



The Message of The  
President & General Director



The Board of Directors' Report



Individual Financial Statements

# QUARTERLY REPORT

30 September 2021

**PERFORMANCE THROUGH PROFESSIONALISM!**

# Report of the Board of Directors

Quarter III 2021

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This Report of the Board of Directors was prepared in accordance with the provisions of Law 24/2017 and Regulation A.S.F. no. 5/2018 of the Financial Supervisory Authority, regarding the issuers of financial instruments and market operations, Appendices 12 and 13

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The purpose of this report is to inform the investors about the changes in the Company's status and performance during the reporting period, as well as the foreseeable evolutions on the defence and aviation industry market and the development opportunities of the company under the impact of the Covid-19 pandemic

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30.09.2021

AEROSTAR S.A.

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## 1. Identification Data and Field of Activity

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**AEROSTAR S.A.** is the successor of the aircraft repair plant (Uzina de Reparații Avioane (UM 03767), established by the Romanian state, by the Decision no. 1165 of the Council of Ministers issued on 17 April 1953 in Bucharest. During this entire period, the Company has operated in a continuous manner.

**The activities are carried out at its registered office**, located in Bacău, 9 Condorilor Street, Postal Code 600302. Since January 2018, AEROSTAR also has a secondary registered place of business (workplace) within the premises of the International Airport of Iași.

**The European Unique Identifier of the Company (EUID)** is ROONRC.J04/1137/1991, and its LEI identification code as a legal entity is 315700G9KRN3B7XDBB73.

**The main field of activity of AEROSTAR is production.** The main object of activity of the Company is “Manufacture of aircraft and spaceships” - code CAEN 3030.

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

**Applicable accounting standards:** the international financial reporting standards adopted at the level of the European Union.

**The individual financial statements** prepared for 30 September 2021 are not accompanied by the statutory financial auditor’s report. They were audited by the company’s internal auditor.

**Telephone/fax number:** 004-0234 575070/ 004-0234 572023

**Web/e-mail:** www.aerostar.ro, [aerostar@aerostar.ro](mailto:aerostar@aerostar.ro)

**Reporting period:** Quarter III, 30 September 2021.

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## 2. Message from the President & General Director

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In the third quarter of this year, we have noticed a continued trend of recovery of the demand on the market where AEROSTAR is active, both for the manufactured products and for the maintenance activity.

At the same time, new challenges arose, with a significant impact on the costs, such as price increases for the electricity, natural gas, raw materials, increase delivery time caused by the global difficulties in the freight transports, or even the shutdown of some suppliers.

We expect these trends to continue and to witness a period of inactivity in vendor prices, with effects on our costs.

Despite all these trends, AEROSTAR has managed to maintain the main economic balances at a good level, and we continue to rely on our own abilities to adapt to the new market conditions.

Grigore FILIP

President and General Director

### 3. The Company AEROSTAR S.A.

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AEROSTAR S.A. was established in 1953 with the initial purpose of upkeeping and repairing the military aircraft in the endowment of the Romanian Air Forces. Over the years, AEROSTAR S.A. has known a continuous development both in terms of its core activity in the aeronautical and military equipment fields, and in terms of products intended for the civil markets. In 1991, the company was registered as a fully state-owned shareholding company at the Bacău Trade Register under the registration number J04/1137/1991.

**AEROSTAR's main business lines are:**

- Manufacture of aviation products;
- Maintenance of commercial aircraft;
- Defence systems - aero, ground and naval.

In the civil aviation field, we provide aerostructures, components and assemblies for the global aviation industry.

We hold authorizations for commercial aircraft maintenance and we are currently authorized to perform such work on the types of aircraft Boeing 737, series 300-900, the airplane family Airbus 320, ceo & neo and components thereof.

We are part of the national defence industry in accordance with the law 232/2016.

We are a maintenance centre for the aircraft F-16 in the endowment of the Romanian Army and we are part of the Raytheon global supply chain for Patriot systems.

#### 3.1 Significant Events in Quarter III

**On 10.07.2021** the Environmental Management System was recertified in line with the requirements of standard SR EN ISO 14001:2015.

**On 30.07.2021**, following the evaluations made by the Romanian Civil Aeronautical Authority, the authorization scope of AEROSTAR S.A was extended to include the

status of Authorized Production Organization, Part 21, Subpart G. as per the European Regulation no.748/ 2012.

### **3.2 Relevant External Events**

The aviation industry has been trying to progress through recovery efforts in order to return to its prior normality.

The pandemic has led to extensive structural changes, and its unwavering impact is felt especially by the providers in the supply chain.

Pandemic effects: the reduced demand, the interruptions in the purchasing process, the financial pressure and the workforce depreciation still lead to a global instability in the aviation industry.

The world policy tends to present a very fragmented view, focusing on impediments and various challenges encountered in the air transport sector.

In the third quarter, short-distance travelling gave impetus to the aviation industry, in a rebound on the large domestic markets (China, Russia and USA), but on long distances, major losses are still recorded in the international traffic.

Nevertheless, the long-term objectives proposed by the big players on the market remain optimistic:

Airbus intends to step up production for the airplane family A320, having declared that it anticipates a recovery of the demand level by 2025. The firm objective is a gradual increase of the production rates for A320 from 40 airplanes per month to 64 airplanes per month in the first semester of 2023, to 70 airplanes per month in the first semester of 2024, and to 75 airplanes till the end of the year 2025. The step envisioned by Airbus comes at a time when the airlines are still struggling to remain financially viable.

Boeing intends to ramp up the production rate from the current rate of 31 airplanes per month to 50 airplanes per month in 2025 for the airplane B737MAX, but also ramp-ups for the model B787 Dreamliner to 10 airplanes per month.

### 3.3 Events after the Reporting Period

No events occurred after the reporting period.

### 3.4 Measures taken in the Context of Covid-19

The main priority is our employees' health.

AEROSTAR S.A. has taken all necessary steps to ensure that its activity is carried out in safe conditions.

Ever since the onset of the pandemic, various steps have been taken continuously, in several stages, to prevent and fight the spreading of the new coronavirus and to protect the employees both in terms of occupational health and in terms of social distancing.

All this time, anti-Covid-19 protection materials were provided to the company's employees as per the provisions of the General Plan of Measures regarding the specific regulations for the employees' protection against Covid-19 infections, and for subcontractors, as per the Convention regarding the delimitation of responsibilities concerning labour safety and security, PSI and incident prevention.

Social distancing was ensured by redistributing the personnel to the workplaces, by spreading apart the start hours of the working schedule, as well as by setting up social distancing signs and decals to remind people to maintain the minimum 2 meter-distance between one another.

The mandatory wearing of protection masks within the premises of the company AEROSTAR S.A. is still valid until any risks of infection are eliminated.

Regular newsletters were issued about the vaccination necessity and opportunity both for the employees and their families. The anti-Covid-19 vaccination is a sustainable way to fight this pandemic.

The General Plan of Specific Measures put in place for the employees' protection against Covid-19 infection provides for measures of permanent nature until all specific risks are removed.



### 3.5 Key Figures for 30 September 2021

AEROSTAR prepares the individual financial statements in accordance with the international financial reporting standards IFRS.

	UM	30.09.2021	30.09.2020
Share capital	k lei	48.729	48.729
Turnover	k lei	243.819	224.812
Export sales	k lei	161.068	160.792
Share of export in turnover	%	66%	72%
Total number of employees	no.	1.705	1.852
Net profit	k lei	48.310	40.048
Cash - flow	k lei	240.978	204.970
General liquidity	-	9.66	11,47
Expenses for investments from own sources	k lei	5.294	38.225

### 3.6 Economic – Financial Indicators for 30 September 2021

Economic-Financial Indicators	30 September 2021	30 September 2020
Current liquidity indicator	9,66	11.47
Indebtedness rate indicator	0	0
Receivables turnover ratio – customers	49	55
Fixed assets turnover ration	1,39	1,19
General solvency rate	14,01	17,66
Financial rate of return	0,12	0,10
Net profit rate	19,81%	17.81%
Net treasury	79.704 k lei	34.700 k lei

National currency exchange rates for quarter III:

Monetary Indicators	UM	30.09.2021	30.09.2020
Average exchange rate EURO/9 months	lei/euro	4,9111	4,8252
Average exchange rate USD/9 months	lei/USD	4,1050	4,2970
Average exchange rate GBP/9 months	lei/GBP	5,6862	5,4603
Inflation	%	5,55	1,36

### 3.7 Tangible Assets

The production facilities and capacities of Aerostar S.A. are located in Bacau, where is also located the registered office of the company, at no. 9, Condorilor Street, Bacau 600302, Romania. Aerostar S.A. has a secondary office without legal personality, that is a work point, at no. 25B, Aeroportului Street, Iași.

The company owns a land area of 47,33 hectares, with access to the European road E85.

Aerostar has direct access to the runway of the airport “George Enescu” in Bacău.

At the registered office, all types of facilities necessary for the proper performance of the production activity are built, in line with the object of activity.

The production areas consist in hangars, industrial buildings, technological test bench, areas for administrative and social activities. The company also owns office areas for technical and economic activities.

All these areas are maintained in adequate conditions. The built area of the buildings is approximately 14,06 ha.

The assets of Aerostar SA comply with the provisions established in the health, safety and environmental management system and are in line with the applicable occupational safety legislation and regulations and with the norms on property safety and security.

On September 30, 2021 Aerostar S.A. Bacau owns tangible assets for performing its activity in a gross value of 331.033 thousand lei, materialized in land, buildings, special constructions, installations, technological equipment, means of transport:

During the year 2021 no risks were identified regarding the ownership over the tangible assets.

Category of tangible assets	Gross value (thousand lei)	Degree of wear (%)	Estimated useful life (years)
Land	29.266	N/A	N/A
Constructions	94.999	33,46%	30-50 years
Investment property	10.537	37,92%	25-50 years
Technical installations, of which:	192.534	62,79%	
o technological equipment	186.167	62,50%	4-25 years
o transport vehicles	6.367	71,25%	4-18 years
Total tangible assets	3.697	37,79%	2-18 years
TOTAL	331.033	47,75%	N/A

### 3.8 The AEROSTAR Shares "ARS"

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

**The main characteristics of the issued securities: 152.277.450 shares** are nominative, ordinary, of equal value, fully paid, issued in dematerialized form and recorded by registration in the Shareholders' Register that is administrated by Depozitarul Central S.A. Bucharest.

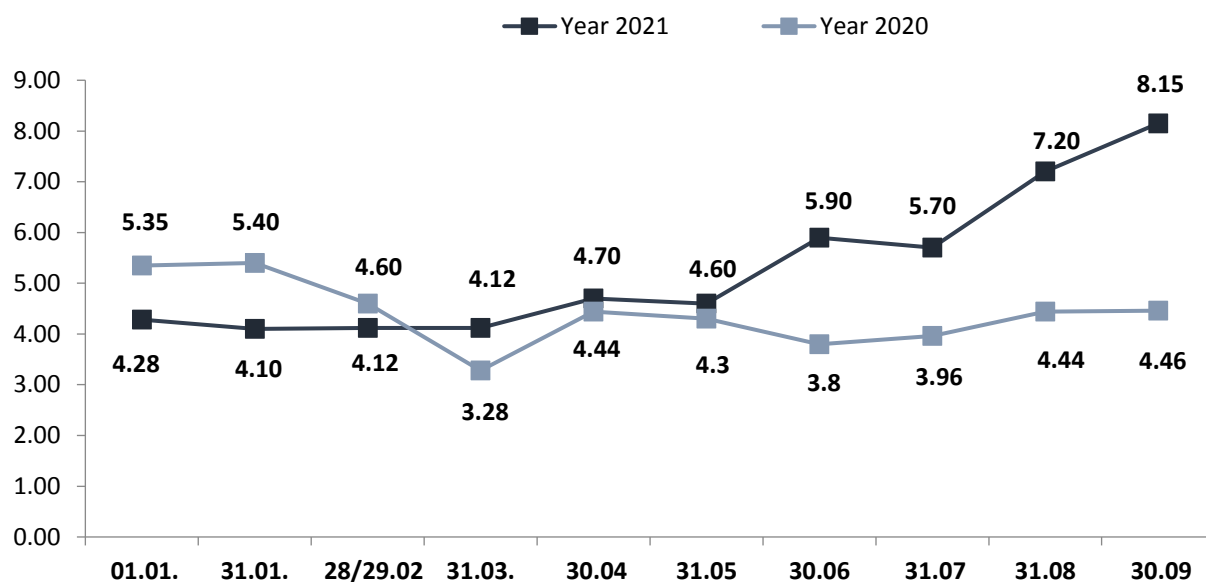
AEROSTAR S.A. Bacău as an issuer is registered with the following data: Unique registration code 950531, code ISIN ROAEROACNOR5, stock exchange symbol ARS, all the issued shares belonging to the standard category.

