023	255.364 k lei
2022	228.630 k lei

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 600 series and Global 5000/6000 series, as well as parts for the European Ariane 6 rocket.

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

In 2023, the production volume continued to grow with both the existing and the new customers, with the year being marked by the completion of the assimilation of a new package of individual parts and small sub-assemblies that are part of the Airbus A330 aircraft.

CIVIL AVIATION MAINTENANCE



Sales results

2023	149.960 k lei
2022	127.924 k lei

AEROSTAR has a significant footprint in terms of business volume in the Civil Aviation MRO sector, as an independent provider of maintenance services at industrial level for commercial aircraft of the Airbus A320 neo and Boeing B737 300-900 family.

In 2023 AEROSTAR's EASA Part-145 approved maintenance base developed and strengthened its market position, by obtaining an extended range of approvals from the civil aviation authorities.

The year 2023 was a year of growth and development, with achievements that included reaching the milestone of 100 aircraft released into service after maintenance and a cumulative total of over 1100 aircraft released into service since the creation of the business line.

Furthermore, the development, modernisation and investment programmes continued this year, at both the maintenance centre in Bacau and the one in Iasi. The investment process aims to accelerate the training and specialisation of technicians and engineers dedicated to these activities and to continue equipping the hangars with modern equipment, which implicitly leads to an increase in the maintenance capabilities and capacities and, last but not least, to an improvement in the efficiency of the operating staff.

At the same time, it marked the beginning of new collaborations that resulted in extensive projects such as: cabin reconfigurations from classic to premium and integration of entertainment systems for passenger comfort.

DEFENCE SYSTEMS



Sales results

2023	88.982 k lei
2022	101.202 k lei

In the defence systems business line, AEROSTAR is a first-tier supplier to the Romanian Ministry of National Defence.

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

AEROSTAR has steadily developed the capabilities needed to strengthen its position as a supplier, increasing its expertise in the field of maintenance and modernization of military aircraft, in the field of ground launch systems and radio communication systems, as part of command and control systems.

During 2023, following the demonstration of capability through the completion of major modification projects on An-26 and An-30 aircraft and the assessment during audits, the National Military Aviation Authority (AAMN) has extended the scope of authorisation of the Military Design Organisation, under certificate RO.AAMN.21J., to major modifications and repairs applicable to Romanian state aircraft.

As a result of extending the scope of authorisation, the Military Design Organisation has the right to develop modification and major repair projects and approve major repair projects for large and small state aircraft within the terms of the approved scope of approval.

AEROSTAR STRUCTURE

BOARD OF DIRECTORS

AEROSTAR's Board of Directors was elected for a period of four years at the General Meeting of Shareholders held on July 9, 2020. The election was done by secret ballot, with the new term of office of four years starting on July 11, 2020 until July 10, 2024.

In order to stay up-to-date with all essential company data, the BoD maintains constant contact with the executive management and operational management. At the same time, given the direct participation of two of the Board members in the executive management, the management has unrestricted and direct access to the company's information.

As a result, the Board receives regular ad hoc reports that focus on key areas of financial and operational issues as well as occupational health and safety, human resources, procurement, investment, research and development, community relations and philanthropic issues.

Thus, the Board considers impacts, risks and opportunities when overseeing the company's strategy and makes direct decisions on major transactions and its risk management processes. As on 31.12.2023 the Board of Directors of Aerostar had the following structure:

FILIP GRIGORE

Aviation engineer
President



**DAMASCHIN
DORU**

Economist
Vice-President



**TONCEA MIHAIL-
NICOLAE**

Aviation engineer
Member



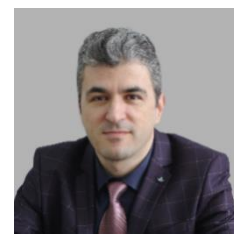
**DOROȘ LIVIU-
CLAUDIU**

Economist
Member



VÎRNĂ DANIEL

Legal advisor
Member



Further information on the Board of Directors can be found in the Corporate Governance chapter on page 45.

EXECUTIVE - OPERATIONAL MANAGEMENT

In relation to AEROSTAR's organisation and management system, the management structure at operational level ensures the management of activities on the basis of a divisional organisation, based on management centres for production, auxiliary activities and operational activities.

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

On 31.12.2023, the executive-operational management had the following structure:

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

Further information on Executive Management can be found in the Corporate Governance chapter on page 46.

COMPANY ORGANIZATION

AEROSTAR carries out its business by using the common resources of the organisation in an integrated way. The divisional structure maintains the principles of organisation and use of resources in a unified, competitive and integrated manner. This organisation has ensured the development of capabilities for the implementation of new civil aviation and defence programmes, as well as the investments required for this purpose. The company is managed as a unitary system.

AEROSTAR SHAREHOLDERS

The significant shareholders of AEROSTAR S.A. are IAROM S.A. Bucharest and EVERGENT Investments S.A. Bacau. The summary structure of the company's shareholding as of 31 December 2023 is as follows:

Shareholders	Number of shares	Percentage %
IAROM S.A.	108,866,403	71,49%
Evergent Investments S.A	23,106,135	15,17%
Other shareholders	20,304,912	13,34%
Total	152,277,450	100%

There are no disputes with the above-mentioned persons. During the current year, no subscriptions for new shares or any participation certificates, convertible bonds, options or similar rights were registered.

RELATIONS WITH SHAREHOLDERS AND THE CAPITAL MARKET

In its relations with shareholders, AEROSTAR has taken care to protect and ensure the shareholders' rights, namely:

to participate in General Meetings directly or by proxy - by providing them with special proxies, postal ballot papers, other useful information;
to be treated fairly, irrespective of ownership;
to receive dividends in proportion to each shareholder's holdings.

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

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

Shareholders can obtain information about AEROSTAR and the main events on the website www.aerostar.ro.

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

There are no changes to the shareholders' rights. There have been no major transactions entered into by the company with persons with whom it acts in concert or in which such persons have been involved during the relevant period.

ASPECTS REGARDING THE CAPITAL AND MANAGEMENT OF THE COMPANY

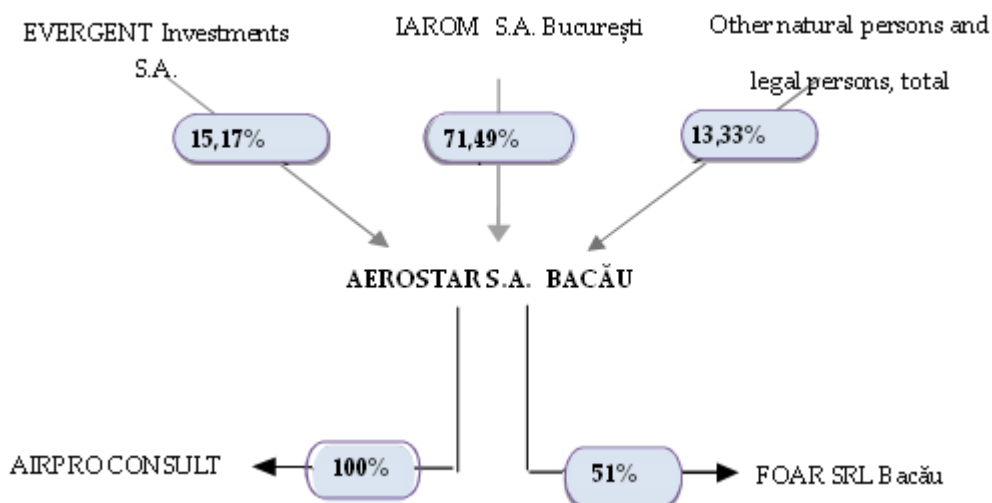
There were no changes affecting the capital and management of Aerostar S.A. The company was not unable to meet its financial obligations during this period.

AEROSTAR's relations with its parent company, other shareholders and companies in which it has equity holdings

AEROSTAR is a subsidiary of IAROM S.A. and therefore the parent company consolidating the financial statements of the group is IAROM S.A., with the unique identification code 1555301 and the registered office in Bucharest, B-dul Aerogării, no. 39. The consolidated financial statements for the financial year 2022 have been filed with the A.N.A.F. under registration number 602356101-2023/31.08.2023.

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 31.12.2023.

AEROSTAR's relation with its parent company and the companies in which it has equity holdings:



Affiliated parties

As on 31.12.2023 AEROSTAR S.A.'s holdings in other affiliated entities are as follows:

Name of subsidiary/ affiliated company	Core business	No. of shares held by Aerostar	Voting rights	Value held by Aerostar (thousand lei)	Financial information for the last financial year (year 2022) for which the financial statements of affiliated companies have been approved		
					Sales (k lei)	Equity (k lei)	Net profit (k lei)
Airpro Consult S.R.L. Bacău	CAEN code 7820	100	100%	10	8.635	215	34
Foar S.R.L. Bacău	CAEN code 7739	408	51%	4	357	731	116
TOTAL				14	8.992	946	150

AEROSTAR's shareholdings in these companies are recorded at cost. Both companies in which AEROSTAR holds stakes are registered in Romania. Transactions with related parties are disclosed in the Financial Statements in Note 26.

