

**Romanian Air Traffic Services Administration
ROMATSA R.A.**

SEPARATE FINANCIAL STATEMENTS

**Prepared in accordance with
International Financial Reporting Standards**

**As of and for the year ended
31 DECEMBER 2022**

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(all amounts are presented in RON unless otherwise stated)

	<u>Notes</u>	<u>31 December 2022</u>	<u>31 December 2021</u>
<u>Assets</u>			
<i>Non-current assets</i>			
Property, plant and equipment	4	269,018,112	312,563,243
Intangible assets	5	105,821,253	70,073,779
Right-of-use of assets	6	22,988,941	22,516,510
Equity interestes in other entities	7	-	-
Financial investments - non-current	8	109,293,131	109,091,901
<i>Total non-current assets</i>		507,121,437	514,245,433
<i>Current assets</i>			
Inventories	9	13,261,058	12,113,681
Trade and other receivables	10	1,077,720,715	892,532,832
Prepaid expenses	11	18,259,702	18,680,094
Cash and cash equivalents	12	205,032,973	15,812,812
<i>Total current assets</i>		1,314,274,448	939,139,419
<u>Total assets</u>		1,821,395,885	1,453,384,852
<u>EQUITY AND LIABILITIES</u>			
<i>Equity attributable to owners of the parent</i>			
Share capital	13	376,954,042	376,954,042
Legal reserve	13	41,863,620	37,148,815
Other reserves	13	33,506,665	22,316,961
Retained earnings	13	10,320,033	(14,027,647)
<i>Total equity</i>		462,644,360	422,392,171
<i>Non-current liabilities</i>			
Borrowings	14	399,430,000	319,046,200
Lease liabilities long term	6	21,097,101	20,933,027
Other long-term liabilities	16	581,432	134,205
Deferred revenue long term	19	38,114,758	10,708,651
Employee benefit obligations long term	17	520,620,720	467,677,150
<i>Total non-current liabilities</i>		979,844,011	818,499,233
<i>Current liabilities</i>			
Borrowings short term	14	66,570,000	-
Lease liabilities short term	6	3,358,592	2,995,476*
Trade and other payables	15	39,343,584	39,323,426*
Other current liabilities	16	15,718,149	6,633,609*
Employee benefit obligations short term	17	204,553,011	129,464,306*
Provisions for risks and charges short term	18	48,312,414	33,516,777*
Deferred revenue short term	19	1,051,764	559,854

Notes 1 to 33 are an integral part of the individual IFRS Financial Statements.

(all amounts are presented in RON unless otherwise stated)

	<u>Notes</u>	<u>31 December 2022</u>	<u>31 December 2021</u>
<i>Total current liabilities</i>		378,907,514	212,493,448
<u>Total liabilities</u>		<u>1,358,751,525</u>	<u>1,030,992,681</u>
<u>Total equity and liabilities</u>		<u>1,821,395,885</u>	<u>1,453,384,852</u>

(*) In the present financial statements, the Company reviewed and corrected the classification of some amounts between balance sheet elements of the same nature as of 31.12.2021, without impacting total assets, total liabilities or total net assets. The changes regarding the comparative amounts are presented in the explanatory notes – 6, 15, 16, 17, 18.

The statement of financial position should be read together with the explanatory notes which form an integral part of these individual financial statements.

These financial statements were approved by management on 29.05.2023 and signed on its behalf by:

Felix Corneliu ARDELEAN

ADMINISTRATOR

Signature_____

Marius Adrian COJOC

GENERAL MANAGER

Signature_____

Cristian CÎTU - RADU

ECONOMIC MANAGER a.i.

Signature_____

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(all amounts are presented in RON unless otherwise stated)

	<u>Notes</u>	<u>2022</u>	<u>2021</u>
Turnover	21	1,349,009,969	995,854,688
Other operating income	22	5,306,450	6,954,143
Total operating revenues		<u>1,354,316,419</u>	<u>1,002,808,831</u>
Fuel expenses		(541,928)	(334,910)
Consumables, maintenance and repairs expenses	23	(6,220,089)	(3,867,113)
Personnel costs	24	(923,398,820)	(771,049,942)*
Depreciation, amortisation and impairment	25	(55,992,470)	(51,625,699)
Other operating expenses	26	(213,565,763)	(100,234,532)*
Total operating expenses		<u>(1,199,719,070)</u>	<u>(927,112,196)</u>
Operating Profit/Loss		154,597,349	75,696,635
Finance income	27	5,349,889	6,457,093*
Finance costs	28	(65,651,129)	(31,851,671)*
Finance costs – net		<u>(60,301,240)</u>	<u>(25,394,578)</u>
Profit/(Loss) before income tax		94,296,109	50,302,057
Income tax expense	29	(21,615,548)	-
[Profit/(Loss) for the year from continuing operations]		72,680,561	50,302,057
Other comprehensive income			
Actuarial gains/(losses) on post-employment defined benefit plan valuation	17	(32,428,372)	3,380,959
Post-employment defined benefit plan tax deferred		-	-
Other comprehensive income/(loss) for the period, net of tax		<u>(32,428,372)</u>	<u>3,380,959</u>
Total comprehensive income/(loss) for the period		40,252,189	53,683,016

(*) In the present financial statements, the Company has revised and corrected the classification of some amounts between income and expenditure elements on 12.31.2021, without impacting the net profit and the total comprehensive income. The changes regarding the comparative amounts are presented in the explanatory notes – 24, 25, 26, 27, 28.

The statement of comprehensive income should be read together with the explanatory notes that form an integral part of these individual financial statements.

These financial statements were approved by management on 29.05.2023 and signed on its behalf by:

Felix Corneliu ARDELEAN
ADMINISTRATOR

Marius Adrian COJOC
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STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

(all amounts are presented in RON unless otherwise stated)

	<u>Patrimony</u>	<u>Legal reserve</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Total</u>
Balance as at 1 January 2021	376,954,042	34,633,712	22,316,961	(65,195,560)	368,709,155
Comprehensive income					
Profit for the year 2021	-	-	-	50,302,057	50,302,057
Other comprehensive income					
Recognition of actuarial gain on defined benefit plan, net of tax	-	-	-	3,380,959	3,380,959
Increase in legal reserve	-	2,515,103	-	(2,515,103)	-
Total comprehensive income for the period	-	2,515,103	-	51,167,913	53,683,016
Balance as at 31 December 2021	376,954,042	37,148,815	22,316,961	(14,027,647)	422,392,171
Balance as at 1 January 2022	376,954,042	37,148,815	22,316,961	(14,027,647)	422,392,171
Comprehensive income					
Profit for the year 2022	-	-	-	72,680,561	72,680,561
Other comprehensive income					
Recognition of actuarial loss on defined benefit plan, net of tax	-	-	-	(32,428,372)	(32,428,372)
Increase in legal reserve	-	4,714,805	-	(4,714,805)	-
Increase in other reserves	-	-	11,189,704	(11,189,704)	-
Total comprehensive income for the period	-	4,714,805	11,189,704	24,347,680	40,252,189
Balance as at 31 December 2022	376,954,042	41,863,620	33,506,665	10,320,033	462,644,360

The statement of changes in equity must be read together with the explanatory notes that are an integral part of these individual financial statements. These financial statements were approved by management on 29.05.2023 and signed on its behalf by:

Felix Corneliu ARDELEAN

ADMINISTRATOR

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Marius Adrian COJOC

GENERAL MANAGER

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STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

(all amounts are presented in RON unless otherwise stated)

	<u>Notes</u>	<u>2022</u>	<u>2021</u>
Cash flows from operating activities			
Profit for the period		72,680,561	50,302,057
Adjustments to reconcile the net result with the net cash used in operating activities:			
Income tax expense	29	21,615,548	-
Deferred income tax	29	-	-
Adjustment of the value of tangible and intangible assets - net	25	52,709,394	48,653,955
Adjustment of rights of use assets	6	3,283,076	2,971,745
Adjustments regarding provisions for current assets - net	26	22,209,573	(13,401,239)
Adjustments regarding provisions for risks and expenses - net	26	16,867,907	1,834,128
Adjustments regarding provisions for employee benefits IAS 19 – net	17	(13,096,818)	(27,841,421)
Adjustments to provisions for other liabilities to employees - net	17	52,425,634	9,529,330
Net loss from the sale of tangible and intangible assets	22, 26	70,857	372,405
Income from operating subsidies	22	(133,155)	(3,713,488)
Interest income	27	(1,446,168)	(926,469)
Bank interest expenses	28	19,883,684	5,718,926
Interest expenses on leasing contracts IFRS 16	6, 28	481,292	407,339
(Gain)/ Net loss from IFRS 16 amendments	6	20,718	(47,718)
Interest expense related to the net liability for employee benefits IAS 19	17, 28	41,662,962	23,162,386
Effect of exchange rate variation on lease obligations IFRS 16	6	(29,205)	363,731
Increase/(decrease) in operating cash before changes in working capital		289,205,860	97,385,667
Changes in working capital - Increase/decrease in:			
Increase in balances of trade receivables and other receivables		(205,221,146)	(291,980,222)
(Increase)/Decrease in inventory balances		(1,208,334)	758
Increase in trade payables and other payables balances		74,133,791	45,918,002
Cash flows from operating activities		153,677,171	(148,675,795)
Bank interest paid		(19,883,684)	(5,718,926)
Interest paid IFRS 16	6	(455,423)	(399,262)
Benefits paid to employees IAS 19	17	(36,644,775)	(47,112,185)
Profit tax paid		(15,573,783)	-
Net cash from/(used in) operating activities		84,352,507	(201,906,168)
Cash flows from investing activities			
Cash payments for the purchase of land and fixed assets, intangible assets and other long-term assets		(40,116,847)	(29,547,758)

Notes 1 to 33 are an integral part of the individual IFRS Financial Statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

(all amounts are presented in RON unless otherwise stated)

	<u>Notes</u>	<u>2022</u>	<u>2021</u>
Income from sales of tangible assets		5,593	720
Interest income			-
Dividends received		1,446,168	2,201,930
Cash payment for the purchase of financial assets or short-term investments ceded		(201,230)	-
Cash receipts from bonds and treasury securities, deposits with maturity over 3 months		-	38,282,122
Net cash from/(used in) investing activities		(38,866,316)	10,937,014
Cash flows from financing activities:			
Cash receipts from loans guaranteed by the Government	14	146,953,800	186,946,200
Payments in cash leasing contracts IFRS 16	6	(3,219,830)	(3,288,081)
Net cash from financing activities		143,733,970	183,658,119
Net increase/ (decrease) in cash and cash equivalents		189,220,161	(7,311,036)
Cash and cash equivalents at the beginning of the financial year	12	15,812,812	23,123,848
Cash and cash equivalents at the end of the financial year	12	205,032,973	15,812,812

The attached notes from 1 to 33 form an integral part of these financial statements. These financial statements were approved by management on 29.05.2023 and signed on its behalf by:

Felix Corneliu ARDELEAN
ADMINISTRATOR

Marius Adrian COJOC
GENERAL MANAGER

Cristian CÎTU - RADU
ECONOMIC MANAGER a.i.

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1. GENERAL INFORMATION

RA ROMATSA (the Romanian Air Traffic Services Administration, "the Company" or "ROMATSA") was established on December 1, 1990 by Government Decision ("GD") no. 74/1991, amended by GD 731/1992, with subsequent amendments and additions, republished in the Official Gazette no. 500/20.07.2009, based on Law no. 15/1990 on the reorganization of state economic units as autonomous companies and commercial companies. The Company is fully owned by the Romanian State and it administers the State's public assets.

In accordance with art. 5 of Law no. 15 of 7 August 1990 regarding the reorganization of state economic units as autonomous companies and commercial companies, the Company owns the assets in its patrimony, and, for the exercise of its ownership title, the Company possesses, uses and disposes of, at its sole discretion, the assets in its patrimony or collects revenues therefrom, as the case may be, in order to attain the purpose for which it was established.

The address of the registered office of the Company is 10 Bd. Ion Ionescu de la Brad, District 1, Bucharest, Romania.

The main activities of the Company are the exploitation of Romania's airspace and the provision of air navigation services, including air traffic services, aeronautical communications services, navigation and supervision in the aeronautical field, aeronautical meteorological services, aeronautical information services. The main air navigation services provided by the Company are route services and terminal services. The Company is organized in two directions of air navigation services (DSNAR Arad and Constanța), a regional direction (DR Bucharest), 13 directions of air navigation services (DSNA Bucharest, Craiova, Oradea, Timișoara, Tulcea, Baia Mare, Satu Mare, Sibiu, Târgu Mureș, Iasi, Suceava, Cluj and Bacău) and the Central Administration.

The Company can be delegated by the Ministry of Transport to represent Romania in relations with the International Organization for Air Navigation Security EUROCONTROL.

On the date of authorization of these financial statements in accordance with IFRS for the financial year ended on 31.12.2022, members of the Board of Directors are the following:

- Ardelean Felix Corneliu – Chairman of the Board of Directors - appointed since 15.02.2023
- Burghiu David Alexandru - board member appointed since 15.02.2023
- Cupă Ion – board member appointed since 17.05.2023
- Grama Eduard - board member appointed since 15.02.2023
- Nedelcu Corvin - board member appointed since 25.11.2022
- Olteanu Elena Zinica - board member appointed since 15.02.2023
- Preoteasa Teodora Elena - board member appointed since 15.02.2023

Rates

a) Route activity

Commission Implementing Regulation (EU) 2019/317 of 11 February 2019 laying down a performance and charging scheme in the single European sky and repealing Implementing Regulations (EU) No 390/2013 and (EU) No 391/2013, represents the current legal framework for establishing the cost base of the tariffs, the calculation of the unit rates of the tariffs for airspace users, the adjustment according to inflation, the risk sharing mechanism in the matter of traffic, the mechanism of sharing the risks in the matter of costs.

Given the special situation generated by the COVID-19 pandemic, it was approved the Commission Implementing Regulation (EU) 2020/1627 of 3 November 2020 on exceptional measures for the third reference period (2020-2024) of the single European sky performance and charging scheme due to the COVID-19 pandemic.

Notes 1 to 33 are an integral part of the individual IFRS Financial Statements.

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Member States may exempt certain categories of flights from the payment of route charges, such as: military flights performed by aircraft of a Member State or of any third country, flights performed solely for the purpose of checking or testing equipment used or intended to be used as means of ground support for air navigation. Through the Regulation, Member States cover the costs of services that air navigation service providers have provided to flights exempted from en route or terminal air navigation charges.

In 1996, Romania acceded through Law no. 44/27.05.1996 to the EUROCONTROL International Convention, regarding cooperation for the safety of air navigation, concluded on 13 December 1960. Thus, air navigation services provided on the territory of Romania are subject to the decisions and procedures of the European Organization for the Safety of Air Navigation (EUROCONTROL) in what concerns the implementation of the common objectives in the field of air navigation and the measures necessary to ensure the safety and regularity of air traffic flows, as well as regarding the application of the common system of charging and collecting the remuneration of air navigation services provided to air operators (CRCO). Based on Annex IV "Provisions on the common system of route tariffs" to the EUROCONTROL Convention, it collects the amounts owed by air operators as compensation for the costs incurred by air navigation service providers and distributes them periodically. These amounts can only be used strictly for the provision of route air navigation services and ensuring their continuity and development.

EUROCONTROL invoices on behalf of ROMATSA the route air navigation services by applying a global unit rate of charge at a certain number of service units corresponding to such a flight:

- The global unit rate is composed of the national unit rate, established according to the Regulations and rules mentioned above, and the administrative unit rate, established by EUROCONTROL to cover its invoicing and rate collection services for route air navigation services;
- The route service unit for each flight represents the product of a distance factor flown in Romania's airspace and an aircraft weight factor.

b) Terminal activity

The tariffs for non-regulated terminal activity are charged for air navigation services provided in airport control areas and are approved by the Board of Directors of the Company. Charges are differentiated by airport, flight type and maximum take-off weight (MTOW). The tariffs for regulated terminal air navigation provided in the terminal area related to Bucharest Airports are subject to the provisions of Commission Implementing Regulation (EU) 2019/317 of February 11, 2019 establishing a performance and pricing system within the single European sky and of repealing the Implementing Regulations (EU) no. 390/2013 and (EU) no. 391/2013.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

a. Compliance with IFRS

The Company's financial statements have been prepared in accordance with:

- International Financial Reporting Standards (IFRS) adopted by the European Union and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS.
- Law no. 82 of 1991 republished and updated;
- Order no. 2844/12.12.2016 for the approval of the Accounting Regulations compliant with the International Financial Reporting Standards ("Order 2844").

Notes 1 to 33 are an integral part of the individual IFRS Financial Statements.

(all amounts are presented in RON unless otherwise stated)

b. Basis of valuation

The financial statements have been prepared on the deemed cost basis, except for intangible assets which are stated at historical cost as explained in the accounting policies. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

In the first set of financial statements prepared according to IFRS, the Company applied IAS 29 Financial reporting in hyperinflationary economies, correcting the historical cost of the share capital and of the legal reserves with the effect of inflation, until December 31, 2003. Such adjustments were recorded in the retained earnings account.

c. Functional and presentation currency

The items included in the financial statements are measured using the currency of the main economic environment in which the entity operates, which is the Romanian Leu or "RON" ("functional currency"). The Romanian leu is not convertible outside of Romania.

Non-monetary items denominated in another currency that are accounted for at cost are translated using exchange rates at the date of the original transaction. Non-monetary items denominated in foreign currency measured at fair value are translated using exchange rates at the date of determination of fair value.

d. Use of estimates and professional judgments

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates and the need for the application of professional judgments by Management in the process of implementing IFRS accounting policies.

Areas involving a higher degree of complexity or those in which assumptions and estimates have a significant impact on the financial statements are presented in Note 3 - "Critical accounting estimates and judgments".

e. Going concern

For the year ended on December 31, 2022, the Company recorded cumulative profits of RON 10,320,033 (on December 31, 2021: loss carried forward of RON 14,027,647), of which the net profit of the current financial year is RON 72,680,561 (the net profit of the financial year at 31.12.2021 is RON 50,302,057).

On December 31, 2022, the Company recorded positive equity in the amount of RON 462,644,360 (on December 31, 2021: positive net assets in the amount of RON 422,392,171).

On December 31, 2022, the current assets of the Company exceed the current liabilities by the amount of RON 931,622,606 (on December 31, 2021: the current assets exceed the current liabilities by the amount of RON 726,645,971).

Taking into account the budgeted figures, the Management considers that ROMATSA has sufficient liquidity to be able to meet its financial obligations when they become due for a period of at least one year.

Considering the above, the Management believes that ROMATSA will be able to carry out its activity in the foreseeable future and, consequently, the application of the principle of continuity of activity in the preparation of the individual financial statements is considered appropriate.

Notes 1 to 33 are an integral part of the individual IFRS Financial Statements.

2.2 Changes in accounting policies and information presentation

a) New standards and amendments adopted by the Company

For the financial year beginning on January 1, 2022, the following standards and amendments to standards were applicable for the first time:

- Property, Plant and Equipment: Proceeds before Intended Use - Changes to IAS 16;
- Onerous contracts: Cost of Fulfilling a Contract - Changes to IAS 37;
- Annual Improvements to various standards

Amendments to IAS 16 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022) – Property, Plant and Equipment: Proceeds before intended use. The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is ‘testing whether the asset is functioning properly’ when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. As such, an asset may be used according to management's plans and be impaired before it reaches the level of operating performance expected by management. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.

Amendments to IAS 37 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022) - Onerous contracts: Cost of Fulfilling a Contract. The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.

Annual Improvements to IFRS Standards 2018–2020. The amendments concern the following aspects:

- IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities.
- IFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.
- IFRS 1 First-time Adoption of International Financial Reporting Standards – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.
- IAS 41 Agriculture – removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

The changes are adopted by the European Union as of January 1, 2022.

b) (b) New standards, amendments and interpretations issued, but not applicable for the financial year ended on December 31, 2022, therefore not adopted:

The Company has not early adopted new or revised standards and interpretations that have been issued but have not yet entered into force, as they are not expected to have a significant impact on the entity in the current or future reporting periods and on foreseeable future transactions. In some cases, these standards have not yet been adopted by the EU.

Notes 1 to 33 are an integral part of the individual IFRS Financial Statements.

Amendments to IAS 1 (initially issued on 23 January 2020 and subsequently amended on 15 July 2020 and 31 October 2022, ultimately effective for annual periods beginning on or after 1 January 2024) – **Classification of Liabilities as Current or Non-current**. These amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. The October 2022 amendment established that loan covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Management’s expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. ‘Settlement’ is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity’s own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument.

