

**AEROSTAR S.A. BACĂU**

**INDIVIDUAL FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020**

**Prepared in accordance with  
the Order of the Ministry of Public Finances no. 2844/2016, for the approval of  
the Accounting Regulations compliant with the  
Independent Financial Reporting Standards**

**AND THE INDEPENDENT AUDITOR'S REPORT**

# **CONTENTS**

**INDIVIDUAL STATEMENT OF THE FINANCIAL POSITION**

**INDIVIDUAL STATEMENT OF THE PROFIT OR LOSS**

**OTHER ELEMENTS OF THE GLOBAL RESULT**

**INDIVIDUAL STATEMENT OF THE EQUITY MODIFICATIONS**

**INDIVIDUAL STATEMENT OF THE CASH FLOWS**

**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS**

**AEROSTAR S.A. BACAU**  
**INDIVIDUAL STATEMENT OF THE FINANCIAL POSITION**  
**FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020**  
**(unless specified otherwise, all amounts are stated in thousand lei)**

	Note	31 December 2020	31 December 2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	180.923	157.545
Intangible assets	5	663	888
Investment property	6	6.995	7.681
Rights to use assets under lease	32	1.789	1.765
Financial assets	7	52	144
<b>Total non-current assets</b>		<b>190.422</b>	<b>168.023</b>
<b>Current assets</b>			
Inventories	10	96.918	86.866
Trade receivables and other receivables	8;9	38.377	78.651
Current income tax claim	23	1.734	
Cash and cash equivalents	11	202.660	207.362
<b>Total current assets</b>		<b>339.689</b>	<b>372.879</b>
<b>Receivables regarding deferred profit tax</b>	<b>17</b>	<b>15.585</b>	<b>13.984</b>
<b>Prepaid expenses</b>	<b>31</b>	<b>1.356</b>	<b>1.429</b>
<b>Total assets</b>		<b>547.052</b>	<b>556.315</b>
<b>COMPANY EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	12	48.729	48.729
Current result	12	38.443	65.979
Result carried-forward	12	51.214	58.931
Reserves	12	270.214	215.507
Deferred income tax on equity	17	(16.148)	(14.140)
Distribution of profit for legal reserve	12	(12.082)	(11.674)
<b>Total company equity</b>	<b>12</b>	<b>380.370</b>	<b>363.332</b>
<b>Prepaid income</b>			
Subsidies for investments	14	5.893	7.935
Deferred income	31	1.155	1.112
<b>Total prepaid income</b>		<b>7.048</b>	<b>9.047</b>
<b>Long-term liabilities</b>			
Liabilities regarding deferred income tax	17	18.850	17.316
Other long-term liabilities	16	2.335	2.325
<b>Total long-term liabilities</b>		<b>21.185</b>	<b>19.641</b>
<b>Long-term provisions</b>	<b>13</b>	<b>86.747</b>	<b>97.451</b>
<b>Current liabilities</b>			
Trade liabilities	15	12.060	26.769
Liability with current income tax	23	0	2.446
Other current liabilities	16	10.748	16.061
<b>Total current liabilities</b>		<b>22.808</b>	<b>45.276</b>
<b>Short-term provisions</b>	<b>13</b>	<b>28.894</b>	<b>21.568</b>
<b>Total provisions</b>		<b>115.641</b>	<b>119.019</b>
<b>Total liabilities</b>		<b>43.993</b>	<b>64.917</b>
<b>Total company equity, prepaid income, liabilities and provisions</b>		<b>547.052</b>	<b>556.315</b>

**General Director,  
Grigore Filip**

**Financial Director,  
Doru Damaschin**

**AEROSTAR S.A. BACĂU**  
**INDIVIDUAL STATEMENT OF PROFIT OR LOSS**  
**FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020**  
**(unless specified otherwise, all amounts are stated in thousand lei)**

	Note	31 December 2020	31 December 2019
<b>Operating income</b>			
Income from sales	19	294.839	399.210
Other income	19	2.789	3.346
Income related to the inventories of finished goods and work in progress	19	14.921	6.593
Income from production of assets	19	1.865	988
Income from operating subsidies	19	1.994	263
<b>Total operating income</b>		<b>316.408</b>	<b>410.400</b>
<b>Operating expenses</b>			
Material expenses	20	(96.843)	(132.512)
Expenses with employees' benefits	20	(117.702)	(126.473)
Expenses regarding amortization of assets	20	(25.018)	(25.975)
Adjustments regarding current assets	20	(9.814)	(13.749)
Adjustments regarding provisions	20	3.389	(6.198)
Expenses regarding external services	20	(27.912)	(30.098)
Other expenses	20	(4.159)	(5.455)
<b>Total operating expenses</b>		<b>(278.059)</b>	<b>(340.460)</b>
<b>Profit/loss from operating activity</b>		<b>38.349</b>	<b>69.940</b>
Financial income	21	9.868	9.664
Financial expenses	22	(6.158)	(4.498)
<b>Financial profit/loss</b>		<b>3.710</b>	<b>5.166</b>
<b>Profit before tax</b>		<b>42.059</b>	<b>75.106</b>
Tax on current and deferred profit	17;23	(3.616)	(9.127)
<b>Net profit of the period</b>		<b>38.443</b>	<b>65.979</b>

**General Director,  
Grigore Filip**

**Financial Director,  
Doru Damaschin**

**AEROSTAR S.A. BACĂU**  
**INDIVIDUAL STATEMENT OF OTHER ELEMENTS OF**  
**GLOBAL RESULT FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020**  
**(unless specified otherwise, all amounts are stated in thousand lei)**

	<b>31 December 2020</b>	<b>31 December 2019</b>
<b>Net profit of the financial year</b>	<b>38.443</b>	<b>65.979</b>
Deferred income tax recognized on company equity according to O.M.F.P. 2844/2016	(1.609)	(1.337)
Undistributed profit for 2019	9	
<b>Other elements on the global result</b>	<b>(1.600)</b>	<b>(1.337)</b>
<b>Total global result of the period</b>	<b>36.843</b>	<b>64.642</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 ON 31 DECEMBER 2020**  
**(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 2020</b>	48.729	215.506	(14.139)	58.931	54.305*	363.332
<b>Profit of the period</b>					38.443	38.443
<b>Other elements of global result</b>						
Deferred income tax recognized on the account of equity			(2.009)	400	-	(1.609)
Distribution of the profit of 2019 on the destinations decided by the shareholders in OGMS of 21 April 2020 (Note 12)						
Switch to servicing similar intems of income from period 2009-2020				54.305	(54.296)	9
Distribution of the profit of 2020 for legal reserves in gross amount		8.126		(8.126)		-
		12.082			(12.082)	-
<b>Total global result relating to the period</b>		20.208	(2.009)	46.579	(27.935)	36.843
Reserves distributed from the profit of 2019		34.500		(34.500)		-
Dividends distributed related to 2019				(19.796)		(19.796)
Undistributed profit related to 2019					(9)	(9)
<b>Transactions with the shareholders directly recognized in equity</b>		34.500		(54.296)	(9)	(19.805)
<b>B. Balance on 31 December 2020</b>	48.729	270.214	(16.148)	51.214	26.361**)	380.370
<b>C. Modifications on own equity (NOTE 12)</b>	0	54.708	(2.009)	(7.717)	(27.944)	17.038

**AEROSTAR S.A. BACĂU**  
**INDIVIDUAL STATEMENT OF THE MODIFICATION OF COMPANY EQUITY**  
**FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020**  
**(unless specified otherwise, all amounts are stated in thousand lei)**

\*) The result of the prior period is 65.979 thousand lei and is influenced by allocation of the profit on the legal reserves in amount of 11.674 thousand lei.

\*\*\*) The result on 31.12.2020 is 38.443 thousand lei is influenced by the distribution of the profit on legal reserves in the amount of 12.082 thousand lei.

**General Director,  
Grigore Filip**

**Financial Director,  
Doru Damaschin**

**AEROSTAR S.A. BACĂU**  
**INDIVIDUAL STATEMENT OF CASH FLOWS (direct method)**  
**FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020**  
**(unless specified otherwise, all amounts are stated in thousand lei)**

	Note	31.12.2020	31.12.2019
<b>CASH FLOWS FROM OPERATIONS</b>			
collected from customers		340.107	415.074
taxes and excises recovered from State Budget		9.897	8.437
subsidies receipts from State Budget		7.132	250
payments to suppliers and employees		(226.650)	(267.320)
payment of taxes, contributions and dues to State Budget		(64.810)	(55.346)
payment of profit tax		(9.445)	(11.915)
<b>NET CASH FROM OPERATIONS</b>	27	<b>56.231</b>	<b>89.180</b>
<b>CASH FLOWS FROM INVESTMENTS</b>			
interest collected from bank deposits set up		4.519	3.358
dividends received from subsidiaries		537	137
proceeds from financial assets		125	0
collected from sales of property, plant and equipment		0	14
payments for purchasing property, plant and equipment and intangible assets		(46.251)	(37.727)
<b>NET CASH FROM INVESTMENTS</b>	27	<b>(41.070)</b>	<b>(34.218)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
dividends paid but unclaimed		0	99
gross dividends paid		(18.952)	(15.918)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	27	<b>(18.952)</b>	<b>(15.819)</b>
<b>Net increase/decrease of cash and cash equivalents</b>		<b>(3.791)</b>	<b>39.143</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>207.362</b>	<b>167.545</b>
Effect of the exchange rate variation over the cash and cash equivalents	27	(911)	674
<b>Cash and cash equivalents at the end of the period</b>	11	<b>202.660</b>	<b>207.362</b>

General Director,  
Grigore Filip

Financial Director,  
Doru Damaschin



**AEROSTAR S.A. BACAU**  
**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020**  
**(unless specified otherwise, all amounts are stated in thousand lei)**

**NOTE 1 - DESCRIPTION OF THE COMPANY**

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

AEROSTAR S.A. performs its activity at its registered head office located in Bacau, 9, Condorilor Street, code 600302. In accordance with the Agreement no. 2/14.12.2017 of the Administration Council, a secondary place of business without legal personality (workplace) has been approved in Iasi, on 25B Aeroportului Street. The economic activity at the secondary site started in September 2020.

