

AEROSTAR S.A. BACĂU

INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

**Prepared in accordance with
The Order of the Minister of Public Finance no. 2844/2016, for the approval of the
Accounting Regulations in accordance with the
International Financial Reporting Standards**

TABLE OF CONTENTS

COMPANY STATEMENT OF PROFIT OR LOSS

OTHER COMPREHENSIVE INCOME

COMPANY STATEMENT OF FINANCIAL POSITION

CAMPANY STATEMENT OF CASH FLOWS

COMPANY STATEMENT OF CHANGES IN EQUITY

NOTES TO THE COMPANY FINANCIAL STATEMENTS

AEROSTAR S.A. BACĂU
COMPANY STATEMENT OF PROFIT OR LOSS
FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2024
(unless specified otherwise, all amounts are stated in thousand lei)

	Note	31 December 2024	31 December 2023
Operating income			
Sales revenue	19	584.004	506.294
Other revenue	19	2.489	2.894
Income from stocks of finished goods and production in progress	19	45.210	22.386
Income from the production of fixed assets	19	1.338	877
Income from operating subsidies	19	305	611
Total operating income		633.346	533.062
Operating expenses			
Material expenses	20	(264.474)	(219.820)
Expenses on employee benefits	20	(202.037)	(172.440)
Expenses on depreciation of fixed assets	5;6;20	(27.110)	(25.946)
Net income (expenses) from current asset adjustments	20	(11.034)	(14.760)
Net income (expenses) from provision adjustments	20	17.489	27.240
Expenses on external services	20	(50.426)	(40.454)
Other expenses	20	(8.559)	(7.091)
Total operating expenses		(546.151)	(453.271)
Profit/loss from operating activity		87.195	79.791
Financial income	21	24.927	24.823
Financial expenses	22	(7.313)	(7.658)
Financial profit/loss		17.614	17.165
Profit before tax		104.809	96.956
Tax on current and deferred profit	17;23	(9.084)	(3.928)
Net profit of the period		95.725	93.028

Chief Executive Officer,

Alexandru Filip

Financial Director,

Doru Damaschin

AEROSTAR S.A. BACĂU
COMPANY STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED ON 31 DECEMBER 2024
(unless specified otherwise, all amounts are stated in thousand lei)

	31 December 2024	31 December 2023
Net profit for the period	95.725	93.028
Deferred income tax recognised on account of company equity	(3.739)	(3.605)
Fair value revaluation of equity instruments through other comprehensive income	7.890	(3.839)
Gain transferred to retained earnings on sale of company equity instruments through AECP	480	74
Other comprehensive income	4.631	(7.370)
Total comprehensive income for the period	100.356	85.658

Chief Executive Officer,

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AEROSTAR S.A. BACĂU
COMPANY STATEMENT OF THE FINANCIAL POSITION
FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2024
(unless specified otherwise, all amounts are stated in thousand lei)

	Note	31 December 2024	31 December 2023
ASSETS			
Non-current assets			
Property, plant and equipment	6	159.745	159.487
Intangible assets	5	1.788	1.808
Investment property	6	6.598	7.296
Rights to use assets under lease	32	1.723	1.746
Fixed financial assets	7	46.133	57.732
Receivables on deferred income tax	17	20.103	20.316
Total non-current assets		236.090	248.385
Current assets			
Inventories	10	206.205	161.042
Trade receivables and other receivables	8;9;18	110.772	90.175
Current corporate tax receivables	23	-	262
Short-term prepaid expenses	31	1.049	789
Cash and cash equivalents	11	260.403	245.792
Total current assets		578.429	498.060
Total assets		814.519	746.445
COMPANY EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	12	48.729	48.729
Current result	12	95.725	93.028
Result carried-forward	12	54.374	51.577
Reserves	12	467.681	410.028
Deferred income tax recognized on equity	17	(27.444)	(23.481)
Distribution of profit for legal reserve	12	(18.731)	(27.924)
Total company equity	12	620.334	551.957
Long-term liabilities			
Liabilities regarding deferred income tax	17	28.834	25.191
Subsidies for long-term investments	14	724	1.550
Other long-term liabilities	16	1.467	1.490
Total long-term liabilities		31.025	28.231
Long-term provisions	13	43.866	55.511
Current liabilities			
Trade liabilities	15;18	59.246	48.059
Current corporate income tax liability	23	7	-
Prepaid income	31	3.448	2.916
Subsidies for short-term investments	14	828	830
Other current liabilities	16	14.523	11.878
Total current liabilities		78.052	63.683
Short-term provisions	13	41.242	47.063
Total provisions		85.108	102.574
Total liabilities		109.077	91.914
Total company equity, liabilities and provisions		814.519	746.445

Chief Executive Officer,

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Financial Director,

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AEROSTAR S.A. BACĂU
COMPANY STATEMENT OF CASH FLOWS
(DIRECT METHOD)
FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2024
(unless specified otherwise, all amounts are stated in thousand lei)

	Note	31.12.2024	31.12.2023
CASH FLOWS FROM OPERATING ACTIVITIES			
cash collected from customers		591.206	527.562
tax and excise recoveries from the State Budget		13.031	3.851
subsidies received from the State Budget		309	617
payments to suppliers		(348.789)	(310.714)
payments to employees		(121.949)	(106.194)
payments of taxes, contributions and duties to the State Budget		(86.234)	(74.449)
payments of profit tax to the State Budget		(9.256)	(6.969)
NET CASH FROM OPERATING ACTIVITIES	27	38.318	33.704
CASH FLOWS FROM INVESTING ACTIVITIES			
interest income from bank deposits		8.969	14.508
proceeds from sale of financial fixed assets	27	20.468	8.283
proceeds from non-reimbursable funds		-	381
dividends received from other entities		3.498	3.645
dividends received from affiliated entities		516	153
payments for purchase of financial fixed assets	7, 27	-	(10.653)
payments for purchase of property, plant and equipment and intangible assets		(26.952)	(22.833)
NET CASH FROM INVESTMENTS	27	6.499	(6.516)
CASH FLOWS FROM FINANCING ACTIVITIES			
gross dividends paid		(30.893)	(26.370)
NET CASH FROM FINANCING ACTIVITIES	27	(30.893)	(26.370)
Net increase/decrease in cash and cash equivalents		13.924	818
Cash and cash equivalents at the beginning of the period		245.792	246.173
Effect of exchange rate changes on cash and cash equivalents	27	687	(1.199)
Cash and cash equivalents at the end of the period	11	260.403	245.792

Chief Executive Officer,

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AEROSTAR S.A. BACĂU
COMPANY STATEMENT OF CHANGES IN COMPANY EQUITY
FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2024
(unless specified otherwise, all amounts are stated in thousand lei)

	Share capital	Reserves	Reserves from revaluation of financial assets through other comprehensive income	Deferred income tax recognised as company equity	Result carried forward	Result for the period	Total company equity
Comprehensive result							
A. Balance on 1 January 2024	48.729	407.359	2.669	(23.481)	51.577	65.104*	551.957
Profit for the period						95.725	95.725
Other comprehensive income							
Set up of deferred income tax recognised as company equity				(3.964)	225		(3.739)
Allocation of the profit for the financial year 2023 to the uses decided by the shareholders at the OGMS on 18 April 2024 (Note 12)					65.104	(65.104)	-
Allocation of the profit made in 2024 to tax relief reserves, in gross amounts		18.731				(18.731)	-
Gain transferred to retained earnings on sale of equity instruments through other comprehensive income			(2.448)		2.928		480
Revaluation at fair value of equity instruments through other comprehensive income			7.890				7.890
Transfer to reserves of retained earnings representing surplus from revaluation reserves		356			(356)		-
Total comprehensive income for the period	-	19.087	5.441	(3.964)	67.901	11.890	100.356
Reserves distributed from the profit of 2023		33.125			(33.125)		-
Dividends distributed for 2023					(31.979)		(31.979)
Transactions with shareholders recognised directly in equity	-	33.125	-	-	(65.104)	-	(31.979)
B. Balance on 31 December 2024	48.729	459.571	8.110	(27.445)	54.374	76.994**	620.334
C. Changes in equity (Note 12)	-	52.212	5.441	(3.964)	2.797	11.890	68.377

* The result on 31.12.2023 is 93.028 thousand lei and is influenced by the distribution of profit on other reserves from tax facilities in the amount of 27.924 thousand lei;

** The result on 31.12.2024 is 95.725 thousand lei and is influenced by the distribution of profit on other reserves from tax facilities in the amount of 18.731 thousand lei;

Chief Executive Officer,
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AEROSTAR S.A. BACĂU
COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023
(all amounts are stated in thousand lei)

	Share capital	Reserves	Reserves from revaluation of financial assets through other comprehensive income	Deferred income tax recognized on equity	Retained earnings	Result of the period	Total equity
Comprehensive income							
A. Balance on 1 January 2023	48.729	324.149	7.235	(19.654)	50.938	82.312*	493.709
Profit of the period						93.028	93.028
Other comprehensive income							
Setting up of deferred income tax recognized in equity				(3.827)	222		(3.605)
Distribution of the profit for the financial year 2022 to the destinations decided by the shareholders at the AGM of 20 April 20, 2023 (Note 12)					82.312	(82.312)	-
Distribution of the profit realized in 2023 for tax incentive reserves in gross amounts		27.924				(27.924)	-
Gain transferred to retained earnings related to the sale of equity instruments through other elements of comprehensive income			(727)		801		74
Revaluation at fair value of equity instruments through other elements of comprehensive income			(3.839)				(3.839)
Transfer to reserves of the retained earnings representing surplus generated from revaluation reserves		384			(384)		-
Total comprehensive income for the period	-	28.308	(4.566)	(3.827)	82.951	(17.208)	85.658
Reserves distributed from 2022 profit		54.902			(54.902)		-
Dividends distributed for 2022					(27.410)		(27.410)
Transactions with shareholders recognized directly in equity	-	54.902	-	-	(82.312)	-	(27.410)
B. Balance on 31 December 2023	48.729	407.359	2.669	(23.481)	51.577	65.104**	551.957
C. Changes in equity (Note 12)	-	83.210	(4.566)	(3.827)	639	(17.208)	58.248

* The result of 90.273 thousand lei on 31.12.2022 is influenced by the distribution of the profit to other reserves from tax incentives in the amount of 7.961 thousand lei;

** The result of 93.028 thousand lei on 31.12.2023 is influenced by the distribution of the profit to other reserves from tax incentives in the amount of 27.924 thousand lei;

Chief Executive Officer,
Alexandru Filip

Financial Director,
Doru Damaschin

AEROSTAR S.A. BACĂU
NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2024
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 1 – COMPANY DESCRIPTION

AEROSTAR was established in 1953 and operates in accordance with the Romanian law.

AEROSTAR S.A. performs its activity at its registered head office located in Bacau, 9, Condorilor Street, code 600302. In accordance with the Resolution no. 2/14.12.2017 of the Board of Directors, the opening of a secondary place of business without legal personality (workplace) located in Iasi, on 25B Aeroportului Street has been approved. Moreover, in accordance with the Decision of the Board of Directors nr.1/02.06.2023 the opening of a secondary office without legal personality (workplace) located in Fetești, 2 Carpați Street, ap. 7 has been approved.

The main field of activity of AEROSTAR is production.

The main object of activity of the company is “Manufacture of aircraft and spaceships” - code 3031.

The company was registered as a shareholding company at the Bacău Trade Register (under number J1991001137040), with the current name “AEROSTAR S.A.” and the unique identification code 950531, the European Unique Identifier (EUID) code ROONRC.J1991001137040.

The company is listed on the Bucharest Stock Exchange under the ARS code, and the record of its shares and shareholders is kept, as provided by law, by S.C. Depozitarul Central S.A. Bucharest.

During the year 2024, there was no subscription of new shares, nor any participation certificates, convertible bonds, warranties, options or similar rights.

