

The Board of Directors' Report

First Quarter (Q1)

AEROSTAR S.A.

1 January
31 March
2022

Performance
through
Professionalism



9, Condorilor Street,
Bacău, 600302, Romania

I-st Quarter
1 January
31 March 2022

The Board of Directors' Report

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

The purpose of this report is to inform the investors about the changes to the company's position and performance occurred between January and March 2022, as well as about the foreseeable evolutions on the aviation and defense industry market related to the Company's development opportunities.

General Elements

Aerostar S.A. was named successively URA-1953, IRAv (Întreprinderea de Reparații Avioane)- 1970, IAv (Întreprinderea de Avioane)- 1978 and has run by the current name, AEROSTAR S.A. since 1991 when it was registered as a joint stock company, fully state-owned at the Trade Register in Bacău.

The company's motto "PERFORMANCE THROUGH PROFESSIONALISM" embodies all the actions and measures to ensure the long-term sustainability of the company's business.

I-st Quarter
1 January
31 March 2022

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I

1. Identification Data and Field of Activity



Web/e-mail

www.aerostar.ro

aerostar@erostar.ro 

The company **AEROSTAR S.A.** was established on 17 April 1953 by the Council of Ministers' Decision no. 1165;

The activities of the company take place at the registered office, located on 9, Condorilor Street, Bacău, postal code 600302;

Since 2018, AEROSTAR has a secondary office, a workplace on the perimeter of the International Airport of Iași;

The unique identification code of the company at European level (EUID) is ROONRC.J04/1137/1991, and the identification code as a legal identity (LEI) as a legal entity is 315700G9KRN3B7XDBB73;

Subscribed and paid-up share capital: 48.728.784 RON;

The main field of activity of the company is production. The main object of activity of the company is "Manufacture of aircraft and spaceships" - code CAEN 3030.

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

The company financial statements prepared for the **first quarter of 2022** are not accompanied by the statutory financial auditor's report. They were audited by the company's internal auditor;

Applicable accounting standards: The company financial statements are prepared in accordance with the provisions of the International Financial Reporting Standards (IFRS) adopted by the European Union, the Law of accountability no. 82/1991, republished, with the subsequent modifications and completions and are presented in accordance with the IAS requirements;

AEROSTAR S.A. is listed at the Bucharest Stock Exchange under the code ARS and registered with the following data: Unique Registration Code 950531, code ISIN ROAEROACNOR5, the shares issued belonging to the Standard category. The record of the shares and shareholders is kept, as provided by law, by S.C. Depozitarul Central S.A. Bucharest.

Reporting period:
I-st quarter, 1 January – 31 March 2022

AEROSTAR S.A.

Aerostar is a leader in Romania in the aerospace and defence field and a supplier in the global supply chains for the main players in aviation.

2. Events of the Period January - March 2022

The following main events took place in the period 1 January - 31 March:

21 February 2022

AEROSTAR presented the preliminary financial results of the year 2021 in accordance with the applicable legal regulations;

13 March 2022

The negotiations between the Administration of the company AEROSTAR S.A. and the Employees' Committee for the Collective Labor Agreements 2022-2024 were finalised;

The new collective labor agreements establishes the terms and conditions that are the foundation of the labor relations.

The benefits package of the new contract will apply starting with 1 April 2022;

First quarter

Renewed certificate for the quality management system of AEROSTAR in line with the requirements of the standards SR EN ISO 9001:2015/ EN ISO 9001:2015

Maintained certificate for the quality management system of AEROSTAR in line with the requirements of the standards EN 9100:2018/ AS 9100D

15 March 2021

AEROSTAR published the current Report of Convening the Ordinary General Meeting of Shareholders for **20 April 2022**;

The convening note, agenda, draft decisions and material subjects to OGM's approval as well as the forms requested by AEROSTAR were posted on the company's website www.aerostar.ro under the section Investors' Relation.

3. Events after the Reporting Date

20 April 2022

During the Ordinary General Meeting, AEROSTAR's shareholders approved the following:

*The Report of the Board of Directors' and the financial statements for 2021

*The Statutory financial auditor's report regarding the auditing of the financial statements

*The discharge of duty of the members of the Board of Directors and executive management

*The distribution of the net result related to the financial year 2021 (profit), i.e. of the amount of 59.939.980,42 lei as follows:

Distributions to the legal reserve of the reinvested profit	5.659.923,72 lei
Distributions to reserves	31.438.439,20 lei
Distribution as dividends	22.841.617,50 lei

*(Executive and non-executive) Directors' Remuneration Report) for the year 2021;

19 April 2022

Extension of the Part 145 certification scope as a maintenance organization for the MRO Centre of Bacau and Iași, issued by the Romanian Civil Aeronautical Authority.

*The date of payment of the dividends for the financial year 2021 is **27 May 2022**. The gross dividend per share is 0,15 lei.

AEROSTAR acts on the global market of products and services in the aeronautical and defence industry as an independent company.

The management has adopted an integrated business model based on the RISK-oriented thinking.

5. External Environment

The first quarter of the year 2022 was influenced by the global political turmoils and the humanitarian crisis in the conflictual regions. The vulnerabilities created by these events cause instability on the business markets across the world. Worldwide, the implications for the aviation industry are significant, even if the direct impact on the market is limited for the time being. Generally, the industry is shockproof and these conflicts are less likely to impact the long-term air transport boost.

4. Business Model and Perspectives

The policy of the company management is focused on maintaining a solid capital base for continuous development, in the context of the global market and of the competitive edge through quality, capabilities, high technologies for continuous, organized development, and implicitly, for reaching the company's strategic objectives.

However, the dependency of the aviation industry on the titanium imports from Russia is a vulnerable spot. At the same time, the air routes and the supply chains between Europe and East Asia, were particularly affected by the cancellation of the passenger flights and the introduction of detours by the air carriers. Such detours impact both the related costs and the environment. The rise in the oil and natural gas prices will increase inflation even more, which in turn will erode the income value. In the long run the forecasts remain unchanged, the full recovery of the aviation industry being possible in 2024, with the supply chains being reconfigured in the meantime.

The pandemic situation and the economic and geopolitical crisis did not alter Aerostar's commitment, nor did they cause any impact on the company's compliance with the established responsibilities.

Aerostar is fully committed to ensuring the continuity of its business, by acting through integrated measures at the management system level, and by monitoring continuously the global economic and financial imbalances.

6. Internal Environment

The labor shortage in the aviation industry remains a real challenge and problem, taking into account the demand for highly qualified and specialised personnel, as well as the high level of professional training and experience required by the specific activities in this field.

The financial information is selected from the company financial statements audited by the internal auditor.

In the three-month period ended on 31 March 2022, Aerostar had a turnover of 104.304 thousand lei, an increase compared to the turnover achieved in the first quarter of 2021.

The export sales also increased, mainly due to the revival of the market for manufactured aeronautical products.

II

7. Results in Key Figures

8. Economic-Financial Indicators of Aerostar S.A.

KEY FIGURES	UM	31.03.2022	31.03.2021
Share capital	k lei	48.729	48.729
Turnover	k lei	104.304	91.719
Export sales	k lei	75.511	58.124
Share of export in turnover	%	72%	63%
Actual number of employees	No.	1.758	1.643
Net profit	k lei	20.047	19.247
Cash – flow	k lei	249.171	218.040
General liquidity	-	8,48	9,16

Investment expenses from own sources	k lei	2.269	1.202
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ECONOMIC-FINANCIAL INDICATORS	31.03.2022	31.03.2021
Current liquidity	8,48	9,16
Indebtedness rate	0	0
Debt rotation rate – customers	53	41
Fixed asset rotation rate	0,48	0,50
General solvency rate	12,96	13,65
Financial rate of return	0,05	0,05
Net profit rate	19,22%	20,99%
Net treasury	69.923 k lei	54.512 k lei

MONETARY INDICATORS	UM	31.03.2022	31.03.2021
Average exchange rate EURO/3 months	lei/euro	4,9462	4,8782
Average exchange rate USD/3 months	lei/USD	4,4067	4,0461
Average exchange rate GBP/3 months	lei/GBP	5,9144	5,5789
Inflation	-%	3,99	2,14

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

9. Aerostar ‘ARS’ Share in Key Figures

The main characteristics of the issued securities:

152.277.450 shares, nominative, ordinary, of equal value, integrally paid, issued in dematerialized form and recorded by registration in the Shareholders Register that is administrated by Depozitarul Central S.A. -Bucharest.

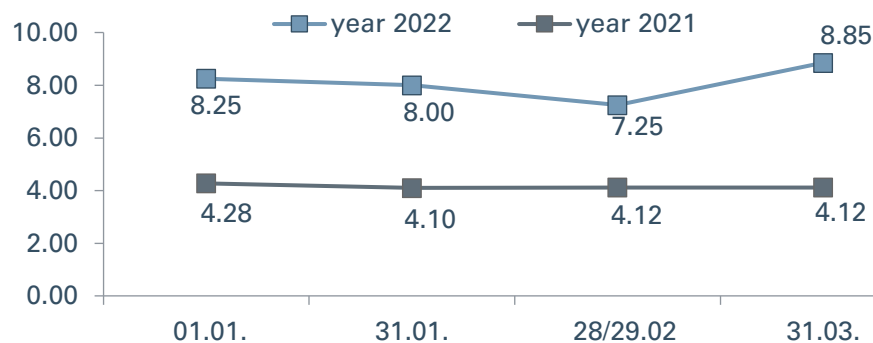
In the first quarter, the ARS Aerostar share reached the trading price of 8.85 lei.

