



# AEROSTAR S.A.

PERFORMANCE THROUGH PROFESSIONALISM!

# Annual report 2020



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**THE REPORT  
OF THE BOARD OF DIRECTORS**

The current Annual Report of AEROSTAR S.A. Bacau at 31.12.2020 is prepared in accordance with Law no. 24/2017 and Regulation no. 5/2018 of the Financial Supervisory Authority (ASF) regarding the issuers of financial instruments and market operations.

**The Report of the Board of Directors at 31.12.2020** is accompanied by **the Individual Financial Statements of AEROSTAR S.A.** and is aimed at informing the investors regarding the modifications in the company's position and performance for the year 2020, as well as regarding the predictable evolutions in the aviation and defence industry market.

This report also includes the declaration regarding the non-financial reporting aspects. The Statement of compliance with the Corporate Governance Code of the Bucharest Stock Exchange is attached as an annex to the Board of Directors' Report.

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

In accordance with the classification of the national economic activities, AEROSTAR's main object of activity is the manufacture of aircraft and spaceships – code CAEN 3030.



## COMPLIANCE WITH THE NON-FINANCIAL REPORTING REQUIREMENTS □

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The non-financial reporting process is described in the section bearing the same name, page 54. The contact details regarding the non-financial reporting process are the same as for the current and regular reports of the company.

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## MESSAGE OF THE PRESIDENT & GENERAL DIRECTOR 2020, a year of inflexion



*We focused on identifying solutions to overcome with minimum losses the crisis in the machining industry sector. We made the option to continue the activity, to protect the production capacity and the workforce, and maintaining the qualifications and authorizations held.*

*In this purpose, both the company's own resources and the support solutions provided by the Romanian Government were used.*

*We acted for the preservation of the company's resources and capabilities with a view to capitalize on them in the economic restart period.*

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

The results of the year 2020 outline that AEROSTAR is a robust company, with a high resilience, which coped with the challenges of the crisis generated by the Covid-19 pandemic.

The general activity budget for the year 2020 was based on the economic premises as known in November 2019, when no indication was available about the pandemic.

In 2020, Aerostar made a gross profit of 42,0 million lei at a sales volume in amount of 294,8 million lei.

In 2020 there was a significant decrease of the turnover obtained by Aerostar from the manufacture of parts, subassemblies and equipment for the large global commercial aircraft programmes, but also in the field of MRO services, due to the decline of the market demand following the onset of the Covid-19 pandemic.

The Company maintained unaffected all the existing production capabilities, qualifications and authorizations, as well as all the certifications and authorizations held for the quality, environmental and production systems and maintained the manpower and its qualifications in all areas so as to capitalize on the economic restart periods to follow after the mitigation of the economic crisis.

## About AEROSTAR S.A.

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**AEROSTAR S.A.** is a leading Romanian company in the aviation and defence industry; it was established in 1953, in Bacău, Romania.

AEROSTAR was founded by the Romanian state and is part of the national defence industry in accordance with the Law 232/2016.

As a very large enterprise, Aerostar reports under the category of large tax payers, having the unique identification code 950531. Listed on the Bucharest Stock Exchange since 1998, the Company's shares are symbolized on the stock exchange market as ARS.

The Company has the current name since 1991 when it was registered at the Trade Register of Bacău under the no. J04/1137/1991.

Having the registered office at 9, Condorilor Street, Bacău, Romania, Aerostar has a secondary place of business without legal personality – at 25B, Aeroportului Street, Iași, in the area of the International Airport of Iași - that was registered in 2018.

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

With more than 67 years of experience in the field of aviation and defense industry, a number of more than 1800 employees and facilities covering an area of over 47 ha, with modern industrial capabilities, Aerostar is dedicated to its mission with three main business and development pillars:

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

The unique identification code of the company at European level (EUID) is ROONRC.J04/1137/1991, and the identification code as a legal entity (LEI) is 315700G9KRN3B7XDDB73.

The web address of the company is [www.aerostar.ro](http://www.aerostar.ro).



## A year in figures

The economic crisis generated by the Covid-19 pandemic in 2020 had a strong impact on the aviation industry and the global supply chains in this sector.

	um	31.12.2020	31.12.2019	31.12.2018
Share capital	thousand lei	48.729	48.729	48.729
Turnover	thousand lei	294.839	399.210	353.413
Export sales	thousand lei	200.341	314.399	267.382
	%	68%	79%	76%
Actual number of employees	no.	1.807	1.958	1.969
Gross profit (before tax)	thousand lei	42.059	75.106	87.420
Net profit	thousand lei	38.443	65.979	79.921
Cash - flow	thousand lei	202.660	207.362	167.545
General liquidity	-	14,89	8,24	9,71
Expenses for investments (fully financed from own sources)	thousand lei	46.586	35.285	28.798