The company holds 45,412,207 shares of Evergent Investments S.A., listed on the Bucharest Stock Exchange. Aerostar accounts for the holding of shares at fair value through other comprehensive income in accordance with IFRS 9 "Financial Instruments".

TANGIBLE ASSETS

The production facilities and capacities of Aerostar S.A. are located at the company's headquarters in Bacau, Romania, where the registered office of the company is also located, at no. 9 Condorilor Street, postal code 600302, at the secondary office without juridical personality and workplace, in Iasi, at no. 25B Aeroportului Street, and at the secondary office without juridical personality, workplace, in Fetești, at no. 2 Carpați Street, ap. 7.

The company owns land totalling 48,63 hectares with access to the E85 European road. Aerostar has direct access to the runway of the "George Enescu" airport in Bacau.

In accordance with the object of activity, facilities are built at the head office and at the secondary workplaces, which are necessary for the smooth running of the production activities.

The production areas include hangars, industrial halls, technological test benches, administrative and social areas. The company also has office space for technical and economic activities.

All these spaces are maintained in good order. The built-up area of the buildings is approximately 14,54 hectares.

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

On 31 December 2023, Aerostar S.A. Bacău owns tangible assets for the performance of its activity with a gross value of 376.947 thousand lei, materialized in land, buildings, special constructions, installations, technological equipment, means of transport:

Tangible assets category	Gross value (k lei)	Wear degree (%)	Estimated useful life (years)
Land	30.894	N/A	N/A
Construction	98.349	46,37%	30-50 years
Real estate investments	12.749	42,77%	25-50 years
Technical installations, of which:	231.120	68,24%	
• technological equipment	222.056	68,20%	4-25 years
• means of transport	9.064	69,10%	4-18 years
Other tangible assets	3.835	54,78%	2-18 years
TOTAL	376.947	55,95%	N/A

In 2023, no risks were identified regarding the ownership of tangible assets.

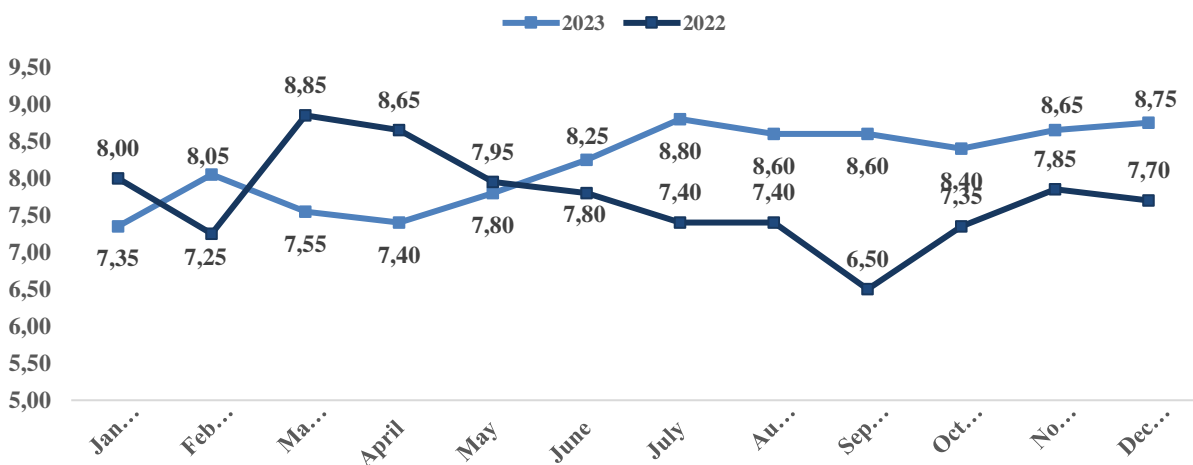
INFORMATION ABOUT THE AEROSTAR SHARES (ARS)

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

Main characteristics of the securities issued: 152,277,450 registered, ordinary, fully paid shares of equal value, issued in dematerialised form and evidenced by registration in the Register of Shareholders. This register is managed by the Central Depository S.A. Bucharest. The issuer Aerostar S.A. Bacău is registered with the following data: Unique Registration Code 950531, ISIN code ROAEROACNOR5, stock exchange symbol ARS, the issued shares being all in the Standard category.

Aerostar shares-in figures	31.12.2023	31.12.2022	31.12.2021
Number of shares	152.277.450	152.277.450	152.277.450
Nominal value per share (lei)	0,32	0,32	0,32
Price at the end of the period (lei) *	8,75	7,70	8,25
Stock market capitalisation (lei)	1.332.427.688	1.172.536.365	1.256.288.963
Maximum price (lei)*	9,50	9,50	9,40
Minimum price (lei) *	7,00	6,35	4,00
Earnings per share (lei)	0,611	0,593	0,394

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



During 2023: Aerostar S.A. did not issue bonds or similar securities; there were no subscriptions for new shares and no participation certificates, convertible bonds, options or similar rights; there was no share buyback programme.

ENVIRONMENT AND BUSINESS MODEL

AEROSTAR operates in the global market for aerospace and defence products and services as an independent company.

Committed to a sustainable future, the management has adopted an ambitious strategy and an integrated business model based on a process-systems approach and RISK-based thinking.

Production activities are carried out under commercial contracts with customers, who are integrators and/or end-users/beneficiaries in the aerospace and defence industry.

The company's management policy is focused on maintaining a solid capital base for continued development in the context of the global market and competitive advantage through quality, capabilities, high level technologies to support a sustainable and organized development and thus to achieve strategic objectives.

The company's business model has not been changed as a result of the international context, but the way of doing business has been adapted to the specific nature of the business flows.

The contextual aspects and their impact over short, medium and long time horizons, as well as the company's priorities in relation to stakeholder requirements over the same time horizons, as well as the significant risks and opportunities related to the business model, are at the core of the company's 5-year Development Strategy. All of these are subject to ongoing risk management analysis and measures, and are also subject to complex and in-depth analysis during the annual update of the Company's strategy.

AEROSTAR continues to act firmly to ensure the sustainability of its business and to keep its production capabilities unaffected and is focused on ensuring its employees' health and safety.

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

OBJECTIVES

Our sustainability objectives, linked to the business environment and global developments, are incorporated into the company's overall strategy

First-tier supplier nationwide provider of maintenance, integrations and upgrades for defence systems.

Regional top supplier for commercial aviation MRO services.

Significant supplier in globalised production chains for structural and landing gear parts and sub-assemblies.

STRENGTHS

A SUSTAINABLE BUSINESS MODEL

SOLID CAPITAL BASE

DIVERSIFIED BUSINESS PORTFOLIO

MANUFACTURE OF AERONAUTICAL PRODUCTS

DEFENCE SYSTEMS

MRO CIVIL AVIATION

TRAINING OUR EMPLOYEES IN PROFESSIONAL DEVELOPMENT

OUR STRATEGY

AEROSTAR's strategy involves increasing commitment in all sustainability aspects

Business development and increased sustainability in line with our mission and objectives.

Sustaining the company's market position and increasing its performance.

Meeting customer requirements and total safety for our employees.

Promoting the brand as a top employer, developing it and raising awareness and engagement in the community.

Compliance with environmental requirements.

CREATING sustainable ADDED VALUE

CUSTOMERS

EMPLOYEES

SUPPLIERS

SHAREHOLDERS

LOCAL COMMUNITY

THE AEROSTAR STRATEGY

AEROSTAR's strategy is to increase commitment in all sustainability aspects.

Through the proposed objectives and commitments, the company is channelling its efforts into achieving its main goal of increasing sustainability by associating profitability with responsibility, increasing value in the short, medium and long term and thus increasing the company's performance. Through the objectives addressed in the company's strategy, AEROSTAR aims year after year to exceed its targets by achieving the proposed objectives.

Environmental, social and personnel issues, respect for human rights, fighting corruption and bribery are a priority for AEROSTAR, therefore relevant data and performance indicators are communicated in the annual and periodic reports, in line with the company's best practices, procedures and policies, following the guidelines of the legislation in force.

During 2023, we consolidated the progress of our proposed commitments!

1. IMPROVEMENT OF ENVIRONMENTAL PERFORMANCE	2. TOP EMPLOYEEER	3. COMMUNITY INVOLVEMENT AND DEVELOPMENT	4. OUR CUSTOMERS' SATISFACTION
<p>Reducing the atmospheric emissions of greenhouse gases and VOC emissions;</p> <p>Reducing the environmental impact by increasing waste recovery and educating all employees to minimise waste generation in order to improve the environmental performance;</p> <p>We respect the environment, nature and natural resources.¹</p>	<p>Training employees in professional development and supporting an inclusive culture where every employee can reach their full potential and contribute with our help, thus ensuring the evolution of tomorrow's professions;</p> <p>Improving the quality of life at the workplace, ensuring the employees' health and safety and maintaining a thriving social dialogue;</p> <p>We respect, support and guarantee equal, non-discriminatory treatment through equal opportunities for all our employees.</p>	<p>Developing partnerships to attract young people to internships and studies;</p> <p>Improving professional and social integration.</p> <p>Sponsorship in support of sport and culture.</p>	<p>Developing partnerships so that we can be a benchmark for our clients;</p> <p>Strengthening our position as a strategic player in the civil and military aviation industry and creating sustainable added value;</p> <p>We uphold the highest standard of professional ethics</p>

These objectives are listed in the table of key performance indicators on page 49.