During the first quarter of 2022:

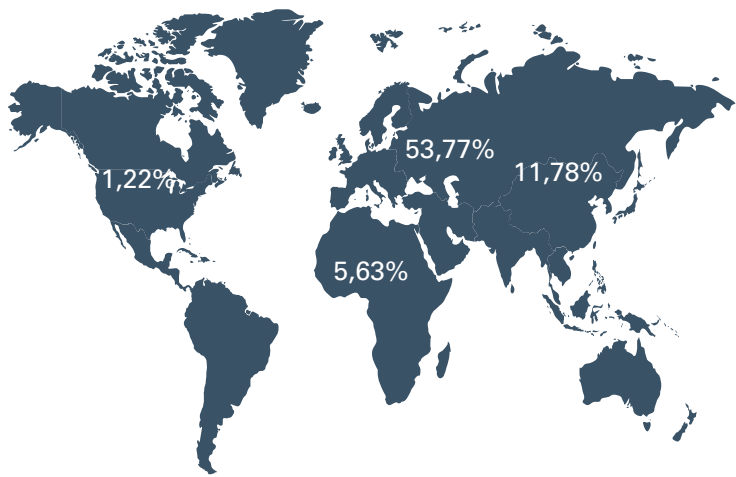
- no program was underway for purchasing own shares.
- the company Aerostar S.A. did not issue any bonds or other similar securities.
- no subscriptions of new shares and no issue of participation certificates, convertible bonds, options or similar rights were recorded.

Aerostar shares – key figures	31.03.2022	31.03.2021	31.03.2020
No. 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) *)	8,85	4,12	3,28
Stock exchange capitalization (lei)	1.347.655.433	627.383.094	499.470.036
Maximum price (lei)*)	9,50	4,38	5,70
Minimum price (lei) *)	7,20	4,00	3,00
Result per share (lei)	0,132	0,126	0,142

**Source: Monthly bulletin issued by the Bucharest Stock Exchange*



Monthly evolution of reference price of Aerostar ARS shares in the time period January – March 2022 compared to the same period of 2021 (lei/share)



The turnover in the first quarter of 2022:

104.304 thousand lei, higher compared to the same period of last year.

In the first quarter, AEROSTAR sold products and services on the internal market in the amount of 28.793 thousand lei, and on the external market in the amount of 75.511 thousand lei.

Approximately 72% of the sales represents export sales. Compared with the first quarter of 2021, the export sales percentage was affected in the region of Asia, but increased on the European and African market.

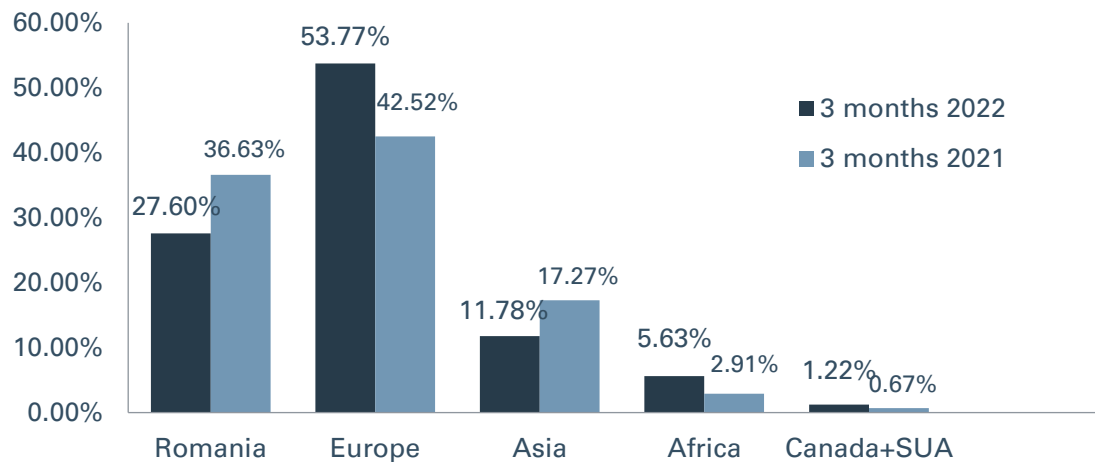
General elements

In Europe we provide maintenance services for civil aviation, aviation products (landing gear systems, mechanical parts, assemblies and sub-assemblies), electronic equipment and ground equipment.

In Asia and Africa we provide civil aviation services and in Canada we supply aviation products.

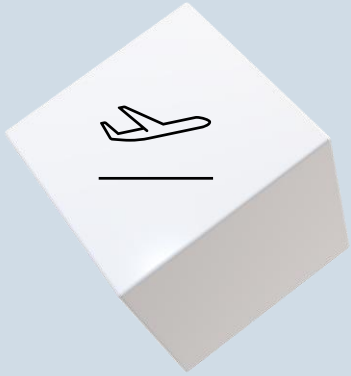
In Romania we provide repair services for military aircraft and repairs of electronical parts and components for military aircraft, upgrades, integration and maintenance for the military aviation systems, repair services for systems and launchers and civil aviation products.

10. Results in Sales



Sales evolution on the main sales markets in Aerostar

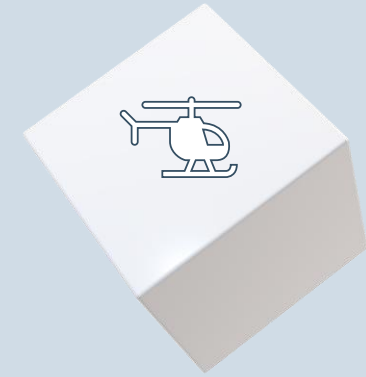
AEROSTAR S.A.



10. Aerostar Business

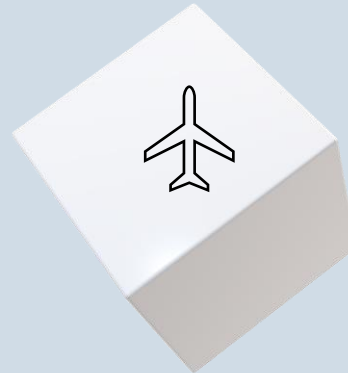
Manufacturing of Aeronautical Products

Aerostar is a significant supplier of aerostructures, components, assemblies and hydraulic systems for global manufacturing programmes. The equipment, assemblies and parts manufactured by AEROSTAR are part of a large number of commercial aircraft: Airbus A320, A321, A330, A350, Boeing B737, B787, B767, Gulfstream G650, Dassault F7X, Bombardier Challenger series 600 and Global 5000/6000.



MRO Civil Aviation

AEROSTAR is an important maintenance services supplier at an industrial level (basic and complex, level B, C and D maintenance work, structural modifications, upgrade of avionics systems) and for A320 Airbus family commercial aircraft and Boeing B737 series 300-900.



Defence systems

AEROSTAR is active in the upgrading, integration and maintenance programmes for defence and military aviation systems, being a first-rank supplier for the Romanian Ministry of National Defence and an authorized economic operator registered in the Unique Register of economic operators and production capacities and/or defence services in the national defence industry.

AEROSTAR S.A.

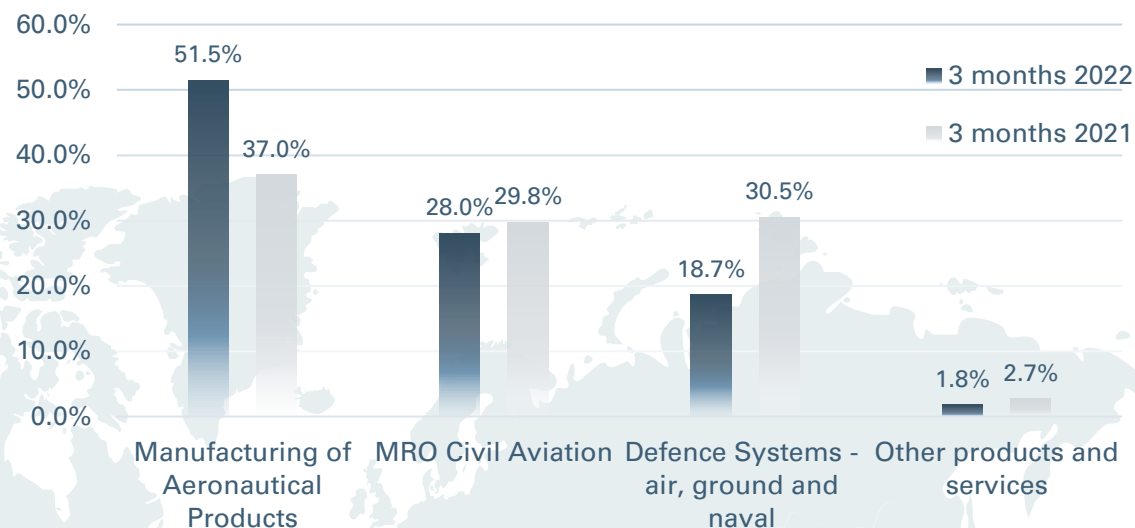
Aerostar produces and offers services materialized in three business lines:

Manufacturing of aviation products;

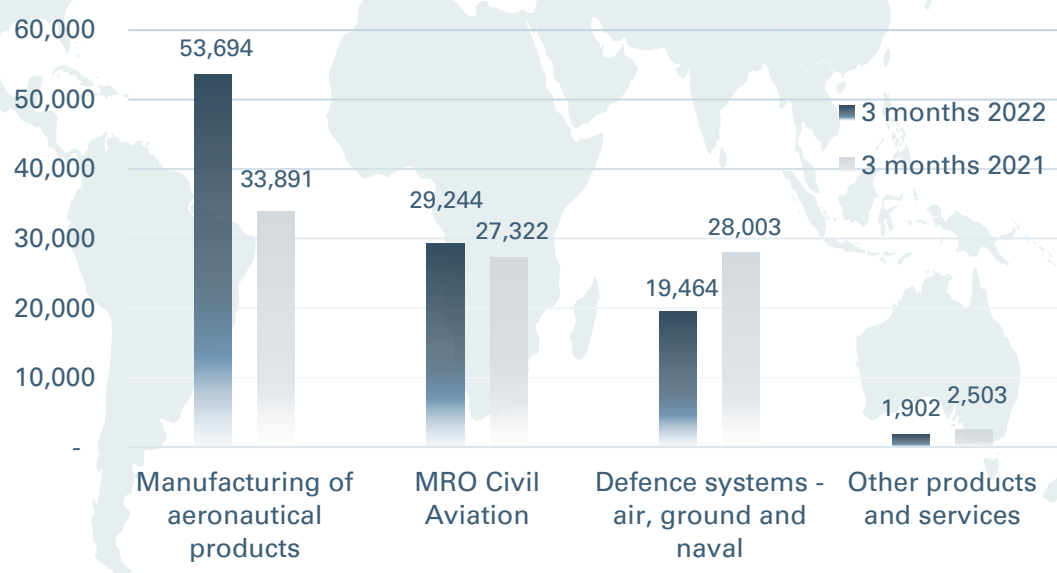
Commercial aircraft maintenance;

Defence systems - aero, ground and naval.

