

## INDEPENDENT AUDITORS' REPORT

### To the Shareholders of Aerostar S.A. Bacău

Headquarters: Bacău, 9 Condorilor Street, Bacău county, România  
Fiscal Registration: RO950531

### Report on the Audit of the Financial Statements

#### Qualified Opinion

[1] We have audited the financial statements of **Aerostar S.A. Bacău** (the Company), which comprise the statement of financial position as of December 31, 2021, and the statement of income, the statement of other comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

[2] The financial statements as at and for the year ended December 31, 2021 are identified as follows:

- Net assets/Total equity: 421.388 thousand RON
- Net profit for the year: 59.940 thousand RON

[3] In our opinion, except of the possible effects of the matters as described in the paragraphs [4] - [5] and except for the effects of the matter as described in the paragraph [6] of *Basis for Qualified Opinion* section from our report, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2021, and of its financial performance and its cash flows for the year then ended in accordance with the Order of the Minister of Public Finance no. 2844/2016 for the approval of the accounting regulations compliant with International Financial Reporting Standards.

#### Basis for Qualified Opinion

[4] The Company recognizes revenue from services related to civil and military aircraft maintenance and repair projects upon completion of the provision of services and the transfer of control of the goods to the beneficiary. Previously, the Company recognized these services as income related to inventories of finished goods and services in progress at their cost of production. Due to the nature of the services provided, they have no alternative use for the Company due to contractual restrictions and practical limitations on the Company's ability to easily establish another use for those assets. Under these conditions, in accordance with the provisions of IFRS 15 Revenue from Contracts with Customers, the beneficiary controls the asset as it is created or improved, and the related revenue should be recognized over time as maintenance and repair services are provided. We have not been able to obtain sufficient and appropriate audit evidence to determine the impact of this departure from IFRS 15 on sales revenue, income related to finished goods and work in progress, and implicitly on the net profit of the current period, as well as the corresponding items in the statement of financial position.

[5] According to the collective labor agreement, the Company provides employees with retirement benefits. In accordance with IAS 19 Employee Benefits, such transactions meet the criteria for recognizing an obligation. The Company did not hire specialists (actuaries) to determine the amount of these obligations for retirement benefits and it did not include estimates of these future payments as of December 31, 2021 and December 31, 2020. Therefore, we were unable to determine those adjustments that may be required to the accompanying financial statements to reflect the requirement of the reporting framework. Any adjustments that may be required would affect the result for the current period, the retained earnings, the employee benefit obligations and the net assets.

[6] As of December 31, 2021, current assets include the amount of 10,189 thousand RON (December 31, 2020: 10,037 thousand RON), which represents the short-term portion of the deferred tax receivables. In accordance with IAS 1 Presentation of Financial Statements, when an entity presents current and non-current assets, as well as current and non-current liabilities as separate classifications in its statement of financial position, it shall not classify deferred tax assets (liabilities) as current assets (liabilities). Consequently, current assets are overstated by 10,189 thousand RON as of December 31, 2021, and 10,037 thousand RON as of December 31, 2020, respectively, and non-current assets are understated with the same amounts, without any impact on the performance of these financial years.

[7] We conducted our audit in accordance with International Standards on Auditing (ISAs), UE Regulation no. 537/2014 of the European Parliament and of the Council („The Regulation”) and Law no. 162/2017 („The Law”). Our responsibilities under those standards and regulations are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with International Ethics Standards Board of Accountants Code of Ethics for Professional Accountants (“IIESBA Code”) together with the ethical requirements that are relevant to our audit of the financial statements in Romania, including the Regulation and the Law, and we have fulfilled out other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

## Key audit matters

[8] Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p><b>Provisions</b></p> <p>See <b>Note 13 Provisions</b></p> <p>Provision Recognition Policy is set out in Note 3.2 “Applied Accounting Policies - Accounting Policies for Provisions”.</p> <p>As presented in Note 13 to the financial statements, as of December 31, 2021, the Company has total provisions amounting to 131,829 thousand RON, of which long-term provisions amounting to 105,383 thousand RON.</p> <p>The estimation of a provision involves significant professional judgement for the Company’s management regarding the probable results of the relevant events and the quantification of the probable related obligations.</p> <p>Due to the importance of the amounts reported in the Provisions item and the fact that, by their nature, provisions imply a significant degree of professional judgment, we consider that these are a key matter for the 2021 audit.</p>	<p>Our audit procedures included, but are not limited to:</p> <ul style="list-style-type: none"> <li>• We analyzed the current obligations of the Company based on which the provisions were recognized;</li> <li>• We analyzed the professional judgement used by the Company’s Management in determining the probable results of the events and the quantification of the potential obligations;</li> <li>• We obtained from the legal department of the Company, where applicable, the assessment regarding the probability of resolving the ongoing litigations as well as what is the best estimate of the value necessary for the settlement of the obligations deriving from these litigations;</li> <li>• We analyzed the maturity of the obligations underlying the recognition of provisions and their classification in the short and long term.</li> </ul>

## Other information - Administrators' Report

[9] Administrators are responsible for the preparation and presentation of Other information. The Other information comprise the Administrator's report, including the non-financial representation, and the Remuneration Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Other information and, in doing so, consider whether the Other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Administrator's report, which includes the non-financial representation, we read and report whether the Administrators' report is prepared, in all material respects, in accordance with the Order of Minister of Public Finance no 2844/2016, articles 15-19, respectively 39-42 of the accounting regulations in accordance with International Financial Reporting Standards.