QUALITY AND ENVIRONMENT

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

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

We are also authorised as a Part 145 Maintenance Organisation, a Part 21G Production and Design Organisation and a Part 21J Production and Design Organisation. Our partnerships associated with the defence market have led us to implement a quality management system based on NATO quality assurance requirements AQAP 2110 and AQAP 2210.

In terms of social responsibility and sustainable development, AEROSTAR has set targets in the environmental area to improve its performance in the areas of pollution prevention, sustainable use of resources and climate change mitigation, following the guidelines of the SR ISO 26000 standard on social responsibility.

The quality and environmental policy adopted by Aerostar has the following strategic objectives: meeting our customers' requirements, complying with the legal and regulatory requirements applicable to the activities carried out, increasing the environmental performance, ensuring full safety for the users of Aerostar products and services and continuously improving the competitiveness of our products and services.

Certifications, Authorisations, Accreditations in 2023

1. Maintained certification of the quality management system - based on the requirements of EN 9100/ AS 9100D and SR EN ISO 9001/ EN ISO 9001.
2. Maintained certification of the quality management system - based on the requirements of NATO quality assurance publications AQAP 2110 and AQAP 2210.
3. Maintained the authorisations granted to Aerostar by the Romanian Civil Aviation Authority for the Maintenance Organisation.
4. Maintained the approval granted to Aerostar by the European Aviation Safety Agency for the Design Organisation .
5. Maintained the approvals granted to Aerostar by the Civil Aviation Authorities of the United Kingdom, Turkey, Morocco, USA, Bermuda.
6. Extended the scope of approval granted by the National Military Aviation Authority to Aerostar as a Military Design Organisation.

The recertification and continued validity of each of these certifications and authorisations confirms the concern and good practice established in AEROSTAR for risk management.

IMPROVED ENVIRONMENTAL PERFORMANCE

The implementation of the environmental policy and the action guidelines set for the implementation of the overall management objectives have led to improvements in the company's environmental performance.

Aerostar has a dedicated department in charge of verifying the compliance with the environmental legislation, which coordinates all specific Environmental Protection activities.

AEROSTAR has complied with the environmental legislation as well as the requirements of the Integrated Environmental Authorisation, the Water Management Authorisation and the Greenhouse Gas Emission Authorisation. The results of the controls carried out by the commissioners of the Bacau Environmental Guard confirm AEROSTAR's compliance with the applicable legal and regulatory requirements.

Environmentally impactful activities are kept under control through internal operational controls i.e. by analysing the results of monitoring and measurements carried out in accordance with the provisions of the environmental permits concerning air emissions, waste generation, noise generation, spills.

Understanding and addressing our carbon footprint is central to our mission to become a sustainable business. We aim to comply with all legal regulations so that our actions and decisions contribute to reducing our carbon footprint.

Every year we analyse our environmental impacts related to: air emissions, noise generation, spills on land, waste generation, and assess the environmental aspects by determining the significant issues. Environmental risks, impacts, opportunities and indicators are presented on pages 51-53.

SUSTAINABLE USE OF RESOURCES: WATER AND ELECTRICITY

Sustainable use of resources and energy efficiency is an area of continuous consideration in our company.

Our industrial water needs are met entirely through the exploitation of our own wells. The technological wastewater resulting from chemical and electrochemical processes is collected and treated in wastewater neutralisation plants located on the company's site. The site is not in the path of torrents and is not in a flood zone.

The total amount of water discharged to the sewer in 2023, relative to turnover, increased by 11,35% compared to 2022 and decreased by 4,77% compared to 2021.

The streamlining of the thermal agent distribution continued, as well as the increase in the energy efficiency of the buildings, so that the electricity consumed in 2023, in relation to turnover, decreased by 30% compared to 2022 and by 54% compared to 2021.

We are going through a climate emergency. Energy efficiency measures, included in AEROSTAR's policies as an objective to reduce energy consumption, have materialised in the implementation of a photovoltaic park from our own sources to benefit from green energy. This way, the company has achieved the objective of increasing sustainability, reducing the effects of global warming and achieving climate neutrality. These measures have led to a reduction of approximately 20% in purchased energy.

POLLUTION PREVENTION AND WASTE RECOVERY

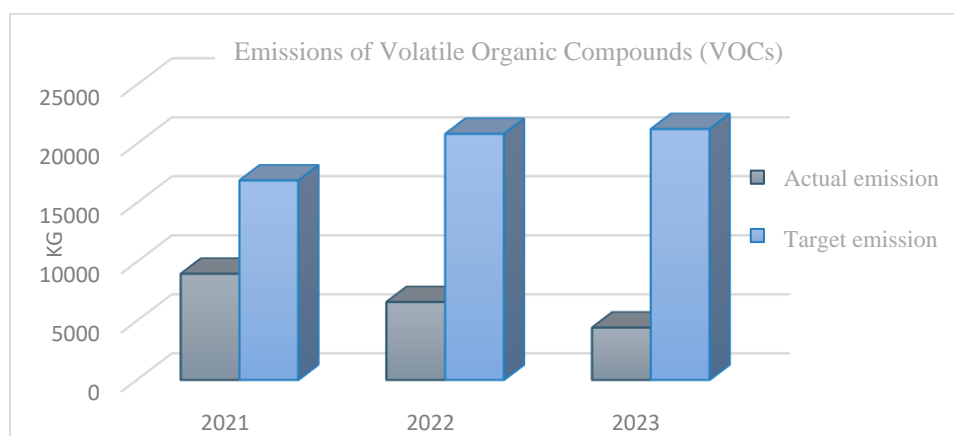
Environmentally impactful activities are kept under control through internal inspections (internal assessments of compliance with applicable environmental legal and regulatory requirements) and analysis of the results of monitoring and measurements carried out in accordance with the provisions of environmental permits, as well as through the implementation of the Environmental Monitoring and Guidance Programme.

Thus, in 2023, the monitoring actions established by the Environmental Permits that Aerostar holds were carried out, ensuring that the maximum permitted values of the indicators were met.

In order to reduce the environmental impact, the company is constantly investing in equipment to contain pollutants. For more information, see the chapter **Investments made in 2023, page 43**.

The results of the controls carried out during 2023 by the commissioners of the Bacau Environmental Guard confirm AEROSTAR's compliance with the applicable legal and regulatory requirements. The specific measures imposed by them were resolved within the required timeframe.

Emissions of volatile organic compounds decreased in 2023 by 32,7% compared to 2022 and by 50,6% compared to 2021, thus continuing the actions to replace solvent-based paints with water-based paints.



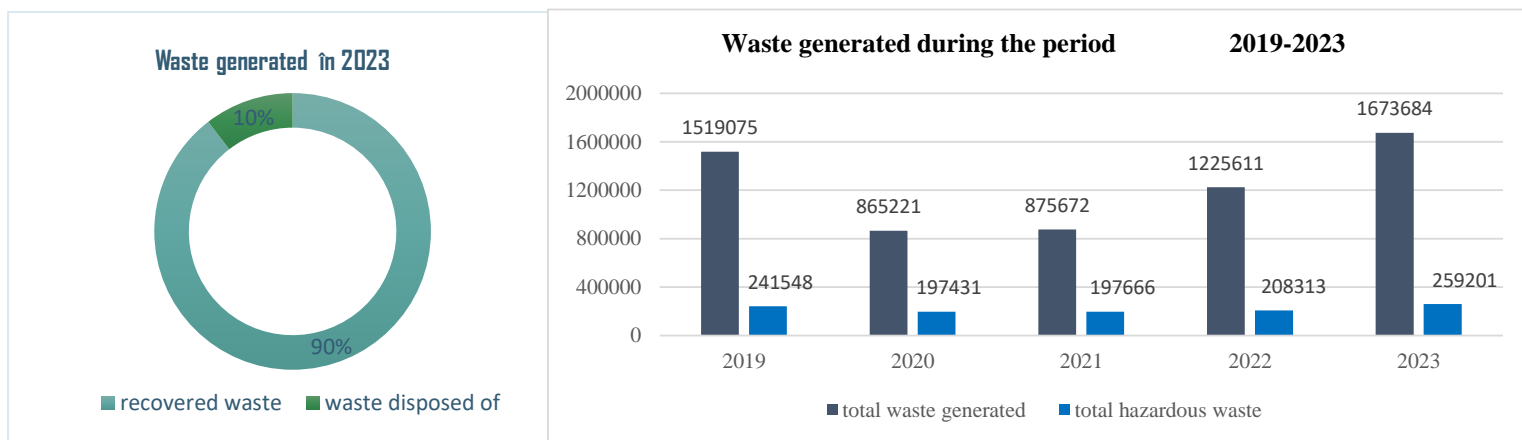
We monitor both hazardous and non-hazardous waste, recover it and transfer it through an authorised recycling company in accordance with legislation.