The main activity field 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 S.C. Depozitarul Central S.A. Bucharest.

During the year 2020, there was no subscription of new shares, nor of any participation certificates, convertible bonds, warranties, options or similar rights.

In terms of accounting regulations, AEROSTAR S.A. is the subsidiary of the company IAROM S.A. and, therefore, the parent company that consolidates the financial statements of the group is S.C. IAROM S.A., with the unique identification code 1555301, having its registered head office in Bucharest, 39 Aerogarii B-d. The consolidated financial statements for the financial year 2019 were submitted to A.N.A.F. under registration number 221497794-2020/27.08.2020. Copies of the consolidated financial statements can be obtained from the head office of the parent company, IAROM S.A. The parent company will prepare and publish a set of consolidated financial statements in accordance with the applicable accounting regulations, for the financial year ended 31.12.2020.

The company has a sole segment of activity 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, given the impact of the COVID-19 pandemic on the aviation industry.

During 2020, the company did not use borrowed capital and there was no cash infusion from the shareholders, but it benefited from technical unemployment and allowances during the period of reduced working time of the employees in accordance with the legal provisions.

**AEROSTAR S.A. BACAU**  
**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020**  
**(unless specified otherwise, all amounts are stated in thousand lei)**

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

### **2.1. Estimates**

The preparation and presentation of the individual financial statements in accordance with IFRS 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 recognized 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 collateral 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 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 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.

### ***Presenting the 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 retroactively the significant errors on the prior period presented in the first set of financial statements approved for publication after discovering the errors, by:

- restating the comparative values for the prior period presented when the error occurred, or

**AEROSTAR S.A. BACAU**  
**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020**  
**(unless specified otherwise, all amounts are stated in thousand lei)**

- if the error occurred before the earliest period presented, by restating the opening balances of assets, liabilities and equity for the prior period presented.

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

- the nature of the error for the previous period;
- the value of the adjustment for each of the previous period presented, to the possible extent:
  - for each item - row affected in the financial statement;
  - for the basic result and diluted per share.
- the amount of the correction at the beginning of the earliest period presented;
- if retrospective reprocessing is impossible for a specific prior period, the circumstances that lead to the existence of such circumstance and a description of how and when 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 the Accounting Policies:

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

#### ***Presenting the information***

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

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

When it is impossible to determine the specific effects for one or more prior accounting periods, the Company will apply the new accounting policy of assets and liabilities for the first period for which the 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 explanatory notes:

- the nature of the change of accounting policy;

**AEROSTAR S.A. BACAU**  
**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020**  
**(unless specified otherwise, all amounts are stated in thousand lei)**

- the reasons for which the application of the new accounting policy provides more reliable and relevant information;
- for the current period and for each prior accounting period, the estimated amount of the adjustments for each affected item from the financial position, as far as possible.

**AEROSTAR S.A. BACAU**  
**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020**  
**(unless specified otherwise, all amounts are stated in thousand lei)**

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

#### **3.1. Basis for the preparation and presentation of 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*
  - 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 entered into effect starting with the financial year 2020;
  - Modifications of the International Accounting Standard IAS 39 „Financial Instruments: Recognition and Measurement” and of the International Financial Reporting Standards IFRS 7 „Financial Instruments: Disclosures” and IFRS 9 „Financial Instruments”, which entered into force starting with the financial year 2020;
  - Modifications of the International Financial Reporting Standards IFRS 3 „Business Combinations”, which entered into force starting with the financial year 2020;
  - Modifications of the International Financial Reporting Standards IFRS 16 „Leases”, which entered into force starting with the financial year 2020.

These modifications had no significant impact on the financial statements of the company Aerostar.

- 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 to trading on a regulated market;
  - O.M.F.P. no. 2.844/2016 on the approval of the Accounting Regulations conforming to the International Financial Reporting Standards;
  - 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 own capital;
  - O.M.F.P. no. 1.826/2003 on the approval of the Explanatory Memorandum regarding some measures of organization and management of the business accounting;
  - O.M.F.P. no. 2.634/2015 regarding the financial accounting documents, including subsequent amendments and additions.

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

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

The financial year is the calendar year.

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

The financial statements are prepared based on historical cost.

**AEROSTAR S.A. BACAU**  
**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020**  
**(unless specified otherwise, all amounts are stated in thousand lei)**

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 each of 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 has chosen 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 valued 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:

- they have as an effect the improvement of the initial technical parameters;
- they are the sources of future economic benefits materialized by cash-flows that are supplementary to those initially estimated; and
- they can be assessed reliably.

The benefits are obtained directly by increasing the revenues and indirectly by reducing the 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 profit or loss when they are carried out. These are performed in order to maintain the initial technical parameters.

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 carried out separately, on separate components, each case is analysed using professional reasoning.

The property, plant and equipment to be used in production or in administrative activities are presented in the situation of the financial position under cost, less any loss accumulated from

**AEROSTAR S.A. BACAU**  
**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020**  
**(unless specified otherwise, all amounts are stated in thousand lei)**

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 an amount 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 the amount of inventory inflow and will depreciate over expected useful life set by the receiving department. Also, work tools and devices are also accounted for as inventories and recognized as expenses of the period when used, 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 sell;
  - the availability of adequate resources - technical, human, financial - 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 value;
  - 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 has chosen as accounting policy the cost model that 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 those 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.

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

In the category of financial assets, are highlighted:

- 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 liabilities as well as interests related to them. This category includes collateral, deposits and bills placed with third parties, receivables related to financial leasing contracts.

**AEROSTAR S.A. BACAU**  
**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020**  
**(unless specified otherwise, all amounts are stated in thousand lei)**

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 inventory items**

The registration of inventories is recorded on the date of the transfer of risks and benefits.

The calculation of those inventories that are not usually fungible and of those goods or services, products are determined by specific identification of their individual costs.

The inventory outflows of those stocks and of the fungible active stocks are assessed and recorded in the accounting by applying the FIFO method.

Periodically, the management of the company approves the level of the 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 of the inventory, upon each reporting period, based on the age of inventories, of the resolutions given by the inventory commissions and/or by the management of the business modules, 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 highlighted in the accounting based on third parties accounts. Suppliers and other liabilities accounts are kept by category, as well as by each individual or legal entity.

Income tax to be paid is recognized as a liability within the limit of the unpaid amount.

The excise duties and special funds included in prices or tariffs are recorded in the accounting based on the corresponding liabilities accounts, without transiting through the income and expenses accounts.

Operations that cannot be recorded separately in the corresponding accounts and for which further clarification is required are recorded in a separate account 473 *Accounts settled from operations under clarification*.

Foreign currency liabilities are recorded in the accounting both in LEI as well as 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;
- all other liabilities are classified as long-term liabilities;
- liabilities that are payable over a term longer than 12 months are long-term liabilities.

Interest-bearing long-term liabilities are also considered to be the liabilities that are due within 12 months from the date of the financial statements, 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**



**AEROSTAR S.A. BACAU**  
**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020**  
**(unless specified otherwise, all amounts are stated in thousand lei)**

Receivables include:

- trade receivables, which are amounts owed by customers for goods sold or services rendered 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 grouped by categories (internal customers for services and products, as well as external customers for services and products) and for each natural or legal person.

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

Receivables in foreign currencies, which are the result of the company's transaction, are recorded both in LEI, 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, on the date of performing the operation.

The removal from accounting of the 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 accounting, in the account 4118 Uncertain customers when the payment term stipulated in the contract is exceeded by more than 30 days or when a dispute with the customer is recorded.

In the annual financial statements, receivables are valued and presented at the value at which they are likely to be received.

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 an accrual basis.

The revenue is assessed at the fair value of the amount received or to be received. The sales revenue is diminished for returns, commercial rebates and other similar discounts.