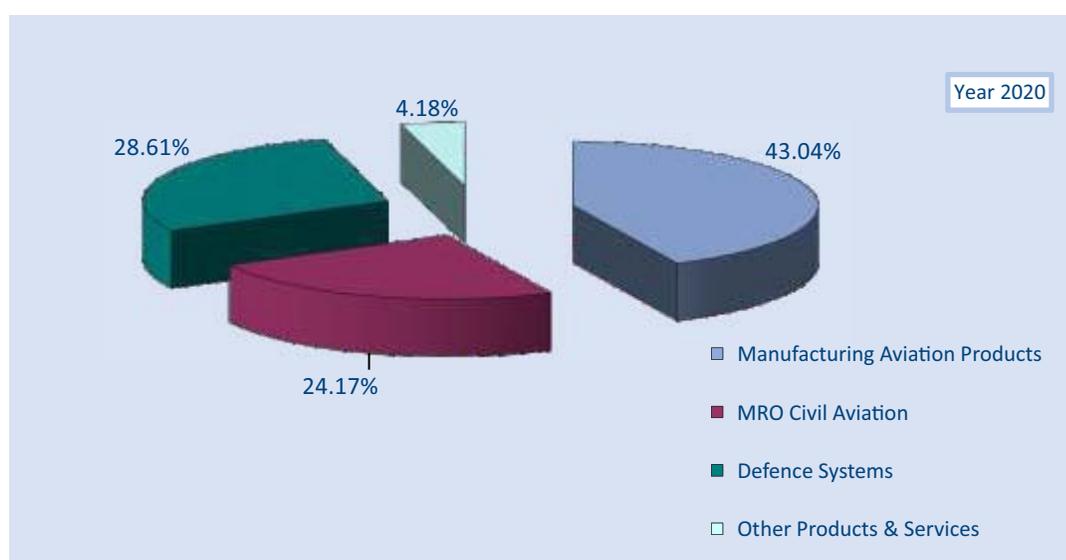
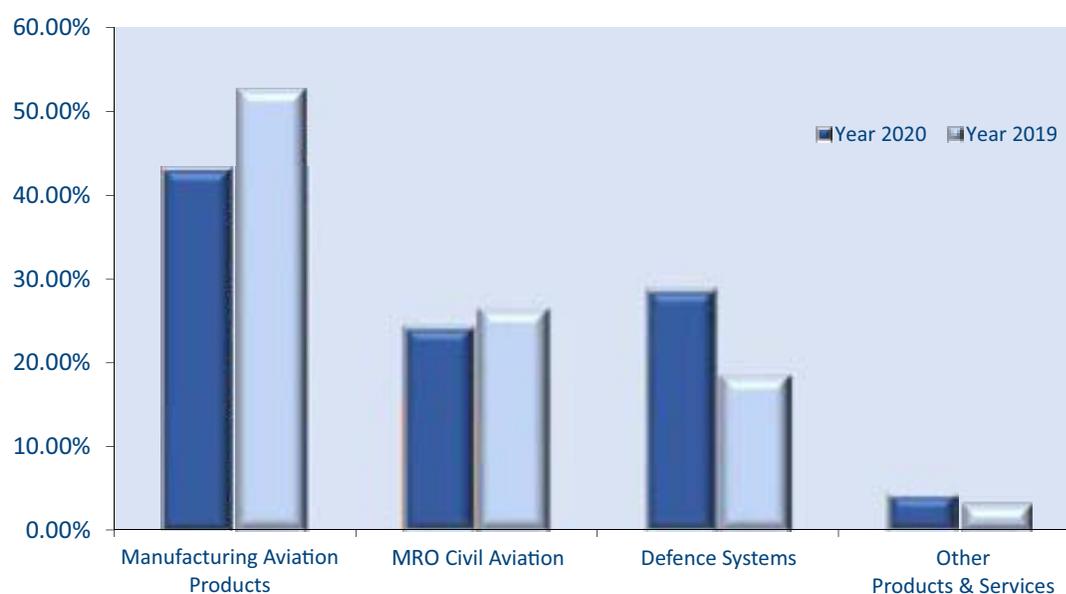
## Economic-financial indicators

	2020	2019
Current Liquidity	14,89	8,24
Indebtedness Rate	0	0
Rate of customer debits	52	51
Rate of immobilized assets	1,55	2,38
General Solvency Rate	23,24	11,96
Financial Rate of Return	0,10	0,18
Net profit rate	13,04%	16,53%
Net Treasury	29.133 k lei	43.462 k lei

		2020	2019	2018
Average exchange rate EURO/12 months	Lei/Euro	4,8371	4,7447	4,6534
Average exchange rate USD/12 months	Lei/USD	4,2440	4,2372	3,9411
Average exchange rate GBP/12 months	Lei/GBP	5,4423	5,4096	5,2600
Inflation Rate	%	2,06	4,04	3,27

## Evolution of the sales on the main business lines in 2020 versus 2019

	Year 2020	Year 2019
Manufacture of aviation products	43,04%	52,47%
MRO civil aviation	24,17%	26,21%
Defence systems	28,61%	18,30%
Other products and services	4,18%	3,02%



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

**The nominal value per share is 0,32 lei.**

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

AEROSTAR S.A. Bacău as an issuer is registered with the following data:

Unique registration code 950531, code ISIN ROAEROACNOR5, ARS stock exchange symbol, the shares issued belonging to the standard category.

The main shareholders are IAROM S.A. Bucharest holding 71,373% and SIF MOLDOVA S.A. Bacău holding 15,0514% of the Company's share.

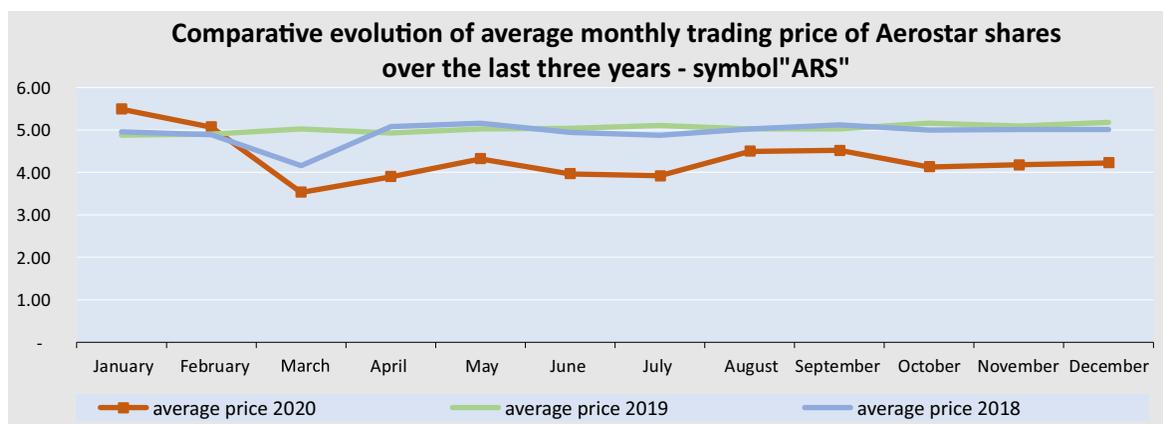
The shareholding structure at the end of 2020 comprised a total number of 6533 shareholders - natural and legal persons, the majority being below the significance threshold as provided in the regulations issued by the Financial Supervisory Authority and the Bucharest Stock Exchange.

The dividend policy is decided by the General Meeting of the Shareholders on a yearly basis, subject to the financial result of the previous year and the investment needs in accordance with the company's development programme.

