

**REPORT OF**

**THE**

**BOARD**

**OF DIRECTORS**

**JANUARY 1 - 30 SEPTEMBER 2023**

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

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

9, Condorilor Street, Bacau - 600302, Romania

**GENERAL INFORMATION**

**The report of the Board of Directors is prepared in accordance with the provisions of Law 24/2017 on the issuers of financial instruments and market operations and Regulation A.S.F. No. 5/2018 of the Financial Supervisory Authority on the issuers of financial instruments and market operations, namely Annex 13.**

**Date when the company was founded:**  
APRIL 17, 1953;

**Unique European Company Identification Code (EUID):**  
ROONRC.J04/1137/1991, LEI code for identification as a legal entity - 315700G9KRN3B7XDBB73;

**Subscribed and paid-up share capital:**  
RON 48.728.784;

**Unique Registration Code** 950531,  
ISIN code ROAEROACNOR5;

**Company address: the company's activities are carried out at the registered office,** which is located at 9, Condorilor Street, Bacău, postal code 600302;

AEROSTAR has two secondary offices, a working point in the perimeter of Iasi International Airport and a working point in the Municipality of Fetești;

**The company's main field of activity is** production;

The company's main object of activity is 'Manufacture of aircraft and spacecraft' - **CAEN code 3030;**

**The Company Financial Statements** prepared for 30 September 2023 are not accompanied by the statutory auditor's report. They have been audited by the company's internal auditor;

**Applicable accounting standards:**

The Company Financial Statements were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union, the Accounting Law No. 82/1991, republished, as amended and supplemented, and are presented in accordance with the requirements of IAS 1 (Note 3);

**AEROSTAR S.A.** is listed on the Bucharest Stock Exchange under the code ARS, all the issued shares falling under the Standard category. The records of shares and shareholders are kept, in accordance with the law, by S.C. Depozitarul Central S.A. Bucharest;

The Company's shareholders can obtain information about AEROSTAR S.A. and its main events on the website [www.aerostar.ro](http://www.aerostar.ro);

The purpose of this report is to inform the investors about the changes in the company's position and performance that have taken place during the reporting period January-September 2023, as well as about the foreseeable developments in the aviation and defence industry market and in relation to the company's development opportunities.

REPORTING PERIOD  
1 JANUARY - 30 SEPTEMBER 2023

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## GENERAL ASPECTS

AEROSTAR S.A. is a privately owned company operating in global aircraft manufacturing and maintenance programs at industrial level for civil and military aircraft. The information about the company is disseminated simultaneously, in accordance with the provisions of the Corporate Governance Code, in both Romanian and English.

### Significant events in the reporting period ended 30 September 2023

24 March

End of the annual negotiations of a new Additional Act to the Collective Labour Agreement for the period 01.04.2023 - 31.03.2024 between the Administration of AEROSTAR S.A. and the Employees' Commission.

As of 1 April, benefit packages and salary increases of 15% have been granted to the company's employees.

17 April

AEROSTAR S.A. celebrated 70 years of Continued Activity!

28 April

Information on the dividend payment methods was posted on the company's website [www.aerostar.ro](http://www.aerostar.ro) in the Investor Relations section.

17 May

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

7 June

A BLOOD DONATION CAMPAIGN was held at AEROSTAR S.A. headquarters, with the support of our colleagues who wanted to offer a second chance at life to those in distress.

7th June

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

### Events after the reporting date

No events have been recorded after the reporting date.

2023 vs 2022

**KEY FIGURES**

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

	UM	30.09.2023	30.09.2022
<b>Share capital</b>	k lei	48.729	48.729
<b>Turnover</b>	k lei	361.523	317.363
• Export sales	k lei	295.507	227.192
• Share of export in turnover	%	82%	72%
<b>Total number of employees</b>	no.	1.853	1.805
<b>Net profit</b>	k lei	61.096	73.914
<b>Current ratio</b>	-	9,45	8,29
<b>Expenses for investments from own sources</b>	k lei	12.757	8.974

Indicators	30.09.2023	30.09.2022
<b>Debt ratio indicator</b>	0	0
<b>Debt turnover ratio - customers</b>	52	52
<b>Fixed assets turnover rate</b>	1,58	1,46
<b>General solvency ratio</b>	14,02	12,28
<b>Financial rate of return</b>	0,12	0,16
<b>Net profit rate</b>	16,90	23,29%
<b>Net treasury</b>	59.562 k lei	87.152 k lei
<b>Cash flow</b>	225.730 k lei	232.316 k lei

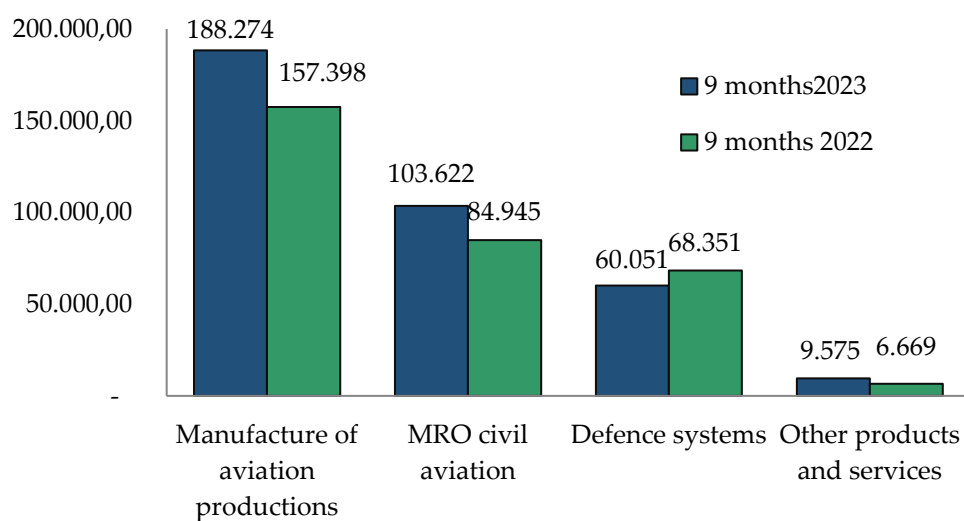
Monetary indicators	UM	30.09.2023	30.09.2022
Average exchange rate EURO/12 months	lei/Euro	4,9387	4,9352
Average exchange rate USD/12 months	lei/USD	4,5586	4,6417
Average exchange rate GBP/12 months	lei/GBP	5,6715	5,8300
Inflation	%	5,74	13,06

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

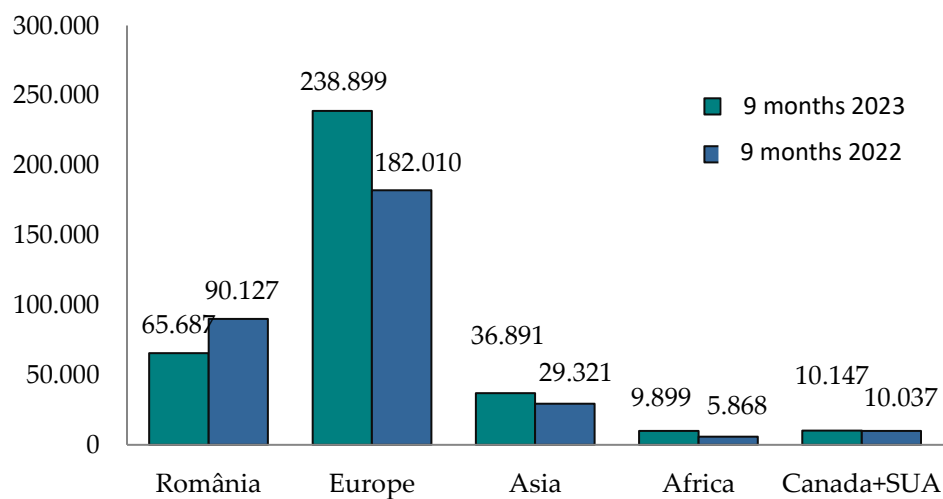
2023 vs 2022

**SALES RESULTS**

Comparative evolution of sales for each business line (thousand lei)



Comparative evolution of sales for each sales market (thousand lei)



During the period January - September 2023, a turnover of 361,523 thousand lei was achieved, up by 12% compared to the same period of last year.

From the turnover achieved, the company sold on the domestic market products and services worth 65,687 thousand lei and on the foreign market products and services worth 295,836 thousand lei.

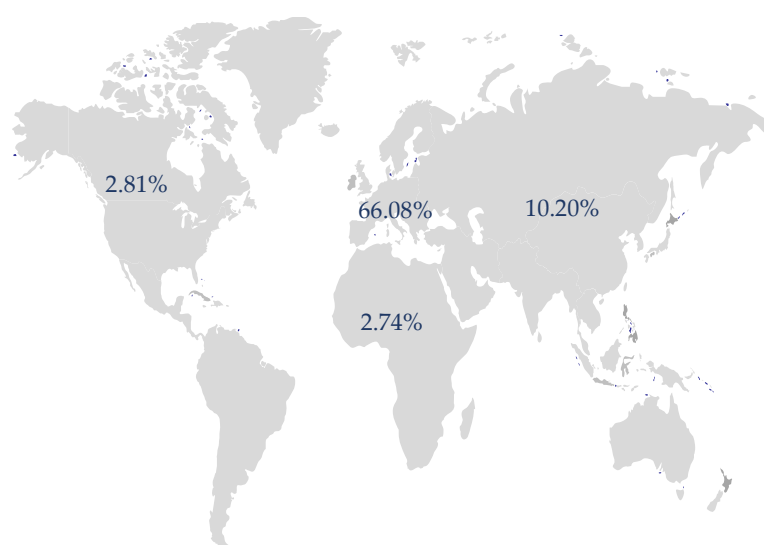
Approximately 82% of the turnover represents export sales. The customers of AEROSTAR are located in Europe, Asia, Africa, USA and Canada.

Compared to the same period last year, the percentage of export sales has increased in Europe, where we provide maintenance services for civil aviation, aviation products (landing gear systems, mechanical parts, assemblies and sub-assemblies), electronic equipment and ground equipment.

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

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

Percentage of sales from turnover by sales market



**BUSINESS LINES****Manufacture of Aeronautical Products**

52% of turnover recorded on 30 September 2023

Aerostar is a significant supplier of aerostructures, components, assemblies and hydraulic systems for various global manufacturing programs. The equipment, assemblies and parts produced by AEROSTAR are used on a large number of commercial aircraft: Airbus A320, A321, A330, A350, Boeing B737, B787, B767, Gulfstream G650, Dassault F7X, Bombardier Challenger 600 series and Global 5000/6000.

**MRO Civil Aviation**

28.7% of turnover recorded on 30 September 2023

AEROSTAR is a major supplier of industrial level maintenance services (basic and complex B, C and D level maintenance, structural modifications, avionics upgrades) for Airbus A320 family and Boeing B737 commercial aircraft.

**Defence Systems**

16.6% of turnover recorded on 30 September 2023

AEROSTAR actively participates in modernisation, integration and maintenance programmes for military aviation and defence systems, being a first-tier supplier for the Romanian Ministry of National Defence and an authorised economic operator registered in the Single Register of Economic Operators and Defence Production and/or Service Capabilities in the national defence industry.

From 1 January to 30 September 2023, the upward trend in the aviation manufacturing business line continued, thanks to the partial recovery in international air travel and as a result of the resumption of new aircraft orders.



## EXTERNAL ENVIRONMENT

The first nine months of 2023 saw a recovery in air traffic while the economic uncertainties did not curb people's appetite for travelling, even though ticket prices increased due to the rise in fuel prices.