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

In 2023 the amount of recoverable waste represented about 90% of the total amount of waste generated by the company's activities, (45,8% more waste recovered than in 2022 and 121% more waste recovered than in 2021).

All waste generated from the activities carried out within the company is stored selectively in suitable containers and then handed over to authorised operators for collection, recovery and disposal. Waste management has also been subject to inspections by the Environmental Protection Commissioners, without any violations of the legislation in this field.

The total amount of waste generated in 2023 has increased due to the sanitisation of the premises and the scrapping of obsolete work equipment.



REACH compliance requirements

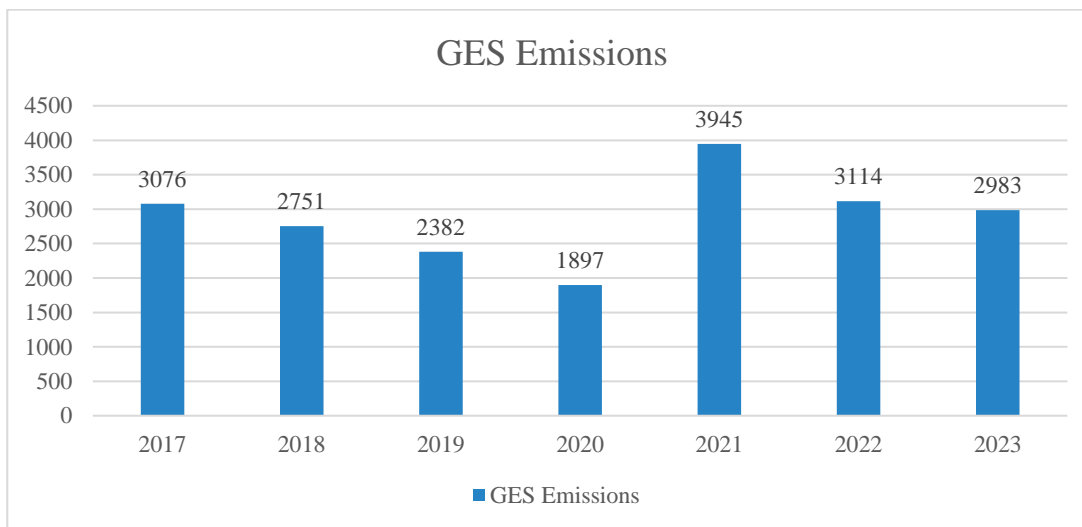
All hazardous chemicals and preparations used in AEROSTAR are managed in accordance with the applicable regulations in force. Hazardous chemical substances and preparations covered by the REACH Regulation are used in accordance with the conditions of the authorisations issued by the European Commission.

CLIMATE CHANGE MITIGATION

AEROSTAR has complied with all obligations under the Greenhouse Gas Permit.

No non-conformities were documented as a result of the verification audit on greenhouse gas emissions management and therefore the emissions for 2022 were validated.

The atmospheric emission values measured in 2023 proved to be below the maximum allowable value set out in the applicable legislation in force.



ASSESSMENT OF IMPACT ASPECTS OF THE ACTIVITY

With regard to the assessment of business impact aspects, AEROSTAR acts responsibly, efficiently and continuously to ensure compliance with the applicable legal and regulatory requirements and the contractual requirements in the relations with its customers.

Within the company, training of employees to raise their awareness of the need to comply with the environmental requirements is a constant preoccupation.

WE RESPECT THE ENVIRONMENT, NATURE AND NATURAL RESOURCES!

We see climate change as both a challenge and a threat to the environment, with social and economic impacts. It can lead to uncertainties for planning, investments and strategies. Regulations and legal requirements also evolve in an attempt to encourage green behaviour.

We believe that everyone's efforts must be consistent. We also believe that action on climate change mitigation and energy efficiency will pay off in the long run.

Respect for the environment is at the heart of sustainable behaviour. To this end, we monitor greenhouse gases and carry out comparative analyses with the previous years, set actions to reduce consumption and make investments that will be a benefit in the long term.

We remain committed to protecting the natural resource base, to using water and energy responsibly, to reducing greenhouse gas emissions, to reducing waste from operations, to reducing

the use of chemicals, materials and processes that have a negative effect on the environment, and, to improving and developing company sites in ways that avoid negative environmental impacts. We see improvements in our indicators from one year to another. This can only be achieved by honouring our commitment. We are committed to communicating our environmental policy and strategy to all stakeholders and where possible to go beyond the requirements of the applicable regulations and standards.

Table 1.5 A comparative overview of environmental indicators

Comparative situation	Pollution prevention and waste recovery		Sustainable use of resources			Mitigating climate change
	(*) in relation to turnover					
	Recovered waste*	Volatile organic compounds*	Amount of water discharged*	Electricity consumption*	Natural gas consumption*	Reduction of airborne emissions*
2023 vs 2022	+46%	-32%	+11,4%	- 30%	-20,42%	-4%
2023 vs 2021	+121%	-50,6%	-4,77%	- 54%	-36,67%	-21%

AEROSTAR, A TOP EMPLOYER

Since people are the key to transformation, evolution and progress, AEROSTAR attaches particular importance to the integration of young people and the continuous professional development of its employees.

In order to encourage young people to take part in internships and studies and subsequently to get hired, AEROSTAR invests in the creation of long-term partnerships to strengthen ties with the regional and national educational institutions. Among AEROSTAR's main priorities are the implementation of agreements with both vocational and technical pre-university institutions and higher education institutions, with a view to setting up classes and/or groups in specialisations of interest for the company.

To help attract the most talented people, AEROSTAR promotes its employer brand in educational institutions and on social media and strengthens its position as a top employer by meeting its strategic objectives.

To this end, we advocate for an inclusive culture in which everyone can realise their potential and contribute their individual perspectives. We are convinced that the diversity of our workforce and our organisational culture have a positive impact on business success and the evolution of our company.

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

We take action against all forms of discrimination, build teams with a balanced age structure and a diverse base of educational backgrounds and experience, and create a balanced work environment. Our competency model shows how managers and employees can establish a suitable environment through open collaboration and support.

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

During 2023 a total of **3.895** people (including pupils, students, employees and their families) visited AEROSTAR.

SOCIAL AND PERSONNEL ASPECTS

We are committed to supporting employees, their professional development, recruitment and retention in the organisation through the preoccupations included in the development and performance appraisal strategy.

Through the human resources policies adopted, we ensure equal opportunities for all employees, without discrimination, in terms of professional career or any other component of the work relationships.

The principle of equal treatment of all employees applies in the framework of employment relations in the company, and any direct or indirect discrimination against an employee aimed at denying, restricting or eliminating recognition of the use or exercise of rights provided for by labour law and the Collective Labour Agreement, based on sex, sexual orientation, age, race, ethnicity, religion, political option, social origin, disability, family situation or responsibility, trade union membership or activity is prohibited.

On 31.12.2023, AEROSTAR had a workforce of 1846 employees.
168 employees are in management positions.

Recognizing the importance of employment in stable conditions for employees and equally for the local community, AEROSTAR continuously seeks to improve professional and social integration, currently having 87% of individual employment contracts concluded for an indefinite period, 94 employees through temporary employment agent Airpro Consult S.R.L.

The cumulative staff turnover (voluntary departures from AEROSTAR and Airpro Consult S.R.L.) for 2023 was 12.73%, down from the previous year.

EMPLOYEE BENEFITS

For the year 2023, the Collective Bargaining Agreement for the period **01.04.2022 - 31.03.2024** included a benefits package covering the dynamic needs and requirements of employees and wage increases of **15,5%**.

The levels of remuneration, by professional category, are established during the process of negotiation of the Collective Labour Agreement through pay scales.

The level of remuneration is also determined through the process of negotiating individual basic salaries, depending on the professional category to which the employee belongs according to the pay scales, as well as on the specific nature of the work he/she carries out, the complexity, difficulty, importance, responsibility and category of work he/she performs.

EMPLOYEES' HEALTH AND SAFETY, AN ORGANISATIONAL CULTURE

During the reporting period, no fatal accidents at work were recorded in AEROSTAR. Aerostar acts consistently to reduce the risks of accidents and illnesses and applies internal rules and regulations in its work that ensure compliance with legal requirements. During 2023 there were no employees with occupational diseases and no dangerous incidents.

Periodically, all the organisation's employees are trained in occupational health and safety, reminding them of the risks of occupational injury and illness, the rules of occupational health and safety and the measures to be taken to avoid the occurrence of events.

In order to identify non-conformities and deficiencies generating risk for the occupational safety and health of employees, audits and internal controls are regularly carried out.