The gross dividend/share over the previous three years is presented below:



## Evolution of Aerostar shares

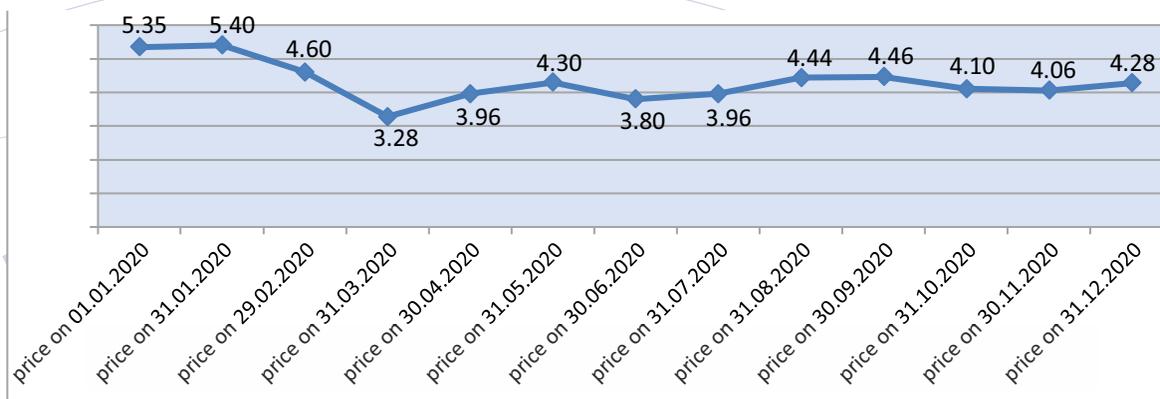


	2020	2019	2018
<b>MBR indicator</b> (market to book ratio) (stock exchange capitalization/equity).	1,7	2,2	2,3

## AEROSTAR shares in figures

	2020	2019	2018
Number of shares	152.277.450	152.277.450	152.277.450
Nominal value per share (lei)	0,32	0,32	0,32
Price at the end of the year (lei)	4,28	5,35	4,85
Stock exchange capitalization (lei)	651.747.486	814.684.358	738.545.633
Maximum price (lei)	5,70	5,35	5,36
Minimum price (lei)	3,00	4,78	4,65
Result per share (lei)	0,252	0,433	0,525

**Monthly evolution of the reference price for Aerostar shares**  
in the time period January-December 2020 (lei/share):



The largest decrease of the ARS share price was recorded in March 2020 (-28,69%).

During 2020 the company did not perform any acquisition programme to buy its own shares. At the same time Aerostar did not issue bonds or other similar securities and there was no subscription of new shares or issue of participation certificates, convertible bonds, options or similar rights.

## EVENTS OF THE YEAR 2020

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· **On 11 March 2020**, the World Health Organization declared the pandemic for the novel coronavirus Covid-19 a while the state of emergency was established on the territory of Romania starting from March 16, 2020.

As of 15 May 2020, the state of alert was declared and maintained throughout the year 2020.

· **On 16 March 2020** marked the end of the negotiations of the clauses in the collective labour agreement at the Company level regarding the employees' benefits. The estimated impact of the salary raise on the costs for the year 2020 exceeded the amount of 8 million lei.

· **On 21 April 2020** took place the Extraordinary and the Ordinary General Meetings of the Shareholders in accordance with the applicable legal regulations.

- Aerostar's shareholders approved the dissolution of the company ATF S.A., where Aerostar held 45,75% of the share capital.

- At the same time, Aerostar's shareholders approved a gross dividend per share of 0,13 lei, corresponding to a nominal value per share of 0,32 lei and 23 June 2020 as the date of payment.

· **On 5 June 2020** an update of the forecasts on Aerostar's results for 2020 following the pandemic's impact on the aviation industry was made, indicating an estimated drop of the sales in 2020 by approximately 100 million lei, down to a value of 278 million lei.

- The updated estimates sent to BVB and posted on the web page [www.aerostar.ro](http://www.aerostar.ro) specified a significant downsize of the turnover in the field of manufacture of parts, subassemblies and equipment for the large global programmes for commercial aircraft, but also in the field of MRO services.

· **On 9 July 2020**, the Ordinary General Meeting of the Shareholders of AEROSTAR decided to renew the mandate of the Board of Directors for a period of 4 years, starting from the date 11.07.2020 until 10.07.2024.

· **On 7 August 2020** a protocol of collaboration was signed between The Air Force General Staff and Aerostar S.A., designated as the sole Maintenance Center for the F-16 aircraft.

· **On 13 August 2020** the Ordinary General Meeting of the Shareholders took place for the appointment of the Audit Committee, appointed for the period between 13 August 2020 and 12 August 2022.

· **On 1st September 2020** AEROSTAR launched out the start of the maintenance activity in the new hangar located in Iași. It also marked the commissioning of the investment and the arrival of the first aircraft for maintenance work at the new location.



The new hangar is part of Aerostar's Maintenance Base, authorized as per the aeronautical regulations Part 145 of the Romanian Civil Aeronautical Authority/ EASA and heavy maintenance work can be performed on three narrow body aircraft type B737 or A320 simultaneously.

· **On 16 December 2020** the Ordinary General Meeting of the Shareholders approved the Income and Expenditure Budget for the year 2021. It provides for a turnover of 310 million lei, total income of 327,068 million lei, total expenditures of 294,303 million lei and a gross result of 32,765 million lei, and a net result of 27,523 million lei, respectively.

### Events after the reporting date

AEROSTAR did not identify any events after the reporting date to impact on the financial statements for the financial year ended on 31 December 2020.

· **On 3 March 2021** the notification was received at AEROSTAR about the entry in force of the changed name of the company, namely from SIF Modova S.A. into EVERGENT INVESTMENTS S.A., registered in the ASF Register as an administrator of alternative funds, authorized under no. PJR071AFIAA/040002.

The notification from Evergent Investments states that the name change does not result in the setup of a new legal person while preserving all the rights and liabilities undertaken under the former name.

## BUSINESS MODEL

The value proposed by Aerostar on the market is created in the core business, in the field of aviation and defence, in production – the machining industry, with a significant degree of digitalization in the management of the enterprise's resources.

The management adopted a competitive business model, integrated through the synergy of the three business lines:

- **Manufacture of aviation products**
- **Maintenance of commercial aircraft**
- **Systems for defence - aviation, ground and navy.**

This model is based on the systemic-process approach and on the RISK-based thinking, as described throughout this report.

In 2020 no significant changes occurred in the business model adopted.

The Notes to the Financial Statements describe the way in which the financial reporting reflects the business model adopted by the company as per the IFRS standards.



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## The Context of the Organization and Interested Parties for AEROSTAR

The elements of risk-based management thinking are based on understanding AEROSTAR as an organization and the context in which it operates.

The aspects identified as a part of the external context of AEROSTAR are: political, economic, social, technical, legal and environmental, as well as sanitary.

The aspects identifies as a part of the internal context of AEROSTAR are: human resources, infrastructure, capabilities and authorizations, governance, but also the organizational performance.

The relevant interested parties that were identified are: customers, employees, investors, applicable technical and regulatory authorities, certification bodies, suppliers, educational establishments, trade unions, the local community and the state.

The impact caused by the Covid-19 pandemic, as well as the unparalleled changes generated required a systemic, preventive, proactive management in relation to all the components and functions of the organization.



