

**AEROSTAR S.A. BACĂU**  
**INDIVIDUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AT 31 DECEMBER 2019**

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

**AND**

**THE INDEPENDENT AUDITOR'S REPORT**

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AEROSTAR S.A.Bacau

## **DECLARATION**

**The undersigned GRIGORE FILIP, as President of the Board of Directors and General Director of AEROSTAR S.A. and DORU DAMASCHIN, as Vicepresident of the Board of Directors and Financial Director of AEROSTAR S.A., hereby undertake the responsibility for the preparation of the individual financial statements as on 31.12.2019, and we confirm hereby that:**

- a) The accounting-financial statements for the year 2019, prepared in accordance with the applicable accounting standards, provide a fair image conforming with the reality of the assets, obligations, financial position, of the profit and loss account of Aerostar S.A. Bacău;**
- b) The report of the Board of Directors on the financial year 2019, prepared in accordance with the provisions of the Regulation no. 5/2018 issued by the Financial Supervisory Authority – Annex no 15, provides a correct review of the company's development and performance as well as a description of the main risks and uncertainties related to the activity of Aerostar S.A. Bacău.**

**President of the Board of Directors and General Director,  
GRIGORE FILIP**

**Vicepresident of Board of Directors and Financial Director,  
DORU DAMASCHIN**

**AEROSTAR S.A. BACAU**  
**INDIVIDUAL STATEMENT OF THE FINANCIAL POSITION AT 31 DECEMBER 2019**  
(unless specified otherwise, all amounts are stated in thousand lei)

	Note	31 December 2019	31 December 2018
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	157.545	147.763
Intangible assets	5	888	1.043
Investment property	6	7.681	7.930
Rights of use on assets under lease	32	1.765	-
Imobilizări financiare	7	144	140
<b>Total non-current assets</b>		<b>168.023</b>	<b>156.876</b>
<b>Current assets</b>			
Inventories	10	86.866	82.368
Trade receivables and other receivables	8;9	78.651	68.376
Cash and cash equivalents	11	207.362	167.545
<b>Total current assets</b>		<b>372.879</b>	<b>318.289</b>
<b>Receivables regarding deferred profit tax</b>	<b>17</b>	<b>13.984</b>	<b>11.132</b>
<b>Prepaid expenses</b>	<b>31</b>	<b>1.429</b>	<b>504</b>
<b>Total assets</b>		<b>556.315</b>	<b>486.801</b>
<b>COMPANY EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	12	48.729	48.729
Current result	12	65.979	79.921
Result carried-forward	12	58.931	58.324
Other reserves	12	215.507	166.395
Deferred income tax recognized based on own equity	17	(14.140)	(12.195)
Distribution of profit for legal reserve	12	(11.674)	(26.035)
<b>Total company equity</b>	<b>12</b>	<b>363.332</b>	<b>315.139</b>
<b>Prepaid income</b>			
Subsidies for investments	14	7.935	10.239
Deferred income	31	1.112	-
<b>Total prepaid income</b>		<b>9.047</b>	<b>10.239</b>
<b>Long-term liabilities</b>			
Liabilities regarding deferred income tax	17	17.316	16.055
Other long-term liabilities	16	2.375	45
<b>Total long-term liabilities</b>		<b>19.641</b>	<b>16.100</b>
<b>Long-term provisions</b>	<b>13</b>	<b>97.451</b>	<b>95.796</b>
<b>Current liabilities</b>			
Trade liabilities	15	26.769	21.197
Liability with current income tax	23	2.446	2.357
Other current liabilities	16	16.061	9.218
<b>Total current liabilities</b>		<b>45.276</b>	<b>32.772</b>
<b>Short-term provisions</b>	<b>13</b>	<b>21.568</b>	<b>16.755</b>
<b>Total provisions</b>		<b>119.019</b>	<b>112.551</b>
<b>Total liabilities</b>		<b>64.917</b>	<b>48.872</b>
<b>Total company equity, prepaid income, liabilities and provisions</b>		<b>556.315</b>	<b>486.801</b>

General Director,  
Grigore Filip

Financial Director,  
Doru Damaschin

**AEROSTAR S.A. BACĂU**  
**INDIVIDUAL STATEMENT OF THE PROFIT OR LOSS**  
**AT 31 DECEMBER 2019**  
(unless specified otherwise, all amounts are stated in thousand lei)

	Note	31 December 2019	31 December 2018
<b>Operating income</b>			
Income from sales	19	399.210	353.413
Other income	19	3.346	3.473
Income related to the inventories of finished goods and work in progress	19	6.593	12.528
Income from production of assets	19	988	1.645
Income from operating subsidies	19	263	186
<b>Total operating income</b>		<b>410.400</b>	<b>371.245</b>
<b>Operating expenses</b>			
Material expenses	20	(132.512)	(124.124)
Expenses with employees' benefits	20	(126.473)	(114.974)
Expenses regarding amortization of assets	20	(25.975)	(25.307)
Adjustments regarding current assets	20	(13.749)	(5.106)
Adjustments regarding provisions	20	(6.198)	12.638
Expenses regarding external services	20	(30.098)	(26.659)
Other expenses	20	(5.455)	(4.636)
<b>Total operating expenses</b>		<b>(340.460)</b>	<b>(288.168)</b>
<b>Profit/loss from operating activity</b>		<b>69.940</b>	<b>83.077</b>
Financial income	21	9.664	7.806
Financial expenses	22	(4.498)	(3.463)
<b>Financial profit/loss</b>		<b>5.166</b>	<b>4.343</b>
<b>Profit before tax</b>		<b>75.106</b>	<b>87.420</b>
Tax on current and deferred profit	17;23	(9.127)	(7.499)
<b>Net profit of the period</b>		<b>65.979</b>	<b>79.921</b>

**General Director,  
Grigore Filip**

**Financial Director,  
Doru Damaschin**

**AEROSTAR S.A. BACĂU**  
**INDIVIDUAL STATEMENT OF OTHER ELEMENTS OF**  
**THE GLOBAL RESULT AT 31 DECEMBER 2019**  
**(unless specified otherwise, all amounts are stated in thousand lei)**

	<b>31 December 2019</b>	<b>31 December 2018</b>
<b>Net profit of the financial year</b>	<b>65.979</b>	<b>79.921</b>
Deferred income tax recognized on company equity according to O.M.F.P. 2844/2016	(1.337)	(3.435)
<b>Other elements on the global result</b>	<b>(1.337)</b>	<b>(3.435)</b>
<b>Total global result of the period</b>	<b>64.642</b>	<b>76.486</b>

**General Director,  
Grigore Filip**

**Financial Director,  
Doru Damaschin**

**AEROSTAR S.A. BACĂU**  
**INDIVIDUAL STATEMENT OF THE MODIFICATION OF COMPANY EQUITY**  
**FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2019**  
**(unless specified otherwise, all amounts are stated in thousand lei)**

	Share capital	Reserves	Deferred income tax recognized on equity	Result carried forward	Result of the period	Total equity
<b>Global result</b>						
<b>A. Balance on 1 January 2019</b>	<b>48.729</b>	<b>166.395</b>	<b>(12.195)</b>	<b>58.324</b>	<b>53.886*</b>	<b>315.139</b>
<b>Profit of the period</b>					65.979	65.979
<b>Other elements of global result</b>						
Deferred income tax recognized on the account of equity			(1.944)	607	-	(1.337)
Distribution of the profit of 2018 on the destinations decided by the shareholders in OGMS from the 19 April 2019 (Note 12)				53.886	(53.886)	-
Distribution of the profit of 2019 for the legal reserves in gross amount		11.674			(11.674)	-
<b>Total global result relating to the period</b>		<b>11.674</b>	<b>(1.944)</b>	<b>54.493</b>	<b>419</b>	<b>64.642</b>
Reserves distributed from the profit of 2018		37.437		(37.437)		-
Dividends related to 2018, paid to the shareholders				(16.449)		<b>(16.449)</b>
<b>Transactions with the shareholders directly recognized in equity</b>		<b>37.437</b>		<b>(53.886)</b>		<b>(16.449)</b>
<b>B. Balance on 31 December 2019</b>	<b>48.729</b>	<b>215.506</b>	<b>(14.139)</b>	<b>58.931</b>	<b>54.305 **)</b>	<b>363.332</b>
<b>C. Modifications on own equity (NOTE 12)</b>	<b>0</b>	<b>49.111</b>	<b>(1.944)</b>	<b>607</b>	<b>419</b>	<b>48.193</b>

\*) The result of the prior period is 79.921 thousand lei and is influenced by allocation of the profit on the legal reserves in amount of 26.035 thousand lei.

\*\*\*) The result on 31.12.2019 is 65.979 thousand lei is influenced by the distribution of the profit on legal reserves in the amount of 11.674 thousand lei.

**General Director,  
Grigore Filip**

**Financial Director,  
Doru Damaschin**

**AEROSTAR S.A. BACĂU**  
**INDIVIDUAL STATEMENT OF THE CASH FLOWS (direct method)**  
**FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2019**  
**(unless specified otherwise, all amounts are stated in thousand lei)**

	Note	31 December 2019	31 December 2018
<b>CASH FLOWS FROM OPERATIONS</b>			
collected from customers		415.074	352.279
taxes and excises recovered from State Budget		8.687	5.329
payments to suppliers and employees		(267.320)	(253.029)
payment of taxes, contributions and dues to State Budget		(55.294)	(50.851)
payment of profit tax		(11.967)	(7.275)
<b>NET CASH FROM OPERATIONS</b>	27	<b>89.180</b>	<b>46.453</b>
<b>CASH FLOWS FROM INVESTMENTS</b>			
interest collected from bank deposits set		3.358	3.057
dividends received from subsidiaries		137	202
collected from sales of property, plant and equipment		14	18
interest collected from loans granted		0	59
instalments collected from loans granted		0	5
payments for purchasing property, plant and equipment and intangible assets		(37.727)	(32.669)
<b>NET CASH FROM INVESTMENTS</b>	27	<b>(34.218)</b>	<b>(29.328)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
dividends paid but unclaimed		99	47
gross dividends paid		(15.918)	(13.658)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	27	<b>(15.819)</b>	<b>(13.611)</b>
<b>Net increase of cash and cash equivalents</b>		<b>39.143</b>	<b>3.514</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>167.545</b>	<b>163.886</b>
Effect of the exchange rate variation over the cash and cash equivalents	27	674	146
<b>Cash and cash equivalents at the end of the period</b>	11	<b>207.362</b>	<b>167.545</b>

**General Director,**  
Grigore Filip

**Financial Director,**  
Doru Damaschin



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

**NOTE 1 - DESCRIPTION OF THE COMPANY**

The company AEROSTAR was established in 1953 and acts in accordance with the Romanian law. AEROSTAR carries out its activity at its registered headquarter located in Bacau, 9 Condorilor St, code 600302. In accordance with the Decision no. 2/14.12.2017 of the Board of Directors, a secondary place of business without legal personality (workplace) has been approved in Iasi, on 25B Aeroportului Street.