Aerostar shares – key figures	30.09.2021	30.09.2020	30.09.2019
Number of shares	152.277.450	152.277.450	152.277.450
Nominal value per share (lei)	0,32	0,32	0,32
Price at the end of the period (lei) *)	8,15	4,46	5,15
Stock exchange capitalization (lei)	1.241.061.218	679.157.427	784.228.868
Maximum price (lei)*)	8,40	5,70	5,15
Minimum price (lei) *)	4,00	3,00	4,78
Result per share (lei)	0,317	0,263	0,278

\*) source: Monthly bulletin issued by the Bucharest Stock Exchange

<b>MBR Indicator</b> (market to book ratio) (stock exchange capitalization/equity)	<b>3,0</b>	1,8	2,30
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Comparative monthly evolution of the reference price of the ARS shares in the period January - September 2021 versus the same period of 2020 (lei/share):



#### Price Variations

Current Year	12 Months	3 Months	1 Month
90,42%	82,74%	38,14%	13,19%

During the first 9 months of 2021, no program to buy the company's own shares was underway.

During the first 9 months of 2021 the company, AEROSTAR S.A. did not issue bonds or any other similar securities.

In the first 9 months of 2021, there were no subscriptions of new shares and no issues of participation certification, convertible bonds, options or similar rights.

### 3.9 Trend of Main Risks and Uncertainties

The trend of main risks and uncertainties for the upcoming period is preponderantly influenced by the pro-active moves specific to the continuous monitoring of the market evolution direction under the pressure of the COVID-19 pandemic.

Our main concern is to maintain our employees' health and the existing capabilities, that is machinery, production lines and qualifications.

At the same time, it is necessary to re-establish the economic and financial equilibrium given the still low production rates and the increased prices of electricity, natural gas and raw materials.

AEROSTAR emphasizes a constant dialogue with its customers and its partners in the supply chain, with a view to correlating their actions together, so as to move past this period with minimum losses and to maintain its economic balances.

The identified risks and uncertainties are related to maintaining the organizational performance against the backdrop of the diminished demand on the current market in the civil aviation field.

However, risks and uncertainties additional to those mentioned above may also occur, risks and uncertainties that are either not currently known or deemed to be insignificant, but which, in the future, may affect the business lines run by AEROSTAR. We firmly believe that the implemented management system will lead to the early identification of such risks and uncertainties, so as to allow the application of adequate measures.

## 4. The AEROSTAR Business and Business Environment

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AEROSTAR operates on the global market of products and services in the defence and aeronautical industry. The global aerospace industry is strongly affected by the pandemic, both commercially and industrially.

The impact caused by the risks of infection with Covid-19 as well as the unprecedented changes thus generated require a preventive and proactive management in relation with all the organization's components and functions.

AEROSTAR continues to act firmly in order to ensure its business sustainability and to maintain its production capabilities unaffected in light of the impact of the Covid-19 pandemic, and focuses on ensuring its employees' health and safety. The company policy is focused both on continuous development and on reaching its strategic goals.

The AEROSTAR business revolves around increasing the overall performance through the employees' continuous improvement and professional development in the spirit of integrity, innovation and initiative. The increased competitiveness and productivity are the coordinates used for developing among our employees the culture of the successful model in the productive economy. Aerostar focuses on meeting its customers' requirements and expectations, by acting for continuous improvement at all levels.

### 4.1 Business lines

AEROSTAR is a significant supplier in global manufacturing and maintenance programs at industrial level for commercial aircraft.

The revenues of AEROSTAR are generated preponderantly from its core business. The portfolio of programs and services continues to offer an important stability during this period.

## Manufacture of Aeronautical Products



In the civil aviation field Aerostar is a supplier of aerostructures, components and assemblies for the global aviation industry, having as end customer companies such as Airbus, Ariane Group, Boeing, Bombardier, Dassault, GKN Aerospace, Gulfstream, Premium Aerotec, SAFRAN Landing Systems s.a.

In the Airbus supply chain, Aerostar is currently positioned as a Tier 2 aerostructure subsupplier and a Tier 1 strategic supplier for SAFRAN Landing Systems for subassemblies, hydraulic systems and actuators, landing gears for several aircraft programs for Airbus, Boeing, Dassault or Gulfstream.

In the first 9 months of the year, Aerostar had to cut production and deliveries, while also dedicating extra attention to maintaining its capabilities, i.e. machinery, production lines, personnel and qualifications, so as to be able to benefit from the economic recovery period. The actions taken by the company AEROSTAR S.A. in order to counteract the pandemic effects are aimed at extending the customer portfolio and the manufacturing programs.

### Results

The reduced delivery rates and the restructuring of production in the main programs in which Aerostar has a significant exposure have affected the production management.

The comparative values of sales for aeronautical product manufacture still exhibit a decrease compared to the same period of last year.





## Civil Aviation MRO

Aerostar holds authorizations for the maintenance of commercial aircraft and is currently authorized to perform such work on the type of aircraft Boeing 737 series 300-900, the aircraft family Airbus 320, ceo & neo and components thereof.

AEROSTAR is the main independent provider of maintenance services at industrial level from Romania and in this geographical region, for commercial aircraft of the family Airbus A320 and Boeing B737.

The experience gathered in aircraft maintenance at industrial level was the basis of development of the civil aviation maintenance centre Part-145 of Iași.

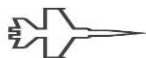
Based on the Part-145 authorization from the Romanian Civil Aeronautical Authority as a full member of the European Authority for Flight Safety (EASA), the maintenance base of AEROSTAR has developed and consolidated its market position by obtaining an extended range of authorizations from the civil aviation authorities of several countries outside of European Union, including from the American aeronautical authority FAA.

## Results

The comparative values of sales for the civil aviation MRO services show an increasing trend compared to the same period of last year.







## Defence Systems

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Aerostar is part of the National Defence Industry under Law 232/3026. Aerostar firstly sees itself as a first-tier supplier for the National Ministry of Defence in Romania. Aerostar is also part of the Raytheon global supply chain for Patriot systems.

AEROSTAR is part of the national defence industry, having the status of authorized economic operator registered in the Unique Register of economic operators and production capacities and/or defence services as a Maintenance Centre for the F-16 aircraft in the inventory of the Romanian army.

In the category of defence systems, AEROSTAR activates in upgrading, integration and maintenance programs for military and defence aviation systems, further focusing on those types of platforms for which it has acquired proven expertise in traditional programs, but also on new upgrading & integration programs: military aircraft, launching systems and primary and secondary radar systems.

The maintenance centre for F-16 aircraft develops progressively by assigning and training personnel, by manufacturing and purchasing test benches and devices, and by creating its own maintenance infrastructure for such aircraft.

Position on the market in the field of launchers and primary and secondary radar systems

AEROSTAR is part of the Raytheon global supply chain for Patriot systems as an authorized supplier and acts to develop and strengthen this position. Aerostar is also mentioned on the Preferred Supplier List (PSL) and is authorized to participate in the RAYTHEON programs with deliveries of parts manufactured in Aerostar.

AEROSTAR has constantly developed the necessary capabilities to consolidate its status of supplier and its expertise in the field of launching systems, platforms and firing launching, control and command component, manufacture of launchers, maintenance and logistic support, upgrades.

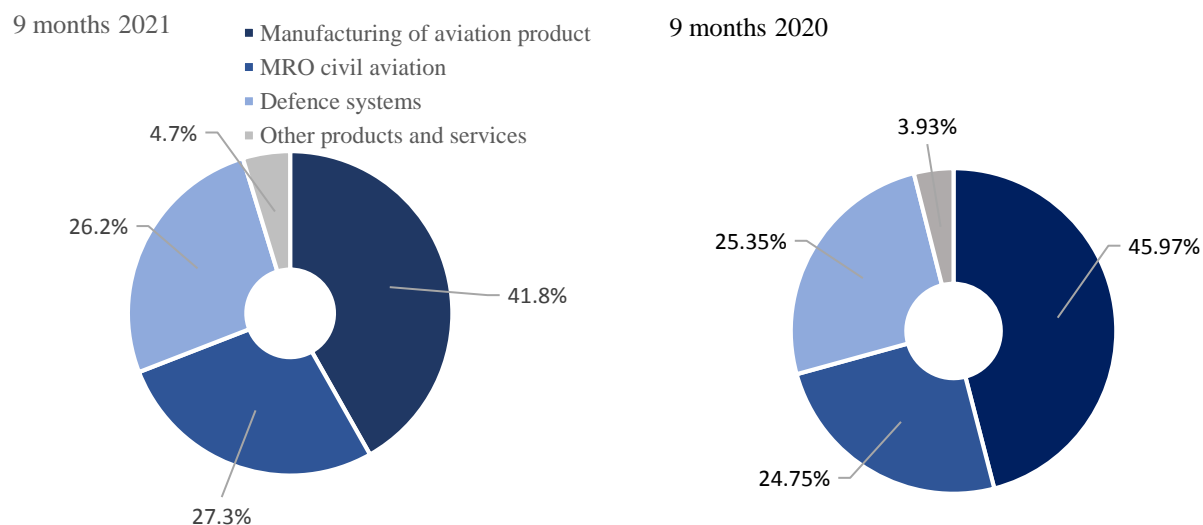
## Results

The comparative values of sales after 9 months in the field of defence systems show a slightly increasing trend compared to the same period of last year.



## Share of business in total sales for Quarter III

The business lines of AEROSTAR S.A. as revealed by the percentage of total sales for the first 9 months are represented below. Compared to the same period of last year, the sector of manufacture of commercial aircraft parts is still affected by the crisis, and its impact is reflected in the structure of company sales grouped by business lines.



Percentage of business in total sales

## 4.2 Sales and Sales Markets

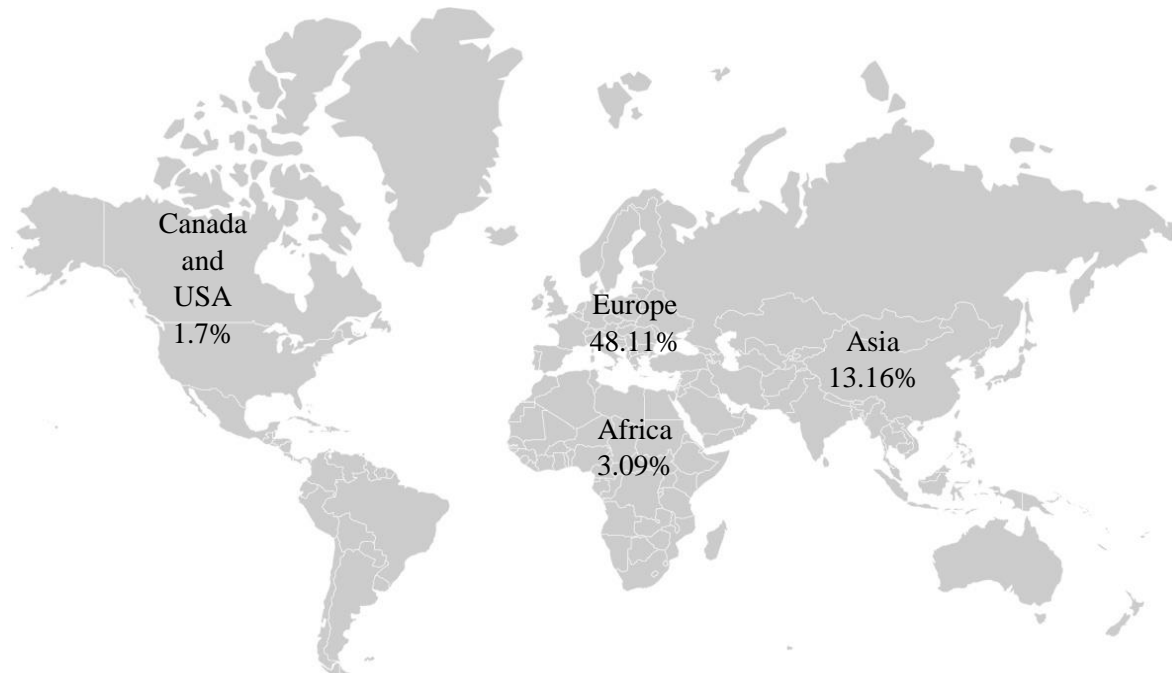
AEROSTAR'S business is focused on increasing the performance through the employees' continual improvement and professional development in the spirit of integrity, innovation and initiative. The increased competitiveness and productivity are the coordinates used for developing among our employees the culture of the successful model in the productive economy. Aerostar focuses on meeting its customers' requirements and expectations, by acting for continuous improvement at all levels.