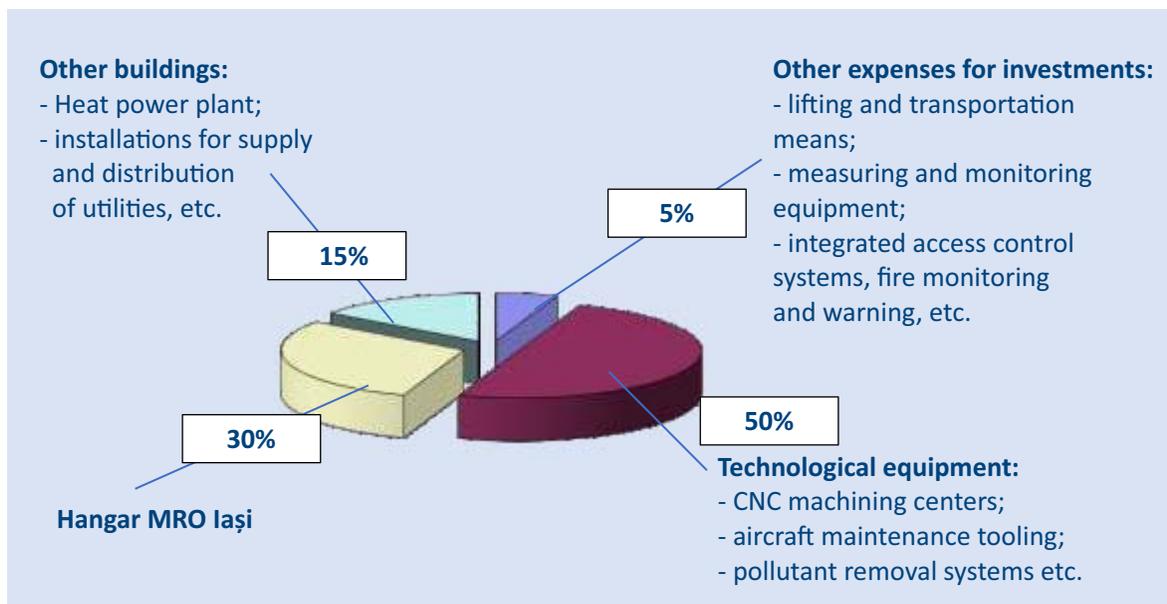
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## We continued the investments!

The total value of the investment expenses made in 2020 was 46.586.405 Lei.

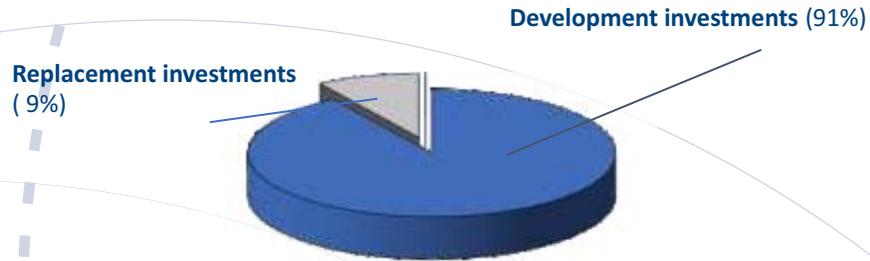
At the onset of the economic crisis in the aeronautical sector the option was made to continue the investments already started since giving up the purchase orders launched would have triggered the loss of the advance payments made to suppliers.

The summary of the investment expenditures for various categories of fixed assets has the structure shown below:



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The development investments represent **91%** and the replacement investments represent **9%** of the total investment expenses:



In the category of development investments are included the civil aircraft maintenance hangars and the related technical facilities, installations, municipal amenities and land enclosure for the place of business opened in the area of the International Airport of Iași. The finalized investment was announced on 27 August and the actual maintenance work on commercial aircraft started on 1 September 2020.

Details on this investment objective are found in the section **AEROSTAR business**.

The category of infrastructure investments includes the upgrading and automatization of the Thermal Power Plant, i.e. building a complete installation for thermal agent supply and distribution and replacing the severely worn-out equipment with new, eco-performant equipment.

Designed to secure the production and distribution of the heating agent, this objective included the integration in a central control system, as well as integrated remote control in a SCADA system.

Further details can be found in the section **Quality, a competitive advantage**, Sustainable use of resources.

In 2020 the company business was carried out in conditions of continuity.

The impact of the crisis on all three business lines in the field of aviation manufacturing, commercial aircraft maintenance and defence systems occurred in a differentiated manner and progressively throughout the year 2020.

After the first quarter of 2020, the major aeronautical manufacturing programmes were severely slowed down, or some of them even halted temporarily, as happened for example with Airbus and Boeing programmes to which Aerostar is exposed, so that in 2020 the exports went down to 68% of the company sales in the context of a turnover decrease of 26,2% compared to 2019.

Significant reductions of the work load occurred, compared to both the year 2019 and the initial planning for 2020.

The investors from the Bucharest Stock Exchange were notified about the significant decrease of the turnover in the field of manufacturing parts, subassemblies and equipment for the large global programmes for commercial aircraft and MRO services (aircraft maintenance), the June estimates showing a reduction of sales of around 100 million lei for the entire year 2020.

Aerostar requested and obtained the „EMERGENCY CERTIFICATE TYPE 1” for total or partial interruption of the activity due to the effects of the decisions issued by the competent public authorities, in accordance with the law, during the decreed state of emergency period.

As regards the impact of the Covid-19 pandemic on the health of certain employees, the Force Majeure Commission from the Chamber of Trade and Industry of Bacău was requested and the company obtained the certification concerning the existence of the force majeure situation and its influence on the enforcement of the contractual obligations.

## AEROSTAR sales

The turnout at 31.12.2020 was 249.839 thousand lei, of which the sales on the export market amounted to 200.341 thousand lei, representing 68% of the total volume.