Revenues from operations include:

- revenues from sales (goods, services, commodities, residual products);
- revenues related to the cost of product inventories;
- revenues from the production of property, plant and equipment;
- revenues from changes in adjustments of assets from decreases or resumptions of provisions, respectively;
- other operating revenues.

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

- the company has transferred to the buyer the control on the goods in question;

**AEROSTAR S.A. BACAU**  
**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020**  
**(unless specified otherwise, all amounts are stated in thousand lei)**

- 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;
- it is likely that the economic benefits associated with the transaction will 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 is recognized when the company transfers to the buyer the control on the goods in question.

Revenues from rendering of services

The service contracts 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 has 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 value of the recoverable costs.

The rental revenues from real estate investments are recognized in the income statement on a straight-line basis over the period of the lease.

The financial revenues include interest revenue, foreign exchange revenue, dividend revenue and other financial revenue.

The interest revenues are recognized in the income statement on the basis of accrual accounting 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 has been 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.

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 collateral

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

**AEROSTAR S.A. BACAU**  
**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020**  
**(unless specified otherwise, all amounts are stated in thousand lei)**

The amount of the provision is based on historical or contractual information or reasonable estimates for the products/services made/rendered for the first time in the company.

**Provisions for Risk and Expense**

When identifying risks and expenses likely to be incurred by events that have occurred or are occurring and whose object is determined accurately but whose materialization is uncertain, the company covers these risks by making provisions.

The provisions for risks and expenses are set up for items such as risks specific to the aviation industry, litigations, fines, penalties, compensations, damages and other uncertain debts.

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

Upon the initial recognition of a property, plant and equipment, a value is estimated for the costs of dismantling, removing the item and restoring the site where it is located, as a consequence of using the item over a certain period of time.

These costs are reflected in a setup provision that is recorded in the profit and loss account 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 the dismantling costs are appropriate.

**Provisions for the employees' benefits**

They are recognized 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
- a reliable estimate of the obligation can be achieved.

The provisions are reanalysed at the end of each reporting period, in order to reflect the best current estimation.

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

The subsidies reflect distinctly:

- 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.

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

**AEROSTAR S.A. BACAU**  
**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020**  
**(unless specified otherwise, all amounts are stated in thousand lei)**

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 the event that during a specific period a grant is received for expenses that have not been incurred yet, 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 organization 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 main purpose of the management accounting is to determine the result per production orders or services and per 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 under capacity 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 recorded and calculated item of cost in 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 is calculated upon completing the order by dividing the production costs collected from the respective order to the quantity of products produced on that order.

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

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

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

**AEROSTAR S.A. BACAU**  
**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020**  
(unless specified otherwise, all amounts are stated in thousand lei)

**NOTE 4 – TRANSACTIONS IN FOREIGN CURRENCIES**

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

The currency transactions are recorded at the exchange rate of the functional currency 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 the date of ending the financial year:

<b>Currency</b>	<b>31.12.2020</b>
EUR (Euro)	4,8694
USD (American Dollar)	3,9660
GBP (British pound)	5,4201

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 68% of the turnover registered in the reporting period is denominated in USD and EUR, while a significant part of the operating costs is denominated in LEI, the foreign exchange rates variations will affect both its net incomes and 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 is as follows:

<b>YEAR 2020</b>	<b>thousand EUR</b>	<b>thousand USD</b>	<b>thousand GBP</b>
Collected from financial assets	12.926	37.922	0
Payments of financial liabilities	(9.369)	(13.691)	(395)
<b>Foreign exchange net exposure</b>	<b>3.557</b>	<b>24.231</b>	<b>(395)</b>

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

+ 2,10% in 1st quarter 2020 compared with 31.12.2019

- 0,10% in 2nd quarter 2020 compared with 31.03.2020

- 4,10% in 3rd quarter 2020 compared with 30.06.2020

- 1,80% in quarter IV 2020 compared with 30.09.2020

and

EUR/LEU:

+ 0,30% in 1st quarter 2020 compared with 31.12.2019

+ 0,20% in 2nd quarter 2020 compared with 31.03.2020

+ 0,04% in 3rd quarter 2020 compared with 30.06.2020

+ 0,03% in quarter IV 2020 compared with 30.09.2020

has determined the registration of a financial loss from favourable exchange rate differences of 1.303 thousand LEI.

**AEROSTAR S.A. BACAU**  
**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020**  
(unless specified otherwise, all amounts are stated in thousand lei)

**NOTE 5 - INTANGIBLE ASSETS**

	31 December 2020			01 January 2020		
	Gross values	Depreciation/ Impairment	Net accounting value	Gross value	Depreciation/ Impairment	Net accounting value
Capitalized development costs	0	0	0	41	(41)	0
Licences	5.720	(5.200)	520	5.308	(4.597)	711
Other intangible assets (software)	404	(261)	143	1.808	(1.631)	177
<b>Total</b>	<b>6.124</b>	<b>(5.461)</b>	<b>663</b>	<b>7.157</b>	<b>(6.269)</b>	<b>888</b>

**Net accounting value**

	Balance on 1 January 2020	Increase	Depreciation/ Impairment during the period	Balance on 31 December 2020
Licenses	711	412	(603)	520
Other intangible assets	177	151	(185)	143
<b>Total</b>	<b>888</b>	<b>563</b>	<b>(788)</b>	<b>663</b>

**AEROSTAR S.A. BACAU**  
**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020**  
**(unless specified otherwise, all amounts are stated in thousand lei)**

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

- Development expenses
- Licences
- Other intangible assets

The software programmes are registered under 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 31.12.2020 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 2020 and which are still in use is 3.017 thousand lei.

All the intangible assets recorded in the balance sheet as on 31 December 2020 are the property of AEROSTAR.

<b>The increases in gross values of intangible assets were the result of:</b>	<b><u>563 thousand lei</u></b>
• development of the IT management system of production - version 3	151 thousand lei
• purchasing of software licences	412 thousand lei

In the reporting period there were no inputs 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.

**S.C. AEROSTAR S.A. BACAU**  
**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020**  
(unless specified otherwise, all amounts are stated in thousand lei)

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

The property, plant and equipment on 31 December 2020 and 01 January 2020 comprise the following:

	31 December 2020			01 January 2020		
	Gross values	Depreciation	Net accounting value	Gross values	Depreciation	Net accounting value
Land	29.266	-	29.266	28.401	0	28.401
Constructions	94.206	(26.781)	67.425	58.880	(21.429)	37.451
Technological equipment and transport	188.533	(107.613)	80.920	163.101	(89.875)	73.226
Other equipment and office equipment	3.475	(1.172)	2.303	2.239	(758)	1.481
Investment property	10.537	(3.542)	6.995	10.644	(2.963)	7.681
Property, plant and equipment under construction	1.009	-	1.009	16.986	0	16.986
<b>Total</b>	<b>327.026</b>	<b>(139.108)</b>	<b>187.918</b>	<b>280.251</b>	<b>(115.025)</b>	<b>165.226</b>

**Net accounting value**

	Balance on 1 January 2020	Increase	Reclassification	Disposal/Transfer	Depreciation	Balance on 31 December 2020
Land	28.401	865	0	0	0	29.266
Constructions	37.451	35.218	108	0	(5.352)	67.425
Technological equipment and vehicles	73.226	25.533	0	(5)	(17.834)	80.920
Other equipment and office equipment	1.481	1.250	0	0	(428)	2.303
Investment property	7.681	0	(108)	0	(578)	6.995
Property, plant and equipment under construction	16.986	46.024	0	(62.001)	0	1.009
<b>Total</b>	<b>165.226</b>	<b>108.890</b>	<b>0</b>	<b>(62.006)</b>	<b>(24.192)</b>	<b>187.918</b>



**S.C. AEROSTAR S.A. BACAU**  
**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020**  
**(unless specified otherwise, all amounts are stated in thousand lei)**

Property, plant and equipment are evaluated at their acquisition or production costs minus cumulative depreciation and the impairment losses.

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

Depreciation expenses are recognized in the profit and loss statement.

The following useful lifetimes 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 lifetimes are established by committees consisting of specialists from our company. The useful lifetimes of the property, plant and equipment were reviewed in September 2020.

The fiscal useful lifetimes of the property, plant and equipment are stipulated by the fiscal legislation on assets.

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

The investment property contains a number of 11 real estate – buildings and related lands which are rented to third parties based on renting contracts.

The value of renting incomes in this category of fixed assets, registered in 2020 was 2.300 thousand lei.

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

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

**S.C. AEROSTAR S.A. BACAU**  
**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020**  
**(unless specified otherwise, all amounts are stated in thousand lei)**

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.

Internal source of information:

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

External source of information:

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).

<u>indicator MBR-Market to book ratio</u>	<u>31.12.2020</u>	<u>31.12.2019</u>
Stock exchange capitalization/ company equity	1,7	2,2

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

Therefore, Aerostar S.A. Bacău continues to be an attractive company for investors and other stakeholders, even against the sharp fluctuations in the reference price of ARS shares during 2020, influenced by the current unfavourable economic conjuncture in which it carries out its activity.

The property, plant and equipment in the balance sheet on 31.12.2020 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 2020 is 27.111 thousand lei.