During the first 9 months of the year, the impact of the crisis was felt in a different manner on the three main business lines.

The turnover achieved in the first 9 months was 243.819 thousand lei. Aerostar sold products and services on the domestic market in the amount of 82.751 thousand lei, and on the foreign market in the amount of 161.068 thousand lei.

Approximately 66% of the sales represent export sales, a decrease compared to the same period of last year. The foreign customers are located in various places, but the foreign export market, as a representative percentage for Aerostar is represented by the European market.

Aerostar's sales markets in the third quarter of 2021:



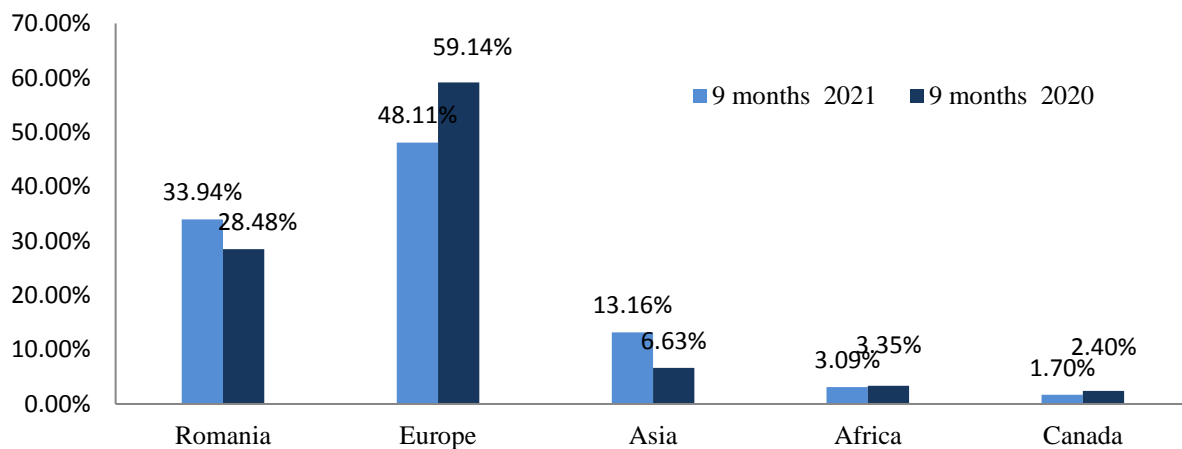
In Europe we provide maintenance services for civil aviation, aviation products (landing gear systems, mechanical parts, assemblies and subassemblies), electronic

equipment and ground equipment. In Asia and Africa we provide maintenance services for civil aviation and in Canada we supply aviation products.

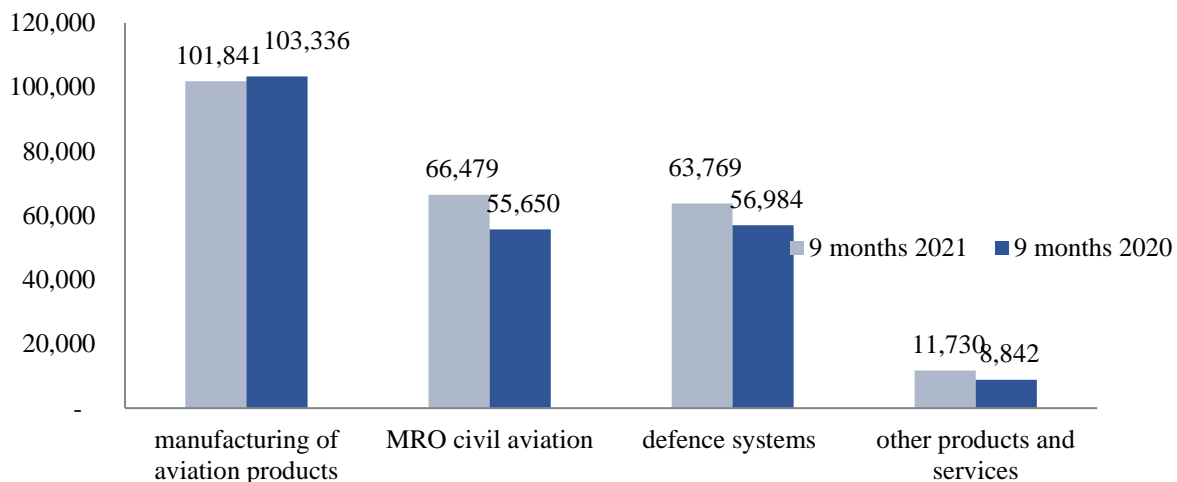
In Romania we provide repair services for military aircraft and repairs of electronic components and parts for military aircraft, upgrades, integrations and maintenance for military aviation systems, repair services for civil aviation products, launchers and systems.

Compared to the same period of the year 2020, the percentage of export sales was affected in Europe and Canada, but increases were recorded in the percentage of sales on the Romanian and Asian market.

A comparative diagram of the percentage distribution of the total sales on the sales markets of Aerostar is shown below:



The share of products and services representing the business lines compared to the same period of 2020 is represented below:



## 5. Our Employees

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### 5.1 Staff and social aspects, data about the employees

On 30.09.2021 AEROSTAR S.A. had an effective number of 1.705 employees. Of the total number of employees, 159 are in management positions.

The average degree of unionization of the company for the first 9 months of 2021 is 66,46%.

The average age of the employees in AEROSTAR S.A. and AIRPRO CONSULT S.R.L. is 45.

### 5.2 Labour relations and social dialog

In AEROSTAR a Collective Labour Agreement is in force for the period 2019-2021, that was concluded with the employees in accordance with the provisions of the Law of social dialog no. 62/2011, the validity of which was extended until 30.03.2022.

### 5.3 Training, professional development

In the reporting period, professional training courses were organized for the company's employees, by prioritizing the coverage of the training needs in the fields of interest for conducting the production activities. Through the human resources policies it adopts, AEROSTAR S.A. provides equal opportunities for all the employees, without discrimination in terms of professional career or any other labour practice.

### 5.4 Health and Labour Safety, Working Conditions

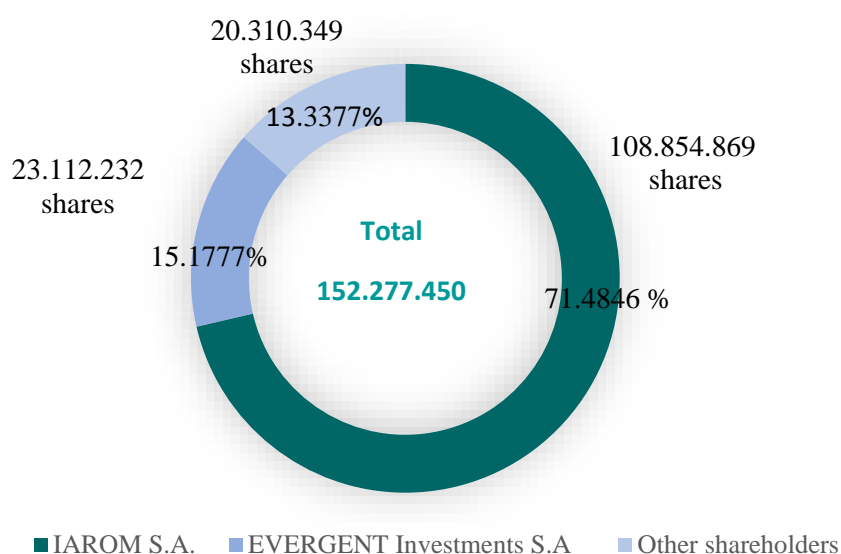
AEROSTAR acts consistently with a view to reduce the risks of accidents and diseases, by always applying in its activity a set of internal norms and regulations that ensure compliance with the legal provisions as well as prevention and protection plans against the new coronavirus.

## 6. Organization Structure

### 6.1 Shareholding Structure

The significant shareholders of the company Aerostar S.A. are: IAROM S.A. București and EVERGENT Investments S.A. Bacău.

The synthetic shareholding structure of the company on 1 September 2021 is shown below:



There are no litigations with the above-mentioned persons. This year there have been no subscriptions of new shares, nor any issues of participation certificates, convertible bonds, options or similar rights.

### 6.2 Board of Directors' Structure

AEROSTAR's **Board of Directors** was elected for a period of four years during the General Meeting of the Shareholders.

The election was carried out by secret ballot, and the new mandate will last 4 years, starting with 11.07.2020 until 10.07.2024.

The Board of Directors consists of:

<b>Surname and first name</b>	<b>Position</b>	<b>Profession</b>
Filip Grigore	President of the Board of Directors	Aerospace engineer
Damaschin Doru	Vice-president of the Board of Directors	Economist
Toncea Mihail-Nicolae	Member of the Board of Directors	Aerospace engineer
Doroş Liviu-Claudiu	Member of the Board of Directors	Economist
Vîrnă Daniel	Member of the Board of Directors	Legal counsellor

The attributions and responsibilities of the Board of Directors are provided for in the Constitutive Deed. The resumes of the Board of Directors' members are posted on the company's website.

The direct participation of the Board of Directors' members to the share capital of the company has exceeded 1%.

There were no litigations with the above-mentioned persons in 2021 or in the past 5 years.

No agreement, understanding or family tie in relation with the nomination of the company's administrators is in place. There were no resignations or dismissals among the members of the Board of Directors or the auditor.

None of the administrators was involved in a litigation or another administrative procedure with AEROSTAR over the last 5 years.

## **Business Management and Organizational Structure**

The manner of management of the company is a unitary system.

The President of the Board of Directors is also the General Director of the company. The executive management is ensured by the General Director and Financial Director.

With reference to the organization and management system of Aerostar, the management structure at operational level ensures the management of the activities based on a divisional type organization that relies on cost management centres in the production area, within the scope of auxiliary and functional activities.

The management structure at executive-operational level is completed with the other division and directorate managers. No changes were made to this structure in the third quarter of the year 2021.

AEROSTAR fulfils its object of activity by using the joint resources of the organization in an integrated manner. The organizational structure implemented since the beginning of the year 2018 maintains its organizing principles and the use of resources in a unitary, competitive and integrated manner.

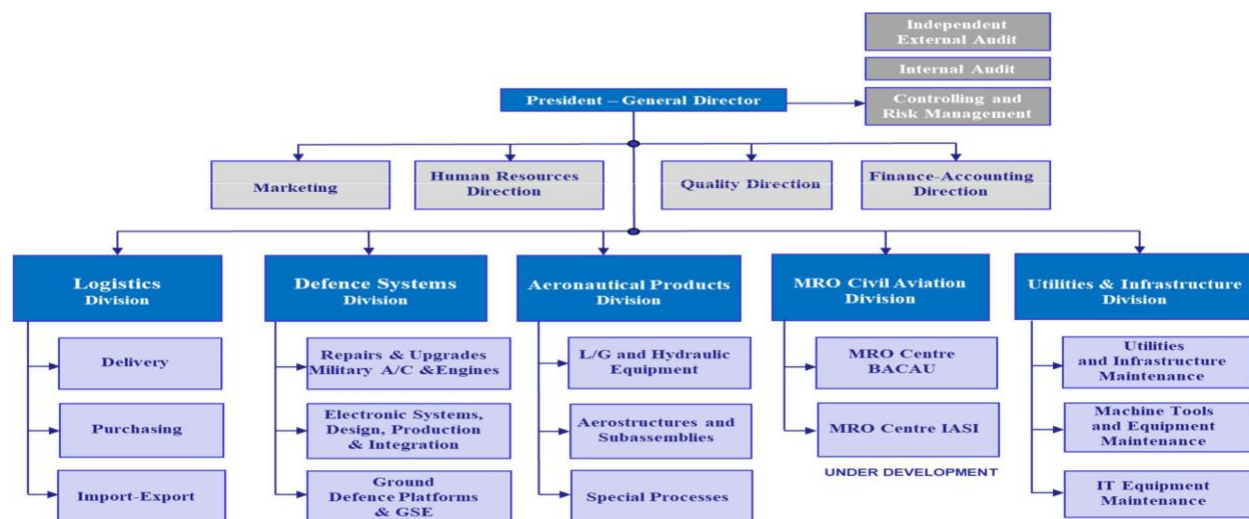
On 30.09.2021, the management structure that ensures the management of the company's functions based on the organizational structure of divisionary type is:

### Executive Management

Surname and first name	Position
Filip Grigore	General Director
Damaschin Doru	Financial-Accounting Director
Rogoz Vasile Laurențiu	Quality Director
Popa Dan Paul Mălin	Human Resources Director
Filip Alexandru	Logistics Division Director
Buhai Ovidiu	Defence Systems Division Director
Iosipescu Șerban	Aeronautical products Division Director
Veleşcu Ioan - Dan	MRO Civil Aviation Division Director
Branche Cătălin Bogdan	Utilities and Infrastructure Division Director

The direct participation of the executive management to the share capital of the company is below 1%. There are no litigations pending with the above-mentioned persons.

