

AEROSTAR S.A. BACĂU

**COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBRIE 2021**

**prepared in accordance with the
Order of the Ministry of Public Finance nr. 2844/2016
regarding the approval of accounting directives in accordance with the
International Financial Reporting Standards**

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AEROSTAR S.A. BACĂU
COMPANY INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2021
(unless specified otherwise, all amounts are stated in thousand lei)

	Note	31 December 2021	31 December 2020
Operating income			
Income from sales	19	376.434	294.839
Other income	19	2.993	2.789
Income related to the inventories of finished goods and work in progress	19	1.250	14.921
Income from production of assets	19	410	1.865
Income from operating subsidies	19	1.420	1.994
Total operating income		382.507	316.408
Operating expenses			
Material expenses	20	(121.255)	(96.843)
Expenses with employees' benefits	20	(123.111)	(117.702)
Expenses regarding amortization of assets	5;6;20	(25.794)	(25.018)
Net income (expenses) from adjustments regarding current assets	20	1.478	(9.814)
Net income (expenses) from adjustments regarding provisions	20	(16.169)	3.389
Expenses regarding external services	20	(28.908)	(27.912)
Other expenses	20	(4.925)	(4.159)
Total operating expenses		(318.684)	(278.059)
Profit/loss from operating activity		63.823	38.349
Financial income	21	9.190	9.868
Financial expenses	22	(3.365)	(6.158)
Financial profit/loss		5.825	3.710
Profit before tax		69.648	42.059
Tax on current and deferred profit	17;23	(9.708)	(3.616)
Net profit of the period		59.940	38.443

General Director
Grigore Filip

Financial Director
Doru Damaschin

AEROSTAR S.A. BACĂU
COMPANY STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2021
(unless specified otherwise, all amounts are stated in thousand lei)

	31 December 2021	31 December 2020
Net profit of the financial year	59.940	38.443
Deferred income tax recognized on company equity according to O.M.F.P. 2844/2016	(648)	(1.609)
Undistributed profit for 2019	0	9
Other elements of the global result	(648)	(1.600)
Total comprehensive income of the period	59.292	36.843

General Director
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Financial Director
Doru Damaschin

AEROSTAR S.A. BACĂU
COMPANY STATEMENT OF FINANCIAL POSITION
FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2021
(unless specified otherwise, all amounts are stated in thousand lei)

	Note	31 December 2021	31 December 2020
ASSETS			
Non-current assets			
Property, plant and equipment	6	163.914	180.923
Intangible assets	5	688	663
Investment property	6	6.395	6.995
Rights to use assets under lease	32	1.773	1.789
Financial assets	7	52	52
Receivables regarding deferred profit tax	17	5.599	5.548
Total non-current assets		178.421	195.970
Current assets			
Inventories	10	98.770	96.918
Trade receivables and other receivables	8;9;18	59.801	38.377
Receivables regarding current profit tax	23	-	1.734
Receivables regarding short-term deferred profit tax	17	10.189	10.037
Short-term expenses registered in advance	31	579	543
Cash and cash equivalents	11	274.471	202.660
Total current assets		443.810	350.269
Total assets		622.231	546.239
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	12	48.729	48.729
Current result	12	59.940	38.443
Result carried-forward	12	51.148	51.214
Reserves	12	284.365	270.214
Deferred income tax recognized on equity	17	(17.134)	(16.148)
Distribution of profit for legal reserve	12	(5.660)	(12.082)
Total company equity	12	421.388	380.370
Long-term liabilities			
Liabilities regarding deferred income tax	17	19.418	18.850
Subsidies for long-term investments	14	3.025	3.945
Other long-term liabilities	16	1.525	1.522
Total long-term liabilities		23.968	24.317
Long-term provisions	13	105.383	86.747
Current liabilities			
Trade liabilities	15;18	28.450	12.060
Liability with current income tax	23	2.224	-
Prepaid income	31	196	1.155
Subsidies for short-term investments	14	1.167	1.948
Other current liabilities	16	13.009	10.748
Total current liabilities		45.046	25.911
Short-term provisions	13	26.446	28.894
Total provisions		131.829	115.641
Total liabilities		69.014	50.228
Total company equity, liabilities and provisions		622.231	546.239

General Director
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Financial Director
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AEROSTAR S.A. BACĂU
COMPANY STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2021 (direct method)
(unless specified otherwise, all amounts are stated in thousand lei)

	Note	31.12.2021	31.12.2020
CASH FLOWS FROM OPERATIONS			
collected from customers		379.829	340.107
taxes and excises recovered from State Budget		3.055	9.897
subsidies receipts from State Budget		2.466	7.132
payments to suppliers and employees		(221.820)	(226.650)
payment of taxes, contributions and dues to State Budget		(65.966)	(64.810)
payment of profit tax to State Budget		(6.005)	(9.445)
NET CASH FROM OPERATIONS	27	91.559	56.231
CASH FLOWS FROM INVESTMENTS			
interest collected from bank deposits set up		2.641	4.519
dividends received from subsidiaries		0	537
proceeds from financial assets		0	125
collected from sales of property, plant and equipment		39	0
payments for purchasing property, plant and equipment and intangible assets		(7.246)	(46.251)
NET CASH FROM INVESTMENTS	27	(4.566)	(41.070)
CASH FLOWS FROM FINANCING ACTIVITIES			
gross dividends paid		(17.568)	(18.952)
NET CASH FROM FINANCING ACTIVITIES	27	(17.568)	(18.952)
Net increase/decrease of cash and cash equivalents		69.425	(3.791)
Cash and cash equivalents at the beginning of the period		202.660	207.362
Effect of the exchange rate variation over the cash and cash equivalents	27	2.386	(911)
Cash and cash equivalents at the end of the period	11	274.471	202.660

General Director
Grigore Filip

Financial Director
Doru Damaschin

AEROSTAR S.A. BACĂU
COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2021
(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
Global result						
A. Balance on 1 January 2021	48.729	270.214	(16.148)	51.214	26.361*	380.369
Profit of the period					59.940	59.940
Other elements of global result						
Set up deferred income tax recognized on the account of equity			(986)	338		(648)
Distribution of the profit of 2021 for reserves from fiscal facilities, in gross amount		5.660			(5.660)	-
Switch to reserves of similar items of income from the year 2021		395		(395)		-
Total global result relating to the period	-	6.055	(986)	(57)	54.280	59.292
Distribution to other reserves of the net profit of the year 2020 and of the year 2019 still undistributed		8.096		(8.096)		-
Distribution of the profit of the year 2020 on the destinations decided by the shareholders in OGMS of 21 April 2021 (Note 12)				26.361	(26.361)	-
Distributed dividends related to 2020				(18.273)		(18.273)
Transactions with the shareholders, directly recognized in equity	-	8.096	-	(9)	(26.361)	(18.273)
B. Balance on 31 December 2021	48.729	284.365	(17.134)	51.148	54.280**	421.388
C. Modifications to own equity (Note 12)	-	14.151	(986)	(66)	27.919	41.018