On 31.12.2020 no mortgages were set on the real estate assets owned by Aerostar S.A.

<b>Increases in gross values of the property, plant and equipment, achieved by:</b>	<b>108.890 k lei</b>
<ul style="list-style-type: none"> <li>• acquisition of technical equipment, hardware equipment, measuring and control equipment, means of transport and lifting, completion of MRO hangar, Iasi workpoint</li> <li>• purchase of 20.372 m<sup>2</sup> land</li> <li>• investments made in 2020</li> </ul>	62.001 k lei 865 k lei 46.024 k lei

**Reclassifications, by:**

<ul style="list-style-type: none"> <li>• the transfer of a building from investment property to property, plant and equipment - constructions, as a result of modifying its use</li> </ul>	108 k lei
--	-----------

**Decreases in gross values of property, plant and equipment, achieved by:** **62.001 k lei**

- the transfer of property, plant and equipment under construction to property, plant and equipment following their putting into operation; 62.001 k lei

**AEROSTAR S.A. BACAU**  
**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020**  
(unless specified otherwise, all amounts are stated in thousand lei)

**NOTE 7- FINANCIAL ASSETS**

	Shares held in affiliated entities	Other immobilized securities	Other immobilized receivables – supplier guarantees	Total
<b>On January 2020</b>	<b>14</b>	<b>92</b>	<b>38</b>	<b>144</b>
<b>Increases/Decreases</b>	-	(92)	-	(92)
<b>On 31 December 2020</b>	<b>14</b>	-	<b>38</b>	<b>52</b>

Details of the entity's investments on 31.12.2020 in other companies:

Subsidiary name / Registered head office	CAEN code	No. of shares/ shares issued	Voting rights (%) held	Value of shares held by Aerostar (k lei)	Company 's share capital (k lei)	Financial Information Related to 2019			
						Reserve (k lei)	Net profit (k lei)	Nominal value/ share	Net asset/ share
<b>Airpro Consult SRL Bacau 9, Condorilor Street</b>	- main activity according to CAEN code 7820	<b>100</b>	<b>100%</b>	10	10	97	65	0,10	1,5
<b>Foar SRL Bacau 9, Condorilor Street</b>	- main activity according to CAEN code 7739	<b>800</b>	<b>51%</b>	4	8	1.739	210	0,01	2,4
<b>TOTAL</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>14</b>	<b>18</b>	<b>1.836</b>	<b>275</b>	<b>x</b>	<b>x</b>

**AEROSTAR S.A. BACAU**  
**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020**  
**(unless specified otherwise, all amounts are stated in thousand lei)**

AEROSTAR's share contribution in these companies is registered based on cost.

The Extraordinary Meeting of the Shareholders of Aerostar of 21 April 2020 adopted the decision to dissolve the company ATF S.A., where Aerostar S.A. owned 45,75% of the share capital.

In August 2020 Aerostar removed the securities held at ATF S.A. from the the accounts as a result of the voluntary liquidation of this company.

During 2020 the company recorded no modifications i.e. no increases/decreases as to the shareholding percentage, maintaining the same influence as in 2019 on the remaining companies in the equity portfolio.

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

**AEROSTAR S.A. BACAU**  
**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020**  
(unless specified otherwise, all amounts are stated in thousand lei)

**NOTE 8 - TRADE RECEIVABLES**

	<b>31 December 2020</b>	<b>31 December 2019</b>
<b>TRADE RECEIVABLES OF WHICH:</b>		
<b>Customers, of which:</b>	<b>30.476</b>	<b>61.938</b>
Domestic customers	13.121	15.880
Foreign customers	17.355	44.734
Customers – invoices to draw up	0	1.324
<b>Uncertain customers</b>	<b>855</b>	<b>1.343</b>
<b>Adjustments for impairment of receivables - customers</b>	<b>(438)</b>	<b>(807)</b>
<b>Suppliers – debtors</b>	<b>3.819</b>	<b>10.895</b>
<b>Adjustments for the impairment of receivables - advances granted to customers</b>	<b>(38)</b>	<b>(57)</b>
<b>TOTAL TRADE RECEIVABLES</b>	<b>34.674</b>	<b>73.312</b>

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

- in percentage of 50% of the value of the receivables not collected on time if the due date is between 30 days and 180 days. On 31 December 2020 the company registered adjustments for depreciation of this nature in the amount of 417 thousand lei;
- in percentage of 50% of the value of the receivables not collected, having no receivables with due date exceeding 180 days. On 31 December 2020 the company registered adjustments for depreciation of this nature in the amount of 21 thousand lei.

Moreover, the company registered adjustments for depreciation of the advances granted to the suppliers in the amount of 38 thousand lei.

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

Debtors-suppliers have a discount limit in the year 2021.

At the end of each period the receivables expressed in foreign currency as well as in lei that are settled based on the currency rate are evaluated at the market exchange rate communicated by the National Bank of Romania on the last day of the month in question.

The favourable and unfavourable exchange rates differences between the exchange market rate, at which are accounted the receivables in currency, and the market exchange rate communicated by the National Bank of Romania available for the closure of December 2020, were recorded in the related income or expense accounts.

**AEROSTAR S.A. BACAU**  
**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020**  
(unless specified otherwise, all amounts are stated in thousand lei)

**NOTE 9 - OTHER RECEIVABLES**

	<b>31 December 2020</b>	<b>31 December 2019</b>
<b>Receivables relating to manpower and similar accounts</b>	<b>37</b>	<b>21</b>
<b>Receivables related to the budget of social insurance and the state budget, of which:</b>	<b>3.300</b>	<b>4.937</b>
– VAT to be recovered	0	3.908
– Non-chargeable VAT	29	48
– amounts to be recovered from the National Health System (allowances for medical leaves)	1.339	467
– Amounts to be recovered from A.J.O.F.M. representing the allowance for the reduced working time according to OUG 132/2020	1.188	0
– Excize duty to be recovered related to the fuel used	474	427
– Subsidies receivable according to OUG 147/2020 regarding giving parents time off for child surveillance, in December, as well as subsidies for graduates employment	33	61
– Other claims related to the local budget for annual tax reduction on buildings as determined by the Local Council 265/02.12.2020	201	0
– Other claims in connection with local budget representing the fee of public service to be recovered resulting from corrected declarations submitted during 2020	22	14
– Other claims in connection with the social security budget and the state budget	14	12
<b>Interest to receive from bank deposits</b>	<b>277</b>	<b>324</b>
<b>Diverse debtors</b>	<b>215</b>	<b>170</b>
<b>Adjustments for the depreciation of the receivables – diverse debtors</b>	<b>(126)</b>	<b>(113)</b>
<b>TOTAL OTHER RECEIVABLES</b>	<b>3.703</b>	<b>5.339</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 the amount of 126 thousand lei.

**AEROSTAR S.A. BACAU**  
**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020**  
(unless specified otherwise, all amounts are stated in thousand lei)

<b>NOTE 10 – INVENTORIES</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
<b>Of which:</b>		
Raw material *	35.069	27.088
Consumables **	37.456	35.847
Other material	536	147
Semi-finished/ Forgings	1.505	1.907
Packaging	3	26
Finished products	19.749	19.993
Products and services in progress	45.301	34.392
<b>Gross value of inventories (unadjusted)</b>	<b><u>139.619</u></b>	<b><u>119.400</u></b>

*Adjustments for impairment of inventories and production in progress*

	<b>31 December 2019</b>	<b>Increases/ Setups/</b>	<b>Decreases/ Resumptions/</b>	<b>31 December 2020</b>
<b>Total adjustments</b>	<b><u>32.534</u></b>	<b><u>28.954</u></b>	<b><u>18.787</u></b>	<b><u>42.701</u></b>
Adjustments for impairment of raw materials	10.920	12.075	121	22.874
Adjustments for impairment of consumables	12.925	6.141	1.417	17.649
Adjustments for impairment of other consumables	7	20	16	11
Adjustments for impairment of production in progress	6.196	10.671	16.567	300
Adjustments for impairment of semi- finished	1.907	-	402	1.505
Adjustments for impairment of finished products	568	47	253	362
Adjustments for impairment of packaging	11	-	11	-

Note:

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

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

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

**AEROSTAR S.A. BACAU**  
**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020**  
**(unless specified otherwise, all amounts are stated in thousand lei)**

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

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

Within the company the goods deemed to be depreciated are those 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 86.920 thousand lei.

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

AEROSTAR has no pledged inventories.



**AEROSTAR S.A. BACAU**  
**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020**  
**(unless specified otherwise, all amounts are stated in thousand lei)**

**NOTE 11 - CASH AND CASH EQUIVALENTS**

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

	<b>31.12.2020</b>	<b>31.12.2019</b>
Cash	19.969	31.646
Bank deposits	182.691	175.716
<b>Cash and cash equivalents in the cash-flow statement</b>	<b>202.660</b>	<b>207.362</b>

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

The cash equivalents shall comprise short-term bank deposits.