In terms of accounting regulations, AEROSTAR S.A. is a subsidiary of the company IAROM S.A. and, therefore, the parent company that consolidates the financial statements of the group is S.C. IAROM S.A., with the unique identification code 1555301, having its registered head office in Bucharest, at number 39, Aerogării B-d. The consolidated financial statements for the financial year 2021 were submitted to A.N.A.F. under registration number 770692053/22.08.2024. Copies of the consolidated financial statements can be obtained from the head office of the parent company, IAROM S.A. The parent company will prepare and publish a set of consolidated financial statements in accordance with the applicable accounting regulations, for the financial year ended on 31.12.2024.

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

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

The company will continue to act decisively to ensure the sustainability of its investments and the preservation of its production capabilities. Furthermore, thanks to the experience gained within our team, the company acts towards finding the most appropriate solutions to the new economic challenges.

AEROSTAR S.A. BACĂU
NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2024
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 2 - ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

2.1. Estimates

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

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

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

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

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

The Company uses estimates in order to determine:

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

Disclosure of information

The Company will, to the extent practicable, disclose the nature and value of a change in an accounting estimate that is effective in the current period/future periods.

2.2. Errors

Errors may arise in the recognition, evaluation, presentation or description of items in the financial statements.

The Company retroactively corrects the significant errors of the prior period in the first set of financial statements approved for issue after the discovery of such errors by:

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

AEROSTAR S.A. BACĂU
NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2024
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 2 - ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS
(continued)

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

- the nature of the error for the previous period;
 - for each previous period presented, to the extent possible, the correction value:
 - for each affected line item in the financial statement;
 - for basic and diluted earnings per share.
 - the correction value at the beginning of the first previous period presented;
 - if retrospective restatement is impracticable for a specific prior period, the circumstances leading to the existence of that condition and a description of how and when the error was corrected.

2.3. Changes in the accounting policies

Changes to the accounting policies are only permitted if they are requested by IFRS or if they result in more relevant or reliable information about the Company's operations.

The Company modifies an accounting policy only if such change:

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

Application of changes in the Accounting Policies:

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

Disclosure of information

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

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

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

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

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

AEROSTAR S.A. BACĂU
NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2024
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 3 - ACCOUNTING AND EVALUATION PRINCIPLES

3.1. Bases for the preparation and presentation of the financial statements

The individual financial statements of Aerostar S.A. are prepared in accordance with the provisions of:

- the International Financial Reporting Standards (IFRS) adopted by the European Union;

✓ *Changes in accounting policies and adoption of revised/amended IFRS:*

The changes take effect for the annual reporting periods beginning on or after 1 January 2024.

✓ *Standards (Changes to Standards) and interpretations adopted by the International Accounting Standards Committee:*

1. **Amendments** to IAS 1 "Presentation of Financial Statements". The amendments are designed to promote consistency in the application of the requirements of IAS 1 by helping to determine whether, in the statement of financial position, the liabilities and other obligations with an uncertain settlement date should be classified as current or non-current. It also clarifies how this classification is affected by the existence of contractual clauses (covenants);
2. **Amendments** to IFRS 16 'Leases' which are intended to improve the requirements that a seller-lessee uses in measuring lease liabilities arising from a sale and leaseback transaction under IFRS 16;
3. **Amendments** to IAS 7 and IFRS 7 introducing disclosure requirements for vendor financing arrangements. The amendments require an entity to disclose in the notes to the financial statements the terms of vendor financing arrangements. In addition, entities are required to disclose in the explanatory notes at the beginning and end of the reporting period the recorded amounts of vendor financing arrangements and the line items in which those liabilities are disclosed, as well as the recorded amounts of financial liabilities for which the related trade liabilities have been settled by the factors (financiers).

These changes did not have a material impact on the Company's Financial Statements.

✓ *European Sustainability Reporting Standards (ESRS) adopted by the European Union:*

The Delegated Regulation (EU) 2023/2772 of the Commission of 31 July 2023 supplementing the Directive 2013/34/EU of the European Parliament and of the Council as regards sustainability reporting standards requires large companies, small and medium-sized companies with securities admitted to trading on regulated markets in the EU and parent companies of large groups to include in a dedicated section of the directors' report or the consolidated directors' report the information

AEROSTAR S.A. BACĂU
NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2024
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 3 - ACCOUNTING AND EVALUATION PRINCIPLES (continued)

needed to understand the Company's impact on sustainability matters. This should also include the information needed to understand how sustainability matters affect the Company's development, performance and position. Companies should prepare this information in accordance with the sustainability reporting standards. Aerostar S.A. must apply these sustainability reporting standards for the financial year beginning 1 January 2024.

The following changes are effective for annual reporting periods beginning on or after January 1, 2025, subject to adoption by regulation by the European Commission. The Company is evaluating the potential effects of the new Standards and amendments to the International Financial Reporting Standards.

- 1. IFRS 18 'Presentation and Disclosure in the Financial Statements'**. IFRS 18 includes requirements for all entities that apply IFRS on the presentation and reporting of information in financial statements. The standard will replace IAS 1 and introduces significant changes aimed at improving the comparability and transparency of financial performance reporting. If adopted, the standard is planned to be effective for annual reporting periods beginning on or after January 1, 2027;
 - 2. IFRS 19 'Subsidiaries without Public Accountability'** - IFRS 19 specifies the reporting obligations that an eligible subsidiary has in place of the reporting requirements in IFRS;
 - 3. Amendments** to IAS 21 'Accounting for Foreign Currency Transactions' clarifying when a currency is deemed to be exchangeable into another currency and how an entity estimates a spot rate for non-exchangeable currencies;
 - 4. Amendments** to IFRS 9 and IFRS 7 on Classification and Measurement of Financial Instruments. The amendments address issues identified during the post-implementation review of the classification and measurement requirements in IFRS 9 Financial Instruments.
- Accounting Law no. 82/1991, republished, as subsequently amended and supplemented;
 - O.M.F.P. no. 881/2012 on the application of International Financial Reporting Standards by companies whose securities are admitted for trading on a regulated market;
 - O.M.F.P. no. 2.844/2016 on the approval of the Accounting Regulations conforming to the International Financial Reporting Standards, as subsequently amended and supplemented;
 - O.M.F.P. no. 2.861/2009 on the approval of the Norms regarding the organization and performance of the inventory of items such as assets, liabilities and equity;
 - O.M.F.P. no. 1.826/2003 on the approval of the Explanatory Memorandum regarding certain organizational and leading measures for management accounting;
 - O.M.F.P. no. 2.634/2015 on the financial accounting documents, as subsequently amended and supplemented.

AEROSTAR S.A. BACĂU
NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2024
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 3 - ACCOUNTING AND EVALUATION PRINCIPLES (continued)

The accounting is kept in Romanian and in the national currency. The accounting of operations carried out in foreign currency is kept both in national currency and in foreign currency. The financial year is the calendar year. Financial statements are drawn up and reported in thousands of lei and all values are rounded to the nearest thousand lei. Due to rounding, the numbers presented do not always accurately reflect the totals provided and the percentages do not always accurately reflect absolute figures.

The financial statements are drawn up on the basis of historical cost.

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

3.2. Accounting policies applied

Aerostar SA describes the accounting policies it applies in the notes to the individual financial statements and avoids repeating the text of the standard unless it is considered relevant to the understanding of the contents of the note.

The most significant accounting policies are presented below:

- **Accounting Policies regarding property, plant and equipment**

The Company has chosen as its accounting policy the cost model. After recognition as an asset, property, plant and equipment is accounted for at cost less accumulated depreciation and any accumulated impairment losses.

The depreciable amount is allocated on a systematic basis over the useful life of the asset and represents the cost of the asset less the residual value.

Given the specific nature of the business and the types of fixed assets in the Company assets, the residual values of the fixed assets were considered to be insignificant. In practice, the residual value has been calculated at the level of the countervalue of recoverable scrap metal, after deduction of dismantling, disassembly and sale expenses.

The depreciation methods and useful lifetimes are reviewed at least at the end of each financial year and adjusted accordingly. The useful lifetimes are determined by committees made up of the Company's specialists. Any change to them is accounted for prospectively.

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

- they result in an improvement of the initial technical parameters;
- they are sources of future economic benefits materialised by additional cash flows in excess of those originally estimated; and
- they can be measured reliably.

Benefits are obtained directly by increasing the revenues and indirectly by reducing the maintenance and operating costs.

All other repair and maintenance expenses made to ensure the continued use of the property, plant and equipment are recognised in the statement of profit or loss when they are made. They are made in order to maintain the initial technical parameters.

AEROSTAR S.A. BACĂU
NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2024
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 3 - ACCOUNTING AND EVALUATION PRINCIPLES (continued)

The spare parts are generally accounted for as inventories and recognised as expenses when used up. If the spare parts and service equipment, having significant values, can only be used in connection with an item of property, plant and equipment, they are recognised as property, plant and equipment if the original purchase value (when put into service) of the replaced part can be determined.

In deciding whether to recognise separate components, each case is analysed individually based on professional reasoning.

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

The top management of the Company has set a ceiling for the capitalization of assets of 2.500 lei. All acquisitions below this amount will be considered as expenses of the period.

Exceptions: Computers are considered to be depreciable property, plant and equipment irrespective of their entry value and will depreciate over their useful lifetime as determined by the Receiving Committee. Furthermore, the work tools and devices are accounted for as inventories and recognised as expenses of the period when they are used up, irrespective of their entry value, taking into account the fact that they have a useful lifetime of normally less than one year as well as their degree of specialisation (they are intended to be used for a specific type of product/service).

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

- Research phase. Research costs are treated as expenses of the period;
- Development phase. Development costs are recognised as an intangible asset if the following conditions are demonstrated:
 - technical feasibility of completing the asset so that it is available for use or sale;
 - availability of adequate resources - technical, financial, human - to complete the development;
 - intention to complete and use or sell the intangible asset;
 - ability to use or sell the asset;
 - how the asset will generate future economic benefits;
 - ability to assess the costs.

If the Company cannot distinguish between the research and the development phase of an internal project to create an intangible asset, the Company shall treat the costs of the project as incurred exclusively in the research phase.

The Company has chosen as its accounting policy the cost model that requires intangible assets to be valued at net book value equal to their cost less the accumulated depreciation and any impairment losses recorded in relation to those assets.

An investment property is initially valued at cost, including any other directly attributable expenses. After the initial recognition, the Company has opted for the cost-based model for all its investment property in accordance with the provisions of IAS 16 for that model.

Transfers to and from the investment property category are made if and only if there is a change in its use.

Transfers between categories do not change the carrying amount of the property transferred, nor do they change the cost of that property for the purpose of assessment or disclosure.

AEROSTAR S.A. BACĂU
NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2024
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 3 - ACCOUNTING AND EVALUATION PRINCIPLES (continued)

Investment property depreciates by to the same rules as property, plant and equipment.

In the category of financial fixed assets, the following are recorded:

- Shares held in affiliated companies;
- Other non-current securities;
- Long-term loans and the interest thereon. This category includes amounts granted to third parties under contracts on which interest is charged in accordance with the law;
- Other fixed receivables and related interest. This category includes collaterals, deposits and securities deposited with third parties, and claims relating to leasing contracts.

Financial fixed assets are classified on initial recognition as subsequently valued at amortised cost, fair value through other comprehensive income (OCI) or fair value through profit or loss, as appropriate.

The classification of financial assets on initial recognition depends on the contractual cash flow characteristics of the financial asset and the entity's business model for managing them.

- **Accounting policies for inventory items**

The entry of inventories is recorded in the accounts at the date of transfer of the risks and benefits. The calculation of those stocks which are not usually fungible and of those goods, products or services is determined by specifically identifying their individual costs.

When stocks and fungible assets are disposed of, they are valued and entered in the accounts using the FIFO method.

Periodically, the Company's management approves the level of normal technological losses.

Inventory accounting is kept quantitatively and by value, using the perpetual inventory method.