*) The result of the prior period is 26.361 thousand lei and is influenced by the allocation of the profit on the legal reserves in the amount of 12.082 thousand lei;

***) The result on 31.12.2021 is 59.940 thousand lei and is influenced by the distribution of the profit on the legal reserves in the amount of 5.660 thousand lei;

**General Director,
Grigore Filip**

**Financial Director,
Doru Damaschin**

AEROSTAR S.A. BACĂU
COMPANY STATEMENT OF CHANGES IN 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
Global result						
A. Balance on 1 January 2020	48.729	215.506	(14.139)	58.931	54.305*	363.332
Profit of the period					38.443	38.443
Other elements of global result						
Set up deferred income tax recognized on the account of equity			(2.009)	400		(1.609)
Distribution of the profit of 2020 for reserves from fiscal facilities, in gross amount		12.082			(12.082)	-
Switch to reserves of similar items of income from the period 2009-2020		8.126		(8.126)		-
Total global result relating to the period	-	20.208	(2.009)	(7.726)	26.361	36.834
Distribution to other reserves of the net profit of the year 2019		34.500		(34.500)		-
Distribution of the profit of the year 2019 to the destinations decided by the shareholders in OGMS of 21 April 2020 (Note 12)				54.305	(54.296)	9
Distributed dividends related to the year 2019				(19.796)		(19.796)
					(9)	(9)
Transactions with the shareholders, directly recognized in equity	-	34.500		9	(54.305)	(19.796)
B. Balance on 31 December 2020	48.729	270.214	(16.148)	51.214	26.361**	380.370
C. Modifications to own equity (Note 12)	-	54.708	(2.009)	(7.717)	(27.944)	17.038

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

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

**Director General,
Grigore Filip**

**Financial Director,
Doru Damaschin**

AEROSTAR S.A. BACAU
NOTES TO THE COMPANY FINANCIAL STATEMENTS
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(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 Board of Directors, a secondary place of business without legal personality (workplace) has been approved in Iasi, on 25B Aeroportului Street.

The main field of activity of AEROSTAR is production.

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

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

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

During the year 2021, there was no subscription of new shares, nor any participation certificates, convertible bonds, warranties, options or similar rights.

In terms of accounting regulations, AEROSTAR S.A. is the subsidiary of the company IAROM S.A. and, therefore, the parent company that consolidates the financial statements of the group is S.C. IAROM S.A., with the unique identification code 1555301, having its registered head office in Bucharest, 39 Aerogarii B-d. The consolidated financial statements for the financial year 2020 were submitted to A.N.A.F. under registration number 273530689-2021/27.08.2021. Copies of the consolidated financial statements can be obtained from the head office of the parent company, IAROM S.A. The parent company will prepare and publish a set of consolidated financial statements in accordance with the applicable accounting regulations, for the financial year ended on 31.12.2021.

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 is presented in detail in the Report of the Board of Directors.

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

The company will continue to act firmly so as to ensure the sustainability of its investments and to maintain unaffected its production capabilities. At the same time, thanks to the experience gathered by our team, the company acts in order to find the most suitable solutions to solve the new economic challenges, such as the lack of predictability of the energy costs and the workforce instability.

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NOTE 2 - ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

2.1. Estimates

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

The estimates and judgements are made based on the historic experience as well as on a series of factors considered adequate and reasonable. The accounting estimates and judgements are continuously updated and they 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 the 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 are signs of impairment. If such signs are identified, the recoverable amount of the asset is estimated to determine the extent of impairment (if any).
- the lifetimes of property, plant and equipment and intangible fixed assets. The company reviews the estimated periods of use of tangible and intangible fixed assets at least at the end of each financial year to determine their adequacy.
- the inventories of raw materials and materials that need adjustments to be set up 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 when 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

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

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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 Financial Reporting Standard IFRS 4 „Insurance Contracts” that entered into effect starting with the financial year 2021;
 - Modifications of the International Accounting Standard IAS 39 „Financial Instruments: Recognition and Measurement” that entered into force starting with the financial year 2021;
 - Modifications of the International Financial Reporting Standards IFRS 7 „Financial Instruments: Disclosures” that entered into force starting with the financial year 2021;
 - Modifications of the International Financial Reporting Standards IFRS 9 „Financial Instruments” that entered into force starting with the financial year 2021;
 - Modifications of the International Financial Reporting Standards IFRS 16 „Leases”, which entered into force starting with the financial year 2021.

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

- Accounting Law no. 82/1991, republished, as subsequently amended and supplemented;
 - O.M.F.P. no. 881/2012 on the application of International Financial Reporting Standards by companies whose securities are admitted for trading on a regulated market;
 - O.M.F.P. no. 2.844/2016 on the approval of the Accounting Regulations conforming to the International Financial Reporting Standards, as subsequently amended and supplemented;
 - O.M.F.P. no. 2.861/2009 for the approval of the Norms regarding the organization and execution of inventories of items such as assets, debts and own capital;
 - O.M.F.P. no. 1.826/2003 on the approval of the Explanatory Memorandum regarding certain organizational and leading measures for management accounting;
 - O.M.F.P. no. 2.634/2015 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 submitted, and the percentages do not accurately reflect absolute figures.

The financial statements are prepared based on historical cost.

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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 it applies 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 sources of future economic benefits materialized by cash-flows that are supplementary to those estimated initially; 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 made to ensure the continued use of the property, plant and equipment are recognized in profit or loss when they are made. These are made 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 statement of financial position under cost, less any loss accumulated from impairment.

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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 the 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 production phases are clearly separated, namely:

- The research phase. The search costs are treated as expenses of the period;
- The development phase. The development costs are registered as an intangible asset, if the following conditions are demonstrated:
 - the technical feasibility of completing the asset, so that it is available for use or sale;
 - the availability of adequate resources - technical, 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 the property, plant and equipment.

In the category of financial assets, are recorded:

- 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 leasing contracts.

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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 financial position at the incoming value, less any recognized impairment losses.

- **Accounting policies on inventory items**

The registration of inventories is made 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 is 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 company's management approves the level of normal technological losses.

The inventory is kept based on quantity and value, by applying the permanent inventory method.

Value adjustments are made for the current assets of the inventory, upon each reporting period, based on the age of inventories, the resolutions given by the inventory commissions and/ or by the managers of the business modules, so as to present assets at the lowest value between cost and net achievable value.

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

The company's liabilities are recorded 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.

The income tax/profit 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.

Those 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 involved a period longer than 12 months; and
- b) a refinancing or rescheduling agreement is in place, concluded before the date of the financial statements.

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

Receivables include:

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- 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 transactions, 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, impairment adjustments are recorded at 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 resummptions 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;
- 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;

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- 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 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, the company is likely to be asked 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 based on the nature, the purpose or the object for which they were set up.

Provisions for collaterals

The company sets up provisions for collaterals when the products or services covered by the collateral are sold.

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.

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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 setting up 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.

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

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recognized in the accrual accounting as advance income and are resumed in the profit and loss account as the expenses they compensate are incurred.

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

The management accounting 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 scope of management accounting consists in:

- 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 of direct nature) 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.