Between 1 January and 31 March 2022, the manufacturing of aviation products increased as a result of an increased demand for aircraft on the global market and of the gradual recovery of the travel flights.



Share of Aerostar business in total sales



AEROSTAR sales on business lines

11. Share of Business in Sales

12. Investments

At the end of the first quarter, AEROSTAR implemented investments in the amount of 2.269 thousand lei and made investments in financial assets in the amount of 49.142 thousand lei.

The share of investment expenses in the first quarter of 2022 is represented as follows: 27% of the value of the investment expenses was used for the acquisition of technological equipment, mainly for the maintenance of civil aircraft, 40% was used for upgrade and thermal rehabilitation of the existing facilities which leads to an improved thermal performance by reducing consumption in Aerostar, and 19% was used for purchasing means of transport required for the fleet renewal.

The summarised situation of the investment expenses by categories of fixed assets has the following structure:

Category	Investments expenses for the first quarter (k lei)
Total property, plant and equipment	2,156
Intangible assets	112
TOTAL	2,269



13. Our employees

On 31.03.2022 AEROSTAR S.A. had an effective number of 1.758 employees, of which 85 were employed through temporary labour agent (AIRPRO CONSULT S.R.L.). Out of the total number of employees, 170 hold management positions.

The average union membership of the company during the first 3 months of 2022 is 64,04%.



Benefits for Employees

The Collective Labour Agreement for 01.04.2022 – 31.03.2024 provides a package of benefits that covers the dynamic of our employees' needs and requirements and salary increases of 15.5%.

Training and professional development

Professional training courses were organized for our employees during the reporting period, focused on covering the training requirements in the areas of interest for the performance of the production activities:

Number of professional training attendees: 585

Number of employees included in the professional training programs: 425

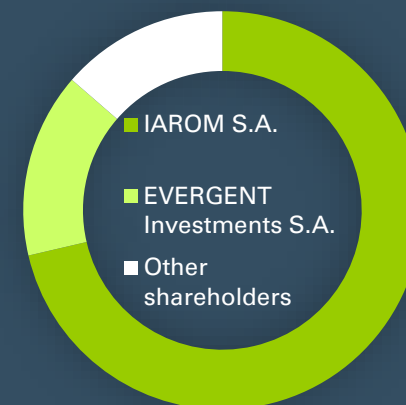
Health and Labour Safety, Work Conditions

AEROSTAR acts consistently to reduce the risks of accidents and diseases and applies in its activity internal norms and regulations that ensure compliance with the legal provisions as well as prevention and safety plans against the new coronavirus.

The significant shareholders of AEROSTAR S.A. are IAROM S.A. București and EVERGENT Investments S.A. Bacău.

There are no litigations with the persons mentioned above. During the current year, there was no subscription of new shares or issue of participation certificates, convertible bonds, options or similar rights.

The shareholders can obtain information about AEROSTAR S.A. and the main events on the company's website www.aerostar.ro.



*Shareholders' structure on 31 March 2022

14. Aerostar Shareholders

Shareholder	Number of shares	Participation owned %
IAROM S.A.	108,854,869	71.48%
Evergent Investments S.A	23,112,232	15.17%
Other shareholders	20,310,349	13.33%
Total	152,277,450	100.00%

*Source Depozitarul Central

The executive management is composed of:

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

15. Board of Directors

AEROSTAR's Board of Directors was elected for a period of 4 years during the General Meeting of the Shareholders of 9 July 2020. The election was carried out by secret ballot, with the mandate period until 10.07.2024.

The Board of Directors is composed as follows:

Name	Position
Filip Grigore	President
Damaschin Doru	Vice-president
Toncea Mihail-Nicolae	Member
Doroș Liviu- Claudiu	Member
Vîrnă Daniel	Member

16. Executive Management

The executive management is ensured by the General Director and the Financial Director.

The management structure at an executive-operational level is completed by the other division and direction directors. There were no modifications in this structure during the first quarter of 2022.

III

15. Summarized Financial Statements

Financial performance	UM	31.03.2022	31.03.2021
Total income	k lei	103.909	95.560
Total expenditure	k lei	80.386	73.325
Gross profit	k lei	23.523	22.235
<hr/>			
Financial position	UM	31.03.2022	31.03.2021
Non-current assets (net values)	k lei	233.111	184.963
Circulating assets	k lei	414.317	377.686
Registered capital	k lei	48.729	48.729
Company equity	k lei	441.996	399.590
Total debts	k lei	75.985	62.402

AEROSTAR S.A. BACĂU
COMPANY FINANCIAL STATEMENTS
FOR MARCH 31, 2022

UNAUDITED

The financial statements dated 31.03.2022 were audited by the internal auditor
of the company Aerostar S.A.

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OTHER COMPREHENSIVE INCOME

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AEROSTAR S.A. BACĂU
COMPANY STATEMENT OF PROFIT OR LOSS
FOR 31 MARCH 2022
(unless specified otherwise, all amounts are stated in thousand lei)

	Note	31 March 2022	31 March 2021
Operating income			
Income from sales	19	104.304	91.719
Other income	19	576	700
Income related to the inventories of finished goods and work in progress	19	(3.855)	(2.368)
Income from production of assets	19	10	175
Income from operating subsidies	19	-	1.418
Total operating income		101.035	91.644
Operating expenses			
Material expenses	20	(40.287)	(30.466)
Expenses with employees' benefits	20	(32.748)	(28.818)
Expenses regarding amortization of assets	5;6;20	(6.053)	(6.671)
Net income (expenses) from adjustments regarding current assets	20	2.654	(2.870)
Net income (expenses) from adjustments regarding provisions	20	2.382	3.767
Expenses regarding external services	20	(4.592)	(6.608)
Other expenses	20	(1.023)	(809)
Total operating expenses		(79.667)	(72.475)
Profit/loss from operating activity		21.368	19.169
Financial income	21	2.874	3.916
Financial expenses	22	(719)	(850)
Financial profit/loss		2.155	3.066
Profit before tax		23.523	22.235
Tax on current and deferred profit	17;23	(3.476)	(2.988)
Net profit of the period		20.047	19.247

General Director
Grigore Filip

Financial Director
Doru Damaschin

AEROSTAR S.A. BACĂU
COMPANY STATEMENT OF OTHER ELEMENTS OF THE COMPREHENSIVE
INCOME FOR 31 MARCH 2022
(unless specified otherwise, all amounts are stated in thousand lei)

	31 March 2022	31 March 2021
Net profit of the period	20.047	19.247
Deferred income tax recognized on company equity	(169)	(27)
Revaluation at fair value of company equity instruments through other elements of comprehensive income	730	-
Other elements of comprehensive income	561	(27)
Comprehensive income of the period	20.608	19.220

General Director
Grigore Filip

Financial Director
Doru Damaschin

AEROSTAR S.A. BACĂU
COMPANY STATEMENT OF FINANCIAL POSITION
FOR 31 MARCH 2022

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

	Note	31 March 2022	31 December 2021
ASSETS			
Non-current assets			
Property, plant and equipment	6	160.322	163.914
Intangible assets	5	652	688
Investment property	6	6.250	6.395
Rights to use assets under lease	32	1.763	1.773
Financial assets	7	49.142	52
Receivables regarding deferred profit tax	17	14.982	15.788
Total non-current assets		233.111	188.610
Current assets			
Inventories	10	97.451	98.770
Trade receivables and other receivables	8;9;18	65.977	59.801
Receivables regarding current profit tax	23	-	-
Short-term expenses registered in advance	31	1.718	579
Cash and cash equivalents	11	249.171	274.471
Total current assets		414.317	433.621
Total assets		647.428	622.231
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	12	48.729	48.729
Current result	12	20.047	59.940
Result carried forward	12	105.484	51.148
Reserves	12	286.363	284.365
Deferred income tax recognized on equity	17	(17.359)	(17.134)
Distribution of profit for legal reserve	12	(1.268)	(5.660)
Total company equity	12	441.996	421.388
Long-term liabilities			
Liabilities regarding deferred income tax	17	19.565	19.418
Subsidies for long-term investments	14	2.758	3.025
Other long-term liabilities	16	1.503	1.525
Total long-term liabilities		23.826	23.968
Long-term provisions			
	13	104.239	105.383
Current liabilities			
Trade liabilities	15;18	30.496	28.450
Liability with current income tax	23	4.917	2.224
Prepaid income	31	2.432	196
Subsidies for short-term investments	14	1.071	1.167
Other current liabilities	16	13.243	13.009
Total current liabilities		52.159	45.046
Short-term provisions			
	13	25.208	26.446
Total provisions		129.447	131.829
Total liabilities		75.985	69.014
Total company equity, liabilities and provisions		647.428	622.231

General Director
Grigore Filip

Financial Director
Doru Damaschin

AEROSTAR S.A. BACĂU
COMPANY STATEMENT OF CASH FLOWS (direct method)
FOR 31 MARCH 2022
(unless specified otherwise, all amounts are stated in thousand lei)