The main field of activity of AEROSTAR is production.

The main object of activity of the company is “Manufacture of aircraft and spaceships” - code 3030. The company was registered as a shareholding company at the Bacau Trade Register (under number J04/1137/1991) with the current name “AEROSTAR” S.A. and the individual identification code 950531, the European Unique Identifier (EUID) code ROONRC J04/1137/1991.

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

During the year 2019, there was no subscription of new shares, nor any participation certificates, convertible bonds, warranties, options or similar rights.

In terms of accounting regulations, AEROSTAR S.A. is the subsidiary of the company IAROM S.A. and therefore, the parent company that consolidates the financial statements of the group is S.C. IAROM S.A., with the individual identification code 1555301, having its registered headquarters in Bucharest, 39 Aerogarii Blvd. The consolidated financial statements for the financial year 2018 were filed with A.N.A.F. under registration number 184767215/26.08.2019. Copies of the consolidated financial statements can be obtained from the headquarters of the parent company, IAROM S.A. The parent company will prepare and publish a set of consolidated financial statements in accordance with the applicable accounting regulations, for the financial year ended 31.12.2019.

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

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

The company will continue to act firmly so as to ensure the sustainability of its investments and business growth.

The strategy adopted develops AEROSTAR’s main object of activity, so that the aeronautical field is majoritary in the turnover. The general objective is the annual growth of the company’s turnover while increasing customer satisfaction. The specific objectives which support the general objective comprises the continued organic development of the company: the development of the centres of excellence through further modernizations, investments and continuous improvement programmes and the development of the organizational culture.

The company equity entirely covers the financing needs for production and investments. Through its dividend policy, the company develops its equity in relation to increasing the sales and investments.

During 2019, the company did not use loan capital, neither equity contribution from the shareholders.

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

### **2.1. Estimates**

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

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

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

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

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

The company uses estimates in order to determine:

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

#### ***Presentation of information***

To the extent possible, the company will present the nature and value of a change to an accounting estimate which has an effect in the current/ subsequent period(s).

### **2.2. Errors**

Errors may arise in recognizing, evaluating, presenting or describing the items of the financial statements.

The company corrects retrospectively the significant errors of the previous period in the first set of financial statements whose publication was approved after discovering them, by:

**AEROSTAR S.A. BACAU**  
**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS**  
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- restatement of comparative amounts for the prior period in which the error occurred, or
- if the error occurred before the prior period, by restatement of the opening balances of assets, liabilities and equity for the previous presented period.

In case an error is identified, the company shall disclose the following information:

- the nature of the error for the prior period;
- the value of the correction for each of the previously presented period, to the extent possible:
  - for each item - row affected from the financial statement;
  - for the basic result and diluted per share.
- the amount of the correction at the beginning of the first period, previously presented;
- if retrospective restatement is impossible for a specific prior period, the circumstances that lead to the existence of such circumstance and a description of how and since such error was corrected.

### **2.3. Changes in the accounting policies**

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

The company modifies an accounting policy only if such change:

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

Applying changes in Accounting Policies:

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

#### ***Presentation of the information***

When the initial application of an IFRS has an effect over the current or prior period of time, the company presents, in the explicative notes the following:

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

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

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

- the nature of the change of accounting policy;
- the reasons for which the application of the new accounting policy offers more reliable and relevant information;

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- for the current period and for each prior period, the amount of the adjustments for each affected item from the financial position, to the extent possible.

**AEROSTAR S.A. BACAU**  
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## **NOTE 3 - ACCOUNTING AND EVALUATION PRINCIPLES**

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

The individual financial statements of AEROSTAR SA are prepared in accordance with the provisions of:

- the International Financial Reporting Standards (IFRS) adopted by the European Union;
- ✓ *Adopting for the first time the new and reviewed standards*
  - Adoption of IFRS 16 'Leases' (into effect since 1 January 2019) together with the modifications of the International Accounting Standards, in accordance with the IFRS 16. In 2019, the company reclassified a contract previously treated as operational lease, having the scope of the right to use a certain land, in correspondance with the lease duty and the decommissioning provision. All the remaining on-going contracts entered under different derogations, therefore no reclassifications were required, the expenses with the lease payments being accounted as rent expenses.
  - Adoption of IFRIC 23 'Uncertainty over Income Tax Treatments', which entered into effect since 1 January 2019;
  - Adoption of the amendments to IAS 12 'Income Taxes', IAS 23 'Borrowing Costs', IFRS 3 'Business Combinations', IFRS 11 'Joint Arrangements' (into effect since 1 January 2019);
  - Adoption of the amendments to IAS 19 'Employee benefits', in force after 01.04.2019; These modifications did not have a significant impact on AEROSTAR's financial statements.
- ✓ *Standards (Modifications to Standards) and interpretations adopted by the Committee for the International Accounting Standards and by the European Union through the Regulations issued but not yet in effect:*
  - Modifications of the International Accounting Standards 1, 8, 34, 37 and 38 of the International Financial Reporting Standards 2, 3 and 6 and of the Interpretations 12, 19, 20, 22 and 32 which shall enter into effect starting with the financial year 2020;
  - Modifications of the Standards IAS 1 and IAS 8 which shall enter into effect in 01.01.2020.

The company evaluates the potential effects of the new Standards and amendments to the International Financial Accounting Standards and according to the initial estimates, the company provides that these will not significantly impact on its financial statements.

- Accounting Law no. 82/1991, republished, as subsequently amended and supplemented;
  - O.M.F.P. no. 881/2012 on the application of International Financial Reporting Standards by companies whose securities are admitted for trade on a regular market;
  - O.M.F.P. no. 2.844/2016 on the approval of the Accounting Regulations conforming to the International Financial Reporting Standards;
  - O.M.F.P. no. 2.861/2009 for the approval of the Norms regarding the organization and execution of the inventories of elements such as assets, debts and company capitals;
  - O.M.F.P. no. 1.826/2003 on the approval of the explanatory notes regarding some measures for the accounts management and control;

**AEROSTAR S.A. BACAU**  
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- O.M.F.P. no. 2.634/2015 regarding the financial accounting documents, including subsequent amendments and additions.

Accounting is kept in Romanian and in the national currency.

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

The financial year is the calendar year.

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

The financial statements are prepared based on historical cost.

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

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

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

The most significant accounting policies are presented below:

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

The Company decided to use the cost-based model as accounting policy. After recognition as an asset, the **property, plant and equipment** are accounted at their cost less aggregate impairment and any aggregate impairment losses.

The depreciated cost is allocated systematically over the useful life of the asset and represents the cost of the asset less the residual value.

Taking into account the specific activity and the types of property, plant and equipment in the patrimony of the company, it was considered that the residual values of the property, plant and equipment are insignificant. Practically, the residual value was calculated at the level of metal waste that may be capitalized after deduction of dismantling, disassembly and sales expenses.

The impairment methods and useful life, are reviewed at least at the end of each financial year and are appropriately adjusted. The useful lifetimes are determined by the commission made up of company's specialists. Any changes are accounted prospectively.

Subsequent expenditures related to property, plant and equipment are added to the net value of the good, when:

- their effect is the improvement of the initial technical parameters;
- they are the sources of future economic benefits materialized into cash-flows supplementary to the initial estimates; and
- can be reliably assessed.

The benefits are realized directly through the increase of revenues and indirectly through reducing maintenance and operating expenses.

All other repair and maintenance expenses performed to ensure the continued use of the property, plant and equipment are recognized in the profit or loss when such expenses are made. These are performed in order to keep the initial technical parameters.

**AEROSTAR S.A. BACAU**  
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The spare parts are generally accounted for as inventories and recognized as expense when consumed. If the spare parts and service equipment, with significant values, may only be used in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment if the initial acquisition cost (upon commissioning) of the replaced part can be determined.

To decide whether the recognition is done separately, on separate components, each case is reviewed using professional reasoning.

The tangible immobilizations in progress which are to be used in production or in administrative activities are presented in the statement of the financial position on a cost basis, less any loss accumulated from impairment. Such assets are classified in the respective asset classes when they are completed and ready for use in the manner desired by the management, for the intended purpose.

The management of the company has set the level for the capitalization of assets at 2.500 lei. All purchases below this amount will be considered as expenses of the period.

*Exceptions:* Computers are considered to be impaired property, plant and equipment, irrespective of their input value and will depreciate over the expected useful life set by the reception committee. Also, work tools and devices are also accounted for as inventories and recognized as expenses of the period when consumed, irrespective of their initial value, taking into account that they have a useful lifetime less than a year, as well as their degree of specialization (intended to be used for a particular type of product/ service).

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

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

If the company cannot distinguish between the research phase and the development phase of an internal project to create an intangible asset, the company treats the costs of the project as being exclusively incurred during the research phase.

The company decided on the accounting policy of the cost model which requires that the intangible assets to be valued at their net asset value, equal to their cost, except the accumulated impairment and any impairment losses, for such assets.

An **investment property** is initially valued according to its cost, including any other directly attributable expenses. After the initial recognition, the company has opted for the cost model for all its investments property in accordance with the provisions of IAS 16 for that model.

The transfers to and from the investment property category are made if and only if there is a change in their use.

The transfers between categories do not change the accounting value of transferred property and do not change the cost of that property for the purpose of evaluation or presenting the information.

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The investment property is amortized according to the same rules as for the property, plant and equipment.

The category of **financial assets** comprises:

- Shares held in affiliated companies.
- Other property, plant and equipment.
- Long-term loans as well as interest on them. In this category are included the amounts granted to third parties based on interest-rate contracts, according to the law.
- Other fixed receivables as well as the interest related to them. This category includes collaterals, deposits and bills placed with third parties, receivables related to financial lease contracts.

The long-term financial assets recognized as an asset are measured at the cost of acquisition or at the amount set in their acquisition contract.

The long-term financial assets are presented in the statement of the financial position at the incoming value, less any recognized impairment losses.