Value adjustments are made for current assets in the form of inventories for each reporting period, based on the maturity of the inventories, the findings of the inventory committees and/or profit centre managers, in order to present the assets at the lower of cost and net realizable value.

- **Accounting policies on company liabilities**

The Company's liabilities are recorded in the accounts payable. Accounts payable to suppliers and other payables shall be kept by category and by individual natural or legal person.

Income tax payable/receivable is recognised as a liability to the extent of the amount unpaid.

Excise duties and special funds included in prices or tariffs are entered in the accounts on the corresponding accounts payable without going through the revenue and expenditure accounts.

Operations which cannot be recorded separately in the corresponding accounts and for which further clarification is required are recorded in a separate account 473 "Settlement of operations awaiting clarification".

Foreign currency payables are recorded in the accounts in both RON and foreign currency.

AEROSTAR S.A. BACĂU
NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2024
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 3 - ACCOUNTING AND EVALUATION PRINCIPLES (continued)

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

- it is expected to be settled in the normal course of the Company's operating cycle, or
- it is due within 12 months after the balance sheet date.

All other liabilities are classified as long-term liabilities.

Liabilities that are due in more than 12 months are long-term liabilities.

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

- a) the original term was for a period longer than 12 months; and
- b) there is a refinancing or rescheduling agreement that is entered into before the date of the financial statements.

- **Accounting policies for company receivables**

Receivables include:

- trade receivables, which are amounts due from customers for goods sold or services rendered in the normal course of business;
- trade notes to be collected, instruments of third parties;
- amounts due from employees or affiliated companies;
- advance payments to suppliers of fixed assets, goods and services;
- receivables related to staff and the State budget.

Receivables are recorded on an accrual basis, in accordance with the legal or contractual provisions. Customer accounts are kept by category (internal customers, services and products, and external customers, services and products) and by individual natural or legal person.

Receivables in foreign currency, resulting from the Company's transactions, are recorded in the accounts both in lei and in foreign currency.

Transactions in foreign currency are initially recorded at the exchange rate communicated by the National Bank of Romania on the date of the transaction.

The derecognition of time-barred debts shall be carried out only after all legal steps have been taken to settle them.

Doubtful receivables shall be entered separately in the accounts in account 4118 Doubtful customers when the due date laid down in the contract has been exceeded by more than 30 days or a dispute has arisen with the customer.

In the annual financial statements, receivables are valued and stated at their probable collectible amount.

When a receivable from a customer has not been collected in full when due as stated in the contract, an allowance for impairment is recorded at the times and percentages approved by the Board of Directors in the Accounting Policy Manual.

- **Accounting policies on revenue recognition**

Revenue is recognised in the Company's profit or loss statement when an increase in future economic benefits associated with an increase in an asset or a decrease in a liability can be measured reliably. As a result, revenue recognition occurs simultaneously with the recognition of an increase in assets or a decrease in liabilities.

AEROSTAR S.A. BACĂU
NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2024
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 3 - ACCOUNTING AND EVALUATION PRINCIPLES (continued)

Revenue includes both amounts received or receivable on own account and gains from any source.

Revenue is classified as follows:

- Revenue from operations;
- Financial revenue;

Revenue is recognised on an accrual basis.

Synthetic revenue accounts are developed on analytical accounts, according to the accounting regulations in force (general chart of accounts) and according to the Company's own needs, approved by the Company's top management.

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

Revenue from operations includes:

- revenue from sales related to contracts with customers (of goods, services, merchandise, residual products);
- income related to the cost of stocks of products;
- income from the production of fixed assets;
- income from the reversal of asset adjustments or from the reduction or reversal of provisions;
- other revenue from operations.

Revenue from contracts with customers is recognised in accordance with IFRS 15 'Revenue from contracts with customers'. A customer is a party that has entered into a contract with the Company to obtain goods and services arising from the Company's regular activities.

Revenue recognition describes the transfer of control over goods and services to customers, and the measurement of revenue reflects the consideration to which the Company expects to be entitled in exchange for those goods and services.

Such control includes the ability to prevent other entities from determining the use of the asset and deriving benefit from it. The benefits of an asset are the potential cash flows that can be obtained directly or indirectly from using, selling or holding the asset.

Revenue recognition is the result of going through the following five phases:

1. Identifying the contract with a customer

The Company recognises a contract with a customer only if the following conditions are met:

- a) the parties have approved the contract and agree to honour their obligations,
- b) the Company can identify the rights of each party with respect to the goods and services transferred,
- c) the Company can identify the terms of payment for the goods and services transferred,
- d) the contract has commercial substance (i.e. it changes the risk, timing and amount of the entity's future cash flows)

AEROSTAR S.A. BACĂU
NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2024
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 3 - ACCOUNTING AND EVALUATION PRINCIPLES (continued)

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

2. Identification of obligations arising from the contract

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

- (a) the customer can benefit from the transferred good or service separately or in combination with other resources at its disposal; and
- (b) the entity's promise to transfer the good or service to the customer is identifiable separately from other promises in the contract.

The Company has not identified any types of contracts with separable obligations. In the case of performance guarantees, they are not an additional service and as such they do not represent a separate obligation.

3. Determination of the transaction price

The Company must determine the amount of consideration to which it expects to be entitled in exchange for the goods and services promised in the contract in order to recognise revenue. The price may be a fixed amount or it may vary due to discounts or other similar items.

The price of the Company's sales transactions is not adjusted for the effect of the time value of money as the Company does not have any supply contracts with a settlement term in excess of one year or containing a significant financing component.

For contracts entered into by the Company, the price is negotiated and remains firm. Renegotiated contract amendments are effective prospectively from the date of renegotiation for subsequent orders, considering that the performance obligation is separate and not part of a single performance obligation that is partially fulfilled at the date of the contract amendment.

4. Allocation of the transaction price between the obligations generated by the contract

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

5. Revenue recognition at a specific point in time or as the Company fulfils the obligation

A contract obligation is met when the control of the goods or services is transferred to the customer. The control is the ability to decide the use and obtain the majority of the remaining benefits of the transferred good or service.

The standard establishes how the revenue is to be determined, in that it must be recognised at a specific point in time or over a period of time, which applies to both the sale of goods and the rendering of services.

An obligation is met and revenue is recognised over a period of time if at least one of the conditions below is met:

AEROSTAR S.A. BACĂU
NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2024
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 3 - ACCOUNTING AND EVALUATION PRINCIPLES (continued)

- the customer receives and consumes the benefits of the service performed by the entity as the entity performs,
- the performance by the entity creates or improves an asset (for example, work in progress) that the customer controls as the asset is created or improved,
- the entity's performance does not create an asset with an alternative use for the entity and the entity has an enforceable right to payment for performance to date.

If a performance obligation is not fulfilled over time, an entity fulfils the performance obligation at a specific point in time.

If the Company reasonably expects that the effects on the financial statements for a portfolio of customers with similar characteristics will not be materially different from those determined by applying the standard to individual contracts within that portfolio, then the contracts are analysed together.

The timing of revenue recognition results from correlating the specific contract provisions with the provisions of IFRS 15.

Rental income

Rental income from investment property is recognised in the profit and loss account on a straight-line basis over the term of the lease in accordance with IFRS 16.

Finance income comprises interest income, foreign exchange income, dividend income and other finance income.

Interest income is recognised in the income statement on an accrual basis using the effective interest method. Interest income arising on a financial asset is recognised when it is likely that an economic benefit will be obtained by the Company and when that benefit can be measured accurately.

Dividend income from investments is recognised when the shareholder's right to receive payment has been established. The Company records dividend income on a gross basis including dividend tax (when applicable), which is recognised as a current expense.

• **Accounting policies on provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is likely that the Company will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties associated with the obligation.

Provisions are accounted for by type, depending on the nature, purpose or object for which they are set aside.

Provisions for guarantees

The Company sets aside provisions for warranties when products or services covered by warranty are sold.

AEROSTAR S.A. BACĂU
NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2024
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 3 - ACCOUNTING AND EVALUATION PRINCIPLES (continued)

The value of the provision for warranties granted is based on historical, contractual or reasonable estimates for products/services first performed in the Company.

Provisions for risks and charges

When risks and expenses are identified which are likely to be incurred as a result of events that have occurred or are in progress and the purpose of which is precisely determined but the realisation of which is uncertain, the Company covers these risks by making provisions.

Provisions for risks and charges are set aside for items such as risks specific to the aviation industry, litigation, fines, penalties, indemnities, damages and other uncertain liabilities.

Provisions for the decommissioning of tangible fixed assets

On initial recognition of an item of property, plant and equipment, an estimate is made of the costs of dismantling, removing the item and restoring the site where it is located as a consequence of using the item over a period of time.

These costs are reflected by setting aside a provision, which is recognised in the profit and loss account over the life of the item of property, plant and equipment by inclusion in the depreciation expense.

The revision of the estimates for the provision for decommissioning and restoration is determined by the annual review of the dismantling costs. The Company's committee of experts appointed by internal decision periodically reviews whether the initial estimates of dismantling costs are adequate.

Provisions for employee benefits

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

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

Provisions are reviewed at the end of each reporting period to reflect the best current estimate.

• **Accounting policies for subsidies and other non-reimbursable funds**

Subsidies distinctly feature:

- government subsidies;
- non-reimbursable loans as subsidies;
- other amounts received as subsidies.

Subsidies are recognised at their approved amount. Subsidies received in the form of non-monetary assets are recognised at fair value.

Government subsidies are initially recognised as deferred revenue at fair value when there is reasonable assurance that it will be received and the Company will comply with the conditions associated with the subsidy.

Subsidies that compensate the Company for expenses incurred are recognised in the income statement on a systematic basis in the same periods in which expenses are recognised. Subsidies that compensate the Company for the cost of an asset are recognised in the income statement on a systematic basis over the life of the asset.

Subsidies related to income are recognised, on a systematic basis, as income in the periods corresponding to the related expenses that these subsidies are intended to compensate.

AEROSTAR S.A. BACĂU
NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2024
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 3 - ACCOUNTING AND EVALUATION PRINCIPLES (continued)

If subsidies are received in a period in relation to expenditure that has not yet been incurred, the subsidies received are not income of that current period. They are recognised in the accounts as deferred income and reversed to the profit and loss account as the expenses they compensate are made.

- **Accounting policies regarding the production of goods and services**

The organizing of Aerostar SA's management accounting is based on the applicable legal provisions and the manual of work procedures and instructions specific to management accounting, adapted to the specific activity of the Company.

The object of management accounting consists in:

- the collection of direct, indirect and ancillary costs according to their nature;
- the allocation of indirect costs;
- settlement of direct and indirect costs.

The main purpose of management accounting is to establish the result by production or service order and by organisational structure.

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

- a) losses of materials, labour or other production costs relating to scrap and sub-activity costs;
- (b) general administrative expense.

The calculation method used in Aerostar SA is the job order method.

This method is suitable for individual and series production. The object of recording and calculating costs under this method is the order placed for a given quantity (batch) of products.

Production costs are collected for each individual order directly (direct orders) or by allocation (indirect orders).

The actual cost per unit of product is calculated upon completion of the order by dividing the production costs collected on the related order by the quantity of products manufactured on that order.

Orders are released at the planned price, as appropriate.

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

In the application of accounting policies, the Company issues work procedures, orders and instructions, approved by the executive management.

AEROSTAR S.A. BACĂU
NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2024
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 4 – TRANSACTIONS IN FOREIGN CURRENCIES

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

The currency transactions are recorded at the exchange rate of the functional currency on the date of the transaction.