This organization has ensured the development of the company's capacities with a view to executing new programs in the field of civil aviation and defence, as well as the necessary investments to this end. The implemented organizational structure is represented as follows:





## 7. Summarized Financial – Accounting Statement

		k lei
<b>Summary of assets, company equity, debts and provisions</b>	<b>30 September 2021</b>	<b>31 December 2020</b>
Non-current assets	182.460	196.783
Circulating assets	402.286	350.269
<b>Total assets</b>	<b>584.746</b>	<b>547.052</b>
Company equity	410.072	380.370
Provisions	105.383	115.641
Debts	69.291	51.041
<b>Total company equity, prepaid income, debts and provisions</b>	<b>584.746</b>	<b>547.052</b>

		k lei
<b>Summary of income, expenses and results</b>	<b>30 September 2021</b>	<b>30 September 2020</b>
Operating income, of which:	262.969	251.289
– sales income	243.819	224.812
Operating expenses	(211.534)	(210.162)
<b>Profit/loss from operating activity</b>	<b>51.435</b>	<b>41.127</b>
Financial income	7.327	8.633
Financial expenses	(2.789)	(3.856)
<b>Financial profit/loss</b>	<b>4.538</b>	<b>4.777</b>
<b>Profit before tax</b>	<b>55.973</b>	<b>45.904</b>
Tax on current and deferred profit	(7.663)	(5.856)
<b>Net profit of the financial period</b>	<b>48.310</b>	<b>40.048</b>

**AEROSTAR S.A. BACĂU**  
**INDIVIDUAL FINANCIAL STATEMENTS**  
**FOR SEPTEMBER 30, 2021**

**UNAUDITED**

The financial statements of 30.09.2021 have been audited by the internal auditor of the company Aerostar.

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**AEROSTAR S.A. BACĂU**  
**INDIVIDUAL STATEMENT OF THE PROFIT OR LOSS**  
**FOR 30 SEPTEMBER 2021**  
(unless specified otherwise, all amounts are stated in thousand lei)

	Note	30 September 2021	30 September 2020
<b>Operating income</b>			
Proceeds from sales	19	243.819	224.812
Other income	19	1.662	1.687
Proceeds related to the inventories of finished goods and production in progress	19	15.746	21.523
Proceeds from production of assets	19	323	1.321
Proceeds from operating subsidies	19	1.419	1.946
<b>Total operating income</b>		<b>262.969</b>	<b>251.289</b>
<b>Operating expenses</b>			
Material expenses	20	(86.425)	(73.485)
Expenses with employees' benefits	20	(88.233)	(87.445)
Expenses regarding amortization of assets	5; 6; 20	(19.682)	(18.497)
Net income (expenses) from adjustments regarding current assets	20	(5.816)	(11.463)
Net income (expenses) from adjustments regarding provisions	20	10.258	4.626
Expenses regarding external services	20	(19.423)	(22.172)
Other expenses	20	(2.213)	(1.726)
<b>Total operating expenses</b>		<b>(211.534)</b>	<b>(210.162)</b>
<b>Profit/loss from operating activity</b>		<b>51.435</b>	<b>41.127</b>
Financial revenues	21	7.327	8.633
Financial expenses	22	(2.789)	(3.856)
<b>Financial profit/loss</b>		<b>4.538</b>	<b>4.777</b>
<b>Profit before tax</b>		<b>55.973</b>	<b>45.904</b>
Tax on current and deferred profit	17;23	(7.663)	(5.856)
<b>Net profit of the period</b>		<b>48.310</b>	<b>40.048</b>

**General Director,  
Grigore Filip**

**Financial Director,  
Doru Damaschin**

**AEROSTAR S.A. BACĂU**  
**INDIVIDUAL STATEMENT OF OTHER ELEMENTS OF THE GLOBAL RESULT**  
**FOR 30 SEPTEMBER 2021**  
(unless specified otherwise, all amounts are stated in thousand lei)

	<b>30 September 2021</b>	<b>30 September 2020</b>
<b>Net profit of the period</b>	<b>48.310</b>	<b>40.048</b>
Deferred profit tax recognized on company equity	(335)	(1.691)
Retained profit related to 2019	0	9
<b>Other elements of the global result</b>	<b>(335)</b>	<b>(1.682)</b>
<b>Total global result of the period</b>	<b>47.975</b>	<b>38.366</b>

**General Director,  
Grigore Filip**

**Financial Director,  
Doru Damaschin**

**AEROSTAR S.A. BACAU**  
**INDIVIDUAL STATEMENT OF THE FINANCIAL POSITION**  
**FOR 30 SEPTEMBER 2021**

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

	Note	30 September 2021	31 December 2020
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	167.014	180.923
Intangible assets	5	648	663
Investment property	6	6.541	6.995
Rights to use assets under lease	32	1.764	1.789
Financial assets	7	52	52
Receivables regarding deferred profit tax	17	5.646	5.548
Long-term prepaid expenses	31	795	813
<b>Total non-current assets</b>		<b>182.460</b>	<b>196.783</b>
<b>Current assets</b>			
Inventories	10	103.023	96.918
Trade receivables and other receivables	8,9,18	47.122	38.377
Receivables regarding current profit tax	23	0	1.734
Receivables regarding short-term deferred profit tax	17	9.977	10.037
Short-term prepaid expenses	31	1.186	543
Cash and cash equivalents	11	240.978	202.660
<b>Total current assets</b>		<b>402.286</b>	<b>350.269</b>
<b>Total assets</b>		<b>584.746</b>	<b>547.052</b>
<b>COMPANY EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	12	48.729	48.729
Current result	12	48.310	38.443
Result carried forward	12	51.491	51.214
Reserves	12	281.820	270.214
Deferred income tax recognized on account of equity	17	(16.769)	(16.148)
Distribution of profit for legal reserve	12	(3.509)	(12.082)
<b>Total equity</b>	12	<b>410.072</b>	<b>380.370</b>
<b>Long-term liabilities</b>			
Liabilities regarding deferred income tax	17	19.126	18.850
Subsidies for investments	14	3.306	3.945
Other long-term liabilities	16	2.268	2.283
<b>Total long-term liabilities</b>		<b>24.700</b>	<b>25.078</b>
<b>Long-term provisions</b>	13	<b>87.928</b>	<b>86.747</b>
<b>Current liabilities</b>			
Trade liabilities	15,18	28.009	12.060
Liability with current profit tax	23	1.873	0
Prepaid income	31	2.796	1.155
Subsidies for short-term investments	14	1.248	1.948
Other current liabilities	16	10.665	10.800
<b>Total current liabilities</b>		<b>44.591</b>	<b>25.963</b>
<b>Short-term provisions</b>	13	<b>17.455</b>	<b>28.894</b>
<b>Total provisions</b>		<b>105.383</b>	<b>115.641</b>
<b>Total liabilities</b>		<b>69.291</b>	<b>51.041</b>
<b>Total company equity, prepaid income, liabilities and provisions</b>		<b>584.746</b>	<b>547.052</b>

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

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

**AEROSTAR S.A. BACĂU**  
**INDIVIDUAL STATEMENT OF THE CASH FLOWS (direct method)**  
**FOR 30 SEPTEMBER 2021**  
(unless specified otherwise, all amounts are stated in thousand lei)

	Note	30.09.2021	30.09.2020
<b>CASH FLOWS FROM OPERATIONS</b>			
collected from customers		255.903	270.898
taxes and excises recovered from the State Budget		2.188	8.995
collected as subsidies from the State Budget		2.466	3.629
payments to suppliers and employees		(152.153)	(177.790)
payment of taxes, contributions and dues to the State Budget		(48.580)	(48.314)
payment of profit tax to the State Budget		(4.133)	(8.296)
<b>NET CASH FROM OPERATIONS</b>	27	<b>55.691</b>	<b>49.122</b>
<b>CASH FLOWS FROM INVESTMENTS</b>			
interest collected from bank deposits set up		1.725	3.612
dividends collected from related entities		0	537
collected from financial assets			125
collected from sale of tangible assets		33	0
payments for purchasing tangible and intangible assets		(3.862)	(37.365)
<b>NET CASH FROM INVESTMENTS</b>	27	<b>(2.104)</b>	<b>(33.091)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
gross dividends paid		(17.453)	(18.844)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	27	<b>(17.453)</b>	<b>(18.844)</b>
<b>Net increase of cash and cash equivalents</b>		<b>36.134</b>	<b>(2.813)</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>202.660</b>	<b>207.362</b>
Effect of the exchange rate variation on cash and cash equivalents	27	2.184	421
<b>Cash and cash equivalents at the end of the period</b>	11	<b>240.978</b>	<b>204.970</b>

General Director,  
Grigore Filip

Financial Director,  
Doru Damaschin

**AEROSTAR S.A. BACĂU**  
**INDIVIDUAL STATEMENT OF THE MODIFICATION OF COMPANY EQUITY**  
**FOR 30 SEPTEMBER 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
<b>Global result</b>						
<b>A. Balance on 1 January 2021</b>	48.729	270.214	(16.148)	51.214	26.361 *)	380.370
<b>Profit of the period</b>					48.310	48.310
<b>Other elements of global result</b>						
Setting up of deferred profit tax recognized on account of equity			(621)	286	-	(335)
Distribution of profit of the financial year 2020 and of the undistributed amount from the profit of the year 2019, to the destinations decided by the shareholders in GMS of 21 April 2021 (Note 12)				26.361	(26.361)	-
Distribution of profit for 9 months of 2021 for reserves from fiscal facilities in gross amount.		3.509			(3.509)	-
<b>Total global result of the period</b>		<b>3.509</b>	<b>(621)</b>	<b>26.647</b>	<b>18.440</b>	<b>47.975</b>
Reserves distributed from the profit of the years 2019 and 2020		<b>8.097</b>		<b>(8.097)</b>		-
Distributed dividends for the year 2020				<b>(18.273)</b>		<b>(18.273)</b>
<b>Transactions with shareholders, directly recognized in equity</b>		<b>8.097</b>		<b>(26.370)</b>		<b>(18.273)</b>
<b>B. Balance on 30 September 2021</b>	48.729	281.820	(16.769)	51.491	44.801**)	410.072
<b>C. Modifications of equity (NOTE 12)</b>	<b>0</b>	<b>11.606</b>	<b>(621)</b>	<b>277</b>	<b>18.440</b>	<b>29.702</b>

\*) The result on 31.12.2020 is 38.443 thousand lei and is influenced by the profit allocation to the reserves from fiscal facilities in the amount of 12.082 thousand lei.