	Note	31.03.2022	31.03.2021
CASH FLOWS FROM OPERATIONS			
collected from customers		108.008	74.539
taxes and excises recovered from State Budget		1.200	261
subsidies receipts from State Budget		2	1.358
payments to suppliers and employees		(67.064)	(46.378)
payment of taxes, contributions and dues to State Budget		(18.014)	(15.729)
payment of profit tax to State Budget		0	0
NET CASH FROM OPERATIONS	27	24.132	14.051
CASH FLOWS FROM INVESTMENTS			
interest collected from bank deposits set up		1.376	665
payments for purchasing non-current assets	7, 27	(48.525)	0
payments for purchasing property, plant and equipment and intangible assets		(2.530)	(1.013)
NET CASH FROM INVESTMENTS	27	(49.679)	(348)
CASH FLOWS FROM FINANCING ACTIVITIES			
gross dividends paid		(88)	(78)
NET CASH FROM FINANCING ACTIVITIES	27	(88)	(78)
Net increase/decrease of cash and cash equivalents		(25.635)	13.625
Cash and cash equivalents at the beginning of the period		274.471	202.660
Effect of the exchange rate variation over the cash and cash equivalents	27	335	1.755
Cash and cash equivalents at the end of the period	11	249.171	218.040

General Director
Grigore Filip

Financial Director
Doru Damaschin

AEROSTAR S.A. BACĂU
COMPANY STATEMENT OF CHANGES IN EQUITY
FOR 31 MARCH 2022
(all amounts are stated in thousand lei)

	Share capital	Reserves	Reserves from revaluation of assets through other elements of comprehensive income	Deferred income tax recognized on equity	Result carried forward	Result of the period	Total equity
Comprehensive income							
A. Balance on 1 January 2022	48.729	284.365	-	(17.134)	51.148	54.280*	421.388
Profit of the period						20.047	20.047
Other elements of comprehensive income							
Set up deferred income tax recognized on the account of equity				(225)	56		(169)
Taking over the profit of the financial year 2021 over the result carried forward representing the undistributed profit, until the distribution to the destinations decided by the shareholders in OGMS of 20 April 2022 (Note 12)					54.280	(54.280)	-
Distribution of the profit made in the first quarter of 2022 for reserves from fiscal facilities, in gross amounts		1.268				(1.268)	-
Revaluation at fair value of the company equity instruments through other elements of comprehensive income			730				730
Comprehensive income of the period	-	1.268	730	(225)	54.336	(35.501)	20.608
B. Balance on 31 March 2022	48.729	285.633	730	(17.359)	105.484	18.779**	441.996
C. Changes in the company equity (Note 12)	-	1.268	730	(225)	54.336	(35.501)	20.608

* The result of the prior period (the year 2021) is 59.940 thousand lei, which is influenced by the distribution of the profit on the legal reserves and other reserves from fiscal facilities in the amount of 5.660 thousand lei;

** The result on 31.03.2022 is 20.047 thousand lei, which is influenced by the distribution of the profit on the legal reserves and other reserves from fiscal facilities in the amount of 1.268 thousand lei;

**General Director,
Grigore Filip**

**Financial Director,
Doru Damaschin**

AEROSTAR S.A. BACĂU
COMPANY STATEMENT OF CHANGES IN EQUITY
FOR 31 MARCH 2021
(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
Comprehensive income						
A. Balance on 1 January 2021	48.729	270.214	(16.148)	51.214	26.361*	380.370
Profit of the period					19.247	19.247
Other elements of comprehensive income						
Set up deferred income tax recognized on the account of equity			(112)	85	-	(27)
Taking over the profit of the financial year 2020 over the result carried forward representing the undistributed profit, until the distribution to the destinations decided by the shareholders in OGMS of 21 April 2021 (Note 12)				26.361	(26.361)	-
Distribution of the profit made in the first quarter of 2021 for legal reserves in gross amounts		585			(585)	-
Comprehensive income of the period		585	(112)	26.446	(7.699)	19.220
B. Balance on 31 March 2021	48.729	270.799	(16.260)	77.660	18.662**	399.590
C. Changes in the company equity (Note 12)	-	585	(112)	26.446	(7.699)	19.220

* The result of the prior period is 38.443 thousand lei, which is influenced by distribution of the profit on the reserves from fiscal facilities in the amount of 12.082 thousand lei;

** The result on 31.03.2021 is 19.247 thousand lei, which is influenced by the distribution of the profit on the reserves from fiscal facilities in the amount of 585 thousand lei;

**General Director,
Grigore Filip**

**Financial Director,
Doru Damaschin**

AEROSTAR S.A. BACAU
NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR 31 MARCH 2022
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 1 - DESCRIPTION OF THE COMPANY

AEROSTAR was established in 1953 and operates 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 Resolution no. 2/14.12.2017 of the Board of Directors, the opening of a secondary place of business without legal personality (workplace) located in Iasi, on 25B Aeroportului Street has been approved.

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 Bacău 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 quarter of 2022, there was no subscription of new shares, nor any participation certificates, convertible bonds, warranties, options or similar rights.

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

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

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

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

AEROSTAR S.A. BACAU
NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR 31 MARCH 2022
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 2 - ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

2.1. Estimates

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

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

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

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

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

The company uses estimates in order to determine:

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

Presenting the information

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

2.2. Errors

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

The company corrects retroactively the significant errors on the prior period presented in the first set of financial statements approved for publication after discovering the errors, by:

- restating the comparative values for the prior period presented when the error occurred, or
- 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 COMPANY FINANCIAL STATEMENTS
FOR 31 MARCH 2022
(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;
- the value of the adjustment for each previous period presented, insofar as possible:
 - for each item - row affected in the financial statement;
 - for the basic result and diluted per share.
- the amount of the correction at the beginning of the earliest period presented;
- if retrospective reprocessing is impossible for a specific prior period, the circumstances that lead to the existence of such circumstance and a description of how and when such error was corrected.

2.3. Changes in the accounting policies

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

The company modifies an accounting policy only if such change:

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

Applying changes in the Accounting Policies:

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

Presenting the information

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

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

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

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

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

AEROSTAR S.A. BACAU
NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR 31 MARCH 2022
(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;
- 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 the companies whose securities are admitted for trading on a regulated market;
- O.M.F.P. no. 2.844/2016 on the approval of the Accounting Regulations conforming to the International Financial Reporting Standards, as subsequently amended and supplemented;
- O.M.F.P. no. 2.861/2009 for the approval of the Norms regarding the organization and execution of inventories of items such as assets, debts and own capital;
- O.M.F.P. no. 1.826/2003 on the approval of the Explanatory Memorandum regarding certain organizational and leading measures for management accounting;
- O.M.F.P. no. 2.634/2015 regarding the financial accounting documents, including subsequent amendments and additions;
- Law no. 24/2017, republished, regarding the issuers of financial instruments and market operations.

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

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

The financial year is the calendar year.

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

The financial statements are prepared based on historical cost.

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

3.2. Applied Accounting Policies

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

Compared to the situation presented previously at the end of the financial year 2021, there are no changes in the applied principles, methods, policies and accounting procedures.

AEROSTAR S.A. BACAU
NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR 31 MARCH 2022
(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.

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

<u>Currency</u>	<u>31.03.2022</u>
1 EUR (Euro)	4,9466 lei
1 USD (American Dollar)	4,4508 lei
1 GBP (British pound)	5,8374 lei

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

Considering that 72% 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 variations of the foreign exchange rates will affect both its net incomes and its financial position as expressed in the functional currency.

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

I-st QUARTER OF 2022	THOUSAND EUR	THOUSAND USD	THOUSAND GBP
Collected from financial assets	3.881	11.268	0
Payments of financial liabilities	(2.501)	(4.008)	(139)
Foreign exchange net exposure	1.380	7.260	(139)

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

+ 0,82% in the 1st quarter of 2022 compared to 31.12.2021

and

EUR/LEU:

- 0,04% in the 1st quarter of 2022 compared to 31.12.2021

determined the registration of a financial profit from favourable exchange rate differences of 683 THOUSAND LEI.

AEROSTAR S.A. BACAU
NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR 31 MARCH 2022
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 5 - INTANGIBLE ASSETS: reporting period 31 March 2022

	Values on 31 March 2022			Values on 01 January 2022		
	Gross value	Accumulated depreciation	Net value	Gross value	Accumulated depreciation	Net value
Licences	6.317	(5.734)	583	6.217	(5.606)	611
Other intangible assets (software)	430	(361)	69	418	(341)	77
Total	6.747	(6.095)	652	6.635	(5.947)	688

Net accounting value on 31.03.2022:

	Net value on 1 January 2022	Gross value entries	Depreciation during the period	Net value on 31 March 2022
Licenses	611	100	(128)	583
Other intangible assets	77	13	(21)	69
Total	688	113	(149)	652

AEROSTAR S.A. BACAU
NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR 31 MARCH 2022
(unless specified otherwise, all amounts are stated in thousand lei)

COMPARATIVE FIGURES – INTANGIBLE ASSETS: reporting period 31 March 2021

	Values on 31 March 2021			Values on 01 January 2021		
	Gross value	Accumulated depreciation	Net value	Gross value	Accumulated depreciation	Net value
Licences	5.750	(5.294)	456	5.719	(5.199)	520
Other intangible assets (software)	408	(280)	128	404	(261)	143
Total	6.158	(5.574)	584	6.124	(5.460)	663

	Net value on 1 January 2021	Gross value entries	Depreciation during the period	Net value on 31 March 2021
Licenses	520	31	(95)	456
Other intangible assets	143	4	(19)	128
Total	663	35	(114)	584

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

- Licences
- Other intangible assets

The software programmes are registered under other intangible assets.

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

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

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

The intangible assets in the balance sheet account as on 31.12.2022 are not depreciated and no adjustments were made for the depreciation thereof.

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

The value of the completely amortized software licenses on 31 March 2022 and which are still in use is 3.292 thousand lei.

All the intangible assets recorded in the balance sheet as on 31 March 2022 are the property of AEROSTAR.