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

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

**AEROSTAR S.A. BACAU**  
**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020**  
(unless specified otherwise, all amounts are stated in thousand lei)

**NOTA 12 - COMPANY EQUITY**

The company equity on 31 December 2020 is 380.370 thousand lei.

The net increase of the equity in 2020 compared to 2019 was 17.038 thousand lei.

**The modifications of the main elements of the company equity incurred in 2020 versus 2019 are as follows:**

- **The share capital remained unchanged**

On 31 December 2020, 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 shareholders on 31.12.2020 is as follows:

<b>Shareholder</b>	<b>Number of shares held*)</b>	<b>Shareholding (% of equity)</b>
IAROM S.A. București	108.684.946	71, 3730 %
SIF MOLDOVA Bacău	22.919.887	15,0514 %
Other shareholders	20.672.617	13,5756 %
<b>Total</b>	<b>152.277.450</b>	<b>100,00 %</b>

\*) Source of information: Depozitarul Central

- **The reserves increased by 54.708 thousand lei** on account of:

- distribution to reserves of the reinvested profit related to the year 2020 in the gross amount of 11.529 thousand lei;
- distribution to reserves of the bonus received for bonuses for the payment in due time of the profit tax according to OUG 33/2020 in amount of 553 thousand lei;
- distribution for reserves of the amount of 34.500 thousand lei of the profit related to the financial year 2019;
- transfer to reserves of the amount of 8.126 thousand lei representing elements similar to the income obtained between 2009 and 2020, taxed.

- **Other capital elements have increased by the amount of 2.009 thousand lei** on account of the deferred income tax recognized in company equity.

- **The result carried forward decreased by 7.717 thousand lei.**

**The balance of the result carried-forward account on 31 December 2020 is 51.214 thousand lei, comprising:**

- the result carried forward incurred by the use, on the date of transition to IFRS, of the fair value as presumed cost = 30.183 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 = 21.022 thousand lei;
- the result carried forward representing the undistributed profit related to the year 2019 = 9 thousand lei.

- **The result of the financial year 2020 was 38.433 thousand lei.**

**AEROSTAR S.A. BACAU**  
**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020**  
(unless specified otherwise, all amounts are stated in thousand lei)

**NOTE 13 - PROVISIONS**

	<b>31 December 2019</b>	<b>Increases/ Set-ups/ Reclassification of provisions</b>	<b>Reductions/ Reruns/ Reclassification of provisions</b>	<b>Differences from revaluation</b>	<b>31 December 2020</b>
<b>Total provisions</b>	<b>119.019</b>	<b>33.702</b>	<b>(36.577)</b>	<b>(503)</b>	<b>115.641</b>
Provisions for bonds granted to customers	44.389	15.707	(14.704)	(1.396)	43.996
Provisions for decommissioning property, plant and equipment	16.384	12	0	0	16.396
Provisions for the employees' benefits	5.177	5.159	(5.052)	0	5.284
Provisions for litigations	5.229	5.229	(5.229)	90	5.319
Other provisions	47.840	7.595	(11.592)	803	44.646
<b>Long-term provisions</b>	<b>97.451</b>	<b>7.356</b>	<b>(17.435)</b>	<b>(625)</b>	<b>86.747</b>
Provisions for bonds granted to customers	27.998	7.344	(4.140)	(1.362)	29.840
Provisions for decommissioning property, plant and equipment	16.384	12	0	0	16.396
Provisions for litigations	5.229	0	(5.229)	0	0
Other provisions	47.840	0	(8.066)	737	40.511
<b>Short-term provisions</b>	<b>21.568</b>	<b>26.346</b>	<b>(19.142)</b>	<b>122</b>	<b>28.894</b>
Provisions for bonds granted to customers	16.391	8.363	(10.564)	(34)	14.156
Provisions for customers' benefits	5.177	5.159	(5.052)	0	5.284
Provisions for litigations	0	5.229	0	90	5.319
Other provisions	0	7.595	(3.526)	66	4.135

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

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

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

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

**AEROSTAR S.A. BACAU**  
**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020**  
**(unless specified otherwise, all amounts are stated in thousand lei)**

**Provisions for benefits granted to employees**

The provisions for benefits granted to employees are set up for the bonus granted according to the clauses of the applicable Collective Labour Agreement (bonus for the end of the financial 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 2020, performance bonuses for 2020 and the annual holidays leave not taken by the employees during 2019 and 2020 are found in the balance.

**Provisions for litigations**

Provisions for litigations on 31.12.2020 are set up 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 the category Other provisions are found the provisions set up for:

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

**AEROSTAR S.A. BACAU**  
**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020**  
(unless specified otherwise, all amounts are stated in thousand lei)

**NOTA 14 - SUBSIDIES**

**Subsidies related to assets**

AEROSTAR registers the subsidies regarding assets in the category of deferred income.

	<b>31.12.2020</b>	<b>31.12.2019</b>
Balance on 1 January, of 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
<b>Subsidies registered in income corresponding to the calculated amortization</b>	<b>(2.042)</b>	<b>(2.304)</b>
Balance on 31 March, of which:	5.893	7.935
<b>Subsidies related to the assets received</b>	<b>5.875</b>	<b>7.914</b>
Surplus in inventories in the category of immobilizations	18	21

**The subsidies related to 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 5.468 thousand lei;
2. Contract no. 229226/14.06.2012: 'Setting up a new manufacturing capacity for diversifying production and export growth', performed between June 2012 and May 2014, the value of the subsidy received from the Ministry of Economy, Trade and Business Environment (MECMA) being 6.011 thousand lei;
3. Contract no. 5IM/013/24.03.2015: 'Consolidation and sustainable development of the mechanical processing and painting sectors by high performance investments', carried out between March and December 2015, the value of the subsidy received from the Ministry of European Funds (MFE) being 8.299 thousand lei;

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

**The balance of 5.875 thousand lei** registered on 31 December 2020 represents the subsidies related to investments in immobilized assets which are to be recorded as income while the calculated amortization is registered under costs, split on the 3 contracts as follows:

1. contract no. 210304/22.04.2010: 1.211 thousand lei
2. contract no. 229226/14.06.2012: 845 thousand lei
3. contract no. 5IM/013/24.03.2015: 3.819 thousand lei

**AEROSTAR S.A. BACAU**  
**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020**  
(unless specified otherwise, all amounts are stated in thousand lei)

**NOTE 15 - COMMERCIAL DEBTS**

	<b>31 December 2020</b>	<b>31 December 2019</b>
<b>Prepaid amounts collected on customers' account, of which:</b>	<b>2.560</b>	<b>6.709</b>
Domestic customers-creditors	91	69
Foreign customers-creditors	2.469	6.640
<b>Suppliers, of which:</b>	<b>9.500</b>	<b>19.805</b>
Domestic suppliers	3.304	6.792
Foreign suppliers	4.717	10.874
Suppliers-invoices not arrived	1.088	1.436
Suppliers of non-current assets	391	703
<b>Commercial effects to pay</b>	<b>-</b>	<b>255</b>
<b>Total commercial debts</b>	<b>12.060</b>	<b>26.769</b>

The payments in advance collected from the customers are for aircraft maintenance and repair work (98,53%) and other services provided (1,47%).

For the registered debts 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 the closure of December 2020, were registered in the corresponding accounts of revenues or expenses.

**AEROSTAR S.A. BACAU**  
**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020**  
(unless specified otherwise, all amounts are stated in thousand lei)

**NOTE 16 - OTHER LIABILITIES**

	31 December 2020	31 December 2019
<b>Other current liabilities, of which:</b>	<b>10.748</b>	<b>16.061</b>
• <i>Liabilities related to manpower and similar accounts</i>	<i>2.840</i>	<i>3.174</i>
• <i>Liabilities related to social security budget and state budget, of which:</i>	<i>5.478</i>	<i>9.687</i>
- VAT payable	1.444	5.506
- Social insurance	3.022	3.064
- Labour safety contribution	190	194
- Tax on salary type revenues	584	582
- Contribution for people with unemployed disabilities	137	142
- Other taxes	62	157
- Other social liabilities	39	42
• <i>Other liabilities, of which:</i>	<i>2.430</i>	<i>3.200</i>
- dividends	2.148	1.848
- diverse creditors	212	554
- warranties received	70	748
- liabilities and tax related to the right to use leasing assets	-	50
<b>Other long-term liabilities</b>	<b>2.335</b>	<b>2.325</b>

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

- the liability regarding the right to use the land leased for the Maintenance Hangar of Iasi (1.522 thousand lei) and the tax related to the right of use (813 thousand lei);

The dividends in balance on 31 December 2020, in amount of 2.148 thousand lei represent:

- 905 thousand lei, amount to be paid by AEROSTAR for the dividends related to 2019;
- 681 thousand lei, amount to be paid by AEROSTAR for the dividends corresponding to 2018;
- 562 thousand lei, amount to be paid by AEROSTAR for the dividends from 2017;

All the amounts remained in balance are dividends for the shareholders who did not show up at the offices of the paying agent CEC Bank S.A. (the paying agent designated by AEROSTAR).