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NOTE 4 – TRANSACTIONS IN FOREIGN CURRENCIES

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

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

The financial assets and liabilities denominated in foreign currency are evaluated in the functional currency using the exchange rate, communicated by the Romanian National Bank, applicable for the end of the financial year:

Currency	31.12.2021
1 EUR (Euro)	4,9481 lei
1 USD (American Dollar)	4,3707 lei
1 GBP (British pound)	5,8994 lei

The favourable and unfavourable exchange rates differences that 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 when they occur.

Considering that 65% 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 its financial position as expressed in the functional currency.

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

YEAR 2021	thousand EUR	thousand USD	thousand GBP
Collected from financial assets	13.294	38.729	1
Payments of financial liabilities	(6.801)	(13.990)	(400)
Foreign exchange net exposure	6.493	24.739	(399)

In the reporting period:

- The quarterly variation of the foreign exchange rate USD/LEU was:
 - + 2,00% in 1st quarter of 2021 compared to 31.12.2020
 - 2,64% in 2nd quarter of 2021 compared to 31.03.2021
 - +0,98% in 3rd quarter of 2021 compared to 30.06.2021
 - +1,43% in quarter IV of 2021 compared to 30.09.2021
 which determined a +4.90% variation of the foreign exchange rate USD/LEU in the year 2021 compared to the beginning of the year
- and
- The quarterly variation of the foreign exchange rate EUR/LEU was:
 - + 0,20% in 1st quarter of 2021 compared to 31.12.2020
 - 0,03% in 2nd quarter of 2021 compared to 31.03.2021
 - + 0,10% in 3rd quarter of 2021 compared to 30.06.2021
 - + 0,03% in quarter IV of 2021 compared to 30.09.2021

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which determined a +1.05% variation of the foreign exchange rate EUR/LEU in the year 2021 compared to the beginning of the year

Thus, the devaluation of the LEU currency in relation to the main foreign currencies has determined the registration of a financial profit from favourable exchange rate differences of 3.262 thousand LEI.

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NOTE 5 - INTANGIBLE ASSETS

	Values on 31 December 2021			Values on 01 January 2021		
	Gross value	Accumulated depreciation	Net value	Gross value	Accumulated depreciation	Net value
Licences	6.217	(5.606)	611	5.720	(5.200)	520
Other intangible assets (software)	417	(340)	77	404	(261)	143
Total	6.634	(5.946)	688	6.124	(5.461)	663

	Net value on 1 January 2021	Gross value entries	Depreciation during the period	Net value on 31 December 2021
Licenses	520	505	(414)	611
Other intangible assets	143	14	(80)	77
Total	663	519	(494)	688

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

- Licences
- Other intangible assets

The software programmes are registered under other intangible assets.

The estimated useful lifetimes of intangible assets are established in years, based on the contractual period or the useful lifetime, as the case may be. The useful lifetime of the IT software and licenses purchased or generated inhouse is 3 years. The fiscal periods of amortization of the intangible assets are stipulated by the fiscal legislation on assets.

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

The intangible assets in the balance sheet account as on 31.12.2021 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 2021 and which are still in use is 3.213 thousand lei.

All the intangible assets recorded in the balance sheet as on 31 December 2021 are the property of Aerostar.

The entries of intangible assets were made via:	<u>519 thousand lei</u>
• development of the IT production management system - version 3	14 thousand lei
• purchases of software licences	505 thousand lei

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

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

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NOTE 6 – PROPERTY, PLANT AND EQUIPMENT

The property, plant and equipment on 31 December 2021 and 01 January 2021 comprise the following:

	31 December 2021			01 January 2021		
	Gross value	Cumulative depreciation	Net value	Gross value	Cumulative depreciation	Net value
Land	29.266	0	29.266	29.266	0	29.266
Constructions	95.193	(33.277)	61.916	94.206	(26.781)	67.425
Technological equipment and vehicles	193.970	(124.975)	68.995	188.533	(107.613)	80.920
Other equipment and office equipment	3.762	(1.477)	2.285	3.475	(1.172)	2.303
Investment property	10.537	(4.142)	6.395	10.537	(3.542)	6.995
Property, plant and equipment under construction	1.452		1.452	1.009	0	1.009
Total	334.180	(163.871)	170.309	327.026	(139.108)	187.918

	Net value on 1 January 2021	Inputs at gross value	Outputs at gross value	Depreciation during the period	Net value on 31 December 2021
Land	29.266	0			29.266
Constructions	67.425	987		(6.496)	61.916
Technological equipment and vehicles	80.920	5.953	(19)	(17.859)	68.995
Other equipment and office equipment	2.303	289	0	(307)	2.285
Investment property	6.995	0		(599)	6.395
Property, plant and equipment under construction	1.009	7.671	(7.229)		1.452
Total	187.918	14.900	(7.248)	(25.261)	170.309

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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 account.

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 are stipulated by the fiscal legislation.

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 that are rented to third parties based on renting contracts.

The value of renting income in this category of fixed assets was 2.390 thousand lei.

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

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

In accordance with the provisions of IAS 36 “Impairment of assets”, the company proceeded to the identification of any signs of impairment of the property, plant and equipment, taking into consideration the 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.

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External source of information:

The market value of the company (stock exchange capitalization) had an increase by 92,8% on 31.12.2021 compared to 31.12.2020 .

The indicator that offers information regarding the the investors' interest from 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>31.12.2021</u>	<u>31.12.2020</u>
Stock exchange capitalization/ company equity	2,9	1,7

The MBR indicator above one (increased compared to the similar previous period) reflects the confidence and interest of investors in the company's future prospects.

The property, plant and equipment in balance on 31.12.2021 are not depreciated and no significant depreciation indicators were identified.

The gross accounting value of the fully depreciated property, plant and equipment that were still in operation on 31 December 2020 is 43.513 thousand lei.

On 31.12.2021 no mortgages were set up on the real estate assets owned by Aerostar S.A.

Inputs of property, plant and equipment: **14.900 k lei**

- Commissioning of technical equipment, hardware equipment, measuring and control equipment 7.229 k lei
- Property, plant and equipment in progress in 2021 7.671 k lei

Outputs of property, plant and equipment: **7.248 k lei**

- Transfer of property, plant and equipment following their commissioning 7.229 k lei
- Derecognition of some property, plant and equipment due to the fact that the company no longer expects future economic benefits from their use 19 k lei

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NOTE 7- FINANCIAL ASSETS

	Shares held in affiliated entities	Other immobilized receivables – supplier guarantees	Total
On 1 January 2021	14	38	52
Increases/Decreases	-	-	-
On 31 December 2021	14	38	52

Details of the entity's investments on 31.12.2021 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)	Financial Information related to 20120				
					Company's share capital (k lei)	Reserve (k lei)	Net profit (k lei)	Nominal value/ share	Net asset/ share
Airpro Consult SRL Bacau 9, Condorilor Street	- main activity according to CAEN code 7820	100	100%	10	10	102	69	0,10	1,8
Foar SRL Bacau 9, Condorilor Street	- main activity according to CAEN code 7739	800	51%	4	8	995	5	0,01	1,3
TOTAL	x	x	x	14	18	1.097	74	x	x

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

During 2021 the company recorded no modifications i.e. no increases/decreases as to the shareholding percentage, maintaining the same influence as in 2020.