However, there are still challenges for the aviation industry in terms of volatile prices, skilled staff, supply chains and inflation.

The rising costs of production and general inflation generate uncertainty about the future costs.

The global supply chain continues to impact the industry through short-term capacity shortages and delivery shortfalls, as well as through the changes required to fill the gaps caused by the ongoing geopolitical tensions and the challenges experienced during the COVID pandemic.

The labour shortage in the industry remains a real challenge given the demand for skilled and specialised personnel and the high level of experience and professional training required by the specific activities in this field.

### Perspectives

The company's perspectives depend to a large extent on the global context and the evolution of the key factors.

The global economic and geopolitical crisis does not alter AEROSTAR's commitment to its established responsibilities. The conflict between Ukraine and Russia had no direct impact on the company's business.

## OUR EMPLOYEES

Through the human resources policies adopted, equal opportunities are ensured for all employees, without discrimination, in terms of professional career or any other work practice.

As of 30 September 2023, Aerostar had an effective headcount of 1853 employees, an increase compared to the same period last year. The share of women in the total number of employees is 29% and 26% in the management structure.

Currently, 86% of AEROSTAR's individual labour agreements are concluded with an indefinite duration.

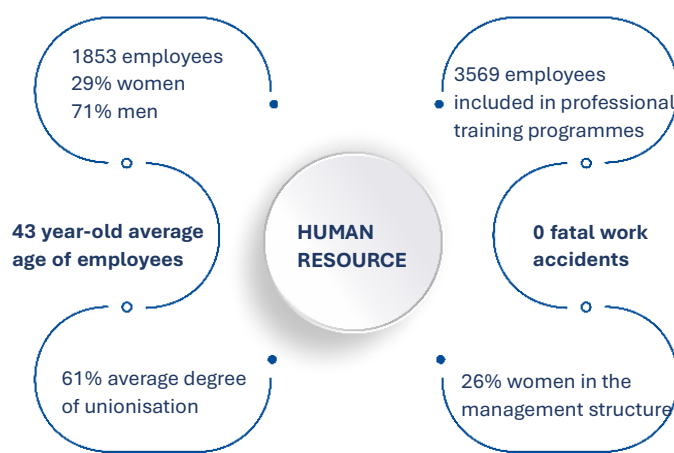
During the reporting period, there were no fatal accidents at AEROSTAR. AEROSTAR acts consistently to reduce the risks of accidents and illnesses and applies internal rules and regulations in its work that ensure compliance with the legal requirements.

AEROSTAR is committed to supporting its employees, their professional development, attraction and retention in the organization through the concerns included in the development strategy and performance evaluation.

In the first nine months of 2023, 3569 employees were included in professional training programmes.

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

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



As far as the benefits of our employees are concerned, the Additional Act that entered into force on 1 April 2023 for the Collective Labour Agreement for the period 01.04.2023 - 31.03.2024 provides for **benefit packages and salary increases of 15%** for the company's employees.

**BOARD OF DIRECTORS**

The Board of Directors of AEROSTAR S.A. was elected for a period of four years at the General Meeting of Shareholders held on 9 July 2020. The election was carried out by secret ballot and the mandate lasts until 10.07.2024.

**EXECUTIVE MANAGEMENT**

The Executive Management is carried out by the General Director and the Financial Director. The management structure at executive-operational level is completed by the other division and directorate directors. There were no changes in this structure in the first 9 months of 2023.

**The Board of Directors is composed of:**

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

**The Executive Management is composed of:**

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

**SHAREHOLDERS OF AEROSTAR**

The significant shareholders of AEROSTAR S.A. are IAROM S.A. Bucharest and EVERGENT Investments S.A. Bacau. The synthetic structure of the company's shareholding as at 30 September 2023 is as follows:

Shareholders	Number of shares	Percentage %
IAROM S.A.	108,866,403	71.4921
Evergent Investments S.A	23,106,135	15.1737
Other shareholders	20,304,912	13.3341
<b>Total</b>	<b>152,277,450</b>	<b>100%</b>

The shareholders of AEROSTAR S.A. can obtain information about AEROSTAR S.A. and its main events on the website [www.aerostar.ro](http://www.aerostar.ro).

## RELATIONS WITH SHAREHOLDERS AND THE CAPITAL MARKET

In its **relations with the shareholders**, Aerostar has taken care to protect and guarantee the rights of the shareholders, namely:

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

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

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

All shareholders can obtain information about Aerostar and its main events on the website [www.aerostar.ro](http://www.aerostar.ro).

It is also possible to download annual and half-yearly reports corresponding to the last ten years and quarterly reports corresponding to the last five years, current

reports and other information of interest to the shareholders.

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

### ASPECTS RELATED TO THE COMPANY'S EQUITY AND MANAGEMENT

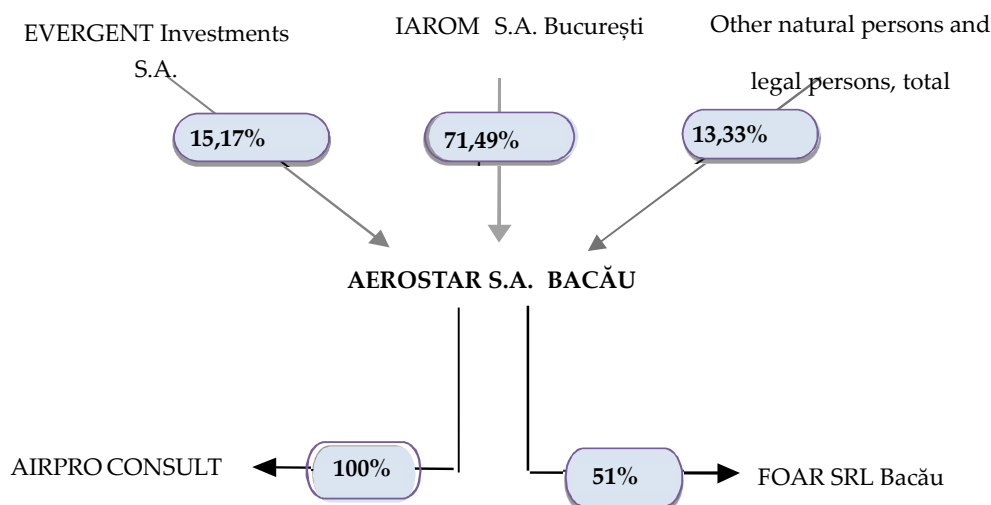
There were no changes affecting the equity and management of Aerostar S.A.

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

### AEROSTAR'S RELATIONS WITH ITS PARENT COMPANY, OTHER SHAREHOLDERS AND COMPANIES IN WHICH IT HAS EQUITY HOLDINGS

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

The parent company will prepare and publish a set of consolidated financial statements in accordance with the applicable accounting regulations for the financial year ended on 31.12.2023.



## AEROSTAR SHARES

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

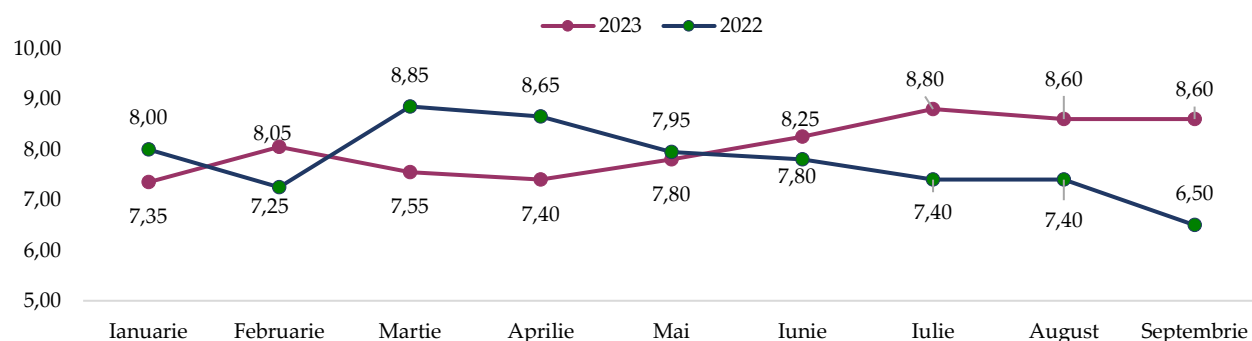
**Main characteristics of the issued shares:** 152,277,450 registered, ordinary, equally-valued, fully-paid shares issued in dematerialised form and registered in

the Register of Shareholders. This register is managed by Depozitarul Central S.A. Bucharest. The issuer Aerostar S.A. Bacău is registered with the following data: Unique Registration Code 950531, ISIN code ROAEROACNOR5, stock exchange symbol ARS, all issued shares being in the Standard category.

<b>Aerostar shares in figures:</b>	<b>30.09.2023</b>	<b>30.09.2022</b>	<b>30.09.2021</b>
Number of shares	152.277.450	152.277.450	152.277.450
Nominal value per share (lei)	0,32	0,32	0,32
Price at the end of the period (lei)*	8,60	6,50	8,15
Stock exchange capitalization (lei)*	1.309.586.070	989.803.425	1.241.061.218
Maximum price (lei)*	9,50	9,50	8,40
Minimum price (lei)*	7,00	6,40	4,00
Result per share (lei)	0,40	0,49	0,32

Source: Monthly bulletin issued by the Bucharest Stock Exchange

The monthly evolution of the reference price of the ARS shares in 2023 compared to the same period of 2022 (lei/share):



## AFFILIATED PARTIES

On 30.09.2023 AEROSTAR S.A.'s shareholdings in other companies are as follows:

Name of subsidiary/ affiliated company	Main activity	No. of shares held by Aerostar	Voting rights	Aerostar's holding value (thousand lei)	Financial information for the last financial year (year 2022) for which the financial statements of the affiliated companies were approved		
					Sales (k lei)	Own capitals (k lei)	Net profit (k lei)
Airpro Consult S.R.L. Bacău	cod CAEN 7820	100	100%	10	8.635	215	34
Foar S.R.L. Bacău	cod CAEN 7739	408	51%	4	357	731	116
<b>TOTAL</b>				<b>14</b>	<b>8.992</b>	<b>946</b>	<b>150</b>

AEROSTAR's shareholdings in these companies are recorded at cost.

Both companies in which AEROSTAR also holds stakes are registered in Romania.

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

**BUSINESS MODEL**

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

The company's business model did not change despite the instability caused by the international context, but the way of doing business was adapted to the specific nature of the business flows.

Production activities are carried out under commercial contracts with customers who are integrators and/or end-users/beneficiaries in the aerospace and defence industry. Committed to a sustainable future, the management has adopted an ambitious strategy and an integrated business model based on a process-systems approach and Risk Based Thinking.

Our company's management policy is focused on maintaining a solid capital base for continued development in the context of the global market and competitive advantage through quality, capabilities, high level technologies for continuous and organized development and implicitly for achieving our strategic objectives.

**TANGIBLE ASSETS**

The production facilities and capacities of Aerostar S.A. are located at the company's registered office in Bacău, Romania, at 9 Condorilor Street, postal code 600302, and at the secondary unincorporated office, lucrative facility in Iași, 25B Aeroportului Street.

The company owns land totalling 48.63 hectares with access to the E85 European road. Aerostar has direct access to the runway of "George Enescu" airport in Bacau.

The registered office has all the facilities necessary for the good performance of the production activity, consistent with the object of activity.

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

All these facilities are maintained in good condition. The built-up area of the buildings is approximately 14.67 hectares.

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

## REPORT OF THE BOARD OF DIRECTORS

On 30 September 2023, Aerostar S.A. Bacău owns tangible assets for carrying out its activity in the gross amount of 368,494 thousand lei, materialized in land, buildings, special constructions, installations, technological equipment, means of transport.