**AEROSTAR S.A. BACAU**  
**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020**  
**(unless specified otherwise, all amounts are stated in thousand lei)**

## **NOTE 17 - 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 base. 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 31.12.2020 is:**

### **Liabilities from deferred tax**

1. Liabilities related to deferred tax generated by the differences between accounting bases (higher) and the fiscal ones (lower) of the non-current assets	1.868
2. Liabilities related to the deferred tax concerning legal reserves	1.559
3. Liabilities on deferred tax related to reserves from the fiscal facility	15.362
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>18.850</b>

### **Receivables on deferred tax**

1. Receivables on deferred tax related to other provisions set in 2010	773
2. Receivables on deferred tax related to provisions for bonds granted to customers set between 2014-2020	7.039
3. Receivables on deferred tax related to provisions for manpower benefits	845
4. Receivables on deferred tax related to the adjustments for depreciation of the inventories	6.832
5. Creanțe privind impozitul amânat aferente ajustărilor pentru depreciere creanțelor comerciale	96
<b>Total receivables on deferred tax</b>	<b>15.585</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 the period 01 January 2020 – 31 December 2020, the company registered income from tax on deferred profit in the amount of 6.685 thousand lei and expenses with tax on deferred profit in the amount of 5.007 thousand lei.



**AEROSTAR S.A. BACAU**  
**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020**  
**(unless specified otherwise, all amounts are stated in thousand lei)**

## **NOTE 18 - FINANCIAL INSTRUMENTS**

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

The financial assets and liabilities are recognized when AEROSTAR 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 any liabilities concerning financial leasing, overdrafts and long-term bank loans.

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

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

### **a) Credit risk**

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

**AEROSTAR S.A. BACAU**  
**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020**  
(unless specified otherwise, all amounts are stated in thousand lei)

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

	<b>31.12.2020</b>	<b>31.12.2019</b>
Cash and cash equivalents	202.660	207.362
Trade receivables, net of adjustments for depreciation	30.566	58.792
Trade effects received	0	0
Immobilized receivables	38	54
<b>Total</b>	<b>233.264</b>	<b>266.208</b>

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

	<b>31.12.2020</b>	<b>31.12.2019</b>
Domestic market	13.279	15.863
Euro zone countries	7.617	17.691
Great Britain	5.840	16.226
Other European countries	1.242	1.223
Other regions	2.588	7.789
<b>Total</b>	<b>30.566</b>	<b>58.792</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>31.12.2020</b>	<b>for depreciation</b>	<b>31.12.2019</b>	<b>for depreciation</b>
In due time	30.146		58.255	
Past due, total of which:	858	438	1.344	807
1-30 days	0	0	0	0
31-60 days	795	397	388	202
61-90 days	1	0	702	351
91-120 days	41	20	0	0
Over 120 days	0	0	254	254
Over 1 year	21	21	0	0
<b>Total</b>	<b>31.004</b>	<b>438</b>	<b>59.599</b>	<b>807</b>

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

	<b>31.12.2020</b>	<b>31.12.2019</b>
<b>Balance on 1 January</b>	<b>807</b>	<b>16</b>
Adjustments set up for depreciation	2.462	3.450
Adjustments for depreciations resumed as revenues	(2.831)	(2.659)
<b>Balance on 31 December</b>	<b>438</b>	<b>807</b>

On 31.12.2020, 98,60% of the balance of trade receivables are related to customers with a good payment record.

**AEROSTAR S.A. BACAU**  
**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020**  
(unless specified otherwise, all amounts are stated in thousand lei)

**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>	0-30 days	31-60 days	over 60 days
31.12. 2020	Trade liabilities	8.411	(8.411)	(6.865)	(1.383)	(163)
	Trade effects	0	0	0	0	0
31.12. 2019	Trade liabilities	18.369	(18.369)	(13.284)	(4.462)	(623)
	Trade effects	255	(255)	(255)	0	0

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

On 31.12.2020 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 68% of the turnover recorded in the reporting period is denominated in USD and EUR, while a significant part of the operating expenses is denominated in LEI.

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

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

<b>31.12.2020</b>	<b>Thousand EUR</b>	<b>Thousand USD</b>	<b>Thousand GBP</b>
Cash and cash equivalents	3.270	8.422	11
Trade receivables	579	3.648	0
Trade liabilities	(379)	(879)	(18)
<b>Net exposure in original currency</b>	<b>3.470</b>	<b>11.191</b>	<b>(7)</b>

**AEROSTAR S.A. BACAU**  
**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020**  
(unless specified otherwise, all amounts are stated in thousand lei)

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 and EUR/LEU exchange rate in the previous years, a relatively high volatility (+/- 10%) of the USD/LEU exchange rate and a moderate volatility (+/-2%) of the EUR/LEU exchange rate can be noticed.

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

The effect of the reasonably possible variation of +/- 10% for the USD/LEU exchange rate and of +/- 2% for the EUR/LEU exchange rate over the financial result of AEROSTAR is calculated in the following table:

<b>31.12.2020</b>	<b>EUR/LEU</b>	<b>USD/LEU</b>
Net exposure, in the currency of origin	3.470 K EUR	11.191 K USD
Currency exchange rate	4,87	3,97
Net exposure in functional currency	16.899 K LEI	44.428 K LEI
Possible reasonable variation of exchange rate	+/- 2%	+/- 10%
<b>Effect of variation on the financial result</b>	<b>+/- 338 K LEI</b>	<b>+/- 4.443 K LEI</b>

**e) Interest rate risk**

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

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

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

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.

On 31.12.2020, the level of bonds granted by AEROSTAR under commercial agreements, by issue of bank bond letters and import Letters of Credit amounts to 2.763 thousand USD (equivalent 10.958 thousand LEI).

On 31.12.2020 no mortgages are set up on the property assets in AEROSTAR ownership.

**AEROSTAR S.A. BACAU**  
**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020**  
(unless specified otherwise, all amounts are stated in thousand lei)

**NOTE 19 - OPERATING INCOME**

	31 December 2020	31 December 2019
<b>Revenues from sales, of which:</b>	<b>294.839</b>	<b>399.210</b>
Revenues from product sales	137.194	210.082
Revenues from services supplied	154.891	185.243
Revenues from selling goods	11	1.057
Revenues from renting	2.301	2.417
Trade discounts granted	(24)	(41)
Revenues from other activities	466	452
<b>Revenues related to inventories of products finished and in progress</b>	<b>14.921</b>	<b>6.593</b>
<b>Revenues from the production of fixed assets</b>	<b>1.865</b>	<b>988</b>
<b>Revenues from operating subsidies</b>	<b>1.994</b>	<b>263</b>
<b>Other revenues from operations</b>	<b>2.789</b>	<b>3.346</b>
<b>Total operating income</b>	<b>316.408</b>	<b>410.400</b>

The company obtained between January 2020 and December 2020 incomes from operating subsidies received for:

- signing apprenticeship agreements in amount of 76 thousand lei;
- employment of a non-employed person in the NEET category (Not in Education, Employment or Training) in the amount of 64 thousand lei;
- employment of graduates who failed to get a job in accordance with their educational background within 60 days after graduation, in the amount of 53 thousand lei;
- paying indemnities to the employees who were granted days off for children surveillance in case of temporary closure of the educational establishments, in the amount of 86 thousand lei;
- settling the amount of 1.715 thousand lei financed from the unemployment insurance budget, representing 41,5% of the gross base salary corresponding to the job filled, but without exceeding 41.5% of the gross average earning provided by the Law of state social security budget for the year 2020, a facility granted in the field of social security in the context of the epidemiological situation generated by the spread of the coronavirus SARS-CoV-2.

**AEROSTAR S.A. BACAU**  
**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020**  
(unless specified otherwise, all amounts are stated in thousand lei)

**NOTE 20 - OPERATING EXPENSES**

	31 December 2020	31 December 2019
<b>Expenses with employee benefits</b> , of which:	<b>117.702</b>	<b>126.473</b>
Salaries and allowances	107.078	114.126
Expenses with benefits in kind and expenses with ticket meals granted to employees	5.340	6.696
Expenses with social security	5.284	5.651
<b>Expenses with raw material and material Energy, water and gas</b>	<b>78.687</b>	<b>111.767</b>
<b>Other material expenses</b> , of which:	<b>8.191</b>	<b>9.601</b>
Expenses with non-inventory materials	9.965	11.144
Expenses with goods	1.732	1.892
Expenses with packaging	7	940
Expenses with other material	294	430
<b>Expenses with external services</b> , of which:	<b>7.932</b>	<b>7.882</b>
Repairs	27.912	30.098
Transport costs	13.048	12.128
Commissions and fees	2.175	3.348
Travels, deployments	2.158	3.333
Renting expenses	1.903	1.122
Other expenses with services supplied by third parties	587	776
<b>Trade discounts received</b>	<b>8.041</b>	<b>7.582</b>
<b>Amortizations</b>	<b>(130)</b>	<b>(53)</b>
<b>Increase/decrease of adjustments regarding provisions</b>	<b>25.018</b>	<b>25.975</b>
<b>Increase/decrease of adjustments regarding depreciation of current assets</b>	<b>(3.389)</b>	<b>6.198</b>
<b>Other operational expenses</b>	<b>9.814</b>	<b>13.749</b>
	<b>4.289</b>	<b>5.508</b>
<b>Total operating expenses</b>	<b>278.059</b>	<b>340.460</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, inventories, production in progress and receivables (Note 8, Note 9 and Note 10), respectively.