The entries of intangible assets were made via:	<u>113 thousand lei</u>
• development of the IT production management system - version 3	13 thousand lei
• purchases of software licences	100 thousand lei

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

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

S.C. AEROSTAR S.A. BACAU
NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR 31 MARCH 2022

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

NOTE 6 – PROPERTY, PLANT AND EQUIPMENT: reporting period 31 March 2022

	Values on 31 March 2022			Values on 01 January 2022		
	Gross value	Cumulative depreciation	Net value	Gross value	Cumulative depreciation	Net value
Land	29.266	0	29.266	29.266	0	29.266
Constructions	95.856	(34.776)	61.080	95.193	(33.277)	61.916
Technological equipment and vehicles	195.844	(129.099)	66.745	193.970	(124.975)	68.995
Other equipment and office equipment	3.761	(1.554)	2.207	3.761	(1.476)	2.285
Investment property	10.537	(4.287)	6.250	10.537	(4.142)	6.395
Property, plant and equipment under construction	1.024	-	1.024	1.452	-	1.452
Total	336.288	(169.716)	166.572	334.180	(163.870)	170.309

	Net value on 1 January 2022	Inputs at gross value	Outputs at gross value	Depreciation during the period	Net value on 31 March 2022
Land	29.266	0	0	0	29.266
Constructions	61.916	663	0	(1.499)	61.080
Technological equipment and vehicles	68.995	1.923		(4.173)	66.745
Other equipment and office equipment	2.285	0	0	(78)	2.207
Investment property	6.395	0	0	(145)	6.250
Property, plant and equipment under construction	1.452	2.158	(2.586)	0	1.024
Total	170.309	4.744	(2.586)	(5.895)	166.572

S.C. AEROSTAR S.A. BACAU
NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR 31 MARCH 2022

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

COMPARATIVE FIGURES - PROPERTY, PLANT AND EQUIPMENT: reporting period 31 March 2021

	Values on 31 March 2021			Values on 01 January 2021		
	Gross value	Cumulative depreciation	Net value	Gross value	Cumulative depreciation	Net value
Land	29.266	-	29.266	29.266	0	29.266
Constructions	94.434	(28.475)	65.959	94.206	(26.781)	67.425
Technological equipment and vehicles	189.425	(112.167)	77.258	188.533	(107.613)	80.920
Other equipment and office equipment	3.475	(1.246)	2.229	3.475	(1.172)	2.303
Investment property	10.537	(3.695)	6.842	10.537	(3.542)	6.995
Property, plant and equipment under construction	976	-	976	1.009	0	1.009
Total	328.113	(145.583)	182.530	327.026	(139.108)	187.918

	Net value on 1 January 2021	Inputs at gross value	Outputs at gross value	Depreciation during the period	Net value on 31 March 2021
Land	29.266	0	0	0	29.266
Constructions	67.425	228	0	(1.694)	65.959
Technological equipment and vehicles	80.920	972	(8)	(4.626)	77.258
Other equipment and office equipment	2.303	0	0	(74)	2.229
Investment property	6.995	0	0	(153)	6.842
Property, plant and equipment under construction	1.009	1.167	(1.200)	0	976
Total	187.918	2.367	(1.208)	(6.547)	182.530

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

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

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

Depreciation expenses are recognized in the profit and loss account.

The following useful lifetimes are assumed:

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

The useful lifetimes are established by committees consisting of specialists from our company. The useful lifetimes of the property, plant and equipment are stipulated by the fiscal legislation.

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

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

The value of renting income in this category of fixed assets was 595 thousand lei.

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

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

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

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

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

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

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

S.C. AEROSTAR S.A. BACAU
NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR 31 MARCH 2022

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

Internal source of information:

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

External source of information:

The market value of the company (stock exchange capitalization) doubled on 31.03.2022 compared to 31.03.2021.

The indicator that offers information regarding the investors' interest in the companies listed on the capital market is the market capitalization related to the company equity (MBR).

<u>indicator MBR-Market to book ratio</u>	<u>31.03.2022</u>	<u>31.12.2021</u>	<u>31.03.2021</u>
Stock exchange capitalization/ company equity	3,05	2,9	1,6

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

The property, plant and equipment in balance on 31.03.2022 are not depreciated and no significant depreciation indicators were identified.

The gross accounting value of the fully depreciated property, plant and equipment that are still in operation on 31 March 2022 is 50.826 thousand lei.

On 31.03.2022 no mortgages were set up on the real estate assets owned by Aerostar S.A.

Inputs of property, plant and equipment:	<u>4.744 k lei</u>
<ul style="list-style-type: none"> • Commissioning of technical equipment, hardware equipment, measuring and control equipment 	2.586 k lei
<ul style="list-style-type: none"> • Property, plant and equipment in progress in 2022 	2.158 k lei
Outputs of property, plant and equipment:	<u>2.586 k lei</u>
<ul style="list-style-type: none"> • Transfer of property, plant and equipment in progress following their commissioning 	2.586 k lei

AEROSTAR S.A. BACAU
NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR 31 MARCH 2022
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 7- FINANCIAL ASSETS

	Shares held in affiliated entities	Other immobilised security - shares	Other immobilized receivables – supplier guarantees	Total
On 1 January 2022	14	0	38	52
Increases/Decreases	-	49.090	-	49.090
On 31 March 2022	14	49.090	38	49.142

A) Investments in affiliated entities registered under cost:

Subsidiary name / Registered head office	CAEN Code	No. of shares/ shares issued	Voting rights (%)	Value of shares held by Aerostar (k lei)	Financial information related to 2020				
					Company's share capital (k lei)	Reserve (k lei)	Net profit (k lei)	Nominal value/ share	Net asset/ share
Airpro Consult SRL Bacau 9, Condorilor Street	- main activity according to CAEN code 7820	100	100%	10	10	102	69	0,10	1,8
Foar SRL Bacau 9, Condorilor Street	- main activity according to CAEN code 7739	800	51%	4	8	995	5	0,01	1,3
TOTAL	x	x	x	14	18	1.097	74	x	x

AEROSTAR S.A. BACAU
NOTES TO THE COMPANY FINANCIAL STATEMENTS
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AEROSTAR's share contribution in these companies is registered under cost.

During the first quarter of 2022 the company recorded no modifications i.e. no increases/decreases as to the shareholding percentage, maintaining the same influence as in 2021 on the remaining companies in the equity portfolio.

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

B) Investments in equity instruments through other elements of comprehensive income:

Issuer's Name	CAEN Code	No. of shares	Symbol	Value price/share on 31.03.2022	Portfolio value at market price (k lei)
Registered head office					
Evergent Investments S.A.	- main activity according to CAEN code 6499	40.237.757	EVER	1,22	49.090
94C, Pictor Aman Street, Bacău					

In the first quarter of 2022, the Company purchased 40.237.757 shares of the company Evergent Investments S.A, listed at the Bucharest Stock Exchange. Aerostar accounts the shares held at fair value via other elements of comprehensive income, in accordance with IFRS 9 "Financial Instruments". The company has used the irrevocable option to assign such equity instruments at fair value via other elements of comprehensive income since these financial assets are held both for collecting dividends and for earnings from selling them, not for trading them. An earning or a loss related to a capital instrument assessed at fair value through other elements of comprehensive income must be recognized in other elements of comprehensive income, except for the revenues from dividends.

At the end of the period, Aerostar recorded an improvement with 730 k lei of the comprehensive income of the period as a result of the revaluation of the equity instruments related to the shares held by Evergent Investments.

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

NOTE 8 - TRADE RECEIVABLES

	31 March 2022	31 December 2021
TRADE RECEIVABLES OF WHICH:		
Customers, of which:	61.030	54.139
Customers from Romania	15.111	20.596
Customers from outside Romania	45.919	33.543
Uncertain customers	1.194	1.819
Adjustments for impairment of receivables - customers	(980)	(1.332)
Suppliers – debtors	1.057	1.787
Adjustments for impairment of receivables - advances granted to customers	(43)	(42)
TOTAL TRADE RECEIVABLES	62.258	56.371

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

- in percentage of 50% of the value of the receivables not collected on time if the due date is between 30 days and 180 days. On 31 March 2022 the company registered adjustments for depreciation of this nature in the amount of 213 thousand lei;
- in percentage of 100% of the value of the receivables not collected on time, if the delay exceeds 180 days. On 31 March 2022 the company registered adjustments for depreciation of this nature in the amount of 767 thousand lei.

Moreover, the company registered adjustments for depreciation of the advances granted to the suppliers in the amount of 43 thousand lei.

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

Debtors-suppliers have the following discount limit:

- In the year 2022: 878 k lei
- In the year 2024: 179 k lei

The receivables expressed in foreign currency were evaluated at the market exchange rate communicated by the National Bank of Romania for the closure of March 2021.

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

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NOTE 9 - OTHER RECEIVABLES

	31 March 2022	31 December 2021
Receivables related to manpower and similar accounts	14	6
Receivables related to the budget of social insurance and the state budget, of which:	3.116	2.833
– Non-chargeable VAT	107	106
– amounts to be recovered from the National Health System (allowances for medical leaves)	1.461	2.050
– Amounts to be recovered from A.J.O.F.M. representing the allowance for the reduced working time according to OUG 132/2020	-	2
– Excise duty to be recovered related to the fuel used	779	648
– Other claims in connection with the local budget representing the fee of public service to be recovered resulting from corrected declarations submitted during 2021	1	17
– Other claims in connection with the social security budget and the state budget	768	10
Interest to be received from bank deposits	358	231
Diverse debtors	605	583
Adjustments for the depreciation of the receivables – diverse debtors	(374)	(223)
TOTAL OTHER RECEIVABLES	3.719	3.430

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NOTE 10 – INVENTORIES	31 March 2022	31 December 2021
Of which:		
Raw material *	31.863	32.332
Consumables **	44.517	43.539
Other material	236	245
Semi-finished	310	1.151
Packaging	4	37
Finished products	14.815	25.653
Products and services in progress	43.420	35.999
<i>Gross value of inventories (unadjusted)</i>	<u>135.165</u>	<u>138.956</u>

ADJUSTMENTS FOR DEPRECIATION OF INVENTORIES

	31 March 2022	Increases/ Setups/	Decreases/ Resumptions/	31 December 2021
Total adjustments	<u>37.714</u>	<u>851</u>	<u>(3.323)</u>	<u>40.186</u>
Adjustments for impairment of raw material	19.509	334	(1.559)	20.734
Adjustments for impairment of consumables	17.109	336	(748)	17.521
Adjustments for impairment of semi-finished parts	310	-	(840)	1.150
Adjustments for impairment of finished products	550	77	(176)	649
Adjustments for impairment of production in progress	236	104	-	132

Note:

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

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

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

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

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

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Within the company the goods deemed to be depreciated are those older than the storage period established by internal decision of the Board of Directors.