Our Occupational Health and Safety Management System is certified according to SR ISO 45001:2018. The Occupational Health and Safety Management System is applicable to the entire company's own workforce as well as to the non-employees.

DIVERSITY AND INCLUSION

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

The percentage of women in the management structure is 27%.

The percentage of women newly hired in 2023 is 19,83%.

The ratio between the average basic wage negotiated for male employees and the average basic wage negotiated per company was **1,029** while the ratio between the average basic wage negotiated for female employees and the average basic wage negotiated per company was **0,930**.

GENDER AND AGE DIVERSITY

In terms of gender distribution, given AEROSTAR's object of activity, 29% of the staff are women. 45% are employees between 31 and 50 years old, 21% are employees under 20 years old and 34% are employees over 50 years old.

SOCIAL DIALOGUE

The Collective Labour Agreement 2022 - 2024, concluded between the company's management and the social partners, includes the Code of Conduct and Ethics which stipulates the general guidelines for conducting the company's business in accordance with the highest standards of business ethics.

As a voluntary process involving negotiation, consultation and information between the social partners (with a view to establishing agreements of common interest, social dialogue, based on mutual trust, promptness, and transparency) is regulated in the Collective Labour Agreement.

There is an ongoing consultation process with the workers' representatives and the representative trade union on the actual and potential impacts on their workforce.

We recognise the importance of social dialogue and always respect the employees' right to join trade unions and to benefit from collective bargaining. The average degree of unionisation in the company in 2023 is 60,62%, slightly down compared to 2021.

Aerostar has regulated by Internal Rules the procedure for dealing with requests, proposals, complaints or individual complaints from its employees. The Collective Labour Agreement contains regulations on the protection of persons submitting requests, complaints or claims, including workers' representatives, against reprisals.

PREPARING OUR EMPLOYEES FOR THE FUTURE! TRAINING, EDUCATION AND PROFESSIONAL DEVELOPMENT

Knowledge transfer and competency development are strategic objectives that support our company's evolution. Incentivising employees, participation in training at all levels as well as strategic training contribute to day-to-day operational excellence.

We are committed to supporting our employees and their professional development, as well as to recruiting and retaining them in our organisation through the preoccupations included in our development strategy and performance evaluation.

To this end, we are constantly concerned with increasing the level of training and professional development of our employees, regardless of the starting level of our new employees: recent graduates of educational institutions or employees with extensive experience, but who need further training to keep up with the latest technologies.

Aerostar has a budgeted Annual Professional Training Plan. During 2023, a total of 1.870 employees benefited from continuous training.

In order to reduce the number of unskilled workers, Aerostar has started the process of setting up the **Centre for Assessment and Certification of Professional Skills** obtained through non-formal channels. Three target trades of major interest to the company have been chosen and candidates who go through the assessment process will acquire certificates of professional competence in the chosen trades. This Assessment and Certification Centre will also enable other candidates in the local community to acquire certificates of competence.

PRINCIPLES AND VALUES, HUMAN RIGHTS, FIGHTING CORRUPTION AND BRIBERY

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

AEROSTAR S.A. respects and guarantees equal and non-discriminatory treatment in the relationship with its employees, partners, collaborators and customers. The company's staff behaves professionally, transparently and impartially ensures diversity and equal opportunities in relation to all stakeholders, avoiding any action that could be interpreted as an act of discrimination. AEROSTAR respects the Universal Declaration of Human Rights.

In AEROSTAR there are no incidents of work-related discrimination based on gender, race or ethnic origin, nationality, religion, disability, age, sexual orientation or other relevant forms of discrimination or incidents of harassment.

Table 1.1

	EMPLOYEES	GENDER DIVERSITY				AGE DIVERSITY		
		Percentage of women in Aerostar	Percentage of men in Aerostar	Percentage of women in the management structure of the company	Percentage of women newly employed	Employees under 30 years	Employees between 31 and 50 years	Employee over 51 years
2023	1846	29%	71%	27%	19,83	21%	45%	34%
2022	1845	29%	71%	25,7%	28%	17%	44%	40%

Table 1.2

	Average degree of unionisation	Employee fluctuation	Permanent employees	Employees hired through the temporary employment agent
2023	60,62%	12,73%	1605	94
2022	62,17%	13,03%	1571	104

Table 1.3

	Employees included in professional training programmes	Number of training hours/employee	Traineeship students	Students in internships
2023	1870	29	580	39
2022	1831	34	594	102

Tabel 1.4

	Number of fatal accidents	OHS checks carried out by the internal team
2023	0	443
2022	0	162

A RESPONSIBLE RELATIONSHIP WITH THE VALUE CHAIN

We are an open system organisation, whose functions are influenced by the context in which we operate, so that strategy, objectives, as well as the estimated outcomes, are determined by analysing the contextual aspects - external or internal to the organisation - as well as the stated requirements or the expectations identified in relation to the stakeholders.

Our company has included in its Organisational and Operational Rules both the relevant organisational context aspects and the stakeholders' requirements and expectations, identified in relation to the common interests: customers, investors, suppliers, employees, authorities, certification bodies, technical and regulatory authorities, local community.

The information on the stakeholders is systematically monitored and analysed and the results of the analyses serve as the basis for the annual update of the company's 5-year Development Strategy. The priority objectives for the immediate future, derived from the updated strategy and set at the highest management level, lie at the basis of the preparation of the annual business plans by business areas: development-investment, quality-environment, training, marketing, occupational health and safety, production. Thus, both the strategy and the annual activity plans are dynamic and, depending on the context, adapt to the stakeholders' requirements and expectations.

SUPPLY/PROCUREMENT CHAIN

Through its policies, Aerostar ensures that it aligns to internationally recognised instruments relevant to the workers in the value chain, including the United Nations (UN) Guiding Principles on Business and Human Rights.

AEROSTAR requests its suppliers, through contractual requirements, to comply with the labour laws applicable in the country of origin.

AEROSTAR works with suppliers from countries that are members of the International Labour Organisation (ILO), a United Nations organisation that sets international labour standards, develops labour policies and promotes decent working conditions for all workers.

The Supplier Code of Conduct represents the expectations we have from our suppliers to ensure a healthy business relationship in accordance with our values, principles and ethical standards.

If the expectations of this code are not met, the business relationship may be reviewed and Aerostar may propose corrective action to the terms of the contract(s).

Suppliers are encouraged to implement, in writing, their own Codes of Conduct and to cascade them to their main suppliers of goods and services.

Supplier performance monitoring is carried out by using the measurement of performance indicators, which have also been communicated to suppliers.

Aerostar has also defined in its General Purchasing Conditions some specific requirements for the suppliers regarding ethics and compliance with the labour legislation.

No social criteria were used for the selection of suppliers and no negative social impact was generated in the supply chain.

CONSUMERS AND END-USERS

Full safety for the users of our products and services is one of AEROSTAR's strategic objectives.

Aerostar aims to have a diversified portfolio of final programmes in which it is a supplier with a well distributed range of products and geographical markets.

Given the production concentration in the large global aviation supply chains, a continuous growth of the customer and programme portfolio, as well as of the product portfolio, is the guarantee of a solid market position.

Aerostar's actions are therefore aimed at continuously adapting the management system to respond effectively to the changing global market, allocating responsibilities and roles appropriately in relation to these changes, and ensuring an inclusive organisational culture for adherence to the necessary measures.

In terms of product and service safety, there have been no reported events as a result of AEROSTAR's activity in relevant areas such as maintenance of civil and military aircraft, production of parts and sub-assemblies for civil aviation, production of radio-electronic equipment.

Products and services are executed in full compliance with customer and user requirements and legal and regulatory requirements in order to respect the health and safety of users. Furthermore, we are authorised based on the audits carried out by the certification/accreditation bodies and our customers.

Where chemical substances and preparations are restricted for use, we only use chemical substances and preparations under the conditions permitted by the REACH Regulation.

In terms of product and service safety, no events occurred in 2023 as a result of AEROSTAR's activities.

OUR CUSTOMERS' SATISFACTION

Our customers' trust and satisfaction depend on our commitments to offer quality products and services, competitive cost and on-time delivery.

We adhere to the highest standard of professional ethics, honesty and integrity. We also ensure transparency and access to information by regularly publishing relevant financial and operational information, press releases and general information on the company's website.

We continually strive to develop our partnership relationships so that we can be a benchmark for our clients and anticipate their expectations.

LOCAL COMMUNITY

The local community together with our customers, investors, suppliers, employees, authorities, certification bodies, technical and regulatory authorities are stakeholders for whom our company has identified the following relevant requirements or expectations:

- Partnership on public interest projects;
- Sponsorship and support for public events.

Also, given their particular importance in providing the most important resource - human resources - educational institutions are considered distinct stakeholders, in fact assimilated to communities, namely: the pupil community, the student community, the teaching community and the scientific community. For these, the company has identified the following relevant requirements or expectations:

- recruitment commitments;
- internships;
- sponsorships for the educational process;
- partnerships on research and development projects.