In the first 9 months of 2023, no risks were identified regarding the ownership of tangible assets.

Category of tangible assets	Gross value (k lei)	Degree of wear (%)	Estimated useful lifetime (years)
Land	30.894	N/A	N/A
Constructions	97.055	45,39%	30-50 years
Investment property	12.749	41,41%	25-50 years
Technical installations, of which:	223.956	68,49%	
• technological equipment	215.061	68,51%	4-25 years
• means of transport	8.895	68,00%	4-18 years
Other tangible assets	3.840	53,07%	2-18 years
<b>TOTAL</b>	<b>368.494</b>	<b>55,57%</b>	<b>N/A</b>

Other categories of assets	Value price/share (lei)	No. of shares	Portfolio value (k lei)	Name of issuer
Shares	1,2150	47.588.046	57.820	Evergent Investments S. A.

### INVESTMENTS FOR SUSTAINABILITY

In the first 9 months of 2023, AEROSTAR made and deployed investments worth 12,757 thousand lei. The investment expenditure is represented as follows:

Category	Percentage %
Development expenditure	89.5%
Replacement costs	10.5%
<b>TOTAL</b>	<b>100%</b>

Investments in the first 9 months of 2023	Percentage %
Equipment	79%
Constructions	8%
Measuring, controlling and regulating instruments and installations	5%
Means of transport	2%
Intangible fixed assets	5%
Furniture, appliances, office equipment	1%



AEROSTAR's policies on investments aim to ensure sustainable development, sustainable use of resources and reduction of environmental footprint, to support professional excellence, to secure effectiveness, and to optimize the operational flows.

## QUALITY AND ENVIRONMENT

We manage, evaluate and monitor in a responsible and effective way our activities with environmental impacts! These activities are kept under control by analysing the results of the monitoring and measurements carried out in accordance with the provisions of the environmental permits, as well as by carrying out the environmental protection control and guidance programme.

Within the company, the training of employees in order to raise their awareness on environmental compliance is a permanent preoccupation.

Environmental impacts are periodically analysed with regard to: air emissions, noise generation, discharges on land, waste generation, and environmental aspects are assessed by determining the which aspects are significant.

All dangerous substances and preparations used in AEROSTAR are managed according to the applicable regulations in force.

The dangerous substances and preparations covered by the REACH Regulation are used in accordance with the conditions of the permits issued by the European Commission.

In the first 9 months of 2023, the controls established by the Environmental Permits that Aerostar holds were carried out, ascertaining that the maximum permitted values of the indicators were not exceeded.

### Mitigating climate change

**Atmospheric emissions of greenhouse gases:**

**Down by 10% compared to the same period last year;**

### Pollution prevention

**85% waste recovered;**

**15% waste disposed of;**

**92% more waste recovered in H1 2023 compared to the same period of 2022.**

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

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

## **CERTIFICATIONS AND AUTHORIZATIONS**

1. Extension of the scope of approval granted by the National Military Aviation Authority to Aerostar as a military design organisation - for major modifications and repairs.
2. Extension of the approval granted by the Civil Aviation Authority of Bermuda to Aerostar as a maintenance organisation.
3. Extension of the approval granted by the National Aerospace Association for Non-

- Destructive Testing (RO-NANDTB) to the NDT personnel of Aerostar for non-destructive examination methods.
4. Extension of the validity of the authorisation granted by the Civil Aviation Authority - for specialised civil aeronautical testing.
5. Extension of Aerostar's approval as a supplier to GKN Aerospace/Fokker Aerostructures BV and Gulfstream Aerospace Corporation.

## **RISKS AND UNCERTAINTIES**

In the first nine months of 2023, a number of changes were identified in the general economic, political or market conditions, air travel disruptions and the aggravation of geopolitical events due to terrorist attacks as well as increased military tensions with the imposition of international sanctions.

Consequently, the actual results may deviate from the plans, objectives and expectations set out in the prospective statements.

The results analysed for the reporting period reflect the organisational resilience and strong performance of the company,

showing growth in turnover and headcount compared to the same period of last year.

The company's management continues to analyse risks, aiming at securing medium and long-term sustainability and at reducing the uncertainty associated with its strategic objectives, while focusing on mitigating the consequences in terms of economic and financial imbalances.

## SUMMARISED FINANCIAL STATEMENTS

<b>Financial performance</b>	<b>UM</b>	<b>30.09.2023</b>	<b>30.09.2022</b>
<b>Total revenue</b>	k lei	414.959	345.345
<b>Total expenses</b>	k lei	347.230	259.170
<b>Gross profit</b>	k lei	67.729	86.175

<b>Financial position</b>	<b>UM</b>	<b>30.09.2023</b>	<b>31.12.2022</b>
<b>Fixed assets (net values)</b>	k lei	246.201	252.380
<b>Current assets</b>	k lei	473.732	461.382
<b>Share capital</b>	k lei	48.729	48.729
<b>Shareholders' equity</b>	k lei	519.012	493.709
<b>Total liabilities</b>	k lei	80.352	90.259

**AEROSTAR S.A. BACĂU**  
**SEPARATE FINANCIAL STATEMENTS**  
**FOR 30 SEPTEMBER 2023**

**UNAUDITED**

The financial statements as of 30.09.2023 have been audited by Aerostar's internal auditor.

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**AEROSTAR S.A. BACĂU**  
**COMPANY STATEMENT OF PROFIT OR LOSS**  
**FOR 30 SEPTEMBER 2023**  
(unless specified otherwise, all amounts are stated in thousand lei)

	Notes	30 September 2023	30 September 2022
<b>Operating income</b>			
Proceeds from sales	19	361.523	317.363
Other income	19	1.659	1.798
Proceeds related to the inventories of finished goods and work in progress	19	29.885	7.361
Proceeds from production of fixed assets	19	631	130
Proceeds from operating subsidiaries	19	576	(5)
<b>Total operating income</b>		<b>394.274</b>	<b>326.647</b>
<b>Operating expenses</b>			
Material expenses	20	(166.842)	(114.178)
Expenses with employees' benefits	20	(125.817)	(106.018)
Expenses regarding amortization of fixed assets	5;6;20	(19.285)	(17.995)
Net income (expenses) from adjustments regarding current assets	20	(8.738)	1.631
Net income (expenses) from adjustments regarding provisions	20	9.226	3.640
Expenses regarding external services	20	(27.719)	(19.731)
Other expenses	20	(3.746)	(2.975)
<b>Total operating expenses</b>		<b>(342.921)</b>	<b>(255.626)</b>
<b>Profit/loss from operating activity</b>		<b>51.353</b>	<b>71.021</b>
Financial revenue	21	20.685	18.698
Financial expenses	22	(4.309)	(3.544)
<b>Financial profit/loss</b>		<b>16.376</b>	<b>15.154</b>
<b>Profit before tax</b>		<b>67.729</b>	<b>86.175</b>
Tax on current and deferred profit	17;23	(6.633)	(12.261)
<b>Net profit of the period</b>		<b>61.096</b>	<b>73.914</b>

**General Director,  
Grigore Filip**

**Financial Director,  
Doru Damaschin**

**AEROSTAR S.A. BACĂU**  
**COMPANY STATEMENT OF OTHER COMPREHENSIVE INCOME**  
**FOR 30 SEPTEMBER 2023**  
(unless specified otherwise, all amounts are stated in thousand lei)

	<b>30 September 2023</b>	<b>30 September 2022</b>
<b>Net profit of the period</b>	<b>61.096</b>	<b>73.914</b>
Deferred income tax recognized on company equity	(2.011)	(1.272)
Gain transferred to retained earnings on sale of equity instruments through other comprehensive income	26	-
Re-evaluation at fair value of equity instruments through other comprehensive income	(6.398)	2.705
<b>Other comprehensive income</b>	<b>(8.383)</b>	<b>1.433</b>
<b>Total comprehensive income</b>	<b>52.713</b>	<b>75.347</b>

**General Director,  
Grigore Filip**

**Financial Director,  
Doru Damaschin**

**AEROSTAR S.A. BACĂU**  
**COMPANY STATEMENT OF FINANCIAL POSITION**  
**FOR 30 SEPTEMBER 2023**

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

	Note	30 September 2023	31 December 2022
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	160.099	166.176
Intangible assets	5	1.103	859
Investment property	6	7.470	6.514
Rights to use a leased asset	32	1.731	1.753
Financial fixed assets	7	57.878	59.029
Receivables regarding deferred profit tax	17	17.920	18.049
<b>Total non-current assets</b>		<b>246.201</b>	<b>252.380</b>
<b>Current assets</b>			
Inventories	10	160.619	130.610
Trade receivables and other receivables	8;9;18	86.213	83.982
Short-term prepaid expenses	31	1.170	617
Cash and cash equivalents	11	225.730	246.173
<b>Total current assets</b>		<b>473.732</b>	<b>461.382</b>
<b>Total assets</b>		<b>719.933</b>	<b>713.762</b>
<b>COMPANY EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	12	48.729	48.729
Current result	12	61.096	90.273
Result carried over	12	51.785	50.938
Reserves	12	399.460	331.384
Deferred income tax recognized on account of equity	17	(21.828)	(19.654)
Distribution of profit for legal reserves	12	(20.230)	(7.961)
<b>Total equity</b>	12	<b>519.012</b>	<b>493.709</b>
<b>Long-term liabilities</b>			
Liabilities regarding deferred income tax	17	23.620	21.676
Subsidies for long-term investments	14	1.422	2.008
Other long-term liabilities	16	1.490	1.503
<b>Total long-term liabilities</b>		<b>26.532</b>	<b>25.187</b>
<b>Long-term provisions</b>			
	13	<b>96.367</b>	<b>95.271</b>
<b>Current liabilities</b>			
Trade liabilities	15;18	34.094	48.610
Liability with current income tax	23	2.460	269
Prepaid income	31	3.016	1.876
Subsidies for short-term investments	14	801	1.020
Other current liabilities	16	13.449	13.297
<b>Total current liabilities</b>		<b>53.820</b>	<b>65.072</b>
<b>Short-term provisions</b>			
	13	<b>24.202</b>	<b>34.523</b>
<b>Total provisions</b>		<b>120.569</b>	<b>129.794</b>
<b>Total liabilities</b>		<b>80.352</b>	<b>90.259</b>
<b>Total company equity, liabilities and provisions</b>		<b>719.933</b>	<b>713.762</b>

**General Director,**  
**Grigore Filip**

**Financial Director,**  
**Doru Damaschin**



**AEROSTAR S.A. BACĂU**  
**COMPANY STATEMENT OF CASH FLOWS (DIRECT METHOD)**  
**FOR 30 SEPTEMBER 2023**  
**(unless specified otherwise, all amounts are stated in thousand lei)**

	Note	30.09.2023	30.09.2022
<b>CASH FLOWS FROM OPERATIONS</b>			
collected from customers		370.831	329.616
taxes and excises recovered from State Budget		2.420	4.766
collected as subsidies from the State Budget		606	-
payments to suppliers and employees		(305.321)	(235.067)
payment of taxes, contributions and dues to the State Budget		(54.075)	(52.420)
payment of profit tax to the State Budget		(4.509)	(9.031)
<b>NET CASH FROM OPERATIONS</b>	27	<b>9.952</b>	<b>37.864</b>
<b>CASH FLOWS FROM INVESTMENTS</b>			
interest collected from bank deposits set up		11.488	5.667
proceeds from sale of fixed financial assets	27	5.516	-
dividends collected from other entities		3.645	2.541
dividends collected from affiliated entities		153	311
payments for purchasing fixed financial assets	7, 27	(10.653)	(50.785)
payments for purchasing property, plant and equipment and intangible assets		(14.109)	(18.409)
<b>NET CASH FROM INVESTMENTS</b>	27	<b>(3.960)</b>	<b>(60.675)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
gross dividends paid		(26.239)	(21.866)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	27	<b>(26.239)</b>	<b>(21.866)</b>
<b>Net increase/decrease of cash and cash equivalents</b>		<b>(20.247)</b>	<b>(44.677)</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>246.173</b>	<b>274.471</b>
Effect of the exchange rate variation on cash and cash equivalents	27	(196)	2.522
<b>Cash and cash equivalents at the end of the period</b>	11	<b>225.730</b>	<b>232.316</b>