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

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

The total value of inventories recognized as an expense during the period is 34.281 thousand lei.

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

AEROSTAR has no pledged inventories.

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NOTE 11 - CASH AND CASH EQUIVALENTS

The cash includes:

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

The cash equivalents include:

- term deposits with banks;

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

	31.03.2022	31.03.2021
Cash at the cashier's desk	72	57
Sight deposits with banks	20.657	19.266
Term deposits with banks	228.442	198.717
Cash and cash equivalents	249.171	218.040

All term deposits held by banks have a maturity of less than 3 months.

There are no restrictions on the current bank accounts and deposits held by banks.

The value of the bank Credit Line that can be used as overdraft, available for future operations is 2.500 THOUSAND USD (the equivalent of 11.127 THOUSAND LEI).

During the reporting period the bank Credit Line was unused.

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NOTA 12 - COMPANY EQUITY

The company equity on 31 March 2022 is 441.996 thousand lei. The net increase of the company equity in 2022 compared to the end of 2021 was 41.018 thousand lei.

Main elements of the company equity in the period January – March 2022 compared to the year 2021:

- **The share capital remained unchanged**
On 31 March 2022, the share capital of AEROSTAR SA is 48.728.784 lei, divided in 152.277.450 shares having each a nominal value of 0,32 lei.
- **The reserves increased by 1.998 thousand lei:**
 - 1.268 thousand lei on account of redistribution of the profit made in the first quarter of 2022 for reserves from the fiscal facilities;
 - 730 thousand lei on account of revaluation at fair value of the company equity instruments FVTOCI.
- **Other capital elements decreased by the amount of 225 thousand lei** on account of the deferred income tax recognized in company equity.
- **The result carried forward increased by 54.336 thousand lei as follows:**
 - An increase by 56 thousand lei on account of the deferred income tax recognized on account of equity;
 - An increase by 54.280 thousand lei on account of taking over the profit of the year 2021 on the result carried forward representing the undistributed profit until the distribution to the destinations decided by shareholders in OGMS of 20 April 2020.
- The balance of the result account carried forward on 31 March 2022 is 105.484 thousand lei, comprising:
 - the result carried forward incurred by the use, on the date of transition to IFRS, of the fair value as presumed cost = 28.590 thousand lei;
 - the result carried forward representing the gain obtained from revaluation reserves, capitalized as the property, plant and equipment and intangible assets were amortized = 22.614 thousand lei;
 - the result carried forward representing the undistributed profit related to the year 2022 = 54.280 thousand lei.
- **The result of the period was a profit in the amount of 20.047 thousand lei.**

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NOTE 13 - PROVISIONS

	31 December 2021	Increases/ Set-ups/ Reclassification of provisions	Reductions/ Reruns/ Reclassification of provisions	Differences from revaluation	31 March 2022
Total provisions	131.829	2.820	(5.554)	352	129.447
Provisions for bonds granted to customers	45.807	2.820	(2.321)	370	46.676
Provisions for decommissioning property, plant and equipment	16.415	-	-	-	16.415
Provisions for the employees' benefits	5.756	-	(3.097)	-	2.659
Other provisions	63.851	-	(136)	(18)	63.697
Long-term provisions	105.383	657	(2.153)	352	104.239
Provisions for bonds granted to customers	30.666	657	(2.017)	370	29.676
Provisions for decommissioning property, plant and equipment	16.415	-	-	-	16.415
Other provisions	58.302	-	(136)	(18)	58.148
Short-term provisions	26.446	2.163	(3.401)	-	25.208
Provisions for bonds granted to customers	15.141	2.163	(304)	-	17.000
Provisions for employees' benefits	5.756	-	(3.097)	-	2.659
Other provisions	5.549	-	-	-	5.549

Provisions set up for guarantees granted to customers

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

Provisions for decommissioning the Property, Plant and Equipment

Provisions for decommissioning of property, especially buildings are set up to cover the decommissioning costs, of removal of the elements and restoration of the locations where they are placed and included in their cost. The value was estimated using an update annual rate of 6,5%.

Provisions for benefits granted to employees

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

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The provisions related to the performance bonus for 2021 and the annual holidays leave not taken by the employees during 2020 and 2021 are found in the balance.

Other provisions

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

- covering risks specific to the aviation industry, such as: risk of hidden defects, risk of discovering quality incidents that can incur damages.
- coverage of some expenses regarding the Company's obligations towards A.J.O.F.M., based on O.U.G. 95/2002;
- covering some risks regarding the application of penalties for delays in the recommissioning of the ST-68 radars, as per the contractual provisions;
- covering some risks regarding the application of penalties for delays and damages associated with the manufacture of aeronautical products for the customer GKN Aerospace.

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NOTA 14 - SUBSIDIES

Subsidies related to assets

AEROSTAR recognizes as deferred income the subsidies regarding assets.

	1-st quarter of 2022	1-st quarter of 2021
Balance on 1 January, of which:	4.192	5.893
Short-term	1.167	1.948
Long-term	3.025	3.945
Subsidies received:	0	0
Subsidies registered in income corresponding to the calculated amortization	(363)	(472)
Balance on 31 March, of which:	3.829	5.421
Short-term	1.071	1.592
Long-term	2.758	3.829

In the first quarter of 2022 AEROSTAR S.A. did not receive subsidies for financing its assets. The subsidies received in the previous years for financing its assets were related to the implementation of 3 investment projects under 3 non-reimbursable financing agreements:

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

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

The balance registered on 31 March 2022 representing subsidies related to investments in immobilized assets which are to be recorded as income as the calculated amortization is registered under costs.

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NOTE 15 – COMMERCIAL DEBTS

	31 March 2022	31 December 2021
Prepaid amounts collected on customers' account, of which:	5.160	3.625
Customers-creditors from Romania	490	1.053
Customers-creditors from outside Romania	4.670	2.572
Suppliers, of which:	25.336	24.825
Providers of materials and services from Romania	9.908	6.976
Providers of materials and services from outside Romania	11.882	11.514
Suppliers-invoices not arrived	2.774	5.271
Suppliers of non-current assets	772	1.064
Commercial effects to pay	-	-
Total commercial debts	30.496	28.450

The payments in advance collected from the foreign customers are for aircraft maintenance and repair work (99,13%) and other services provided (0.87%).

For the registered debts no mortgages were set up.

The favourable or unfavourable exchange rate differences between the market exchange rate to which the debts in foreign currencies are registered and the market exchange rate communicated by the National Bank of Romania for the closure of March 2022, were registered in the corresponding accounts of revenues or expenses.

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NOTE 16 - OTHER LIABILITIES

	31 March 2022	31 December 2021
Other current liabilities, of which:	13.243	13.009
• <i>Liabilities related to manpower and similar accounts</i>	4.530	3.295
• <i>Liabilities related to social security budget and state budget, of which:</i>	6.187	7.112
- VAT payable	636	2.625
- Social insurance	4.167	3.325
- Labour safety contribution	265	212
- Tax on salary type revenues	835	658
- Contribution for people with unemployed disabilities	140	135
- Other taxes	103	107
- Other social liabilities	41	50
• <i>Other liabilities, of which:</i>	2.526	2.602
- dividends	2.257	2.300
- diverse creditors	232	267
- bonds received	37	35
Other long-term liabilities	1.503	1.525

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

- the liability regarding the right to use the land leased for the Maintenance Hangar of Iasi (1.503 thousand lei)

The dividends in balance on 31 March 2022, in the amount of 2.257 thousand lei represent the amounts remained in balance for the shareholders who did not show up at the offices of the paying agent CEC Bank S.A. (the paying agent designated by AEROSTAR) and which were not time-barred.

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NOTE 17 - DEFERRED PROFIT TAX

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

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

The structure of deferred income tax registered on 31.03.2022 is:

Liabilities from deferred tax

1. Liabilities related to the deferred tax generated by the differences between the accounting bases (higher) and the fiscal ones (lower) of the non-current assets	1.474
2. Liabilities related to the deferred tax concerning legal reserves	1.559
3. Liabilities on deferred tax related to reserves from the fiscal facility	16.471
4. Liabilities on deferred tax related to the result carried forward representing a surplus from revaluation reserves	61
Total liabilities on deferred tax	19.565

Receivables on deferred tax

1. Receivables on deferred tax related to other provisions	671
2. Receivables on deferred tax related to provisions for bonds granted to customers	7.468
3. Receivables on deferred tax related to provisions for other risks	160
4. Receivables on deferred tax related to provisions for manpower benefits	425
5. Receivables on deferred tax related to adjustments for depreciation of inventories	6.034
6. Receivables on deferred tax related to adjustments for depreciation of trade receivables	224
Total receivables on deferred tax	14.982

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

In the period 01 January 2022 – 31 March 2022, the company registered income from the tax on deferred profit in the amount of 551 thousand lei and expenses with the tax on deferred profit in the amount of 1.335 thousand lei.

The tax on deferred profit recognized on the account of equity in the amount of 17.359 thousand lei consists of liabilities on deferred tax in the amount of 18.030 thousand lei and receivables on deferred tax in the amount of 671 thousand lei.