- **Accounting policies on inventories items**

The record for the entry of inventories is made at the time of the transfer of risks and benefits.

The calculations of such inventories which are not usually fungible and of such goods or services produced is based on the identification of their individual costs.

At the write-off of the inventories and fungible assets, they are assessed and recorded in the accounts by applying the FIFO method.

Periodically, the management of the company approves the level of normal technological losses.

The inventory is kept according to quantity and value, by applying the permanent inventory method.

The value adjustments are made for the current assets such as the inventories, upon each reporting period, based on the duration of inventories, the findings of the inventories commissions and/ or of the business modules management, for the presentation of assets at the lowest value between cost and net achievable value.

- **Accounting policies on company's liabilities**

Company's liabilities are outlined in third parties accounts. Suppliers and other liabilities accounts are kept by category, as well as on each individual or legal entity.

Income tax to be paid is recognized as a liability for the unpaid balance.

The accounting of the excise duties and special funds included in prices or tariffs is made based on the corresponding liabilities accounts, without transit through the income and expenses accounts.

The operations which cannot be distinctly evidenced in the appropriate accounts and for which further clarification is required, are recorded in a separate account 473 Suspense Accounts.

Accounts for foreign currency liabilities are kept both in RON and in foreign currency.

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

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



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All other liabilities are classified as long-term liabilities.

Liabilities that are payable over a term longer than 12 months are long-term liabilities.

Liabilities due within 12 months of the date of the financial statements are also considered long-term, interest-bearing liabilities if:

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

- **Accounting policies on company's receivables**

Receivables include:

- trade receivables, which are amounts owed by customers for goods sold or services supplied in the normal course of the activity;
- commercial revenue (effects) to be collected, third party instruments;
- amounts owed by the employees or affiliated companies
- advance payments to the suppliers of property, plant and equipment, of goods and services;
- receivables related to manpower and state budget.

Receivables are accounted for under the accrual basis, according to the legal or contractual provisions.

Customer accounting is kept on categories (internal customers for services and products, as well as external customers for services and products) and on each natural or legal person.

Receivables settled in foreign currency or in RON according to the foreign exchange rate:

Receivables in foreign currencies, which are the result of the company's transaction, are recorded both in RON, as well as in foreign currency.

The transactions in foreign currency are initially recorded at the foreign exchange rate, communicated by the National Bank of Romania, from the date of the operation.

Impairment of receivables with prescribed collection deadlines is performed only after all legal steps have been taken, for their settlement.

The uncertain receivables are recorded separately in the account 4118 Uncertain customers when the payment term stipulated in the contract has exceeded by more than 30 days or there is a dispute with the customer.

In the annual financial statements, receivables are valued and presented in the value which is likely to receive.

When a receivable from a customer was not collected in full at the payment term stipulated in the contract, there are recorded impairment adjustments to the terms and percentages approved by the Board of Directors in the Accounting Policy Manual.

- **Accounting Policies for Revenue Recognition**

In the revenue-related category are included both the revenues received or to be received in own name, as well as gains from any source.

Revenues are classified as follows:

- ✓ revenues from operations;
- ✓ financial revenues.

The revenue is recognized on the accrual accounting basis.

The revenue is evaluated at the fair value of the countervalue received or which can be received.

The sales revenue is diminished for returns, commercial reductions and other similar discounts.

Revenues from operations include:

- revenues from sales (of goods, services, commodities, residual products);

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- revenues related to the cost of product inventories;
- revenues from the production of immobilizations;
- revenues from changes in adjustments of assets, respectively from reductions of provisions or resumed provisions;
- other operating revenues.

**Revenues from the sale of goods** are recorded when all of the following conditions are met:

- the company transferred to the buyer the control on the goods in question;
- the company does not retain the continuous managerial involvement to the level usually associated with the ownership or the actual control over the sold goods;
- the amount of revenue can be accurately assessed;
- the economic benefits associated with the transaction are likely to be directed to the entity;
- the costs incurred or to be incurred in connection with the transaction can be precisely measured.

Specifically, the income from the sale of goods are recognized when the company transferred to the buyer the control on the goods in question.

#### **Revenues from rendering of services**

The contracts for the supply of services in the company's portfolio are usually contracts with execution at a specific time, which coincides with the delivery of goods subject to the rendering of services.

As a result, the revenues from the rendering of services are registered when the following conditions are met:

- the company transferred to the customer the control over the services rendered;
- the amount of the revenue can be accurately measured;
- it is probable that the economic benefits associated with the transaction will be directed to the entity;

If the result cannot be estimated, the revenue is recognized up to the recoverable amount.

The **rental revenues** from property investments are recognized in the profit or loss account on a straight-line basis over the period of the lease.

The **financial revenues** include income from interest, from foreign exchange rates differences, from dividends and other financial income.

The **interest revenues** are recognized in the profit or loss statement on an accrual basis using the effective interest method. The interest revenues generated by a financial asset are recognized when it is probable that the company will obtain an economic benefit and when that revenue can be measured accurately.

The **dividend revenues** generated by investments are recognized when the shareholder's right to receive payment is determined. The company records dividend revenues at the gross amount that includes dividend tax (when it is the case), which is recognized as income tax expense.

- **Accounting policies for provisions**

Provisions are recognized when the company has a present obligation (legal or implicit) as a result of a past event, it is probable that the company will be required to settle the obligation and a reliable estimate of the amount of the obligation.

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The value recognized as provision is the best estimation that can be made regarding the amount required to settle the current obligation at the end of the reporting period, taking into account the risks and uncertainties around the obligation.

The accounting for provisions is kept on the basis of the nature, the purpose or the object for which they were set up.

**Provisions for collaterals**

The company makes provision for collateral when the products or services covered by the collateral are sold.

The amount of the provision is based on historical or contractual information about the collateral granted and is estimated by the share of all possible results with the probability of the realization of each.

**Provisions for risk and expenses**

When identifying risks and expenses that the events that occur or are occurring make them probable and whose object is determined with certainty but whose realization is uncertain, the company hedges these risks by making provisions.

The provisions for risks and expense are constituted for items such as litigations, fines, penalties, compensations, damages and other uncertainties.

**Provisions for the decommissioning of property, plant and equipment**

When the initial recognition of a property, plant and equipment is estimated, the cost of dismantling, removing the item and restoring the site where it is located, as a consequential cost of using the item over a certain period of time.

These consequential costs are reflected by the constitution of a provision that is recorded in the income statement during the lifetime of the property, plant and equipment, by including it in the impairment expense.

The revision of the estimates for the decommissioning and restoration provision is determined by the annual review of the dismantling costs. The Committee of specialists from the company, appointed by decision, establishes, on a regular basis, whether the initial estimates of dismantling costs are appropriate.

**Provisions for the employees' benefits**

Are recognised for the benefits of the employees granted in accordance with the applicable Collective Labour Agreement, only if:

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

The provisions are reanalysed at the end of each reporting period, in order to present the most appropriate current estimation.

• **Accounting Policies on grants and other non-reimbursable funds**

The subsidies are distinctly reflected:

- government grants;
- non-refundable subsidies in the form of grants;
- other amounts received in the form of grants.

Grants are recognized at their approved value. Grants received as non-monetary assets are recognized at fair value.

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Government grants are initially recorded as deferred revenue at fair value when there is reasonable assurance that it will be received and the Company will respect the conditions associated with the grant.

Grants that compensate the Company for the expenditures incurred are systematically recorded in the income statement, in the same periods in which expenses are recorded. Grants that compensate the company for the cost of an asset are recorded on a systematic basis in the income statement over the entire lifetime of the asset.

Grants related to income are recorded on a systematic basis as revenues from the periods corresponding to the related expenditures that these grants are to compensate.

In case that, during a specific period, a grant is received for expenses that have not yet been incurred, the subsidies received do not represent income for that current period. They are recognized in the accrual accounting as advance income and are resumed in the income account as the incurred expenses compensate the surplus.

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

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

The management accounting consists of:

- collecting direct, indirect and ancillary costs by their nature;
- indirect cost allocation;
- direct and indirect costs deduction.

The purpose of the management accounting is principally to determine the result on production orders or services and on each organizational structure.

According to the accounts regulations, the following items are recognized in the cost of goods, works and services that are recognized as expenses of the period in which they occurred:

- a) material losses, labour or other production costs related to scrap and undercapacity load work costs;
- b) general administration expenses.

The calculation method used in Aerostar is the method based on orders.

This method is suitable for individual and serial production. The object of record and calculate the cost within this method is the order launched for a certain quantity (batch) of products.

The production costs are collected directly on each order (those that are direct) or by distribution (the indirect ones).

The actual cost per unitary product are calculated upon completion of the order by dividing the production costs collected from the respective order to the quantity of products produced on the order.

The orders are launched at a planned price, as applicable.

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

In applying the accounting policies, the Company issues procedures, instructions and work dispositions approved by the executive management.

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**NOTE 4 – TRANSACTIONS IN FOREIGN CURRENCIES**

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

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

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

<b>Currency</b>	<b>31.12.2019</b>
EUR (Euro)	4.7793
USD (American Dollar)	4.2608
GBP (British pound)	5.6088

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

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

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

<b>Year 2019</b>	<b>thousand EUR</b>	<b>thousand USD</b>	<b>thousand GBP</b>
Collected from financial assets	22.003	50.563	0
Payments of financial liabilities	(11.637)	(16.880)	(595)
<b>Expunere netă valutară</b>	<b>10.366</b>	<b>33.683</b>	<b>(595)</b>

In the reporting period, the quartely variation of the foreign exchange rate USD/LEU with:

+2,25% in 1st quarter 2019 in comparison with 31.12.2018

(0,40%) in 2nd quarter 2019 in comparison with 31.03.2019

+2,27% in 3rd quarter 2019 in comparison with 30.06.2019

(1,00%) in quarter IV 2019 in comparison with 30.09.2019

and

EUR/LEU:

+1.50% in 1st quarter 2019 in comparison with 31.12.2018

(0,30%) in 2nd quarter 2019 in comparison with 31.03.2019

(0,10%) in 3rd quarter 2019 in comparison with 30.06.2019

+0,30% in quarter IV 2019 in comparison with 30.09.2019

has determined the registration of a financial profit from favourable exchange rate differences of 1.534 thousand LEI.