On the date of the Financial Position Statement, the assets and financial liabilities denominated in foreign currency are evaluated in the functional currency using the exchange rate, communicated by the Romanian National Bank, valid at the end of the financial year:

Currency	31.12.2024	AVERAGE EXCHANGE RATE YEAR 2024	31.12.2023	AVERAGE EXCHANGE RATE YEAR 2023
1 EUR (Euro)	4,9741 lei	4,9746 lei	4,9746 lei	4,9465 lei
1 USD (American Dollar)	4,7768 lei	4,5984 lei	4,4958 lei	4,5743 lei
1 GBP (British pound)	5,9951 lei	5,8769 lei	5,7225 lei	5,6869 lei

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

Considering that 79% of the turnover registered in the reporting period is denominated in USD and EUR, while a significant part of the operating costs is denominated in LEI, the foreign exchange rate variations will affect both its net income and its financial position as expressed in the functional currency.

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

YEAR 2024	K EUR	K USD	K GBP
Amounts collected from financial assets	34.692	64.757	-
Payments of financial liabilities	(15.280)	(35.189)	(892)
Foreign exchange net exposure	19.412	29.568	(892)

AEROSTAR has opted not to access currency hedging products (options, forwards) due to the relatively high initial costs and the possibility of losing opportunities in case of depreciation of RON against the main currencies (USD, EUR).

In 2024, AEROSTAR recorded gains of 2.179 thousand LEI from exchange rate differences, determined by the average depreciation of the LEU against the USD by 2,30% compared to the beginning of the year.

AEROSTAR S.A. BACĂU
NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2024
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 5 - INTANGIBLE ASSETS: reporting period 31 December 2024

	Values on 31 December 2024			Values on 1 January 2024		
	Gross amount	Accumulated depreciation	Net value	Gross amount	Accumulated depreciation	Net value
Licences	8.620	(7.299)	1.321	7.754	(6.527)	1.227
Other intangible assets (software)	1.340	(873)	467	1.194	(613)	581
Total	9.960	(8.172)	1.788	8.948	(7.140)	1.808

Net book value on 31.12.2024 and transactions during the period:

	Net value on 1 January 2024	Entries at gross value	Depreciation during the period	Net value on 31 December 2024
Licences	1.227	884	(790)	1.321
Other intangible assets	581	146	(260)	467
Total	1.808	1.030	(1.051)	1.788

AEROSTAR S.A. BACĂU
NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2024
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 5 - INTANGIBLE ASSETS: reporting period 31 December 2024 (continued)

COMPARATIVE FIGURES - INTANGIBLE ASSETS: reporting period 31 December 2023

	Values on 31 December 2023			Values on 1 January 2023		
	Gross amount	Accumulated depreciation	Net value	Gross amount	Accumulated depreciation	Net value
Licences	7.754	(6.527)	1.227	6.872	(6.034)	838
Other intangible assets (software)	1.194	(613)	581	497	(476)	21
Total	8.948	(7.140)	1.808	7.369	(6.510)	859

Net book value on 31.12.2023 and transactions during the period:

	Net value on 1 January 2023	Entries at gross value	Depreciation during the period	Net value on 31 December 2023
Licences	838	946	(557)	1.227
Other intangible assets	21	697	(137)	581
Total	859	1.643	(694)	1.808

AEROSTAR S.A. BACĂU
NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2024
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 5 - INTANGIBLE ASSETS: reporting period 31 December 2024 (continued)

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

- Licences
- Other intangible assets

The software programmes are registered under other intangible assets.

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

Depreciation expenses are recognised in the income statement using the linear method of calculation.

The intangible assets in the balance sheet account as on 31.12.2024 are not depreciated and no adjustments were made for the depreciation thereof.

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

The value of the completely amortized software licenses on 31 December 2024 and which are still in use is 5.978 thousand lei.

All the intangible assets in balance on 31 December 2024 are owned by Aerostar S.A..

The entries of intangible assets were made by:	<u>1.030 thousand lei</u>
• optimization of production management IT system - version 3	146 thousand lei
• purchase of software licences	884 thousand lei

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

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

AEROSTAR S.A. BACĂU
NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2024
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 6 – PROPERTY, PLANT AND EQUIPMENT: reporting period 31 December 2024

	Values on 31 December 2024			Values on 1 January 2024		
	Gross value	Accumulated amortization	Net value	Gross value	Accumulated amortization	Net value
Land	31.171	-	31.171	30.894	-	30.894
Constructions	101.423	(51.316)	50.107	98.349	(45.607)	52.742
Technological equipment and vehicles	251.321	(175.987)	75.334	231.120	(157.716)	73.404
Other equipment and office equipment	3.886	(2.433)	1.453	3.835	(2.115)	1.720
Property, plant and equipment under construction	1.680	-	1.680	727	-	727
Total tangible fixed assets	389.481	(229.736)	159.745	364.925	(205.438)	159.487
Investment property	12.954	(6.356)	6.598	12.749	(5.453)	7.296
Total general	402.435	(236.092)	166.343	377.674	(210.891)	166.783

Net book value on 31.12.2024 and transactions during the period:

	Net value on 1 January 2024	Gross value inputs (reclassifications)	Gross value outputs (reclassifications)	Amortization during the period	Net value on 31 December 2024
Land	30.894	277	-	-	31.171
Constructions	52.742	3.286	(212)	(5.709)	50.107
Technological equipment and vehicles	73.404	21.028	(827)	(18.271)	75.334
Other equipment and office equipment	1.720	51	-	(318)	1.453
Investment property	7.296	205	-	(903)	6.598
Property, plant and equipment under construction	727	25.594	(24.641)	-	1.680
Total	166.783	50.441	(25.680)	(25.201)	166.343

AEROSTAR S.A. BACĂU
NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2024
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 6 – PROPERTY, PLANT AND EQUIPMENT(continued): reporting period 31 December 2024

COMPARATIVE FIGURES - PROPERTY, PLANT AND EQUIPMENT: reporting period 31 December 2023

	Values on 31 December 2023			Values on 1 January 2023		
	Gross value	Accumulated amortization	Net value	Gross value	Accumulated amortization	Net value
Land	30.894	-	30.894	29.534	-	29.534
Constructions	98.349	(45.607)	52.742	96.634	(39.428)	57.206
Technological equipment and vehicles	231.120	(157.716)	73.404	202.640	(140.423)	62.217
Other equipment and office equipment	3.835	(2.115)	1.720	3.833	(1.793)	2.040
Property, plant and equipment under construction	727	-	727	15.179	-	15.179
Total tangible fixed assets	364.925	(205.438)	159.487	347.820	(151.644)	166.176
Investment property	12.749	(5.453)	7.296	11.275	(4.761)	6.514
Total	377.674	(210.891)	166.783	359.095	(186.405)	172.690

Net book value on 31.12.2023 and transactions during the period:

	Net value on 1 January 2023	Gross value inputs	Gross value outputs	Amortization during the period	Net value on 31 December 2023
Land	29.534	1.360	-	-	30.894
Constructions	57.206	1.715	-	(6.179)	52.742
Technological equipment and vehicles	62.217	29.203	(723)	(17.293)	73.404
Other equipment and office equipment	2.040	8	(6)	(322)	1.720
Investment property	6.514	1.474	-	(692)	7.296
Property, plant and equipment under construction	15.179	17.686	(32.138)	-	727
Total General	172.690	51.446	(32.867)	(24.486)	166.783

AEROSTAR S.A. BACĂU
NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2024
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 6 – PROPERTY, PLANT AND EQUIPMENT (continued)

Property, plant and equipment are valued at acquisition or production cost less accumulated depreciation and impairment losses.

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

Amortization expenses are recognized in the profit and loss statement.

The following useful lifetimes are assumed for the property, plant and equipment:

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

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

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

The investment property contains a number of 13 real estate – buildings that are rented to third parties based on renting contracts.

The value of rental income for this category of fixed assets was 2.968 thousand lei.

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

These costs were reflected in the setting aside of a provision, which is recorded in the profit and loss account throughout the lifetime of the property, plant and equipment, by inclusion in the amortization expense.

This expense is not tax deductible.

The amortization of an asset begins when the asset is available for use and ends on the day when the asset is reclassified in another category or when it is derecognized.

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

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

The land has an unlimited useful life and therefore does not depreciate.

The value of land owned by Aerostar SA is presented at acquisition cost, i.e. the assumed cost that was recorded at the date of transition to IFRS.

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

Internal sources of information:

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

AEROSTAR S.A. BACĂU
NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2024
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 6 – PROPERTY, PLANT AND EQUIPMENT (continued)

External source of information:

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

<u>indicator MBR-Market to book ratio</u>	<u>31.12.2024</u>
Stock exchange capitalization/ company equity	2,08

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

Tangible fixed assets outstanding on 31.12.2024 are not impaired and no significant impairment indicators have been identified.

The gross accounting value of the fully amortized property, plant and equipment still in operation on 31 December 2024 is 98.990 thousand lei.

On 31.12.2024 no mortgages were set on the fixed assets owned by Aerostar S.A.

Entries of property, plant and equipment, achieved by:	<u>50.441 k lei</u>
• commissioning of technical equipment, hardware equipment, measuring and control equipment	21.079 k lei
• building modernization work	3.286 k lei
• land purchase	277 k lei
• property, plant and equipment under construction during the period	25.594 k lei
• reclassification of the building into investment property following rental	205 k lei
Outflows of property, plant and equipment, achieved by:	<u>25.680 k lei</u>
• transfer of property, plant and equipment as a result of the commissioning thereof	24.641 k lei
• derecognition of property, plant and equipment because the Company no longer expects future economic benefits from their use	834 k lei
• reclassification of the building into investment property following rental	205 k lei

AEROSTAR S.A. BACĂU
NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2024
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 7- FIXED FINANCIAL ASSETS

	Shares held in affiliated entities	Other immobilized securities - shares	Other immobilized securities – contributions to company assets	Other immobilized receivables – supplier guarantees	Total
On 1 January 2024	14	57.674	2	42	57.732
Increases/Decreases	-	(11.599)	-	-	(11.599)
On 31 December 2024	14	46.075	2	42	46.133

On 31.12.2024 the decrease in value related to other fixed assets - shares amounts to (11.599) thousand lei and consists of:

Fair value revaluation of Evergent Investments S.A. shares	Value of shares sold between January and December 2024	Total net value decreases
7.890	(19.489)	11.599

A) Investments in affiliated entities registered under cost:

Subsidiary name/ Registered head office	CAEN Code	No. of shares/ shares issued	Voting rights (%)	Value of shares held by Aerostar (k lei)	Financial information related to the year 2023				
					Company's share capital (k lei)	Reserves (k lei)	Net profit (k lei)	Nominal value/share (k lei)	Net asset/ share (k lei)
Airpro Consult SRL Bacău 9, Condorilor Street	- main activity according to CAEN code 7820	100	100%	10	10	205	556	0,10	7,7
Foar SRL Bacău 9, Condorilor Street	- main activity according to CAEN code 7739	408	51%	4	8	424	119	0,01	1,4
TOTAL	x	x	x	14	x	x	x	x	x

AEROSTAR S.A. BACĂU
NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2024
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 7- FIXED FINANCIAL ASSETS (continued)

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

On 31.12.2024, the Company recorded no modifications i.e. no increases/decreases as to the shareholding percentage, maintaining the same influence as in 2023 on the remaining companies in the equity portfolio.

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

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

Issuer's name	CAEN code	No. of shares	Symbol	Value of price /share on 31.12.2024 (lei)	Value of portfolio at market price (k lei)	Value of portfolio at purchase price (thousand lei)
Registered head office						
Evergent Investments S.A.	- main activity according to CAEN code 6499	31.342.883	EVER	1,4700	46.075	37.964
94C, Pictor Aman Street, Bacău						

On 31 December 2024, the company held 31.342.883 shares of the company Evergent Investments S.A, listed at the Bucharest Stock Exchange. Aerostar records the shares held at fair value through other comprehensive income, in accordance with IFRS 9 "Financial Instruments". The Company has used the irrevocable option to designate these equity instruments at fair value through other comprehensive income as these financial assets are held both for the collection of dividends and for gains on their sale and not for trading. The gain or loss on these equity instruments is recognised in other comprehensive income, except for the dividend income.