\*\*\*) The result on 30.09.2021 is 48.310 thousand lei and is influenced by the profit distribution to the reserves from fiscal facilities in the amount of 3.509 thousand lei

**General Director,  
Grigore Filip**

**Financial Director,  
Doru Damaschin**



**AEROSTAR S.A. BACĂU**  
**INDIVIDUAL STATEMENT OF THE MODIFICATION OF COMPANY EQUITY**  
**FOR 30 SEPTEMBER 2020**

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

<b>COMPARATIVE FIGURES - ON 30.09.2020</b>	<b>Share capital</b>	<b>Reserves</b>	<b>Deferred income tax recognized on equity</b>	<b>Result carried forward</b>	<b>Result of the period</b>	<b>Total equity</b>
<b>Global result</b>						
<b>A. Balance on 1 January 2020</b>	48.729	215.506	(14.139)	58.931	54.305*)	363.332
<b>Profit of the period</b>					31.776	31.776
<b>Other elements of global result</b>						
Setting up of deferred profit recognized on account of equity			(1.991)	300	-	(1.691)
Distribution of profit of the financial year 2019 to the destinations decided by the shareholders in GMS of 21 April 2020 (Note 12).				54.305	(54.296)	9
Distribution of the profit for 9 months of 2020 for legal reserves in gross amounts		12.082			(12.082)	-
<b>Total global result of the period</b>		12.082	(1.991)	54.605	(26.330)	38.366
Reserves distributed from the profit of the year 2019		34.500		(34.500)		-
Distributed dividends for the year 2019				(19.796)		(19.796)
Undistributed profit for the year 2019					(9)	(9)
<b>Transactions with shareholders, directly recognized in equity</b>		34.500		(54.296)	(9)	(19.805)
<b>B. Balance on 30 September 2020</b>	48.729	262.088	(16.130)	59.240	27.966**)	381.893
<b>C. Modifications of equity (NOTE 12)</b>	0	46.582	(1.991)	309	(26.339)	18.561

\*) The result of 65.979 thousand lei for the previous period is influenced by the profit allocation to legal reserves in the amount of 11.674 thousand lei;

\*\*\*) The result of 40.048 thousand lei recorded on 30.09.2020 is influenced by the profit allocation to legal reserves in the amount of 12.082 thousand lei.

**General Director,  
Grigore Filip**

**Financial Director,  
Doru Damaschin**

**AEROSTAR S.A. BACAU**  
**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS**  
**FOR 30 SEPTEMBER 2021**  
**(unless specified otherwise, all amounts are stated in thousand lei)**

**NOTE 1 - DESCRIPTION OF THE COMPANY**

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

AEROSTAR S.A. performs its activity at its registered head office located in Bacau, 9, Condorilor Street, code 600302. In accordance with the Decision no. 2/14.12.2017 of the Board of Directors, a secondary place of business without legal personality (workplace) has been approved in Iasi, on 25B Aeroportului Street.

The main field of activity of AEROSTAR is production.

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

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

During the first 9 months of 2021, there was no subscription of new shares, nor of any participation certificates, convertible bonds, warranties, options or similar rights.

In terms of accounting regulations, AEROSTAR S.A. is the subsidiary of the company IAROM S.A. and, therefore, the parent company that consolidates the financial statements of the group is S.C. IAROM S.A., with the unique identification code 1555301, having its registered head office in Bucharest, 39 Aerogarii B-d. The consolidated financial statements for the financial year 2020 were submitted to A.N.A.F. under the 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 operating segment in accordance with IFRS 8 and no distinct financial information is available for various components of the entity. Information regarding the sales by categories of products and markets are presented in detail in the Report of the Board of Directors.

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

The company will continue to act firmly so as to ensure the sustainability of its investments and business growth, given the impact of the COVID-19 pandemic on the aviation industry.

During the first semester of 2021, the company did not use borrowed capital and there was no capital injection from the shareholders, but it benefited from technical unemployment and allowances during the period of reduced working time of the employees in accordance with the legal provisions.

**AEROSTAR S.A. BACAU**  
**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS**  
**FOR 30 SEPTEMBER 2021**  
(unless specified otherwise, all amounts are stated in thousand lei)

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

### **2.1. Estimates**

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

The estimates and judgements are made based on the historic experience as well as on a series of factors considered adequate and reasonable. The accounting estimates and judgements are continuously updated and take into account reasonable expectations with respect to future probable events.

The reported accounting values of the assets, the liabilities that cannot be determined or obtained from other sources are based on these estimates considered adequate by the company's management. Such estimates, as well as the reasoning and assumptions behind them are reviewed on a regular basis and the result thereof is recognized in the time period when the estimate was reviewed.

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

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

The company uses estimates in order to determine:

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

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

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

### **2.2. Errors**

Errors may arise regarding the recognition, evaluation, presentation or description of 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
- if the error occurred before the earliest period presented, by restating the opening balances of assets, liabilities and equity for the prior period presented.

**AEROSTAR S.A. BACAU**  
**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS**  
**FOR 30 SEPTEMBER 2021**  
**(unless specified otherwise, all amounts are stated in thousand lei)**

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

- the nature of the error for the previous period;
- for each previous period presented, as far as possible, the corrected value:
- for each item - row affected in the financial statement
- for the basic results and diluted per share.
  - the amount of the correction at the beginning of the earliest period presented;
  - if retrospective restating is impossible for a specific prior period, the circumstances leading to the existence of such circumstance and a description of the manner in which and the time 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 on the financial performance or cash flows of the entity.

Application of changes in the accounting policies:

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

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

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

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

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

When a voluntary change of the accounting policy has an effect on 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 statement of the financial position, insofar as possible.

**AEROSTAR S.A. BACAU**  
**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS**  
**FOR 30 SEPTEMBER 2021**  
**(unless specified otherwise, all amounts are stated in thousand lei)**

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

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

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

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

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

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

The financial year is the calendar year.

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

The financial statements are prepared based on historical cost.

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

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

Aerostar SA describes the applied accounting policies 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.

Compared to the presentation made at the end of the financial year 2020, no changes were made to the applied accounting principles, methods, policies and procedures.

**AEROSTAR S.A. BACAU**  
**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS**  
**FOR 30 SEPTEMBER 2021**  
(unless specified otherwise, all amounts are stated in thousand lei)

**NOTE 4 – TRANSACTIONS IN FOREIGN CURRENCIES**

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

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

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

<u>Currency</u>	<u>30.09.2021</u>
EUR (Euro)	4,9471
USD (American Dollar)	4,2653
GBP (British pound)	5,7431

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

Considering that 66% of the turnover registered in the reporting period is denominated in USD and EUR, while a significant part of the operating costs is denominated in LEI, the foreign exchange rates variations will affect both its net incomes and the financial position as expressed in the functional currency.

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

<u>January – September 2021</u>	<u>k EUR</u>	<u>k USD</u>	<u>k GBP</u>
Collected from financial assets	7.387	28.100	1
Payments of financial liabilities	(4.544)	(9.566)	(290)
<b>Foreign exchange net exposure</b>	<b>2.843</b>	<b>18.534</b>	<b>(289)</b>

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

- + 2,00% in the first quarter of 2021 compared to 31.12.2020
- 2,64% in quarter II of 2021 compared to 31.03.2021
- + 0,94% in quarter III 2021 compared to 30.06.2021

and

EUR/LEU:

- + 0,20% in the first quarter of 2021 compared to 31.12.2020
- 0,03% in quarter II of 2021 compared to 31.03.2021
- + 0,10% in quarter III 2021 compared to 30.06.2021

has determined a recorded financial profit from favourable exchange rate differences of 2.799 thousand LEI.

**AEROSTAR S.A. BACAU**  
**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS**  
**FOR 30 SEPTEMBER 2021**  
(unless specified otherwise, all amounts are stated in thousand lei)

**NOTE 5 - INTANGIBLE ASSETS**

	Values on 30 September 2021			Values on 01 January 2021		
	Gross value	Accumulated depreciation	Net value	Gross value	Accumulated depreciation	Net value
Licences	6.050	(5.496)	554	5.720	(5.200)	520
Other intangible assets (software)	413	(319)	94	404	(261)	143
<b>Total</b>	<b>6.463</b>	<b>(5.815)</b>	<b>648</b>	<b>6.124</b>	<b>(5.461)</b>	<b>663</b>

	Net value on 1 January 2021	Inflows at gross values	Depreciation during the period	Net value on 30 September 2021
Licenses	520	330	(296)	554
Other intangible assets	143	10	(59)	94
<b>Total</b>	<b>663</b>	<b>340</b>	<b>(355)</b>	<b>648</b>

**AEROSTAR S.A. BACAU**  
**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS**  
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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 determined in years.  
The useful lifetimes are established by committees of specialists from the company.

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

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

The intangible assets in the balance sheet account as on 30.09.2021 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 30 September 2021 and which are still in use is 3.258 thousand lei.

All the intangible assets recorded in the balance sheet as on 30 September 2021 are the property of AEROSTAR.

The increased values of intangible assets were a result of:	<b><u>340 k lei</u></b>
- development of the IT management system of production - version 3	10 k lei
- purchasing of software licences	330 k 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 30 September 2021 and 01 January 2021 comprise the following:

	30 September 2021			01 January 2021		
	Gross value	Accumulated amortization	Net accounting value	Gross value	Accumulated amortization	Net value
Land	29.266	0	29.266	29.266	0	29.266
Constructions	94.999	(31.786)	63.213	94.206	(26.781)	67.425
Technological equipment and vehicles	192.534	(120.886)	71.648	188.533	(107.613)	80.920
Other equipment and office equipment	3.697	(1.397)	2.300	3.475	(1.172)	2.303
Investment property	10.537	(3.996)	6.541	10.537	(3.542)	6.995
Property, plant and equipment under construction	587	0	587	1.009	0	1.009
<b>Total</b>	<b>331.620</b>	<b>(158.065)</b>	<b>173.555</b>	<b>327.026</b>	<b>(139.108)</b>	<b>187.918</b>

	Balance on 1 January 2021	Inflows at gross value	Outflows at gross value	Amortization during the period	Net value on 30 September 2021
Land	29.266	0	0	0	29.266
Constructions	67.425	793	0	(5.005)	63.213
Technological equipment and vehicles	80.920	4.357	(18)	(13.611)	71.648
Other equipment and office equipment	2.303	225		(228)	2.300
Investment property	6.995	0	0	(454)	6.541
Property, plant and equipment under construction	1.009	4.953	(5.375)	0	587
<b>Total</b>	<b>187.918</b>	<b>10.328</b>	<b>16 (5.393)</b>	<b>(19.298)</b>	<b>173.555</b>

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

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

Amortization expenses are recognized in the profit and loss statement.

The following useful lifetimes are assumed:

-constructions	30-50 years
-technological equipment	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 the company. The useful lifetimes of the property, plant and equipment are stipulated by the fiscal legislation on assets.

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

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

The value of renting incomes in this category of fixed assets, registered on 30 September 2021 was 1.656 thousand lei.

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

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

The amortization of an asset begins when the asset is available for use (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 amortization does not end when the asset is not in use.

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

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

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

Internal sources of information:

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

External source of information:

On 30.09.2021 the market value of the company (stock exchange capitalization) recorded an increase of 82,74% compared to 30.09.2020.

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

<u>indicator MBR-Market to book ratio</u>	<u>30.09.2021</u>	<u>30.09.2020</u>	<u>31.12.2020</u>
Stock exchange capitalization/ company equity	3,0	1,8	1,7

The increased **over-unit** value of the MBR indicator compared to the similar previous period is obtained by companies well listed on the capital market and which are of interest to the investors.

The property, plant and equipment in the balance sheet on 30.09.2021 are not depreciated and no significant depreciation indicators were identified.

The gross accounting value of the fully amortized property, plant and equipment which are still in operation on 30 September 2021 is 40.240 thousand lei.

On 30.09.2021 no mortgages were set on the fixed assets owned by Aerostar S.A.