General Director,  
Grigore Filip

Financial Director,  
Doru Damaschin

**AEROSTAR S.A. BACĂU**  
**COMPANY STATEMENT OF CHANGES IN EQUITY**  
**FOR 30 SEPTEMBER 2023**

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

	Share capital	Reserves	Reserves from re-evaluation of financial assets through other comprehensive income	Deferred income tax recognized on equity	Result carried forward	Result of the period	Total equity
<b>Total comprehensive income</b>							
<b>A. Balance on 1 January 2023</b>	48.729	324.149	7.235	(19.654)	50.938	82.312*	493.709
<b>Profit of the period</b>						61.096	61.096
<b>Other elements of comprehensive income</b>							
Setting up of deferred profit tax recognized on account of equity				(2.174)	163		(2.011)
Distribution of the profit for the year 2022 to the destinations decided by the shareholders in OGMS of 20 April 2023 (Note 12)					82.312	(82.312)	-
Distribution of the profit made after 9 months for reserves representing fiscal facilities in gross amounts		20.230				(20.230)	-
Gain transferred to retained earnings on sale of equity instruments through other comprehensive income			(658)		684		26
Re-evaluation at fair value of the equity instruments through other comprehensive income			(6.398)				(6.398)
<b>Total comprehensive income for the period</b>	-	20.230	(7.056)	(2.174)	83.159	(41.446)	52.713
Reserves distributed from the profit of 2022		54.902			(54.902)		-
Dividends distributed for 2022					(27.410)		(27.410)
<b>Transactions with shareholders recognised directly in equity</b>	-	54.902	-	-	(82.312)	-	(27.410)
<b>B. Balance on 30 September 2023</b>	48.729	399.281	179	(21.828)	51.785	40.866**	519.012
<b>C. Changes in equity (Note 12)</b>	-	75.132	(7.056)	(2.174)	847	(41.446)	25.303

\* The result of 90,273 thousand lei as on 31.12.2022 is influenced by the profit distribution to other reserves from fiscal facilities in the amount of 7,961 thousand lei;

\*\* The result of 61,096 thousand lei as on 30.09.2023 is influenced by the profit distribution to other reserves from tax facilities in the amount of 20,230 thousand lei;

**General Director,  
Grigore Filip**

**Financial Director,  
Doru Damaschin**

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

	Share capital	Reserves	Reserves from re-evaluation of financial assets through other comprehensive income	Deferred income tax recognized on equity	Result carried forward	Result of the period	Total equity
<b>Total comprehensive income</b>							
<b>A. Balance on 1 January 2022</b>	48.729	284.365	-	(17.134)	51.148	54.280*	421.388
<b>Profit of the period</b>						73.914	73.914
<b>Other elements of comprehensive income</b>							
Setting up of deferred profit tax recognized on account of equity				(1.423)	151		(1.272)
Distribution of the profit for the year 2021 to the destinations decided by the shareholders in OGMS of 20 April 2022 (Note 12)					54.280	(54.280)	-
Re-evaluation at fair value of the equity instruments through other comprehensive income			2.705				2.705
Distribution of the profit made after 9 months for reserves representing fiscal facilities in gross amounts		5.776				(5.776)	-
<b>Total comprehensive income for the period</b>	-	5.776	2.705	(1.423)	54.431	13.858	75.347
Reserves distributed from the profit of 2021		31.438			(31.438)		-
Dividends distributed for 2021					(22.842)		(22.842)
<b>Transactions with shareholders recognised directly in equity</b>	-	31.438	-	-	(54.280)	-	(22.842)
<b>B. Balance on 30 September 2022</b>	48.729	321.579	2.705	(18.557)	51.299	68.138**	473.893
<b>C. Changes in equity (Note 12)</b>	-	37.214	2.705	(1.423)	151	13.858	52.505

\*) The result of 59.940 k lei as on 31.12.2021 is influenced by the profit distribution to other reserves from fiscal facilities in the amount of 5.660 k lei;

\*\*\*) The result of de 73.914 k lei as on 30.09.2022 is influenced by the profit distribution to other reserves from fiscal facilities in the amount of 5.776 k lei;

**General Director,  
Grigore Filip**

**Financial Director,  
Doru Damaschin**

**AEROSTAR S.A. BACĂU**  
**NOTES TO THE COMPANY FINANCIAL STATEMENTS**  
**FOR 30 SEPTEMBER 2023**  
**(unless specified otherwise, all amounts are stated in thousand lei)**

**NOTE 1 - DESCRIPTION OF THE COMPANY**

AEROSTAR was established in 1953 and operates in accordance with the Romanian Law. AEROSTAR S.A. performs its activity at its registered head office located in Bacau, 9, Condorilor Street, code 600302. In accordance with the Resolution no. 2/14.12.2017 of the Board of Directors, the opening of a secondary place of business without legal personality (lucrative facility) was approved in Iasi, on 25B Aeroportului Street. Moreover, in accordance with the Decision of the Board of Directors no.1/02.06.2023, the opening of a secondary office without legal personality (lucrative facility) was approved in Fetești, at 2, Carpati Street, ap. 7.

The main line of work of AEROSTAR S.A. is production.

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

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

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

Over the course of 2023 there was no subscription of new shares, nor of any participation certificates, convertible bonds, warranties, options or similar rights.

In terms of accounting regulations, AEROSTAR S.A. is the subsidiary of the company IAROM S.A. and, therefore, the parent company that consolidates the financial statements of the group is S.C. IAROM S.A., with the unique identification code 1555301, having its registered head office in Bucharest, 39 Aerogarii Blvd. The consolidated financial statements for the financial year 2022 were submitted to A.N.A.F. under registration number 602356101-2023/31.08.2023. 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 31.12.2023.

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

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

The company will continue to act firmly so as to ensure the sustainability of its investments and to maintain its production capabilities. Furthermore, thanks to the experience gathered within our collective, the company acts so as to find the most suitable solutions to the new economic challenges.

**AEROSTAR S.A. BACAU**  
**NOTES TO THE COMPANY FINANCIAL STATEMENTS**  
**FOR 30 SEPTEMBER 2023**  
**(unless specified otherwise, all amounts are stated in thousand lei)**

**NOTE 2 - ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS**

**2.1. Estimates**

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

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

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

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

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

The company uses estimates in order to determine:

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

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

- restating the comparative values for the prior period presented when the error occurred, or
- 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. BACAU**  
**NOTES TO THE COMPANY FINANCIAL STATEMENTS**  
**FOR 30 SEPTEMBER 2023**  
**(unless specified otherwise, all amounts are stated in thousand lei)**

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 earliest 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**

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

The company modifies an accounting policy only if such change:

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

Application of changes in the Accounting Policies:

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

### ***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 amount of adjustments for each affected element of the statement of the financial position, to the extent possible.

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

When a voluntary change 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 amount of the adjustments for each affected item of the statement of the financial position, as far as possible.

**AEROSTAR S.A. BACĂU**  
**NOTES TO THE COMPANY FINANCIAL STATEMENTS**  
**FOR 30 SEPTEMBER 2023**  
**(unless specified otherwise, all amounts are stated in thousand lei)**

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

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

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

- the International Financial Reporting Standards (IFRS) adopted by the European Union;
- Accounting Law no. 82/1991, republished, as subsequently amended and supplemented;
- O.M.F.P. no. 881/2012 on the application of International Financial Reporting Standards by companies with securities admitted for trading on a market regulated by the International Financial Reporting Standards;
- O.M.F.P. no. 2.844/2016 on the approval of the Accounting Regulations conforming to the International Financial Reporting Standards, as amended and supplemented;
- OM.F.P. no. 2.861/2009 for the approval of the Norms regarding the organization and execution of the inventories of elements such as assets, liabilities and equities;
- O.M.F.P. no. 1.826/2003 on the approval of the Explanations regarding some measures of business accounting organization and management;
- O.M.F.P. no. 2.634/2015 regarding the financial accounting documents, as amended and supplemented.
- Law no. 24/2017, republished, regarding the issuers of financial instruments and market operations.

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

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

The financial year is the calendar year.

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

The financial statements are prepared based on historical cost.

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

### **3.2. Applied Accounting Policies**

Aerostar SA describes the accounting policies applied to the individual financial statements and avoids repeating the text of the standard, unless it is considered relevant to understanding the content of the note. Compared to the presentation made at the end of the financial year 2022, no changes were made to the applied accounting principles, methods, policies and procedures.

**AEROSTAR S.A. BACĂU**  
**NOTES TO THE COMPANY FINANCIAL STATEMENTS**  
**FOR 30 SEPTEMBER 2023**  
(unless specified otherwise, all amounts are stated in thousand lei)

**NOTE 4 – TRANSACTIONS IN FOREIGN CURRENCIES**

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

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

On the date of the Financial Position Statement, the assets and financial liabilities denominated in foreign currency are evaluated in the functional currency using the exchange rate, communicated by the Romanian National Bank, valid on 30.09.2023:

<b>Currency</b>	<b>30.09.2023</b>	<b>31.12.2022</b>
1 EUR (Euro)	4,9746 lei	4,9474 lei
1 USD (American Dollar)	4,6864 lei	4,6346 lei
1 GBP (British pound)	5,7433 lei	5,5878 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 82% 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:

<b>JANUARY - SEPTEMBER 2023</b>	<b>K EUR</b>	<b>K USD</b>	<b>K GBP</b>
Collected from financial assets	19.396	41.470	-
Payments of financial liabilities	(10.479)	(24.328)	(1.082)
<b>Foreign exchange net exposure</b>	<b>8.917</b>	<b>17.142</b>	<b>(1.082)</b>

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

- 1,10% in the 1st quarter of 2023 compared to 31.12.2022
  - 0,10% in the 2nd quarter of 2023 compared to 31.03.2023
  - 0,60% in the 3rd quarter of 2023 compared to 30.06.2023
- and

EUR/LEU:

- 0,60% in the 1st quarter of 2023 compared to 31.12.2022
- 0,02% in the 2nd quarter of 2023 compared to 31.03.2023
- 0,30% in the 3rd quarter of 2023 compared to 30.06.2023

resulted in the recording of a financial profit from favourable exchange rate differences of 1.107 thousand LEI.