C) Cash contribution to the establishment of the initial patrimony of the association "Cluster of education for sustainable development C-EDD "

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

The purpose of the Association is to develop and implement effective mechanisms for public-private dialogue in the field of education, to act as a space for dialogue and collaboration between the main actors involved in education, to elevate the quality of educational processes and to connect lifelong learning with the economic environment in order to provide it with qualified human resources for sustainable development. The value of AEROSTAR's contribution to the assets of the "Cluster of Education for Sustainable Development C-EDD" is 2.500 lei.

AEROSTAR S.A. BACĂU
NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2024
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 8 - TRADE RECEIVABLES

	31 December 2024	31 December 2023
TRADE RECEIVABLES, of which:		
Customers:	96.855	76.785
Domestic customers	31.782	6.694
Foreign customers	65.073	70.091
Doubtful customers	219	445
 Adjustments for impairment of receivables	 (197)	 (267)
 Suppliers – debtors	 5.926	 7.926
TOTAL TRADE RECEIVABLES	102.803	84.889

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

- 50% of the value of the receivables not collected on time if the due date is between 30 days and 180 days. On 31 December 2024, the company registered adjustments for depreciation of this nature in the amount of 110 thousand lei;
- 100% of the amount of the receivables not collected on time, if the delay is more than 180 days. On 31 December 2024, the company had no impairment adjustments of this nature.

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

Supplier-debtors have a deadline for settlement in 2025.

The receivables denominated in foreign currency were evaluated at the market exchange rate communicated by the National Bank of Romania valid for the end of December 2024.

The favourable and unfavourable exchange rate differences between the exchange market rate, for which are accounted the receivables in currency, and the market exchange rate communicated by the National Bank of Romania available for the end of December 2024 were recorded in the related income or expense account.

AEROSTAR S.A. BACĂU
NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2024
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 9 – OTHER RECEIVABLES

	31 December 2024	31 December 2023
Receivables related to manpower and similar accounts	63	88
Receivables related to the budget of social insurance and the state budget, of which:	2.945	3.484
– VAT to recover	380	1.206
– Non-exigible VAT	109	163
– Amounts to recover from the National Health System (allowances on medical leaves)	2.360	1.993
– Amounts in the form of subsidies	64	69
– Excise duties to recover for the fuel used	10	-
– Other receivables in relation to the local budget	8	39
– Other receivables in relation to the social security and state budget	14	14
Interest receivable from bank deposits	3.665	1.487
Sundry debtors	1.699	745
Impairment adjustments for receivables - sundry debtors	(403)	(518)
TOTAL OTHER RECEIVABLES	7.969	5.286

Notes:

- Other receivables in relation to the social security budget, state budget and local budget represent amounts resulting from the submission of rectifying statements;
- Interest receivable relates to bank deposits held by the company at the end of the reporting period;
- Of the total other receivables, a share of 30% is represented by the amount of 2.360 thousand lei, on account of the amounts settled but not collected from the Health House.

AEROSTAR S.A. BACĂU
NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2024
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 10 - INVENTORIES

	31 December 2024	31 December 2023
of which:		
Raw material *	70.654	72.098
Consumables **	93.135	71.738
Other materials	37	68
Semi-finished products	4	32
Packaging	36	45
Finished products	44.580	27.768
Products and services in progress	76.215	56.592
Gross value of the inventory (unadjusted)	284.661	228.341
Value of impairment adjustments	78.456	67.299
Net (adjusted) value of inventories	206.205	161.042

ADJUSTMENTS FOR IMPAIRMENT OF INVENTORIES

	31 December 2024	Increases/ Setups	Decreases/ Reruns	31 December 2023
Total adjustments	78.456	23.811	12.654	67.299
Adjustments for impairment of raw material	41.737	7.647	1.465	35.555
Adjustments for impairment of consumables	31.500	9.069	5.030	27.461
Adjustments for impairment of semi-finished products	4	-	28	32
Adjustments for impairment of finished products	338	614	2.438	2.162
Adjustments for impairment of production in progress	4.877	6.481	3.693	2.089

The inventories are assessed at the lowest value between the cost and the net realisable value. The net realisable value is the estimated sale price for inventories minus all estimated costs for completion and the estimated costs required for the sale.

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

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

Within the Company, the goods considered to be depreciated are those that are older than the storage period established by internal decision of the Board of Directors.

In accordance with the Accounting Policy Manual, various adjustments are set up at Aerostar SA for the inventory depreciation, as follows:

AEROSTAR S.A. BACĂU
NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2024
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 10 – INVENTORIES (continued)

- for raw material, consumables, semi-finished products and spare parts, different periods are established, for each profit centre;
- for the inventories of finished products, depreciation adjustments are set up for each period, as follows:
 - a) 100% of the value thereof, for inventories of this nature that do not rely on contracts with the customers;
 - b) in variable percentages, as agreed with the profit centres involved, for the inventories of unfinished products not delivered in due time as per the contractual provisions.

The total value of inventories recognized as an expense during the period is 264.474 thousand lei, which consists of:

- 249.504 thousand lei representing the value of expenditure on stocks of materials;
- 13.451 thousand lei representing the value of expenditure relating to the consumption of water, gas and electricity;
- 1.519 thousand lei representing the value of expenditure on non-stocked materials.

Aerostar S.A. holds stocks of finished (safety) products at the levels agreed in the contracts with its customers.

Aerostar S.A. has no pledged stocks.

AEROSTAR S.A. BACĂU
NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2024
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 11 – CASH AND CASH EQUIVALENTS

The cash contains:

- cash available at the AEROSTAR cash desk;
- sight deposits held at banks (current accounts at banks).

The cash equivalents consist in:

- term deposits held at banks;
- cheques and commercial papers (promissory notes) deposited at banks for collection.

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

	31.12.2024	31.12.2023
Cash at the cash desk	30	36
Sight deposits held at banks	31.170	34.053
Time deposits held at banks	229.203	211.703
Cash and cash equivalents	260.403	245.792

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

The value of the Line of Credit usable as an overdraft, available for the future operating activity, is 2.500 THOUSAND USD (the equivalent of 11.492 thousand lei).

The Line of Credit was not used during the reporting period.

AEROSTAR's policy is to deposit the cash corresponding to the amount of the provisions set aside. The balance of provisions on December 31, 2024 is 85.108 thousand lei.

Term deposits are set up for short terms (less than 6 months), as AEROSTAR prefers to have easy access to savings. As a result, other alternatives for saving surplus cash such as for example investments in investment funds are not favoured by AEROSTAR due to the investment risks attached. Thus, in the short term, these investments may experience wide fluctuations due to various conjunctural factors.

AEROSTAR's opting to set up only short-term bank deposits is mainly due to the global political and economic uncertainties, the deterioration of supply chains, given that at any time events may occur that may require purchases of raw materials and safety materials.

AEROSTAR S.A. BACĂU
NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2024
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 12 – COMPANY EQUITY

The company equity on 31 December 2024 is 620.334 thousand lei. The net increase of the company equity in 2024 compared to the end of the year 2023 amounted to 68.377 thousand lei.

Changes in equity elements in 2024 compared to 2023:

- **The share capital remained unchanged:**

On 31 December 2024, the share capital of AEROSTAR SA Bacau is 48.728.784 lei, divided into 152.277.450 shares having a nominal value of 0,32 lei.

- **The reserves increased by 57.653 thousand lei:**

- An increase by 33.125 thousand lei as a result of the distribution of the profit made in 2023 to the destinations decided by the shareholders in the OGMS meeting of 18 April 2024;
- An increase by 18.731 thousand lei on account of the distribution of the profit made in 2024 for reserves from fiscal facilities;
- An increase by 7.890 thousand lei due to the revaluation at fair value of the Evergent Investments S.A. shares;
- A decrease by 2.449 thousand lei arising from the transfer to retained earnings of the revaluation differences at fair value of the equity instruments recognised through other comprehensive income following the sale;
- an increase by 356 thousand lei due to the transfer to reserves of the retained earnings representing the surplus made from the revaluation reserves.

- **Other equity elements decreased by the amount of 3.964 thousand lei** on account of the deferred income tax recognized in the company equity.

- **The result carried forward increased by 2.797 thousand lei as follows:**

- An increase by 225 thousand lei on account of the deferred income tax recognised on equity;
- An increase by 2.928 thousand lei representing the net gain from the sale of equity instruments recognised through other comprehensive income;
- A decrease by 356 thousand lei due to the transfer to reserves of the retained earnings representing the surplus made from revaluation reserves.

- The balance of the retained earnings account on 31 December 2024 is 54.374 thousand lei, consisting of:

- Retained earnings arising from the use, at the date of transition to IFRS, of the fair value as presumed cost = 26.238 thousand lei;
- Retained earnings representing the gain from revaluation reserves, capitalised against the depreciation of tangible fixed assets = RON 24.408 thousand;
- Net realised gain on the sale of equity instruments recognised through other comprehensive income = 3.728 thousand lei.

- **The result for the period was a profit in the amount of 95.725 thousand lei.**

AEROSTAR S.A. BACĂU
NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2024
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 13 - PROVISIONS

	31 December 2023	Increases/ Set-up/ Reclassification of provisions	Reductions/ Reruns/ Reclassifica- tions of provisions	Differences from re- evaluation	31 Dec. 2024
Total provisions	102.574	43.792	61.626	368	85.108
Provisions for bonds granted to customers	47.368	29.528	42.540	370	34.726
Provisions for decommissioning property, plant and equipment	16.447	21	2	-	16.466
Provisions for the employees' benefits	8.252	9.246	8.252	-	9.246
Provisions for litigation	224	-	224	-	-
Other provisions	30.283	4.997	10.608	(2)	24.670
Long-term provisions	55.511	6.323	17.967	(1)	43.866
Provisions for bonds granted to customers	13.790	6.302	12.366	-	7.726
Provisions for decommissioning property, plant and equipment	16.447	21	2	-	16.466
Other provisions	25.274	-	5.599	(1)	19.674
Short-term provisions	47.063	37.469	43.659	369	41.242
Provisions for bonds granted to customers	33.578	23.226	30.174	370	27.000
Provisions for customer's benefits	8.252	9.246	8.252	-	9.246
Provisions for litigation	224	-	224	-	-
Other provisions	5.009	4.997	5.009	(1)	4.996

Provisions for customer warranties

Provisions for customer warranties are set up to cover the risk of non-conformity during the warranty period of products sold and services rendered, in accordance with contractual provisions. The warranty period is usually 24 months.

Provisions for decommissioning of property, plant and equipment

Provisions for the decommissioning of property, plant and equipment, mainly buildings, are set aside to cover the costs of dismantling, removing items and restoring the sites where they are located and are included in their cost. The value has been estimated using an annual discount rate of 6,5%.

Provisions for employee benefits

Provisions for employee benefits are set up for bonuses granted in accordance with the terms of the applicable Collective Labour Agreement (end of financial year bonuses, performance bonuses) and for holiday leaves not taken by employees in the previous year.

AEROSTAR S.A. BACĂU
NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2024
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 13 – PROVISIONS (continued)

Other provisions

The category Other provisions contains the provisions set aside for:

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

During the period January - December 2024, the company recorded expenses related to the setting aside of provisions in the amount of 30.484 thousand lei and income related to the write-offs/reductions of provisions in the amount of 47.973 thousand lei, resulting in net income from adjustments to provisions in the amount of 17.489 thousand lei.

During this period, there were reclassifications of long-term provisions recognized in short-term provisions (MDL 13.697 thousand lei).

AEROSTAR S.A. BACAU
NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2024
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 14 - SUBSIDIES FOR INVESTMENTS IN ASSETS

AEROSTAR recognizes as deferred income the subsidies related to assets.