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**NOTE 5 - INTANGIBLE ASSETS**

	31 December 2019			01 January 2019		
	Gross values	Depreciation/ Impairment	Net accounting value	Gross value	Depreciation/ Impairment	Net accounting value
Capitalized development costs	41	(41)	0	152	(152)	0
Licences /Trade marks	5.308	(4.597)	711	4.902	(3.926)	976
Other intangible assets	1.808	(1.631)	177	1.413	(1.346)	67
<b>Total</b>	<b>7.157</b>	<b>(6.269)</b>	<b>888</b>	<b>6.467</b>	<b>(5.424)</b>	<b>1.043</b>

**Net accounting value**

	Balance on 1 January 2019	Increase	Reclassification	Disposals	Depreciation/ Impairment during the period	Balance on 30 December 2019
Capitalized development costs	0	41	0	0	(41)	0
Licenses	976	405	0	0	(670)	711
Other intangible assets	67	395	0	0	(285)	177
<b>Total</b>	<b>1.043</b>	<b>841</b>	<b>0</b>	<b>0</b>	<b>(996)</b>	<b>888</b>

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

- Development expenses
- Licences
- Other intangible assets

The software programmes are registered in other intangible assets.

The estimated useful lifetimes of intangible assets are established in years.  
The useful lifetimes are established by committees of specialists from the company.

The fiscal durations of operation of the intangible assets are stipulated by the fiscal legislation on assets.

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

The intangible assets in the balance sheet account as on 31.12.2019 are not depreciated and no adjustments were made for the depreciation thereof.

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

The value of the completely amortized software licenses on 31 December 2019 and which are still in use is 2.252 thousand lei.

All the intangible assets recorded in the balance sheet as on 31 Decembrie 2019 are property of AEROSTAR.

Increases in gross values of intangible assets were 841 thousand lei, from which:

- |  |                   |
|--|-------------------|
| • development of the IT management system of production: | 395 thousand lei  |
| • purchasing of software licences                        | 405 thousand lei. |

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

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

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**NOTE 6 – PROPERTY, PLANT AND EQUIPMENT**

The Property, plant and equipment on 31 December 2019 and 01 January 2019 comprise the following:

	31 December 2019			01 January 2019		
	Gross values	Depreciation	Net accounting value	Gross values	Depreciation	Net accounting value
<b>Land</b>	28.401	0	28.401	28.401	0	28.401
<b>Constructions</b>	58.880	(21.429)	37.451	55.736	(16.922)	38.814
<b>Technological equipment and transport</b>	163.101	(89.875)	73.226	149.601	(70.623)	78.978
<b>Other equipment and office equipment</b>	2.239	(758)	1.481	1.348	(466)	882
<b>Investment property</b>	10.644	(2.963)	7.681	10.260	(2.330)	7.930
<b>Property, plant and eqpt under construction</b>	16.986	0	16.986	687	-	687
<b>Total</b>	<b>280.251</b>	<b>(115.025)</b>	<b>165.226</b>	<b>246.033</b>	<b>(90.341)</b>	<b>155.692</b>

**Net accounting value**

	Balance on 1 January 2019	Increase	Reclassification	Disposal/ Transfer	Depreciation	Balance on 31 December 2019
<b>Land</b>	28.401	0	0	0	0	28.401
<b>Constructions</b>	38.814	3.253	(108)	0	(4.508)	37.451
<b>Technological equipment and vehicles</b>	78.978	13.746	0	(10)	(19.488)	73.226
<b>Other equipment and office equipment</b>	882	910	0	0	(311)	1.481
<b>Investment property</b>	7.930	277	108	0	(634)	7.681
<b>Property, plant and eqpt under construction</b>	687	34.485	0	(18.186)	0	16.986
<b>Total</b>	<b>155.692</b>	<b>52.671</b>	<b>0</b>	<b>(18.196)</b>	<b>(24.941)</b>	<b>165.226</b>



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The Property, Plant and Equipment are evaluated at their acquisition or production costs minus cumulative depreciation and the impairment losses.

These items are amortized by the Company using the linear method.

Depreciation expenses are recognised in the profit and loss statement.

The following useful lives are assumed:

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

The useful lives are established by committees formed by Company's specialists. The useful lifetimes of the Property, Plant and Equipment were reviewed at September 2019.

The fiscal useful lives of the Property, Plant and Equipment are stipulated by the fiscal legislation on assets.

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

The investment property contains a number of 12 units – buildings which are rented to third parties based on renting contracts.

The value of renting income for this category of immobilizations in 2019 was of 2.301 thousand lei (2018: 1.991 thousand lei).

At the date of transition to IFRS, the Company estimated and included in the cost of the Property, Plant and Equipment the costs estimated with their decommissioning at the end of the useful lifetime.

These costs were reflected in the set-up of a provision, which is recorded in the profit and loss account throughout the lifetime of the Property, Plant and Equipment, by inclusion in the depreciation expense.

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

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

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

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

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

External source of information

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The market value of the company (market capitalization) registered a 10% increase at 31 December 2019 (814.684 thousand lei) in comparison with 31 December 2018 (738.546 thousand lei). The indicator which offers information regarding the interest from the investors in the company listed on the capital market is the market capitalization reported to company equity (MBR).

AEROSTAR continues in 2019 also, to register a very good value of the indicator, obtained by the well-rated companies on the capital market which present interest from the investors.

indicator MBR-Market to book ratio	31.12.2019	31.12.2018
Stock exchange capitalization/ company equity	2,2	2,3

Internal source of information:

- the economic performance of the assets is good, all the immobilizations in operation bring benefits to the company
- in the reporting period no changes occurred with adverse effects on the extent and manner in which the assets are used. The rotation of immobilizations (Turnover/Property, Plant and Equipment – indicator monthly monitored) was 2,38 rotations, slightly over the level in 2018 (2,25 rotations).

In conclusion, the Property, Plant and Equipment in the balance sheet on 31.12.2019 are not depreciated and no significant depreciation indicators were identified.

The gross accounting value of the fully depreciated Property, Plant and Equipment which were still in operation on 31 December 2019 is of 10.806 thousand lei.

On 31.12.2019 no mortgages were set on property assets in AEROSTAR ownership.

**Increases in gross values of the Property, Plant and Equipment, achieved by:**  
**52.671**

- acquisition of technical equipment, hardware equipment, measuring and control equipment, modernization of buildings, etc 18.186
- investments performed in 2019 34.485

**Reclassifications, by:**

- the transfer of the immobilizations in progress under Property, Plant and Equipment 108

**Decreases in gross values of Property, Plant and Equipment, achieved by:** **18.196**

- the transfer of the immobilizations in progress into Property, Plant and Equipment following their commissioning; 18.186
- derecognition of certain Property, Plant and Equipment, due to the fact that the company no longer expects future economic benefits from their use; 10

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**NOTE 7- FINANCIAL ASSETS**

	Shares held in affiliated entities	Other immobilized securities	Other immobilized receivables - supplier bonds	Total
<b>On 1 January 2019</b>	<b>14</b>	<b>92</b>	<b>34</b>	<b>140</b>
<b>Increases/Decreases</b>	-	-	4	4
<b>On 31 December 2019</b>	<b>14</b>	<b>92</b>	<b>38</b>	<b>144</b>

Details of the entity's investments at 31.12.2019 in other companies are the following:

Subsidiary name/ Registered headquarter	CAEN code	No. of shares/ shares issued	Voting rights (%) held	Value of shares held by Aerostar (thousand lei)	Financial Information Related to 2018				
					Company's Share capital	Reserve	Net profit	Nominal value/ share	Net assets/ share
<b>Airpro Consult SRL Bacau 9 Condorilor St.</b>	- main activity according to CAEN code 7820	<b>100</b>	<b>100%</b>	10	10	71	66	0,10	1,5
<b>Foar SRL Bacau 9 Condorilor St.</b>	- main activity according to CAEN code 7739	<b>800</b>	<b>51%</b>	4	8	1.739	171	0,01	2,4
<b>ATF S.A Bacau 9 Condorilor St.</b>	- main activity according to CAEN code 2822	<b>20.000</b>	<b>45,75%</b>	92	200	38	1	0,01	0,014
<b>TOTAL</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>106</b>	<b>218</b>	<b>1.848</b>	<b>238</b>	<b>x</b>	<b>x</b>

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AEROSTAR's contribution in these companies is registered on a cost basis.

In 2019, the company contributions did not change, i.e. no increases/decreases as to the shareholding percentage, maintaining the same influence as in 2018.

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

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**NOTE 8 - TRADE RECEIVABLES**

	<b>31 December 2019</b>	<b>31 December 2018</b>
<b>TRADE RECEIVABLES OF WHICH:</b>		
<b>Customers, of which:</b>	<b>61.938</b>	<b>54.909</b>
Domestic customers	15.880	9.735
Foreign customers	44.734	45.174
<b>Customers, of which:</b>	1.324	-
<b>Uncertain customers</b>	<b>1.343</b>	<b>32</b>
<b>Adjustments for impairment of receivables - customers</b>	<b>(807)</b>	<b>(16)</b>
<b>Suppliers – debtors</b>	<b>10.895</b>	<b>10.559</b>
<b>Adjustments for the impairment of receivables - advances granted to customers</b>	<b>(57)</b>	<b>-</b>
<b>Effects to receive from customers</b>	<b>0</b>	<b>161</b>
<b>TOTAL TRADE RECEIVABLES</b>	<b>73.312</b>	<b>65.645</b>

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

- in percentage of 50% from the value of the receivables not collected on time if the due date is between 30 days and 180 days. At 31 December 2019, the company registered adjustments for depreciation of this nature in the amount of 536 thousand lei;
- in percentage of 50% from the value of the receivables not collected, having no receivables with due date exceeding 180 days. At 31 December 2019, the company registered adjustments for depreciation of this nature in the amount of 271 thousand lei.

Also, the company registered adjustments for depreciation of the advances granted to the suppliers in amount of 57 thousand lei.

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

Debtors-suppliers have a discount limit in the year 2020.

The receivables expressed in foreign currency were evaluated at the market exchange rate communicated by the National Bank of Romania to close the month of December 2019.

The favourable and unfavourable exchange rates differences between the exchange market rate, to which are accounted the receivables in currency, and the market exchange rate communicated by the National Bank of Romania available for the end of 30 December 2019, were recorded in the related income or expense account.