**AEROSTAR S.A. BACĂU**  
**NOTES TO THE COMPANY FINANCIAL STATEMENTS**  
**FOR 30 SEPTEMBER 2023**  
(unless specified otherwise, all amounts are stated in thousand lei)

**NOTE 5 - INTANGIBLE ASSETS: reporting period 30 September 2023**

	Values on 30 September 2023			Values on 1 January 2023		
	Gross amount	Accumulated depreciation	Net value	Gross amount	Accumulated depreciation	Net value
Licences	6.945	(6.378)	567	6.872	(6.034)	838
Other intangible assets (software)	1.094	(558)	536	497	(476)	21
<b>Total</b>	<b>8.039</b>	<b>(6.936)</b>	<b>1.103</b>	<b>7.369</b>	<b>(6.510)</b>	<b>859</b>

**Net accounting value**

	Net value on 1 January 2023	Entries at gross value	Depreciation during the period	Net value on 30 September 2023
Licences	838	137	(408)	567
Other intangible assets	21	597	(82)	536
<b>Total</b>	<b>859</b>	<b>734</b>	<b>(490)</b>	<b>1.103</b>

**AEROSTAR S.A. BACĂU**  
**NOTES TO THE COMPANY FINANCIAL STATEMENTS**  
**FOR 30 SEPTEMBER 2023**  
(unless specified otherwise, all amounts are stated in thousand lei)

**COMPARATIVE FIGURES - INTANGIBLE ASSETS: reporting period 30 September 2022**

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

**Net accounting value**

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

**AEROSTAR S.A. BACĂU**  
**NOTES TO THE COMPANY FINANCIAL STATEMENTS**  
**FOR 30 SEPTEMBER 2023**  
**(unless specified otherwise, all amounts are stated in thousand lei)**

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

- Licences
- Other intangible assets

The software programmes are registered under other intangible assets.

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

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

The intangible assets in the balance sheet account as on 30.09.2023 are not depreciated and no adjustments were made for the depreciation thereof.

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

The value of the completely amortized software licenses on 30 September 2023 and which are still in use is 5.861 mii lei.

All the intangible assets recorded in the balance sheet on 30 September 2023 are the property of AEROSTAR.

The entries of intangible assets were made by:	<b><u>734 thousand lei</u></b>
• development of production management IT system - version 3	597 thousand lei
• purchase of software licences	137 thousand lei

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

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

**AEROSTAR S.A. BACĂU**  
**NOTES TO THE COMPANY FINANCIAL STATEMENTS**  
**FOR 30 SEPTEMBER 2023**  
**(unless specified otherwise, all amounts are stated in thousand lei)**

**NOTE 6 – PROPERTY, PLANT AND EQUIPMENT: reporting period 30 September 2023**

	Values on 30 September 2023			Values on 1 January 2023		
	Gross value	Accumulated amortization	Net value	Gross value	Accumulated amortization	Net value
<b>Land</b>	30.894	-	30.894	29.534	-	29.534
<b>Constructions</b>	97.055	(44.058)	52.997	96.634	(39.428)	57.206
<b>Technological equipment and vehicles</b>	223.956	(153.389)	70.567	202.640	(140.423)	62.217
<b>Other equipment and office equipment</b>	3.841	(2.039)	1.802	3.833	(1.793)	2.040
<b>Investment property</b>	12.749	(5.279)	7.470	11.275	(4.761)	6.514
<b>Property, plant and equipment under construction</b>	3.839	-	3.839	15.179	-	15.179
<b>Total</b>	<b>372.334</b>	<b>(204.765)</b>	<b>167.569</b>	<b>359.095</b>	<b>(186.405)</b>	<b>172.690</b>

Net accounting value on 30.09.2023:

	Net value on 1 January 2023	Gross value inputs	Gross value outputs	Amortization during the period	Net value on 30 September 2023
<b>Land</b>	29.534	1.360	-	-	30.894
<b>Constructions</b>	57.206	421	-	(4.630)	52.997
<b>Technological equipment and vehicles</b>	62.217	21.722	(407)	(12.965)	70.567
<b>Other equipment and office equipment</b>	2.040	8	-	(246)	1.802
<b>Investment property</b>	6.514	1.473	-	(517)	7.470
<b>Property, plant and equipment under construction</b>	15.179	12.023	(23.363)	-	3.839
<b>Total</b>	<b>172.690</b>	<b>37.007</b>	<b>(23.770)</b>	<b>(18.358)</b>	<b>167.569</b>

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**COMPARATIVE FIGURES: PROPERTY, PLANT AND EQUIPMENT: reporting period 30 September 2022**

	Values on 30 September 2022			Values on 1 January 2022		
	Gross value	Accumulated amortization	Net value	Gross value	Accumulated amortization	Net value
<b>Land</b>	29.347	-	29.347	29.266	0	29.266
<b>Constructions</b>	96.562	(37.870)	58.692	95.193	(33.277)	61.916
<b>Technological equipment and vehicles</b>	200.600	(137.021)	63.579	193.970	(124.975)	68.995
<b>Other equipment and office equipment</b>	3.790	(1.712)	2.078	3.761	(1.477)	2.285
<b>Investment property</b>	11.275	(4.598)	6.677	10.537	(4.142)	6.395
<b>Property, plant and equipment under construction</b>	1.239	-	1.239	1.452	-	1.452
<b>Total</b>	<b>342.813</b>	<b>(181.201)</b>	<b>161.612</b>	<b>334.180</b>	<b>(163.871)</b>	<b>170.309</b>

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

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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:

- 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 12 real estate – buildings that are rented to third parties based on renting contracts.

The value of renting income in this category of fixed assets was 2.065 mii lei thousand lei.

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

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

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

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

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

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

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

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Internal sources of information:

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

External source of information:

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

<u>indicator MBR-Market to book ratio</u>	<u>30.09.2023</u>	<u>30.09.2022</u>	<u>31.12.2022</u>
Stock exchange capitalization/ company equity	2,5	2,1	2,4

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.

The property, plant and equipment in the balance sheet on 30.09.2023 are not depreciated and no significant depreciation indicators were identified.

The gross accounting value of the fully amortized property, plant and equipment still in operation on 30 Septembrie 2023 is 87.940 thousand lei.

On 30.09.2023 no mortgages were set on the fixed assets owned by Aerostar S.A.

<b>Entries of property, plant and equipment, achieved by:</b>	<b><u>37.007 k lei</u></b>
• commissioning of technical equipment, hardware equipment, measuring and control equipment	8.944 k lei
• land purchase	81 k lei
• property, plant and equipment under construction in 2023	12.023 k lei
 <b>Outflows of property, plant and equipment, achieved by:</b>	 <b><u>23.770 k lei</u></b>
• transfer of property, plant and equipment as a result of the commissioning thereof	23.363 k lei
• Disposal of technological equipment and vehicles	407 k lei

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**NOTE 7- FIXED FINANCIAL ASSETS**

	Shares held in affiliated entities	Other immobilized securities - shares	Other immobilized securities – contributions to capital assets	Other immobilized receivables – supplier guarantees	Total
<b>On 1 January 2023</b>	<b>14</b>	<b>58.975</b>	<b>2</b>	<b>38</b>	<b>59.029</b>
Increases/Decreases	-	(1.155)	-	4	(1.151)
<b>On 30 September 2023</b>	<b>14</b>	<b>57.820</b>	<b>2</b>	<b>42</b>	<b>57.878</b>

**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 (k lei)	Financial information related to the year 2022				
					Company's share capital (k lei)	Reserves (k lei)	Net profit (k lei)	Nominal value/share (k lei)	Net asset/ share (k lei)
<b>Airpro Consult SRL Bacău 9, Condorilor Street</b>	<b>- main activity according to CAEN code 7820</b>	<b>100</b>	<b>100%</b>	<b>10</b>	<b>10</b>	<b>171</b>	<b>34</b>	<b>0,10</b>	<b>2,2</b>
<b>Foar SRL Bacău 9, Condorilor Street</b>	<b>- main activity according to CAEN code 7739</b>	<b>408</b>	<b>51%</b>	<b>4</b>	<b>8</b>	<b>1.000</b>	<b>116</b>	<b>0,01</b>	<b>1,8</b>
<b>TOTAL</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>14</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>

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



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On 30.09.2023, the company recorded no modifications i.e. no increases/decreases as to the shareholding percentage, maintaining the same influence as in 2022 on the remaining companies in the equity portfolio.

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

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

Issuer's name	CAEN code	No. of shares	Symbol	Value of price /share on 30.09.2023 (lei)	Value of portfolio at market price (k lei)
<b>Registered head office</b>					
<b>Evergent Investments S.A.</b>	<b>- main activity according to CAEN code 6499</b>	47.588.046	<b>EVER</b>	<b>1,2150</b>	<b>57.820</b>
Str. Pictor Aman 94C, Bacău					

The company holds 47,588,046 shares of the company Evergent Investments S.A, listed at the Bucharest Stock Exchange. Aerostar records the shares held at fair value through other elements of global result, in accordance with IFRS 9 "Financial Instruments". The Company used the irrevocable option to designate such equity instruments at fair value through other elements of global result as these financial assets are held both to collect dividends, and also for earnings from their sale, but not for trading. The earning or loss related to these equity instruments is recognized in other elements of global result, except for the revenue from dividends.

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

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

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

The value of AEROSTAR's contribution to the assets of the association " Education Cluster for Sustainable Development C-EDD " is 2.500 lei.

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**NOTE 8 - TRADE RECEIVABLES**

	<b>30 September 2023</b>	<b>31 December 2022</b>
<b>TRADE RECEIVABLES, of which:</b>		
<b>Customers, of which:</b>	<b>74.840</b>	<b>74.311</b>
Domestic customers	10.698	17.378
Foreign customers	64.142	56.933
<b>Uncertain customers</b>	<b>2.860</b>	<b>1.871</b>
<b>Adjustments for impairment of receivables – customers</b>	<b>(1.441)</b>	<b>(954)</b>
<b>Suppliers – debtors</b>	<b>4.818</b>	<b>5.453</b>
<b>TOTAL TRADE RECEIVABLES</b>	<b>81.077</b>	<b>80.681</b>

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

- in percentage of 50% of the value of the receivables not collected on time if the due date is between 30 days and 180 days. On 30 September 2023, the company registered adjustments for depreciation of this nature in the amount of 1.418 thousand lei;
- 100 % of the amount of the receivables not collected on time, if the delay is more than 180 days. On 30 September 2023, the company registered adjustments for depreciation of this nature in the amount of 23 thousand lei.

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

Debtors-suppliers have a discount limit:

- in 2023: 4.323 thousand lei
- in 2024: 495 thousand lei

The receivables were evaluated at the market exchange rate communicated by the National Bank of Romania available for the end of September 2023.

The favourable and unfavourable exchange rate differences between the exchange market rate, for which are accounted the receivables in currency, and the market exchange rate communicated by the National Bank of Romania available for the end of September 2023 were recorded in the related income or expense account.

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**NOTE 9 – OTHER RECEIVABLES**

	<b>30 September 2023</b>	<b>31 December 2022</b>
<b>Receivables related to manpower and similar accounts</b>	<b>133</b>	<b>16</b>
<b>Receivables related to the budget of social insurance and the state budget, of which:</b>	<b>3.357</b>	<b>1.436</b>
– VAT to recover	689	-
– Non-exigible VAT	152	172
– Amounts to recover from the National Health System (allowances on medical leaves)	1.963	654
– Amounts in the form of subsidies	46	75
– Excise duties to recover for the fuel used	460	509
– Other receivables in relation to the local budget representing the sanitation tax to recover resulting from the rectifying declarations submitted	31	10
– Other receivables in relation to the social security and state budget	16	16
<b>Interest to receive from bank deposits</b>	<b>1.509</b>	<b>1.814</b>
<b>Sundry debtors</b>	<b>672</b>	<b>574</b>
<b>Impairment adjustments for receivables - sundry debtors</b>	<b>(535)</b>	<b>(539)</b>
<b>TOTAL OTHER RECEIVABLES</b>	<b>5.136</b>	<b>3.301</b>

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<b>NOTE 10 - INVENTORIES</b>	<b>30 September 2023</b>	<b>31 December 2022</b>
<b>of which:</b>		
Raw material *	63.048	52.381
Consumables **	63.541	63.093
Other materials	100	129
Semi-finished products	32	471
Packaging	39	56
Finished products	30.012	23.828
Products and services in progress	63.987	42.559
<b>Gross value of the inventory (unadjusted)</b>	<b>220.759</b>	<b>182.517</b>

**ADJUSTMENTS FOR IMPAIRMENT OF INVENTORIES**

	<b>30 September 2023</b>	<b>Increases/ Setups</b>	<b>Decreases/ Reruns</b>	<b>31 December 2022</b>
<b>Total adjustments</b>	<b>60.140</b>	<b>30.231</b>	<b>21.998</b>	<b>51.907</b>
Adjustments for impairment of raw material	32.049	16.645	7.646	23.050
Adjustments for impairment of consumables	25.602	11.332	12.874	27.144
Adjustments for impairment of semi-finished products	32	36	475	471
Adjustments for impairment of finished products	685	11	2	676
Adjustments for impairment of production in progress	1772	2.207	1.001	566

Notes:

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

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

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

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

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

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

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

- 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 166.842 thousand lei, which consists of:

- 156,025 thousand lei representing the value of expenditure on stocks of materials;
- 9,772 thousand lei representing the value of expenditure relating to the consumption of water, gas and electricity;
- 1,045 thousand lei representing the value of expenditure on non-stored 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.