Amendments to IAS 1 and IFRS Practice Statement 2 (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023) - **Disclosure of Accounting policies**. IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment provided the definition of material accounting policy information. The amendment also clarified that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. The amendment provided illustrative examples of accounting policy information that is likely to be considered material to the entity’s financial statements. Further, the amendment to IAS 1 clarified that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. To support this amendment, IFRS Practice Statement 2, ‘Making Materiality Judgements’ was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

Amendments to IAS 8 (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023) - **Definition of accounting estimates**. The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates.

Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023) - **Deferred tax on receivables and payables arising from a single transaction**. Amendments to IAS 12 specify how to account for deferred tax on transactions such as leases and decommissioning obligations. In specified circumstances, entities are exempt from recognizing deferred tax when they recognize assets or liabilities for the first time. Previously, there was some uncertainty as to whether the exemption applied to transactions such as leases and decommissioning obligations – transactions for which both an asset and a liability are recognised. The amendments clarify that the exemption does not apply and that entities are required to recognize deferred tax on such transactions. The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

2.3 Investments in associates

An associate is an entity over which the Company has significant influence, but not control, over the financial and operating policies usually by an interest between 20% and 50% in the share capital. Investments in associates are accounted for using the equity method and are initially stated at cost. The Company’s share in the profit or loss subsequent to the purchase is recognized in the profit and loss and its share in the reserves following the purchase is recognized in the statement of changes in equity, in other elements of the overall outcome.

The unrealized gains between the Company and associates are written off according to the interest in the share capital. Unrealized losses are written off if there is no evidence of impairment of an asset transferred between the Company and the associate. The associate’s reporting data match the Company’s and all the accounting policies comply with the Company’s in case of similar transactions and events, in similar circumstances.

Notes 1 to 33 are an integral part of the individual IFRS Financial Statements.

(all amounts are presented in RON unless otherwise stated)

2.4 Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are generally recognised in profit or loss. The exchange rates are as follows:

<u>Foreign currency</u>	<u>Symbol</u>	<u>Exchange rate</u> <u>(lei for 1 unit of foreign currency)</u>	
		<u>31 December 2022</u>	<u>31 December 2021</u>
US dollar	USD	4,6346	4,3707
Euro	EUR	4,9474	4,9481
Pound	GBP	5,5878	5,8951
Canadian dollar	CAD	3,4232	3,4192

Non-monetary assets and liabilities valued at historical cost or deemed cost in a foreign currency are translated using the exchange rate at the date of the transaction.

2.5 Property, plant and equipment

(a) Recognition and evaluation

Property, plant and equipment are valued at cost, less accumulated depreciation and any accumulated impairment losses recognized.

The costs of tangible assets in progress include material costs, costs to install and assemble, initial delivery and handling costs, costs for testing the correct operation of the asset, direct salaries and other costs directly attributable to bringing the asset to operating conditions

The adjustment for the impairment of unused or used tangible assets is registered in the financial statements to the extent they are identified.

In order to determine whether an item of property, plant and equipment measured at estimated cost is impaired, the Company applies IAS 36. At the end of each reporting period, the Company estimates whether there are indications of impairment of these assets, and if identified, the recoverable amount of the asset is estimated and the related impairment is registered. An impairment loss must be recognized immediately in profit or loss.

Any gains or losses from the disposal of a tangible asset are determined as the difference between the net proceeds from disposal and the carrying value of the element and are recognized in profit or loss as other revenues or other expenses.

(b) Subsequent costs

Capitalized costs with inspection and capital repairs are separate components of the corresponding assets or the corresponding groups of assets. Capitalized costs with capital repairs are amortized using the depreciation method for the base asset until the next repair.

Expenses with major repair activities include the cost of replacing the assets or parts of the assets, inspection costs and capital repair costs. These expenses are capitalized if an asset or part of an asset that has been depreciated separately is replaced and is likely to result in future economic benefits, and if the recognition criteria are met.

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(all amounts are presented in RON unless otherwise stated)

If a part of the replaced asset was not considered a separate component and therefore was not depreciated separately, the replacement value is used to estimate the net carrying amount of the replaced asset that is immediately scrapped. All other costs of current repairs and usual maintenance are directly recognized in expenses.

(c) Depreciation of tangible assets

Depreciation is calculated to reduce the gross value (cost) using the straight line method throughout the useful life (period in which an asset is estimated to be available for use) of tangible assets and the components thereof, which are used separately.

The estimated useful lives used for the main categories of tangible assets are as follows:

Fixed assets	Estimated useful life (years)
Buildings and special constructions	8-48 (mainly 40)
Machines, equipment and vehicles	4-18 (mainly 12)
Other tangible assets	4-24 (mainly 15)

The residual value of the asset and the useful life of the asset are revised at least at the end of the financial year.

Assets are depreciated when they become ready for use, i.e. when they are in the required location and condition to operate as intended by the management.

Depreciation of an asset ceases at the earliest of when the asset is classified as held for sale (or included in a disposal group that is classified as held for sale in accordance with IFRS 5) and the date when the asset is derecognised. Therefore, depreciation does not cease when the asset is not used unless it is fully depreciated.

The Company calculates and records expenses for the depreciation of intangible assets starting with the month in which it was put into operation, acquired, available for use. The company does not calculate and record expenses for the depreciation of property, plant and equipment in the month of inventory outflow.

Land and buildings are separable assets and are accounted for separately even when they are acquired together.

Land and non-current assets in progress are not depreciated.

If the cost of land comprises costs for decommissioning, removal, restoration, then such costs are amortised throughout the period when benefits are obtained as a result of incurring such costs.

Non-current assets in progress are depreciated when they become ready for use, i.e. when they are in the required location and condition to operate as intended by the management.

2.6 Public patrimony

Law no. 213/1998 on public property and its legal regime regulates the status of the public domain. This law states that ownership of public property belongs to the state or local authorities that can lease or grant property which is public property. GD no. 624/2010 regarding the amendment of annex 16 to HG no. 1705/2006 for the approval of the centralized inventory of goods in the public domain of the state, establishes in annex no. 16 the immovable assets (land) that make up the public domain of the state through the Ministry of Transport (MTI) under the Company of ROMATSA. Also by HG no. 359/2016 regarding the updating of the inventory value of a building located in the public domain of the state and under the Company of the Ministry of National Defense and for the transfer of parts of buildings located in the public domain of the state from the Company of the Ministry of National Defense to the Company of the Ministry of Transport were received for use two lands in the public domain of the state.

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For the right to use the lands that belong to the public patrimony, the Company does not have to pay any user fee. The Company recognizes the right to use lands that belong to the public patrimony as tangible assets. The value of land in the public domain of the state under the Company of the Company is recorded in off-balance sheet accounts.

The patrimony represents the State's contribution, consisting of the assets transferred to the Company upon its establishment.

2.7 Intangible assets

Intangible assets representing software are recognised according to the acquisition cost, less the cumulated amortization and any recognized impairment. The acquisition costs of software are capitalized and treated as intangible assets if they meet the recognition criteria provided by IAS 38 "Intangible assets" (these are not an integral part of a hardware equipment or they derive from contractual rights).

Intangible assets are amortized on a straight-line basis throughout their useful life. Software is amortized on a straight-line basis over 3 years, except for the software SOFTWARE ATM SYSTEM 2015+ which is amortized linearly over a period of 12 years.

In order to determine whether an intangible asset measured at cost is impaired, the Company applies IAS 36. At the end of each reporting period, the Company estimates whether there are indications of impairment of those assets, and if they are identified, the recoverable amount of the asset is estimated and the related impairment is registered. An impairment loss must be recognized immediately in profit or loss.

2.8 Inventories

In accordance with IAS 2 – Inventories, these are assets which are:

- held for sale in the ordinary course of business;
- in the process of production for such sale; or
- in the form of materials or supplies to be consumed in the production process or in the rendering of services;

Inventories are stated at the lower of cost and net realizable value. Net realizable value represents the selling price estimated in the normal course of business less estimated costs of completion and costs necessary to make the sale. For stock of raw materials and obsolete or slow moving materials, and non-marketable finished goods the Company makes adjustments based on the management's estimates.

Inventory impairments are set up and reversed on the account of profit or loss.

The Company uses the First-In-First-Out (FIFO) method to determine the write-off cost of materials. For finished products, the standard cost is used for registration and deregistration. At the end of each month, on an accrual basis, the actual cost of the products obtained is determined.

2.9 Financial instruments

(i) Non-derivative financial assets

The Company initially recognizes receivables at the transaction date. Any other financial assets are initially recognized on the date the Company becomes a party to the contractual provisions of a financial instrument. The Company derecognizes a financial asset when the contractual rights to the cash flows arising from the financial asset expire or transfers the rights to collect the contractual cash flows from the financial asset through a transaction in which all the risks and rewards of ownership of the financial asset are transferred. The Company separately recognizes as assets or liabilities any rights and obligations created or retained in the transfer.

Financial assets and liabilities are offset and presented at net value in the statement of financial position when the Company has the legal right to offset and intends to either offset on a net basis or realize the asset and settle the liability simultaneously.

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(all amounts are presented in RON unless otherwise stated)

The non-derivative financial assets of assets are represented by financial investments, trade receivables and cash and cash equivalents.

Financial investments

Financial investments include short-term bank deposits with maturities of more than three months and less than one year and financial assets held to maturity. These investments are initially recognized at fair value plus transaction costs directly attributable to the acquisition. After initial recognition, financial investments are valued at amortized cost using the effective interest method, less the amount of impairment losses.

Trade receivables

Trade receivables include invoices issued at nominal value and estimated receivables related to services rendered. Trade receivables are initially recorded at fair value. Subsequent to initial recognition, receivables are recorded at amortized cost using the effective interest method, less loss allowance. The amortized cost of receivables approximates the nominal value, due to the short settlement period.

Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

Held-to-Maturity Investments

If The Company has the intention and ability to hold financial securities until maturity, then these financial assets are classified as held-to-maturity investments.

Held-to-maturity financial assets are initially recognized at fair value plus directly attributable transaction costs. After initial recognition, held-to-maturity financial assets are valued at amortized cost using the effective interest method, less the amount of impairment losses.

Any sale or reclassification before maturity of an insignificant higher value of held-to-maturity investments and which does not occur close to their maturity results in the reclassification of all held-to-maturity investments in the category of available-for-sale assets and the Company will no longer be able to classify investment instruments as held to maturity in the current year and the next two financial years.

(ii) Non-derivative financial liabilities

The Company initially recognizes financial liabilities on the date the Company becomes a party to the contractual provisions of a financial instrument. The Company derecognizes a financial liability when the contractual obligations are extinguished or canceled or expire.

The Company classifies non-derivative financial liabilities in the category of other financial liabilities. Such financial liabilities are initially recognized at fair value less directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are valued at amortized cost using the effective interest method.

Financial assets and liabilities are offset and presented at net value in the statement of financial position when the Company has the legal right to offset and intends to either offset on a net basis or realize the asset and settle the liability simultaneously. The non-derivative financial liabilities of the Company include trade and other current liabilities.

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Liability

A debt is a present obligation of the company arising from past events and the settlement of which is expected to result in an outflow of resources embodying economic benefits.

A liability is accounted for and presented in the financial statements when it is probable that an outflow of economic benefits will result from the liquidation of a present obligation and the amount at which such settlement is made can be reliably measured.

Current liabilities are those liabilities that are payable over a period of up to one year.

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

- a) it is expected to be settled in the ordinary course of the Company's operating cycle;
- b) it is held primarily for trading purposes;
- c) it is payable within 12 months from the balance sheet date; or
- d) the Company does not have the unconditional right to defer the payment of the liability for at least 12 months as of the balance sheet date.

All the other liabilities must be classified as **long-term liabilities**.

Liabilities are stated at amortized cost. Deferred income classified as long-term liabilities are discounted using the effective interest method. The discount rate used for this purpose is the rate determined according to the Company's procedures developed by the management of the company.

The Company derecognizes a liability when the contractual obligations are paid, cancelled or expire.

If the goods and services provided in connection with the current activities were not invoiced, but the delivery was made and the value is available, the respective obligation is recorded as a liability.

2.10 Depreciation of assets

Non-derivative financial assets (including receivables)

A financial asset not designated at fair value through profit or loss including interest related to a financial investment is evaluated at the end of each reporting period to determine whether there is any objective evidence that the asset is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of an event that occurred after the initial recognition of the asset, and if that loss event has a negative impact on the estimated future cash flows of the financial asset that can be estimated in reasonably. Objective evidence that a financial asset is impaired may include default by a debtor or indications that a debtor is entering bankruptcy. The Company considers the evidence of impairment of receivables based on a specific and general analysis. In assessing the impairment of receivables at a specific level, the Company considers customers in litigation, likely to enter a state of bankruptcy or insolvency, or with a history of bad payments. The assessment of impairment at the general level is based on the historical analysis of the probability of non-collection.

An impairment loss in respect of a financial asset carried at amortized cost is determined as the difference between the carrying amount of the financial asset and the present value of the estimated future cash flows, discounted at the current market rate of return for similar financial assets.

Non-financial assets

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(all amounts are presented in RON unless otherwise stated)

The carrying amounts of non-monetary assets other than inventories and deferred taxes are reviewed at each reporting date to determine whether there are any indications of impairment. The impairment loss is recognized at the level of the difference between the book value of the asset and the recoverable amount. Recoverable value is the higher of fair value less costs to sell and value in use. For the purpose of assessing an impairment loss, the asset or the smallest group of assets that includes the asset under consideration and that generate independent cash inflows (cash-generating units) will be identified. Impaired non-financial assets, except goodwill, are reviewed annually to assess a possible reversal of the impairment loss.

Fair value less costs to sell represents the price of a firm commitment to sell in an arm's length transaction, adjusted for the costs of disposing of the asset. If there is no firm commitment to sell, but the asset is traded in an active market, fair value less costs to sell is the market price of the asset less costs to dispose of the asset. If there is no firm commitment to sell and the asset is not traded in an active market, the fair value less costs to sell is estimated to be the value that the Company can obtain from the disposal of the asset in an arm's length transaction after deducting costs disposal, taking into account the results of recent transactions with similar assets in the same sector of activity.

The value in use of an asset is the present value of the cash flows expected to be obtained from the use of the asset or cash-generating unit and from its disposal. Value in use is calculated by applying a reasonable pre-tax discount rate to the forecasted cash flows. The estimate of cash flows is based on those assumptions that represent management's best judgments regarding the economic conditions that will exist over the useful life of the asset.

2.11 Distribution of profit to the owner

According to IAS 1 Presentation of financial statements, owners are the holders of instruments classified as equity.

According to OG 64/2001, the Company allocates profit as payments to the State budget. These are recognized as equity distributions in the period in which their distribution is approved.

2.12 Employee benefits

Employees' short-term benefits principally include salaries and social security contributions and other benefits as per the individual employment contracts, collective employment contracts/agreements in force. In the normal course of business, the Company makes payments to the Romanian State for its employees for social security. All employees of the entity are members of the Romanian State pension plan. The employees' short-term benefits are recognized as expenses as the services are provided.

Other long-term employees' benefits. The Company's net obligation as regards long-term benefits granted to employees, other than the pension plans, is the value of future benefits that employees earned in exchange for services provided in the current and previous period. Such benefit is discounted to determine its fair value and the fair value of any related asset is deducted. Such benefits are estimated using the projected unit credit method. Any actuarial gains or losses are recognized to profit or loss as they arise. Other long-term employee benefits are represented by anniversary bonuses.

Termination benefits are recognized as expense when the Company is obviously engaged in a detailed official plan for the termination of the employment contract and without any realistic possibility to abandon such plan, prior to the normal retirement date or for granting benefits for termination of the employment contract further to an offer advanced in order to encourage voluntary redundancy. In the latter case, termination benefits are charged against income when the Company has advanced an offer of voluntary redundancy, when it is probable that the offer will be accepted and the number of employees who will accept the offer may be reasonably estimated.

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions to a separate entity (a fund) and will not have any legal or implicit obligation to pay additional contributions if the fund

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does not hold sufficient assets to pay all of the employees' benefits related to the service provided by the employee in the current and prior periods.

Liabilities for retirement defined contribution plans are recognized as expense with employee benefits in profit or loss in the periods when the services are provided by employees. Prepaid contributions are recognized as asset if it is possible to repay them in cash or to reduce future payments.

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net liabilities with defined benefit plans are calculated separately for each separate plan by estimating the value of future benefits that the employees obtained for the services provided in the current and prior periods. Such benefits are discounted at present value, the discount value being obtained as the arithmetic average between fixing bid and ask yields of the National Bank of Romania (NBR) for 10-year Government bonds. The benefits refer to retirement premiums.

The calculation is conducted annually by a qualified actuary using the projected unit credit method. When a plan's benefits are increased, the share of the additional benefit related to services previously provided by employees is recognized immediately in the profit or loss.

The Company has adopted IAS 19 "Employee benefits" (2011) with January 1, 2012 as the initial application date and has changed the method of recognizing actuarial gains and losses from defined benefit plans. They are recognized as other elements of the overall outcome while all the expenses related to defined benefit plans are recognized to the profit or loss account of the period.

The Company recognizes gains and losses from the decrease or settlement of a defined benefit plan when the decrease or settlement occurs. The gains or losses from the decrease or settlement include any change in the fair value of the plan's assets, any change in the present value of the liability for the defined plan, any related actuarial gains and losses and the cost of prior services not previously recognized.

Any actuarial estimation is subjective and different experts may have different estimation approaches and may use different assumptions. The actual future expenses will not be the same as those estimated and may deviate significantly from the estimates made. The calculations are based on certain assumptions that are presented in the financial statements and the derived values are dependent on them. The assumptions are, ultimately, the responsibility of the management of the Company.

2.13 Provisions

A provision is recognized only when the following conditions are met: the Company has a present (legal or constructive) obligation as a result of a past event; it is probable (namely, more probable than improbable) that an outflow of resources embodying economic benefits will be required to settle the obligation; when a reliable estimate can be made of the amount of the obligation. When the effect of the time value of money is significant, the value of a provision is the present value of expenses provided to be required to settle the obligation. If an outflow of resources embodying economic benefits is not likely to be needed to settle the obligation, the provision must be reversed.

2.14 Contingent liabilities

Contingent liabilities are not recognized in the accompanying financial statements. They are presented if an outflow of resources embodying economic benefits is possible, but not probable.

A contingent asset is not recognized in the accompanying financial statements, it is presented when an inflow of resources embodying economic benefits is probable.

2.15 Revenue recognition

Notes 1 to 33 are an integral part of the individual IFRS Financial Statements.

Revenues are recognized when it is probable that the economic benefits associated with the transaction will flow to the Company, and the amount of the revenue may be accurately determined. Revenues mainly represent en route, terminal and other services provided by the Company, at a certain point in time.

EUROCONTROL, the authority regulating charges for the route and terminal activity of ROMATSA has established, for the periods 2011 – 2014 and 2015 – 2019 and 2020-2024, the obligation to recover the over/under-charges resulting from variations between the estimated traffic loads and inflation, and the real ones. The effects of such over/under-charges in each current period will be recovered by ROMATSA, by adjusting the charges levied 2 years after the year generating the above-mentioned variations.

The changes in traffic flows following the geopolitical crises, more favourable economic development than planned in the past years, as well as a significant reduction in real inflation, have caused significant fluctuations in traffic volumes, i.e. inflation rates for the second reference period, 2015-2019.

Such variations resulted in an overcharging in the current period, and the Company expected the authority to recover such amounts by adjusting the charge levied by the Company in future periods, according to the provisions of the regulation mentioned above.

In conclusion, the second reference period was characterized by an excess of the number of service units forecasted according to the DANUBE FAB Performance Plan for the second reference period (2015-2019). Thus, the Company reimbursed to the airspace users the additional revenues obtained by applying the risk-sharing mechanism in terms of traffic.

According to the Commission's Implementing Decision (EU) 2018/1782 of 15 November 2018, it was allowed to revise Romania's key performance targets for 2018 and 2019, so that revenue adjustments for the application of the mechanism for sharing traffic risk and for the application of the inflation adjustment mechanism were considerably lower in 2018 and 2019.

At the beginning of 2020, the Company submitted to the European Commission a Draft Performance Plan for the third reference period (2020-2024) in accordance with the Commission's Implementing Regulation (EU) 2019/317 of 11 February 2019 to lay down a performance and charging scheme in the single European sky and repealing Implementing Regulations (EU) No 390/2013 and (EU) No 391/2013. In the context of the COVID-19 pandemic which led to a sharp drop in air traffic caused by a significant reduction in demand, the European Union adopted Commission Implementing Regulation (EU) 2020/1627 of 3 November 2020 on exceptional measures for the third reference period (2020-2024) of the single European sky performance and charging scheme due to the COVID-19 pandemic, which modifies provisions in the (EU) Regulation 2019/317

Thus, according to art. 5, para. 4 of the Regulation, the adjustments for the period 2020-2021 are calculated on the basis of the draft performance plans relevant for setting the unit rates and the current costs and air traffic, and these must be distributed equally over a period of 5 to 7 calendar years, as of the following year to that in which the performance plan was adopted. More specifically, the cumulative loss of revenue for the period 2020-2021 will be recovered, starting with 2023, over a period of 7 years, by increasing the tariff received from the airspace users for the services provided.