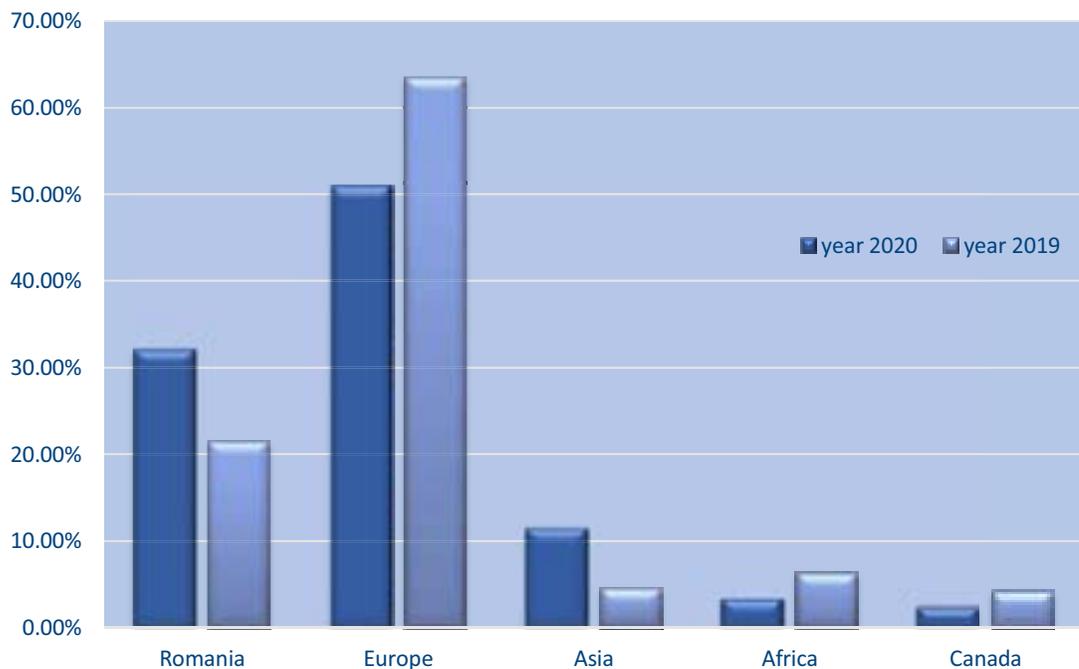
The sales on the domestic market amounted to 94.498 thousand lei.

The comparative evolution of the sales of products and services is presented at page 10. Aerostar sales were carried out on a global market of vast geographical area, both in the civil field and in defence.

Sales evolution on the main sales markets:

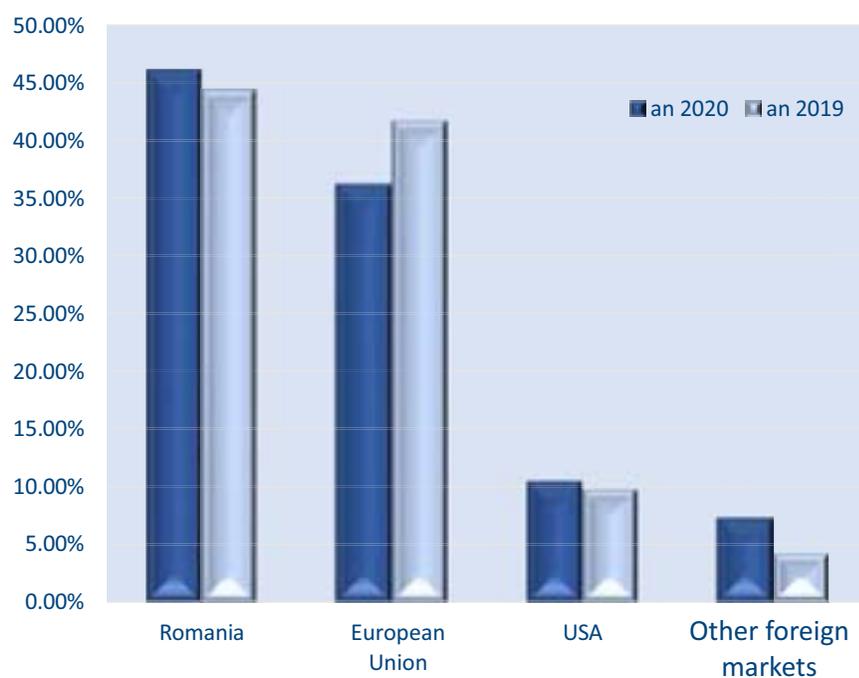
- On the sales markets (comparison) - as percentage of total sales:

	year 2020	year 2019
Romania	32,05%	21,46%
Europe	50,93%	63,41%
Asia	11,44%	4,47%
Africa	3,25%	6,29%
Canada	2,33%	4,16%
USA	0,00%	0,21%



The expenditures for purchases of products and services were made mainly on the Romanian market, reaching a percentage of 46,13% of the total purchases, including utilities and energy.

	an 2020	an 2019
Romania	46,13%	44,40%
European Union	36,19%	41,67%
USA	10,41%	9,76%
Other foreign markets	7,28%	4,17%



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## Business Environment

AEROSTAR operates on the global market of products and services in the aeronautical and defense industry, the business being affected by the evolution of the global geopolitical and economic environment, as well as by the crisis generated by the Covid-19 pandemic.

The Covid-19 pandemic generated a global crisis with a systemic impact on the aviation industry and the global supply chains.

At the same time, the process by which the United Kingdom left the European Union was extended, the Brexit occurring effectively on 31 December 2020.

The period 31 January 2020 – 31 December 2020 was a transition period during which took place the negotiation of the bilateral agreement between the United Kingdom and the European Union.

On 30 December 2020 a Trade and Cooperation Agreement was signed between the European Union and the United Kingdom. Thus, this Agreement is provisionally applicable since 1 January 2021 pending ratification.



## BUSINESS LINES

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In 2020, Aerostar business was carried out under conditions of continuity, with measures for adaptation to the restrictions imposed by the sanitary crisis and social distancing implemented in Aerostar as of 25 February 2020.

The aviation industry and the defence industry are related and complementary, both of them having a cyclic growth model.

The commercial aircraft manufacture sector is strongly affected by the crisis in the commercial aviation field.

The impact of the crisis situation on the structure of the company's business is differentiated on the business lines.



## Manufacture of aeronautical products

The low demand of new aircraft has a strong impact on the worldwide aviation manufacturing chains.

As a result of the diminished rates of production in several commercial aircraft programmes, Aerostar received notifications about the suspended or deferred collecting of parts and subassemblies from several main customers.

Year after year the role played by Aerostar in the supply chains in the worldwide industry has increased progressively, just like the export volume. This positive trend continued in the 1st trimester of 2020. Subsequently, the major manufacturing programs were severely slowed down, some of them even halted, as happened for instance with the programs Airbus and Boeing, Aerostar being significantly exposed in several commercial aircraft programmes.



The equipment, assemblies and parts produced by Aerostar are included on a large number of commercial aircraft: Airbus A320, A321, A330, A350, Boeing B737, B787, B767, Gulfstream G650, Dassault F7X and Bombardier Challenger series 600 and Global series 5000/6000.

At the same time Aerostar provides parts for the aerospace industry via the European company Ariane.

Being anchored as an exporter of parts, subassemblies and equipment for the important global programs affected by the crisis, Aerostar was forced to reduce its production and deliveries and pay a lot of attention to maintaining its capabilities, i.e. machinery, production lines, personnel and qualifications in order to benefit from the economic recovery period.