Given the management system adopted, based on the process-systemic approach and risk-based thinking, our company did not experience any negative impacts on communities in 2023. In the light of our previous positive experiences, the know-how acquired and developed in the company, we will continue to improve our methods and tools in order to closely and systematically monitor the results of our work, to detect risks early on, to assess impacts and to identify and implement the necessary corrections and improvement measures in a timely manner.

The most significant impact of our company on society and communities is represented by the safe local employment opportunities we offer as an employer with high economic potential and the tax revenues we contribute, which have a decisive effect in improving the living standards of community members.

However, through our policies we aim to do more than that, we strive to influence our communities in a positive way by getting involved and returning benefits to them such as: engaging in public interest partnerships with the local authorities; contributing to the education and training process, collaborating with the educational institutions and engaging in joint projects for the development and adaptation of young people to the current demands of the economic agents and business environment; sponsoring various events or public initiatives etc.

In the spirit of our vision to positively influence the communities by getting involved and giving them back some of our results, we collaborate with the local authorities, industrial employers' organisations, associations, foundations and other non-profit organisations, secondary schools, colleges and universities, cultural and sports institutions.

At the same time, we support the community of small entrepreneurs by supporting the activities carried out by the County Patronage of SMEs (PJIMM) Bacău, where we disseminate our positive experiences for the purpose of shared interests.

We also maintain dialogue with other communities relevant to the company, such as the aviation business community.

We collaborate with non-profit organizations in the interest of knowledge and promotion of cultural, historical and educational values, of strengthening the professional prestige of workers in the aviation industry, of reinforcing the spirit of belonging to the group of elite manufacturers in the leading fields of industry in Romania and elsewhere in the world.

Aware of the benefits of culture and sport in the educational process, as well as of the positive impact of cultural and sporting events in the community, we sponsor the "Aerostar Bacău Cultural and Educational Association" - a non-profit organization with its own legal personality, as well as the Aerostar Sports Association, under which a professional football club and a model airplane club operate. The Aerostar football club, as well as the aeromodelling club, are open to any talented children or young people from the community.

Our company is involved in humanitarian or charitable activities, either directly or by encouraging and supporting donations from our employees for such purposes. Thus, in 2023 the following initiatives were carried out with our involvement:

- The campaign "Donate and save a life!" - a blood donation campaign with the support of the Blood Transfusion Centre Bacău team. The campaign brought together a number of 40 employees from the company as donors, with the help of which approximately 16 liters of blood were donated, so much needed for people in distress;
- The campaign "Donate a book!" - a campaign to donate books for disadvantaged children. With the dedicated support of the company's employee volunteers, more than 500 books were collected, which ended up in the library of the primary school in Soci village, Pâncești Commune, Bacău.

In the same spirit of meeting the expectations of the local communities, our company is authorized to organize qualification courses in four trades specific to the aviation industry.

RESEARCH/DEVELOPMENT PARTNERSHIPS

During 2023 AEROSTAR and INCAS have set up a partnership to develop an aircraft for the General Aviation.

The aircraft will be named IAR 835 in terms of the IAR family of aircraft and is intended to be a light, economical, 1200kg maximum take-off weight (MTOW), four-seat, single-engine, high-wing aircraft designed to perform both self-flight and school and training flights, air taxi, business, tourism, airmail and mapping, and can be operated both day and night in instrument flight rules (IFR) conditions.

INCAS carries out the conceptual design, aerodynamics and testing activities and AEROSTAR covers the process design activities and the necessary toolings and fixtures (SDV) and produces the test specimens and the prototype.

INVESTMENTS MADE IN 2023

With a responsibility to employees and the community to build a sustainable future, AEROSTAR invests for sustainable goals. The quality of the products delivered is essential and also dependent on the human factor and on the technical equipment.

As a result, in 2023 we continued to invest in equipment needed both in civil aviation maintenance, military aviation, manufacturing and for increasing our laboratory capabilities through the acquisition of modern, high-precision equipment.

At the same time, the policy of improving the working conditions for our employees and the technological processes was continued, by upgrading the fume suction line in the Electroplating Workshop and by installing an air cooling system in both the painting booths and the work areas in the Paint Shop. This investment was also aimed at reducing the emission of atmospheric pollutants, thereby resulting in an improved air quality.

Furthermore, the upgrading of the wastewater neutralisation plant in the same workshop was continued.

In 2023, AEROSTAR S.A. made investments amounting to 19.329 thousand lei. The summary of the investment expenditure is shown in the table below:

Category	<i>Realised in 2023- thousand lei</i>
Development expenditure	17.371
Replacement Expenses	1.958
Total	19.329

	<i>Realised in 2023- thousand lei</i>
Equipment	12.835
Constructions	2.460
Measuring and control equipment and installations	1.865
Means of transport	520
Intangible	1.641
Furniture, appliances, office equipment	8.3
Total	19.329

Category of capital expenditure	<i>Realised in 2023- thousand lei</i>
Pollution prevention and treatment	~3.390



AEROSTAR's investment policies are aimed at ensuring sustainable development as well as sustainable use of resources and reduction of the environmental footprint, supporting professional excellence, assuring efficiency and optimising workflows.

CORPORATE GOVERNANCE INFORMATION

As a company listed on the Bucharest Stock Exchange, AEROSTAR S.A. aims to comply with the principles and recommendations set out in the Corporate Governance Code of the Bucharest Stock Exchange adopted on 11 September 2015.

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

The implementation of corporate governance rules ensures a transparent decision-making process, based on clear and objective rules designed to increase shareholders' confidence in the company. AEROSTAR S.A. pays particular attention to corporate governance, analysing the level of compliance with the provisions of the Corporate Governance Code issued by the Bucharest Stock Exchange, which came into force on 4 January 2016.

CORPORATE GOVERNANCE STRUCTURES

The corporate governance structures are as follows:

Shareholders - General Meeting of Shareholders

Board of Directors

Audit Committee

Executive and operational management

General meeting of shareholders

The procedure for organising and holding general meetings of shareholders is published on the website [www.aerostar.ro/Investor relations/Reference documents](http://www.aerostar.ro/Investor%20relations/Reference%20documents).

To ensure equal treatment and the full and fair exercise of the shareholders' rights, the Company makes available to them all relevant information on the OGM and the decisions taken, both through the regulated means of communication (national newspaper, reports to the FSA and the BVB) and in the special "Investor Relations" section open on its own website, easily identifiable and accessible.

AEROSTAR uses its best efforts, in compliance with the requirements of the relevant legislation, to facilitate the participation of shareholders in the work of the General Meetings and the full exercise of their rights. Shareholders may attend and vote in person at the General Meeting, but they may also vote by proxy or by post.

The General Meetings of Shareholders were held in full compliance with the provisions of Law 31/1990 on companies, Law 24/2018 on the capital market and the applicable regulations issued by the Financial Services Authority (FSA), as well as any other applicable legal rules.

In recent years, the company has distributed dividends to shareholders and has consolidated a dividend policy that ensures shareholder satisfaction, as well as resources for the company's development.

In accordance with the applicable legal provisions, the request for payment of dividends approved by the General Meeting of Shareholders ceases to have effect after the expiry of a period of three years from the " date of payment " of dividends for each financial year.

Board of Directors

In AEROSTAR S.A., the Board of Directors determines the strategic orientation and ensures its implementation. At the same time, the Board of Directors is also responsible for ensuring compliance with all applicable legal provisions, its own internal regulations and for the proper management and control of risks.

The Board of Directors of AEROSTAR S.A. was elected for a period of four years at the General Meeting of Shareholders held on July 9, 2020. The election was done by secret ballot, with a new term of office of 4 years starting from July 11, 2020 until July 10, 2024.

On 31.12.2023 the structure of the AEROSTAR Board of Directors was as follows:

FILIP GRIGORE	Președinte Consiliu de Administrație și Director General
DAMASCHIN DORU	Vicepreședinte Consiliu de Administrație și Director Financiar
TONCEA MIHAIL NICOLAE	Membru
DOROȘ LIVIU CLAUDIU	Membru
VÎRNĂ DANIEL	Membru

Thus, during 2023, AEROSTAR's Board of Directors was composed of 5 directors, two of whom held executive positions in the Company and three of whom were non-executive members.

Responsibilities of the Board of Directors

The Board of Directors conducts its business in accordance with the Constitutive Deed and the Internal Regulations of the Board of Directors. The Board meets at least once every 3 months or whenever circumstances so require. The agenda of the meetings respects the role and duties of the Board in accordance with the law and the Constitutive Deed.

The Board of Directors is responsible for setting the company's major operations and development directions, including those related to sustainability matters. It approves the Sustainability Report and delegates to the executive management the achievement of sustainability objectives and targets and closely monitors this activity.

The Board is also responsible for the accounting and financial management system and the income and expenditure budget, and adopts the financial plan for the current year.