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**NOTE 9 - OTHER RECEIVABLES**

	<b>31 December 2019</b>	<b>31 December 2018</b>
<b>Receivables related to manpower and similar accounts</b>	<b>21</b>	<b>8</b>
<b>Receivables related to the budget of social insurance and the state budget, of which:</b>	<b>4.937</b>	<b>2.416</b>
– VAT to be recovered	3.908	958
– Non-chargeable VAT	48	49
– amounts to recover from the National Health System (allowances on medical leaves)	467	488
– Excise duty to recover related to the fuel used	427	826
– Operating subsidies to collect	62	72
<b>Interest to receive from bank deposits</b>	<b>324</b>	<b>156</b>
<b>Diverse debtors</b>	<b>170</b>	<b>252</b>
<b>Adjustments for the depreciation of the receivables – diverse debtors</b>	<b>(113)</b>	<b>(102)</b>
<b>Other receivables</b>	<b>-</b>	<b>1</b>
<b>TOTAL OTHER RECEIVABLES</b>	<b>5.339</b>	<b>2.731</b>

To cover the risk of non-recovery of the amounts representing certain categories of receivables–diverse debtors, the company registered adjustments for impairment of diverse debtors in amount of 113 thousand lei.

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<b>NOTE 10 – INVENTORIES</b>	<b>31 December 2019</b>	<b>31 December 2018</b>
<b>of which:</b>		
Raw materials *	27.088	18.446
Consumables **	35.847	32.621
Other materials	147	78
Semi-finished/ Forgings	1.907	1.907
Packaging	26	19
Finished products	19.993	25.624
Products and services in progress	34.392	23.446
<b>Gross value of the inventories (unadjusted)</b>	<b>119.400</b>	<b>102.141</b>

*Adjustments for impairment of inventories and production in progress*

	<b>31 December 2018</b>	<b>Increases/ Set-up/</b>	<b>Decreases/ Resumed/</b>	<b>31 December 2019</b>
<b>Total adjustments</b>	<b>19.774</b>	<b>17.844</b>	<b>5.084</b>	<b>32.534</b>
Adjustments for impairment of raw materials	6.307	5.436	823	10.920
Adjustments for impairment of consumables	10.087	4.262	1.424	12.925
Adjustments for impairment of other consumables	4	4	1	7
Adjustments for impairment of production in progress	1.119	7.747	2.670	6.196
Adjustments for impairment of semi- finished	1.907	0	0	1.907
Adjustments for impairment of finished products	350	384	166	568
Adjustments for impairment of packaging	0	11	0	11

Note:

\* The raw materials directly participate to the manufacturing of the products and are found in the semi-finished or finished product, either in their initial state, or transformed (bars, pipes, plates, profiles, wires etc);

\*\* The consumables participate or help the manufacturing or operating process, without usually being found in the finished product (auxiliary materials, fuels, exchange parts, tools, GSE and consumables).

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

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

Adjustments of their value are made regularly based on the findings of the inventory commissions and/ or the managers of the production modules in order to present them at the lowest value between the cost and the net achievable value.

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

The total value of inventories recognized as an expense during the period is of 121.017 thousand lei.

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

AEROSTAR has no pledged inventories.



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**NOTE 11 - CASH AND CASH EQUIVALENTS**

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

	<b>31.12.2019</b>	<b>31.12.2018</b>
Cash	31.646	9.931
Bank deposits		157.614
Exchange bills and trade effects to collect	0	0
<b>Cash and cash equivalents in the cash-flow statement</b>	<b>207.362</b>	<b>167.545</b>

The cash contains the current cash available at cashier's desk and in banks;

The cash equivalents comprise:

- short-terms bank deposits
- exchange bills and trade effects (promissory notes) submitted to banks for collection.

The treasury balance is influenced by the prepaid amounts received from the customers.

There are no restrictions on the cash accounts in the banks.

The value of bank Credit facilities, usable as an overdraft, available for future operations, is of 2.500 thousand USD (10.652 thousand lei).

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**NOTE 12 – COMPANY EQUITY**

The company equity at 31 December 2019 is 363.332 thousand lei.

The net increase of the equity in 2019 in comparison with 2018 was 48.193 thousand lei.

**The modifications of the main elements of the company equity incurred in 2019 in comparison with 2018 are the following:**

- **The share capital remained unchanged**

On 31 December 2019, the share capital of AEROSTAR SA is 48.728.784 lei, divided in 152.277.450 shares having each a nominal value of 0,32 lei.

The structure of the company's shareholding at 31.12.2019 is the following:

<b>Shareholder</b>	<b>Number of shares held *)</b>	<b>Participation held (% from share capital)</b>
IAROM S.A. Bucharest	108.672.786	71,3650 %
SIF MOLDOVA Bacău	22.919.887	15,0514 %
Other shareholders	20.684.777	13,5836 %
<b>Total</b>	<b>152.277.450</b>	<b>100,00 %</b>

\*) Source of information: Depozitarul Central dd 31.12.2019 (Bucharest Stock Exchange website)

- **The reserves increased with 49.111 thousand lei on account of:**

- the distribution to reserves of the reinvested profit related to 2019 in gross amount of 11.674 thousand lei;
- the distribution to reserves of the amount of 37.437 thousand lei related to the financial year 2018.

- **Other capital elements have increased with the amount of 1.944 thousand lei on account of the deferred income tax recognized in company equity.**

- **The result carried-forward increased with 607 thousand lei on the account of the equity.**

The balance of the result carried-forward account at 31 December 2019, is of 58.931 thousand lei, comprising:

- the result carried forward coming from the use, on the date of the transition to IFRS, of the fair value as presumed cost = 32.223 thousand lei;
- the result carried-forward representing a surplus obtained from re-evaluation reserves, capitalized as the property, plant and equipment and intangible assets were amortized = 26.708 thousand lei;

- **The result of the period was of 65.979 thousand lei.**

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**NOTE 13 - PROVISIONS**

	31 December 2018	Increases/ Set-up/ Reclassification of provisions	Reductions/ Resumed/ Reclassification of provisions	Differences from revaluation	31 December 2019
<b>Total provisions</b>	<b>112.551</b>	<b>22.149</b>	<b>(17.792)</b>	<b>2.111</b>	<b>119.019</b>
Provisions for bonds granted to customers	39.584	16.725	(12.889)	969	44.389
Provisions for decommissioning property, plant and equipment	16.115	270	(1)	0	16.384
Provisions for the employee benefits	4.438	5.154	(4.415)	0	5.177
Provisions for litigations	5.123	0	(9)	115	5.229
Other provisions	47.291	0	(478)	1.027	47.840
<b>- of which:</b>					
<b>Long-term provisions</b>	<b>95.796</b>	<b>6.733</b>	<b>(7.184)</b>	<b>2.106</b>	<b>97.451</b>
Provisions for bonds granted to customers	27.267	6.463	(6.696)	964	27.998
Provisions for decommissioning property, plant and equipment	16.115	270	(1)	0	16.384
Provisions for litigations	5.123	0	(9)	115	5.229
Other provisions	47.291	0	(478)	1.027	47.840
<b>Short-term provisions</b>	<b>16.755</b>	<b>15.416</b>	<b>(10.608)</b>	<b>5</b>	<b>21.568</b>
Provisions for bonds granted to customers	12.317	10.262	(6.193)	5	16.391
Provisions for employee benefits	4.438	5.154	(4.415)	0	5.177

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

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

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

Provision for decommissioning of property, especially buildings, are formed to cover the decommissioning costs, of removal of the elements and restoration of the locations in which are placed and included in their cost. The value was estimated using an update annual rate of 4,5%.

**Provisions for benefits granted to employees**

The provisions for benefits granted to employees are set for the bonus granted according to the clauses of the applicable Collective Labour Agreement (bonus for the end of the financial year, for the end of the production year, for performance) and for the annual holidays leave not taken by the employees in the previous year. The provisions related to the bonus for the end of the financial year

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2019, for performance in 2019 and the annual holidays leave not taken by the employees during 2018 and 2019 are found in the balance.

**Provisions for litigations**

Provisions for litigations on 31.12.2019 are set for probable indemnities payable by the company to a former employee.

The provisions are reanalysed at the end of each reporting period and are adjusted in order to reflect the best estimation of the probable payments.

**Other provisions**

In *Other provisions* category are found the provisions set for:

- covering of risks specific to the aviation industry, such as: risk of hidden defects, risk of discovering quality incidents which can cause damage.
- coverage of some expenses regarding the Company's obligations towards A.J.O.F.M., based on O.U.G. 95/2002.

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**NOTE 14 - SUBSIDIES**

**Subsidies related to assets**

AEROSTAR registers the subsidies regarding the long-term assets in the category of income in advance.

	<b>31.12.2019</b>	<b>31.12.2018</b>
<b>Balance on 1 January</b> , from which:	10.239	12.677
<b>Subsidies related to the assets received</b>	<b>10.214</b>	<b>12.649</b>
Surplus in inventories in the category of immobilizations	25	28
<b>Subsidies registered in income corresponding to the calculated amortization</b>	<b>(2.304)</b>	<b>(2.438)</b>
Balance on 31 December, from which:	7.935	10.239
<b>Subsidies related to the assets received</b>	<b>7.914</b>	<b>10.214</b>
Surplus in inventories in the category of immobilizations	21	25

**The subsidies related to the non-current assets** were received for the implementation of 3 investment projects under 3 non-reimbursable financing agreements:

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

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

**The balance of 7.914 thousand lei** registered on 31 December 2019 represents the subsidies related to investments in immobilized assets which are to be recorded as income while the calculated amortization is registered as a cost, structured on the 3 contracts as follows:

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1. contract no. 210304/22.04.2010: 1.525 thousand lei
2. contract no. 229226/14.06.2012: 1.684 thousand lei
3. contract no. 5IM/013/24.03.2015: 4.705 thousand lei

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**NOTE 15 - COMMERCIAL DEBTS**

	<b>31 December 2019</b>	<b>31 December 2018</b>
<b>Prepaid amounts collected on customers' account, of which:</b>	<b>6.709</b>	<b>2.264</b>
Domestic customers-creditors	69	69
Foreign customers-creditors	6.640	2.195
<b>Suppliers, of which:</b>	<b>19.805</b>	<b>18.933</b>
Domestic suppliers	6.792	5.545
Foreign suppliers	10.874	10.023
Suppliers-invoices not arrived	1.436	1.956
Suppliers of non-current assets	703	1.409
<b>Commercial effects to pay</b>	<b>255</b>	<b>-</b>
<b>Total commercial debts</b>	<b>26.769</b>	<b>21.197</b>

The payments in advance collected from the customers are for maintenance and aircraft work (85%) and for manufacturing of aviation parts (15%), with settlement date in 2020.

For the debts registered no mortgages were established.