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

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NOTE 8 - TRADE RECEIVABLES

	31 December 2021	31 December 2020
TRADE RECEIVABLES OF WHICH:		
Customers, of which:	54.139	30.476
Domestic customers	20.596	13.121
Foreign customers	33.543	17.355
Uncertain customers	1.819	855
Adjustments for impairment of receivables - customers	(1.332)	(438)
Suppliers – debtors	1.787	3.819
Adjustments for impairment of receivables - advances granted to customers	(42)	(38)
TOTAL TRADE RECEIVABLES	56.371	34.674

In accordance with the provisions of the Accounting Policies Manual, to cover the non-recovery risk of the amounts that represent 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 2021 the company registered adjustments for depreciation of this nature in the amount of 488 thousand lei;
- in percentage of 100% of the value of the receivables not collected on time, if the delay exceeds 180 days. On 31 December 2021 the company registered adjustments for depreciation of this nature in the amount of 844 thousand lei.

Moreover, the company registered adjustments for depreciation of the advances granted to the suppliers in the amount of 42 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 the following discount limit:

- In the year 2022: 1.608 k lei
- In the year 2024: 179 k lei

The receivables expressed in foreign currency were evaluated at the market exchange rate communicated by the National Bank of Romania on the last day of December 2021.

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 2021 were recorded in the related income or expense accounts.

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NOTE 9 - OTHER RECEIVABLES

	31 December 2021	31 December 2020
Receivables relating to manpower and similar accounts	6	37
Receivables related to the budget of social insurance and the state budget, of which:	2.833	3.300
– Non-chargeable VAT	106	29
– amounts to be recovered from the National Health System (allowances for medical leaves)	2.050	1.339
– Amounts to be recovered from A.J.O.F.M. representing the allowance for the reduced working time according to OUG 132/2020	2	1.188
– Excize duty to be recovered related to the fuel used	648	474
– Subsidies receivable according to OUG 147/2020 on granting days off to the parents for child surveillance, in December, as well as subsidies for graduates' employment	0	33
– Other claims related to the local budget for annual tax reduction on buildings as per the Local Council's Decision 265/02.12.2020	0	201
– Other claims in connection with local budget representing the fee of public service to be recovered resulting from corrected declarations submitted during 2021	17	22
– Other claims in connection with the social security budget and the state budget	10	14
Interest to be received from bank deposits	231	277
Diverse debtors	583	215
Adjustments for the depreciation of the receivables – diverse debtors	(223)	(126)
TOTAL OTHER RECEIVABLES	3.430	3.703

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NOTE 10 – INVENTORIES

	31 December 2021	31 December 2020
Of which:		
Raw material *	32.332	35.069
Consumables **	43.539	37.456
Other material	245	536
Semi-finished	1.151	1.505
Packaging	37	3
Finished products	25.653	19.749
Products and services in progress	35.999	45.301
<i>Gross value of inventories (unadjusted)</i>	<i>138.956</i>	<i>139.619</i>

ADJUSTMENTS FOR DEPRECIATION OF INVENTORIES

	31 December 2021	Increases/ Setups/	Decreases/ Resumptions/	31 December 2020
Total adjustments	40.186	14.245	16.760	42.701
Adjustments for impairment of raw materials	20.734	3.271	5.411	22.874
Adjustments for impairment of consumables	17.521	3.320	3.459	17.660
Adjustments for impairment of semi- finished parts	1.150	221	576	1.505
Adjustments for impairment of finished products	649	362	75	362
Adjustments for impairment of production in progress	132	7.071	7.239	300

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 shaped (bars, pipes, plates, profiles, wires etc);

** The consumables participate or contribute to 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.

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.

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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.

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

- For raw material, consumables, semi-finished parts and spare parts, distinct periods are established for each profit centre;
- For the inventories of finished products, depreciation adjustments are set up for each period, as follows:
 - a) in a percentage of 100% of the value thereof, for the inventories of this nature that are not based on contracts with the customers;
 - b) in variable percentages, agreed with the profit centres involved, for the inventories of finished not delivered until the contractual deadlines.

The total value of inventories recognized as an expense during the period is 109.509 thousand lei.

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

AEROSTAR has no pledged inventories.

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NOTE 11 - CASH AND CASH EQUIVALENTS

The cash includes:

- the current cash available at the company's cashier's desk;
- the sight deposits held by banks (the available amount from the current bank accounts).

The cash equivalents include:

- short-term financial investments as term deposits with banks;
- Cheques and trade effects (promissory notes) deposited with banks for collection.

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

	31.12.2021	31.12.2020
Cash and sight deposits held by banks	39.269	19.969
Term deposits with banks	235.202	182.691
Cheques and trade effects to collect	0	0
Cash and cash equivalents in the cash-flow statement	274.471	202.660

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

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

The value of the bank Credit Line that can be used as overdraft, available for future operations is 2.500 thousand USD (the equivalent of 10.927 thousand LEI). On 31.12.2021 the bank Credit Line is unused.

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NOTA 12 - COMPANY EQUITY

The company equity on 31 December 2021 is 421.388 thousand lei.

The net increase of the equity in 2021 compared to 2020 was 41.018 thousand lei.

The modifications of the main elements of the company equity occurred in the period January – December 2021 versus 2020 are as follows:

- **The share capital remained unchanged**

On 31 December 2021, 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 reserves increased by 14.151 thousand lei:**

- 8.096 thousand lei reserves distributed from the profit of the years 2019 and 2020;
- 5.660 thousand lei on account of redistribution of the profit made in 2021 for reserves from the fiscal facilities;
- 395 thousand lei transfer to reserves of elements similar to the income related to the year 2021.

- **Other capital elements have decreased by the amount of 986 thousand lei** on account of the deferred income tax recognized in company equity.

- **The result carried forward decreased by 66 thousand lei as follows:**

- An increase by 338 thousand lei on account of the deferred income tax recognized on account of equity;
- A decrease via transfer to reserves of 395 thousand lei, representing elements similar to the income related to the year 2021;
- A decrease by distribution to reserves of 9 thousand lei of the profit remained undistributed, related to the years 2019 and 2020.