<b>Inflows of property, plant and equipment, achieved by:</b>	<b><u>10.328 k lei</u></b>
• commissioning of technical equipment, hardware equipment, measuring and control equipment	5.375 k lei
• property, plant and equipment under construction in 2021	4.953 k lei
<b>Outflows of property, plant and equipment, achieved by:</b>	<b><u>5.393 k lei</u></b>
• transfer of property, plant and equipment under construction to property, plant and equipment after placing it in service	5.375 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	18 k lei

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**NOTE 7- FIXED FINANCIAL ASSETS**

	Shares held in affiliated entities	Other immobilized receivables – supplier guarantees	Total
<b>On 1 January 2021</b>	<b>14</b>	<b>38</b>	<b>52</b>
<b>Increases/Decreases</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>On 30 September 2021</b>	<b>14</b>	<b>38</b>	<b>52</b>

Details of the entity's investments on 30.09.2021 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 2020				
					Company's share capital (k lei)	Reserves (k lei)	Net profit (k lei)	Nominal value/ share	Net asset/ share
<b>Airpro Consult SRL Bacau 9, Condorilor Street</b>	<b>- main activity according to CAEN code 7820</b>	<b>100</b>	<b>100%</b>	10	10	102	69	0,10	1,8
<b>Foar SRL Bacau 9, Condorilor Street</b>	<b>- main activity according to CAEN code 7739</b>	<b>800</b>	<b>51%</b>	4	8	995	5	0,01	1,3
<b>TOTAL</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>14</b>	<b>18</b>	<b>1.097</b>	<b>74</b>	<b>x</b>	<b>x</b>

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

During the first 9 months of 2021 the company recorded no modifications i.e. no increases/decreases as to the shareholding percentage, maintaining the same influence as in 2020 on the remaining companies in the equity portfolio.

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

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**NOTE 8 - TRADE RECEIVABLES**

	<b>30 September 2021</b>	<b>31 December 2020</b>
<b>TRADE RECEIVABLES OF WHICH:</b>		
<b>Customers, of which:</b>	<b>41.618</b>	<b>30.476</b>
Domestic customers	9.392	13.121
Foreign customers	32.226	17.355
<b>Uncertain customers</b>	<b>1.797</b>	<b>855</b>
<b>Adjustments for impairment of receivables - customers</b>	<b>(1.088)</b>	<b>(438)</b>
<b>Suppliers – debtors</b>	<b>1.850</b>	<b>3.819</b>
<b>Adjustments for the impairment of receivables - advances granted to customers</b>	<b>(41)</b>	<b>(38)</b>
<b>TOTAL TRADE RECEIVABLES</b>	<b>44.136</b>	<b>34.674</b>

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

- in percentage of 50% from the value of the receivables not collected on time if the due date is between 30 days and 180 days. On 30 September 2021, the company registered adjustments for depreciation of this nature in the amount of 368 thousand lei;
- in percentage of 100% from the value of the receivables not collected, having no receivables with due date exceeding 180 days. On 30 September 2021, the company registered adjustments for depreciation of this nature in the amount of 720 thousand lei.

Also, the company registered adjustments for depreciation of the advances granted to the suppliers in the amount of 41 thousand lei.

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

Debtors-suppliers have as a discount limit:

- in 2021: 1.702 k lei
- in 2024: 148 k lei

The receivables were evaluated at the market exchange rate communicated by the National Bank of Romania available for the end of September 2021.

The favourable and unfavourable exchange rates differences between the exchange market rate, to which are accounted the receivables in currency, and the market exchange rate communicated by the National Bank of Romania available for the end of September 2021, were recorded in the related income or expense account.

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**NOTE 9 - OTHER RECEIVABLES**

	<b>30 September 2021</b>	<b>31 December 2020</b>
<b>Receivables related to manpower and similar accounts</b>	<b>10</b>	<b>37</b>
<b>Receivables related to the budget of social insurance and the state budget, of which:</b>	<b>2.561</b>	<b>3.300</b>
– non-exigible VAT	84	29
– amounts to be recovered from the National Health System (allowances on medical leaves)	1.380	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	0	1.188
– Excize duty to be recovered related to the fuel used	634	474
– Subsidies receivable according to OUG 147/2020 about grannting parents days off for child surveillance, for December, as well as subsidies for hiring graduates	0	33
– Other receivables related to the local budget for annual tax reduction on buildings as determined by the Local Council 265/02.12.2020	0	201
– Other receivables in connection with the local budget representing the fee of public service to be recovered resulting from corrected declarations submitted during 2021	12	22
– Other receivables in connection with the social security budget and the state budget	451	14
<b>Interest to receive from bank deposits</b>	<b>323</b>	<b>277</b>
<b>Various debtors</b>	<b>290</b>	<b>215</b>
<b>Adjustments for the depreciation of the receivables – various debtors</b>	<b>(198)</b>	<b>(126)</b>
<b>TOTAL OTHER RECEIVABLES</b>	<b>2.986</b>	<b>3.703</b>

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<b>NOTE 10 - INVENTORIES</b>	<b>30 September</b>	<b>31 December</b>
<b>of which:</b>	<b>2021</b>	<b>2020</b>
Raw materials *	31.380	35.069
Consumables **	40.858	37.456
Other materials	108	536
Semi-finished products	1.379	1.505
Packaging	34	3
Finished products	17.694	19.749
Products and services in progress	59.348	45.301
<b>Gross value of the inventory (unadjusted)</b>	<b><u>150.801</u></b>	<b><u>139.619</u></b>

**ADJUSTMENTS FOR DEPRECIATION OF INVENTORIES  
AND PRODUCTION UNDERWAY**

	<b>30 September</b>	<b>Increases/</b>	<b>Decreases/</b>	<b>31 December</b>
	<b>2021</b>	<b>Setups /</b>	<b>Reruns/</b>	<b>2020</b>
<b>Total adjustments</b>	<b>47.778</b>	<b>12.961</b>	<b>7.884</b>	<b>42.701</b>
Adjustments for depreciation of raw materials	20.851	2.553	4.576	22.874
Adjustments for depreciation of consumables	17.830	2.864	2.694	17.660
Adjustments for depreciation of semi-finished products	1.379	221	347	1.505
Adjustments for depreciation of finished products	661	350	51	362
Adjustments for depreciation of production underway	7.057	6.973	216	300

Note:

\* The raw materials participate directly in the manufacturing of the products and can be found in the finished product, integrally or partially, either in their initial state, or converted (bars, pipes, plates, profiles, wires etc.);

\*\* The consumables participate in or contribute to the manufacturing or operating process, without being found, as a rule, in the finished product (auxiliary materials, fuels, spare parts, tooling & jigs and other consumables).

The inventories are assessed at the lowest value between cost and 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 the inventories to their current state and location.

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 cost and net achievable value.



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Inside 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, depreciation adjustments for the stocks are set up as follows:

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

The total value of inventories recognized as an expense during the period is 79.406 thousand lei.

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

AEROSTAR S.A. has no pledged inventories.

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**NOTE 11 - CASH AND CASH EQUIVALENTS**

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

	<b>30.09.2021</b>	<b>31.12.2020</b>	<b>30.09.2020</b>
Cash	37.185	19.969	17.776
Bank deposits	203.793	182.691	187.194
Paycheck and trade effects to be collected	0	0	0
<b>Cash and cash equivalents in the statement of treasury flows</b>	<b>240.978</b>	<b>202.660</b>	<b>204.970</b>

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

The cash equivalents consist of:

- short-term bank deposits;
- Paychecks and trade effects (promissory notes) deposited at the banks to be collected.

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 usable in the form of on overdraft, available for the future operating activity, is 2.500 thousand USD (the equivalent of 10.663 thousand lei).

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**NOTE 12 - COMPANY EQUITY**

The company equity on 30 September 2021 is 410.072 thousand lei.

The net increase of the equity in the first nine months of 2021 compared to 2020 was 29.702 thousand lei.

**The following changes in the main equity elements occurred between January and September 2021 compared to 2020:**

- **The share capital remained unchanged**

On 30 September 2021, the share capital of AEROSTAR SA is 48.728.784 lei, divided in 152.277.450 shares, each of them having a nominal value of 0,32 lei.

- **The reserves have increased by 11.606 thousand lei:**

- 3.509 thousand lei on the account of distribution to reserves of the reinvested profit related to the first nine months of 2021.
- 8.097 thousand lei reserves distributed from the profit of 2019 and 2020.

- **Other equity elements have decreased by the amount of 621 thousand lei** on account of the deferred income tax recognized in company equity.

- **The result carried forward increased by 277 thousand lei:**

- An increase by 286 thousand lei on account of the deferred income tax recognized in company equity;
- A decrease by 9 thousand lei through distribution to reserves of non-distributed profit of 2019.

- The balance of the retained earnings account carried forward on 30 September 2021 is 51.491 thousand lei, consisting of:

- result carried forward incurred by the use, on the date of transition to IFRS, of the fair value as presumed cost = 30.469 thousand lei;

- result carried forward representing a surplus obtained from re-evaluation reserves, capitalized as the property, plant and equipment and intangible assets are amortized = 21.022 thousand lei.

- **The result of the period was a profit of 48.310 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 re- evaluation	30 September 2021
<b>Total provisions</b>	<b>115.641</b>	<b>14.296</b>	<b>(26.628)</b>	<b>2.074</b>	<b>105.383</b>
Provisions for bonds granted to customers	43.996	13.296	(15.658)	1.384	43.018
Provisions for decommissioning property, plant and equipment	16.396	0	0	0	16.396
Provisions for the employees' benefits	5.284	0	(5.224)	0	60
Provisions for litigations	5.319	0	( 5.375)	56	0
Other provisions	44.646	1.000	(371)	634	45.909
<b>Long-term provisions</b>	<b>86.747</b>	<b>6.277</b>	<b>(7.049)</b>	<b>1.953</b>	<b>87.928</b>
Provisions for bonds granted to customers	29.840	6.277	(6.678)	1.384	30.823
Provisions for decommissioning property, plant and equipment	16.396	0	0	0	16.396
Other provisions	40.511	0	(371)	569	40.709
<b>Short-term provisions</b>	<b>28.894</b>	<b>8.019</b>	<b>(19.579)</b>	<b>121</b>	<b>17.455</b>
Provisions for bonds granted to customers	14.156	7.019	(8.980)	0	12.195
Provisions for customers' benefits	5.284	0	(5.224)	0	60
Provisions for litigations	5.319	0	(5.375)	56	0
Other provisions	4.135	1.000	0	65	5.200

**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 disassembly costs, and the costs of removal of the elements and restoration of their locations and they are included in the cost thereof. The value was estimated using an update annual rate of 4,5%.

**Provisions for benefits granted to employees**

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

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The balance contains the provision for the days of annual leave for the year 2020 not taken by the employees until 30.09.2021.

**Provisions for litigations**

The provision for litigations, set up for any indemnities payable by the company to a former employee, was cancelled in April, subsequent to a final rejection of the appeal brought by the appellant, rendered by the Bucharest Court of Appeal.

**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 risks regarding the imposition of penalties for delay upon the recommissioning of the ST-68 radars, as per the contractual provisions.

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**NOTE 14 – SUBSIDIES**

**Subsidies related to assets**

AEROSTAR recognizes assets subsidies as deferred income.

	<b>30.09.2021</b>	<b>30.09.2020</b>
<b>Balance on 1 January, of which:</b>	<b>5.893</b>	<b>7.935</b>
Short term	1.948	2.042
Long term	3.945	5.893
<b>Subsidies received for financing of assets</b>	<b>5.875</b>	<b>7.914</b>
Surplus in inventory in the category of immobilizations	18	21
<b>Subsidies registered in income corresponding to the calculated amortization</b>	<b>(1340)</b>	<b>(1.567)</b>
<b>Balance on 30 September, of which:</b>	<b>4.554</b>	<b>6.368</b>
Short term	1.248	1.814
Long term	3.306	4.554
<b>Subsidies received for financing of assets</b>	<b>4.537</b>	<b>6.349</b>
Surplus in inventory in the category of immobilizations	17	19

Between January and September 2021 AEROSTAR S.A. did not receive any subventions for financing of assets.

The subsidies received in the previous years for financing of 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', executed 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', executed between June 2012 and May 2014, the value of the subsidy received from the Ministry of Economy, Trade and Business Environment (MECMA) being 6.011 thousand lei;
3. contract no. 5IM/013/24.03.2015: 'Consolidation and sustainable development of the mechanical processing and painting sectors by high performance investments', executed between March and December 2015, the value of the subsidy received from the Ministry of European Funds (MFE) being 8.299 thousand lei.