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**NOTE 11 – CASH AND CASH EQUIVALENTS**

**The cash** contains:

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

**The cash equivalents** consist in:

- term deposits held by banks;

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

	<b>30.09.2023</b>	<b>31.12.2022</b>	<b>30.09.2022</b>
Cash at the cashier's office	58	63	48
Sight deposits held at banks	28.366	20.277	27.176
Term deposits held at banks	197.306	225.833	205.092
<b>Cash and cash equivalents</b>	<b>225.730</b>	<b>246.173</b>	<b>232.316</b>

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

The value of the bank Credit Line usable in the form of an overdraft, available for the future operating activity, is 2.500 THOUSAND USD (the equivalent of 11.716 thousand LEI). During the reporting period the bank Credit Line was not used.

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## **NOTE 12 – COMPANY EQUITY**

The company equity on 30 September 2023 is 519.012 thousand lei. The net increase of the company equity in 2023 compared to the end of the year 2022 amounted to 25.303 thousand lei.

### **Main equity elements in the period January-September 2023 compared to the year 2022:**

- **The share capital remained unchanged:**

On 30 September 2023, 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 68.076 thousand lei:**

- An increase by 54.902 thousand lei as a result of the distribution of the profit made in 2022 to the destinations decided by the shareholders in the OGMS meeting of 20 April 2023;
- An increase by 20.230 thousand lei on account of the distribution of the profit made in the first 9 months of 2023 for reserves from fiscal facilities;
- A decrease by 6.398 mii lei on account of the fair value re-valuation of equity instruments through other comprehensive income;
- A decrease by 658 thousand lei resulting from the transfer to retained earnings of fair value re-valuation differences on equity instruments recognised through other comprehensive income following their sale.

- **Other equity elements decreased by the amount of 2.174 thousand lei** on account of the deferred income tax recognized in the company equity.

- **The result carried forward increased by 847 thousand lei as follows:**

- Following the resolution of OGMS dated 20 April 2023, the profit made in the financial year 2022 taken over the result carried forward, representing the undistributed profit, was fully distributed to the destinations decided by the shareholders;
- An increase by 163 thousand lei on account of the deferred income tax recognized in the company equity;
- An increase by 684 thousand lei representing the net gain obtained from the sale of equity instruments recognised through other comprehensive income.

- The balance of the result carried forward on 30 September 2023 is 51.785 thousand lei, consisting of:

- The result carried forward incurred by the use, on the date of transition to IFRS, of the fair value as presumed cost = 26.938 thousand lei;
- The result carried forward representing the gain generated from re-valuation reserves, capitalized against the depreciation of tangible fixed assets = 24,163 thousand lei;
- the net gain generated from the sale of equity instruments recognised through other comprehensive income = 684 thousand lei.

- **The result of the period was a profit in the amount of 61.096 thousand lei.**

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**NOTE 13 - PROVISIONS**

	<b>31 December 2022</b>	<b>Increases/ Set-up/ Reclassification of provisions</b>	<b>Reductions/ Reruns/ Reclassifica- tions of provisions</b>	<b>Differences from re- evaluation</b>	<b>30 September 2023</b>
<b>Total provisions</b>	<b>129.794</b>	<b>11.446</b>	<b>21.207</b>	<b>536</b>	<b>120.569</b>
Provisions for bonds granted to customers	47.844	11.446	13.096	239	46.433
Provisions for decommissioning property, plant and equipment	16.426	-	-	-	16.426
Provisions for the employees' benefits	7.784	-	7.700	-	84
Other provisions	57.740	-	411	297	57.626
<b>Long-term provisions</b>	<b>95.271</b>	<b>4.571</b>	<b>3.955</b>	<b>480</b>	<b>96.367</b>
Provisions for bonds granted to customers	25.888	4.571	3.544	210	27.125
Provisions for decommissioning property, plant and equipment	16.426	-	-	-	16.426
Other provisions	52.957	-	411	270	52.816
<b>Short-term provisions</b>	<b>34.523</b>	<b>6.875</b>	<b>17.252</b>	<b>56</b>	<b>24.202</b>
Provisions for bonds granted to customers	21.956	6.875	9.552	29	19.308
Provisions for customer's benefits	7.784	-	7.700	-	84
Other provisions	4.783	-	-	27	4.810

**Provisions set up for guarantees granted to customers**

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

**Provisions for decommissioning the Property, Plant and Equipment**

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

**Provisions for benefits granted to employees**

The provisions for benefits granted to employees are set up for the annual holidays leave not taken by the employees in the previous year.



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**Other provisions**

The category Other provisions contains the provisions set up 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;
- coverage of some risks regarding the application of delay penalties and damages associated with the production of aeronautical products.

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**NOTE 14 - SUBSIDIES**

**Subsidies related to assets**

AEROSTAR recognizes as deferred income the subsidies related to assets.

	<b>30.09.2023</b>	<b>30.09.2022</b>
<b>Balance on 1 January, of which:</b>	<b>3.028</b>	<b>4.192</b>
Short-term	1.020	1.167
Long-term	2.008	3.025
<b>Subsidies received</b>	<b>-</b>	<b>-</b>
<b>Subsidies registered in income corresponding to the calculated amortization</b>	<b>(805)</b>	<b>(898)</b>
<b>Balance on 30 September, of which:</b>	<b>2.223</b>	<b>3.294</b>
Short-term	801	1.071
Long-term	1.422	2.223

During January-September, AEROSTAR S.A. did not receive any subsidies for financing its assets. The subsidies received in the previous years for financing its assets were related to the implementation of 3 investment projects under 3 non-reimbursable financing agreements:

1. contract no. 210304/22.04.2010: "Extension of the manufacturing and assembly capacities for aerostructures for civil aviation", carried out between April 2010 – October 2012, the value of the subsidy received from the Ministry of Economy, Trade and Business Environment (MECMA) being 5.468 thousand lei.
2. contract no. 229226/14.06.2012: "Setting up a new manufacturing capacity for diversifying production and export growth", performed between June 2012 – May 2014, the value of the subsidy received from the Ministry of Economy, Trade and Business Environment (MECMA) being 6.011 thousand lei;
3. contract no. 5IM/013/24.03.2015: "Consolidation and sustainable development of the machining and painting sectors by high performance investments", carried out between March – December 2015, the value of the subsidy received from the Ministry of European Funds (MFE) being 8.299 thousand lei.

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

The balance registered on 30 September 2023 represents subsidies related to investments in fixed assets to be recorded as income as the calculated amortization is registered under costs.

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**NOTE 15 – COMMERCIAL DEBTS**

	<b>30 September 2023</b>	<b>31 December 2022</b>
<b>Prepaid amounts collected on customers’ account, of which:</b>	<b>6.060</b>	<b>10.991</b>
Domestic customer-creditors	291	47
Foreign customer-creditors	5.769	10.944
<b>Suppliers, of which:</b>	<b>28.034</b>	<b>37.619</b>
Domestic suppliers of material and services	7.949	9.878
Foreign suppliers of material and services	13.461	21.162
Suppliers – invoices not arrived	4.888	2.576
Suppliers of non-current assets	1.736	4.003
<b>Total commercial debts</b>	<b>34.094</b>	<b>48.610</b>

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

For the registered debts no mortgages were set up.

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

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**NOTE 16 - OTHER LIABILITIES**

	<b>30 September 2023</b>	<b>31 December 2022</b>
<b>Other current liabilities, of which:</b>	<b>13.449</b>	<b>13.297</b>
• <i>Liabilities related to manpower and similar accounts</i>	<b>3.937</b>	<b>3.668</b>
• <i>Liabilities related to social security budget and state budget, of which:</i>	<b>5.478</b>	<b>6.827</b>
– VAT payable	-	1.859
– social security	4.115	3.678
– labour safety contribution	262	234
– tax on income in the form of wages	845	722
– contribution for unemployed people with disabilities	188	150
– other taxes	20	137
– other social liabilities	48	47
• <i>Other liabilities, of which:</i>	<b>4.034</b>	<b>2.802</b>
– dividends	3.722	2.502
– diverse creditors	269	257
– bonds received	43	43
<b>Other long-term liabilities</b>	<b>1.490</b>	<b>1.503</b>

The category "Other long-term liabilities" includes the liability related to the right to use the land under concession for the Maintenance Hangar in Iasi.

The dividends in balance on 30 September 2023, in the amount of 3.722 thousand lei represent the amounts remained in balance for the shareholders who did not show up at the offices of the paying agent CEC Bank S.A. (the paying agent designated by AEROSTAR) and that were not time-barred.

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

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## **NOTE 17 – DEFERRED PROFIT TAX**

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

The Company estimated and registered liabilities regarding the deferred tax related to immobilized assets (resulting from differences between accounting and fiscal values, 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 30.09.2023:**

#### **Liabilities from deferred tax**

1. Liabilities related to the deferred tax generated by the differences between the accounting bases (higher) and the fiscal ones (lower) of the non-current assets	1.193
2. Liabilities on deferred tax related to non-current assets-securities	29
3. Liabilities related to the deferred tax concerning legal reserves	1.559
4. Liabilities on deferred tax related to reserves from the fiscal facility	20.778
5. Liabilities on deferred tax related to the result carried forward representing a surplus from re-evaluation reserves	61
<b>Total liabilities on deferred tax</b>	<b>23.620</b>

#### **Receivables on deferred tax**

1. Receivables on deferred tax related to other provisions	538
2. Receivables on deferred tax related to provisions for bonds granted to customers	7.431
3. Receivables on deferred tax related to provisions for employee benefits	13
4. Receivables on deferred tax related to adjustments for depreciation of inventories	9.622
5. Receivables on deferred tax related to adjustments for depreciation of trade receivables	316
<b>Total receivables on deferred tax</b>	<b>17.920</b>

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

In the period 1 January 2023 – 30 September 2023, the company registered income from the tax on deferred profit in the amount of 3.639 mii lei and expenses with the tax on deferred profit in the amount of 3.702 thousand lei.

The tax on deferred profit recognized on the account of equity in the amount of 21.828 thousand lei consists of liabilities on deferred tax in the amount of 22.366 thousand lei and receivables on deferred tax in the amount of 538 thousand lei.

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## **NOTE 18 - FINANCIAL INSTRUMENTS**

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

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

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

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

The financial assets of AEROSTAR S.A. include:

- cash and cash equivalents;
- trade receivables;
- immobilized receivables (bonds for third parties).