Remuneration policy for members of the Board of Directors

The remuneration policy for the Board members is based on the following key principles:

- (a) To contribute to the successful implementation of Aerostar S.A.'s strategy in the short, medium and long term;
- (b) To ensure appropriate shareholder involvement in setting the remuneration policy and monitoring its implementation;
- (c) To contribute to promoting the mission and values of Aerostar S.A.;
- (d) To prevent situations of conflicts of interest;
- (e) To provide the necessary and flexible tools to remunerate the directors commensurately with their responsibilities, skills and performance;
- (f) To ensure compliance with the applicable legal requirements.

For the work carried out within the Board of Directors, each Director is entitled to a fixed monthly remuneration, the net amount of which is approved by the OGMS upon appointment and subsequently, annually, with the approval of the income and expenditure budget.

There are no incentive schemes or remuneration policies related to aspects of sustainability in place for the Board members.

The Remuneration Policy is published on the Aerostar S.A. website (www.aerostar.ro) and will remain available to the general public for the duration of the Remuneration Policy.

Eleven meetings of the Board of Directors were held in 2023.

There is no agreement, understanding or family relationship in relation to the appointment of directors of the company. There have been no acts of resignation or dismissal among the members of the Board of Directors or the auditor.

There is no dispute between the company and the directors regarding their activity. None of the directors has been involved in a dispute or other administrative procedure with AEROSTAR in the last 5 years.

Executive - operational management

AEROSTAR is managed on a unitary basis, with delegation of the executive management of the company to the General Director and the Financial Director.

In relation to the organisation and management system of AEROSTAR S.A., the management structure at operational level ensures the management of activities on the basis of a divisional organisation, based on management centres for production, auxiliary activities and functional activities.

Executive management is exercised by the General Manager and the Financial Director. The management structure at executive-operational level is completed by the other division and directorate directors.

The direct participation of the executive management in the company's share capital is less than 1%. There are no disputes with the above-mentioned persons.

Audit Committee

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

The duties of the Independent Audit Committee are those set out in its own Operating Rules, approved by the Board of Directors, supplemented by the provisions of Law no. 162/2017 and EU Regulation no. 537/2014, which can also be found on [www.aerostar.com/Investor Relations/Reference Documents](http://www.aerostar.com/InvestorRelations/ReferenceDocuments).

The Audit Committee meets on a regular basis, at least four times a year, as well as on an exceptional basis if necessary.

The independent auditor: The shareholders of AEROSTAR S.A. approved by unanimous valid votes (secret ballot) the appointment of Auditeval Consulting S.R.L. as financial auditor and the entering into a financial audit contract for a minimum period of 1 (one) year. On 17.05.2023, the contract was extended for a period of 3 years.

Internal control system

AEROSTAR's internal control system comprises the following components:

- Management control
- Budgetary control
- Controlling
- Internal audit

Management accounting and control

AEROSTAR has a department that carries out the tasks of management accounting and control. It ensures the inventory of all assets, liabilities and equity items on the company's books. The inventory activity has been carried out throughout this period in compliance with legal provisions and regulations. The results of the inventories were recorded in the company's accounts. There were no significant differences from the bookkeeping records.

Budgetary control

Budgetary control is carried out by budget officers. In terms of budgets, the company is organised into:

- profit centres
- cost centres

Budgets are defined in the company based on activity programmes corresponding to the company's functions.

Budget control ensures:

- that each budgeted indicator is within the planned values
- substantiation of any corrective actions

On a quarterly basis, both the profit and the cost centres report to the executive management on their compliance with the budgetary provisions and on the required, timely, efficient, effective and legal nature of the expenses the company incurs.

Controlling

In AEROSTAR the concept of controlling has been implemented and is continually developed as a superior stage of budgetary control. Controlling also ensures alignment with the company's mission and strategic objectives.

Internal audit

The company has an Internal Audit Department with members registered with the Chamber of Financial Auditors of Romania. AEROSTAR has organized the internal audit activity according to the law, in a separate department in the organizational structure, according to the organizational chart.

The internal audit department reports directly to the Board of Directors and is an independent and objective assurance and consulting activity designed to evaluate and improve the company's operations.

The internal audit activity is carried out on the basis of the Annual Activity Programme approved by the Board of Directors.

The internal audit missions have confirmed the positive impact of the internal audit activity on AEROSTAR's business.

The Internal Audit Department regularly submits internal audit reports at the meetings of the Board of Directors and to the Audit Committee.

CODE OF PROFESSIONAL CONDUCT AND ETHICS IN AEROSTAR

AEROSTAR upholds the company's principles and values honestly, fairly and with integrity and consistently pursues the highest standards of business ethics, voluntarily adopting the AEROSTAR Code of Business Conduct and Ethics for many years.

This code is posted on the company's website www.aerostar.ro and is part of the provisions of the collective labour agreement.

Insofar as this Code requires a higher standard than that required by trade practice or applicable laws, rules or regulations, we adhere to those higher standards.

This Code is binding on our directors and employees and is adopted in all matters concerning our employees as well as our investors, customers, suppliers, local community representatives and other business partners.

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

- achievement of performance against the background of sustainable development of the company;
- accuracy and transparency of the company's decision-making process;
- respect for the shareholders' rights and fair treatment by protecting and enforcing their prerogatives;

- transparency and access to information through regular publication of relevant financial and operational information.

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

POLITICAL INFLUENCE AND LOBBYING ACTIVITIES

Aerostar has not made any political donations and has not implemented any lobbying actions. At the same time, none of the members of the Board of Directors or the management and supervisory bodies held a comparable position in public administration (including the regulatory authorities) during 2023.

FIGHTING CORRUPTION AND BRIBERY

In 2023, there were no reported concerns or requests for counseling regarding unethical or illegal behavior and organizational integrity in our company, no incidents of corruption, no employees dismissed or sanctioned for acts of corruption, and no incidents of corruption leading to the termination or refusal to renew contracts with business partners.

MANAGEMENT OF CONFLICTS OF INTEREST

In terms of accounting regulations, AEROSTAR is a subsidiary of IAROM S.A. AEROSTAR has disclosed the shareholding structure of the company and its affiliated parties in accordance with the applicable regulations.

AEROSTAR also complies strictly with the requirements of Law 129/2019 in relation to beneficial owners. In relation to the materiality thresholds set out in the specific capital market legislation, no data is available on the *cross board membership* or shares held by suppliers and other stakeholders in AEROSTAR's shareholding structure. The performance evaluation of the members of the Board of Directors is carried out in accordance with the provisions of the Internal Regulations of the Board of Directors.

Following the assessment carried out, based on these statements, it was found that:

- no member of the Council is an independent member;
- no member is in conflict of interest with the position held on the Board of Directors;
- no measures or changes in the Board of Directors are required.

Corporate Governance Code Compliance Table 2023

Code provisions	Complies	Does not comply or partially complies	Reason for non-compliance
A.1	x		
A.2	x		
A.3	x		
A.4		x	Three out of five board members are non-executive. The Board of Directors does not have an independent member and is voted in this structure by the General Meeting of Shareholders.
A.5	x		
A.6	x		
A.7	x		
A.8	x		
A.9	x		During 2023 a total of 11 meetings were held of which: - 8 meetings were attended by all the members of the Board; - At 3 meetings 3 members were present and the other 2 were absent;
B.1	x		The company has set up an independent audit committee in accordance with Article 65 of Law no. 162/2017.
B.2	x		The members of the Audit Committee are independent persons elected by the OGMS. and have competence in accounting and statutory audit.
B.3	x		
B.4	x		
B.5	x		
B.6	x		
B.7	x		
B.8	x		
B.9	x		
B.10	x		
B.11	x		
B.12	x		
C.1	x		All OGMS decisions on remuneration of the members of the Board of Directors have been published. There is now a separate section in the BoD Rules.
D.1	x		
D.1.1	x		
D.1.2		x	The information in this section is available on request but is not published on the company's website.
D.1.3	x		
D.1.4	x		
D.1.5	x		
D.1.6	x		
D.1.7	x		
D.2	x		
D.3	x		
D.4	x		
D.5	x		
D.6	x		
D.7	x		
D.8	x		
D.9	x		
D.10	x		

Performance indicators

We continuously monitor the progress of the proposed commitments!

1. CLIMATE CHANGE MITIGATION		2023	2022
Reducing atmospheric greenhouse gas emissions		Down by 4%	Down by 21%
Reducing emissions of volatile organic compounds		Down by 32%	Down by 26,5%
Increasing the percentage of waste recovery		Up by 46%	Up by 51%
Reducing electricity consumption / producing electricity from renewable sources		Down by 24%	Down by 19%
Total amount of water discharged to sewerage		Up by 11,4%	Down 14,5%
2. TOP EMPLOYER		2023	2022
Professional development training for employees (number of internal and external training hours/employee per year)		29 hours of training /employee/year.	34 training hours/employee.
Ensuring employees' health and safety (number of accidents per 100,000 hours worked)		3	0
Diversity and Inclusion/Percentage of women in Aerostar		29%	29,2%
Percentage of women in the management structure		27%	25,7%
3. COMMUNITY INVOLVEMENT AND DEVELOPMENT		2023	2022
Developing partnerships to attract young people in internships and studies		17	17
Individual employment contracts concluded for an indefinite period		86,94%	91,38 %

Performance indicators in line with the strategic objectives presented on page 24.