Based solely on the work required to be undertaken in the course of the audit of the financial statements, in our opinion:

- [a] The information given in the Administrators' for the financial year for which the financial statements are prepared, is consistent, in all material respects, with the financial statements;
- [b] The administrators' Report, including the non-financial representation has been prepared, in all material respects, in accordance with OMFP no. 2844/2016, points 15-19, respectively 39-42, of the accounting regulations compliant with the International of Financial Reporting Standards.
- [c] The remuneration report has been prepared, in all material respects, in accordance with the provisions of Law 24/2017, articles no. 106-107.

In addition, based on our knowledge and understanding of the entity and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Administrators' report. We have nothing to report in this regard.

## **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

[10] Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with the Order of the Minister of Public Finance no. 2844/2016. and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

[11] In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

[12] Those charged with governance are responsible for overseeing the Company's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

[13] Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

[14] As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

[15] We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

[16] We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

[17] From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Other matters**

[18] The financial statements for the financial year ended December 31, 2020 were audited by another auditor who expressed an unqualified opinion on March 16, 2021 on these financial statements.

[19] This report of the Independent Auditor is addressed exclusively to the Company's shareholders, as a body. Our audit was undertaken in order to report to the Company's shareholders all those aspects that we are required to state to them in a financial audit report and for no other purposes whatsoever. To the extent permitted by law, we do not accept or take responsibility to anyone other than the Company and its shareholders, as a body, for our audit work, for the report on the financial statements and the report on the Administrators' Report, or for the opinion we have formed.

## Report on other legal and regulatory requirements

[20] We were appointed by the General Shareholders' Meeting on April 21, 2021 to audit the financial statements of the Company for the year ended December 31, 2021, December 31, 2022 and December 31, 2023. Our total uninterrupted period of engagement is 1 year, covering period ending December 31, 2021.

We confirm that:

- Our audit opinion is consistent with the additional report presented to the Audit Committee of the Company, which is issued with the same date as the current report. We also remain independent of the audited entity in conducting the audit.
- We have not provided to the Company the prohibited non-audit services referred to in article 5 (1) of EU Regulation no 537/2014.

## Report on compliance with Commission Delegated Regulation (EU) 2018/815 (European Single Electronic Format Regulatory Technical Standard or ESEF)

[21] We have undertaken a reasonable assurance engagement on the compliance with Commission Delegated Regulation (EU) 2018/815 applicable to the financial statements included in the annual financial report of **Aerostar S.A. Bacău** (the Company) as shown in the digital files containing the unique code LEI 315700G9KRN3B7XDBB73 (Digital Files).

## Responsibility of management and those charged with governance for Digital Files prepared in accordance with ESEF

[22] Management is responsible for preparing the Digital Files in accordance with ESEF. This responsibility includes:

- the design, implementation and maintenance of the internal control relevant to the application of ESEF;
- ensuring consistency between the Digital Files and the financial statements that will be published in accordance with Order no. 2844/2016 with subsequent amendments.

Those in charge of governance are responsible for overseeing the preparation of Digital Files in accordance with ESEF.



## Auditor's Responsibilities for Audit the Digital Files

[23] Our responsibility is to express a conclusion on whether the financial statements included in the annual financial report complies in all material respects with the requirements of the ESEF, based on the evidence we have obtained. We conducted our reasonable assurance assignment in accordance with International Standard on Assurance Assignments 3000 (revised), Assurance Assignments other than audits or reviews of historical financial information (ISAE 3000) issued by the International Auditing and Assurance Standards Board.

A reasonable assurance engagement in accordance with ISAE 3000 involves performing procedures to obtain evidence about compliance with ESEF. The nature, timing, and extent of the procedures selected depend on the auditor's judgement, including the assessment of the risk of material departures from the requirements set out in ESEF, whether due to fraud or error. A reasonable assurance engagement includes:

- obtaining an understanding of the Company's process for preparation of the Digital Files in accordance with the ESEF, including the relevant internal controls.
- reconciling the Digital Files with the audited financial statements of the Company that will be published in accordance with Order no. 2844/2016 with subsequent amendments.
- evaluating if all financial statements that are included in the annual financial report have been prepared in a valid XHTML format.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion. In our opinion, the financial statements for the financial year ended December 31, 2021 included in the annual financial report and presented in the Digital Files comply, in all material respects, with the requirements of ESEF.

In this section we do not express an audit opinion, a review conclusion or any other assurance conclusion on financial statements. Our audit opinion on the Company's financial statements for the financial year ended December 31, 2021 is included in the " Report on the Audit of the Financial Statements" section above.

For and on behalf of BDO Audit SRL

Registered in the Public Electronic Report of financial auditors and audit firms with no. FA18

Partner's name: Cristian Iriciuc

Registered in the Public Electronic Report of financial auditors and audit firms with no. AF4090

Bucharest, Romania

March 25, 2022

For stamp and signature please refer to the original Romanian version
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