IFRS 15 Revenues from contracts with customers provides that the Company must assess revenues from contracts with customers at the value of the consideration that the Company estimates being entitled to in exchange of the transfer of services and goods promised to a customer. The value of the consideration may vary as a result of discounts, rebates, repayments, incentives, performance bonuses or other similar elements.

Revenues must be measured at the fair value of the consideration received or to be received.

2.16 Financial income and expenses

Financial income includes interest income and FX differences as a result of the measurement, at the end of each reporting period, of foreign currency receivables and liabilities. Interest income is recognized in the statement of Notes 1 to 33 are an integral part of the individual IFRS Financial Statements.

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the overall outcome in the period referred to, by reference to the outstanding capital, using the effective interest method.

The financial expenses include the interest expenses related to the long-term loan contracted by the company in 2020, the interest related to the leasing contracts recognized according to IFRS 16 Leasing and the expenses from the exchange rate differences as a result of the evaluation, at the end of each reporting period, of the receivables and liabilities in foreign currency. In the category of financial expenses is included the value of the amount paid over the nominal value of the government bonds distributed until their maturity.

FX gains and losses are presented as net value.

2.17 Income tax

Income tax consists of current and deferred tax. Current and deferred tax is recognized in profit or loss, except if it refers to elements directly recognized in equity or other elements of the overall outcome.

The current tax is the estimated tax payable or receivable, calculated based on the annual tax result, using the tax rate in force on the date of the financial statements, adjusted by previous years' corrections.

Deferred tax is obtained by applying the balance sheet method on the temporary differences between the book value and tax base of balance sheet items. Deferred tax is calculated based on the tax rates provided by the legislation in force for the period when the temporary difference occurs.

Deferred tax-asset is recognized only if it is probable to obtain taxable profit in the future, so that tax losses carried forward and temporary differences may be used. Deferred tax-asset is reduced if the tax benefit is improbable to be realized.

Deferred tax assets and liabilities are offset if there is a legal right to set off current tax liabilities and assets, and which related to taxes levied by the same tax authority from the same taxable entity.

The effect of the change of tax rates on deferred tax is recognized in the profit or loss except if it refers to the lines previously recognized in equity.

2.18 Subsidies

Subsidies are recognized as income when there is a reasonable assurance that they will be received and that the Company meets the subsidy conditions. Subsidy income is registered in the statement of the overall outcome under "Other operating income".

2.19 Subsequent events

The accompanying financial statements reflect events after the end of the year, which provide additional information about the position of the Company at the balance sheet date or those that indicate a possible violation of the going concern principle (events that cause adjustments). Subsequent events that are not adjusting events are disclosed in the notes when considered significant.

2.20 New Standards, Amendments and Interpretations

A number of new standards, amendments to standards and interpretations are applicable to annual periods beginning on January 1, 2023 and have not been applied in the preparation of these financial statements. None of the new standards are expected to have a significant effect on the Company's individual financial statements.

Notes 1 to 33 are an integral part of the individual IFRS Financial Statements.

3. ACCOUNTING ESTIMATES, ASSUMPTIONS AND FUNDAMENTAL REASONING

The preparation of financial statements in accordance with IFRS requires the use of estimates from the Company's management, judgments and assumptions that affect the application of accounting policies, as well as the reported value of assets, liabilities, income and expenses. Actual results may differ from these estimates, depending on changes in the assumptions used and economic conditions different from those originally forecast.

Estimates and assumptions are reviewed periodically. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period in which the estimate is revised and future periods if the revision affects both the current period and future periods.

Provisions

At the end of each period, the Company establishes provisions, based on a reasonable estimate of the expenditure necessary to settle current obligations. The Company recognizes provisions in accordance with the accounting policy presented in Note 2. Provisions are reviewed at each reporting and adjusted to reflect the most reasonable estimates.

The Company also recognizes provisions for benefits granted to employees in accordance with IAS 19 "Employee benefits" as presented in the accounting policy mentioned in Note 2. According to the collective labor agreement and individual labor contracts, the Company provides cash benefits to employees, upon retirement, depending on length of service and the category of personnel to which he belongs in accordance with the individual employment contract. The Company makes estimates on the number of employees who will retire in the following years, on the probability of a reduction in the number of employees, on the inflation rate and the discount rate, and recognizes provisions based on these estimates (Note 17).

Adjustments for impairment of receivables

The assessment for impairment of receivables is performed individually and is based on management's best estimate of the present value of the cash flows expected to be received. The Company reviews its commercial and other receivables at each financial statement date, in order to assess whether it should record an impairment in the profit and loss account. Management's professional judgment is required in particular for estimating value and coordinating future cash flows when determining the impairment loss. These estimates are based on assumptions regarding several factors, and actual results may differ, resulting in future changes in adjustments. Adjustments for the impairment of customer receivables for route and terminal navigation services are determined by applying the simplified method in IFRS 9 Financial Instruments and is based on the default rate taking into account the last 5 years of historical data.

Adjustments for depreciation of fixed assets

In accordance with IAS 36, tangible and intangible assets are analyzed to identify whether they show signs of impairment at the balance sheet date. If the net book value of an asset is greater than its recoverable amount, an impairment loss is recognized to reduce the net book value of that asset to the level of the recoverable amount. If the reasons for recognizing the impairment loss disappear in subsequent periods, the net book value of the asset is increased to the level of the net book value, which would have been determined if no impairment loss had been recognized.

Investments held to maturity

In order to classify the financial assets as held to maturity, the Company's management uses its professional judgment. Because the Company has the ability and intention to hold government securities and bonds until maturity, they have been classified as held-to-maturity investments.

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(all amounts are presented in RON unless otherwise stated)

4. PROPERTY, PLANT AND EQUIPMENT

<u>Property, plant and equipment</u>	<u>Land and buildings</u>	<u>Machinery, equipments and vehicles</u>	<u>Other tangible assets</u>	<u>Tangible assets in progress and advances for tangible assets</u>	<u>Total</u>
As at 1 January 2021					
Cost	231,767,608	292,162,138	12,508,352	38,744,567	575,182,665
Cummulated depreciation	(87,213,051)	(157,077,029)	(5,830,829)	-	(250,120,909)
Cummulated impairment	(5,971,678)	(2,969,427)	(159,023)	(829,163)	(9,929,292)
Net book value	<u>138,582,879</u>	<u>132,115,682</u>	<u>6,518,500</u>	<u>37,915,403</u>	<u>315,132,464</u>
<u>Financial year ended at 31 December 2021</u>					
Initial net book value	138,582,879	132,115,682	6,518,500	37,915,403	315,132,464
Additions	-	56,235	-	35,379,871	35,436,105
Transfers from construction in progress	1,129,247	7,567,352	567,914	-	9,264,512
Disposals	(196,188)	(518,426)	(278,550)	(9,233,103)	(10,226,267)
Cummulated depreciation of disposals	24,633	381,550	211,863	-	618,046
Depreciation charge	(10,433,538)	(26,356,101)	(880,107)	-	(37,669,746)
Impairment losses reverse	409	4,529	3,191	-	8,129
Final net book value	<u>129,107,442</u>	<u>113,250,820</u>	<u>6,142,810</u>	<u>64,062,171</u>	<u>312,563,243</u>
As at 31 December 2021					
Cost	232,700,667	299,267,298	12,797,715	64,891,335	609,657,015
Cummulated depreciation	(97,621,956)	(183,051,580)	(6,499,073)	-	(287,172,609)
Cummulated impairment	(5,971,269)	(2,964,898)	(155,832)	(829,163)	(9,921,163)
Net book value	<u>129,107,442</u>	<u>113,250,820</u>	<u>6,142,810</u>	<u>64,062,171</u>	<u>312,563,243</u>
<u>Financial year ended at 31 December 2022</u>					
Initial net book value	129,107,442	113,250,820	6,142,810	64,062,171	312,563,243
Additions	-	133,234	-	44,711,676	44,844,910
Transfers from construction in progress	6,164,538	17,315,943	717,170	-	24,197,651
Disposals	(500,702)	(2,523,955)	(39,204)	(75,786,336)	(78,850,197)
Cummulated depreciation of disposals	466,542	2,487,487	33,381	-	2,987,410

Notes 1 to 33 are an integral part of the individual IFRS Financial Statements.

(all amounts are presented in RON unless otherwise stated)

<u>Property, plant and equipment</u>	<u>Land and buildings</u>	<u>Machinery, equipments and vehicles</u>	<u>Other tangible assets</u>	<u>Tangible assets in progress and advances for tangible assets</u>	<u>Total</u>
Depreciation charge	(10,224,826)	(25,631,407)	(895,947)	-	(36,752,180)
Impairment losses reverse	4,657	22,306	311	-	27,274
Final net book value	125,017,651	105,054,428	5,958,521	32,987,512	269,018,112
As at 31 December 2022					
Cost	238,364,503	314,192,521	13,475,681	33,816,675	599,849,380
Cummulated depreciation	(107,380,240)	(206,195,499)	(7,361,639)	-	(320,937,378)
Cummulated impairment	(5,966,612)	(2,942,593)	(155,521)	(829,163)	(9,893,889)
Net book value	125,017,651	105,054,428	5,958,521	32,987,512	269,018,112

Notes 1 to 33 are an integral part of the individual IFRS Financial Statements.

(all amounts are presented in RON unless otherwise stated)

Lands and buildings

The lands registered in these financial statements at the beginning of 2022 amount to RON 5,666,696, and at the end of 2022 their value has not changed. The amount from the beginning of 2021 also included the value of RON 158,798 for three lands in the public domain of territorial administrative units that were erroneously tabulated as being the property of the Company. In the course of 2021, the land book extracts were updated to correct material errors and the lands worth RON 158,798 were reclassified in off-balance sheet accounts "Goods received under Company, concession and rent".

The buildings include headquarters and special constructions necessary for air traffic control equipment located in the territory.

Technical installations and machines

Machinery, equipment and vehicles mainly include air traffic control systems (RADAR, signalling, IT and communications equipment, weather stations, etc.) and road vehicles.

The Company commits to significant investments, as part of the Operational Concept in accordance with HG 536/2000.

The normative act provides for a program to modernize the Romanian Air Traffic Management (ATM) system and involves significant improvements for the existing systems and processes.

During the period ended on December 31, 2022, the Company transferred from the account of fixed assets in progress equipment and software representing, mainly, improvements to the communication and air traffic management systems, weather equipment, for the own production of green energy , for modernization of control towers as well as equipment intended for use on the ground.

Other tangible assets

Other tangible assets consist of furniture and office equipment.

Assets in progress

Among the assets in progress, one of the most significant amounts is the one related to the "PBN infrastructure insurance" investment objective, namely 15 DME systems, worth RON 13,982,722.28.

5. INTANGIBLE ASSETS

	<u>Intangible assets</u>	<u>Intangible assets in progress and advances for intangible assets</u>	<u>Total intangible assets</u>
As at 1 January 2021			
Cost	169,031,706	1,213,473	170,245,179
Cummulated depreciation	(90,239,521)	-	(90,239,521)
Net book value	<u>78,792,185</u>	<u>1,213,473</u>	<u>80,005,658</u>
<u>Financial year ended at 31 December 2021</u>			

Notes 1 to 33 are an integral part of the individual IFRS Financial Statements.

(all amounts are presented in RON unless otherwise stated)

	<u>Intangible assets</u>	<u>Intangible assets in progress and advances for intangible assets</u>	<u>Total intangible assets</u>
Initial net book value	78,792,185	1,213,473	80,005,658
Additions	1,897,384	-	1,897,384
Disposals	(1,484,797)	-	(1,484,797)
Cummulated amortization of disposals	647,873	-	647,873
Amortization charge	(10,992,338)	-	(10,992,338)
Net book value	68,860,307	1,213,473	70,073,779
As at 31 December 2021			
Cost	169,444,293	1,213,473	170,657,766
Cummulated depreciation	(100,583,986)	-	(100,583,986)
Net book value	68,860,307	1,213,473	70,073,779
<u>Financial year ended at 31 December 2022</u>			
Initial net book value	68,860,307	1,213,473	70,073,780
Additions	51,754,506	1,190,929	52,945,435
Disposals	(53,270)	(1,213,473)	(1,266,743)
Cummulated amortization of disposals	53,270	-	53,270
Amortization charge	(15,984,489)	-	(15,984,489)
Net book value	104,630,324	1,190,929	105,821,253
As at 31 December 2022			
Cost	221,145,529	1,190,929	222,336,458
Cummulated depreciation	(116,515,205)	-	(116,515,205)
Net book value	104,630,324	1,190,929	105,821,253

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses and include computer software.

The largest part of the intangible assets is the investment in the ATM 2015+ routing system, Step 1, Phase 1, in the total amount of RON 76,386,264 for which amortization is calculated starting from June 2020 over an estimated life period of 12 years.

Other important intangible assets entered in 2022 are software and licenses for air traffic control equipment ATM System 2015+ Phase II, worth RON 31.292.240,31 and for the DPS system, worth RON 17,115,449.87.

6. RIGHT-OF-USE ASSETS AND LEASING LIABILITIES

6.1 Amounts recognized in the balance sheet

The impact of the application of IFRS 16 by the Company consists in the recognition of a right of use as an asset, respectively a liability regarding leasing for existing contracts on January 1, 2019, which led to an increase in the value of tangible assets and liabilities by RON 24,555 thousand. At the beginning of 2022, the value of the right to use the leased assets was RON 22,516,510 and at the end of 2022 this value reached RON 22,988,941. In the statement of profit or loss of the financial year 2022, the Company reported depreciation expenses in the amount of RON 3.283.076 and interest expenses in the amount of RON 481,292, instead of rent expenses.

Notes 1 to 33 are an integral part of the individual IFRS Financial Statements.

(all amounts are presented in RON unless otherwise stated)

a) Right-of-use assets

	RON	RON
	31 December 2022	31 December 2021
Land	2,049,480	2,248,309
Buildings	18,884,003	18,493,031
Equipment	432,810	-
Other	1,622,648	1,775,170
Total	22,988,941	22,516,510

b) Lease liabilities

	RON	RON
	31 December 2022	31 December 2021 (*)
Current lease liabilities	3,358,592	2,995,477 (*)
Non-current lease liabilities	21,097,101	20,933,027
	24,455,693	23,928,504

(*) In the present financial statements, the Company reviewed the classification of the elements presented in the balance sheet and corrected the classification of debts towards fixed assets suppliers related to leasing contracts on 31.12.2021, in the amount of RON 132,648, from the line "Trade and other payables" (under the "Current liabilities" section) into the line "Lease liabilities short term" (under the "Current liabilities" section), without impact on total liabilities.

6.2 Movements in the year

The movements in the period in the book values of the assets related to the rights of use and the leasing liabilities are as follows:

a) Right-of-use assets

	Land	Buildings	Equipment	Other	Total
As at 01 January 2022	2,248,309	18,493,031	-	1,775,170	22,516,510
Additions	41,753	3,426,399	-	365,664	3,833,816
Contract modifications	27,492	444,343	502,618	79,086	1,053,539
Terminations	-	(1,131,848)	-	-	(1,131,848)
Depreciation expense	(268,074)	(2,347,922)	(69,808)	(597,272)	(3,283,076)
As at 31 December 2022	2,049,480	18,884,003	432,810	1,622,648	22,988,941

b) Lease liabilities

	Land	Buildings	Equipment	Other	Total
As at 01 January 2022	2,300,468	19,774,862	129,706	1,723,468	23,928,504
Additions	41,753	3,426,398	-	365,664	3,833,815
Lease modifications	105,318	485,746	489,292	79,086	1,159,442
Terminations	-	(1,217,032)	-	-	(1,217,032)
Payments of principal	(263,845)	(2,259,807)	(170,709)	(525,470)	(3,219,831)
Exchange rate differences	(25,787)	(2,975)	759	(1,201)	(29,204)

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(all amounts are presented in RON unless otherwise stated)

	Land	Buildings	Equipment	Other	Total
Interest accrued opening balance	251	21,088	133	2,421	23,893
Interest expense	24,147	438,156	3,107	15,882	481,292
Interest paid	(24,398)	(411,069)	(3,240)	(16,716)	(455,423)
Interest accrued closing balance	-	(48,174)	-	(1,587)	(49,761)
As at 31 December 2022	2,157,907	20,207,191	449,048	1,641,547	24,455,693

6.3 Amounts recognised in the statement of financial position and profit or loss

	Land	Buildings	Equipment	Other	Total
Interest expense (Note 28)	(24,147)	(438,156)	(3,107)	(15,882)	(481,292)
Gains/(Losses) from contract modifications	(77,826)	(41,402)	13,326	-	(105,902)
Earnings at termination of contracts	-	85,184	-	-	85,184
Exchange rate gains/(loses)	25,787	2,975	(759)	1,201	29,204
Total net financial costs	(76,186)	(391,399)	9,460	(14,681)	(472,806)
Depreciation expense (Note 25)	(268,074)	(2,347,922)	(69,808)	(597,272)	(3,283,076)
Total impact on the statement of profit and loss	(344,260)	(2,739,321)	(60,348)	(611,953)	(3,755,882)

7. INVESTMENTS IN ASSOCIATES

The Company owns shares worth RON 1,260,000 as of 31.12.2022 in the Regional Center for Excellence in Civil Aviation (CREAC).

The participation of R.A. ROMATSA in this entity was approved in the meeting of the Board of Directors no. 10/28.07.2011, point 7.3 based on the explanatory note no. 13.109/25.07.2011. CREAC is a closed joint-stock company with a share capital consisting of 1.050.000 registered shares worth RON 10 each. ROMATSA RA owns 40% of the shares, i.e. 420,000 shares with a total value of RON 4,200,000 reduced during 2016 by the amount of RON 2,940,000 by canceling the payment obligation for 294,000 shares. We also specify that RA ROMATSA's participation in CREAC has been fully impaired since 2016, so that in the balance sheet they are presented at their net value (zero).

8. FINANCIAL INVESTMENTS

8.1 Long-term financial investments

The Company holds shares in amount of RON 27,628,105 in Tarom SA – Compania Nationala de Transport Aerian ("Tarom"), representing 1,235% of the share capital on December 31, 2022 (December 31, 2021: 1.235%). The nominal value of the shares is RON 2.5/share, the Company holding 11,051,242 shares.

In July 1998, Romatsa obtained 2,670,034 shares through the conversion of receivables against Tarom on September 30, 1997, based on Government Ordinance 45/1997. In 2018, there was a share capital increase in which the Company did not take part, resulting in a decrease in its ownership to 1.235%.

In 2001, according to Ordinance 173 issued by the Romanian Government ("OG") on December 13, 2001 and published in the Official Gazette no. 831/21.12.2001, the Company converted the receivable against Tarom in the

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(all amounts are presented in RON unless otherwise stated)

amount of RON 30,224,587 (both the value added tax and the penalties in amount of RON 8,019,625 owed by Tarom further to the delayed payment) into shares in this company.

In 2002, according to Law 323/27 May 2002 for the approval of OG 173/13.12.2001, as the value added tax and penalties were not accepted as a contribution to the social capital of Tarom, the Company thus reduced the value of the participation to RON 27,628,105. According to the legislation in force, the Company does not have the right to sell these shares. Since the Company did not receive any dividends throughout its ownership, the Company fully impaired the financial assets held at Tarom on December 31, 2018 and December 31, 2017.

In 2021, the Company participated in the increase of the share capital of Tarom with the amount of RON 6,997.50, the value of the shares thus reaching RON 27,635,102.50. At the same time, the Company increased by RON 6,997.50 the amount of impairment for the loss of value of securities, the total amount of adjustments for the loss of value of the shares held at Tarom being RON 27,635,102.50.

In 2022, the Company participated in the increase of the share capital of Tarom with the amount of RON 114,322,50, the value of the shares thus reaching RON 27,749,425. At the same time, the management increased by the same amount the value of the impairment for the loss of value of securities, the value of the shares held at Tarom presented in the statement of financial position being zero.

The Company purchased on 22.03.2016 government bonds in foreign currency in the amount of EUR 30,000,000 with maturity on 26.02.2021. At the end of each month, government securities in foreign currency are valued at the exchange rate of the foreign exchange market, communicated by the BNR on the last banking day of the respective month, their value on 31.12.2020 being RON 146,082,000. Considering the due date of 26.01.2021, the Company reclassified, on 31.12.2020, the state securities from fixed assets to current assets.

On the due date, 26.02.2021, the state redeemed the government bonds held by the Company in the portfolio and subsidized the coupon of 1.25%, respectively EUR 375,000 in absolute value. Concurrently, the Company acquired from the secondary market, through BCR, 4300 government bonds with coupon denominated in euro (ROG3L3GMYR6) with a total nominal value of EUR 21.500.000, due on August 24, 2026. On 31.12.2021 these are constituted as fixed assets with a book value of RON 106,384,150.