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

**The balance of 4.537 thousand lei** registered on 30 September 2021 represents the subsidies related to investments in immobilized assets which are to be recorded as income while the calculated amortization is registered under costs, structured on the 3 contracts as follows:

1. contract no. 210304/22.04.2010: 1.088 thousand lei
2. contract no. 229226/14.06.2012: 294 thousand lei
3. contract no. 5IM/013/24.03.2015: 3.155 thousand lei

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**NOTE 15 – COMMERCIAL DEBTS**

	<b>30 September 2021</b>	<b>31 December 2020</b>
<b>Prepaid amounts collected on customers' account, of which:</b>	<b>7.595</b>	<b>2.560</b>
Domestic customers-creditors	1.063	91
Foreign customers-creditors	6.532	2.469
<b>Suppliers, of which:</b>	<b>20.414</b>	<b>9.500</b>
Domestic suppliers of material and services	5.862	3.304
Foreign suppliers of material and services	11.710	4.717
Suppliers-invoices not arrived	1.875	1.088
Suppliers of non-current assets	967	391
<b>Commercial effects to pay</b>	<b>-</b>	<b>-</b>
<b>Total commercial debts</b>	<b>28.009</b>	<b>12.060</b>

The payments in advance collected from external customers are for aircraft maintenance and repair work (99,41%) and other services provided (0.59%).

For the registered debts no mortgages were established.

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

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**NOTE 16 – OTHER LIABILITIES**

	30 September 2021	31 December 2020
<b>Other current liabilities, of which:</b>	<b>10.665</b>	<b>10.800</b>
• <i>Liabilities related to manpower and similar accounts</i>	<b>2.912</b>	<b>2.840</b>
• <i>Liabilities related to social security budget and state budget, of which:</i>	<b>4.410</b>	<b>5.478</b>
– VAT payable	274	1.444
– Social insurance	3.070	3.022
– Labour safety contribution	194	190
– Tax on salary type revenues	621	584
– Contribution for disabled people, unemployed	133	137
– Other taxes	74	62
– Other social liabilities	44	39
• <i>Other liabilities, of which:</i>	<b>3.343</b>	<b>2.482</b>
– dividends	3.013	2.148
– various creditors	243	212
– warranties received	35	70
– liabilities and tax related to the right to use the leased land in Iasi	52	52
<b>Other long-term liabilities</b>	<b>2.268</b>	<b>2.283</b>

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

- the liability regarding the right to use the land leased for the Maintenance Hangar of Iași (1.503 thousand lei) and the tax related to the right of use (765 thousand lei).

The dividends in balance on 30 September 2021, in the amount of 3.013 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 haven't been prescribed.



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**NOTE 17 – TAX ON DEFERRED PROFIT**

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

The Company estimated and registered liabilities regarding the deferred tax related to non-current assets (which results from differences between accounting and fiscal values, the different useful life, s.o.) and of the reserves and recognized receivables regarding the deferred tax related to the inventories and trade receivables, 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 30.09.2021 is:**

**Liabilities related to the deferred tax**

1. Liabilities related to deferred tax generated by the differences between accounting bases (higher) and the fiscal ones (lower) of the non-current assets	1.582
2. Liabilities related to the deferred tax concerning legal reserves	1.559
3. Liabilities on deferred tax related to reserves from the fiscal facilities	15.924
4. Liabilities on deferred tax related to the reported result representing a surplus from revaluation reserves	61
<b>Total liabilities related to the long-term deferred tax</b>	<b>19.126</b>

**Receivables related to the deferred tax**

1. Receivables on deferred tax related to other long-term provisions	714
2. Receivables on deferred tax related to provisions for long-term bonds granted to customers	4.932
3. Receivables on deferred tax related to provisions for short-term bonds granted to customers	1.951
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	10
6. Receivables on deferred tax related to the adjustments for depreciation of short-term inventories	7.644
7. Receivables on deferred tax related to the adjustments for depreciation of short-term trade receivables	212
<b>Total receivables on long-term deferred tax</b>	<b>5.646</b>
<b>Total receivables on short-term deferred tax</b>	<b>9.977</b>

The Company did not recognize receivables on deferred income 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.

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In the period 01 January 2021 – 30 September 2021, the company registered income from the tax on deferred profit in the amount of 3.263 thousand lei and expenses with tax on deferred profit in the amount of 3.167 thousand lei.

The deferred income tax recognized on the account of equity in the amount of 16.769 thousand lei consists of liabilities related to the deferred tax in the amount of 17.483 thousand lei and receivables on the deferred tax in the amount of 714 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 S.A. becomes part of the contractual provisions of the instrument.

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

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

The financial assets of AEROSTAR S.A. include:

- trade receivables;
- trade effects received;
- immobilized receivables (bonds deposited at third parties);

The financial liabilities of AEROSTAR S.A. include:

- trade liabilities;
- trade effects payable.

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

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

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

**a) Credit risk**

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

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

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

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

**Exposure to credit risk**

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

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

	<b>30.09.2021</b>	<b>30.09.2020</b>
Trade receivables, net of adjustments for depreciation	39.734	21.509
Immobilized receivables	38	38
<b>Total</b>	<b>39.772</b>	<b>21.547</b>

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

	<b>30.09.2021</b>	<b>30.09.2020</b>
Domestic market	9.450	8.731
Euro zone countries	13.469	8.007
Great Britain	12.903	2.863
Other European countries	1.377	543
Other regions	2.535	1.365
<b>Total</b>	<b>39.734</b>	<b>21.509</b>

**Depreciation adjustments**

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

	<b>Gross amount</b>	<b>Depreciation adjustments</b>	<b>Gross amount</b>	<b>Depreciation adjustments</b>
	<b>30.09.2021</b>		<b>30.09.2020</b>	
In due time	38.755		20.914	
Past due, total of which:	2.067	1.088	1.342	747
1-30 days	0	0	0	0
31-60 days	417	198	249	101
61-90 days	84	32	773	386
91-120 days	596	183	83	42
Over 120 days	960	665	197	178
Over 1 year	10	10	40	40
<b>Total</b>	<b>40.822</b>	<b>1.088</b>	<b>22.256</b>	<b>747</b>

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

	<b>30.09.2021</b>	<b>30.09.2020</b>
<b>Balance on 1 January</b>	<b>438</b>	<b>807</b>
Adjustments set up for depreciation	1.280	2.044
Adjustments for depreciations resumed as revenues	(630)	(2.104)
<b>Balance on 30 September</b>	<b>1.088</b>	<b>747</b>

On 30.09.2021, 97,30% 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 pay for the liabilities, as they become due.

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

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

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

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

<b>Financial debts</b>		<b>Accounting value</b>	<b>Contractual cash flows</b>	<b>0-30 days</b>	<b>31-60 days</b>	<b>over 60 days</b>
30.09. 2021	Trade liabilities	18.539	(18.539)	(15.863)	(2.424)	(252)
	Trade effects	0	0	0	0	0
30.09. 2020	Trade liabilities	11.698	(11.698)	(7.469)	(3.755)	(474)
	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 30.09.2021 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 amounts denominated in foreign currency recorded at the end of the reporting period:

<b>30.09.2021</b>	<b>k EUR</b>	<b>k USD</b>	<b>k GBP</b>
Cash and cash equivalents	6.094	1.174	14
Trade receivables	1.348	5.537	0
Trade liabilities	(647)	(2.298)	(11)
<b>Net exposure in original currency</b>	<b>6.795</b>	<b>4.413</b>	<b>3</b>

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Sensitivity analysis

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

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

Thus, a reasonably possible variation of the USD/LEU foreign exchange rate of +/- 10% and +/-2% may be envisaged to calculate at the end of the reporting period.

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

<b>30.09.2021</b>	<b>EUR/LEU</b>	<b>USD/LEU</b>
Net exposure, in the currency of origin	6.795 K EUR	4.413 K USD
Currency exchange rate	4,95	4.27
Net exposure in functional currency	33.635 K LEI	18.844 K LEI
Possible reasonable variation of exchange rate	+/- 2%	+/- 10%
<b>Effect of variation on the financial result</b>	<b>+/- 673 K LEI</b>	<b>+/- 1.884 K LEI</b>

**d) Interest rate risk**

For the reporting period AEROSTAR contracted a multi-product Credit Facility in a total amount of 7.000 thousand USD, designed to finance the Company's operations, which includes:

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

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

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

On 30.09.2021, the level of bonds granted by AEROSTAR under commercial agreements, by issue of bank bond letters and import Letters of Credit amounts to 1.880 thousand USD (equivalent to 8.019 thousand LEI).

On 30.09.2021 no mortgages are set up on the property assets in AEROSTAR ownership.

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**NOTE 19 - OPERATING INCOME**

	<b>30 September 2021</b>	<b>30 September 2020</b>
<b>Revenues from sales, of which:</b>	<b>243.819</b>	<b>224.812</b>
Revenues from product sales	107.251	111.632
Revenues from services supplied	133.606	111.101
Revenues from selling goods	802	8
Revenues from renting	1.854	1.739
Trade discounts granted	(27)	(24)
Revenues from other activities with the lessees	333	356
<b>Revenues related to inventories of products finished and in progress</b>	<b>15.746</b>	<b>21.523</b>
<b>Revenues from the production of fixed assets</b>	<b>323</b>	<b>1.321</b>
<b>Revenues from operating subsidies</b>	<b>1.419</b>	<b>1.946</b>
<b>Revenues from investment subsidies</b>	<b>1.337</b>	<b>1.565</b>
<b>Other revenues from operations</b>	<b>325</b>	<b>122</b>
<b>Total operating income</b>	<b>262.969</b>	<b>251.289</b>

The company obtained in the first 9 months of 2021 incomes from operating subsidies received for:

- employment of an unemployed person in the NEET category (Not in Education, Employment or Training) in the amount of 12 thousand lei;
- paying indemnities to the employees who were granted days off for children surveillance in case of temporary closure of educational establishments, in the amount of 15 thousand lei;
- payment of indemnity for reduced working time acc. OUG 132/2020 in the amount of 1.289 thousand lei;
- payment of indemnity for labour agreements concluded for a fixed period of up to 3 months according to OUG 220/2020 in the amount of 103 thousand lei.

Other operating income in the amount of 325 thousand lei is represented by: revenues from sales of assets, revenues from recovering debts from former employees (training expenses and other debts).

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**NOTE 20 - OPERATING EXPENSES**

	30 September 2021	30 September 2020
<b>Expenses with employee benefits, of which:</b>	<b>88.233</b>	<b>87.445</b>
Salaries and allowances	78.334	79.696
Expenses with benefits in kind and expenses with ticket meals granted to employees	5.416	3.968
Expenses with social security	4.483	3781
<b>Expenses with raw materials and materials</b>	<b>72.063</b>	<b>59.524</b>
<b>Energy, water and gas</b>	<b>6.078</b>	<b>6.247</b>
<b>Other material expenses, of which:</b>	<b>8.284</b>	<b>7.714</b>
Expenses with non-inventory materials	941	1.151
Expenses with goods	911	5
Expenses with packaging	182	195
Expenses with other materials	6.250	6.363
<b>Expenses with external services, of which:</b>	<b>19.423</b>	<b>22.172</b>
Repairs	8.111	11.182
Transport costs	2.111	1.693
Commissions and fees	1.378	1.830
Travels, deployments	1.227	670
Renting expenses	484	428
Other expenses with services supplied by third parties	4.875	5.113
<b>Trade discounts received</b>	<b>(15)</b>	<b>(72)</b>
<b>Amortizations</b>	<b>19.682</b>	<b>18.497</b>
Expenses (revenues) from adjustments regarding provisions	(10.258)	(4.626)
Expenses (revenues) from adjustments regarding current assets	5.816	11.463
<b>Other operational expenses</b>	<b>2.228</b>	<b>1.798</b>
<b>Total operating expenses</b>	<b>211.534</b>	<b>210.162</b>

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

Between January and September 2021, AEROSTAR granted to its employees meals tickets in the amount of 4.857 thousand lei and holiday vouchers in the amount of 559 thousand lei.

In the category of other operating expenses in the amount of 2.228 thousand lei are included, among others: expenses with local dues and taxes, sponsoring and donations.

Between January and September 2021, AEROSTAR registered increased/set-ups and decreased/resumed adjustments, as follows:

	30 September 2021	30 September 2020
<b>Adjustments regarding provisions</b>		
<i>Increases / set-ups</i>	13.032	10.512



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<i>Decreases / reruns</i>	(23.290)	(15.138)
<b>Increase/Decrease of adjustments regarding provisions</b>	<b>(10.258)</b>	<b>(4.626)</b>

The impact of the increased (set-up)/decreased (resumed) adjustments regarding provisions was a decrease of the operating expenses by the amount of 10.258 thousand lei.