- The balance of the result account carried forward on 31 December 2021 is 51.148 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 = 28.534 thousand lei;
 - the result carried forward representing the gain obtained from re-evaluation reserves, capitalized as the property, plant and equipment and intangible assets were amortized = 22.614 thousand lei;

- **The result of the period was a profit in the amount of 59.940 thousand lei.**

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NOTE 13 - PROVISIONS

	31 December 2020	Increases/ Set-ups/ Reclassification of provisions	Reductions/ Reruns/ Reclassification of provisions	Differences from revaluation	31 December 2021
Total provisions	115.641	54.135	(40.517)	2.570	131.829
Provisions for bonds granted to customers	43.996	20.561	(20.621)	1.871	45.807
Provisions for decommissioning property, plant and equipment	16.396	19	-	-	16.415
Provisions for the employees' benefits	5.284	5.740	(5.268)	-	5.756
Provisions for litigations	5.319	-	(5.375)	56	-
Other provisions	44.646	27.815	(9.253)	643	63.851
Long-term provisions	86.747	31.529	(15.341)	2.448	105.383
Provisions for bonds granted to customers	29.840	9.244	(10.289)	1.871	30.666
Provisions for decommissioning property, plant and equipment	16.396	19	-	-	16.415
Other provisions	40.511	22.266	(5.052)	577	58.302
Short-term provisions	28.894	22.606	(25.176)	122	26.446
Provisions for bonds granted to customers	14.156	11.317	(10.332)	-	15.141
Provisions for employees' benefits	5.284	5.740	(5.268)	-	5.756
Provisions for litigations	5.319	-	(5.375)	56	-
Other provisions	4.135	5.549	(4.201)	66	5.549

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 where they are placed and included in their cost. The value was estimated using an update annual rate of 6,5%.

Provisions for benefits granted to employees

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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 2021, performance bonuses for 2021 and the annual holidays leave not taken by the employees during 2020 and 2021 are found in the balance.

Provisions for litigations

The provision for litigations, set up for any indemnities payable by the company to a former employee was cancelled in April following the final rejection solution pronounced by the Court of Appeal in Bucharest against the action filed by the plaintiff.

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;
- covering some risks regarding the application of penalties for delays in the recommissioning of the ST-68 radars, as per the contractual provisions;
- covering some risks regarding the application of penalties for delays and damages associated with the manufacture of aeronautical products for the customer GKN Aerospace.

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NOTA 14 - SUBSIDIES

Subsidies related to assets

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

	2021	2020
Balance on 1 January, of which:	5.893	7.935
Short term	1.948	2.042
Long term	3.945	5.893
Subsidies received:	-	-
Subsidies registered in income corresponding to the calculated amortization	(1.701)	(2.041)
Balance on 31 December, of which:	4.192	5.893
Short term	1.167	1.948
Long term	3.025	3.945

In 2021 AEROSTAR S.A. did not receive subsidies for financing its assets.

The subsidies received in the previous years for financing its assets were related to the implementation of 3 investment projects under 3 non-reimbursable financing agreements:

1. Contract no. 210304/22.04.2010: 'Extension of the manufacturing and assembly capacities for aerostructures for civil aviation', 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 machining 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 assumed.

The balance of 4.192 thousand lei at the end of the year comprises of 17 thousand lei representing surplus in inventory in the category of immobilizations and 4.175 thousand lei for subsidies related to investments in immobilized assets which are to be recorded as income as the calculated amortization is registered under costs, related to the contracts mentioned below:

1. contract no. 210304/22.04.2010: 1.047 thousand lei
2. contract no. 229226/14.06.2012: 194 thousand lei
3. contract no. 5IM/013/24.03.2015: 2.934 thousand lei

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NOTE 15 - COMMERCIAL DEBTS

	31 December 2021	31 December 2020
Prepaid amounts collected on customers' account, of which:	3.625	2.560
Customers-creditors from Romania	1.053	91
Customers-creditors from outside Romania	2.572	2.469
Suppliers, of which:	24.825	9.500
Providers of materials and services from Romania	6.976	3.304
Providers of materials and services from outside Romania	11.514	4.717
Suppliers-invoices not arrived	5.271	1.088
Suppliers of non-current assets	1.064	391
Commercial effects to pay	-	-
Total commercial debts	28.450	12.060

The payments in advance collected from foreign customers are for aircraft maintenance and repair works (98,45%) and other services provided (1,55%).

For the registered debts no mortgages were set up.

The favourable or unfavourable exchange rate differences between the market exchange rate to which the debts in foreign currencies are registered and the market exchange rate communicated by the National Bank of Romania for the closure of December 2021, were registered in the corresponding accounts of revenues or expenses.

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NOTE 16 - OTHER LIABILITIES

	31 December 2021	31 December 2020
Other current liabilities, of which:	13.009	10.748
• <i>Liabilities related to manpower and similar accounts</i>	3.295	2.840
• <i>Liabilities related to social security budget and state budget, of which:</i>	7.112	5.478
- VAT payable	2.625	1.444
- Social insurance	3.325	3.022
- Labour safety contribution	212	190
- Tax on salary type revenues	658	584
- Contribution for people with unemployed disabilities	135	137
- Other taxes	107	62
- Other social liabilities	50	39
• <i>Other liabilities, of which:</i>	2.602	2.430
- dividends	2.300	2.148
- diverse creditors	267	212
Other long-term liabilities	1.525	1.522

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 (1.525 thousand lei)

The dividends in balance on 31 December 2021, in the amount of 2.300 thousand lei represent the amounts remained in balance for the shareholders who did not show up at the offices of the paying agent CEC Bank S.A. (the paying agent designated by AEROSTAR) and which were not time-barred.

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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.

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 31.12.2021 is:

Liabilities from deferred tax

1. Liabilities related to the deferred tax generated by the differences between the accounting bases (higher) and the fiscal ones (lower) of the non-current assets	1.530
2. Liabilities related to the deferred tax concerning legal reserves	1.559
3. Liabilities on deferred tax related to reserves from the fiscal facility	16.268
4. Liabilities on deferred tax related to the reported result representing a surplus from revaluation reserves	61
Total liabilities on long-term deferred tax	19.418

Receivables on deferred tax

1. Receivables on deferred tax related to other long-term provisions	693
2. Receivables on deferred tax related to provisions for long-terms bonds granted to customers	4.906
3. Receivables on deferred tax related to provisions for short-terms bonds granted to customers	2.423
4. Receivables on deferred tax related to provisions for other short-term risks	160
5. Receivables on deferred tax related to provisions for short-term manpower benefits	921
6. Receivables on deferred tax related to short-term adjustments for depreciation of the inventories	6.430
7. Receivables on deferred tax related to short-term adjustments for depreciation of trade receivables	255
Total receivables on long-term deferred tax	5.599
Total receivables on short-term deferred tax	10.189

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 2021 – 31 December 2021, the company registered income from the tax on deferred profit in the amount of 5.433 thousand lei and expenses with the tax on deferred profit in the amount of 5.151 thousand lei.

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The tax on deferred profit recognized on the account of equity in the amount of 17.134 thousand lei consists of liabilities on deferred tax in the amount of 17.827 thousand lei and receivables on deferred tax in the amount of 693 thousand lei.

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NOTE 18 - FINANCIAL INSTRUMENTS

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

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

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

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

The financial assets of AEROSTAR S.A. include:

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

The financial liabilities of AEROSTAR S.A. include:

- trade liabilities;
- trade effects payable.

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

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

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

a) Credit risk

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

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

The sight & term deposits are placed only at first-rank bank institutions with ratings that reflect the lowest degree of risk.

In some cases, specific instruments of commercial credit risk decrease (receipts in advance, letters of payment bank security, confirmed export credentials) are requested. 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 depreciation adjustments, represents the maximum exposure to the credit risk.