	31.12.2024	31.12.2023
Balance on 1 January, of which:	2.380	3.028
Short-term	830	1.020
Long-term	1.550	2.008
Subsidies received	-	381
Subsidies recorded in revenue corresponding to the calculated depreciation	(828)	(1.029)
Balance on 31 December, of which:	1.552	2.380
Short-term	828	830
Long-term	724	1.550

The balance recorded on 31 December 2024 represents subsidies related to investments in fixed assets to be recorded in income as the calculated depreciation is charged to cost.

The subsidies received in the previous years for the financing of assets were related to the implementation of 4 investment projects under 4 non-reimbursable financing agreements:

1. Agreement no. 210304/22.04.2010: "Expansion of the manufacturing and assembly capacities for aerostructures destined for civil aviation", executed in the period April 2010 - October 2012, the value of the subsidy received from the Ministry of Economy, Trade and Business Environment (MECMA) being 5.468 thousand lei, with 556 thousand lei remaining to be recorded as revenue;
2. Agreement no. 229226/14.06.2012: "Setting up a new manufacturing capacity for diversification of production and export growth", executed between June 2012 and May 2014, the value of the subsidy received from the Ministry of Economy, Trade and Business Environment (MECMA) being 6.011 thousand lei, while the amount of 41 thousand lei remains to be recorded as revenue;
3. Agreement no. 5IM/013/24.03.2015: "Consolidation and sustainable development of the machining and painting sectors through high performance investments", executed between March and December 2015, the value of the subsidy received from the Ministry of European Funds (MFE) being 8.299 thousand lei, with 618 thousand lei to be recorded as revenue.
4. Financing contract no. 10/28.02.2023: "Equipping the AEROSTAR Testing Laboratory with NDT testing equipment" executed between March 2023 and December 2023, the value of the subsidy received from the Ministry of Economy being 381 thousand lei, with 325 thousand lei remaining to be recorded as revenue.

All investment projects in fixed assets were implemented and completed according to the contractual provisions assumed.

AEROSTAR S.A. BACĂU
NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2024
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 15 – COMMERCIAL DEBTS

	31 December 2024	31 December 2023
Prepaid amounts collected on customers' account, of which:	9.593	10.540
Lending customers from Romania	19	19
Lending customers from outside Romania	9.574	12.521
 Suppliers, of which:	 49.653	 35.519
Suppliers of materials and services from Romania	10.863	11.364
Suppliers of materials and services from outside Romania	30.561	19.125
Suppliers – invoices not arrived	6.024	3.846
Suppliers of non-current assets	2.205	1.184
 Total commercial debts	 59.246	 48.059

Prepayments received from external customers are for aircraft maintenance and repair work (94,56%) and other services provided (5,44%).

No mortgages were set up for the recorded debts. Debts to suppliers are also within contractual timelines.

The favourable or unfavourable exchange rate differences between the exchange rate at which the foreign currency debts are recorded and the exchange rate communicated by the National Bank of Romania valid for the end of December 2024 were recorded in the corresponding revenue or expense accounts.

AEROSTAR S.A. BACAU
NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2024
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 16 - OTHER LIABILITIES

	31 December 2024	31 December 2023
Other current liabilities, of which:	14.523	11.878
• <i>Liabilities related to manpower and similar accounts</i>	4.295	3.656
• <i>Liabilities related to social security budget and state budget, of which:</i>	6.828	5.215
– VAT payable	626	185
– social insurance	4.631	3.711
– labour insurance contribution	287	235
– tax on income in the form of salaries	906	719
– contribution for unemployed people with disabilities	207	186
– other taxes	116	133
– other social liabilities	55	46
• <i>Dividends</i>	3.125	2.735
• <i>Diverse creditors:</i>	252	257
• <i>Bonds received</i>	23	43
Other long-term liabilities	1.467	1.490

The category "Other long-term liabilities" includes the liability related to the right of use of the land leased for the Maintenance Hangar of Iași.

The dividends in balance on 31 December 2024, in the amount of 3.125 thousand lei represent the amounts remained in balance for the shareholders who did not show up at the offices of the paying agent CEC Bank S.A. (the paying agent designated by AEROSTAR) and which were not time-barred.

The Company has no outstanding debts to the state budget, social security budget and local budgets.

AEROSTAR S.A. BACĂU
NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2024
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 17 – DEFERRED PROFIT TAX

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

The Company estimated and registered liabilities regarding the deferred tax related to immobilized assets (resulting from differences between accounting and fiscal values, different useful lifetimes, etc.) and reserves, and it recognized receivables regarding the deferred tax related to immobilized securities (assets), inventories and trade receivables that were adjusted for depreciation, provisions for customer bonds, provisions for benefits granted to the employees and other provisions.

Structure of the deferred income tax registered on 31.12.2024:

Liabilities from deferred tax

1. Liabilities related to the deferred tax generated by the differences between the accounting bases (higher) and the fiscal ones (lower) of the non-current assets	909
2. Liabilities related to the deferred tax concerning legal reserves	1.559
3. Liabilities on deferred tax related to reserves from the fiscal facility	25.007
4. Deferred tax liabilities related to carry-forward representing a surplus from re-evaluation reserves	61
5. Liabilities on deferred tax related to non-current assets-securities	1.298
Total liabilities on deferred tax	28.834

Receivables on deferred tax

1. Receivables on deferred tax related to other provisions	419
2. Receivables on deferred tax related to provisions for bonds granted to customers	5.556
3. Receivables on deferred tax related to provisions for employee benefits	1.479
4. Receivables on deferred tax related to adjustments for depreciation of inventories	12.553
5. Receivables on deferred tax related to adjustments for depreciation of trade receivables	96
Total receivables on deferred tax	20.103

Balance - Deferred tax liabilities	8.731
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The Company did not recognize receivables on deferred tax related to other provisions for the aviation industry risks due to an uncertainty regarding the fiscal deductibility of the expenses that could arise from the settlement of obligations from future periods. Therefore, the differences between the tax base and the accounting base would be null.

In the period 1 January 2024 – 31 December 2024, the company registered income from the tax on deferred profit in the amount of 6.939 thousand lei and expenses with the tax on deferred profit in the amount of 7.056 thousand lei, with a net impact on the financial performance of - 117 thousand lei..

AEROSTAR S.A. BACĂU
NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2024
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 17 – DEFERRED PROFIT TAX (continued)

The tax on deferred profit recognized on the account of equity in the amount of 27.445 thousand lei consists of liabilities on deferred tax in the amount of 27.864 thousand lei, as follows:

- deferred tax liabilities related to legal reserves 1.559 thousand lei
- deferred tax liabilities related to reserves from tax incentives 25.007 thousand lei;
- deferred tax liabilities related to fixed securities-shares 1.298 thousand lei;

and receivables on deferred tax in the amount of 419 thousand lei.

AEROSTAR S.A. BACĂU
NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2024
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 18 - FINANCIAL INSTRUMENTS

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

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

The financial assets of AEROSTAR include:

- sight and term deposits held at banks;
- trade receivables;
- Evergent Investments S.A. shares (stock symbol: EVER);
- immobilized receivables (collaterals deposited at third parties).

The financial liabilities of AEROSTAR S.A. include:

- trade liabilities.

On the reporting date, AEROSTAR does not have any financial debts related to overdrafts and long-term bank loans.

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

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

a) Credit risk

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

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

Sight and term deposits are held only in first-tier banking institutions (top 5 by asset level) with ratings expressing the lowest risk rating.

In some cases, specific trade credit risk mitigation instruments are required (advance receipts, bank letters of guarantee of good payment, confirmed export letters of credit).

AEROSTAR has no significant exposure to a single partner and no significant concentration of receivables in a single geographical area.

Exposure to credit risk

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

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

	31.12.2024	31.12.2023
Sight and term deposits held at banks	260.373	245.756
Trade receivables, net of adjustments for depreciation	95.347	67.924
Evergent Investments S.A. shares	46.074	57.674
Non-current receivables	42	42
Total	401.836	371.396

AEROSTAR S.A. BACĂU
NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2024
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 18 - FINANCIAL INSTRUMENTS (continued)

The maximum exposure to credit risk by geographical area for trade receivables net of impairment adjustments is shown in the table below:

	31.12.2024	31.12.2023
Domestic market	31.867	6.706
Euro zone countries	27.712	29.502
U.K.	27.926	23.431
Other European countries	1.342	2.913
Other regions	6.500	5.372
Total	95.347	67.924

Depreciation adjustments

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

	Gross value	Adjustments for depreciation 31.12.2024	Gross value	Adjustments for depreciation 31.12.2023
In due time	95.237		67.746	
Past due, total of which:	220		445	
31-60 days	77	39	343	172
61-90 days	52	26	-	-
91-120 days	47	23	14	7
Over 120 days	44	22	88	88
Over 1 year	-	-	-	-
Total	95.457	110	68.191	267

The movement in impairment adjustments for trade receivables during the year is shown in the following table:

	31.12.2024	31.12.2023
Balance on 1 January	267	954
Adjustments set up for depreciation	1.549	2.990
Adjustments for depreciations resumed as revenues	(1.706)	(3.677)
Balance on 31 December	110	267

On 31.12.2024, 99,77% of the balance of trade receivables are related to customers with a good payment record.

b) Liquidity risk

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

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

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

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

AEROSTAR S.A. BACĂU
NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2024
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 18 - FINANCIAL INSTRUMENTS (continued)

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

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

	Liabilities	Accounting value	Contractual cash flows	0-30 days	31-60 days	over 60 days
31.12.2024	Trade liabilities	43.629	(43.629)	(39.016)	(3.983)	(630)
31.12.2023	Trade liabilities	31.672	(31.672)	(27.813)	(3.664)	(195)

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

On 31.12.2024 AEROSTAR has no records of overdue financial liabilities.

c) Foreign currency risk

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

Exposure to the foreign currency risk

AEROSTAR is exposed to the foreign currency risks, as 79% of the turnover recorded in the reporting period is denominated in USD and EUR, while a significant part of the operating expenses is denominated in LEI.

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

However, AEROSTAR has decided not to access currency hedging products (options, forwards) due to the relatively high initial costs and the possibility of losing opportunities in case of depreciation of RON against the main currencies (USD, EUR). In 2024, AEROSTAR recorded gains of 2.179 thousand lei from exchange rate differences.

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

31.12.2024	thousand EUR	thousand USD	thousand GBP
Sight and term deposits held at banks	2.358	3.917	65
Trade receivables	3.471	9.674	-
Trade liabilities	(1.615)	(5.173)	(29)
Net exposure in original currency	4.214	8.418	(36)

Sensitivity analysis

In view of the net exposure calculated in the above table, Aerostar can be considered to be mainly exposed to the currency risk generated by changes in the USD/USD and EUR/USD exchange rate.

Taking into consideration the evolution of USD/LEU and EUR/LEU exchange rate in the previous years, a relatively high volatility (+/-5%) of the USD/LEU exchange rate and a low volatility (+/-1%) of the EUR/LEU exchange rate can be noticed.

AEROSTAR S.A. BACĂU
NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2024
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 18 - FINANCIAL INSTRUMENTS (continued)

Thus, a reasonably possible variation of +/-5% for of the USD/LEU foreign exchange rate and +/-1% for the EUR/LEU foreign exchange rate may be taken into account at the end of the reporting period.

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

31.12.2024	EUR/LEU	USD/LEU
Net exposure, in the currency of origin	4.214 k EUR	8.418 k USD
Currency exchange rate	4,9741	4,7768
Net exposure in functional currency	20.961 k LEI	40.211 k LEI
Possible reasonable variation of exchange rate	+/- 1%	+/- 5%
Effect of variation on the financial result	+/- 210 k LEI	+/- 2.011 k LEI

d) Interest rate risk

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

- 2.500 thousand USD, usable as an overdraft;
- maximum 7.000 thousand USD, usable for the issuance of guarantee instruments (bank letters of guarantee and import letters of credit), provided that the overdraft product is not used.

The bank interest is applicable only for the overdraft.