Financial investments include bank deposits with original maturity of over three months, but less than one year, and bonds with maturity of less than one year. Bonds are classified as held-to-maturity investments.

If the Company has the intention and capacity to keep financial securities until maturity, then such financial assets are classified as investments held to maturity.

On December 31, 2022 and 2021, the short-term bank deposits of the Company with a maturity of less than three months were included in cash availability and assimilated accounts.

9. INVENTORIES

On December 31, 2022 and December 31, 2021, the inventories are as follows:

	<u>31 December 2022</u>	<u>31 December 2021</u>
Spare parts	8,799,742	7,697,129
Materials in the form of small inventory	237,986	223,235
Fuel	202,321	197,408
Consumables inventories	3,851,440	3,765,383
Advance payments for inventories	<u>169,569</u>	<u>230,526</u>
Total inventories - net	<u>13,261,058</u>	<u>12,113,681</u>

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(all amounts are presented in RON unless otherwise stated)

Within the inventories, the most important value is represented by the spare parts needed to ensure the permanent operation of the equipment that ensures the operation, maintenance, protection and service of air traffic.

10. TRADE AND OTHER RECEIVABLES

Receivables of the Company are presented at each balance sheet date, as follows:

	<u>31 December 2022</u>	<u>31 December 2021</u>
Trade receivables	280,411,055	167,864,329
Clients - invoices to be issued	828,677,893	735,907,997
Less: provision for impairment of trade receivables	<u>(46,994,504)</u>	<u>(28,052,473)</u>
(1) Trade receivables - net	<u>1,062,094,444</u>	<u>875,719,853</u>
Other receivables	57,740,251	58,147,614
Interest to receive	265,364	265,404
Advance payments to suppliers	256,463	185,705
Receivables from state	3,216,452	5,275,673
VAT receivables	3,543,327	3,592,189
Subsidies	6,677,411	5,390,479
Receivables related to employees	212,780	241,692
Less: provision for impairment of other receivables	<u>(56,285,777)</u>	<u>(56,285,777)</u>
(2) Other receivables - net	<u>15,626,271</u>	<u>16,812,979</u>
Total trade and other receivables (1 + 2)	<u>1,077,720,715</u>	<u>892,532,832</u>

All route air navigation services provided to internal and external customers are accounted for through the EUROCONTROL account. The balance of the EUROCONTROL account before the value adjustments for the impairment of receivables on December 31, 2022 is composed of RON 237,002,850 related to the services provided and RON 5.204.221 related to the calculated penalties (RON 130,681,262 for the services provided and RON 5,437,695 for penalties at December 31, 2021).

EUROCONTROL represents the European Organization for the Safety of Air Navigation, to which Romania joined in accordance with Law 44/1996. The receivables highlighted in the EUROCONTROL account balance on 31.12.2020 were also affected by the acceptance by the majority of EUROCONTROL member states of the airline companies' request to postpone payments for the air navigation services provided between February and May 2020, a measure against which Romania voted against, and these amounts are to be collected in stages between November 2020 and August 2021 without penalties being calculated. Most of the airlines have paid the receivables in installments, so the balance of EUROCONTROL's receivables for services has decreased in gross value by RON 21,641,544 compared to 31.12.2020.

The balance of receivables also includes the amount of RON 828,677,893 on December 31, 2022 (RON 735,907,997 on December 31, 2021) from Eurocontrol and which was recorded as follows: RON 400,564,390 recorded as an asset, in the financial year 2020, RON 335,343,607 in the financial year 2021 and RON 92,769,896 in the financial year 2022 simultaneously with the recording of revenues related to the financial years 2020, 2021 and 2022, in order to comply with the definitions and recognition criteria of these elements from the general conceptual framework for financial reporting as well as accrual accounting principle. These amounts represent accounting estimates resulting from the application of risk-sharing mechanisms in the execution of 2020, 2021 and 2022 for route and terminal activity within the regulatory cycle covering the period 2020-2024 according to Implementing Regulation (EU) 2020/1627 of the European Commission regarding the exceptional measures for the third reference period (2020-2024) of the performance and pricing system within the Single European Sky taken in the context of the COVID-19 pandemic. These values represent adjustments regarding the non-realization of the forecasted service units in the reference period and are determined based on the global costs recorded, according to the criteria established by the applicable European regulations. By adjusting the unit rate of the tariff in the next seven calendar years, starting with the year

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following the one in which the Performance Plan for the third reference period RP3 (2020-2024) of the performance and pricing system within the Sky will be approved taken in the context of the COVID-19 pandemic, cash flows will be realized in the period 2023-2029 to ROMATSA.

The value of receivables representing exempted flights on December 31, 2022 is RON 1,808,358, split into RON 1,433,032 for the route services and RON 375,326 for the terminal services (RON 1,693,407 on December 31, 2021). The value of the route air navigation services that are exempt from paying the tariffs is reimbursed from the state budget, through the budget of the Ministry of Transport in accordance with the provisions of the Air Code from March 18, 2020 and of Implementing Regulation (EU) 2019/317.

Trade receivables are non-interest bearing and generally have a payment term of between 30 and 45 days.

Other receivables as of December 31, 2022 mainly include the amount of allowances for medical leaves paid from FNUASS in the amount of RON 3,154,671 (RON 5,275,673 as of 31.12.2021) for which requests for reimbursement were submitted to the Health Insurance House. In addition to these amounts, the balance also includes the amounts owed by debtors for which the Company recorded impairment adjustments out of which the most significant claim was in relation to ANAF in the amount of RON 55,519,921. The amount of RON 6,677,411 (RON 5,390,478 as of 31.12.2021) represents the Company's right to receive subsidies as a result of external financing projects corresponding to operating expenses and capital expenses (for assets) carried out.

The movements recorded during the years 2022 and 2021 in the provision for impaired receivables are presented in the table below:

	<u>2022</u>	<u>2021</u>
Opening balance as of 1st of January	84,338,250	97,739,489
<u>Movements recognised through profit and loss:</u>		
Additions during the year	21,641,633	-
Reversal of unused provision	567,940	(3,629,405)
Write offs	<u>(3,267,542)</u>	<u>(9,771,834)</u>
Closing balance as of 31st December	<u>103,280,281</u>	<u>84,338,250</u>

11. PREPAID EXPENSES

Prepaid expenses mainly include contributions to EUROCONTROL related to the first quarter of the following year in the amount of RON 12,440,000,13 on December 31, 2022, and the guarantee fee, the administration fee in amounts of RON 1,151,525.90 paid by the Company to Eximbank SA for the long-term loan contracted. The amount paid over the nominal value of the government securities (RON 115,036.72) is also recorded as prepaid expenses and is charged in the profit and loss account as a financial expense over the maturity of the securities. during the ownership of the securities. balance also includes alrepresenting the cost of government securities, the difference between the market value and the value nominal, which is distributed in the profit and loss account as a financial expense during the period of holding the securities and the guarantee, Prepayments also include other expenses related to future periods (staff leave, insurance premiums, etc.). Contributions to EUROCONTROL represent amounts that this organization invoices on account of services provided to air traffic management operators (eg: collection of route fares).

12. CASH AND CASH EQUIVALENTS

At the balance sheet date, the cash and assimilated accounts of the Company are presented as follows:

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(all amounts are presented in RON unless otherwise stated)

	<u>31 December 2022</u>	<u>31 December 2021</u>
Cash at bank in RON	6,577,252	8,815,254
Cash at bank in foreign currency	197,460,808	3,754,869
Deposits - very short term in RON	841,680	3,093,211
Cash in hand in RON	61,902	63,034
Cash in hand in foreign currencies	91,331	86,429
Other cash equivalents	-	15
Total cash and cash equivalents	<u>205,032,973</u>	<u>15,812,812</u>
Restricted cash	-	-
Total cash, cash equivalents and restricted cash	<u>205,032,973</u>	<u>15,812,812</u>

At the balance sheet date, the Company has no restricted cash.

13. SHARE CAPITAL

Share Capital

On December 31, 2022 and 2021, the statutory value of the Company's patrimony is RON 214,684,295 and is not divided into shares. In accordance with IAS 1 – Presentation of financial statements, the owners are the holders of instruments classified as capital, thus the Company is owned by the State and is under the authority of the Ministry of Transport.

December 31, 2022 and 2021, the patrimony of the Company includes the effect of restatements related to previous periods, representing the effects of the application of IAS 29 "Financial reporting in hyperinflationary economies" (credited to the patrimony).

The Patrimony consists of:

	<u>31 December 2022</u>	<u>31 December 2021</u>
Patrimony (statutory value)	214,684,295	214,684,295
Restatements in accordance with IFRS	<u>162,269,747</u>	<u>162,269,747</u>
Adjusted share capital	<u>376,954,042</u>	<u>376,954,042</u>

Legal reserves

The legal reserves in the amount of RON 41,863,620 for the year ending on December 31, 2022 represent reserves constituted based on the statutory results of the Company and cannot be distributed.

On December 31, 2022, the legal reserve includes the effect of restatements related to previous periods, representing the effects of the application of IAS 29 "Financial reporting in hyperinflationary economies" (credited in the amount of legal reserves).

	<u>31 December 2022</u>	<u>31 December 2021</u>
Legal reserve (statutory value)	30,653,911	25,939,106
Restatements in accordance with IFRS	<u>11,209,709</u>	<u>11,209,709</u>
Adjusted legal reserve	<u>41,863,620</u>	<u>37,148,815</u>

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In accordance with OG no. 64/2001 and Law no. 227/2015 regarding the Fiscal Code (which establishes the limit of deductibility when calculating the profit tax), 5% of the statutory gross profit of the year is constituted as a legal reserve until it represents 20% of the assets of the Company. Since in the result of the financial year 2022 the accounting profit is RON 94,296,109, the legal reserve was increased by the amount of RON 4.714.805 representing 5%.

Retained earnings and other reserves

In addition to the legal reserve, the Company created, in accordance with the tax provisions, other reserves in amount of RON 33,506,665, which represent reserves for tax facilities received/established in the years 2002, 2003 of RON 15,066,012, for 2018 in the amount of RON 7,250,949 and for 2022 in the amount of RON 11,189,704. Such reserves (from tax facilities) are taxed when the destination changes (eg. distribution to owner).

	<u>31 December 2022</u>	<u>31 December 2021</u>
Retained earnings representing the surplus realized from the capitalization of the fair value considered as assumed cost	3,133,613	1,359,695
Retained earnings from the transition to IFRS	6,272,237	6,272,237
Retained earnings from the use, on the date of transition to IFRS application, of the fair value as assumed cost	181,436,537	183,210,454
Retained earnings from the adoption for the first time of IAS 29 "Financial reporting in hyperinflationary economies"	(173,479,456)	(173,479,456)
Profit for the current year	72,680,561	50,302,057
Distribution of profit	(15,904,509)	(2,515,103)
Retained earnings representing undistributed profit/uncovered loss	(63,818,950)	(79,177,530)
Other reserves	<u>33,506,665</u>	<u>22,316,960</u>
Total retained earnings	<u>43,826,698</u>	<u>8,289,314</u>

14. BORROWINGS

On December 31, 2022 and December 31, 2021, the loan situation is as follows:

	<u>31 December 2022</u>	<u>31 December 2021</u>
Long term borrowings		
Loans from banks	399,430,000	319,046,200
Borrowings short term		
Short-term payable from long-term bank loans	<u>66,570,000</u>	=
Total	<u>466,000,000</u>	<u>319,046,200</u>

a) Long term borrowings

ROMATSA's financial situation was affected both by the decrease in air traffic and by the acceptance by the majority of EUROCONTROL member states of the request from airline companies to postpone the payments for the air navigation services provided between February and May 2020 in order to be collected in instalments between November 2020 and August 2021.

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(all amounts are presented in RON unless otherwise stated)

Following the financial projections made, it was found that cash flows have registered negative values since January 2020, but the Company was able to finance itself from the available cash available at 01.01.2020. Thus, according to financial projections, the operating deficit reached the value of approx. RON 646 million by the end of 2021 that was partially covered by a credit line of approximately RON 466 million.

By the Decision of the Interministerial Committee on Financing, Guarantees and Insurance no. 219/ 19.08.2020 the Company obtained from the Government (via the request no. 13626/ 17.07.2020) the issuance of a guarantee for 80% of a loan to support the current activity. Thus, the Government of Romania approved on September 10, 2020, the Memorandum with the subject: Approval, at the request of Eximbank SA, favorably authorized by the Interministerial Committee for Financing, Guarantees and Insurance, for the operation of issuing an Eximbank guarantee in the name and on behalf of the state, under conditions other than those provided in Chapter IV, point e) of the Norm for granting guarantee products, in the amount of RON 372,800,000 for guaranteeing 80% of RON 466,000,000 loan, having maturity until 31.12.2029, granted by Banca Comercială Română SA for financing the current activity of ROMATSA RA.

Based on the credit agreement no. 20201008052 concluded with BCR for the amount of RON 466,000,000, the Company drew the full amount by 31.12.2022 (RON 319,046,200 by 31.12.2021). The interest rate consists of the percentage of 0.6% per year and 6M ROBOR. In the initial credit agreement concluded in 2020, a period of 18 months was provided for multiple uses, with repayment to be made in unequal quarterly installments starting from 30.03.2022 specifying the amount repaid annually by minimum RON 58.000.000.

Starting from November 5, 2020, Regulation (EU) 2020/1627 entered into force regarding the exceptional measures for the third reference period (2020-2024) of the performance and charging system within the Single European Sky taken in the context of the COVID pandemic -19, which amends provisions of Regulation (EU) 2019/317.

Thus, according to art. 5, para. 4 of the Regulation, the adjustments for the period 2020-2021 are calculated on the basis of the draft performance plans relevant for establishing unit rates and costs for the current air traffic, and they must be spread equally over a period of 5 to 7 calendar years, starting with the year following the one in which the performance plan was adopted. More precisely, the accumulated revenue loss for the period 2020-2021 will be recovered, starting from 2023, over a period of 7 years, by increasing the tariff collected from airspace users for the services provided.

Given the legislative changes mentioned above, with an impact on the premises considered at the time of contracting the loan, ROMATSA has taken, starting from 2021, the necessary actions to postpone the withdrawal period and the grace period, but without changing the duration of the concluded credit agreement with BCR.

In this context, in March 2022, additional documents were signed to the credit agreement and the guarantee agreement from 2020, that extended the drawdown period until 31.12.2022, the grace period was changed until of 30.03.2023 and the minimum annual repayment amount of RON 66,570,000 was changed without changing the total duration of the loan.

b) Maturity of loans

The maturity of the loans on December 31, 2022 and December 31, 2021 is presented as follows:

	<u>31 December 2022</u>	<u>31 December 2021</u>
Loans with a maturity of up to one year	66,570,000	-
Loans with maturity between 1 and 2 years	66,570,000	45,577,051
Loans with maturity between 2 and 5 years	199,710,000	136,731,152
Loans with maturity over 5 years	<u>133,150,000</u>	<u>136,737,998</u>
Total	<u>466,000,000</u>	<u>319,046,200</u>
Interests	=	=
Total financial liabilities (Note 31)	<u>466,000,000</u>	<u>319,046,200</u>

Notes 1 to 33 are an integral part of the individual IFRS Financial Statements.

(all amounts are presented in RON unless otherwise stated)

c) Net debt position and cash flows from financing activity

The analysis of net indebtedness and cash flows from the financing activity from the financial year 2021 to the financial year 2022 is presented as follows:

	31 December 2022	31 December 2021
Cash and cash equivalents (Note 12)	205,032,974	15,812,812
Interest payable – bank credit	-	-
Interest payable – leasing contracts (Note 6)	(49,761)	(23,893)
Short term loans	(66,570,000)	-
Long term loans	(399,430,000)	(319,046,200)
Lease liabilities	<u>(24,455,693)</u>	<u>(23,928,503)</u>
Net debt	(285,472,480)	(327,185,784)

	31 December 2022	31 December 2021
Cash and cash equivalents (Note 12)	205,032,973	15,812,812
Gross amount of fixed interest rate debt	(24,505,454)	(23,952,396)
Gross amount of variable interest rate debt	(466,000,000)	(319,046,200)
Net debt	(285,472,481)	(327,029,244)

	Other assets	Debts from financial activities				Total	
		Cash and cash equivalents	Loans		Lease liabilities		Interest payable
			Maturity under 1 year	Maturity over 1 year			
Net debt as of January 1, 2021	23.123.848	-	(132.100.000)	(24.763.927)	(15.816)	(133.755.895)	
Cash flows	(7.311.036)	-	-	3.288.081	6.118.188	2.095.233	
New contracts	-	-	(186.946.200)	(2.136.644)	-	(189.082.844)	
Changes to contracts	-	-	-	47.718	-	47.718	
Interest	-	-	-	-	(6.126.265)	(6.126.265)	
Exchange rate differences	-	-	-	(363.731)	-	(363.731)	
Other changes *	-	-	-	-	-	-	
Net debt as of December 31, 2021	15.812.812	-	(319.046.200)	(23.928.503)	(23.893)	(327.185.784)	
Net debt as of January 1, 2022	15.812.812	-	(319.046.200)	(23.928.503)	(23.893)	(327.185.784)	
Cash flows	189.220.161	-	-	3.219.831	20.339.107	212.779.099	
New contracts	-	-	(146.953.800)	(3.833.816)	-	(150.787.616)	
Changes to contracts	-	-	-	57.591	-	57.591	
Interest	-	-	-	-	(20.364.975)	(20.364.975)	
Exchange rate differences	-	-	-	29.204	-	-	
Other changes *	-	(66.570.000)	66.570.000	-	-	-	
Net debt as of December 31, 2022	205.032.973	(66.570.000)	(399.430.000)	(24.455.693)	(49.761)	(285.472.481)	

* Other changes include non-monetary changes, i.e. net gains/losses on lease changes, rent subsidy, concessions received, reclassifications, etc.

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15. TRADE PAYABLES

Current trade payables:

	<u>31 December 2022</u>	<u>31 December 2021 (*)</u>
Trade payables	24,564,589	18,611,470
Trade payables - invoices to receive	5,656,102	17,238,914
Liabilities for purchased fixed assets	<u>9,122,893</u>	<u>3,473,042 (*)</u>
	<u>39,343,584</u>	<u>39,323,426</u>

(*)In the present financial statements, the Company revised the classification of the elements presented in the balance sheet and corrected the classification of debts towards suppliers of fixed assets related to leasing contracts on 31.12.2021, in the amount of RON 132,648, from the line "Trade and other payables" (from the "Current liabilities" section) on the " Lease liabilities short term" line (from the "Current liabilities" section), and the related interest in the amount of RON 23,893 on the "Other current liabilities" line (from the "Current liabilities" section) without impact on total liabilities.

16. OTHER LIABILITIES

As of December 31, 2022, other liabilities include:

	Current liabilities	Non-current liabilities	On 31 December 2022 Total as of December 31, 2022
Income tax liability	6,041,765	-	6,041,765
Tax on salaries	7,928,950	-	7,928,950
Sundry creditors	1,326,068	-	1,326,068
Other taxes payable	154,785	-	154,785
Guarantees from suppliers	216,820	581,432	798,252
Accrued interest leases	49,761	-	49,761
Total other liabilities	<u>15,718,149</u>	<u>581,432</u>	<u>16,299,581</u>

As of December 31, 2021, other liabilities include:

	Current liabilities	Non-current liabilities	On 31 December 2021 Total as of December 31, 2021 (*)
Income tax liability	4,856,585	-	4,856,585
Sundry creditors	1,040,299	-	1,040,299
Other taxes payable	139,840	-	139,840
Guarantees from suppliers	572,992	134,205	707,197
Accrued interest leases	23,893 (*)	-	23,893 (*)
Total other liabilities	<u>6,633,609</u>	<u>134,205</u>	<u>6,767,814</u>

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(*) In the present financial statements, the Company reviewed the classification of the elements presented in the balance sheet and corrected the classification of debts towards fixed assets suppliers related to the interest of leasing contracts on 31.12.2021, in the amount of RON 23,893, from the line "Trade and other payables" (from the "Current liabilities" section) on the " Other current liabilities " line (from the "Current liabilities" section) without impact on the total liabilities.

17. EMPLOYEE BENEFIT OBLIGATIONS

Employee benefit obligations short term

- salaries and social contributions payable at the balance sheet date;
- the estimated amounts regarding the payment of untaken vacations;
- guarantees withheld from employees;
- other debts with employees.