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

	31.12.2021	31.12.2020
Sight and term deposits with banks	274.422	202.546
Trade receivables, net of adjustments for depreciation	53.637	30.566
Immobilized receivables	38	38
Total	328.097	233.150

The maximum exposure to credit risk by geographical areas for trade receivables net of depreciation adjustments is presented in the table below:

	31.12.2021	31.12.2020
Domestic market	20.596	13.279
Euro zone countries	15.243	7.617
Great Britain	12.373	5.840
Other European countries	1.574	1.242
Other regions	3.851	2.588
Total	53.637	30.566

Depreciation adjustments

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

	Gross value	Adjustments	Gross value	Adjustments
	31.12.2021	for depreciation	31.12.2020	for depreciation
In due time	53.078		30.146	
Past due, total of which:	1.891	1.332	858	438
1-30 days	0	0	0	0
31-60 days	674	337	795	397
61-90 days	145	70	1	0
91-120 days	172	53	41	20
Over 120 days	859	831	0	0
Over 1 year	41	41	21	21
Total	54.969	1.332	31.004	438

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

	31.12.2021	31.12.2020
Balance on 1 January	438	807
Adjustments set up for depreciation	1.987	2.462
Adjustments for depreciations resumed as revenues	(1.093)	(2.831)
Balance on 31 December	1.332	438

On 31.12.2021, 97,58% of the balance of trade receivables are related to customers with a good payment record.

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b) Liquidity risk

The liquidity risk is the risk that AEROSTAR has difficulties in meeting 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 be able 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.

Moreover, 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 highlighting the timeframe for the cash flows are shown in the table below:

	Debts	Accounting value	Contractual cash flows	0-30 days	31-60 days	over 60 days
31.12. 2021	Trade liabilities	19.554	(19.554)	(16.950)	(2.276)	(328)
	Trade effects	0	0	0	0	0
31.12. 2020	Trade liabilities	8.411	(8.411)	(6.865)	(1.383)	(163)
	Trade effects	0	0	0	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 31.12.2021 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 65% 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 accounting values denominated in foreign currency recorded at the end of the reporting period.

31.12.2021	Thousand EUR	Thousand USD	Thousand GBP
Cash and cash equivalents	5.741	2.303	23
Trade receivables	1.167	6.239	0
Trade liabilities	(1.008)	(1.724)	(41)
Net exposure in original currency	5.900	6.818	(18)

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Sensitivity analysis

Taking into consideration the net exposure calculated in the above table, AEROSTAR can be deemed to be 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 +/- 10% of the USD/LEU foreign exchange rate and +/-2% of the EUR/LEU exchange rate and may be factored in at the end of the reporting period.

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

31.12.2021	EUR/LEU	USD/LEU
Net exposure, in the currency of origin	5.900 MII EUR	6.818 MII USD
Currency exchange rate	4.9481	4.3707
Net exposure in functional currency	29.194 MII LEI	29.799 MII LEI
Possible reasonable variation of exchange rate	+/- 2%	+/- 10%
Effect of variation on the financial result	+/- 584 MII LEI	+/- 2.980 MII LEI

d) Interest rate risk

For the reporting period AEROSTAR has available 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 as a facility of issuing bonds as instruments to ensure collaterals for the commercial contractual obligations by issuing bank bond letters and import Letters of Credit.

The bank interest is applicable only for the overdraft for 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 31.12.2021, the level of bonds granted by AEROSTAR under commercial agreements, by issue of bank bond letters and import Letters of Credit amounts to 1.915 thousand USD (the equivalent of 8.371 thousand LEI).

On 31.12.2021 no mortgages are set up on the property assets in AEROSTAR's ownership.

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NOTE 19 - OPERATING INCOME

	31 December 2021	31 December 2020
Revenues from sales, of which:	376.434	294.839
Revenues from product sales	150.309	137.194
Revenues from services provided	222.367	154.891
Revenues from selling goods	806	11
Revenues from renting	2.538	2.301
Trade discounts granted	(27)	(24)
Revenues from other activities	441	466
Revenues related to inventories of products finished and in progress	1.250	14.921
Revenues from the production of fixed assets	410	1.865
Revenues from operating subsidies	1.420	1.994
Revenues from subsidies for investments	1.699	2.039
Other revenues from operations	1.294	750
Total operating income	382.507	316.408

The company has recorded in 2021 incomes from operating subsidies received for:

- employment of non-employed persons in the NEET category (Not in Education, Employment or Training) in the amount of 13 thousand lei;
- paying indemnities to the employees who were granted days off for children surveillance in case of temporary closure of the educational institutions, in the amount of 16 thousand lei;
- paying indemnities for reduced working hours as per OUG 132/2020 in the amount of 1.289 thousand lei;
- paying indemnities for signing labour agreements for a fixed period of time of up to 3 months as per OUG 220/2020 in the amount of 102 thousand lei;

Other revenues from operation in the amount of 1.294 thousand lei are represented by dividends not collected and time-barred related to the year 2017 in the total value of 557 thousand lei, revenues from selling assets, revenues from recovering debts from former employees (tuition expenses and other debts).

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NOTE 20 - OPERATING EXPENSES

	31 December 2021	31 December 2020
Expenses with employee benefits , of which:	123.111	117.702
Salaries and allowances	109.717	107.078
Expenses with meal tickets granted to employees	7.059	5.340
Expenses with social security	6.335	5.284
Expenses with raw material and material	99.574	78.687
Energy, water and gas	10.476	8.191
Other material expenses , of which:	11.205	9.965
Expenses with non-inventory materials	1.270	1.732
Expenses with goods	912	7
Expenses with packaging	327	294
Expenses with other material	8.696	7.932
Expenses with external services , of which:	28.908	27.912
Repairs	12.016	13.048
Transport costs	2.987	2.175
Commissions and fees	3.116	2.158
Travels, deployments	1.545	1.903
Renting expenses	691	587
Other expenses with services provided by third parties	8.553	8.041
Trade discounts received	(16)	(130)
Amortizations	25.794	25.018
Net expenses (revenues) from adjustments on provisions	16.168	(3.389)
Net expenses (revenues) from adjustments on current assets	(1.478)	9.814
Other operational expenses	4.942	4.289
Total operating expenses	318.684	278.059

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

In 2021, AEROSTAR granted to its employees meal tickets in the amount of 6.500 thousand lei and holiday vouchers in the amount of 559 thousand lei.

In the category of other operational expenses in the amount of 4.942 thousand lei are included among others: expenses with local taxes and fees, sponsorship, donations.

In 2021 AEROSTAR registered increased/set up and decreased/resumed adjustments, as follows:

	31 December 2021	31 December 2020
Adjustments on provisions		
<i>Increases / setups</i>	48.799	22.450
<i>Decreases / reruns</i>	(32.630)	(25.839)

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Net expenses (revenues) from adjustments on provisions	16.169	(3.389)
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The impact of the adjustments on provisions is an increase of the operating expenses by the amount of 16.169 thousand lei.