MANAGEMENT OF IMPACTS, RISKS AND OPPORTUNITIES

In Aerostar, risk, impact and opportunity management is a continuous process that is carried out to assess risks and address them, to identify new risks that have not previously occurred, to reassess persistent risks and to evaluate opportunities for growth and expansion.

Within the company resources are allocated as necessary for risk management, authorities and responsibilities are established for the relevant functions and levels. The overall framework for dealing with risks is based on an understanding of the needs and expectations of the stakeholders in achieving the organisation's forecasted results.

The contextual issues and their impact over time horizons - short, medium and long, as well as the company's priorities in relation to stakeholder requirements over the same time horizons, as well as the significant risks and opportunities related to the business model, lie at the heart of the company's 5-year Development Strategy. All of these are subject to ongoing risk management analysis and measures, as well as to a complex and in-depth analysis during the annual update of the Company's strategy.

The analysis of contextual issues involves an assessment of impacts by levels of relevance (extreme/medium/low), and a correlation with the analysis of the stakeholders' requirements, arranged by levels of priority (extreme/medium/low). From among the requirements relevant to stakeholders as well as to the local community, the company strategy considers the following ones with "extreme" priority level:

- local workforce prioritised - used;
- protected environment;
- business ethics and respect;
- job stability and retention.

The company's strategy is one of sustainable development and selective growth, with turnover as the main objective.

Failure to achieve the forecasted turnover could represent an impactful risk in case of materialisation, affecting all stakeholders, including the communities within the company's sphere of activity. If the forecasted turnover is not achieved, the risk of restricted activity or even failure to ensure the continuity of the business would become very likely and would result in impactful phenomena such as: loss of jobs, decrease in tax contribution, decrease in investment funds, decrease or absence of sponsorship funds.

To manage this major risk, the company continuously gathers feedback from the organisation, the environment and its stakeholders and adjusts its processes accordingly. The result is an annual update of the Strategy so that it always covers a 5-year horizon.

In order to manage the major risk of failure to achieve the forecasted turnover, the company constantly takes actions based on the generic cycle Plan - Do - Check - Update, covering both the general framework of the strategy and the current activities. The production activity dashboard is the tool through which the company's top management monitors the results against the approved budget and planned targets, detects and analyses in real time the risks of non-realisation of production and sales and can identify timely and effective remedial measures.

Other tools used are Management Reports. The management report analyses turnover, productivity and value-added rates, resource management, quality and environmental aspects, commitments made and related risks, resulting in measures to correct or improve organisational performance.

Improvement is planned, with recommendations and measures set out in specific action plans. Improvement actions are stepped up through appropriate information and communication and overall monitoring is exercised through the internal control system with the following components: management accounting and control, budgetary control, managerial control, internal audit.

Other significant risks are also identified which contribute to the adaptation of the strategy according to changes in the contextual aspects and the assessment of impacts, risks and new opportunities, such as: for example, the decline in profitability and image depreciation, which are detailed in the operational plan, among others, in the following risks:

- risk of environmental damage;
- risk of lack of resources, in particular lack of qualified human resources;
- risk of increased security, safety and mobility of the workforce.

In the hypothetical situation of materialisation of the risk of environmental damage through the company's activity, this would induce a negative entail a negative impact on the people living or working around the company's headquarters, factories and workplaces. In this regard, the company has adopted a robust policy in the field of quality and environment, and it has implemented and maintains an Environmental Management System, which complies with the requirements of the SREN ISO 14001 standard, being certified in accordance with this standard. Making sure that the environmental policy and objectives are consistent with the company's context and strategic direction is one of the specific actions leading to ensuring the effectiveness of the environmental management system and its improvement.

In order to manage the risk of environmental damage, we continuously strive to maintain the SREN ISO 14001 Environmental Management System certification implemented in the company. This is integrated with the Quality Management System, so from a management perspective we ensure that we have a positive impact on society, communities and the environment, our objectives in this regard being:

- to achieve products and services that provide complete safety for their users;
- to increase the environmental performance.

This system is continuously monitored by the certifying authority through surveillance audits, during which any non-conformities are identified and recommendations are made, which are closed with root-cause analyses, followed by corrective action and improvement plans, where appropriate. The company monitors the status of their achievement through the Quality-Environment Scoreboard, which is drawn up and reviewed weekly.

The risk identified in the company of not having a skilled human resource and the risk related to security, safety and increased mobility of the workforce, actually generate opportunities and a positive impact for the local and regional community, as it is expected that the workforce is primarily sought in these communities. At the same time, these risks also lead to varying degrees of dependence on communities, in particular the pupil community, the student community and the teaching community. The necessary human resource, estimated for a 5-year horizon, is an important component of the Strategy and an integral part of it.

In order to manage and take advantage of the opportunity to provide the community with secure and well-paid jobs, the company is constantly working to popularize its activities and values, to strengthen and promote its image as a top employer, to identify and implement specific HR marketing methods and means to create solid recruitment pools in the local community and in the immediate vicinity from which to select new employees.

At the same time, after hiring, the company carries out intensive training activities for both new and existing employees, which are actions to mitigate the company's risk of not having an adequately qualified human resource.

We systematically monitor HR issues through the HR Report, which is submitted monthly and reviewed by the company's top management. The training activity and the budget allocated are also subject to the Management Report, similar to profit centre management reports.

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

The exposure to other types of risks is presented in Note 18 -Financial Instruments.

WE ARE COMMITTED TO BUILDING A SUSTAINABLE FUTURE!

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

The current global context has not altered our commitment and has not impacted on the company's compliance with its responsibilities.

In our company, the Board of Directors determines the strategic direction and ensures its implementation and the Executive Operational Management closely coordinates the work of the departments responsible for economic, environmental and social issues accordingly.

In our company:

The responsibilities for quality and environmental aspects, as well as Risk Management, are assigned/delegated to the Quality and Environmental Manager.

The responsibilities for social aspects, personnel, occupational health and safety, anti-discrimination and promoting diversity are assigned/delegated to the Human Resources Director; as an area of interference, these responsibilities relate to:

The responsibilities for legal compliance, human rights, anti-corruption and anti-bribery issues are assigned/delegated to the Legal Office.

The responsibilities for sustainable resource use issues, reduction of natural resource consumption are assigned/delegated to the Director of Infrastructure and Utilities Division.

The responsibilities for compliance measures in relation to the avoidance of money laundering are assigned to the Director of Finance and Accounting.

The responsibilities related to corporate governance are assigned to the company's General Secretariat.

The regulatory framework established by AEROSTAR for compliance is based on:

* AEROSTAR's Management System, Quality and Environmental Management System and Occupational Health and Safety Management System respectively, certified in AEROSTAR according to the requirements of ISO 9001, ISO 14001, AS EN 9100, AQAP 2110 and ISO 45001:2018 standards respectively.

* The AEROSTAR customers' requirements

* The guidelines described in the international standard ISO 26000

* The regulatory framework provided by Romanian legislation

* The environmental legislation, the requirements of the Integrated Environmental Authorisation, the Water Management Authorisation and the Greenhouse Gas Emissions Authorisation.

The Annual Report for the period 1 January - 31 December 2023 is prepared in accordance with the framework set out in Law 24//2017, ASF Regulation No. 5/2018 on issuers of financial instruments and market operations- Annex 15, applicable reporting requirements and the Guidelines described in the European Commission Communication. The Annual Report is accompanied by the Statement on non-financial reporting issues, the "Apply or explain" statement of compliance with the Corporate Governance Code of the Bucharest Stock Exchange and the Individual Financial Statements of Aerostar.

SUMMARY OF FINANCIAL STATEMENTS 2023

Financial performance	UM	31.12.2023	31.12.2022
Total income	thousand lei	557.885	499.052
Total expenditure	thousand lei	460.929	399.381
Gross profit	thousand lei	96.956	99.671
Financial position	UM	31.12.2023	31.12.2022
Fixed assets (net values)	thousand lei	248.385	252.380
Current assets	thousand lei	498.060	461.382
Share capital	thousand lei	48.729	48.729
Equity	thousand lei	551.957	493.709
Total debts	thousand lei	91.914	90.259

COMPLIANCE WITH NON-FINANCIAL REPORTING REQUIREMENTS

Section in the Annual Report	Non-financial reporting requirements	Page
General requirements	Business model	27
	The company's approach to sustainability	12
	Strategy	23-24
Environmental information	Policy on quality and environmental issues	25-30
	Mitigating climate change	
	Improving pollution prevention performance	
	Sustainable use of resources	
Social information	Personnel aspects. Own workforce	31-35
	Affected communities and social issues	
	Value chain information	
	Consumers and end-users	
Governance information	Corporate governance	42-48
	Professional conduct	46-47
Risk and opportunity management	Risk and opportunity management	50-53