The favourable or unfavourable exchange rate differences between the market exchange rate to which the debts in foreign currencies are registered and the market exchange rate communicated by the National Bank of Romania for closing the month of December 2019, were registered in the corresponding accounts of revenues or expenses.

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**NOTE 16 – OTHER LIABILITIES**

	<b>31 December 2019</b>	<b>31 December 2018</b>
<b>Other current liabilities, of which:</b>	<b>16.011</b>	<b>9.218</b>
• <i>Liabilities related to manpower and similar accounts</i>	<i>3.174</i>	<i>2.566</i>
• <i>Liabilities related to social security budget and state budget, of which:</i>	<i>9.687</i>	<i>4.709</i>
- VAT payable	5.506	1.165
- social insurance	3.064	2.604
- Labour safety contribution	194	166
- tax on salary type revenues	582	488
- contribution for disabled people, unemployed	142	128
- other taxes	157	124
- other social liabilities	42	34
• <i>Other liabilities, of which:</i>	<i>3.200</i>	<i>1.943</i>
– dividends	1.848	1.711
– diverse creditors	554	147
- warranties received	748	85
- liabilities and tax related to the right of use leasing assets	50	-
<b>Other long-term liabilities</b>	<b>2.325</b>	<b>45</b>

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

- the liability regarding the right of use of the land leased for the Maintenance Hangar from Iasi (1.493 thousand lei) and the tax related to the right of use (799 thousand lei) registered after the reclassification of the lease agreement of the property from Iasi, 25B Aeroportului Street, in leasing agreement, according to IFRS 16 '*Leases*'; and
- warranties received (33 thousand lei).

Dividends in balance at 31 December 2019, in amount of 1.848 thousand lei represent:

- 748 thousand lei, amount to be paid by AEROSTAR for the dividends related to 2018 to the shareholders who did not present at the offices of the paying agent CEC Bank S.A. (paying agent designated by AEROSTAR);
- 563 thousand lei, amount to be paid by AEROSTAR for the dividends from 2017 to the shareholders who did not present at the offices of the paying agent CEC Bank S.A. (paying agent designated by AEROSTAR);
- 537 thousand lei, amount to be paid by AEROSTAR for the dividends from 2016 to the shareholders who did not present at the offices of the paying agent CEC Bank S.A. (the paying agent designated by AEROSTAR).



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**NOTE 17 - THE DEFERRED PROFIT TAX**

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

The Company estimated and registered liabilities regarding the deferred tax related to non-current assets (which results from differences between accounting and fiscal values, the different useful life, s.o.) and of the reserves and recognized receivables regarding the deferred tax related to the inventories, which were adjusted for depreciation, provisions for customer bonds, provisions for benefits granted to the employees and other provisions.

**The structure of deferred income tax registered on 31.12.2019 is:**

**Liabilities from deferred tax**

1. Liabilities related to deferred tax generated by the differences between accounting bases (bigger) and the fiscal ones (smaller) of the non-current assets	2.267
2. Liabilities related to the deferred tax concerning legal reserves	1.559
3. Liabilities on deferred tax related to reserves from the fiscal facility	13.429
4. Liabilities on deferred tax related to the reported result representing a surplus from revaluation reserves	61
<b>Total liabilities from deferred tax</b>	<b>17.316</b>

**Receivables on deferred tax**

1. Receivables on deferred tax related to other provisions set in 2010	849
2. Receivables on deferred tax related to provisions for bonds granted to customers set between 2014-2019	7.102
3. Receivables on deferred tax related to provisions for manpower benefits	828
4. Receivables on deferred tax related to the adjustments for depreciation of the inventories	5.205
<b>Total receivables on deferred tax</b>	<b>13.984</b>

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

In 2019, the company has registered income from tax on deferred profit in the amount of 6.026 thousand lei and expenses with tax on deferred profit in amount of 3.098 thousand lei.

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**NOTE 18 - FINANCIAL INSTRUMENTS**

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

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

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

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

The financial assets of AEROSTAR S.A. include:

- cash and cash equivalents
- trade receivables
- trade effects received
- immobilized receivables (bonds for third parties)

The financial liabilities of AEROSTAR S.A. include:

- trade liabilities
- trade effects payable

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

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

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

**a) Credit risk**

The credit risk is the risk that one of the parties involved in a financial instrument generates a financial loss for the other party as a result of the failure to meet a contractual obligation, related mainly to cash, cash equivalents (bank deposits) and trade receivables.

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

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

AEROSTAR has no significant exposure toward a single partner and records no significant concentration of receivables on a single geographical area.

**Exposure to credit risk**

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

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The maximum exposure to the credit risk on the reporting date was:

	<b>31.12.2019</b>	<b>31.12.2018</b>
Cash and cash equivalents	207.362	167.545
Trade receivables, net of adjustments for depreciation	58.792	54.176
Trade effects received	0	161
Immobilized receivables	54	34
<b>Total</b>	<b>266.208</b>	<b>221.916</b>

The maximum exposure to the credit risk on geographical areas for net trade receivables of the depreciation adjustments is:

	<b>31.12.2019</b>	<b>31.12.2018</b>
Domestic market	15.863	9.735
Euro zone countries	17.691	18.785
Great Britain	16.226	14.667
Other European countries	1.223	3.991
Other regions	7.789	6.998
<b>Total</b>	<b>58.792</b>	<b>54.176</b>

### Depreciation adjustments

The timeframe structure of gross trade receivables on the reporting date was:

	<b>Gross value</b>	<b>Adjustments</b>	<b>Gross value</b>	<b>Adjustments</b>
	<b>31.12.2019</b>	<b>for</b>	<b>31.12.2018</b>	<b>for</b>
		<b>depreciation</b>		<b>depreciation</b>
		<b>31.12.2019</b>		<b>31.12.2018</b>
In due time	58.255		53.458	
Past due, total of which:	1.344	807	734	16
1-30 days	0	0	0	0
31-60 days	388	202	222	16
61-90 days	702	351	4	0
91-120 days	0	0	0	0
Over 120 days	254	254	508	0
Over 1 year	0	0	0	0
<b>Total</b>	<b>59.599</b>	<b>807</b>	<b>54.192</b>	<b>16</b>

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

	<b>31.12.2019</b>	<b>31.12.2018</b>
<b>Balance on 1 January</b>	<b>16</b>	<b>1.162</b>
Adjustments set for depreciation	3.450	2.193
Adjustments for depreciations resumed as revenues	(2.659)	(3.339)
<b>Balance on 31 December</b>	<b>807</b>	<b>16</b>

At 31.12.2019, 98,65 % from the balance of trade receivables are related to customers which have a good payment record.

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**b) Liquidity risk**

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

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

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

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

Further, in order to reduce the liquidity risk, AEROSTAR maintains annually a liquidity reserve as a Credit Line (usable as an overdraft) granted by banks to a maximum limit of 2,500 thousand USD.

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

	<b>Financial debts</b>	<b>Accounting value</b>	<b>Contractual cash flows</b>	<b>0-30 days</b>	<b>31-60 days</b>	<b>over 60 days</b>
31.12. 2019	Trade liabilities payable	18.369	(18.369)	(13.284)	(4.462)	(623)
	Trade effects	255	(255)	(255)	0	0
31.12. 2018	Trade liabilities	16.977	(16.977)	(12.719)	(3.078)	(1.180)
	Trade effects	0	0	0	0	0

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

On the reporting date AEROSTAR has no financial liabilities in its records related to financial leasing, bank account overdraft and long-term bank accounts.

At 31.12.2019 AEROSTAR has no records of overdue financial liabilities.

**c) Foreign currency risk**

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

Exposure to the foreign currency risk

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

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

Expunerea netă la riscul valutar a activelor și datoriilor financiare este prezentată în continuare în baza valorilor contabile denominate în valută înregistrate la finalul perioadei de raportare:

<b>31.12.2019</b>	<b>Thousand EUR</b>	<b>Thousand USD</b>	<b>Thousand GBP</b>
Cash and cash equivalents	1.962	1.660	20
Trade receivables	1.576	8.307	0
Trade liabilities	(1.241)	(1.364)	(47)
<b>Net exposure in original currency</b>	<b>2.297</b>	<b>8.603</b>	<b>(27)</b>

Sensitivity analysis

Taking into consideration the net exposure calculated in the above table it can be considered that AEROSTAR is exposed mainly to the foreign exchange risk generated by the variation of the foreign exchange rate USD/LEU.

Taking into consideration the evolution of USD/LEU exchange rate from the last 3 years (2016-2018), a relatively high volatility of (+/- 10%) can be observed.

Thus, a reasonably possible variation of the foreign exchange rate of +/- 10% may be envisaged to calculate at the end of the reporting period.

The effect of the reasonably possible variation of +/- 10% of the exchange rate USD/LEU over the financial result of AEROSTAR is calculated in the following table:

<b>31.12.2019</b>	
Net exposure in the currency of origin (thousand USD)	8.603
USD/LEU exchange rates	4,26
Net exposure in functional currency (thousand LEI)	36.649
Possible reasonable variation of exchange rate	+/- 10%
<b>Effect of the variation on the financial result</b>	<b>+/- 3.665 thousand LEI</b>

**d) Interest rate risk**

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

Product A: in amount of 2.500 thousand USD, usable as an overdraft, set up to provide at any given time the necessary financial liquidity and flexibility (liquidity reserve);

Product B: in amount of 7.000 thousand USD (subject to the aggregate amount used from Product A and product B does not exceed the value of the multi-product Credit Facility), usable under the form of a facility of issuing bonds as instruments to ensure collateral for the commercial contractual obligations by issuing bank bond letters and import Letters of Credit.

The bank interest is applicable only for the overdraft utilized from Product A in amount of 2,500 thousand USD.

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As during the reporting period AEROSTAR did not use the Product A, the company revenues and cash flows are independent from the interest rate variations on the banking market.

At 31.12.2019, the level of bonds granted by AEROSTAR under commercial agreements, by issue of bank bond letters amounts to 2.527 thousand USD (equivalent 10.767 thousand LEI).

At 31.12.2019 no mortgages are set on the property assets in AEROSTAR ownership.