On December 31, 2022 and December 31, 2021, the short-term liabilities related to personnel are presented as follows:

	<u>31 December 2022</u>	<u>31 December 2021 (*)</u>
Salaries liability	26,801,672	29,467,030
Untaken holidays provision	13,708,546	12,322,557 (*)
Provision for deceased employees support	245,886	1,611,660 (*)
Provisions for salary increases and bonuses from the cost adjustment mechanism	61,713,193	9,307,774 (*)
Contribution to social security	30,280,151	19,713,260
Contribution to health insurance	12,065,678	7,501,533
Labour insurance contribution	2,681,844	1,689,115
Contribution to optional pension funds	<u>7,062,694</u>	<u>5,908,976</u>
Total	<u>154,559,664</u>	<u>87,521,905</u>

(*) In the present financial statements, the Company revised the classification of the elements presented in the balance sheet and corrected the classification of provisions for salary rights on 31.12.2021, in the total amount of RON 23,241,991, from the "Provisions for risks and charges short term" line (from the "Current liabilities" section) on line "Employee benefit obligations short term" (from the "Current liabilities" section), without impact on total liabilities.

Provisions for salary rights derived from the adjustment mechanisms (including Labour insurance contribution) were recorded according to the following considerations:

- Through the inflation adjustment mechanism provided by art. 26 of Regulation (EU) no. 2019/ 317 "For each year of the reference period, the determined costs included in the cost bases of the tariffs for route and terminal air navigation services of year n, expressed in nominal terms, are adjusted based on the percentage difference between the real inflation index and the forecasted inflation index for the respective year n and are included as an adjustment for the calculation of the unit rate for the year n + 2." Thus, the differences resulting from the inflation adjustment of personnel costs are granted to employees, and their value amounts to RON 21,401,036 in 2022 (RON 9.307.774 in 2021) and includes the labour insurance contribution.
- According to art. 11 of Regulation (EU) no. 2019/ 317 financial incentives are established for performance objectives in the key performance areas of profitability and capacity. Since the performance targets for the year 2022 have been met, the equivalent of these equivalent amounts is distributed to employees as a

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bonus, its value determined for the year 2022 being RON 19,824,324 and includes the labour insurance contribution.

- Through the traffic risk sharing mechanism according to art. 27 of Regulation (EU) no. 2019/ 317 if the actual number of service units varies to a certain extent, the additional revenues are retained by air navigation service providers. Part of the additional income retained during 2022 as a result of exceeding the number of service units is distributed to employees as a bonus, the value determined for 2022 being RON 20,487,833 and includes the labour insurance contribution.

Employee benefit obligations long term

The Company has calculated and booked provisions for the obligations regarding the post-employment benefits of the employees as follows:

	<u>31 December 2022</u>	<u>31 December 2021</u>
Current post-employment benefit obligations	49,993,347	41,942,401
Long-term obligations to pay post-employment benefits	520,620,720	467,677,150
Total employee post-employment benefit obligations	570,614,067	509,619,551

According to the provisions of the Individual Employment Contract, Agreement no. 25942/14.12.2018 (applicable until 2022) and the Collective Labor Agreement no. 228/27.06.2022, the Company grants cash benefits according to seniority and upon retirement for employees. These benefits are represented by a variable number of basic salaries granted according to the professional category of the retiring employee. Also, employees receive jubilee bonuses, equivalent to a basic salary, every 5 years, starting with the 10th year of accumulated seniority. On December 31, 2022, the Company established provisions for these benefits in the amount of RON 570,614,067 (RON 509,619,551 on December 31, 2021).

Any actuarial estimate is subjective and different experts may have different approaches and use different assumptions in determining such an estimate. Actual future expenses will not be identical to those estimated and may differ materially from the estimates. The calculations related to the estimate are based on certain assumptions described in these financial statements, and the values thus determined are dependent on the realization of these assumptions. The assumptions used are the responsibility of the Company's management

The present value of the payment obligation regarding the benefits determined on December 31, 2022 and December 31, 2021 and the movements of the net obligation during the period are presented as follows:

	<u>31 December 2022</u>	<u>31 December 2021</u>
Opening defined benefit obligation- January 1	509,619,551	517,679,545
Current service cost	20,295,585	18,562,306
Interest cost	41,662,962	23,162,386
Remeasurement losses recognised in profit or loss	3,252,372	708,458
Components of defined benefit costs recorded in P&L	65,210,919	42,433,150
Remeasurement (gains)/losses:		
Remeasurement (gains)/losses arising from changes in financial assumptions	32,428,372	(3,380,959)
Total amounts recognized in other comprehensive income	32,428,372	(3,380,959)
Past service cost (paid)	(36,644,775)	(47,112,185)
Closing net liability arising from defined benefit obligation – December 31	570,614,067	509,619,551

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Movements in net liability in the current period were as follows

	<u>31 December 2022</u>	<u>31 December 2021</u>
Opening defined benefit obligation	509,619,551	517,679,545
Components of defined benefit costs recorded in P&L	65,210,919	42,433,150
Components of defined benefit costs recorded in OCI	32,428,372	(3,380,959)
Benefits paid	<u>(36,644,775)</u>	<u>(47,112,185)</u>
Closing net liability arising from defined benefit obligation	570,614,067	509,619,551

The Company adopted IAS 19 "Employee benefits" (2011) as described in note 2.12 to these financial statements and recognized in other comprehensive income the actuarial losses/gains resulting from defined benefit plans, less interest and current service cost recognized in the profit and loss account.

Interest related to defined benefit plans is recognized in the income statement, being calculated using the discount rate used to measure the net defined benefit obligation. Past service costs are recognized immediately where the benefits are immediately granted, following the introduction and changes to the pension plan.

The actuarial assumptions used

a) Discount Rate

To update the future benefits used in the calculation of the provision, the risk-free interest curves published by the European Occupational Insurance and Pensions Authority (EIOPA) for December 31, 2022 were used.

b) Salary increase

In the calculations performed on December 31, 2022, but also in the evaluation on December 31, 2021, the following salary increases were used in the calculation model

<u>Year</u>	<u>Date of assessment</u> <u>31 December 2022</u>	<u>Date of assessment</u> <u>31 December 2021</u>
2022	-	4,60%
2023	14,50%	5,12%
2024	13,50%	6,41%
2025	6,14%	2,55%
2026	5,45%	2,55%
2027	5,11%	2,55%
2028	5,05%	2,55%
2029	5,05%	2,55%
2030+	4,00%	2,00%

c) Staff turnover rate (probability of leaving the service)

Employee leaving probabilities (any reason other than collective redundancies, early or age retirement, disability, or death) were estimated by age group and calculated as the total number of employees exiting each year divided by the total number of active employees at the beginning of the respective year.

The employee turnover rate used is calculated by age group, considering that it decreases as the employee approaches retirement age:

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<u>Age</u>	Turnover rate at 31 December 2022	Turnover rate at 31 December 2021
0-20	0,00%	0,00%
21-30	0,78%	0,64%
31-40	0,45%	0,40%
41-50	0,34%	0,30%
51-60	0,04%	0,00%
61-65	0,23%	0,30%

d) Mortality rate

To estimate the updated value of future determined benefits, probabilities of death from the 2018 Mortality Table of Romania differentiated by sex, issued by the National Institute of Statistics, were used.

e) Payroll taxes

The gross salaries used in the calculation also include social contributions in the amount of 2.25% payable by RA ROMATSA.

f) Retirement age

Currently the standard retirement age is 65 years for men and 61 years and 9 months for women. The gradual increase in the standard retirement age continues for women only until 2030, when it will reach 63.

On December 31, 2022, a number of 341 employees, of which 309 are air traffic controllers, 26 administrative staff and 6 non-navigation technical aeronautical staff (360 employees of which 324 air traffic controllers, 28 administrative staff and 8 non-navigation technical aeronautical staff at December 31, 2021) met the criteria for early retirement before reaching the standard retirement age. Given the fact that these employees can exercise their right to early retirement in the interval between the minimum early retirement age for the work group and the standard retirement age, the Company assumed the estimate of the provision based on a probable average early retirement age for each of the 341 employees.

The average probable early retirement age for each of the 341 employees was calculated for each staff category as the average between the minimum early retirement age and the standard retirement age for the age limit, weighted by the ratio of the number of employees who have exercised the right to early retirement and the number of employees who had this right, in the last 4 years.

In the evaluation, the following weights of early retired employees were used, by staff category:

Personal category	31 December 2022	31 December 2021
CTA	46,90%	28,30%
PAD	83,30%	52,00%
PNA, MET	60,00%	56,80%

Defined contribution pension plans expose the Company to certain actuarial risks, such as longevity risk, significant salary increases or interest rate risk.

Sensitivity analysis

A change in actuarial assumptions by +/- 10% will change the present value of the obligation to pay retirement benefits, leading to the following results:

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On December 31, 2022

Scenario	Increase 10% (profit)/loss	Variation	Decrease 10% (profit)/loss	Variation
Discount rate	30,745,523	+5,4%	(28,332,463)	-5,0%
Salary increase rate	(17,944,359)	-3,1%	18,456,300	+3,2%
Mortality rate	6,986,017	+1,2%	(6,863,723)	-1,2%
Staff turnover rate	709,343	+0,1%	(706,971)	-0,1%

On December 31, 2021

Scenario	Increase 10% (profit)/loss	Variation	Decrease 10% (profit)/loss	Variation
Discount rate	27,634,781	+5%	(25,550,224)	-5%
Salary increase rate	(16,003,793)	-3,1%	16,596,649	+3,3%
Mortality rate	6,253,039	+1,2%	(6,152,194)	-1,2%
Staff turnover rate	638,923	+0,1%	(636,791)	-0,1%

Maturity of pension provision

The analysis of the estimated maturity for the payment obligation established at the reporting date is as follows:

Interval	31 December 2022	31 December 2021
up to 1 year	49,993,347	41,942,401
over 1 year	520,623,720	467,677,150
Total	570,614,067	509,619,551

18. PROVISIONS

On December 31, 2022 and on December 31, 2021, the statement of provisions, other than obligations regarding post-employment benefits (Note 17), is presented as follows:

	Provisions for litigation	Other provisions (*)	Total
Carrying amount at 1 January 2021	31,643,213	39,436 (*)	31,682,649
Amounts recognized in the profit and loss account (Note 26):			
- additional provisions recognised	5,367,106	-	5,367,106
- unused amounts reversed	(3,532,978)	-	(3,532,978)
Amounts used during the year	=	=	=
Carrying amount at 31 December 2021	33,477,341	39,436 (*)	33,516,777
Carrying amount at 1 January 2022	33,477,341	39,436 (*)	33,516,777
Amounts recognized in the profit and loss account (Note 26):			

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	Provisions for litigation	Other provisions (*)	Total
- additional provisions recognised	16,867,907	-	16,867,907
- unused amounts reversed	-	-	-
Amounts used during the year	(2,072,270)	-	(2,072,270)
Carrying amount at 31 December 2022	48,272,978	39,436	48,312,414

(*) In the present financial statements, the Company reviewed the classification of the elements presented in the balance sheet and corrected the classification of the provisions for salary rights on 31.12.2021, in the total amount of RON 23,241,991, from the "Provisions for risks and charges short term" line (from the "Current liabilities" section ") on the line "Other current liabilities" (from the "Current liabilities" section), without impact on total liabilities.

Information on individual provisions and significant estimates

Provisions for litigation

Other provisions for risks and charges include the provisions for disputes established for lawsuits in progress which the Company has high chances of losing.

As of 22.08.2014 a team of the Economic and Financial Inspection Department within the National Fiscal Administration Agency – General Directorate for the Management of Large Taxpayers conducted a thematic audit.

In 2018, the National Agency for Fiscal Administration sent the Company the Report of Economic and Financial Inspection no. MC_IEF - 826 / 26.10.2018 whereby the Company had the obligation to pay RON 47,754,126 as delay interest and penalty interest of RON 21,545,070 calculated up to 31.08.2018, updated on 31.12.2021 until repaying the amount of RON 31,053,701. Following this report, the Company registered a provision of RON 31.053.701 for the penalty interest and delay interest calculated in relation to payables to the State budget out of the net profit of autonomous companies. Since following the appeal, the Economic-Financial Inspection Report no. MC_IEF-826 / 26.10.2018 was suspended, the Company did not pay the amounts registered in Mandatory Order no. MC_IEF-827 / 10.26.2018.

By Decision no. 3867/13.09.2022, the High Court of Cassation and Justice rejected ROMATSA's appeal and admitted the appeals filed by MFP-DGAMC in File no. 725/2/2019. As a result of the court's decision, ROMATSA is obliged to pay the amount of RON 69,299.196 (principal RON 47,754,126, together with accessories in the amount of RON 21,545,070). To this amount other accessories of RON 22,219,995 are calculated from 01.09.2018 until the date of the actual payment or until the date of issuing the decision on scheduling. On 29.11.2022, ROMATSA paid the amount of RON 47,754,126 representing payments from the net profit of the autonomous Company additionally calculated by ANAF-DGAMC in charge of the Company, through RIEF MC_IEF-826/26.10.2018. Starting from the date of payment, interest and late payment penalties have ceased to accrue. On 31.12.2022, the Company increased, on account of the expenses, the provision for penal interest and late payments by the amount of RON 12,711,364 up to the concurrence of the amount of RON 43,765,065 representing accessories calculated by RIEF MC_IEF-826/26.10.2018 until on 31.08.2018 of RON 21,545,070 to which are added accessories of RON 22,219,995 calculated from 01.09.2018 until the date of principal payment, respectively 29.11.2022.

Other significant amounts including the provision for risks and expenses (litigation) are:

- provision in amount of RON 4,670,440 in connection with files 1736/33/2011, 1342/R/2011 and 8876/211/2012 in contradiction with a former employee of the Company, Suciú Emil Adrian (RON 4,670,440 on December 31, 2019). This provision was reduced by resuming income with the amount of RON 3,527,978 as a result of the decision pronounced on 28.10.2021 by which the foreclosure documents in the execution file of BEJ Stolnean Diana were canceled for the amount exceeding RON 1,142,462. The decision is irrevocable. The balance of this provision on 31.12.2021 is RON 1,142,462. On 24.10.2022, the Company

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released the amount of RON 1,142,462 to the former employee through BEJ Stolnean Diana Maria and resumed the established provision to income.

Following the pronouncement on 28.10.2021 of the Decision in File 46247/301/2011, some files that were suspended were reinstated. Thus, in the year 2022, the Company established the following provisions on account of expenses:

- based on File 7746/211/2022 the amount of RON 546,145 representing the estimated value of the legal penalty interest requested by the employee;
 - based on File 2762/117/2013 the amount of RON 2,788,790 representing retirement rights on 22.02.2010 according to the Individual Employment Contract and the Collective Employment Agreement;
 - based on file 16075/2112016, File 8671/211/2020 the amount of RON 353,200 representing penalties for the period March 2018-December 2022.
- Provision in the amount of RON 468,408 for interest and late penalties established by Decision 64996 of 02.02.2023, calculated for the late payment of the amounts from File 46247/301/2011;
 - Provision for the litigation with AIRSIGHT GMBH in the amount of RON 929,808 (RON 929,808 on December 31, 2020, RON 1,650,921 on December 31, 2019) based on File no. 35758/3/2018 requesting damages resulting from the execution of the service contract no. AC/E/B/PS no. 145/25.03.2015. As a result of the judge decision of 02/09/2022 by the Bucharest Court of Appeal, the Company paid the amount of EUR 179,551.9 (RON 887,794.37) as compensatory damages and RON 55,497.90 as court costs . As a result, the provision in the amount of RON 929,808 was used.

19. DEFERRED REVENUE

ROMATSA has booked the following deferred revenue:

	<u>31 December 2022</u>	<u>31 December 2021</u>
Subsidies for investments	12,364,423	10,683,519
Donations for investments	474,692	455,482
Inventory pluses of the nature of fixed assets	49,637	64,379
Obligations arising from contracts with customers (IFRS 15)	26,210,304	-
Other deferred income	<u>67,466</u>	<u>65,125</u>
Total income in advance	<u>39,166,522</u>	<u>11,268,505</u>
from which:		
- Short term advance income	1,051,764	559,854
- Long-term advance income	38,114,758	10,708,651

Out of the total investment subsidies in the amount of RON 12,364.423 as of December 31, 2022, the amount of RON 10,683,519 (RON 10,683,519 as of December 31, 2021) represents the subsidies for assets, respectively equipment for air traffic management, within the European funded project SPICE. The deferred revenue will be recorded as income in the profit and loss account, after the asset is put into operation, to the extent of recording the depreciation expenses starting in 2023.

The deferred revenue also includes the amount of RON 26,210,303 as of December 31, 2022 (RON 0 as of December 31, 2021) in relation to Eurocontrol recorded as obligations arising from contracts with clients in the financial year 2022 simultaneously with the reduction of recognized income in the financial year 2022, to comply with the definitions and recognition criteria of these elements from the General Conceptual Framework for Financial Reporting as well as the principle of accrual accounting. These amounts represent accounting estimates resulting

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from the application of the traffic risk sharing mechanism in the execution of 2022 route activity within the regulatory cycle covering the period 2020-2024 according to Article 27 of the Implementing Regulation (EU) 2019/317 of the Commission of February 11, 2019 establishing a performance and pricing system within the single European sky and repealing Implementing Regulations (EU) no. 390/2013 and (EU) no. 391/2013.

20. FINANCIAL INSTRUMENTS

	<u>31 December 2022</u>	<u>31 December 2021</u>
Financial assets		
Financial investments	109,293,131	109,091,903
Trade receivables	1,062,094,442	875,719,852
Other receivables	584,038	1,090,253
Restricted cash	-	-
Cash and cash equivalents	<u>205,032,974</u>	<u>15,812,812</u>
Total Financial Assets	1,377,004,585	1,001,714,820
Financial debts		
Loans	(466,000,000)	(319,046,200)
Lease liabilities	(24,455,693)	(23,928,505)
Trade payables	(39,343,584)	(39,323,426)
Other payables	<u>(104,643,377)</u>	<u>(54,480,409)</u>
Total Financial liabilities	(634,442,654)	(436,778,540)
<u>Net exposure</u>	<u>742,561,931</u>	<u>564,936,280</u>

From financial assets, the following are excluded: prepaid expenses (the right to receive goods and services in the future, and not cash or a financial asset), income tax receivables and other similar taxes (legal rights, and not contractual).

From financial liabilities, the following are excluded: other liabilities except for financial ones, deferred revenue (the obligation to deliver goods and services in the future, and not cash or financial assets); income tax liabilities and other similar obligations (imposed by authorities, and not contractual).

21. REVENUES

For the financial years ending on December 31, 2022 and 2021, the revenues from route and terminal services, as well as revenues from other services related to turnover, are presented as follows:

	<u>2022</u>	<u>2021</u>
Route charges	1,189,515,398	873,857,323
Terminal charges	157,492,253	120,509,571
Rent and other services	<u>2,002,318</u>	<u>1,487,795</u>
Total	<u>1,349,009,969</u>	<u>995,854,689</u>

Starting from 2018, the Company applied the provisions of IFRS 15, which did not alter the way revenues are recognised. IFRS 15 was also applied retroactively in IFRS statements for information purposes for 2016 and 2017.

For the year 2022, the Company recognized revenues in the amount of RON 10,929,015 (RON 9,135,588 for 2021) related to exempted flights in the route services and RON 2,867,691 (RON 2,013,757 for 2021) related to exempted flights in the terminal services.

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According to Eurocontrol International Convention with regard to the Cooperation for the Security of the Air Navigation Space, the member states operate a common taxation of the routes, which implies a unique taxation of the flights and offers the member states computing, invoicing and collection services through the Central Route Charges Office (CRCO) of EUROCONTROL. Romania's accession to Eurocontrol was approved by Law no. 44 of 27 May 1996 for the accession of Romania to the International Convention on cooperation for the safety of air navigation EUROCONTROL, concluded on 13 December 1960, and to the Multilateral Agreement on Air Route Tariffs, signed in Brussels on 12 February 1981.

In the context of applying the European legislation corresponding to the Single European Sky, the Regulation (EU) 2019/317 lays down measures applicable to the operation of performance and charging systems for air navigation services and network functions and governs the adoption, evaluation, review of performance plans, financing of air navigation services, establishment of cost bases for fares, providing information, monitoring and publishing information.

Also, by Regulation (EU) 2019/317, financial incentive schemes are established, as well as adjustment mechanisms.

The incentive schemes included in the performance plans adopted by the member states must comply with the following principles:

- a) establish financial incentives to achieve performance targets in the key area of capacity performance effectively and proportionately;
- b) applied for the entire period covered by the performance plan;
- c) are non-discriminatory, transparent and effective;
- d) applies to en route air navigation and terminal air navigation services.

With regard to the adjustment systems for performance targets in the key area of profitability, adjustments for inflation (art. 26), the traffic risk-sharing mechanism (art. 27) and the mechanism of risk-sharing in terms of costs are applied (art. 28).

Considering the special situation generated by the COVID-19 pandemic, on November 5, 2020, Regulation (EU) 2020/1627 amended certain provisions of Regulation (EU) 2019/317, including adjustment mechanisms.