In 2020 AEROSTAR registered increased/set up and decreased/resumed adjustments, as follows:

	31 December 2020	31 December 2019
<b>Adjustments regarding provisions</b>		
<i>Increases / setups</i>	22.450	25.125
<i>Decreases / reruns</i>	25.839	18.927
<b>Increase/Decrease of adjustments regarding provisions</b>	<b>(3.389)</b>	<b>6.198</b>

In 2020 the impact of increased (set up) / decreased (resumed) adjustments regarding provisions was a decrease of the operating expenses by the amount of 3.389 thousand lei.

**AEROSTAR S.A. BACAU**  
**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020**  
(unless specified otherwise, all amounts are stated in thousand lei)

<b>Adjustments regarding impairment of current assets</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
<i>Increased / set-up adjustments</i>	28.956	17.844
Adjustments for the impairment of investments	2.507	3.587
Adjustments for impairment of receivables	22	130
<b><i>Total increased/set up adjustments</i></b>	<b>31.485</b>	<b>21.561</b>
 <i>Decreased/resumed adjustments</i>		
Adjustments for the impairment of inventories	18.788	5.084
Adjustments for impairment of receivables	2.883	2.728
<b><i>Total decreased/resumed adjustments</i></b>	<b>21.671</b>	<b>7.812</b>
 <b>Increased/ decreased adjustments regarding the impairment of current assets</b>	 <b>9.814</b>	 <b>13.749</b>

In 2020 the impact of increased (set-up) / decreased (resumed) adjustments regarding the impairment of current assets was an increase of the operating expenses by the amount of 9.814 thousand lei.

**AEROSTAR S.A. BACAU**  
**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020**  
(unless specified otherwise, all amounts are stated in thousand lei)

**NOTE 21 - FINANCIAL INCOME**

	<b>31 December 2020</b>	<b>31 December 2019</b>
Income from foreign currency exchange differences	4.825	6.002
Income from interest	4.473	3.525
Income from shares held at affiliated entities	<del>5336</del>	1337
Income from divested financial immobilizations	344	--
<b>Total financial income</b>	<b>9.868</b>	<b>9.664</b>

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



**AEROSTAR S.A. BACAU**  
**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020**  
(unless specified otherwise, all amounts are stated in thousand lei)

**NOTE 22 – FINANCIAL EXPENSES**

	<b>31 December 2020</b>	<b>31 December 2019</b>
Expenses from exchange rate differences	6.128	4.467
Expenses with interests related to leasing contract	30	31
<b>Total financial expenses</b>	<b>6.158</b>	<b>4.498</b>

In 2020 the company registered in the financial expenses category:

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

**AEROSTAR S.A. BACAU**  
**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020**  
(unless specified otherwise, all amounts are stated in thousand lei)

**NOTE 23 - TAX ON PROFIT**

**Tax on profit**

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

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

The profit tax rate applicable for 31.03.2020 was 16% (the same rate was also applied for the financial year 2019).

**31 December 2020**

<b>Gross accounting profit</b>	<b>42.059</b>
<b>Expenses with current tax on profit</b>	<b>5.265</b>

<b>Reconciliation of accounting profit with fiscal profit</b>				<b>Differences</b>
Accounting revenues*	321.702	Fiscal income	275.197	– 46.505
Accounting expenses*	279.138	Fiscal expenses	218.212	– 60.926
Gross accounting profit, restated*	42.564	Fiscal profit	56.985	+ 14.421
Accounting tax (16%)	6.810	Fiscal tax (16%)	9.118	+ 2.307
Tax reductions	-	<i>Tax reductions</i> , from which:	3.853	+ 3.853
		• related to investments made acc.to Art. 22 Fiscal Code	1.845	+ 1.845
		• sponsoring	1.455	+ 1.455
		• bonus for quarters I-III	553	+553
Tax on final profit	6.810	Tax on final profit	5.265	-1.546
Applicable legal rate	16,00%	Legal rate applicable	16,00%	
Actual average tax rate, calculated on gross accounting profit, restated		12,37%		

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

The main factors that affected the actual tax rate:

- non-deductible expenses in fiscal terms (expenses concerning the set-up or increase of certain provisions and value adjustments 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 made in accordance with Art. 22 of the Fiscal Code and sponsorships and bonuses for the payment in due time of the profit tax for the first three quarters of the year;
- non-taxable income obtained from the recovery of certain non-deductible expenses.

On 31 December 2020 the company registered a debt related to the tax on current profit in the amount of 1.734 thousand lei.

**AEROSTAR S.A. BACAU**  
**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020**  
**(unless specified otherwise, all amounts are stated in thousand lei)**

**Tax specific to some activities**

As of 01.01.2017 Aerostar S.A. is a payer of specific taxes for restaurant and public food activities. The specific tax corresponding to the year 2020 was in amount of 29 thousand lei, being diminished by 22 thousand lei on account of the fiscal facilities granted under the applicable legislation.

**AEROSTAR S.A. BACAU**  
**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020**  
**(unless specified otherwise, all amounts are stated in thousand lei)**

**NOTE 24 - RESULT PER SHARE**

The profit per basic share was calculated based on the profit 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>31.12.2020</b>	<b>31.12.2019</b>
Profit attributable to ordinary shareholders	38.442.550	65.979.465
Number of ordinary shares	152.277.450	152.277.450
<b>Profit per share</b>	<b>0,252</b>	<b>0,433</b>

**AEROSTAR S.A. BACAU**  
**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020**  
**(unless specified otherwise, all amounts are stated in thousand lei)**

**NOTE 25 - AVERAGE NUMBER OF EMPLOYEES**

1. Own employees:

	<u>year</u> <u>2020</u>	<u>year</u> <u>2019</u>
<b>Average number of employees</b>	<b>1.731</b>	<b>1.735</b>

2. Employees hired through temporary labor agent:

	<u>year</u> <u>2020</u>	<u>year</u> <u>2019</u>
<b>Average number of employees</b>	<b>66</b>	<b>115</b>

3. The total number of personnel engaged in the activity of the company AEROSTAR was:

	<u>year</u> <u>2020</u>	<u>year</u> <u>2019</u>
<b>Total number of personnel</b>	<b>1.797</b>	<b>1.850</b>

**AEROSTAR S.A. BACAU**  
**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020**  
(unless specified otherwise, all amounts are stated in thousand lei)

**NOTE 26 - TRANSACTIONS WITH AFFILIATED PARTIES**

<u>Acquisitions of goods and services</u>	<u>Year 2020</u>	<u>Year 2019</u>
Airpro Consult SRL Bacău	3.969	6.944
Foar SRL Bacău	302	573
<b>TOTAL</b>	<b>4.271</b>	<b>7.517</b>
<u>Sales of goods and services</u>	<u>Year 2020</u>	<u>Year 2019</u>
Airpro Consult SRL Bacău	-	-
Foar SRL Bacău	2	14
<b>TOTAL</b>	<b>2</b>	<b>14</b>
<u>Liabilities</u>	<u>Balance on 31.12.2020</u>	<u>Balance on 31.12.2019</u>
Airpro Consult SRL Bacău	29	525
Foar SRL Bacău	23	24
<b>TOTAL</b>	<b>52</b>	<b>549</b>
<u>Dividends collected by Aerostar</u>	<u>Year 2020</u>	<u>Year 2019</u>
Airpro Consult SRL Bacău	50	50
Foar SRL Bacău	487	87
<b>TOTAL</b>	<b>537</b>	<b>137</b>
<u>Amounts collected from liquidation by Aerostar</u>	<u>Year 2020</u>	<u>Year 2019</u>
ATF SA	125	0
<b>TOTAL</b>	<b>125</b>	<b>0</b>

The transactions with the affiliated parties in 2020 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;
- Space rental services provided by Services provided by AEROSTAR SA Bacau to FOAR SRL Bacau.
- Dividends received by AEROSTAR SA from Airpro Consult SRL Bacău and Foar SRL Bacău (NOTE 7);
- Receiving from the company ATF SA, after the liquidation thereof, the monetary equivalent of the shareholdings held, in the amount of 92 thousand lei as well as the liquidation revenues in the amount of 33 thousand lei.

**AEROSTAR S.A. BACAU**  
**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020**  
**(unless specified otherwise, all amounts are stated in thousand lei)**

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

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

The cash flows Statement presents the cash flows and cash equivalents classified 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 made in foreign currency are registered in the functional currency by applying to 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 on 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, so as 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 2020:

- the amounts collected from the customers were 340.107 thousand LEI,
- the payments to the suppliers and employees amounted to 226.650 thousand LEI, of which 152.193 thousand LEI payments to the suppliers and 74.457 thousand LEI payments to employees;
- tax payments to the State Budget amounted to 74.255 thousand LEI, of which 9.445 thousand LEI tax on profit.