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**NOTE 19 - OPERATING INCOME**

	<b>31 December 2019</b>	<b>31 December 2018</b>
<b>Revenues from sales, from which:</b>	<b>399.210</b>	<b>353.413</b>
Revenues from product sales	210.082	189.964
Revenues from services supplied	185.243	157.560
Revenues from selling goods	1.057	3.298
Revenues from renting	2.417	2.156
Trade discounts granted	(41)	(18)
Revenues from other activities	452	453
<b>Revenues related to inventories of products finished and in progress</b>	<b>6.593</b>	<b>12.528</b>
<b>Revenues from the production of fixed assets</b>	<b>988</b>	<b>1.645</b>
<b>Revenues from operating subsidies</b>	<b>263</b>	<b>186</b>
<b>Other revenues from operations</b>	<b>3.346</b>	<b>3.473</b>
<b>Total operating income</b>	<b>410.400</b>	<b>371.245</b>

The company obtained in 2019 incomes from subsidies received for:

- set up apprenticeship agreements in amount of 209 thousand lei;
- employment of a non- employed person in the NEET category (Not in Education, Employment or Training) in amount of 17 thousand lei;
- employment of graduates who failed to get a job in accordance with their educational background in 60 days after graduation, in amount of 33 thousand lei;
- expenses for international fairs and exhibitions financed by the state budget, in amount of 4 thousand lei.

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**NOTE 20 – OPERATING EXPENSES**

	<b>31 December 2019</b>	<b>31 December 2018</b>
<b>Expenses with employee benefits</b> , from which:	<b>126.473</b>	<b>114.974</b>
Salaries and allowances	114.126	103.827
Expenses with benefits in kind and expenses with ticket meals granted to employees	6.696	6.152
Expenses with social security	5.651	4.995
<b>Expenses with raw materials and materials</b>	<b>111.767</b>	<b>103.587</b>
<b>Energy, water and gas</b>	<b>9.601</b>	<b>8.563</b>
<b>Other material expenses</b> , of which:	<b>11.144</b>	<b>11.974</b>
Expenses with non-inventory materials	1.892	1.619
Expenses with goods	940	2.850
Expenses with packing	430	683
Expenses with other materials	7.882	6.822
<b>Expenses with external services</b> , from which:	<b>30.098</b>	<b>26.659</b>
Repairs	12.128	8.602
Transport costs	3.348	2.981
Commissions and fees	3.333	3.377
Travels, deployments	1.122	998
Renting expenses	776	769
Other expenses with services supplied by third parties	7.582	7.930
<b>Trade discounts received</b>	<b>(53)</b>	<b>(28)</b>
<b>Amortizations</b>	<b>25.975</b>	<b>25.307</b>
<b>Increase/decrease of adjustments regarding provisions</b>	<b>6.198</b>	<b>(12.638)</b>
<b>Increase/decrease of adjustments regarding depreciation of current assets</b>	<b>13.749</b>	<b>5.106</b>
<b>Other operational expenses</b>	<b>5.508</b>	<b>4.664</b>
<b>Total operating expenses</b>	<b>340.460</b>	<b>288.168</b>

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

In 2019, AEROSTAR registered increases/set-ups and decreases/resumed adjustments, as follows:

	<b>31 December 2019</b>	<b>31 December 2018</b>
<b>Adjustments regarding provisions</b>		
<i>Increases / establishments</i>	<i>25.125</i>	<i>18.940</i>
<i>Decreases / reruns</i>	<i>18.927</i>	<i>31.578</i>
<b>Increase/Decrease of adjustments regarding provisions</b>	<b>6.198</b>	<b>(12.638)</b>



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In 2019, the impact of increases (set up) / decreases (resumed) of adjustments regarding provisions was an increase of the operating expenses with the amount of 6.198 thousand lei.

<b>Adjustments regarding impairment of current assets</b>	<b>31 December 2019</b>	<b>31 December 2018</b>
<i>Adjustments Increases / set up</i>		
Adjustments for the impairment of investments	17.844	13.564
Adjustments for impairment of receivables	3.587	1.099
Loss of receivables from diverse debtors	130	45
<b><i>Total Adjustments Increases / set up</i></b>	<b><i>21.561</i></b>	<b><i>14.708</i></b>
<i>Adjustments decreases / resumed</i>		
Adjustments for the impairment of inventories	5.084	7.346
Adjustments for impairment of receivables	2.728	2.256
<b><i>Total Adjustments Decreases / resumed</i></b>	<b><i>7.812</i></b>	<b><i>9.602</i></b>
<b>Increase/ decrease of adjustments regarding the impairment of current assets</b>	<b>13.749</b>	<b>5.106</b>

In 2019, the impact of increase (set up) / decrease (resumed) of adjustments regarding the impairment of current assets was an increase of the operating expenses with the amount of 13.749 thousand lei.

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**NOTE 21 - FINANCIAL INCOME**

	<b>31 December 2019</b>	<b>31 December 2018</b>
Income from foreign currency exchange differences	6.002	4.732
Income from interest	3.525	2.873
Income from shares held in subsidiaries	137	201
<b>Total financial income</b>	<b>9.664</b>	<b>7.806</b>

The company is exposed to the currency risk generated mainly by the exchange differences USD/RON, with significant influences over the financial result.

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

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**NOTE 22- FINANCIAL EXPENSES**

	<b>31 December 2019</b>	<b>31 December 2018</b>
Expenses from exchange rate differences	4.467	3.463
Expenses with interests related to leases contract	31	-
<b>Total financial expenses</b>	<b>4.498</b>	<b>3.463</b>

The company registered in 2019 in the financial expenses category:

- expenses from unfavourable exchange rate differences;
- expenses with interests related to the right to use the land leased for the Maintenance Hangar Iasi, registered following the reclassification of the lease agreement of the building in Iași, at 25B Aeroportului Street, according to IFRS 16 „Leases”.

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**NOTE 23 - TAX ON PROFIT**

**Tax on profit**

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

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

The profit tax rate applicable for 31.12.2019 was of 16% (the same rate was applied also for the financial year 2018).

**31 December 2019**

<b>Gross accounting profit</b>	<b>75.106</b>
<b>Expenses with current tax on profit</b>	<b>12.004</b>

<b>Reconciliation of accounting profit with fiscal profit</b>				<b>Differences</b>
Accounting revenues*	415.248	Fiscal income	388.801	-26.447
Accounting expenses*	340.444	Fiscal expenses	286.581	-53.863
Gross accounting profit, restated*	74.804	Fiscal profit	102.220	+27.416
Accounting tax (16%)	11.969	Fiscal tax (16%)	16.355	+4.386
Tax reductions	-	<i>Tax reductions</i> , from which:	4.351	+4.351
		• related to investments made acc.to Art. 22 Fiscal Code	1.868	+1.868
		• sponsoring	2.483	+2.483
Tax on final profit	11.969	Tax on final profit	12.004	+35
Applicable legal rate	16,00%	Legal rate applicable	16,00%	
Actual average tax rate, calculated on gross accounting profit, restated		16,05%		

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

Principalii factori care au afectat rata efectivă de impozitare:

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

At 31.12.2019 the company registered a debt related to the tax on current profit in amount of 2.446 thousand lei corresponding to quart IV 2019.

**The tax specific to some activities**

Starting with 01.01.2017 Aerostar S.A. is a payer of taxes specific for restaurant and public food activities. The specific tax related to the year 2019 was in the amount of 52 thousand lei.

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**NOTE 24 – RESULT PER SHARE**

The profit per basic share was calculated based on the profit which can be distributed to the ordinary shareholders and on the number of ordinary shares:

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

<b>IN LEI</b>	<b><u>31.12.2019</u></b>	<b><u>31.12.2018</u></b>
Profit distributable to ordinary shareholders	65.979.465	79.920.849
Number of ordinary shares	152.277.450	152.277.450
<b>Profit per share</b>	<b><u>0,433</u></b>	<b><u>0,525</u></b>

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**NOTE 25 - THE AVERAGE NUMBER OF EMPLOYEES**

The average number of employees is 1.735 for the year 2019 and 1.804 for the year 2018.

Further to this number, there is an additional average number of employees attracted through the temporary employment agent and used in the production process of AEROSTAR.

The total personnel employed in AEROSTAR's activity was:

	<u>Year 2019</u>	<u>Year 2018</u>
Total employees	1.850	1.936

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**NOTE 26 - TRANSACTIONS WITH RELATED PARTIES**

<u>Acquisitions of goods and services</u>	<u>Year 2019</u>	<u>Year 2018</u>
Airpro Consult SRL Bacău	6.944	7.593
Foar SRL Bacău	573	516
<b>TOTAL</b>	<b>7.517</b>	<b>8.109</b>
<u>Sales of goods and services</u>	<u>Year 2019</u>	<u>Year 2018</u>
Airpro Consult SRL Bacău	-	-
Foar SRL Bacău	14	2
<b>TOTAL</b>	<b>14</b>	<b>2</b>
<u>Liabilities</u>	<u>Balance at 31.12.2019</u>	<u>Balance at 31.12.2018</u>
Airpro Consult SRL Bacău	525	592
Foar SRL Bacău	24	30
<b>TOTAL</b>	<b>549</b>	<b>622</b>
<u>Dividends collected by Aerostar</u>	<u>Year 2019</u>	<u>Year 2018</u>
Airpro Consult SRL Bacău	50	90
Foar SRL Bacău	87	112
<b>TOTAL</b>	<b>137</b>	<b>202</b>

The transactions with the affiliated parties in 2019 consisted in:

- Services provided by AIRPRO CONSULT SRL Bacau to AEROSTAR SA Bacau for temporary manpower;
- Machinery rental services provided by FOAR SRL Bacau to AEROSTAR SA Bacau;
- Services provided by AEROSTAR SA Bacau to AIRPRO CONSULT SRL Bacau and FOAR SRL Bacau for space rental and other service.
- Dividends collected by AEROSTAR SA from Airpro Consult SRL Bacău and from Foar SRL Bacău (NOTE 7).

There were no transactions with the company ATF SA in 2019.



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**NOTE 27 – INFORMATION REGARDING THE CASH FLOW**

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

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

In the context of the Cash Flows Statement:

- the cash flows are the amounts collected and paid in cash and cash equivalents;
- the cash means the amounts available in banks and cashier's desk.
- the cash equivalents comprise the deposits formed in banks, bills and promissory notes deposited with banks in order to be collected.

The treasury cash flows from the transactions performed in foreign currency are registered in the functional currency by applying over this value the exchange rate between the functional currency (LEU) and the foreign currency as on the date when the treasury cash flow was generated (date of making payments and collections).

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

The operating activities are AEROSTAR's main cash-generating activities.

Therefore, in 2019:

- the amounts collected from the customers were 415.074 thousand LEI,
- the payments to the suppliers and employees were in the amount of 267.320 thousand LEI, from which 191.507 thousand LEI payments to the suppliers and 75.813 thousand LEI payments to employees;
- tax payments to the State Budget were in amount of 67.261 thousand LEI, from which 11.967 thousand LEI tax on profit.