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NOTE 18 - FINANCIAL INSTRUMENTS

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

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

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

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

The financial assets of AEROSTAR S.A. include:

- sight deposits and term deposits with banks;
- trade receivables;
- immobilized receivables (bonds for third parties);

The financial liabilities of AEROSTAR S.A. include:

- trade liabilities;

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

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

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

a) Credit risk

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

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

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

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

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

Exposure to credit risk

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

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

	31.03.2022	31.03.2021
Sight and term deposits with banks	249.099	217.982
Trade receivables, net of adjustments for depreciation	58.100	53.737
Immobilized receivables	38	38
Total	307.237	271.757

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

	31.03.2022	31.03.2021
Domestic market	15.111	18.020
Euro zone countries	18.732	19.724
Great Britain	15.232	9.448
Other European countries	4.683	4.581
Other regions	4.342	1.964
Total	58.100	53.737

Depreciation adjustments

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

	Gross value	Adjustments	Gross value	Adjustments
	31.03.2022	for depreciation	31.03.2021	for depreciation
In due time	57.485		53.358	
Past due, total of which:	1.595	980	742	363
1-30 days	0	0	0	0
31-60 days	594	129	568	271
61-90 days	158	54	42	16
91-120 days	75	29	31	15
Over 120 days	1	1	80	40
Over 1 year	767	767	21	21
Total	59.080	980	54.100	363

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

	31.03.2022	31.03.2021
Balance on 1 January	1.332	438
Adjustments set up for depreciation	213	305
Adjustments for depreciations resumed as revenues	(565)	(380)
Balance on 31 December	980	363

On 31.03.2022, 98% of the balance of trade receivables are related to customers with a good payment record.

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b) Liquidity risk

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

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

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

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

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

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

Debts	Accounting value	Contractual cash flows	0-30 days	31-60 days	over 60 days
31.03. 2022 Trade liabilities	22.534	(22.534)	(16.715)	(5.584)	(235)
31.03. 2021 Trade liabilities	18.440	(18.440)	(15.392)	(2.561)	(487)

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

On 31.03.2022 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 72% 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 accounting values denominated in foreign currency recorded at the end of the reporting period.

31.03.2022	K EUR	K USD	K GBP
Sight and term deposits with banks	2.017	2.175	17
Trade receivables	1.585	7.898	0
Trade liabilities	(1.308)	(1.601)	(25)
Net exposure in original currency	2.294	8.472	(8)

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Sensitivity analysis

Taking into consideration the net exposure calculated in the above table, AEROSTAR can be deemed to be exposed mainly to the foreign exchange risk generated by the variation of the foreign exchange rate USD/LEU and EUR/LEU.

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

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

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

31.03.2022	EUR/LEU	USD/LEU
Net exposure, in the currency of origin	2.294 K EUR	8.472 K USD
Currency exchange rate	4,9466	4.4508
Net exposure in functional currency	11.348 K LEI	37.707 K LEI
Possible reasonable variation of exchange rate	+/- 2%	+/- 10%
Effect of variation on the financial result	+/- 227 K LEI	+/- 3.771 K LEI

d) Interest rate risk

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

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

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

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

On 31.03.2022, the level of bonds granted by AEROSTAR under commercial agreements, by issue of bank bond letters and import Letters of Credit amounts to 1.613 THOUSAND USD (the equivalent of 7.179 thousand LEI).

On 31.03.2022 no mortgages are set up on the property assets in AEROSTAR's ownership.

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NOTE 19 - OPERATING INCOME

	31 March 2022	31 March 2021
Revenues from sales, of which:	104.304	91.719
Revenues from product sales	50.728	36.944
Revenues from services provided	52.771	54.050
Revenues from selling goods	4	2
Revenues from renting	636	576
Trade discounts granted	-	(24)
Revenues from other activities	165	171
Revenues related to inventories of products finished and in progress	(3.855)	(2.368)
Revenues from the production of fixed assets	10	175
Revenues from operating subsidies	-	1.418
Revenues from subsidies for investments	362	-
Other revenues from operations	214	700
Total operating income	101.035	91.644

In 2020 the company hasn't recorded income from operating subsidies.

Other revenues from operation in the amount of 214 thousand lei are represented, among others, by revenues from recovering debts from former employees (tuition expenses and other debts).

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NOTE 20 – OPERATING EXPENSES

	31 March 2022	31 March 2021
Expenses with employee benefits , of which:	32.748	28.818
Salaries and allowances	29.212	26.535
Expenses with meal tickets granted to employees	1.821	985
Expenses with social security	1.715	1.298
Expenses with raw material and material	31.304	25.794
Energy, water and gas	5.665	2.741
Other material expenses , of which:	3.318	1.931
Expenses with non-inventory materials	341	316
Expenses with goods	2	1
Expenses with packaging	174	43
Expenses with other material	2.801	1.571
Expenses with external services , of which:	4.592	6.608
Repairs	734	2.394
Transport costs	779	681
Commissions and fees	717	585
Travels, deployments	294	564
Renting expenses	170	160
Other expenses with services supplied by third parties	1.898	2.224
Trade discounts received	(33)	(9)
Amortizations	6.053	6.671
Net expenses (revenues) from adjustments on provisions	(2.382)	(3.767)
Net expenses (revenues) from adjustments on current assets	(2.654)	2.870
Other operational expenses	1.056	818
Total operating expenses	79.667	72.475

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

In 2022, AEROSTAR granted to its employees meal tickets in the amount of 1.821 thousand lei. The company did not register any expenses with the holiday vouchers.

In the category of other operational expenses in the amount of 1.056 thousand lei are included among others: expenses with local taxes and fees, sponsorship, donations.

In 2022 AEROSTAR registered increased/set up and decreased/resumed adjustments, as follows:

	31 March 2022	31 March 2021
Adjustments on provisions		
Increases / setups	3.190	4.750

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Decreases / reruns	5.572	8.517
Net expenses (revenues) from adjustments on provisions	(2.382)	(3.767)

In 2022, the impact of the adjustments on provisions is an increase of the operating expenses by the amount of 2.382 thousand lei.

Adjustments regarding impairment of current assets	31 March 2022	31 March 2021
Increased/set up adjustments		
Adjustments for the impairment of investments	851	6.007
Adjustments for the impairment of receivables	366	343
Losses from receivables and various debtors	17	-
Total increased/set up adjustments	1.234	6.350
Decreased/resumed adjustments		
Adjustments for the impairment of inventories	3.323	3.100
Adjustments for the impairment of receivables	565	380
Total decreased/resumed adjustments	3.888	3.480
Net expenses (revenues) from adjustments on the impairment of current assets	(2.654)	2.870

The impact of the adjustments on the impairment of current assets is an increase of the operating expenses by the amount of 2.654 thousand lei.

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NOTE 21 - FINANCIAL INCOME

	31 March 2022	31 March 2021
Income from foreign currency exchange differences	1.371	3.330
Income from interest	1.503	586
Total financial income	2.874	3.916

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

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NOTE 22 – FINANCIAL EXPENSES

	31 March 2022	31 March 2021
Expenses from exchange rate differences	688	820
Expenses with interest related to leasing contracts	31	30
Total financial expenses	719	850

In 2022 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.

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NOTE 23 - TAX ON PROFIT

Tax on profit

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

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

The profit tax rate applicable for 31.03.2022 was 16% (the same rate was applied for the financial year 2021).

		<u>31 March 2022</u>		<u>31 March 2021</u>
Gross accounting profit		23.523		22.235
Expenses with current tax on profit		2.693		2.771
Reconciliation of accounting profit with the fiscal profit for 31 March 2022				
				Differences
Accounting revenues*	103.499	Fiscal income	94.136	-9,363
Accounting expenses*	79.833	Fiscal expenses	74.813	-5,020
Gross accounting profit, restated*	23.666	Fiscal profit	19.323	-4,343
Accounting tax (16%)	3.787	Fiscal tax (16%)	3.092	-695
Tax reductions	-	<i>Tax reductions, of which:</i>	399	399
		• related to investments made acc.to Art. 22 Fiscal Code	203	203
		• sponsorship	196	196
Tax on final profit	3.787	Tax on final profit	2,693	-1,094
Applicable legal rate	16,00%	Legal rate applicable	16,00%	
Actual average tax rate, calculated on gross accounting profit, restated		11.38%		

* *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.*

Comparative key figures

31 March 2021

Gross accounting profit **22.235**
Expenses with current tax on profit **2.771**

Reconciliation of accounting profit with the fiscal profit				Differences
Accounting revenues*	95.298	Fiscal income	83.241	- 12.057
Accounting expenses*	72.812	Fiscal expenses	61.035	- 11.777
Gross accounting profit, restated*	22.486	Fiscal profit	22.206	-280
Accounting tax (16%)	3.598	Fiscal tax (16%)	3.553	-45
Tax reductions	-	<i>Tax reductions, of which:</i>	782	+782
		• related to investments made acc.to Art. 22 Fiscal Code	94	+94
		• sponsorship	688	+688
Tax on final profit	3.598	Tax on final profit	2.771	-827
Applicable legal rate	16,00%	Legal rate applicable	16,00%	
Actual average tax rate, calculated on gross accounting profit, restated		12.32%		

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The main factors that affected the actual tax rate:

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

On 31 March 2022 the company registered a debt related to the tax on current profit in the amount of 2,693 thousand lei corresponding to the first quarter of 2022.