<b>Adjustments regarding the impairment of current assets</b>	<b>30 September 2021</b>	<b>30 September 2020</b>
Increased/setup adjustments		
Adjustments for impairment of investments	12.961	23.496
Adjustments for impairment of receivables	1.370	2.084
<b>Total increased/set up adjustments</b>	<b>14.331</b>	<b>25.580</b>
Decreased / resumed adjustments		
Adjustments for impairment of inventories	(7.884)	(11.989)
Adjustments for impairment of receivables	(631)	(2.128)
<b>Total decreased/resumed adjustments</b>	<b>(8.515)</b>	<b>(14.117)</b>
<b>Increased/ decreased adjustments regarding the impairment of current assets</b>	<b>5.816</b>	<b>11.463</b>

The impact of the increased (set-up)/decreased (resumed) adjustments regarding the impairment of current assets was an increase of the operating expenses by the amount of 5.816 thousand lei.

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**NOTE 21 - FINANCIAL INCOME**

	<b>30 September 2021</b>	<b>30 September 2020</b>
Income from foreign currency exchange differences	5.556	4.382
Income from interest	1.771	3.681
Income from shares owned at affiliated bodies	-	536
Income from financial fixed assets disposed of	-	34
<b>Total financial income</b>	<b>7.327</b>	<b>8.633</b>

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

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**NOTE 22 – FINANCIAL EXPENSES**

	<b>30 September 2021</b>	<b>30 September 2020</b>
Expenses from exchange rate differences	2.757	3.826
Expenses with interests related to leasing contract	30	30
Other financial expenses	2	-
<b>Total financial expenses</b>	<b>2.789</b>	<b>3.856</b>

In the first 9 months of 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 30.09.2021 was 16% (the same rate was also applied for the financial year 2019).

	<u>30 September 2021</u>	<u>30 September 2020</u>
<b>Gross accounting profit</b>	<b>55.973</b>	<b>45.904</b>
<b>Expenses with current tax on profit</b>	<b>7.739</b>	<b>6.998</b>

<b>Reconciliation of accounting profit with fiscal profit for 30 September 2021</b>				<b>Differences</b>
Accounting revenues*	268.206	Fiscal income	235.544	-32.662
Accounting expenses*	212.021	Fiscal expenses	182.465	-29.556
Gross accounting profit, restated*	56.185	Fiscal profit	53.079	-3.106
Accounting tax (16%)	8.990	Fiscal tax (16%)	8.493	-497
Tax reductions	-	<i>Tax reductions, of which:</i>	754	754
		• related to investments made acc.to Art. 22 Fiscal Code	562	562
		• sponsoring	192	192
Tax on final profit	8.990	Tax on final profit	7.739	-1.251
Applicable legal rate	16,00%	Applicable legal rate	16,00%	
Actual average tax rate, calculated on gross accounting profit, restated		13.77%		

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

On 30 September 2021 the company registered a debt related to the tax on current profit in the amount of 1.873 thousand lei corresponding to trimester III of 2021.

**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 – 30.09.2021 amounted to 19 thousand lei, being diminished on account of the fiscal facilities granted under the applicable legislation.

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**NOTE 24 - RESULT PER SHARE**

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

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

<b>IN LEI</b>	<u><b>30.09.2021</b></u>	<u><b>30.09.2020</b></u>
Profit attributable to ordinary shareholders	48.309.728	40.047.898
Number of ordinary shares	152.277.450	152.277.450
<b>Profit per share</b>	<u><b>0,317</b></u>	<u><b>0,263</b></u>

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**NOTE 25 - AVERAGE NUMBER OF EMPLOYEES**

**Own employees:**

	<b>9 months 2021</b>	<b>9 months 2020</b>
	<u>          </u>	<u>          </u>
Average number of employees	1.543	1.743

**Employees hired through temporary labor agent:**

	<b>9 months 2021</b>	<b>9 months 2020</b>
	<u>          </u>	<u>          </u>
Average number of employees	29	87

	<b>9 months 2021</b>	<b>9 months 2020</b>
	<u>          </u>	<u>          </u>
<b>Total number of employees</b>	<b>1.572</b>	<b>1.830</b>

**Actual number of employees on 30.09.2021:**

	<b>9 months 2021</b>	<b>9 months 2020</b>
	<u>          </u>	<u>          </u>
<b>Total staff</b>	<b>1.705</b>	<b>1.852</b>

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**NOTE 26 - TRANSACTIONS WITH AFFILIATED PARTIES**

<b>Acquisitions of goods and services</b>	<b>9 months 2021</b>	<b>9 months 2020</b>
Airpro Consult SRL Bacău	1.215	3.723
Foar SRL Bacău	270	215
<b>TOTAL</b>	<b>1.485</b>	<b>3.938</b>
<b>Sales of goods and services</b>	<b>9 months 2021</b>	<b>9 months 2020</b>
Airpro Consult SRL Bacău	-	-
Foar SRL Bacău	1	1
<b>TOTAL</b>	<b>1</b>	<b>1</b>
<b>Liabilities</b>	<b>Balance on 30.09.2021</b>	<b>Balance on 30.09.2020</b>
Airpro Consult SRL Bacău	357	36
Foar SRL Bacău	31	24
<b>TOTAL</b>	<b>388</b>	<b>60</b>
<b>Dividends to be collected by Aerostar</b>	<b>9 months 2021</b>	<b>9 months 2020</b>
Airpro Consult SRL Bacău	-	50
Foar SRL Bacău	-	487
<b>TOTAL</b>	<b>-</b>	<b>537</b>

The transactions with the affiliated parties between 01.01.2021 and 30.09.2021 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 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 means the amounts available in banks and cashier's desk.
- the cash equivalents comprise the deposits formed in banks, bills and promissory notes deposited with banks in order to be collected.

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

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

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

Thus, in the period January - September 2021:

- the amounts collected from the customers were worth 255.903 thousand LEI,
- the amounts collected as subventions were worth 2.466 thousand LEI, of which 2.439 thousand lei were collected as a result of the support measures adopted by the Government in the context of the epidemiologic situation (SARS-CoV-2) in Romania,
- the payments to the suppliers and employees amounted to 152.153 thousand LEI, of which 100.878 thousand LEI payments to the suppliers and 51.275 thousand LEI payments to the employees;
- tax payments to the State Budget amounted to 52.713 thousand LEI, of which 4.133 thousand LEI tax on profit.

The operating activity generated a net cash of 55.691 thousand LEI, an increase by 6.569 thousand LEI compared to the same period of the previous year.

The payments to purchase tangible and intangible assets amounted to 3.862 thousand LEI.

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

As part of the financing activity, an amount of 17.453 thousand LEI was paid, representing dividends due to the shareholders.

The level of cash and cash equivalents registered on 30.09.2021 amounts to 240.978 thousand LEI, an increase by 38.318 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, obligations and goods that are not recognized in the company assets and liabilities, i.e.:

	<b>30 September 2021</b>	<b>31 December 2020</b>
• <b>Liabilities:</b>		
○ Guarantees granted to customers as letters of bank guarantee and letters of credit	639	256
○ Guarantees received from suppliers – as letters of bank guarantees and letters of credit	111.169	149.899
• <b>Goods, of which:</b>		
○ inventories of other materials released for use (tooling, jigs, fixtures, safety equipment, measuring and control eqpt, technical library etc.)	35.834	33.778
○ material values received in consignment	1844	1.826
○ tangible and intangible assets –obtained or purchased as a result of co-financed activity	585	4.151
○ material values received for processing/repairs	18.511	4.643
• <b>Other values off-balance, of which:</b>		
○ Liabilities for covering certain future obligations to A.J.O.F.M. based on OUG 95/2002 regarding the defence industry	4.462	4.833
○ debtors removed from accounts, monitored further on	155	155
• <b>Greenhouse Gas Emission Certificates</b>	4.938	2.927

On 30 September 2021, AEROSTAR S.A. had a number of 16.459 greenhouse gas emission certificates.

The market value on the last transaction day of a GES certificate was 60,65 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. on 30.09.2021:

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

Between January and September 2021, the company Aerostar did not grant advance payments or credits to the members of the Board of Directors and did not take any liability on their account as a collateral of any kind.

**In the Ordinary General Meeting of 16 December 2020, the shareholders of the company Aerostar approved** the freezing at the level decided by the ordinary general meeting of shareholders dated 9 July 2020 of the directors’ compensation **for the financial year 2021, i.e.:**

- ✓ Maintaining a monthly net fixed remuneration of 4.750 lei for each elected BOD member;
- ✓ A maximum level of additional remunerations for the BOD members who also have executive attributions, of a monthly fixed amount of at 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 them within the approved ceiling.

The amount of the gross compensations granted to the members of the Board of Directors between January and September 2021, by virtue of their responsibilities, was 1.294 thousand lei.

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## **NOTE 30 – RISK MANAGEMENT**

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

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

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

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

### **Operational Risk**

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

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

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

The global supply chains of the aeronautical industry is facing significant cancellations and reductions of the airplane manufacturing orders, as well as reduced 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 appearance and developments 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 levels of skills and qualifications needed to honor the existing contracts, while also maintaining its recovery and growth capacity when the pandemic effect will stop.

The Operational Risk also includes the **Legal Risk**, defined as the risk of loss, resulting from the fines, penalties and sanctions AEROSTAR is liable 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.

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

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

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

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

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

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

There is however a significant exposure of the AIRBUS programmes to the global market, a large part of the company's products being integrated in the 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 for AEROSTAR to encounter difficulties in fulfilling its liabilities-related obligations as they become due.

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

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

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

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

AEROSTAR is exposed mainly to the price risk determined by the fluctuations of the raw material price and of the price of the material used in the manufacturing processes, caused by exceptional events such as the Brexit Agreement with impact on the purchasing of material from U.K., the application of international sanctions resulting in a limited possibility to procure parts and materials, the increased costs with specific taxes for the import/export of metallic products (made of steels and/or aluminium) to and from USA. This risk is pregnant on the background of the economic recession of 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 a larger leverage in negotiations in case the price of raw materials is increased by certain suppliers.
- long-term contract agreements, with provisions on fixed prices.

AEROSTAR is exposed to the exchange rate risk because 66% of its turnover is related to USD and EUR, while a significant part of the operating expenses is denominated in LEI.

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

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

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

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

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**NOTE 31 – PREPAID EXPENSES AND INCOME**

	<b>30 September 2021</b>	<b>31 December 2020</b>
<b>Expenses registered in advance, of which:</b>	<b>1.981</b>	<b>1.356</b>
Amounts to resume within a year	1.186	543
Amounts to resume within more than a year	795	813
<b>Income registered in advance</b>	<b>2.796</b>	<b>1.155</b>

On 30 September 2021, Aerostar did not recognize any long-term prepaid income.

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

In the category of **expenses registered in advance** as recorded on 30.09.2021 are found:

- amounts to resume within a year representing subscriptions, insurance policy, fees, participation at trade fairs and conferences, taxes and dues, on-line services, maintenance of IT systems, etc.
- amounts to resume within more than a year, representing the interest related to the right to use the land leased for the Maintenance Hangar in Iași.

In the category of (short-term) **income registered in advance** are recorded the values corresponding to deliveries of goods and services provided in the 3-rd quarter of 2021 for which the conditions of recognition of the income of IFRS 15 are not met (the customers haven't been granted any control on the goods/services yet).

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

	30 September 2021			01 January 2021		
	Gross amount	Depreciation	Net accounting value	Gross amount	Depreciation	Net accounting value
Asset related to the right to use the land for the Maintenance Hangar in Iași	1.869	(105)	1.764	1.864	(75)	1.789
<b>Total</b>	<b>1.869</b>	<b>(105)</b>	<b>1.764</b>	<b>1.864</b>	<b>(75)</b>	<b>1.789</b>

**Net accounting value**

	Balance on 1 January 2021	Reevaluations in 2021	Amortization during this period	Net value on 30 September 2021
Asset related to the right to use the land for the MRO Hangar in Iași	1.789	4	(29)	1.764
<b>Total</b>	<b>1.789</b>	<b>4</b>	<b>(29)</b>	<b>1.764</b>

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 and 30 September 2021).

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

AEROSTAR S.A did not identify after the reporting date any events likely to have an impact on the financial statements for 9 months of 2021.

These individual financial statements which comprise: the statement of financial position, the statement of 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 to the financial statements were approved by the Board of Directors on 11 November 2021 and signed on behalf of the Board of Directors by:

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

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