According to art. 29 (5) of Regulation (EU) 2019/317, where the member states have not adopted a performance plan before the start of the reference period, the unit rates are recalculated, if necessary, and applied as soon as possible, based on the adopted performance plan or the adopted revised performance plan.

If a performance plan is adopted after the start of the reference period, any difference in revenue caused by the application of the unit rate or unit rates calculated on the basis of the draft performance plan, instead of the unit rate or unit rates calculated on the basis of the adopted performance plan determines a first adjustment of the unit rate in the year following the adoption of the performance plan and a final adjustment of the unit rate two years after that year.

The Company recognized revenues in the amount of RON 400,564,390 for 2020, RON 335,343,607 for 2021 and RON 92,769,896 for 2022 (in total, RON 828,677,893) in accordance with the provisions of Regulation (EU) 2019 / 317 and IFRS 15, revenues that the Company is to collect according to the European legislation in force. Out of total amount, a major part (RON 801,813,150) will be collected over a period of 7 years starting with 2023.

The provisions of Articles 27 and 28 of Regulation (EU) 2019/317 (mentioned above) apply based on the adopted performance plan and apply retroactively from the first day of the reference period.

According to IFRS 15, the transaction price is the amount of consideration to which an entity expects to be entitled in exchange for the transfer of promised goods or services to a customer. The consideration promised in a contract

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with a customer could include fixed components, variable components, or both. If the consideration promised in a contract includes a variable component, an entity shall estimate the amount of consideration to which it would be entitled in exchange for the transfer of the promised services to a customer. The amount of consideration may vary as a result of discounts, rebates, refunds, credits, price concessions, incentives, performance bonuses, penalties or other similar items.

Considering the provisions of Regulation (EU) 2019/317, ROMATSA must take into account a variable consideration to determine the transaction price.

Given that for the year 2021 the performance plan is to be approved after the start of the reference period for the calculation of revenues, the provisions of article 29 (5) of Reg. (EU) 2019/ 317 apply and the revenue difference being estimated by comparing the determined costs and service units taken into account when establishing the tariff applied in 2021 to the actual recorded costs and service units provided.

According to the minutes of the Appeals Committee of the European Commission in which Reg. (EU) 2020/1627 mentions that "during the crisis, low traffic levels generated significant revenue losses for ANSPs, while costs were continuously borne to maintain the availability of essential services for air transport". It is also specified that "with regard to the period of time preceding the presentation of the draft revised performance plans, the actual costs incurred by the ANSP and the member states will be taken into account, unless these costs include unjustified expenses or elements of ineligible costs."

In accordance with the provisions of article 29 of EU Regulation 2019/317 and considering Decision 21/170 of the Enlarged Commission of EUROCONTROL, for the year 2022 the unit tariff established according to the Performance Plan submitted in October 2021 was applied. According to the provisions of art. 10, paragraph (2) letters f) and g) of EU Regulation 2019/317, the traffic forecast from the "EUROCONTROL Forecast Update 2021-2027" was taken into account. European Flight Movements and Service Units. Three Scenarios for Recovery from COVID-19", Scenario 2, published on October 15, 2021.

By Decision 8740 of 05.12.2022, the European Commission notes that the performance objectives included in the draft revised performance plan presented by Romania in accordance with Regulation (EC) no. 549/2004 are consistent with the Union performance objectives for the third reference period provided by Implementing Decision (EU) 2021/891 (the revised performance plan presented by Romania is approved).

22. OTHER OPERATING INCOME

For the financial years ended on December 31, 2022 and 2021, other operating income is presented as follows:

	<u>2022</u>	<u>2021</u>
Subsidies related to other expenses	2,138,588	3,713,488
Penalties	2,381,089	2,785,355
Gain on disposal of property and equipment net	5,593	720
Other income	<u>781,180</u>	<u>454,580</u>
Total Operating Income	<u>5,306,450</u>	<u>6,954,143</u>

The subsidies related to other operating expenses represent the income related to the projects, financed by the European Commission, projects in which the Company actively participates in the implementation on a European level in the field of ATM, namely five projects belonging to the SESAR implementation phase (NewPENS, SPICE, SWIM Common PKI, eGAFOR).

Other revenues include, mainly, penalties calculated to customers for regulated route and terminal activity, revenues billed by EUROCONTROL as well as for unregulated terminal activity, revenues billed by the Company.

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23. CONSUMABLES, MAINTENANCE AND REPAIRS

	<u>2022</u>	<u>2021</u>
Consumables	1,623,262	1,091,886
Maintenance and repairs	3,506,716	1,867,397
Spare parts consumption	<u>1,090,111</u>	<u>907,830</u>
Total Consumables and materials	<u>6,220,089</u>	<u>3,867,113</u>

24. PERSONNEL COSTS**1. Average number of employees**

The average number of employees of the Company for the year ended 31 December 2022 is 1.566 employees (2021: 1.585).

2. Personnel costs

For the financial years ending on December 31, 2022 and 2021, personnel expenses are presented as follows:

	<u>2022</u>	<u>2021 (*)</u>
Salaries	722,754,219	627,856,391 (*)
Untaken holidays	13,130,887	11,743,548
Salary increases and bonuses from the cost adjustment mechanism	61,713,193	9,307,774
Contribution to defined contribution plans	36,004,361	32,681,625
Social security contributions	20,152,079	16,663,937
Meal tickets	829,590	566,370
Pension provision	33,411,773	44,195,654
Other benefits in kind	<u>35,402,718</u>	<u>28,034,643</u>
Total Personnel costs	<u>923,398,820</u>	<u>771,049,942</u>

(*) In the present financial statements, the Company reviewed the classification of some amounts between income and expenditure elements and corrected the classification of income and expenditure resulting from the establishment and reversal of provisions for salary rights during the financial year 2021, in the total net amount of RON 9.086.218, from the "Other operating expenses" line to the "Personnel costs" line, without impact on the net profit and total comprehensive income.

During the financial years ended on December 31, 2022 and December 31, 2021, the allowances of the management (General Manager and members of the Board of Directors) amounted to RON 1,380,439 and RON 1,141,447, respectively.

During the financial year ended on December 31, 2022, the salaries of directors (excluding mandate contracts) from ROMATSA Central Company and the 16 subunits without legal personality were in the amount of RON 14,386,139, and on December 31, 2021 they were in the amount of RON 8,898,859.

25. DEPRECIATION AND AMORTISATION

	<u>2022</u>	<u>2021 (*)</u>
Depreciation and amortisation of non-current assets	52,736,668	48,662,083
Impairment of non-current assets	(27,274)	(8,129) (*)
Total depreciation and amortisation	<u>52,709,394</u>	<u>48,653,954</u>

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	<u>2022</u>	<u>2021 (*)</u>
Depreciation of right of use assets	3,283,076	2,971,745
Total depreciation, amortisation and impairment	<u>55,992,470</u>	<u>51,625,699</u>

(*) In the present financial statements, the Company reviewed the classification of some amounts between income and expenditure elements and corrected the classification of income and expenditure resulting from the recording and reversal of the impairment of fixed assets during the financial year 2021, in the amount of RON 8.129 from the line "Other operating expenses" on the line "Depreciation, amortisation and impairment" without impact on the net profit and the total comprehensive income.

26. OTHER OPERATING EXPENSES

For the financial years ended on December 31, 2022 and 2021, other operating expenses are presented as follows:

	<u>Notes</u>	<u>2022</u>	<u>2021 (*)</u>
Contribution to Eurocontrol		38,474,280	39,032,420
Transportation and travelling expenses	26 b)	3,900,910	2,450,768
ATM supervision		10,828,683	11,298,415
Insurance expenses		8,513,749	17,255,406
Equipment testing		10,716,278	6,575,285
Postal and telecommunication expenses		6,709,564	6,260,379
Utilities	26 a)	13,271,809	6,450,810
Staff training		5,343,865	3,868,473
Other taxes		3,950,175	3,860,774
Bank commissions		6,961,791	6,408,117
Rent, utilities, mail and other taxes		119,010	171,139
Impairment of current assets		22,209,573	(3,629,406)
Loss on disposal of property and equipment net		76,450	373,127
Provision charges, net		3,771,089	(26,007,293) (*)
Advertising and protocol expenses		235,093	11,976
Other services rendered by third parties		30,240,619	25,432,798
Other general administrative expenses		<u>48,242,825</u>	<u>421,344</u>
Total other operating expenses		<u>213,565,763</u>	<u>100,234,532</u>

(*) In the present financial statements, the Company revised the classification of some amounts between income and expenditure elements and corrected the classification of income and expenditure resulting from the booking and reversal of provisions for salary rights during the financial year 2021, in a total net amount of RON 9,086,218, from the "Other operating expenses" line into the "Personnel costs" line, the classification of interest expenses resulting from the actuarial calculation of the provision related to the obligations regarding post-employment benefits during the financial year 2021, in the amount of RON 23,162,386, from the line "Other operating expenses" into the line "Finance costs", and the classification of income and expenses resulting from the booking and reversal of the impairment of fixed assets during the financial year 2021, in the amount of RON 8,129 from the line "Other operating expenses" into the line " Depreciation, amortisation and impairment " without impact on net profit and total comprehensive income.

a) Utilities

For the financial years ending on December 31, 2022 and 2021, utility expenses are presented as follows:

	<u>2022</u>	<u>2021</u>
Water	173,191	147,425
Energy	11,465,478	5,426,701

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	<u>2022</u>	<u>2021</u>
Heat	1,633,140	876,684
<u>Total Utilities</u>	<u>13,271,809</u>	<u>6,450,810</u>

b) Transportation and travelling expenses

	<u>2022</u>	<u>2021</u>
Transportation of staff	903,704	1,226,293
Transportation of goods	13,670	-
Other displacements costs	2,983,536	1,224,475
<u>Total transportation services</u>	<u>3,900,910</u>	<u>2,450,768</u>

27. FINANCE INCOME

For the financial years ended on December 31, 2022 and on December 31, 2021, the financial income is presented as follows

	<u>2022</u>	<u>2021 (*)</u>
Interest income on bank deposits and current accounts	1,446,168	926,469
Exchange gains on foreign currency transactions	3,903,721	5,530,624 (*)
Finance income	<u>5,349,889</u>	<u>6,457,093 (*)</u>

(*) In the present financial statements, the Company revised the presentation of financial income and expenses, respectively opted for their presentation in gross amount in two separate notes, and moved expenses from the note "Finance income" to the note "Finance costs" that were further split into "Interest on bank borrowings" in the amount of RON 5,718,926, "Exchange losses on foreign currency transactions" in the amount of RON 2,235,616, "Amortisation of premiums on redemption of debentures" in the amount of RON 267,970, "Interest on leases" in the amount of RON 407,339 and "Other finance charges" in the amount of RON 59,434 without impact on the net profit and total comprehensive income.

28. FINANCE COSTS

	<u>2022</u>	<u>2021 (*)</u>
Interest on bank borrowings	19,883,684	5,718,926 (*)
Exchange losses on foreign currency transactions	3,195,692	2,235,616 (*)
Net interest expense on employee benefits liability	41,662,962	23,162,386 (*)
Amortisation of premiums on redemption of debentures	427,499	267,970 (*)
Interest on leases	481,292	407,339 (*)
Other finance charges	-	59,434 (*)
Finance costs	<u>65,651,129</u>	<u>31,851,671 (*)</u>

(*) In the present financial statements, the Company reviewed the classification of some amounts between expenditure items and corrected the classification of interest expenses resulting from the actuarial calculation of the provision related to obligations regarding post-employment benefits during the financial year 2021, in the amount of RON 23,162,386, from the "Other operating expenses" line into the "Finance costs" line without impact on the net profit and overall result. Also, the Company revised the presentation of financial income and expenses, respectively opted for their presentation in gross amount in two separate notes, and moved expenses from the note "Finance income" to the note "Finance costs" that were further split into "Interest on bank borrowings" in the amount of RON 5,718,926, "Exchange losses on foreign currency transactions" in the amount of RON 2,235,616,

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"Amortisation of premiums on redemption of debentures" in the amount of RON 267,970, "Interest on leases" in the amount of RON 407,339 and "Other finance charges" in the amount of RON 59,434 without impact on the net profit and total comprehensive income.

29. CURRENT AND DEFERRED PROFIT TAX BENEFITS/ EXPENSES

The current profit tax of the Company for the years ending on December 31, 2022 and on December 31, 2021 is determined based on a statutory rate of 16%, applied to the statutory profit adjusted with non-deductible expenses and non-taxable income. When determining the fiscal result, elements similar to income and expenses are also taken into account, as well as fiscal losses that are recovered from taxable profits obtained in the next 7 consecutive years.

The Company recorded in 2019 a fiscal loss of RON 76,768,505 to which is added the fiscal loss from 2020 in the amount of RON 7,756,627, resulting a total cumulative fiscal loss of RON 84,522,128. In 2021, the Company recorded fiscal profit in the amount of RON 32,072,763, which reduced the cumulative fiscal loss of RON 84,522,128, the fiscal loss at the end of 2021 being RON 52,449,365. In 2022, the Company recorded a fiscal profit in the amount of RON 223,956,459, which fully covered the fiscal loss from previous years. Thus, on December 31, 2022 the Company no longer has fiscal loss to recover.

At the same time, the amounts representing the sponsorships from 2018-2022 in the total amount of RON 1,269,420 were deducted from the profit tax due for the 2022 financial year.

Description	<u>31 December 2022</u>	<u>31 December 2021</u>
Current tax on profits for the year	21,615,548	-
Deferred income tax		
Increase in deferred tax assets	(4,058,466)	(2,979,655)
Increase in deferred tax liabilities	4,058,466	2,979,655
Total deferred tax expense/(benefit)	-	-
Income tax expense	21,615,548	-

For the years ended December 31, 2022 and December 31, 2021, the reconciliation between the accounting result before taxation and the expense (income) with the profit tax is presented as follows:

Description	<u>31 December 2022</u>	<u>31 December 2021</u>
Gross profit before tax according to IFRS	94,296,109	50,302,057
Tax rate according to national regulations	16%	16%
Estimated benefit with tax, applying the rate of 16%	15,087,377	8,048,329
The fiscal effect of non-deductible/non-taxable amounts in the calculation of profit tax:		
The effect of non-taxable income	(10,092,543)	(11,718,505)
Effect of non-deductible expenses	43,978,992	20,182,395
Items similar to income	103,756	62,865
Tax deductions	(19,070,136)	(11,443,442)
Tax loss carryforwards from prior years	<u>(8,391,898)</u>	<u>(5,131,642)</u>
Total expenses	<u>21,615,548</u>	-
(Expenses)/ Deferred tax income	-	-
Total (expenses)/ income with corporate tax	<u>21.615.548</u>	-

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Deferred tax related to other comprehensive income refers to actuarial gains/losses resulting from the remeasurement of the defined benefit plan.

The Company did not recognize the deferred tax asset for the reasons presented below.

According to International Accounting Standard 12 "Income Taxes" (IAS 12), paragraph 10, "an entity shall, with certain limited exceptions, recognise a deferred tax liability (asset) whenever recovery or settlement of the carrying amount of an asset or liability would make future tax payments larger (smaller) than they would be if such recovery or settlement were to have no tax consequences."

Regarding the recognition of a deferred tax asset, IAS 12 states in paragraph 24 that it should be recognized "to the extent that it is probable that a taxable profit will be available against which the deductible temporary difference can be utilized."

Although the term "probable" is not defined by IAS 12, IFRS 5 ("Non-current assets held for sale and discontinued operations") specifies that "For IFRS purposes, the term "probable" is defined as "more likely than not".

Furthermore, in accordance with IAS 35, paragraph 35, sufficient and appropriate evidence is required on future taxable profits.

Taking into account the specificity of the activity of the Company and the information known at the moment, it is necessary to mention the following aspects that should be taken into account in assessing the existence of future taxable profits and in obtaining sufficient and appropriate evidence in relation thereto:

- The Company's main revenues are based on a regulated tariff, which means that it is not entirely under the control of the Company's management. Moreover, the regulation of such revenues takes into account factors such as managed traffic and inflation rate, factors that are not always directly correlated with the amount of expenses incurred by the Company. Therefore, the Company's revenues obtained based on a regulated tariff may not provide sufficient and appropriate evidence of the full recovery of these accrued costs;

- As of 2011, the Member States of the European Union have the obligation to elaborate performance plans that include a series of objectives for predefined periods of time, called reference periods. Performance objectives are established through specific performance indicators on safety, capacity, environment and cost efficiency. The tariffs applied for navigation services are established based on these performance plans. Taking into account the Commission Implementing Regulation (EU) 2020/1627 on the exceptional measures for the third reference period 2020-2024 of the performance and charging system within the Single European Sky taken in the context of the COVID-19 pandemic, Romania submitted the draft Performance Plan for 2020-2024 in October 2021. Based on the PRB Report on the draft performance plans, the European Commission issued on 13.04.2022 the Commission's Implementing Decision on the lack of coherence of certain performance objectives included in the performance plans presented by several countries including Romania. As such, according to the provisions of the European regulations, the Member State has a maximum of 3 months to modify the performance plan in the sense of those shown by the PRB, and subsequently the Commission in approximately 5 months shall make a new decision.

All these points constituted a basis for arguments that the Company's management had in mind when deciding not to recognise the deferred tax asset as part of IFRS application, in direct correlation with the general financial reporting principle of prudence, which requires that when drawing up the annual financial statements, recognition and measurement must be carried out on a prudent basis.

On April 14, 2009 the Government of Romania issued GEO no. 34 amending the Fiscal Code, according to which reserves from the statutory revaluation of property, plant and equipment (land included) conducted prior to January 1, 2004, which are deducted when calculating income tax through tax amortization or expenses with disposal or decommissioning, become taxable when the tax amortization is deducted, namely when such non-current assets are written off. GEOR became effective on May 1, 2009. The revaluation reserves that were deducted by amortization or by disposing non-current asset revaluated prior to April 30, 2009 are scoped in the regulations in Notes 1 to 33 are an integral part of the individual IFRS Financial Statements.

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force prior to May 1, 2009, i.e., they become taxable in the future if they are distributed in any form to the owner or are used to cover accounting losses carried forward.

At the date of transition to IFRS (01.01.2015), R.A. ROMATSA used the fair value registered as result of the revaluation of assets at December 31, 2013 as estimated cost.

By using this option, all the reserves from the revaluation of non-current assets, accounted for in account 105 - Revaluation reserves recorded during 2001 - 2007, 2010, 2013 were incorporated in the retained earnings from using, upon transition to IFRS, fair value as estimated cost - account 1178.

In accordance with paragraph 175 of MoPFO no. 2844 / 2016, retained earnings from using fair value as estimated cost upon transition to IFRS and reflected in the credit of account 1178 - Retained earnings from using, upon transition to IFRS, fair value as estimated cost is deemed gains upon the write-off of the corresponding asset or throughout its use. R.A. ROMATSA considers that the gains are realised upon the write-off of the corresponding asset.

The employee benefit provision is recognized in the financial statements and is not fiscally deductible. The expenses are assimilated to salary accounts and deemed fiscally deductible when the benefit is granted, and the temporary difference generates deferred tax assets.