The financial liabilities of AEROSTAR S.A. include:

- trade liabilities.

On the reporting date, AEROSTAR does not have financial any liabilities concerning financial leasing, overdrafts and long-term bank loans.

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

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

### **a) Credit risk**

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

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

Sight and term deposits are held only in first-tier banking institutions with the lowest risk ratings.

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

AEROSTAR has no significant exposure 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.

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

	<b>30.09.2023</b>	<b>30.09.2022</b>
Sight and term deposits held at banks	225.672	232.268
Trade receivables, net of adjustments for depreciation	72.053	66.005
Non-current receivables	42	38
<b>Total</b>	<b>297.767</b>	<b>298.311</b>

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

	<b>30.09.2023</b>	<b>30.09.2022</b>
Domestic market	10.698	21.219
Euro zone countries	25.489	21.713
U.K.	27.472	15.891
Other European countries	2.199	628
Other regions	6.195	6.554
<b>Total</b>	<b>72.053</b>	<b>66.005</b>

**Depreciation adjustments**

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

	<b>Gross value</b>	<b>Adjustments for depreciation</b>	<b>Gross value</b>	<b>Adjustments for depreciation</b>
	<b>30.09.2023</b>		<b>30.09.2022</b>	
<b>In due time</b>	<b>70.634</b>		<b>64.781</b>	
<b>Past due, total of which:</b>	<b>2.861</b>		<b>1.971</b>	
31-60 days	1.907	954	954	449
61-90 days	51	26	852	166
91-120 days	383	191	20	10
Over 120 days	520	271	104	81
Over 1 year	-	-	41	41
<b>Total</b>	<b>73.495</b>	<b>1.442</b>	<b>66.752</b>	<b>747</b>

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

	<b>30.09.2023</b>	<b>30.09.2022</b>
<b>Balance on 1 January</b>	<b>954</b>	<b>1.332</b>
Adjustments set up for depreciation	2.727	1.162
Adjustments for depreciations resumed as revenues	(2.239)	(1.747)
<b>Balance on 30 September</b>	<b>1.442</b>	<b>747</b>

On 30.09.2023, 96% of the balance of trade receivables are related to customers with a good payment record.

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**b) Liquidity risk**

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

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

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

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

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

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

	Liabilities	Accounting value	Contractual cash flows	0-30 days	31-60 days	over 60 days
30.09.2023	Trade liabilities	23.145	(23.145)	(19.509)	(3.022)	(614)
30.09.2022	Trade liabilities	24.455	(24.455)	(19.768)	(3.911)	(776)

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

On 30.09.2023 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 82% of the turnover recorded in the reporting period is denominated in USD and EUR, while a significant part of the operating expenses is denominated in LEI.

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

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

<b>30.09.2023</b>	<b>thousand EUR</b>	<b>thousand USD</b>	<b>thousand GBP</b>
Sight and term deposits held with banks	2.334	3.327	19
Trade receivables	2.533	10.403	-



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Trade liabilities	(1.319)	(1.739)	(90)
<b>Net exposure in original currency</b>	<b>3.548</b>	<b>11.991</b>	<b>(71)</b>

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 moderate volatility (+/-2%) of the EUR/LEU exchange rate can be noticed.

Thus, a reasonably possible variation of +/-5% USD/LEU for of the USD/LEU foreign exchange rate and +/-2% for the EUR/LEU foreign exchange rate may be taken into account at the end of the reporting period.

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

<b>30.09.2023</b>	<b>EUR/LEU</b>	<b>USD/LEU</b>
Net exposure, in the currency of origin	3.548 MII EUR	11.991 MII USD
Currency exchange rate	4,9746	4,6864
Net exposure in functional currency	17.650 MII LEI	56.195 MII LEI
Possible reasonable variation of exchange rate	+/- 2%	+/- 5%
<b>Effect of variation on the financial result</b>	<b>+/- 353 MII LEI</b>	<b>+/- 2.810 MII LEI</b>

**d) Interest rate risk**

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

- 1) Product A: in the amount of 2.500 thousand USD, usable as an overdraft, set up to provide at any given time the necessary financial liquidity and flexibility (liquidity reserve);
- 2) Product B: in the amount of 7.000 thousand USD (provided that the aggregate amount used from Product A and product B does not exceed the value of the multi-product Credit Facility), usable under the form of a facility of issuing bonds as instruments to ensure collateral for the commercial contractual obligations by issuing bank bond letters and import Letters of Credit.

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

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

On 30.09.2023, the level of bonds granted by AEROSTAR under commercial agreements, by issuing bank bond letters and import Letters of Credit amounts to 9.071 MII LEI (equivalent to 1.936 thousand USD).

On 30.09.2023 no mortgages are set up on the property assets in AEROSTAR ownership.

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**NOTE 19 - OPERATING INCOME**

	<b>30 September 2023</b>	<b>30 September 2022</b>
<b>Revenues from sales, of which:</b>	<b>361.523</b>	<b>317.363</b>
Revenues from product sales	221.385	155.537
Revenues from services provided	137.230	159.396
Revenues from selling goods	361	16
Revenues from renting	2.065	2.035
Trade discounts granted	-	-
Revenues from other activities	482	379
<b>Revenues related to inventories of products finished and in progress</b>	<b>29.885</b>	<b>7.361</b>
<b>Revenues from the production of fixed assets</b>	<b>631</b>	<b>130</b>
<b>Revenues from operating subsidies</b>	<b>576</b>	<b>(5)</b>
Revenues from subsidies for investments	802	897
Other revenues from operations	857	901
<b>Total operating income</b>	<b>394.274</b>	<b>326.647</b>

In the first six months of 2023, the company recorded income from operating subsidies in the amount of 576 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 857 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 and income from compensation of purchases from protected entities.

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**NOTE 20 – OPERATING EXPENSES**

	<b>30 September 2023</b>	<b>30 September 2022</b>
<b>Expenses with employee benefits, of which:</b>	<b>125.817</b>	<b>106.018</b>
Salaries and allowances	110.413	94.644
Expenses with meal tickets granted to employees	8.539	5.860
Expenses with social security	6.865	5.514
<b>Expenses with raw material and material Energy, water and gas</b>	<b>147.412</b>	<b>93.645</b>
	<b>9.772</b>	<b>10.834</b>
<b>Other material expenses, of which:</b>	<b>9.658</b>	<b>9.699</b>
Expenses with non-inventory materials	1.045	934
Expenses with goods	315	11
Expenses with packaging	634	445
Expenses with other material	7.664	8.309
<b>Expenses with external services, of which:</b>	<b>27.719</b>	<b>19.731</b>
Repairs	10.073	6.240
Transport costs	5.505	2.605
Commissions and fees	2.626	2.913
Travels, deployments	869	1.087
Renting expenses	634	533
Other expenses with services supplied by third parties	8.012	6.353
<b>Trade discounts received</b>	<b>(90)</b>	<b>(76)</b>
Amortizations	<b>19.285</b>	<b>17.995</b>
<b>Net expenses (revenues) from adjustments on provisions</b>	<b>(9.226)</b>	<b>(3.640)</b>
<b>Net expenses (revenues) from adjustments on current assets</b>	<b>8.738</b>	<b>(1.631)</b>
<b>Other operational expenses</b>	<b>3.836</b>	<b>3.051</b>
<b>Total operating expenses</b>	<b>342.921</b>	<b>255.626</b>

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

In the first 9 months of 2023 the company granted its employees meal vouchers and holiday vouchers worth 8,539 thousand lei.

Other operating expenses amounting to 3,836 thousand lei include, among others: expenses with local taxes, sponsorships, donations.

In 2023, AEROSTAR registered increased/set up and decreased/resumed adjustments, as follows:

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<b>Adjustments on provisions</b>	<b>30 September 2023</b>	<b>30 September 2022</b>
Increases/setup	11.982	13.009
Decreases/reruns	(21.208)	(16.649)
<b>Net expenses (revenues) from adjustments on provisions</b>	<b>(9.226)</b>	<b>(3.640)</b>

In the first 9 months of 2022, the impact of the adjustments on provisions is a decrease in the operating expenses of 9.226 thousand lei.

<b>Adjustments regarding impairment of current assets</b>	<b>30 September 2023</b>	<b>30 September 2022</b>
Increased/set up adjustments		
Adjustments for the impairment of investments	<b>30.231</b>	<b>4.974</b>
Adjustments for the impairment of receivables	2.778	1.481
Losses from receivables and various debtors	21	63
<b>Total increased/set up adjustments</b>	<b>33.030</b>	<b>6.518</b>
Decreased/resumed adjustments		
Adjustments for the impairment of inventories	<b>(21.998)</b>	(6.353)
Adjustments for the impairment of receivables	(2.294)	(1.796)
<b>Total decreased/resumed adjustments</b>	<b>(24.292)</b>	<b>(8.149)</b>
<b>Net expenses (revenues) from adjustments on the impairment of current assets</b>	<b>8.738</b>	<b>(1.631)</b>

In the first 9 months of 2023, the impact of the impairment adjustments on current assets is an increase in the operating expenses of 8.738 thousand lei.

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**NOTE 21 - FINANCIAL INCOME**

	<b>30 September 2023</b>	<b>30 September 2022</b>
Income from foreign currency exchange differences	5.387	8.599
Interest income	11.183	7.113
Income from shares held in subsidiaries	153	311
Income on financial assets measured at fair value	3.962	2.675
<b>Total financial income</b>	<b>20.685</b>	<b>18.698</b>

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

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

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**NOTE 22 – FINANCIAL EXPENSES**

	<b>30 September 2023</b>	<b>30 September 2022</b>
Expenses from exchange rate differences	4.279	3.514
Expenses with interest related to leasing contracts	30	30
<b>Total financial expenses</b>	<b>4.309</b>	<b>3.544</b>

In 2023 the company registered in the financial expenses category:

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

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**NOTE 23 - TAX ON PROFIT**

**Tax on profit**

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

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

The profit tax rate applicable for 30.09.2023 was 16% (the same rate was applied for the financial year 2022).

**30 September 2023**

<b>Gross accounting profit</b>	<b>67.728</b>
<b>Expenses with current tax on profit</b>	<b>6.569</b>
<b>Income tax on gains from the sale of securities held</b>	<b>131</b>

<b>Reconciliation of accounting profit with the fiscal profit for 30 September 2023</b>				<b>Differences</b>
Accounting revenues*	414.958	Fiscal income	366.445	-48.513
Accounting expenses*	347.230	Fiscal expenses	299.891	-47.339
Gross accounting profit, restated*	67.728	Fiscal profit	66.554	-1.174
Accounting tax (16%)	10.836	Fiscal tax (16%)	10.649	-188
Tax reductions	-	<i>Tax reductions, from which:</i>	3.949	+3.949
		• Related to investments made acc. to Art. 22 Fiscal Code	3.237	+3.237
		• Sponsorship	712	+712
Tax on final profit	10.836	Tax on final profit	6.700	-4.137
Applicable legal rate	16,00%	Legal rate applicable	16,00%	
Actual average tax rate, calculated on gross accounting profit, restated		9.89%		

**Comparative key figures**

**30 September 2022**

<b>Gross accounting profit</b>	<b>86.175</b>
<b>Expenses with current tax on profit</b>	<b>11.452</b>

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

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

- The main factors that affected the actual tax rate:
- non-deductible expenses in fiscal terms (expenses concerning the set-up or increase of certain provisions and value adjustments on the current assets, which are non-deductible fiscally, expenses with fiscally non-deductible accounting amortization a.o.).
- fiscal facilities representing the tax exemption on profit corresponding to the investments made in accordance with Art. 22 of the Fiscal Code, sponsorships;
- non-taxable income obtained from the recovery of certain non-deductible expenses.