In 2020, Aerostar obtained the "Champion Challenger" award in the process of suppliers' evaluation by the Airbus company, as an acknowledgement of its performance concerning the quality of the delivered products as well as the compliance with the delivery deadlines for the Airbus programmes.

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## MRO Civil Aviation



As a consequence of the reduced air transport activities, notifications were received from several airlines to give up the scheduled maintenance work on their aircraft Boeing 737 and Airbus A320.

The investment in the maintenance center located in Iași which was commissioned in September was an effective countermeasure to reduce the losses which would have been generated due to the temporary stop of the operations at the Bacău airport.

Aerostar has a significant footprint as business volume in the field of MRO civil aviation, being the main independent supplier of base and heavy maintenance services in Romania and in this geographical area for the commercial aircraft in the Airbus 320 and Boeing 737 family.

Starting with the Part 145 authorization from the RoCAA, a full member of the European Aviation Safety Agency (EASA), Aerostar's maintenance base has strengthened and consolidated its market position and received a wide range of approvals from the civil aviation authorities of several countries outside the European Union, including from the American FAA.

The EASA certificate of authorization as a Part 21J Design Organization approved for repair and minor modification projects for large civil aircraft is aimed at increasing the added value for our customers.

The experience gathered in heavy maintenance is the base for the development of the civil aviation maintenance Centre Part 145 in Iași.

At the same time, Aerostar's profile as a regional Center of Excellence in the field of civil aviation maintenance has strengthened, becoming a pole of sustainable development.

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## Systems for Defence

**The market position held by AEROSTAR in the aero, ground and naval defence systems is first of all in relation to the position of first rank supplier for the Romanian Ministry of National Defence.**

In the defence systems category, AEROSTAR is an active player in the military and defense upgrading, integration and system maintenance, further focusing on those types of platform for which it has proven experience in traditional programmes and also in new upgrading or integration programmes: military aircraft, launcher systems and primary and secondary radar systems.

**AEROSTAR is part of the national defence industry** in accordance with the law 232/2016, having the status of an authorized economic operator registered in the Unique Register of economic operators and production capacities and/or defence services.

Under the afore-mentioned law, in December 2018, the Romanian Government designated AEROSTAR as the Maintenance Centre for the F-16 aircraft in the inventory of the Romanian army.

AEROSTAR assumed its role and initiated the investments for setting up the necessary capabilities. The F-16 aircraft maintenance center is under progressive development by assigning and training the personnel, manufacture and purchasing test benches and fixtures and by setting up the specific maintenance infrastructure, while the first F-16 aircraft in RoAF inventory is to arrive for work at Aerostar during the year 2021.



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## Market position in the field of the launching and radar systems

**AEROSTAR has steadily developed the capabilities needed to consolidate its supplier status and expertise in the field of launching systems, platforms and components for launching and firing command & control, manufacture of launchers, maintenance and logistic support, upgrades.**

AEROSTAR is part of Raytheon's global supply chain as an authorized supplier for the Patriot systems and acts to develop and consolidate this position.

This year, Aerostar has entered the Preferred Supplier List (PSL) and is authorized to take part in RAYTHEON programmes and deliver parts manufactured by Aerostar.

**Aerostar is the only company in Romania which has developed repair and upgrade technologies for primary and secondary radar systems, IFF type identification systems and holds its own infrastructure and capacities necessary to carry out these activities.**





The policy referring to quality and environment adopted by Aerostar has the following strategic objectives: meeting the customers' requirements, complying with the legal and regulatory requirements applicable to the activities performed, enhancing the environmental performance, full safety for the users of Aerostar products and services, continuous improvement of the competitiveness of our products and services, „zero defects” on the products and services in warranty.

The Integrated Quality and Environment System of AEROSTAR reconfigured after the latest revisions of the standards SR EN ISO 9001, AQAP 2110, AS 9100 Rev D, SR EN ISO 14001 focuses particularly on risk management.

The recertification and the continued validity of each of these certificates and authorizations confirm the concern and good practice implemented in AEROSTAR for risk management.

In 2020 AEROSTAR S.A maintained its quality and environmental management system certificates, thus maintaining the necessary framework for accomplishing its goals.

Following the audit carried out by the representatives of the Military Body for Certification, Accreditation and Surveillance (OMCAS), the recertification of the quality management system was obtained.

The NADCAP accreditations for special processes applied within the company were also maintained.

The authorization of the PART 21 Production Organization issued by the Romanian Civil Aeronautical Authority was also maintained while the authorization of the PART 145 Maintenance Organization was extended for the site located in Iași.

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## Proving the environmental performance

AEROSTAR holds various authorizations related to environment: the Integrated Environmental Authorization, Water Management Authorization and the Authorization for greenhouse gas (GHG) emissions.

**By applying the social responsibility principles in terms of environment, the directions established by Aerostar are the pollution prevention, the sustainable use of the resources and climate change mitigation, following the guidelines of the standard SR ISO 26000 regarding social responsibility.**

The implementation of the environmental policy and the directions of action established for the implementation of the general management goals led to the improved environmental performance of the Company.

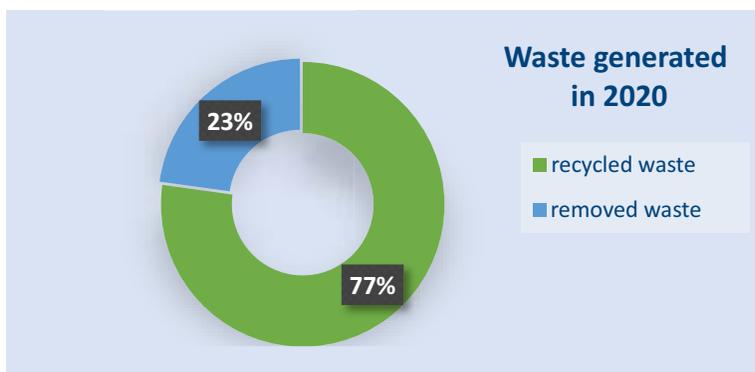
As regards **the evaluation of the aspects related to the impact of the company's activity**, AEROSTAR acts responsibly, effectively and continuously to provide compliance with the legal and regulatory requirements applicable and with the contractual requirements in relation to the customers.

The activities with environmental impact are controlled by internal inspections – internal evaluations related to the compliance with the applicable legal or regulatory environmental requirements, and by analyzing the results of the monitoring actions and measurements made as per the provisions of the environmental authorizations.

Thus, in 2020 the compliance with the maximum admissible values of the environmental indicators was ensured.