The composition of the fiscal loss carried forward at the balance sheet date is presented as follows:

	<u>31 December 2022</u>	<u>31 December 2021</u>	<u>Due Date</u>
Fiscal loss related to 2019	-	44,695,742	31/12/2026
Fiscal loss related to 2020	-	7,753,623	31/12/2027
Fiscal loss related to 2021	-	-	31/12/2028
Fiscal loss related to 2022	-	-	31/12/2029
Total tax loss carried forward according to income tax return	-	52,449,365	

NET DEFERRED TAX LIABILITIES

	<u>Deferred tax assets</u>	<u>Deferred tax liabilities</u>	<u>Net deferred tax asset/(Liability) – net</u>
Balance as of January 1, 2021	5,100,086	(5,100,086)	-
Change in deferred tax	<u>(2,979,655)</u>	<u>(2,979,655)</u>	-
Balance as of December 31, 2021	8,079,741	(8,079,741)	-
Change in deferred tax	<u>4,058,466</u>	<u>(4,058,466)</u>	-
Balance as of December 31, 2022	12,138,207	12,138,207	-

a) Deferred tax liabilities

The balance of deferred tax liabilities includes temporary differences resulting from:

	<u>31 December 2022</u>	<u>31 December 2021</u>
Intangible assets	8,459,976	4,477,099

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NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS IFRS FOR THE YEAR ENDED 31 DECEMBER 2022

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Assets related to rights of use IFRS 16	3,678,231	3,602,642
Total deferred tax liabilities	<u>12,138,207</u>	<u>8,079,741</u>

The change in deferred tax liabilities during the period is presented as follows:

	Intangible assets	Assets related to rights of use IFRS 16	Total
Balance as of January 1, 2021	1,294,708	3,805,378	5,100,086
Amounts with an impact on the profit and loss account	3,182,391	(202,736)	2,979,655
Amounts with impact in other elements of comprehensive income	-	-	-
Balance as of December 31, 2021	4,477,099	3,602,642	8,079,741
Balance on January 1, 2022	4,477,099	3,602,642	8,079,741
Amounts with an impact on the profit and loss account	3,982,877	75,589	4,058,466
Amounts with impact in other elements of comprehensive income	-	-	-
Balance as of December 31, 2022	8,459,976	3,678,231	12,138,207

b) Deferred tax assets

The balance of deferred tax assets includes temporary differences resulting from:

	<u>31 December 2022</u>	<u>31 December 2021</u>
Tangible assets	-	-
Receivables – impairment provisions	-	-
Provisions for employee benefits	7,497,720	3,857,089
Lease liabilities IFRS 16	3,912,911	3,828,560
Other provisions for risks and expenses	727,576	394,092
Tax loss carryforwards	-	-
Total deferred tax receivables	<u>12,138,207</u>	<u>8,079,741</u>

(all amounts are presented in RON unless otherwise stated)

The change in deferred tax receivables during the period is presented as follows:

	Tangible assets	Impaired receivables	Provisions for employee benefits	Lease liabilities IFRS 16	Other provisions	Tax loss carryforwards	Total
Balance as of 1 January 2021	-	-	158,759	3,981,958	959,369	-	5,100,086
(Charged)/ credited to profit or loss	1,154,629	3,264,414	85,099,088	(153,398)	(565,277)	8,391,898	97,191,354
Charged/credited to OCI	-	-	-	-	-	-	-
DTA impairment	<u>(1,154,629)</u>	<u>(3,264,414)</u>	<u>(81,400,758)</u>	-	-	<u>(8,391,898)</u>	<u>(94,211,699)</u>
Balance as of 31 December 2021	-	-	3,857,089	3,828,560	394,092	-	8,079,741
Balance as of 1 January 2022	-	-	3,857,089	3,828,560	394,092	-	8,079,741
(Charged)/ credited to profit or loss	1,056,933	4,055,866	99,547,982	84,351	333,484	-	105,078,616
Charged/credited to OCI	-	-	-	-	-	-	-
DTA impairment	<u>(1,056,933)</u>	<u>(4,055,866)</u>	<u>(95,907,351)</u>	-	-	-	<u>(101,020,150)</u>
Balance as of 31 December 2022	-	-	7,497,720	3,912,911	727,576	-	12,138,207

Notes 1 to 33 are an integral part of the individual IFRS Financial Statements.

(all amounts are presented in RON unless otherwise stated)

30. RELATED PARTIES TRANSACTIONS

The related parties include the Ministry of Transport and Infrastructure and autonomous Companies and companies belonging to the Ministry of Transport and Infrastructure.

The Company carries out transactions with the Ministry of Transport and Infrastructure representing air navigation services exempted from the payment of the route and terminal tariff. The consideration for these services is reimbursed by the Ministry of Transport and Infrastructure in accordance with Order 1635/2020.

The consideration of the route and terminal services exempt from route charges, rendered by the Company and recognized in its turnover for the year 2022, amounted to RON 13,796,706 (2021: RON 11,149,344).

The value of receivables from the Ministry of Transport on December 31, 2022 is RON 2,540,472 (December 31, 2021: RON 1,693,407), out of which RON 1,808,358 for route and terminal services and RON 732,114 representing Romania's contribution to the European Special Fund ATM solidarity – for Ukraine and Moldova, managed by Eurocontrol. The reimbursement of the contribution value will be made by the Ministry of Transport and Infrastructure according to OG no. 46/2018.

The impairment of receivables from the Ministry of Transport and Infrastructure on December 31, 2022, are in the amount of RON 0 (December 31, 2021: RON 0).

a) Purchases from related parties

		<u>2022</u>	<u>2021</u>
TAROM	Related party	329,981	134,491
Autoritatea Aeronautică Civilă Română	Related party	23,488,092	19,831,562
Compania Națională Aeroporturi București	Related party	3,351,416	2,464,954
Aeroportul Internațional Mihail Kogălniceanu-Constanța	Related party	229,843	156,843
Aeroportul Internațional Timișoara	Related party	425,920	364,759
Școala Superioară de Aviație	Related party	<u>96,959</u>	<u>1,180</u>
Total		<u>27,922,211</u>	<u>22,953,789</u>

b) Sales of services to related parties

		<u>2022</u>	<u>2021</u>
TAROM	Related party	23,108,505	16,804,764
Autoritatea Aeronautică Civilă Română	Related party	16,473	13,781
Compania Națională Aeroporturi București	Related party	704,450	516,544
Aeroportul Internațional Mihail Kogălniceanu-Constanța	Related party	32,727	24,883
Aeroport Internațional Timișoara	Related party	39,164	27,021
Școala Superioară de Aviație	Related party	<u>8,117</u>	<u>8,610</u>
Total		<u>23,909,436</u>	<u>17,395,603</u>

c) Balances with related parties

		<u>31 December 2022</u>	<u>31 December 2021</u>
Payables			
TAROM	Related party	87,974	-
Autoritatea Aeronautică Civilă Română	Related party	1,669,448	1,849,516
Compania Națională Aeroporturi București	Related party	469,341	16,965

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(all amounts are presented in RON unless otherwise stated)

Aeroportul Internațional Mihail Kogălniceanu-Constanța	Related party	65,099	27,223
Aeroportul Internațional Timișoara	Related party	<u>82,673</u>	-
Total payables	Related party	<u>2,374,535</u>	<u>1,893,704</u>
Receivables	Related party		
TAROM	Related party	12,572,532	7,091,984
Autoritatea Aeronautică Civilă Română	Related party	1,782	254
Compania Națională Aeroporturi București	Related party	62,684	53,781
Aeroportul Internațional Mihail Kogălniceanu-Constanța	Related party	2,274	2,037
Aeroportul Internațional Timișoara	Related party	<u>3,414</u>	<u>2,290</u>
Total receivables		<u>12,642,686</u>	<u>7,150,346</u>

Compensation of management and administrative personnel

	<u>2022</u>	<u>2021</u>
Gross salaries of management personnel		
From which:		
CEO compensation	566,298	428,943
Members of the Board compensation	814,141	712,504

The Company has not granted loans to its directors or provided other benefits to its management personnel.

31. FINANCIAL RISK MANAGEMENT

The Company's activities are exposed to various financial risks: market risk (including currency risk, interest rate risk), credit risk and liquidity risk.

This note presents information regarding the Company's exposure to each of the risks presented above, the objectives, policies and risk measurement and management procedures used by the Company. More information regarding these risks is included in these financial statements.

The Company's management identifies and analyzes the risks faced by the entity and establishes appropriate risk exposure limits and appropriate internal controls.

Risk management policies and systems are periodically reviewed to reflect changes in market conditions and the Company's activities. The Company, through training courses and management standards and procedures, aims to develop a disciplined and constructive control environment where all employees understand their roles and obligations.

a) Market Risk

Market risk is the risk that changes in the market price, such as the tariff regulated by EUROCONTROL, will affect the Company's cash flows or the fair value of the financial instruments held. The objective of market risk management is to manage and control market risk exposures within acceptable limits, with the optimization of the result in mind.

(i) Currency risk

The currency used on the domestic market is the Romanian leu, and for external loans, financing costs are expressed in different foreign currencies. As a result, foreign currency loans are subsequently denominated in RON at the end-

Notes 1 to 33 are an integral part of the individual IFRS Financial Statements.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS IFRS FOR THE YEAR ENDED 31 DECEMBER 2022

(all amounts are presented in RON unless otherwise stated)

of-year exchange rate. The resulting differences are included in the profit and loss account and do not affect cash flow until the debt is liquidated.

The Company is exposed to exchange rate risk as a result of exposures to various currencies, mainly with respect to cash, cash equivalents, receivables, financial investments and trade payables. The Company does not use derivative financial instruments to reduce this risk.

The value of the financial assets and liabilities of the Company in currencies on December 31, 2022 and on December 31, 2021 is presented as follows:

<u>On December 31, 2022</u>	RON	EUR	USD	Other currency	TOTAL
Financial assets					
Financial investments	2,879,251	106,413,880	-	-	109,293,131
Trade receivables	809,205,853	252,888,589	-	-	1,062,094,442
Other receivables	318,832	265,206	-	-	584,038
Cash and cash equivalents	7,480,835	197,521,198	30,606	335	205,032,973
Total financial assets	819,884,771	557,088,873	30,606	335	1,377,004,585
Financial liabilities					
Loans	(466,000,000)	-	-	-	(466,000,000)
Lease liabilities	(7,425,923)	(16,291,150)	(738,620)	-	(24,455,693)
Trade payables	(17,927,767)	(21,402,240)	-	(13,577)	(39,343,584)
Other payables	(103,128,646)	(1,514,731)	-	-	(104,643,377)
Total financial liabilities	(594,482,336)	(39,208,121)	(738,620)	(13,577)	(634,442,654)
Net exposure	<u>225,402,435</u>	<u>517,880,752</u>	<u>(708,014)</u>	<u>(13,242)</u>	<u>742,561,931</u>
<u>On December 31, 2021</u>					
	RON	EUR	USD	Other currency	TOTAL
Financial assets					
Financial investments	2,701,897	106,390,006	-	-	109,091,903
Trade receivables	727,456,718	148,263,134	-	-	875,719,852
Other receivables	825,021	265,232	-	-	1,090,253
Cash and cash equivalents	11,971,513	3,786,565	54,380	354	15,812,812
Total financial assets	742,955,149	258,704,937	54,380	354	1,001,714,820
Financial liabilities					
Loans	(319,046,200)	-	-	-	(319,046,200)
Lease liabilities	(7,054,936)	(16,167,748)	(705,821)	-	(23,928,505)
Trade payables	(25,951,558)	(13,371,868)	-	-	(39,323,426)
Other payables	(52,947,670)	(1,532,739)	-	-	(54,480,409)
Total financial liabilities	(405,000,364)	(31,072,355)	(705,821)	-	(425,859,106)
Net exposure	<u>337,954,785</u>	<u>227,632,582</u>	<u>(651,441)</u>	<u>354</u>	<u>564,936,280</u>

Notes 1 to 33 are an integral part of the individual IFRS Financial Statements.

(all amounts are presented in RON unless otherwise stated)

The following exchange rates were valid during the year:

	Average Exchange rate		Closing Exchange Rate	
	2022	2021	2022	2021
RON/EURO	4.9315	4.9204	4.9474	4.9481
RON/USD	4.6885	4.1604	4.6346	4.3707

Sensitivity analysis

A 10% decrease or increase in the RON exchange rate against EUR and USD on December 31, 2022 and December 31, 2021 respectively would generate a gain/(loss) in the amounts shown below. This analysis assumes that all other variables remain constant.

	A 10% depreciation of the RON exchange rate against EUR and USD		A 10% appreciation of the RON exchange rate against EUR and USD	
	Gain/(Loss) 2022	Gain/(Loss) 2021	Gain/(Loss) 2022	Gain/(Loss) 2021
EUR	(51,788,075)	(22,763,258)	51,788,075	22,763,258
USD	70,801	65,144	(70,801)	(65,144)

(ii) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates compared to the interest rate applicable to that financial instrument. Interest-driven cash flow risk is the risk of changes in interest costs over timethem.

The Company does not account for financial assets and liabilities with a fixed interest rate at fair value through the profit or loss account and does not designate derivative financial instruments (interest rate swaps) as hedging instruments within a model for accounting operations fair value hedge against risks. Therefore, a change in interest rates at the reporting date would not affect the profit or loss account.

b) Credit Risk

In the course of its activity, the Company is exposed to credit risk, especially due to trade receivables. The Company's management monitors exposure to credit risk regularly. The financial statements contain adjustments related to credit risk, which represent management's best estimate.

	<u>31 December 2022</u>	<u>31 December 2021</u>
Cash and cash equivalents	205,032,973	15,812,812
Trade receivables	1,062,094,442	875,719,852
Total financial assets	<u>1,267,127,415</u>	<u>891,532,664</u>

The Company 's receivables are divided into 4 clusters based on common risk characteristics:

- Receivables related to Eurocontrol - Eurocontrol cluster: the receivables included in this cluster refer to the route activity for which Eurocontrol invoices the final customers (airlines) and collects from them, on behalf of the Company;
- Penalties related to Eurocontrol - cluster Eurocontrol - Pen: the claims included in this cluster refer to the penalties in case of non-payment for the route activity for which Eurocontrol invoices and collects on behalf of the Company;
- Receivables related to internal and external traffic operators – cluster Internal/external operators: the receivables included in this cluster refer to terminal activity, mainly Henri Coandă airport as well as airports in the country;
- Receivables from flights exempted from the payment of tariffs settled by the Ministry of Transport (military flights, humanitarian flights, search and rescue) - MTI cluster (exempted flights)

Notes 1 to 33 are an integral part of the individual IFRS Financial Statements.

(all amounts are presented in RON unless otherwise stated)

The aging of trade receivables at the reporting date was:

On December 31, 2022

Customer category\ Nominal value of the receivable	Unexpired	1-30 days	31-60 days	61-90 days	91-120 days	Over 120 days
Eurocontrol	1,021,848,339	12,248,159	3,870,494	5,141,449	1,833,182	20,739,120

Customer category\ Nominal value of the receivable	Unexpired	1-30 days	31-60 days	61-180 days	181-365 days	Over 365 days
Eurocontrol – Pen	360,410	101,662	-	194,590	266,025	4,281,534
Internal/external operators	15,334,297	2,440,016	2,967,640	4,047,994	2,557,889	8,315,673
MTI (except flights)	2,540,472	-	-	-	-	-

On December 31, 2021

Customer category\ Nominal value of the receivable	Unexpired	1-30 days	31-60 days	61-90 days	91-120 days	Over 120 days
Eurocontrol	840,770,799	4,448,870	1,821,969	598,140	127,706	18,821,774

Customer category\ Nominal value of the receivable	Unexpired	1-30 days	31-60 days	61-180 days	181-365 days	Over 365 days
Eurocontrol – Pen	198,637	116,887	84,468	135,378	1,518,615	3,383,710
Internal/external operators	16,190,204	2,574,917	3,301,630	6,581,056	343,393	1,060,764
MTI (except flights)	1,693,407	-	-	-	-	-

On December 31, 2022 and 2021, the Company determined the following expected loss rates:

On December 31, 2022

Customer Category\ Expected Loss Rate	Unexpired	1-30 days	31-60 days	61-90 days	91-120 days	Over 365 days
Eurocontrol	0,50%	16,93%	37,43%	52,95%	79,80%	100,00%

Customer Category\ Expected Loss Rate	Unexpired	1-30 days	31-60 days	61-180 days	181-365 days	Over 365 days
Eurocontrol – Pen	100,00%	100,00%	100,00%	100,00%	94,57%	93,38%
Internal/external operators	2,22%	6,68%	18,49%	22,78%	38,42%	97,12%
MTI (except flights)	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%

On December 31, 2021

Customer Category\ Expected Loss Rate	Unexpired	1-30 days	31-60 days	61-90 days	91-120 days	Over 365 days
Eurocontrol	0,39%	14,95%	33,37%	47,17%	76,54%	100,00%

Customer Category\ Expected Loss Rate	Unexpired	1-30 days	31-60 days	61-180 days	181-365 days	Over 365 days
Eurocontrol – Pen	100,00%	100,00%	100,00%	100,00%	96,20%	91,17%
Internal/external operators	0,04%	0,01%	11,07%	8,07%	37,95%	96,55%
MTI (except flights)	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%

In the case of receivables from customers who entered into insolvency or bankruptcy procedures, they are fully depreciated at the reporting date.

Notes 1 to 33 are an integral part of the individual IFRS Financial Statements.

(all amounts are presented in RON unless otherwise stated)

On December 31, 2022, the total commercial receivables in the amount of RON 1,062,094,442 and the Unexpired trade receivables from the Eurocontrol category in the amount of RON 1,021,848,339 also include the receivable in the amount of RON 828,677,893 to be collected from EUROCONTROL and registered according to art. 29 para. (5) of Reg. (EU) 2019/317. This asset was recognized in the balance sheet because the Company considers that it is probable that future economic benefits will be realized and the value could be reliably assessed. In accordance with Reg. (EU) 2020/1627 by adjusting the unit rate of the tariff starting from 2023, over a period of five to seven years, the Company considers that the cash flows will be realized.

Credit rating analysis

The Company holds cash and significant deposits placed with financial institutions. which are considered to be associated with a minimal performance risk. Also. The Company owns a significant number of titles issued by the Romanian State. Romania is classified Baa3 according to Moody's standards. a low to medium rating (Source www.tradingeconomics.com).

Index	Bank	<u>31 December 2022</u>	<u>31 December 2021</u>
P-2	BCR	200,088,362	12,608,191
P-2	BRD	579,277	543,885
P-2	Unicredit Bank	193,224	132,709
P-1	ING	2,521,621	2,055,863
N/A	Banca Transilvania	391,154	314,084
N/A	Trezorerie	1,106,103	8,602
N/A	Cash in hand	153,232	149,463
N/A	Other	-	15
Total		<u>205,032,973</u>	<u>15,812,812</u>

The financial indicator of each banking institution was taken from external risk analyzes of Moody's Analytics updated in 2022. Ratings for short-term deposits and current accounts are applied individually for each financial institution. Moody's Analytics uses the following qualifications to assess the repayment capacity of each banking institution's financial obligations:

- P-1: financial institutions rated with this qualification have a superior ability to repay short-term obligations;
- P-2: financial institutions rated with this qualification have a high capacity to repay short-term obligations;
- P-3: financial institutions rated with this qualification have an acceptable ability to repay short-term obligations;
- NP: financial institutions marked with this qualification do not fall into the categories presented above;
- n/a: these financial institutions are not analyzed by Moody's Analytics.

c) Liquidity risk

Liquidity risk refers to the risk that the entity will not be able to honor its obligations arising from financial debts that are settled by cash or other financial assets. The Company's liquidity management policy is to ensure, to the extent possible, that it will always have sufficient liquidity to meet its obligations when they fall due, both under normal and exceptional conditions, without incurring unacceptable losses.

Prudent management of liquidity risk involves maintaining sufficient cash and the ability to liquidate financial assets. Management monitors the Company's cash reserve forecasts based on future cash flows.

The maximum exposure to liquidity risk at the reporting date was:

	<u>31 December 2022</u>	<u>31 December 2021</u>
Assets		
Financial Assets RON	819,884,771	742,955,149
Financial Assets other currencies	<u>557,119,814</u>	<u>258,759,671</u>
Total Financial Assets	<u>1,377,004,585</u>	<u>1,001,714,820</u>

Notes 1 to 33 are an integral part of the individual IFRS Financial Statements.

(all amounts are presented in RON unless otherwise stated)

Liabilities		
Financial liabilities RON	(594,482,336)	(405,000,364)
Financial liabilities other currencies	<u>(39,960,318)</u>	<u>(31,778,176)</u>
Total Financial liabilities	(634,442,654)	(436,778,540)
Net financial position in RON	225,402,435	337,954,785
Financial position in other currencies	517,159,496	226,981,495
Net financial position	742,561,931	564,936,280

The contractual terms of the financial obligations, including interest, are presented below:

	Total amount	Under 12 months	1-2 years	2-5 years	Over 5 ani
On December 31, 2022					
Loans	(466,000,000)	(66,570,000)	(66,570,000)	(199,710,000)	(133,150,000)
Lease liabilities	(24,455,694)	(3,358,591)	(2,910,746)	(6,652,958)	(11,533,399)
Trade payables	(39,343,584)	(38,861,913)	(481,671)	-	-
Other obligations	(104,643,376)	(104,061,945)	(436,243)	(145,188)	-
Total financial liabilities	<u>(634,442,654)</u>	<u>(212,852,449)</u>	<u>(70,398,660)</u>	<u>(206,508,146)</u>	<u>(144,683,399)</u>
Future interest on bank loans	(149,815,321)	(39,254,439)	(33,361,115)	(64,112,461)	(13,087,306)
Future interest related to leasing liabilities	(8,244,115)	(463,675)	(428,604)	(1,114,073)	(6,237,763)
Total future financial liabilities	<u>(792,502,090)</u>	<u>(252,570,563)</u>	<u>(104,188,380)</u>	<u>(271,734,679)</u>	<u>(164,008,468)</u>
On December 31, 2021					
Loans	(319,046,200)	-	(45,577,051)	(136,731,152)	(136,737,998)
Lease liabilities	(23,928,505)	(2,746,702)	(2,746,702)	(6,605,553)	(11,553,597)
Trade payables	(39,323,426)	(39,323,426)	-	-	-
Other obligations	(54,480,409)	(54,346,204)	(134,205)	-	-
Total financial liabilities	(436,778,540)	(96,692,284)	(48,457,957)	(143,336,704)	(148,291,595)
Future interest on bank loans	(40,345,783)	(8,678,057)	(8,297,541)	(17,343,394)	(6,026,791)
Future interest related to leasing liabilities	(8,422,863)	(392,041)	(365,741)	(958,157)	(6,706,924)
Total future financial liabilities	(485,547,186)	(105,762,381)	(57,121,240)	(161,638,255)	(161,025,310)

The breakdown of debt balances was presented in Note 15 – Trade payables, Note 16 – Other debts and obligations.