As the overdraft Product was not used during the reporting period, income and cash flows are independent of changes in bank market interest rates.

On 31.12.2024, the level of guarantees granted under commercial agreements through the issuance of bank letters of guarantee and import letters of credit amounts to 12.904 k LEI (equivalent to 2.701 k USD).

On 31.12.2024 no mortgages are set up on the real estate assets owned by AEROSTAR.

AEROSTAR S.A. BACĂU
NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2024
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 19 - OPERATING INCOME

	31 December 2024	31 December 2023
Sales revenue, of which:	584.004	506.294
Revenue from product sales	333.771	298.870
Revenue from services provided	246.474	203.633
Revenue from selling goods	19	376
Revenue from rental	3.027	2.786
Trade discounts granted	(28)	-
Revenue from other activities	741	629
 Revenue related to inventories of products finished and in progress	 45.210	 22.386
Revenue from the production of fixed assets	1.338	877
Revenue from operating subsidies	305	611
Revenue from subsidies for investments	826	1.026
Other revenue from operations	1.663	1.868
Total operating income	633.346	533.062

The Company recorded an increase in income from inventories of finished goods and work in progress amounting to 22.824 thousand lei, as a result of the increase in the level of inventories of finished goods and work in progress compared to the end of the previous year.

In 2024, the Company recorded income from operating subsidies in the amount of 305 thousand lei. Most of the amounts were granted for the employment, for an indefinite period, of graduates of educational institutions in accordance with Law No. 76/2002 on the unemployment insurance system and stimulation of employment.

Other operating income in the amount of 1.663 thousand lei is represented, among others, by income from the recovery of debts from former employees (tuition fees and other debts), income from recovered damages and fees.

AEROSTAR S.A. BACĂU
NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2024
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 20 – OPERATING EXPENSES

	31 December 2024	31 December 2023
Expenses on employee benefits, of which:	202.037	172.440
Salaries and allowances	176.814	151.816
Expenses on meal tickets granted to employees	14.915	11.202
Expenses on social security	10.308	9.422
Expenses on raw material and material	237.328	194.046
Energy, water and gas	13.451	12.924
Other material expenses, of which:	13.695	12.850
Expenses on non-stock materials	1.519	1.363
Expenses on goods	14	314
Expenses on packaging	817	793
Expenses on other material	11.345	10.380
Expenses on external services, of which:	50.426	40.454
Repairs	19.931	14.310
Transport costs	7.678	8.718
Commissions and fees	2.350	3.630
Travels, deployments	1.135	1.682
Rental and royalty expenses	809	911
Other expenses on services supplied by third parties	18.523	11.203
Trade discounts received	(110)	(107)
Amortizations	27.110	25.946
Net expenses (revenues) from adjustments on provisions	(17.489)	(27.240)
Net expenses (revenues) from adjustments on current assets	11.034	14.760
Other operational expenses	8.669	7.198
Total operating expenses:	546.151	453.271

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

In 2024, the company offered its employees meal vouchers worth 14.915 thousand lei.

Other operating expenses amounting to 8.669 thousand lei include, among others: local taxes and fees, sponsorships, scholarships granted to students enrolled in dual education, environmental protection expenses.

AEROSTAR S.A. BACĂU
NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2024
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 20 – OPERATING EXPENSES (continued)

In 2024, AEROSTAR registered increased/set up and decreased/resumed adjustments, as follows:

Adjustments on provisions	31 December 2024	31 December 2023
Increases/setups	30.484	32.106
Decreases/reruns	(47.973)	(59.346)
Net expenses (revenues) from adjustments on provisions	(17.489)	(27.240)

During 2024, the impact of the adjustments on provisions is a decrease in the operating expenses of 17.489 thousand Lei. Compared to the previous year, the net income related to provision adjustments decreased by 9.751 thousand Lei.

Adjustments for impairment of current assets	31 December 2024	31 December 2023
Increased/set up adjustments		
Adjustments for impairment of inventories	23.813	23.245
Adjustments for impairment of receivables	1.725	3.102
Losses from receivables and various debtors	85	76
Total increased/set up adjustments	25.623	26.423
Decreased/resumed adjustments		
Adjustments for impairment of inventories	(12.655)	(7.853)
Adjustments for impairment of receivables	(1.934)	(3.810)
Total decreased/resumed adjustments	(14.589)	(11.663)
Net expenses (revenues) from adjustments on the impairment of current assets	11.034	14.760

In 2024, the impact of the adjustments for the impairment of current assets is an increase in the operating expenses of 11.034 thousand lei. Compared to the previous year, the net expenses from adjustments related to impairment of current assets decreased by 3.726 thousand lei.

AEROSTAR S.A. BACĂU
NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2024
(unless specified otherwise, all amounts are stated in thousand lei)

21 - FINANCIAL INCOME

	31 December 2024	31 December 2023
Income from foreign currency exchange differences	9.462	6.527
Interest income	11.147	14.181
Income from shares held in subsidiaries	516	153
Income on financial assets measured at fair value	3.802	3.962
Total financial income	24.927	24.823

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

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

AEROSTAR S.A. BACĂU
NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2024
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 22 - FINANCIAL EXPENSES

	31 December 2024	31 December 2023
Expenses from exchange rate differences	7.283	7.628
Expenses on interest related to leasing contracts	30	30
Total financial expenses	7.313	7.658

In 2024 the Company registered in the financial expenses category:

- expenses from unfavourable exchange rate differences;
- expenses on interests related to the right to use the land under concession for the Maintenance Hangar in Iași.

AEROSTAR S.A. BACĂU
NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2024
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 23 - TAX ON PROFIT

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

The tax on profit is the tax payable related to the profit made in the current period, as determined in accordance with the fiscal regulations applicable on the reporting date. The profit tax rate applicable for 31.12.2024 was 16% (the same rate was applied for the financial year 2023).

		<u>31 December 2024</u>	<u>31 December 2023</u>	
Gross accounting profit		104.809	96.956	
Expenses with current tax on profit		8.967	6.285	
Income tax on gains from the sale of securities held		558	153	
Reconciliation of accounting profit with the fiscal profit for 31 December 2024				
Accounting revenues	658.273	Fiscal income	595.235	-63.038
Accounting expenses	553.464	Fiscal expenses	491.941	-61.523
Gross accounting profit, restated	104.809	Fiscal profit	103.294	-1.515
Accounting tax (16%)	16.769	Fiscal tax (16%)	16.527	-242
Tax reductions	-	<i>Tax reductions, of which:</i>	7.002	+7.002
		• Related to investments made acc. to Art. 22 Fiscal Code	2.997	+2.997
		• Sponsorship	2.706	+2.706
		• 12% bonus according to OUG 153/2020	1.299	+1.299
Tax on final profit	16.769	Tax on final profit*	9.525	-7.244
Applicable legal rate	16,00%	Legal rate applicable	16,00%	
Actual average tax rate, calculated on gross accounting profit, restated		9,09 %		

Comparative key figures

31 December 2023

Gross accounting profit	96.956
Expenses with current tax on profit	6.285
Income tax on the gain from the sale of securities held	153

Reconciliation of accounting profit with the fiscal profit for 31 December 2023				Differences
Accounting revenues	557.885	Fiscal income	484.098	-73.787
Accounting expenses	460.929	Fiscal expenses	397.690	-63.239
Gross accounting profit, restated	96.956	Fiscal profit	86.408	-10.548
Accounting tax (16%)	15.513	Fiscal tax (16%)	13.825	-1.688
Tax reductions	-	<i>Tax reductions, of which::</i>	7.387	+7.387
		• Related to investments made acc. to Art. 22 Fiscal Code	4.468	+4.468
		• Sponsorship	1.871	+1.871
		• 14% bonus according to OUG 153/2020	1.048	+1.048
Tax on final profit	15.513	Tax on final profit	6.438	-9.075
Applicable legal rate	16,00%	Applicable legal rate	16,00%	
Actual average tax rate, calculated on gross accounting profit, restated		6,64 %		

AEROSTAR S.A. BACĂU
NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2024
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 23 - TAX ON PROFIT (continued)

The effective tax rate increased from 6,64% in 2023 to 9,09% in 2024. The main factors that affected the actual tax rate:

- decreasing tax incentives, representing the corporate income tax exemption related to investments made under the Art.22 of the Tax Code. In 2024, the incentive in the amount of 2.997 thousand RON, compared to 4.468 thousand RON in the previous year.
- increased tax profit in relation to restated gross accounting profit, mainly due to the effect of:
 - non-taxable income obtained as a result of the recovery of non-deductible expenses
 - expenses not deductible for tax purposes, of which: expenses related to the setting aside or increase of provisions and value adjustments on current assets not deductible for tax purposes, expenses related to book depreciation not deductible for tax purposes, etc.).

The financial performance in 2024 is influenced by the current and deferred income tax, as follows:

	<u>31 December 2024</u>	<u>31 December 2023</u>
Current income tax expenses *	(8.967)	(6.285)
Deferred income tax expenses	(7.056)	(5.379)
Deferred income tax revenue	6.939	7.736
Current and deferred income tax	(9.084)	(3.928)

*Note: The income tax for 2024 amounts to 9.525 thousand lei, of which 558 thousand lei are recognized in equity, representing the tax on the gain from the sale of equity instruments through other comprehensive income.

AEROSTAR S.A. BACĂU
NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2024
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 24 - RESULT PER SHARE

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

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

IN LEI	<u>31.12.2024</u>	<u>31.12.2023</u>
Profit attributable to ordinary shareholders	95.724.564	93.027.905
Number of ordinary shares	152.277.450	152.277.450
	<hr/>	<hr/>
Profit per share	<u>0,629</u>	<u>0,611</u>

AEROSTAR S.A. BACĂU
NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2024
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 25 - AVERAGE NUMBER OF EMPLOYEES

Average number of employees	12 months 2024	12 months 2023
AEROSTAR's own employees	1.698	1.679

Total number of employees	31.12.2024	31.12.2023
AEROSTAR's own employees	1.753	1.752

On 31 December 2024 the total number of employees in the Company is 1.884, of which 1.753 are AEROSTAR's own employees and 131 persons represent labour force hired through a temporary employment agent.

On 31 December 2023, the total headcount was 1.846 employees, of which 1.752 were AEROSTAR's own employees and 94 persons represented labour force hired through a temporary employment agent.

AEROSTAR S.A. BACĂU
NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2024
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 26 - TRANSACTIONS WITH AFFILIATED PARTIES

Acquisitions of goods and services	Year 2024	Year 2023
Airpro Consult SRL Bacău	12.910	9.799
Foar SRL Bacău	364	388
TOTAL	13.274	10.187
Sales of goods and services	Year 2024	Year 2023
Airpro Consult SRL Bacău	-	-
Foar SRL Bacău	2	2
TOTAL	2	2
Liabilities	Balance on 31.12.2024	Balance on 31.12.2023
Airpro Consult SRL Bacău	1.111	728
Foar SRL Bacău	14	24
TOTAL	1.125	752
Dividends received by Aerostar	Year 2024	Year 2023
Airpro Consult SRL Bacău	456	-
Foar SRL Bacău	60	153
TOTAL	516	153

The transactions with the affiliated parties in the period 01.01.2024-31.12.2024 consisted in:

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

AEROSTAR S.A. BACĂU
NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2024
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 27 - INFORMATION REGARDING THE CASH FLOW

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

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

In the context of preparing the Cash Flows Statement:

- the cash flows are the amounts collected and paid in cash and cash equivalents;
- the cash includes the cash available in the company's cash office and the sight deposits held at banks (available in the current accounts);
- the cash equivalents comprise the term deposits held at banks

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

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

The summarized cash flow situation in 2024 is presented in the table below:

Cash flow	Value (thousand lei)	%
Total income, of which:	637.997	100%
Amounts from operating activities	604.546	95%
Amounts from investment activity	33.451	5%
Amounts from financing activity	-	0%
Total payments, of which:	624.073	100%
Payments from operating activities	566.228	91%
Payments from investment activity	26.952	4%
Payments from financing activity	30.893	5%
Net increase in cash and cash equivalents	13.924	
Cash and cash equivalents at the end of the period	260.403	

The operating activity is AEROSTAR S.A.'s main cash-generating activity.