Adjustments regarding impairment of current assets	31 December 2021	31 December 2020
Increased/set up adjustments		
Adjustments for the impairment of investments	14.245	28.956
Adjustments for impairment of receivables	2.107	2.507
Losses from receivables and various debtors	43	22
Total increased/set up adjustments	16.395	31.485
Decreased/resumed adjustments		
Adjustments for the impairment of inventories	16.760	18.788
Adjustments for impairment of receivables	1.113	2.883
Total decreased/resumed adjustments	17.873	21.671
Net expenses (revenues) from adjustments on the impairment of current assets	(1.478)	9.814

The impact of the adjustments on the impairment of current assets is an increase of the operating expenses by the amount of 1.478 thousand lei.

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NOTE 21 - FINANCIAL INCOME

	31 December 2021	31 December 2020
Income from foreign currency exchange differences	6.595	4.825
Income from interest	2.595	4.473
Income from shares held at affiliated entities	-	536
Income from divested financial immobilizations	-	34
Total financial income	9.190	9.868

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

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NOTE 22 – FINANCIAL EXPENSES

	31 December 2021	31 December 2020
Expenses from exchange rate differences	3.333	6.128
Expenses with interest related to leasing contracts	30	30
Other financial expenses	2	-
Total financial expenses	3.365	6.158

In 2021 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;
- other financial expenses.

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NOTE 23 - TAX ON PROFIT

Tax on profit

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

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

The profit tax rate applicable for 31.03.2021 was 16% (the same rate was applied for the financial year 2020).

	<u>31 December 2021</u>	<u>30 December 2020</u>
Gross accounting profit	69.648	42.059
Expenses with current tax on profit	9.964	5.265

Reconciliation of accounting profit with the fiscal profit for 31 December 2021				Differences
Accounting revenues*	389.408	Fiscal income	338.144	-51.264
Accounting expenses*	319.207	Fiscal expenses	249.534	-69.673
Gross accounting profit, restated*	70.201	Fiscal profit	88.610	18.409
Accounting tax (16%)	11.232	Fiscal tax (16%)	14.178	2.946
Tax reductions	-	<i>Tax reductions</i> , of which:	4.214	4.214
		• related to investments made acc.to Art. 22 Fiscal Code	786	786
		• sponsorship	2.678	2.678
		• a 7% bonus as per OUG 153/2020	750	750
Tax on final profit	11.232	Tax on final profit	9.964	-1.268
Applicable legal rate	16,00%	Legal rate applicable	16,00%	
Actual average tax rate, calculated on gross accounting profit, restated		14,19%		

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

The main factors that affected the actual tax rate:

- non-deductible expenses in fiscal terms (expenses concerning the set-up or increase of certain provisions and value adjustments on the current assets, which are non-deductible fiscally, expenses with fiscally non-deductible accounting amortization a.o.).
- fiscal facilities representing the tax exemption on profit corresponding to the investments made in accordance with Art. 22 of the Fiscal Code and sponsorships and a 7% bonus as per OUG 153/2020 regarding the implementation of some fiscal measures for maintaining/increasing the company equity;
- non-taxable income obtained from the recovery of certain non-deductible expenses.

On 31 December 2021 the company registered a debt related to the tax on current profit in the amount of 2.224 thousand lei corresponding to the IVth quarter of 2021.

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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 period 01.01.2021-31.12.2021 was in the amount of 52 thousand lei, being diminished by 26 thousand lei on account of the fiscal facilities granted under the applicable legislation. Thus, the total specific tax to be paid amounted to 26 thousand lei.

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NOTE 24 - RESULT PER SHARE

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

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

IN LEI	<u>31.12.2021</u>	<u>31.12.2020</u>
Profit attributable to ordinary shareholders	59.939.980	38.442.550
Number of ordinary shares	152.277.450	152.277.450
Profit per share	<u>0,394</u>	<u>0,252</u>

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NOTE 25 - AVERAGE NUMBER OF EMPLOYEES

Own employees:

	12 months 2021	12 months 2020
Average number of employees	1.531	1.731

Employees hired through temporary labor agent:

	12 months 2021	12 months 2020
Average number of employees	51	66

	12 months 2021	12 months 2020
Total average number of employees:	1.582	1.797

Total number of employees on 31.12.2021:

	12 months 2021	12 months 2020
Total number of personnel	1.748	1.807

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NOTE 26 - TRANSACTIONS WITH AFFILIATED PARTIES

Acquisitions of goods and services	Year 2021	Year 2020
Airpro Consult SRL Bacău	3.052	3.969
Foar SRL Bacău	373	302
TOTAL	3.425	4.271
Sales of goods and services	Year 2021	Year 2020
Airpro Consult SRL Bacău	-	-
Foar SRL Bacău	2	2
TOTAL	2	2
Liabilities	Balance on 31.12.2021	Balance on 31.12.2020
Airpro Consult SRL Bacău	601	29
Foar SRL Bacău	41	23
TOTAL	642	52
Dividends collected by Aerostar	Year 2021	Year 2020
Airpro Consult SRL Bacău	-	50
Foar SRL Bacău	-	487
TOTAL	-	537
Amounts collected from liquidation by Aerostar	Year 2021	Year 2020
ATF SA	-	125
TOTAL	-	125

The transactions with the affiliated parties between 1.01.2021 and 31.13.2021 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 AEROSTAR SA Bacau to Foar SRL Bacau.

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NOTE 27 - INFORMATION REGARDING THE CASH FLOW

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

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

In the context of the Cash Flows Statement:

- the cash flows are the amounts collected and paid in cash and cash equivalents;
- the cash includes the cash available in the company's cash office and the sight deposits held with banks (available in the current accounts).
- the cash equivalents comprise the 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 arising from the exchange rate variation are not treasury cash flows. Nevertheless, the effect of the exchange rate variation on the cash and cash equivalent held or owed in foreign currency is reported in the treasury cash flows statement, but separately from the treasury cash flows arising from operations, investments and financing, so as to reconcile the cash and cash equivalents at the beginning and end of the reporting period.

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

Thus, in 2021:

- the amounts collected from the customers were 379.829 thousand LEI,
- the amounts collected as subsidies were 2.466 thousand LEI, of which 2.439 thousand lei were collected as a result of the support measures adopted by the Government against the backdrop of the epidemiologic situation (SARS-CoV-2) in Romania,
- the payments to the suppliers and employees amounted to 221.820 thousand LEI, of which 149.808 thousand LEI payments to the suppliers and 72.012 thousand LEI payments to the employees;
- the payments of taxes and duties to the State Budget amounted to 71.971 thousand LEI, of which 6.005 thousand LEI profit tax.

The operating activity generated in 2021 a net cash of 91.559 thousand LEI, an increase by 35.328 thousand LEI compared to the previous year.

The payments to purchase tangible and intangible assets amounted to 7.246 thousand LEI.

The value of the treasury cash flows allocated to increase the operating capacity represents 2% of the aggregate value of the cash used for operational, investment and financing activities.

Within the financing activity, an amount of 17.568 thousand LEI was paid, representing dividends due to the shareholders.

The level of cash and cash equivalents registered on 31.12.2021 amounts to 274.471 thousand LEI, an increase by 71.811 thousand LEI compared to the beginning of the year.