The operating activity generated in 2019 a net cash of 89.180 thousand LEI, increasing with 42.727 thousand LEI in comparison with the previous year.

The payments to purchase tangible and intangible assets were in the amount of 37.727 thousand LEI.

The value of the treasury cash flows allocated to increase the operating capacity represents 10% from the aggregate value of the cash used in the framework of operating, investment and financing activities.

Within the financing activity, an amount of 15.918 thousand LEI was paid, representing the dividends due to the shareholders.

The level of cash and cash equivalents registered at the end of 2019 is in the amount of 207.362 thousand LEI, increasing with 39.817 thousand LEI in comparison with the beginning of the year.

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

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

	<b>31 December 2019</b>	<b>31 December 2018</b>
• <b>Liabilities:</b>		
○ Guarantees granted to customers as letters of bank guarantee	3.465	1.520
○ Guarantees received from suppliers – as letters of bank guarantees	35.664	11.636
• <b>Goods, from which:</b>		
○ inventories of other materials released for use (tooling, jigs, fixtures, protection equipment, measuring and control eqpt, technical library etc.)	30.947	26.552
○ material values received in consignment	1.826	1.826
○ tangible and intangible assets –obtained or purchased as a result of co-financed activity	4.151	4.151
○ material values received for processing/repairs	2.463	2.116
• <b>Other values off-balance</b>		
○ Liabilities for covering certain future obligations to A.J.O.F.M. based on OUG 95/2002 regarding the defence industry	5.304	5.782
○ Royalties, tenant activities, rents and other similar liabilities	-	2.335
○ debtors removed from accounts, monitored further on	139	586
• <b>Greenhouse Gas Emission Certificates</b>	2.038	1.678

As a result of the reclassification starting with year 2019 of the lease agreement of the land for the Maintenance Hangar Iasi, with a surface of 16.000 m<sup>2</sup>, with access to Aeroportului Street, completed with the Iasi County Council in 2017, according to IFRS 16 „Leases”, the land was removed from the category *Fees, location management, rents and other liabilities assimilated* and moved in the category of *Assets related to the rights to use assets taken under lease* (NOTE 32).

At 31 December 2019, AEROSTAR S.A. had a number of 16.342 greenhouse gas emission certificates.

The market value from the last transaction day of a GES certificate was of 26,10 Euro, according to the TDR Energy market journal (in December 2018: 24,63 Euro).

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**NOTE 29 – REMUNERATION OF THE DIRECTORS**

At the date of 31 December 2019, the structure of AEROSTAR’s Board of Directors remained unchanged in comparison with 31 December 2018.

The Board of Directors of AEROSTAR S.A.:

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

In 2019 AEROSTAR did not grant advance payments or credits to the members of the Board of Directors and did not make any undertaking on their account as a collateral of any kind.

In the Ordinary General Meeting from 11 December 2019 the shareholders of the company approved the following:

- a net compensation of 4.750 lei for the BOD members for the financial year 2020;
- maintaining for the financial year of 2020 the level (multiplication factor) related to the additional remunerations, established in the GMS Resolution no. 6 from 14 December 2017 for the Board members who also have executive attributions, but having as a reference the value of the net compensation of 4.750 lei.

The amount of the gross compensations for the members of the Board of Directors in 2019, by virtue of their responsibilities, was of 1.634 thousand lei.

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**NOTE 30 –RISK MANAGEMENT**

AEROSTAR is exposed to multiple risks and uncertainties which can affect its financial performance. The business lines performed by AEROSTAR, the operational results or the financial statements, may be affected by the materialization of the risk presented further.

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

The risk management processes provide the identification, analysis, assessment and management of risks in order to minimize their effects down to an agreed level.

However, there may be risks and uncertainties additional to what is presented further on, which are currently unknown or considered insignificant, but which may affect in the future the business lines performed by AEROSTAR.

**Operational Risk**

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

- Utilization of inadequate processes, systems and manpower or which failed to execute their function properly
- external events and actions: deterioration of the global economic conditions, natural catastrophes or other events which can affect AEROSTAR's assets.

To the **Operational Risk** the **Legal Risk** is associated, defined as the risk of loss, resulting from the fines, penalties and sanctions which can be charged to AEROSTAR in case of non-application or misapplication of dispositions, legal or contractual regulations, as well as the fact that the rights and contractual obligations of AEROSTAR and/or of the business partner are not properly determined.

Monitoring and disposal of the legal risk's effects is realised through a permanent information system regarding the legislative modifications, as well as by setting up a review, endorsement and approval system for the terms and conditions included in the commercial agreements.

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

In addition, AEROSTAR aims, by setting provisions for risks and related expenses, to have its own funding to cover its risks of exposure.

Also, in order to minimize the operational risk, AEROSTAR annually renews, with 1<sup>st</sup> tier insurance-reinsurance companies, a civil liability insurance contract related to the main business lines (manufacturing of aircraft products and maintenance for commercial aircraft).

The **Credit Risk** is the risk of AEROSTAR bearing a financial loss as a result of the failure to meet the contractual obligations by a partner, being determined mainly by cash, cash equivalents (bank deposits) and trade receivables.

Cash and cash equivalents are placed only in 1<sup>st</sup> tier bank institutions, considered as having a high solvency rating.

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The credit risk, including the country risk in which the customer operates its activity, is managed on each business partner. When necessary, specific instruments of credit risk mitigation are requested (advance payments, letters of bank guarantee, confirmed letters of credit).

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

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

The **Liquidity Risk** is the risk for AEROSTAR to encounter difficulties in fulfilling its liabilities-related obligations as they become due.

To manage the liquidity risk, the cash flows are monitored and analysed weekly, monthly, quarterly and annually in order to establish the estimated level of net modifications of the cash. Such reviews provide the basis for the financing decisions and for the capital expenditures.

In order to reduce the liquidity risk, AEROSTAR keeps an annual cash-reserve in the form of a Credit Line usable under the form of an overdraft granted by banks of 2.500 thousand USD. During the reporting period, AEROSTAR did not use the Credit Line, all the activities of the Company being financed from its own sources.

The **Market Risk** is the risk that the fair value or future cash flows of a financial statement will fluctuate due to the modifications of the market price.

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

AEROSTAR is exposed mainly to the **price risk** determined by the fluctuations of the raw material and of the materials used in the manufacturing processes.

The management of this risk is realised through:

- diversification of the portfolio of suppliers, which offers a larger leverage in negotiations in case the price of raw materials is increased by certain suppliers.
- long-term contract agreements, with provisions on fixed prices.

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

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

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

In the reporting period Aerostar did not register financial losses.

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

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**NOTE 31- PREPAID EXPENSES AND INCOME**

	<b>31 December 2019</b>	<b>31 December 2018</b>
<b>Expenses registered in advance, from which:</b>	<b>1.429</b>	<b>504</b>
Amounts to resume in a period within a year	600	504
Amounts to resume in a period over a year	829	
<b>Income registered in advance</b>	<b>1.112</b>	<b>0</b>

The expenses made and income realized in the current period, but which relate to the future periods or financial years, are registered distinctly in accounts, as prepaid expenses or prepaid income, as applicable.

In the category **Prepaid Income** in records at 31.12.2019 represent the following:

- amounts to resume within a year representing subscriptions, insurance policy, fees, participation at trade fairs and conferences, taxes and dues, on-line services, maintenance of IT systems, etc.
- amounts to resume in over a year, representing the interest related to the right to use the land leased for the Maintenance Hangar in Iasi, registered following the reclassification of the leasing contract of the building in Iasi, according to IFRS 16 'Leases'.

The balance at 31.12.2019 for prepaid income, presented by the company, consists of services supplied and goods delivered for which control was not transferred to the customers and which do not meet the recognition criteria as per IFRS 15 'Revenue from Contracts with Customers'. These shall be fully recognized as income of the financial year 2020.

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**NOTE 32 – ASSETS REGARDING THE RIGHTS TO USE THE LEASED ASSETS**

Account 251	31 December 2019			01 January 2019		
	Gross amount	Depreciation	Net accounting value	Gross amount	Depreciation	Net accounting value
	1.803	(38)	1.765	0	0	0
<b>Total</b>	<b>1.803</b>	<b>(38)</b>	<b>1.765</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Net accounting value**

	Balance at 1 January 2019	Increases, total (a+b+c)	Value of right to use land (a)	Reevaluation at 31.12.2019 (b)	Costs estimated for dismantling /removal/ Restoration of support asset (c)	Depreciation	Balance at 31 December 2019
	0	1.803	1.532	1	270	(38)	1.765
<b>Total</b>	<b>0</b>	<b>1.803</b>	<b>1.532</b>	<b>1</b>	<b>270</b>	<b>(38)</b>	<b>1.765</b>

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Starting with 1 January 2019, the standards *IAS 17 “Leases”* and interpretations (SIC/IFRIC) issued for its implementation were replaced by a new standard, *IFRS 16 “Leases”*.

In 2019, according to IFRS 16, Aerostar reclassified the concession contract agreed with the Iasi County Council in 2017 for the land related to the Maintenance Hangar Iasi, having an area of 16.000 sm with access from Aeroportului Street.

The lease provides that:

- the lease period is 49 years;
- the contract can be extended for a time period equal to maximum half of its initial duration;
- the fee is 10.500 euro/year, payable in lei at the BNR’s exchange rate at the payment date.

As such, in 2019 Aerostar registered:

- the right to use the land for the Maintenance Hangar Iasi leased under the contract no. 25074/2017: 320.732,68 euro;
- the decommissioning/dismantling provision of the Maintenance Hangar Iasi, estimated at 269.815 lei, both calculated for the remaining duration of the lease contract, that is for the period 01.01.2019 – 30.09.2066 (572 months).

In December 2019, the right to use the land for the Maintenance Hangar Iasi was re-evaluated at the foreign market exchange rate communicated by the National Bank of Romania at the last banking day of the year 2019.



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

AEROSTAR S.A did not identify events after the reporting period which may impact on the financial statements related to the financial year ended at 31 December 2019.

These individual financial statements which comprise: the statement of the financial position, the statement of the profit or loss, other elements of the global result, the individual statement of the company equity's modifications, the individual statement of the cash flows and the explicative notes of the financial statements were approved by the Board of Directors at 17 March 2020 and signed on behalf of the Board of Directors by:

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

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