The difference between the average effective tax rates stems from the application of tax facilities related to reinvested profit in the amount of 20,230 thousand lei, of which 3 MWP PV system in the amount of 11,613 thousand lei, representing a percentage of 57.40% of the total tax facilities.

On 30 September 2023 the company registered a debt related to the tax on current profit in the amount of 2.460 thousand lei corresponding to the third quarter of 2023.



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**NOTE 24 - RESULT PER SHARE**

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

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

<b>IN LEI</b>	<u><b>30.09.2023</b></u>	<u><b>30.09.2022</b></u>
Profit attributable to ordinary shareholders	61.095.637	73.914.382
Number of ordinary shares	152.277.450	152.277.450
	<hr/>	<hr/>
<b>Profit per share</b>	<b>0,401</b>	<b>0,485</b>
	<hr/>	<hr/>

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**NOTE 25 - AVERAGE NUMBER OF EMPLOYEES**

<b>Average number of employees</b>	<b>9 months 2023</b>	<b>9 months 2022</b>
Own employees	1.695	1.591

<b>Total number of employees</b>	<b>30.09.2023</b>	<b>30.09.2022</b>
Own employees	1.722	1.726

As on September 30, 2023, the total number of employees in the Company is 1,824, of which 1,722 are own employees and 102 are employees hired through the temporary labour agent.

As on 30 September 2022, the total headcount was 1,805 employees, of which 1,726 were own employees and 79 persons represented employees hired through the temporary labour agent.

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**NOTE 26 - TRANSACTIONS WITH AFFILIATED PARTIES**

<u>Acquisitions of goods and services</u>	<u>9 months 2023</u>	<u>9 months 2022</u>
Airpro Consult SRL Bacău	2.846	4.645
Foar SRL Bacău	300	301
<b>TOTAL</b>	<b>3.146</b>	<b>4.946</b>
<u>Sales of goods and services</u>	<u>9 months 2023</u>	<u>9 months 2022</u>
Airpro Consult SRL Bacău	-	-
Foar SRL Bacău	1	1
<b>TOTAL</b>	<b>1</b>	<b>1</b>
<u>Liabilities</u>	<u>Balance on 30.09.2023</u>	<u>Balance on 30.09.2022</u>
Airpro Consult SRL Bacău	816	468
Foar SRL Bacău	33	38
<b>TOTAL</b>	<b>849</b>	<b>506</b>
<u>Dividends received by Aerostar</u>	<u>9 months 2023</u>	<u>9 months 2022</u>
Airpro Consult SRL Bacău	-	68
Foar SRL Bacău	153	242
<b>TOTAL</b>	<b>153</b>	<b>310</b>

The transactions with the affiliated parties in the period January-September of 2023 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 SA from Foar SRL Bacău (Note 7).

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## **NOTE 27 - INFORMATION REGARDING THE CASH FLOW**

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

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

In the context of preparing the Cash Flows Statement:

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

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

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

Thus:

- the amounts collected from customers were 370.831 thousand LEI;
- the proceeds from the State Budget amounted to 3,026 thousand LEI, of which 2,420 thousand LEI are VAT and excise duty recoveries and 606 thousand LEI are operating subsidies;
- payments to the suppliers and employees amounted to 305.321 thousand LEI, of which 228.233 thousand LEI payments to the suppliers and 77.088 thousand LEI payments to the employees;
- tax payments to the State Budget amounted to 58,584 thousand LEI, of which 48,750 thousand LEI in taxes and payroll taxes, 3,574 thousand LEI in VAT and 4,509 thousand LEI in profit tax.

The operating activity generated net cash of 9,952 thousand LEI, a decrease by 27,912 thousand LEI compared to the same period last year.

The investment activities comprised the following:

- bank interest receipts of 11,488 thousand LEI from bank deposits.
- dividends received from Evergent Investments S.A. amounting to 3,645 thousand LEI;
- dividends received from affiliated entities (FOAR S.R.L.) in the amount of 153 thousand LEI;
- payments for the purchase of tangible and intangible fixed assets in the amount of 14,109 thousand LEI;
- payments for the purchase of financial fixed assets in the amount of 10,653 thousand LEI, representing purchases of Evergent Investment S.A. shares (stock symbol: EVER), traded on the Bucharest Stock Exchange;

The shares purchased are held for the collection of dividends as well as for gains from their sale, and not for trading.

Thus, in view of the Public Offer for the purchase of own shares (EVER) initiated by Evergent Investments S.A in December 2022, AEROSTAR decided during January 2023 to participate in the Offer by selling part of the EVER shares held for 5,516 thousand LEI.

This transaction resulted in a gross gain of 814 thousand LEI.

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The amount of cash flow allocated so as to increase the operating capacity represents 3% of the aggregate amount of cash used in operating, investing and financing activities.

Within the financing activity, an amount of 26,239 thousand LEI was paid as dividends due to AEROSTAR shareholders.

The level of cash and cash equivalents recorded as on 30.09.2023 is 225,730 thousand LEI, down by 20,443 thousand LEI compared to the beginning of the year.

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

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

	<b>30 September 2023</b>	<b>31 December 2022</b>
• <b>Liabilities:</b>		
○ guarantees granted to partners as letters of bank guarantee and letters of credit	113	186
○ guarantees received from partners – as letters of bank guarantee and letters of credit	37.020	84.353
• <b>Goods, of which:</b>		
Inventories of other material released for use (tooling, jigs, fixtures, safety equipment, measuring and control equipment, technical library etc.)	45.006	42.240
○ o materials received in custody	2.239	2.239
○ o finished products received in custody	64	65
○ materials - customers	76	157
○ tangible and intangible assets – obtained or purchased as a result of co-financed activity	573	573
○ material values received for processing/repairs	26.454	29.328
○ supporting assets related to concession agreements- Hangar Iasi	2.477	2.477
○ fixed assets proposed for disposal	103	446
• <b>Other off-balance values, of which:</b>		
○ material guarantees established for the managers' liability for the management of assets	238	201
○ liabilities for covering certain future obligations to A.J.O.F.M. based on OUG 95/2002 regarding the defence industry	3.365	3.777
○ debtors removed from accounts, monitored further on	127	127
○ creditors	25	25
○ de minimis aid for participation to fairs and exhibitions	190	514
• <b>Greenhouse Gas Emission Certificates</b>	4.787	5.701

On 30 September 2023, AEROSTAR S.A. held a total of 11,931 greenhouse gas emission certificates. The market value on the last trading day of a GHG certificate was 80.66 euro, according to the European Energy Exchange website (in December 2022: 80.90 euro), at a re-evaluation exchange rate of 4.9746 lei/euro.

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**NOTE 29 – DIRECTORS’ REMUNERATION**

Board of Directors of AEROSTAR S.A. on 30.09.2023:

	<b>Surname and first name</b>	<b>Position</b>	<b>Profession</b>
▪	FILIP GRIGORE	President of the Board of Directors	Aviation engineer
▪	DAMASCHIN DORU	Vicepresident of the Board of Directors	Economist
▪	TONCEA MIHAIL - NICOLAE	Member of the Board of Directors	Aviation engineer
▪	DOROȘ LIVIU-CLAUDIU	Member of the Board of Directors	Economist
▪	VÎRNĂ DANIEL	Member of the Board of Directors	Legal Advisor

In 2023, did not grant advance payments or credits to the members of the Board of Directors and did not make any commitment on their account as a collateral of any kind.

In the Ordinary General Meeting of 16 December 2022, the shareholders of Aerostar agreed to freeze, at the level decided by the Ordinary General Meeting of Shareholders on 9 July 2020, the directors' remuneration **for the financial year 2023**, respectively:

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

The gross indemnities granted to the members of the Board of Directors in the period January-September 2023, by virtue of their responsibilities amounted to 1,294 thousand lei.

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## **NOTE 30 – RISK MANAGEMENT**

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

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

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 at its disposal own funds to cover the risks to which it is exposed, by setting up provisions for risks and related expenses.

Furthermore, in order to mitigate the operational risk, AEROSTAR renews each year 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 necessary, specific instruments of credit risk mitigation are requested (advance payments, letters of bank guarantee, confirmed letters of credit).



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

However, there is a remarkable exposure to the global market for Airbus programmes, with a large proportion of the company's products being incorporated into Airbus aircraft.

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

**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.

AEROSTAR is mainly exposed to the price risk caused by fluctuations in the price of raw materials and materials used in the production processes, caused by exceptional events such as the Brexit Agreement with impact on the supply of material from the UK, the imposition of international sanctions resulting in the limitation of the possibility to supply parts and materials, the increase in 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 82% of its turnover is related to USD and EUR, while a significant part of the operating expenses is denominated in LEI.

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

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

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

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

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**NOTE 31 – PREPAID EXPENSES AND INCOME**

	<b>30 September 2023</b>	<b>31 December 2022</b>
<b>Prepaid expenses (short-term)</b>	<b>1.170</b>	<b>617</b>
<b>Prepaid income (short-term)</b>	<b>3.016</b>	<b>1.876</b>

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 30 September 2023 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 September 30, 2023, 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).

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

**reporting period 30 September 2023**

	Values on 30 September 2023			Values on 01 January 2023		
	Gross amount	Cumulative depreciation	Net amount	Gross amount	Cumulative depreciation	Net amount
Account 251						
<b>Asset related to the right to use the land for the MRO Hangar in Iași</b>	1.916	(185)	1.731	1.907	(154)	1.753
<b>Total</b>	<b>1.916</b>	<b>(185)</b>	<b>1.731</b>	<b>1.907</b>	<b>(154)</b>	<b>1.753</b>

Net book value on 30.09.2023:

	Net amount on 01 January 2023	Re-evaluations in Q3 2023	Depreciation during the period	Net amount on 30 September 2023
<b>Asset related to the right to use the land for the MRO Hangar in Iași</b>	1.753	8	(30)	1.731

The right to use the land for the Maintenance Hangar in Iași was reassessed at the foreign exchange rate communicated by the National Bank of Romania on the last banking day of each reporting period (30 September 2023).

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**COMPARATIVE KEY FIGURES - ASSETS REGARDING THE RIGHTS TO USE THE LEASED ASSETS:**  
**reporting period 30 September 2022**

Account 251	Values on 30 September 2022			Values on 01 January 2022		
	Gross amount	Cumulative depreciation	Net amount	Gross amount	Cumulative depreciation	Net amount
<b>Asset related to the right to use the land for the Maintenance Hangar in Iași</b>	1.888	(144)	1.744	1.888	(115)	1.773
<b>Total</b>	<b>1.888</b>	<b>(144)</b>	<b>1.744</b>	<b>1.888</b>	<b>(115)</b>	<b>1.773</b>

	Net amount on 1 January 2022	Re-evaluations in Q3 2022	Depreciation during the period	Net amount on 30 September 2022
<b>Asset related to the right to use the land for the MRO Hangar in Iași</b>	1.773	-	(29)	1.744
<b>Total</b>	<b>1.773</b>	<b>-</b>	<b>(29)</b>	<b>1.744</b>

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

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

After the reporting date AEROSTAR S.A. has not identified any events likely to have an impact on the financial statements for 9 months of 2023.

These company financial statements that comprise the statement of financial position, statement of profit or loss, other comprehensive income, statement of changes in equity, statement of cash flows and explanatory notes to the financial statements were approved by the Board of Directors on 09 November 2023 and signed on its behalf by:

**Grigore FILIP,**  
**President & General Director**

**Doru DAMASCHIN,**  
**Vicepresident & Financial Director**