The operating activity generated in 2020 a net cash of 56.231 thousand LEI, a decrease by 32.949 thousand LEI compared with the previous year.

The payments to purchase tangible and intangible assets were in the amount of 46.251 thousand LEI. The value of the treasury cash flows allocated to increase the operating capacity represents 13% of the aggregate value of the cash used for operating, investment and financing activities.

Within the financing activity, an amount of 18.952 thousand LEI was paid, representing dividends due to the shareholders.

The level of cash and cash equivalents registered on 31.12.2020 amounts to 202.660 thousand LEI, a decrease by 4.702 thousand LEI compared with the beginning of the year.

**AEROSTAR S.A. BACAU**  
**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020**  
(unless specified otherwise, all amounts are stated in thousand lei)

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

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

	<b>31 December 2020</b>	<b>31 December 2019</b>
• <b>Liabilities:</b>		
○ Guarantees granted to customers as letters of bank guarantee and letters of credit	256	3.465
○ Guarantees received from suppliers – as letters of bank guarantees and letters of credit	149.899	35.664
• <b>Goods, of which:</b>		
○ inventories of other materials released for use (tooling, jigs, fixtures, safety equipment, measuring and control eqpt, technical library etc.)	33.778	30.947
○ 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	4.643	2.463
• <b>Other values off-balance, of which:</b>		
○ Liabilities for covering certain future obligations to A.J.O.F.M. based on OUG 95/2002 regarding the defence industry	4.833	5.304
○ debtors removed from accounts, monitored further on	155	139
• <b>Greenhouse Gas Emission Certificates</b>	2.927	2.038

On 31 December 2020, AEROSTAR S.A. had a number of 18.356 greenhouse gas emission certificates.

The market value on the last transaction day of a GES certificate was 32,75 Euro, according to the European Energy Exchange website (in December 2020: 32,75 Euro).



**AEROSTAR S.A. BACAU**  
**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020**  
**(unless specified otherwise, all amounts are stated in thousand lei)**

**NOTE 29 – DIRECTORS’ REMUNERATION**

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 2020 the company AEROSTAR did not grant advance payments or credits to the members of the Board of Directors and did not make any commitment on their account as a collateral of any kind.

**In the Ordinary General Meeting of 09 July 2020 the shareholders of the company Aerostar approved:**

- ✓ The setting up of a Board of Directors consisting of 5 (five) natural persons and the election (mandate extension), as members of the Board of Directors, for a period of 4 years, as of 11.07.2020 until 10.07.2024, of the following persons:
  1. FILIP Grigore
  2. DAMASCHIN Doru
  3. TONCEA Mihail-Nicolae
  4. DOROȘ Liviu-Claudiu
  5. VÎRNĂ Daniel

**In the Ordinary General Meeting of 16 December 2020, the shareholders of the company Aerostar approved** the freezing at the level decided by the ordinary general meeting of shareholders dated 09 July 2020 of the directors’ compensation for the financial year 2021, i.e.:

- ✓ Maintaining a monthly net fixed remuneration of 4.750 lei for each elected BOD member;
- ✓ A maximum level of additional remunerations for the BOD members who also have executive attributions, of a monthly fixed amount of at least 10 (ten) times (inclusively) the value of the fixed remuneration of 4.750 lei, applied individually, as the case may be.
- ✓ Mandating the BOD to negotiate the, within the approved ceiling.

The amount of the gross compensations granted to the members of the Board of Directors in 2020, by virtue of their responsibilities, was 1.702 thousand lei.

**AEROSTAR S.A. BACAU**  
**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020**  
**(unless specified otherwise, all amounts are stated in thousand lei)**

## **NOTE 30 – RISK MANAGEMENT**

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

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

The risk management processes provide the identification, analysis, assessment and management of risks in order to minimize their effects 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 run by AEROSTAR.

### **Operational Risk**

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

- the use 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 that can affect AEROSTAR's assets.

Thus, the COVID-19 pandemic affects significant sectors of the global markets and economies.

The global supply chains of the aeronautical industry is facing significant cancellations and reductions of the airplane manufacturing orders, as well as the disappearance of the passenger air traffic, with an estimated decrease by 55% of the global number of passengers for the year 2020 following the travelling restrictions, the modified passengers' behavior and the global economic recession.

As a result, all the suppliers in the global supply chains are affected, which leads to reduced activities, temporary or indefinite shutdowns of the production facilities, temporary or definitive unemployment in all sectors of activity of the aeronautical industry.

In terms of human resources, the impact of the COVID-19 pandemic causes profound changes of people's lifestyle and their outlook on priorities and value hierarchies. In most cases the safety measures implemented in AEROSTAR have helped us eliminate the risk of appearance and developments of new outbreaks among our employees.

For the year 2020, given the diminished production in the field of manufacture of parts, aviation equipment and maintenance services in civil aviation MRO, AEROSTAR has decided to maintain unaffected its production capabilities and to maintain the existing personnel, also resorting to the legal solution of technical unemployment and/or reduced worktime. AEROSTAR will take steps to ensure the levels of skills and qualifications needed to honor the existing contracts, while also maintaining its recovery and growth capacity when the pandemic effect will stop.

To the Operational Risk is also associated the **Legal Risk**, defined as the risk of loss, resulting from the fines, penalties and sanctions AEROSTAR is likely to be charged 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.

**AEROSTAR S.A. BACAU**  
**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020**  
**(unless specified otherwise, all amounts are stated in thousand lei)**

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

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

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

Moreover, in order to minimize the operational risk, AEROSTAR renews annually, 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.

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

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 as an overdraft granted by banks in the amount 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.

**AEROSTAR S.A. BACAU**  
**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020**  
**(unless specified otherwise, all amounts are stated in thousand lei)**

The market risk comprises the price risk, the 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 material used in the manufacturing processes.

The management of this risk is carried out by:

- diversifying 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 68% of its turnover is related to USD and EUR, while a significant part of the operating expenses is denominated in LEI.

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

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

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

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

**AEROSTAR S.A. BACAU**  
**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020**  
**(unless specified otherwise, all amounts are stated in thousand lei)**

**NOTE 31 – PREPAID EXPENSES AND INCOME**

	<b>31 December 2020</b>	<b>31 December 2019</b>
<b>Expenses registered in advance, of which:</b>	<b>1.356</b>	<b>1.429</b>
Amounts to resume within a year	543	600
Amounts to resume within more than a year	813	829
<b>Income registered in advance</b>	<b>1.155</b>	<b>1.112</b>

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

In the category **expenses registered in advance** in records on 31.12.2020 are found:

- 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 within more than a year, representing the interest related to the right to use the land leased for the Maintenance Hangar in Iași.

The company presents in balance on 31.12.2020 the **income registered in advance**, representing provided services and delivered goods whose control was not transferred to the customer and that do not meet the acknowledgement criteria as per IFRS 15 “*Income from contracts with the customers*”. Such income will be acknowledged integrally as income for the year 2021.

**AEROSTAR S.A. BACAU**  
**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020**  
(unless specified otherwise, all amounts are stated in thousand lei)

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

	31 December 2020			01 January 2020		
Account 251	Gross amount	Depreciation	Net accounting value	Gross amount	Depreciation	Net accounting value
Asset related to the right to use the land for the Maintenance Hangar in Iași	1.864	(75)	1.789	1.803	(38)	1.765
<b>Total</b>	<b>1.864</b>	<b>(75)</b>	<b>1.789</b>	<b>1.803</b>	<b>(38)</b>	<b>1.765</b>

**Net accounting value**

	Balance on 1 January 2020	Increases by re-evaluation in 2020	Increases by updating the provision for the cost of dismantling/removal/restoration of asset support	Depreciation	Balance on 31 December 2020
Asset related to the right to use the land for the Maintenance Hangar in Iași	1.765	50	12	(38)	1.789
<b>Total</b>	<b>1.765</b>	<b>50</b>	<b>12</b>	<b>(38)</b>	<b>1.789</b>

In December 2020, the right to use the land for the Maintenance Hangar in Iași was reevaluated at the foreign exchange rate communicated by the National Bank of Romania on the last banking day of the year 2020.

**AEROSTAR S.A. BACAU**  
**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020**  
**(unless specified otherwise, all amounts are stated in thousand lei)**

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

AEROSTAR S.A did not identify any events after the reporting date likely to have an impact on the financial statements related to the financial year ended on 31 December 2020.

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 explanatory notes of the financial statements were approved by the Board of Directors on 12.03.2021 and signed on behalf of the Board of Directors by:

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

**Doru DAMASCHIN**  
**Vice President & Financial Director**

## **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 31.12.2020, and we confirm hereby that:**

- a) The accounting-financial statements for the year 2020, prepared in accordance with the applicable accounting standards, offer 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 2020, 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 performances as well as a description of the main risks and uncertainties specific 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**