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NOTE 24 - RESULT PER SHARE

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

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

IN LEI	<u>31.03.2022</u>	<u>31.03.2021</u>
Profit attributable to ordinary shareholders	20.046.575	19.247.458
Number of ordinary shares	152.277.450	152.277.450
Profit per share	<u>0,132</u>	<u>0,126</u>

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NOTE 25 - AVERAGE NUMBER OF EMPLOYEES

Own employees:

	<u>I-st quarter 2022</u>	<u>I-st quarter 2021</u>
Average number of employees	1.553	1.572

Employees hired through temporary labor agent:

	<u>I-st quarter 2022</u>	<u>I-st quarter 2021</u>
Average number of employees	92	9

	<u>I-st quarter 2022</u>	<u>I-st quarter 2021</u>
Total average number of employees	1.645	1.581

Total number of employees on 31.03.2022:

	<u>I-st quarter 2022</u>	<u>I-st quarter 2021</u>
Total number of personnel	1.758	1.643

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NOTE 26 - TRANSACTIONS WITH AFFILIATED PARTIES

<u>Acquisitions of goods and services</u>	<u>I-st quarter of 2022</u>	<u>I-st quarter of 2021</u>
Airpro Consult SRL Bacău	1.448	140
Foar SRL Bacău	128	87
TOTAL	1.576	227
<u>Sales of goods and services</u>	<u>I-st quarter of 2022</u>	<u>I-st quarter of 2021</u>
Airpro Consult SRL Bacău	-	-
Foar SRL Bacău	1	1
TOTAL	1	1
<u>Liabilities</u>	<u>Balance on 31.03.2022</u>	<u>Balance on 31.03.2021</u>
Airpro Consult SRL Bacău	502	69
Foar SRL Bacău	90	37
TOTAL	592	106

The transactions with the affiliated parties in the first quarter of 2022 consisted in:

- Services provided by Airpro Consult SRL Bacau to AEROSTAR SA Bacau for temporary manpower;
- Machinery rental services provided by Foar SRL Bacau to AEROSTAR SA Bacau;
- Space rental services provided by AEROSTAR SA Bacau to Foar SRL Bacau.

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NOTE 27 - INFORMATION REGARDING THE CASH FLOW

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

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

In the context of the Cash Flows Statement:

- the cash flows are the amounts collected and paid in cash and cash equivalents;
- the cash includes the cash available in the company's cash office and the sight deposits held with banks (available in the current accounts).
- the cash equivalents comprise the deposits formed in banks, bills and promissory notes deposited with banks in order to be collected.

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

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

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

Thus, in the first quarter of 2022:

- the amounts collected from the customers were 108.008 thousand LEI;
- payments to the suppliers and employees amounted to 67.064 thousand LEI, of which 48.500 thousand LEI payments to the suppliers and 18.564 thousand LEI payments to the employees;
- payments of taxes and duties to the State Budget amounted to 18.014 thousand LEI.

The operating activity generated in the first quarter of 2022 a net cash of 24.132 thousand LEI, an increase by 10.081 thousand LEI compared to the same period of the previous year.

Within the investment activities the following have been performed:

- payments to purchase financial assets in the amount of 48.525 thousand LEI, representing acquisitions of shares Evergent Investment S.A. (stock exchange symbol: EVER) in trading at the Bucharest Stock Exchange.

The purchased shares are owned in the portfolio for collecting contractual cash flows (dividends), and not for trading.

- payments to purchase tangible and intangible assets amounted to 2.530 thousand LEI.

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

Within the financing activity, an amount of 88 thousand LEI was paid, representing dividends due to the shareholders.

The level of cash and cash equivalents registered on 31.03.2022 amounts to 249.171 thousand LEI, an increase by 25.300 thousand LEI compared to the beginning of the year.

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NOTE 28 - LIABILITIES AND OTHER OFF-BALANCE ITEMS

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

	31 March 2022	31 December 2021
• Liabilities:		
○ guarantees granted to customers as letters of bank guarantee and letters of credit	404	465
○ guarantees received from suppliers – as letters of bank guarantees and letters of credit	101.213	134.255
• Goods, of which:		
○ inventories of other material released for use (tooling, jigs, fixtures, safety equipment, measuring and control equipment, technical library etc.)	38.285	36.823
○ material values received in consignment	2.262	2.262
○ finished products	65	65
○ materials – customers	208	216
○ tangible and intangible assets –obtained or purchased as a result of co-financed activity	573	573
○ material values received for processing/repairs	14.534	11.454
○ supporting assets related to the leasing contracts – Hangar of Iasi	2.477	2.477
○ Fixed assets proposed for disposal	136	296
• Other off-balance values, of which:		
○ Material guarantees	179	179
○ Liabilities for covering certain future obligations to A.J.O.F.M. based on OUG 95/2002 regarding the defence industry	4.194	4.330
○ debtors removed from accounts, monitored further on	175	175
○ creditors	21	21
○ de minimis aid for participation to fairs and exhibitions	324	324
• Greenhouse Gas Emission Certificates	6.589	6.842

On 31 March 2022, AEROSTAR S.A. had a number of 17390 greenhouse gas emission certificates. The market value on the last transaction day of a GES certificate GES was 76,60 Euro, according to the European Energy Exchange website (in December 2021: 79,51 euro).

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NOTE 29 – DIRECTORS’ REMUNERATION

The Board of Directors of AEROSTAR S.A. on 31.03.2022:

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

In 2022, the company AEROSTAR did not grant advance payments or credits to the members of the Board of Directors and did not make any commitment on their account as a collateral of any kind.

In the Ordinary General Meeting of 16 December 2021, the shareholders of the company Aerostar approved the freezing at the level decided by the ordinary general meeting of shareholders dated 09 July 2020 of the directors’ compensation **for the financial year 2022**, i.e.:

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

The amount of the gross compensations granted to the members of the Board of Directors in the first quarter of 2022, by virtue of their responsibilities, was 431 thousand lei.

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NOTE 30 – RISK MANAGEMENT

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

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

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

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

Operational Risk

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

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

Considering the global political turmoil, in the future we may face new types of risks, the Company carefully analyzing the main conflict areas.

The COVID-19 pandemic still affects significant fields of the global economy and markets. Nevertheless, a significant increase is expected once the traffic air demand is recovered.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The management of this risk is carried out by:

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

AEROSTAR is exposed to the exchange rate risk because 72% 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.

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

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

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NOTE 31 – PREPAID EXPENSES AND INCOME

	31 March 2022	31 December 2021
Expenses registered in advance (in the short term)	1.718	579
Income registered in advance (in the short term)	2.432	196

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

In the category **expenses registered in advance** in records on 31.03.2022 are found amounts to resume within a year representing, among others, subscriptions, insurance policy, fees, participation to trade fairs and conferences, taxes and duties, on-line services, maintenance of IT systems etc.

On 31 March 2022, Aerostar derecognised the long-term **income registered in advance**. In the category of short-term **income registered in advance** are recorded the values corresponding to provided services and delivered goods for which the income recognition conditions of IFRS 15 are not met (the customers have not gained control over goods/services yet).

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

Account 251	Values on 31 March 2022			Values on 01 January 2022		
	Gross amount	Cumulative depreciation	Net amount	Gross amount	Cumulative depreciation	Net amount
Asset related to the right to use the land for the Maintenance Hangar in Iași	1.887	(124)	1.763	1.888	(115)	1.773
Total	1.887	(124)	1.763	1.888	(115)	1.773

Net accounting value on 31.03.2022:

	Net amount on 1 January 2022	Revaluations in the first quarter of 2022	Depreciation in the period	Net amount on 31 March 2022
Asset related to the right to use the land for the MRO Hangar in Iași	1.773	(1)	(9)	1.763

The right to use the land for the Maintenance Hangar in Iași was re-evaluated at the foreign exchange rate communicated by the National Bank of Romania on the last banking day of each reporting period (31 March 2022).

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COMPARATIVE KEY FIGURES - ASSETS REGARDING THE RIGHTS TO USE THE LEASED ASSETS: reporting period 31 March 2021

Account 251	Values on 31 March 2021			Values on 01 January 2021		
	Gross amount	Cumulative depreciation	Net amount	Gross amount	Cumulative depreciation	Net amount
Asset related to the right to use the land for the Maintenance Hangar in Iași	1.882	(85)	1.797	1.864	(75)	1.789
Total	1.882	(85)	1.797	1.864	(75)	1.789

	Net amount on 1 January 2021	Revaluations in the first quarter of 2021	Depreciation in the period	Net amount on 31 March 2021
Asset related to the right to use the land for the MRO Hangar in Iași	1.789	18	(10)	1.797
Total	1.789	18	(10)	1.797

The right to use the land for the Maintenance Hangar in Iași was re-evaluated at the foreign exchange rate communicated by the National Bank of Romania on the last banking day of each reporting period (31 March 2021).

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NOTE 33 - EVENTS AFTER THE REPORTING PERIOD

Decisions of the Ordinary and Extraordinary General Meeting of the Shareholders of 20 April 2022

In the Ordinary General Meeting of the Shareholders dated 20 April 2022 the shareholders of Aerostar approved the following:

- The distribution of the net profit related to the financial year 2021 (profit), as follows:
 - distribution to the legal reserve of the reinvested profit
in the amount of 5.659.923,72 lei;
 - distribution to reserves in the amount of 31.438.439,20 lei;
 - distribution for dividends of the amount of 22.841.617,50 lei
and establishing a gross dividend per action of 0,15 lei, corresponding to a share
with the nominal value of 0,32 lei;

- **The date of 27 May 2022 as the Payment date** for the dividends related to the financial year 2021.

The distribution of the dividends due to the shareholders of Aerostar related to year 2021 shall be made in accordance with the applicable legal provisions.

According to the Financial Year 2022 – the following events will take place:

Presenting the financial results of the first 6 months of 2022	12.08.2022
Meeting with the press and interested investors to present the financial results of the first 6 months of 2022	12.08.2022
Presenting the financial results on 30 September 2022	11.11.2022

The company financial statements on 31.03.2022 which comprise: the statement of the financial position, the statement of the profit or loss, other elements of the comprehensive result, the company statement of the equity modifications, the company statement of the cash flows and the explanatory notes of the financial statements were approved by the Board of Directors on 05 May 2022 and signed on behalf of the Board of Directors by:

Grigore FILIP
President & General Director

Doru DAMASCHIN
Vicepresident & Financial Director