The results of the inspections carried out by the inspectors of the Environmental Guard in Bacău confirm that AEROSTAR complies with the applicable legal and regulatory requirements.

**In the field of the pollution prevention**, AEROSTAR has diminished the waste footprint resulting from its own activity, maintaining a high percentage, 77%, of recoverable waste out of the total quantity of waste generated.

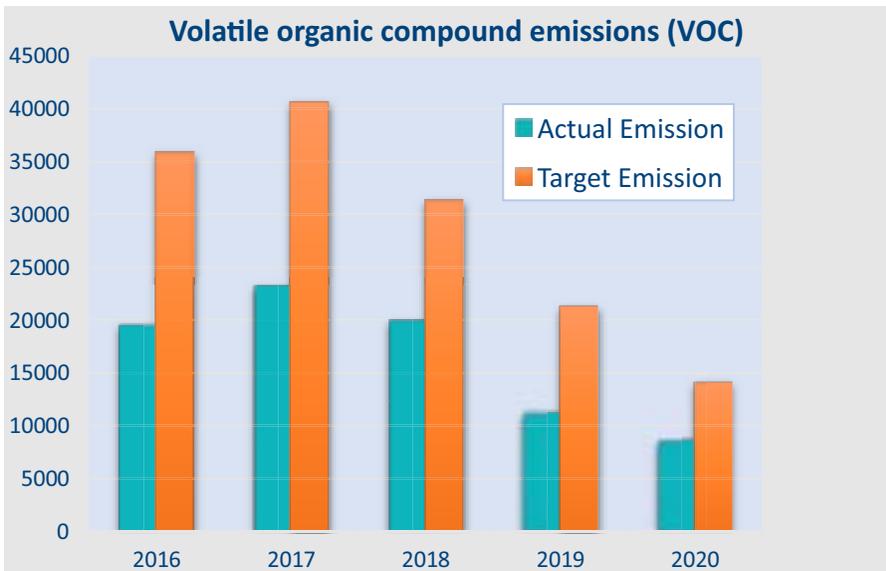


In 2020, AEROSTAR reduced the quantity of waste produced as a result of its activity. Thus, the quantity of waste generated in 2020 decreased by 43,93% compared to 2019, and by 57,15% compared to 2018, respectively.

With regard to the hazardous waste, the quantity of waste has dropped significantly over the past few years, so that in 2020 the quantity of hazardous waste generated was 18,26% lower than in 2019, and 49,27% lower than in 2018, respectively.



The volatile organic compound emissions decreased too, with further actions taken for the replacement of the solvent-based paints with water-based paints.



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## Aerostar complies with the REACH requirements

All hazardous substances and chemical mixtures used in AEROSTAR are handled as per the applicable regulations in force.

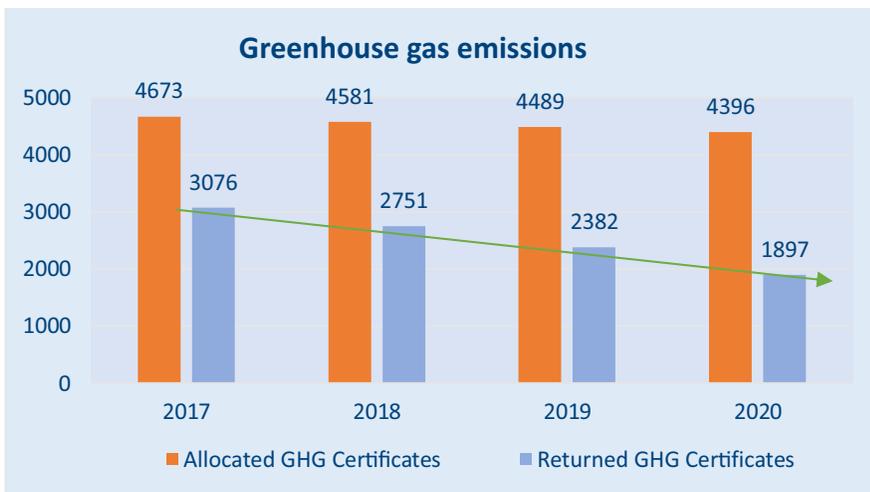
All hazardous substances and chemical mixtures under the provisions of the REACH regulation are used as per the requirements provided in the authorizations issued by the European Commission.

**In the field of climatic change mitigation**, AEROSTAR fulfilled all its obligations derived from the greenhouse gas emissions authorization:

- A monitoring report for the greenhouse gas emissions generated in 2019 was prepared and validated via an audit performed by an accredited surveyor;
- Conformation in the Unique European Register for Greenhouse Gas Emissions – completed in April -when 2382 certificates were returned.

Following the survey audit on the greenhouse gas emission management, no nonconformities were documented, the emissions corresponding to the year 2019 being therefore validated.

Evolution of the greenhouse gas emissions for the period 2017 - 2020



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### **In the field of sustainable use of resources**

Aerostar continued to invest and secure the water supply for the company by compensating the need of technological/industrial water from new sources.

The technological waste waters resulted from the chemical and electrochemical processes are collected and treated in the waste water neutralizing stations located on the company's premises.

Compliance was ensured with the maximum limits admitted for the quality indicators of the waste waters drained in the public sewage system, as provided in the water management authorization.

The investments were continued to provide a higher efficiency in the distribution of the heating agent as well as for increasing the energetic efficiency of the buildings.

### **Full safety for the users of our products and services is one of AEROSTAR's strategic objectives.**

In terms of safe products and services, no events were reported as a result of AEROSTAR's activity in the relevant fields such as the maintenance of civil and military aircraft, manufacture of parts and subassemblies for civil aviation, manufacture of radio-electronic equipment.

Our products and services are manufactured in full compliance with the users' and customers' requirements and the legal and regulatory provisions so as to minimize the impact on the users' health and safety.

### - Social and manpower aspects, data about employees

On 31.12.2020 AEROSTAR had an effective number of 1.807 employees, 3 of which employed through the temporary labour agent Airpro Consult S.R.L.

Compared to the end of the year 2019, the effective workforce on 31.12.2020 was less by 151 employees.

The overall fluctuation of personnel in 2021 was 6,22%, a decrease compared to 9% in 2019.

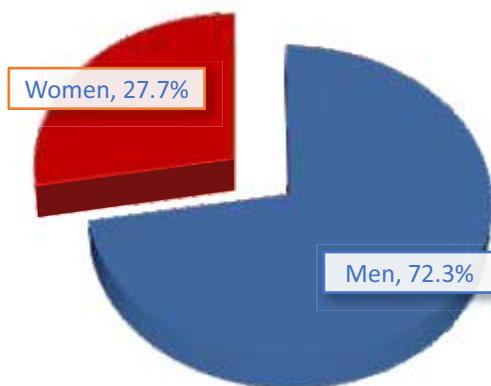
Out of the total 1.807 employees, 184 hold management positions.