Capital Management

The Company's policy is to maintain an adequate capital structure to maintain creditor and market confidence and to support the future development of the business.

The Company monitors the capital structure and adjusts it according to changes in economic conditions.

Fair value measurement

The fair value of financial instruments that are traded on an active market is based on quoted market prices at the end of the reporting period. The fair value of financial instruments that are not traded on an active market is determined by using valuation techniques.

As of December 31, 2022, the carrying amounts of cash and cash equivalents, suppliers and customers, commitments and short-term liabilities approximate their fair values due to the short-term maturities of these assets and liabilities.

Notes 1 to 33 are an integral part of the individual IFRS Financial Statements.

(all amounts are presented in RON unless otherwise stated)

The fair value of financial liabilities with a settlement period of more than 6 months is estimated by discounting future contractual cash flows at the current market interest rate available to the Company for similar financial instruments. On December 31, 2022 and on December 31, 2021, the Company did not use derivative instruments to protect itself from the aforementioned risks. The carrying amount of all financial instruments approximates their fair value.

32. COMMITMENTS AND CONTINGENCIES

(a) Investment program

The Company is engaged in the continuation of the investment program, detailed by objectives as follows:

Objective	Investment value 31.12.2022
Further objectives of which:	
New control tower at Cluj-Napoca Airport	829,163
Light signaling system for controlled crossing of taxiways N and C of AIHCB	48,092
Modernization of the power supply system, equipment, racks and work positions in the ACC hall	37,000
Equipment annex building CDZ Constanța	1,282,198
Concrete platform at the VHF Reception Center in the AIHCB premises	140,770
Modernization of DSNA Timișoara Control Tower	47,500
Purchase of INEA DMEs	10,977,341
Implementation of PBN Constanța	3,005,381
CDZ Bucharest main electrical equipment monitoring system	8,000
Modernization of CA System and BMS System CDZ Bucharest	541,891
Air conditioning system equipment technical and operational room APP Constanța	76,210
Power supply TWR Baia Mare	10,000
Total	17,003,546
New objectives of which:	
Modernization of CT hydraulic and automation structure for CDZ Bucharest	21,100
Modernization of secondary panels CTO CDZ Bucharest	16,500
Air conditioning system for the offices of administrative bodies CDZ Bucharest	479,748
Integrated AIS computerized system	9,862,479
Total new objectives	10,379,827
Independent facilities	1.958.154,41
Studies	1.104.019,29
Total investment projects	30.445.546,38

(b) Guarantees and commitments received

On December 31, 2022, the Company recognized off-balance sheet bank guarantee letters in connection with ongoing investment and service contracts in the amount of RON 24,903,029. The most important are the following:

Ordering name (supplier)	31 December 2022
INDRA SISTEMAS	13,930,486
IDS AIR NAV	2,364,138
SELEX ES INC_SUA	1,680,638
TELEKOM ROMANIA COMMUNICATION	1,129,625

Notes 1 to 33 are an integral part of the individual IFRS Financial Statements.

(all amounts are presented in RON unless otherwise stated)

(c) The situation of the assets in the public domain of the state (HG 1.705/2006 and HG 359/2016) under the Company of RA ROMATSA

No. crt.	Subunit	Name	Type (building, land, etc.)	Value on 31.12.2022 (lei)	Law/HG/OUG/etc. which regulates the legal situation
1	DR BUCUREȘTI	Centrul de Dirijare al Zborurilor Bucuresti	Land	68,354,791	Law 213/1998, HG 624/2010
2	ADMINISTRAȚIA CENTRALĂ	Office building Administratia Centrala ROMATSA si AACR	Land	7,907,390	Law 213/1998, HG 624/2010
3	DR BUCUREȘTI	RADAR PRIMAR SI SECUNDAR CU RAZA LUNGA DE ACTIUNE THOMSON	Land	227,796	Law 213/1998, HG 624/2010
4	DR BUCUREȘTI	RADIOFAR INDEPARTAT OTOPENI DIRECTIA 81 ^o R (RADAR MSSR)	Land	1,083,357	Law 213/1998, HG 624/2010
5	DR BUCUREȘTI	Incinta curte VOR/DME STREJNIC	Land	110,454	Law 213/1998, HG 624/2010
6	DR BUCUREȘTI	Incinta curte VOR/DME FLORESTI STOENESTI	Land	26,415	Law 213/1998, HG 624/2010
7	DR BUCUREȘTI	Incinta curte RADIOFAR DE RUTA FLORESTI STOENESTI	Land	98,530	Law 213/1998, HG 624/2010
8	DR BUCUREȘTI	Incinta curte RADIOFAR DE RUTA TÂRGU JIU	Land	395,109	Law 213/1998, HG 624/2010
9	DR BUCUREȘTI	Incinta curte VOR/DME TARGU JIU	Land	40,509	Law 213/1998, HG 624/2010
10	DSNA BUCUREȘTI	Incinta curte RADIOFAR APROPIAT BANEASA DIRECTIA 71 ^o	Land	3,680,257	Law 213/1998, HG 624/2010
11	DSNA BUCUREȘTI	Incinta curte RADAR TMA	Land	3,578,467	Law 213/1998, HG 624/2010
12	DSNA BUCUREȘTI	Incinta curte RADIOFAR APROPIAT OTOPENI DIRECTIA 261 ^o L	Land	901,290	Law 213/1998, HG 624/2010
13	DSNA BUCUREȘTI	Incinta curte RADIOFAR APROPIAT OTOPENI DIRECTIA 261 ^o R	Land	944,399	Law 213/1998, HG 624/2010
14	DSNA BUCUREȘTI	Incinta curte RADIOFAR INDEPARTAT OTOPENI DIRECTIA 81 ^o L	Land	1,143,309	Law 213/1998, HG 624/2010
15	DSNA BUCUREȘTI	Incinta curte RADIOFAR INDEPARTAT OTOPENI DIRECTIA 261 ^o L	Land	664,222	Law 213/1998, HG 624/2010
16	DSNA BUCUREȘTI	Incinta curte RADIO GONIOMETRU UUS OTOPENI DIRECTIA 81 ^o L	Land	127,913	Law 213/1998, HG 624/2010
17	DSNA BUCUREȘTI	Incinta curte RADIOFAR APROPIAT OTOPENI DIRECTIA 81 ^o R	Land	1,816,340	Law 213/1998, HG 624/2010
18	DSNA BUCUREȘTI	Incinta curte RADIOFAR APROPIAT OTOPENI DIRECTIA 81 ^o L	Land	2,960,231	Law 213/1998, HG 624/2010
19	DSNA BUCUREȘTI	Incinta curte RADIOFAR INDEPARTAT OTOPENI DIRECTIA 261 ^o R	Land	673,833	Law 213/1998, HG 624/2010
20	DSNA BUCUREȘTI	Incinta curte RADIOFAR INDEPARTAT BANEASA DIRECTIA 71 ^o	Land	1,570,005	Law 213/1998, HG 624/2010
21	DSNA BUCUREȘTI	Incinta curte RADIOFAR APROPIAT BANEASA DIRECTIA 251 ^o	Land	8,995,775	Law 213/1998, HG 624/2010

Notes 1 to 33 are an integral part of the individual IFRS Financial Statements.

(all amounts are presented in RON unless otherwise stated)

22	DSNA BUCUREȘTI	Incinta curte RADIOFAR INDEPARTAT BANEASA DIRECTIA 251 ^o	Land	1,654,159	Law 213/1998, HG 624/2010
23	DSNAR ARAD	Incinta curte RADIOFAR RUTA DEVA	Land	229,387	Law 213/1998, HG 624/2010
24	DSNAR ARAD	Incinta curte RADIOFAR INDEPARTAT	Land	74,342	Law 213/1998, HG 624/2010
25	DSNAR ARAD	Incinta curte RADIOMARKER	Land	1,405	Law 213/1998, HG 624/2010
26	DSNAR ARAD	Incinta curte RADIOFAR APROPIAT	Land	190,923	Law 213/1998, HG 624/2010
27	DSNAR ARAD	Incinta curte RADIOGONIOMETRU	Land	210,667	Law 213/1998, HG 624/2010
28	DR BUCUREȘTI	Incinta curte DVOR/DME GALATI (SENDRENI)	Land	597,202	Law 213/1998, HG 624/2010
29	DSNAR CONSTANȚA	Incinta curte RADIOFAR INDEPARTAT PE DIRECTIA 184 ^o	Land	31,821	Law 213/1998, HG 624/2010
30	DSNAR CONSTANȚA	Incinta curte RADIOFAR APROPIAT PE DIRECTIA 184 ^o	Land	95,314	Law 213/1998, HG 624/2010
31	DSNAR CONSTANȚA	Incinta curte RADIOFAR DE PANTA ILS DIRECTIA 184 ^o	Land	10,247	Law 213/1998, HG 624/2010
32	DSNAR CONSTANȚA	Incinta curte RADIOFAR DE DIRECTIE ILS DIRECTIA 184 ^o	Land	3,522	Law 213/1998, HG 624/2010
33	DSNAR CONSTANȚA	Incinta curte RADIOFAR APROPIAT PE DIRECTIA 004 ^o	Land	201,261	Law 213/1998, HG 624/2010
34	DSNAR CONSTANȚA	Incinta curte RADIOFAR INDEPARTAT PE DIRECTIA 004 ^o	Land	81,716	Law 213/1998, HG 624/2010
35	DSNAR CONSTANȚA	Incinta curte VOR/DME RADIOFAR DE RUTA PE DIRECTIA 004 ^o	Land	10,543	Law 213/1998, HG 624/2010
36	DSNAR CONSTANȚA	Incinta curte CENTRUL DE DIRIJARE AL ZBORURILOR CONSTANTA	Land	834,380	Law 213/1998, HG 624/2010
37	DSNAR CONSTANȚA	Incinta curte CENTRUL DE DIRIJARE AL ZBORURILOR CONSTANTA (Parcare)	Land	88,857	Law 213/1998, HG 624/2010
38	DSNAR CONSTANȚA	Incinta curte CAP RADAR PRIMAR SRE	Land	88,092	Law 213/1998, HG 624/2010
39	DSNAR CONSTANȚA	Incinta curte REPARTITOR CABLU TELECOMANDA	Land	41,537	Law 213/1998, HG 624/2010
40	DSNAR CONSTANȚA	Incinta curte OBSERVATOR METEO	Land	48,749	Law 213/1998, HG 624/2010
41	DSNA CLUJ	Incinta curte RADIOFAR APROPIAT	Land	837,195	Law 213/1998, HG 624/2010
42	DSNA CLUJ	Incinta curte CENTRUL DE EMISIE (CDZ CLUJ)	Land	23,668,876	Law 213/1998, HG 624/2010
43	DSNA BAI A MARE	Incinta curte RADIOFAR APROPIAT	Land	502,328	Law 213/1998, HG 624/2010
44	DSNA BAI A MARE	Incinta curte RADIO GONIOMETRU	Land	67,445	Law 213/1998, HG 624/2010
45	DSNA BAI A MARE	Incinta curte RADIOFAR INDEPARTAT	Land	254,522	Law 213/1998, HG 624/2010
46	DSNA IASI	Incinta curte RADIOFAR APROPIAT	Land	200,520	Law 213/1998, HG 624/2010
47	DSNA ORADEA	Incinta curte RADIOFAR INDEPARTAT	Land	809,394	Law 213/1998, HG 624/2010

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48	DSNA SATU MARE	Incinta curte RADIOFAR APROPIAT, RADIO GONIOMETRU DVOR/DME	Land	368,106	Law 213/1998, HG 624/2010
49	DSNA SATU MARE	Incinta curte RADIOFAR INDEPARTAT	Land	1,654,168	Law 213/1998, HG 624/2010
50	DSNA SIBIU	Incinta curte RADIOMARKER	Land	28,217	Law 213/1998, HG 624/2010
51	DSNA SIBIU	Incinta curte RADIOFAR INDEPARTAT si CENTRU DE EMISIE	Land	14,498,484	Law 213/1998, HG 624/2010
52	DSNA SIBIU	Incinta curte RADIOFAR APROPIAT	Land	660,757	Law 213/1998, HG 624/2010
53	DSNA SUCEAVA	Incinta curte RADIOFAR APROPIAT	Land	30,497	Law 213/1998, HG 624/2010
54	DSNA SUCEAVA	Incinta curte RADAR PRECIZIE	Land	12,182	Law 213/1998, HG 624/2010
55	DSNA SUCEAVA	Incinta curte OBSERVATOR METEO	Land	62,666	Law 213/1998, HG 624/2010
56	DSNA TULCEA	Incinta curte RADIOFAR APROPIAT	Land	108,213	Law 213/1998, HG 624/2010
57	DSNA TULCEA	Incinta curte RADIO GONIOMETRU	Land	3,226	Law 213/1998, HG 624/2010
58	DSNA TULCEA	Incinta curte RADIOFAR INDEPARTAT	Land	75,642	Law 213/1998, HG 624/2010
59	DSNA TULCEA	Incinta curte CENTRUL DE EMISIE	Land	285,410	Law 213/1998, HG 624/2010
60	DSNA IASI	Teren Radiofar apropiat pentru Aeroportul international Iasi- obiectiv NDB	Land	411,765	HG 359-11.05.2016
61	DSNAR CONSTANȚA	Obiectiv ILS-DME- Aeroportul Mihail Kogalniceanu, jud.Constanta	Land	38,354	HG 359-11.05.2016
62	DSNA TG. MUREȘ	Radiofar îndepărtat - comuna Ogra, jud. Mureș	Land	367,411	HG 1705/2006
63	DSNA TG. MUREȘ	Radiofar apropiat - sat Chirileu, jud. Mureș	Land	946,810	HG 1705/2006
64	DSNA TG. MUREȘ	Radiogoniometru - sat Chirileu, jud. Mureș	Land	156,478	HG 1705/2006
	TOTAL			155,843,188	

(d) Litigations

On September 9, 2015, Viorel Micula requested and obtained, in Belgium, the approval of the garnishment on the amounts of money that ROMATSA, as a provider of air navigation services, receives monthly from EUROCONTROL, up to the amount of EUR 85,066,428.42.

Against this garnishment, both R.A. ROMATSA and Romania, represented by the Ministry of Finance, filed enforcement appeals, and the files thus formed were joined. Intervention applications were filed by Ioan Micula (and from European Food SA, Starmill SRL and Multipack SRL), as well as from the European Union Commission and Eurocontrol

On January 25, 2016, the Civil Section of the French Tribunal of Brussels admitted the action filed by ROMATSA and Romania and ordered the suspension of the garnishment. Both Viorel Micula, and Ioan Micula and the three companies filed appeals against such Judgment, which is pending before the Brussels Court of Appeal and pending until the European Commission's appeal against the decision of the EU Tribunal annulling EC Decision 1470/2015 is settled.

Notes 1 to 33 are an integral part of the individual IFRS Financial Statements.

(all amounts are presented in RON unless otherwise stated)

On August 21, 2019, RA ROMATSA received a notification from EUROCONTROL announcing the Company that, starting with that date, a garnishment had been established by the Micula brothers on the EUROCONTROL accounts for the amounts due to RA ROMATSA related to the provision of air navigation services, for the amount of EUR 394,963,733.82, any current and future collections being made unavailable.

The cessation of the transfers was based on a court order approving enforcement and garnishment issued by the Court of First Instance in Brussels, at the request of Viorel Micula, based on the same judgment handed ruled on 11 December 2013 by the Arbitral Tribunal of CIRDI (ICSID) against the Romanian state.

As this new garnishment directly affected the operation of RA ROMATSA in the sense that the cash resources of the Company were depleted in a very short time in the absence of the amounts collected and transferred by EUROCONTROL, in order to unblock this situation, it was necessary to collaborate with a law firm representing the interests of RA ROMATSA in this new case file.

The defence filed by the team of lawyers employed by RA Romatsa had as main technical and legal support employees especially designated for this purpose, as well as the support of other institutions, e.g. financial audit firm KPMG, which provided a Report containing essential information on the existing financial situation at the level of the Company, compared to the economic-financial parameters prior to the creation of this litigation. The aim was to highlight the impact on the consequences created both internally and internationally. At the hearing of December 24, 2019, the garnishments established by the Micula brothers on the Romatsa revenues related to the provision of route air navigation services were suspended.

Although following an agreement between the Micula brothers and the Romanian Government, a significant amount of money was paid at the end of 2019, there are still disputes between the Romanian state and the Micula plaintiffs over the entire extinction of the latter's claims. As such, taking into account the specifics of the Belgian Code of Procedure, the appeal file of the second garnishment was "suspended", as there was no decision of the Dutch Language Court regarding the garnishment in itself. Thus, the procedure can be resumed at any time, not yet finalized all the aspects regarding the content of the file (court costs, etc.). The financial statements as at December 31, 2022 do not include any adjustment in relation to this dispute based on the assessment of the information held by the Company and its lawyers.

The Company has numerous pending litigations in connection with various situations in which it is represented by in-house/external lawyers or the in-house legal department. The management has evaluated their financial impact based on the estimates made by the lawyers for each case and believes that, apart from the specific provisions fully listed for the recovery of receivables or other specific provisions, no other provisions are necessary on December 31, 2022 in connection with the ongoing litigations.

(e) The fiscal legislative framework

All amounts due to the Romanian State for fees and taxes have been paid or recorded at the balance sheet date.

The tax system in Romania is in the process of being consolidated and harmonized with European legislation, there may be different interpretations of the authorities in relation to tax legislation, which may give rise to additional taxes, fees and penalties.

If the state authorities discover violations of the legal provisions in Romania, they can determine, as the case may be: the confiscation of the amounts in question, the imposition of additional fiscal obligations, the application of fines, the application of late increases (applied to the actual remaining payment amounts). Therefore, the tax penalties resulting from violations of the legal provisions can reach significant amounts to be paid to the state.

According to the tax legislation in force, during 2015, interest and late payment penalties were charged for taxpayers not paying their tax obligations on time.

Thus, in the period January-February 2014, the level of late interest was 0.04% per day, and the level of late penalties was 0.02% per day for each day of delay.

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(all amounts are presented in RON unless otherwise stated)

Starting from March 2014, the level of interest was reduced, being 0.03% per day of late payment; the level of penalties remained unchanged, at the value of 0.02% per day of late payment.

Starting from 01.01.2016, the level of late interest drops to 0.03% per day, and the level of penalties drops to 0.01% for each day of delay.

In Romania, the fiscal year remains open for checks for a period of 5 years.

Contingent liabilities may arise in connection with additional tax assessments that may be imposed by the tax authorities due to the controls carried out. Income tax returns may be subject to review by the tax authorities for a period of 5 years.

The Company considers that it has paid its fees, taxes, penalties and penalty interest in full and on time, to the extent applicable.

(f) Transfer Pricing

Romanian tax legislation contains detailed regulations on transfer pricing between related parties and includes specific methods for determining transfer pricing in transactions carried out under objective conditions.

The transfer pricing regulations require those taxpayers who carry out related party transactions to prepare a transfer pricing file, which must be submitted to the tax authorities upon request. In practice, the Romanian tax authorities may request additional information.

Consequently, if the principle of a transaction carried out under objective conditions cannot be demonstrated, a future tax audit may adjust the tax result with additional taxable income/non-deductible expenses (additional profit tax and related penalties may be estimated).

Management does not consider that the Company has significant exposure in this regard.

(g) The risk related to the economic environment

To the extent that information was available, management reflected revised estimates of future cash flows in its impairment policy.

Current concerns about a possible worsening of financial conditions that would further reduce confidence have led governments and central banks to make joint efforts to adopt special measures to counter risk aversion and restore normal market functioning

The management of the Company cannot estimate the events that could have an effect on the banking sector in Romania and subsequently what effect it could have on these financial statements.

The significant risks are described in Note 31. During 2022 the Company did not use derivatives to protect against these risks.

33. SUBSEQUENT EVENTS

There were no events subsequent to the balance sheet date that require adjustments or their presentation in the financial statements for the year ended December 31, 2022.

Notes 1 to 33 are an integral part of the individual IFRS Financial Statements.

(all amounts are presented in RON unless otherwise stated)

The financial statements presented from page 1 to page 78 were authorized to be issued by the Board of Directors on 29.05.2023 and were signed on its behalf by:

Felix Corneliu ARDELEAN

ADMINISTRATOR

Signature_____

Marius Adrian COJOC

GENERAL MANAGER

Signature_____

Cristian CÎTU - RADU

ECONOMIC MANAGER a.i.

Signature_____