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NOTE 28 - LIABILITIES AND OTHER OFF-BALANCE ITEMS

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

	31 December 2021	31 December 2020
• Liabilities:		
○ Guarantees granted to customers as letters of bank guarantee and letters of credit	465	256
○ Guarantees received from suppliers – as letters of bank guarantees and letters of credit	134.255	149.899
• Goods, of which:		
○ inventories of other materials released for use (tooling, jigs, fixtures, safety equipment, measuring and control equipment, technical library etc.)	36.823	33.778
○ material values received in consignment	2.262	1.826
○ finished products	65	71
○ materials – customers	216	227
○ tangible and intangible assets –obtained or purchased as a result of co-financed activity	573	4.151
○ material values received for processing/repairs	11.454	4.643
○ supporting assets related to the leasing contracts – Hangar of Iasi	2.477	0
○ Fixed assets proposed for disposal	296	138
• Other off-balance values, of which:		
○ Material guarantees	179	177
○ Liabilities for covering certain future obligations to A.J.O.F.M. based on OUG 95/2002 regarding the defence industry	4.330	4.833
○ debtors removed from accounts, monitored further on	175	155
○ creditors	21	11
○ de minimis aid for participation to fairs and exhibitions	324	324
• Greenhouse Gas Emission Certificates	6.842	2.927

On 31 December 2021, AEROSTAR S.A. had a number of 17390 greenhouse gas emission certificates.

The market value on the last transaction day of a GES certificate was 79,51 Euro, according to the European Energy Exchange website (in December 2020: 32,75 Euro).

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NOTE 29 – DIRECTORS’ REMUNERATION

The Board of Directors of AEROSTAR S.A. at 31st December 2021:

	Surname and first name	Position	Profession
▪	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 2021, 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 16 December 2021, 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 2022**, 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 most 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 these remunerations, within the approved ceiling.

The amount of the gross compensations granted to the members of the Board of Directors in 2021, by virtue of their responsibilities, was 1.725 thousand lei.

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NOTE 30 – RISK MANAGEMENT

AEROSTAR is exposed to multiple risks and uncertainties that can affect its financial performance. The business lines run by AEROSTAR, the operational results or the financial statements, 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 ensure 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 processes, systems and manpower that were either inadequate or failed to function properly
- external events and actions: deterioration of the global economic conditions, natural disaster or other events that can affect AEROSTAR's assets.

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

The global supply chains of the aeronautical industry are facing significant cancellations and reductions of airplane manufacturing orders and passenger air traffic. 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 onset and development of new outbreaks among our employees.

For the year 2021, 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 skills levels and qualifications needed to honor the existing contracts, while also maintaining its recovery and growth capacity when the pandemic effect ceases.

The Operational Risk is also associated to the **Legal Risk**, defined as the risk of loss, resulting from the fines, penalties and sanctions AEROSTAR is liable to in case of non-application or misapplication of 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 established.

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

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

Moreover, 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 1st 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 that AEROSTAR might bear a financial loss as a result of the failure to meet the contractual obligations by a partner, being determined mainly by cash, cash equivalents (bank deposits) and trade receivables.

Cash and cash equivalents are placed only in 1st tier bank institutions, deemed to have a high solvency rating.

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

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

However, there is exposure to the global market of Airbus programs, a large share of our company's products being used on Airbus airplanes.

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 that AEROSTAR might 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 own sources.

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

The market risk comprises the price risk, 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 price of raw material and material used in the manufacturing processes, caused by exceptional events such as the Brexit agreement with an impact on the procurement of material from UK, the international sanctions established leading to limited possibility to provide parts and material, increased costs due to specific duties for the import/export of metallic products (made of steel and/or aluminium) to and from USA. This risk strongly manifest due to the economic recession in the aeronautical industry caused by the COVID-19 pandemic.

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The management of this risk is carried out by:

- diversifying the portfolio of suppliers, which offers increased 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 65% 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 OPPORTUNITY AND RISK MANAGEMENT chapter of the Board of Directors' Report.

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NOTE 31 – PREPAID EXPENSES AND INCOME

	31 December 2021	31 December 2020
Expenses registered in advance (in the short term)	579	543
Income registered in advance (in the short term)	196	1.155

The expenses made and the income obtained in the current period, but concerning 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 31.12.2021 are found amounts to resume within a year representing, among others, subscriptions, insurance policy, fees, participation to trade fairs and conferences, taxes and duties, on-line services, maintenance of IT systems, etc. On 31.12.2021, following the revised application of the IFRS 16 standard “Leases” (Note 3), the interest related to the right to use the leased land for the Maintenance Hangar in Iași, previously recognized as a long-term expense in advance was derecognised.

On 31 December 2021, Aerostar derecognised the long-term **income registered in advance**. In the category of short-term **income registered in advance** are highlighted as values corresponding to provided services and delivered goods for which the income recognition conditions of IFRS 15 are not met (the customers have not gained control over goods/services yet).

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

	31 December 2021			01 January 2021		
	Gross amount	Cumulative depreciation	Net amount	Gross amount	Cumulative depreciation	Net amount
Asset related to the right to use the land for the Maintenance Hangar in Iași	1.888	(115)	1.773	1.864	(75)	1.789
Total	1.888	(115)	1.773	1.864	(75)	1.789

	Net amount on 1 January 2021	Re-evaluations in 2021	Updated provision for cost of dismantling/removal /restoration of supporting assets	Depreciation in the period	Net amount on 31 December 2021
Asset related to the right to use the land for the MRO Hangar in Iași	1.789	4	19	(39)	1.773
Total	1.789	4	19	(39)	1.773

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 each reporting period (31 March, 30 June, 30 September and 31 December 2021).

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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 2021.

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 14 March 2022 and signed on behalf of the Board of Directors by:

Grigore FILIP
President & General Director

Doru DAMASCHIN
Vice President & Financial Director



AEROSTAR S.A.
GRUP INDUSTRIAL AERONAUTIC-BACAU-ROMANIA

Str. Condorilor nr.9, Bacau 600302; Inmatriculat cu nr: J04/1137/1991-R.C.Bacau;
Cod Unic de Inregistrare: RO 950531; Capital social: 48.728.784 lei
Tel:+40234.575070; Fax:+40234.572023; 572259
e-mail:aerostar@aerostar.ro; Website:http://www.aerostar.ro

DECLARATION

The undersigned GRIGORE FILIP, as President of the Board of Directors and General Director of AEROSTAR S.A. and DORU DAMASCHIN, as Vice-president 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 31.12.2021, and we confirm hereby that:

- a) The accounting-financial statement for 2021 that was prepared in accordance with the applicable accounting standards provides a fair image, compliant with the reality of the assets, obligations, financial position, of the profit and loss account of the company Aerostar S.A. Bacău;**
- b) The report of the Board of Directors on the financial year 2021, prepared in accordance with the provisions of Regulation no. 5/2018 issued by the Financial Supervisory Authority – Annex no. 15, contains a correct review of the company's development and performance, as well as a description of the main risks and uncertainties related to the activity of Aerostar S.A. Bacău.**

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

**Vice President of the Board of Directors and Financial Director,
DORU DAMASCHIN**