- the amounts collected from customers were worth 591.206 thousand LEI;
- the amounts collected from the State Budget were worth 13.340 thousand LEI, of which 13.031 thousand LEI represent VAT recoveries and other social receivables and 309 thousand LEI are receipts in the form of operating subsidies;
- the payments to suppliers and employees amounted to 470.738 thousand LEI, of which 348.789 thousand LEI were payments to suppliers and 121.949 thousand LEI to employees;
- the tax payments to the State Budget amounted to 95.490 thousand LEI, of which 78.607 thousand LEI in payroll taxes, 9.256 thousand LEI income tax, 5.682 thousand LEI in VAT, 1.945 thousand LEI in taxes and duties to local budgets.

AEROSTAR S.A. BACĂU
NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2024
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 27 - INFORMATION REGARDING THE CASH FLOW (continued)

The operating activity generated a net cash of 38.318 thousand LEI, an increase of 4.614 thousand LEI compared to the same period last year.

The investment activity included:

- bank interest income amounting to 8.969 thousand LEI from bank deposits made.
- proceeds from the sale of Evergent shares (stock symbol: EVER) in the amount of 20.468 thousand LEI
The purchased shares are held for dividend collection as well as for gains on their sale. The sale of EVER shares generated a gross gain of 3.486 thousand LEI.
- dividends received from Evergent Investments S.A. in the amount of 3.498 thousand LEI;
- dividends received from affiliated entities (Airpro Consult SRL, Foar SRL) in the amount of 516 thousand LEI;
- payments for the purchase of tangible and intangible fixed assets in the amount of 26.952 thousand lei;

The amount of cash flow allocated so as to increase the operating capacity represents 4% of the aggregate amount of cash used in operating, investing and financing activities.

As part of the financing activity, an amount of 30.893 thousand LEI was paid, representing dividends due to AEROSTAR shareholders.

The level of cash and cash equivalents recorded on 31.12.2024 is 260.403 thousand LEI, up by 14.611 thousand LEI compared to the beginning of the year.

AEROSTAR S.A. BACĂU
NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2024
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 28 - LIABILITIES AND OTHER OFF-BALANCE ITEMS

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

	31 December 2024	31 December 2023
• Liabilities:		
○ guarantees granted to partners as letters of bank guarantee and letters of credit	1.246	3.480
○ guarantees received from partners – as letters of bank guarantee and letters of credit	46.866	45.350
○ mortgage guarantee received	500	-
• Goods, of which:		
○ inventories of other material released for use (tooling, jigs, fixtures, safety equipment, measuring and control equipment, technical library etc.)	51.095	45.970
○ materials received in custody	3.468	2.237
○ finished products received in custody	2	48
○ materials - customers	41	75
○ tangible and intangible assets – obtained or purchased as a result of co-financed activity	554	554
○ products received for processing/repair	21.132	22.167
○ materials received for processing/repairs	4.420	4.068
○ supporting assets related to concession agreements- Hangar Iasi	2.490	2.490
○ fixed assets proposed for disposal	448	315
• Other off-balance values, of which:		
○ material guarantees established for the managers' liability for the management of assets	244	239
○ liabilities for covering certain future obligations to A.J.O.F.M. based on 9624/12.12.2011 regarding the defence industry	2.616	3.218
○ debtors removed from accounts, monitored further on	218	159
○ creditors	14	20
○ de minimis aid for participation in fairs and exhibitions	787	362
• Greenhouse Gas Emission Certificates	3.346	4.585

On 31 December 2024, AEROSTAR S.A. held a total of 9.615 greenhouse gas emission certificates.

The market value on the last trading day of a GHG certificate was 69,96 Euros, according to the European Energy Exchange website (in December 2023: 77,25 Euros), at a re-evaluation exchange rate of 4,9741 Lei/Euros.

AEROSTAR S.A. BACĂU
NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2024
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 29 - DIRECTORS' REMUNERATION

On July 04, 2024, the Ordinary General Meeting of the shareholders of Aerostar SA took place, in which the Board of Directors of the company was elected, consisting of 5 (five) members, for a term of office of 4 years, starting July 11, 2024.

Board of Directors of AEROSTAR S.A. on 31.12.2024:

	Surname and first name	Position	Profession
▪	FILIP GRIGORE	President of the Board of Directors	Aviation Engineer
▪	DAMASCHIN DORU	Vice-president of the Board of Directors	Economist
▪	FILIP ALEXANDRU	Chief Executive Officer	Engineer
▪	TONCEA RADU TUDOR	Member of the Board of Directors	Aviation Engineer
▪	DOROȘ LIVIU-CLAUDIU	Member of the Board of Directors	Economist

In 2024, Aerostar did not grant advance payments or credits to the members of the Board of Directors and did not make any commitment on their account as collateral of any kind.

In the Ordinary General Meeting that took place on July 04, 2024, the shareholders of Aerostar approved the following:

- for the term of office starting on 11.07.2024, the Directors will receive a fixed monthly remuneration, amounting to the equivalent in lei of 1.000 Euros net/month;
- for the term of office starting on 11.07.2024, the remuneration of directors who also hold specific executive positions shall consist of a fixed monthly remuneration, amounting to the equivalent in lei of 1.000 Euros net/month, plus an additional monthly fixed net remuneration, of up to ten (10) times (inclusive) the remuneration of a member of the Board of Directors.

The gross indemnities granted to the members of the Board of Directors and Executive Directors in 2024 according to the AGM's Decision from 22.02.2024 and that of 04.07.2024, by virtue of their responsibilities, amounted to 1.812 thousand lei.

AEROSTAR S.A. BACĂU
NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2024
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 30 - RISK MANAGEMENT

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

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

Risk management processes are in place to ensure that risks are identified, analysed, assessed and managed so as to minimise their effects to an agreed level.

However, there may be risks and uncertainties in addition to those described below, which are not currently known or are considered insignificant, but which in the future may affect the lines of business run by AEROSTAR.

Operational Risk

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

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

Considering the global political turmoil, in the future we may face new types of risks, which is why AEROSTAR closely monitors the main areas of conflict.

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

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

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

Moreover, AEROSTAR aims to have its own funds to cover the risks to which it is exposed, by setting aside provisions for risks and related expenses.

Furthermore, in order to mitigate the operational risk, AEROSTAR annually renews a civil liability insurance contract with leading insurance and reinsurance companies for its main lines of business (manufacture of aviation products and maintenance of commercial aircraft).

The Credit Risk is the risk that AEROSTAR might bear a financial loss as a result of the failure to meet the contractual obligations by a partner, being determined mainly by sight and term bank deposits with banks and trade receivables.

Deposits held with banks are placed only with first-tier banking institutions that are considered to have high creditworthiness.

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

AEROSTAR S.A. BACĂU
NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2024
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 30 - RISK MANAGEMENT (continued)

AEROSTAR has no significant exposure to a single partner and does not have a significant concentration of turnover in a single geographical area.

However, there is exposure to the global market for Airbus programmes, as a large share of the company's products are integrated on Airbus aircraft.

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

Liquidity risk is the risk that AEROSTAR will encounter difficulties in meeting its liability obligations as they fall due.

For liquidity risk management purposes, cash flows are monitored and analysed on a weekly, monthly, quarterly and annual basis to determine the estimated level of net changes in liquidity. These analyses provide the basis for funding decisions and capital commitments.

In order to mitigate liquidity risk, AEROSTAR maintains an annual liquidity reserve in the form of a Credit Line available for use in the form of bank overdrafts in the amount of 2.500 thousand USD. During the reporting period AEROSTAR did not use the Credit Line, as all the Company's activities were financed from its own sources.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

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

AEROSTAR is mainly exposed to the price risk caused by fluctuations in the price of raw materials and materials used in the production processes due to exceptional events, the imposition of international sanctions with consequences on the limitation of the possibility to supply parts and materials, the increase in the costs of specific taxes for import/export of metal products to and from the USA.

This risk is managed by:

- diversifying the supplier portfolio, which can provide increased negotiating leverage in the event that the price of raw materials increases with some suppliers.
- concluding long-term contracts with fixed price clauses.

AEROSTAR is exposed to the exchange rate risk because 79% of its turnover is related to USD and EUR, while a significant part of the operating expenses is denominated in LEI.

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

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

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

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

AEROSTAR S.A. BACĂU
NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2024
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 31 - PREPAID EXPENSES AND INCOME

	31 December 2024	31 December 2023
Prepaid expenses (short-term)	1.049	789
Prepaid income (short-term)	3.448	2.916

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

The category of **prepaid expenses** on the books on 31 December 2024 includes amounts to resume within a period of up to one year representing, inter alia, fees and taxes, subscriptions, insurance policies, commissions, participation in fairs and conferences, on-line services, maintenance of IT systems.

As on December 31, 2024, Aerostar did not recognize any long-term **prepaid income**. The category short-term **prepaid income** includes amounts relating to the delivery of goods and services rendered, where the income recognition conditions of IFRS 15 are not met (the customers have not yet taken control of the goods/services).

AEROSTAR S.A. BACĂU
NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2024
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 32 - ASSETS REGARDING THE RIGHTS TO USE THE LEASED ASSETS:

reporting period 31 December 2024

	Values on 31 December 2024			Values on 01 January 2024		
	Gross amount	Cumulative depreciation	Net amount	Gross amount	Cumulative depreciation	Net amount
Asset related to the right to use the land for the MRO Hangar in Iași	1.959	(236)	1.723	1.940	(194)	1.746
Total	1.959	(236)	1.723	1.940	(194)	1.746

Net accounting value on 31.12.2024 and transactions during the period:

	Net amount on 01 January 2024	Revaluations in the year 2024	Update provision for cost of dismantling/removal/restoration of underlying assets	Depreciation during the period	Net value on 31 December 2024
Asset related to the right to use the land for the MRO Hangar in Iași	1.746	(3)	21	(41)	1.723

AEROSTAR S.A. BACĂU
NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2024
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 32 - ASSETS REGARDING THE RIGHTS TO USE THE LEASED ASSETS: reporting period (continued)

COMPARATIVE KEY FIGURES - ASSETS REGARDING THE RIGHTS TO USE THE LEASED ASSETS: reporting period 31 December 2023

	Values on 31 December 2023			Values on 01 January 2023		
Account 251	Gross amount	Accumulated depreciation	Net amount	Gross amount	Cumulative depreciation	Net amount
Asset related to the right to use the land for the MRO Hangar in Iași	1.940	(194)	1.746	1.907	(154)	1.753
Total	1.940	(194)	1.746	1.907	(154)	1.753

Net accounting value on 31.12.2023 and transactions during the period:

	Net value on 1 January 2023	Revaluations in the year 2023	Update provision for cost of dismantling/removal/restoration of underlying assets	Depreciation over the period	Net value on 31 December 2023
Asset related to the right to use the land for the MRO Hangar in Iași	1.753	12	21	(40)	1.746

The right to use the land for the Hangar Mentenanță Iași was revalued at the exchange rate communicated by the National Bank of Romania on the last banking day of each reporting period.

AEROSTAR S.A. BACĂU
NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2024
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 33 - EVENTS AFTER THE REPORTING PERIOD

Aerostar S.A has not identified any events subsequent to the reporting date that would have an impact on the financial statements for the financial year ended 31 December 2024.

These company financial statements that comprise the statement of financial position, the statement of profit or loss, other comprehensive income, the statement of changes in equity, the statement of cash flows and the explanatory notes to the financial statements were approved by the Board of Directors on 20.03.2025 and signed on its behalf by:

Alexandru FILIP
Chief Executive Officer

Doru DAMASCHIN
Financial Director