The average union membership in the company at 12 months of 2020 was 64,51%.

Currently AEROSTAR has 84,4% of the individual labour agreements concluded on an indefinite period, thus avoiding the excessive use of temporary manpower.

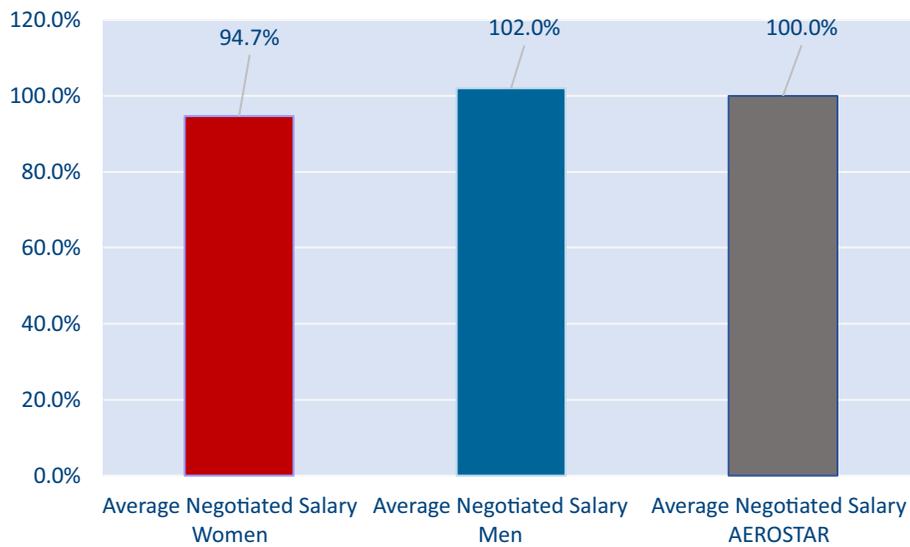
On 31.12.2020, the average age of the Aerostar's employees was 46 years (Aerostar and Airpro), and the average seniority of the employees lastly hired in AEROSTAR was 9 years.

In terms of gender distribution, on account of the company's object of activity, the manpower structure at the end of 2020 is as follows:



From a total of 184 management positions, 35 are held by women, that is 19%.

At the end of 2020, the ratio between the average base salary negotiated for the male employees and the average base salary at company level was 1,02, and the ratio between the average base salary for the female employees and the average base salary negotiated at company level was 0,947:



Although the nature of the production activities performed in the company is traditionally specific to the male employees, a significant number of women work in AEROSTAR, the differences between the average salary level for women-men being insignificant, this being due to the difference between the professions of the male employees and those of the female employees.

To ensure the continuity of the activity within Aerostar, and to prevent any contamination at the workplace during the pandemic, the management has implemented adequate and correct measures to protect the health of the employees.

On account of the rapid evolution of the disease worldwide and nationally, and despite all the measures taken to protect the employees against the infection with the new SARS-CoV-2 coronavirus, Aerostar recorded a total number of 3344 days of medical leave.



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## **- Labour relations and social dialogue**

In AEROSTAR, a collective labour agreement is in effect for the period 2019-2021, which was concluded with the employees in accordance with the provisions of the social dialogue law no. 62/2011.

The package of economic benefits offered to the employees does not include a pension plan.

In March 2020, the annual negotiation of the collective labour agreement provisions regarding salaries, working conditions, holiday vouchers was completed and new pay scales were established as of 01.04.2020.

The wise resource allocation policy over the last few years had the outcome that the economic recession storm could find us as a robust company, strongly anchored in the global economic and production system. For the year 2020, the decision was made to protect our production capacity, while maintaining the manpower and the qualifications held by the company and its employees.

Practically, as a result of the lower volume of contracts and orders and, implicitly, the reduced volume of work, both redeployments of personnel were applied, which permitted to fill in the initial deficit of skills, and a significant number of furlough employees during the year 2020.

## **- Training and professional development**

As far as manpower is concerned, the main risk consists in providing the skills and qualifications according to the needs resulting from the execution of the contracts signed with the customers.

AEROSTAR is authorized as a provider of professional training by the Ministry of Education and Ministry of Labour for specific jobs in aviation: airframe worker, aviation mechanic, electro-mechanic and aircraft engine mechanic.

In June 2020, a 2-year apprenticeship programme for aircraft mechanics was completed.

In 2020, 179 students from technical colleges and vocational high schools and 7 students from partner universities attended internship programmes in the company.

During 2020, training courses were organized for the company's employees, the main focus being to cover the training needs in the areas of interest for the production activities.

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Training the employees to raise their awareness of the environmental requirements is a constant concern.

As a result of the completed internal and external training programmes provided in the annual professional training plan, a total number of 1.837 employees received in average 31 hours of training/year/per employee, throughout the year.

The competences of these employees are highlighted in the skills matrix at the level of the organizational unit (department).

In 2020, an average of 3 hours of professional training/employee was recorded, for the improvement of the employees' professional skills.



#### **- Health and labour safety, working conditions**

In 2020, AEROSTAR held the health and safety certification according to the standard OHSAS 18001:2008 and in December 2020 it was certified by the certification body AEROQ Bucharest based on the standard SR ISO 45001:2018 for a period of 3 years.

The strategic objective of the organization in the field of health and labour safety is 'ZERO accidents' and this did not change.

During the year 2020, no work accidents and implicitly no fatal work accident occurred in AEROSTAR.

In order to protect its employees from getting infected with the new coronavirus COVID-19, AEROSTAR implemented a general plan of measures concerning the specific regulations, which is an integral part of the prevention and protection plan aimed at improving the health and labour safety conditions in Aerostar for the year 2020.

-rate of accidents at 100.000 hours of work	0,000%
-rate of wasted time from work accidents at 100.000 hours of work	0,0%

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## **- Principles and values in the business conduct, human rights, fighting corruption and anti-bribery**

Both the Board of Directors and the entire executive management are committed to managing the business of Aerostar with integrity, honesty and transparency, by observing the laws and regulations applicable to the company, **zero tolerance for any form of violation of human rights, corruption or bribery.**

The Collective Labour Agreement 2019-2021 between the company's administration and its social partners includes a code of conduct and ethics stipulating the general guidelines on the business conduct of the company, in accordance with the highest ethical standards in business.

The Code of Business Conduct and Ethics is published on the website of the company and is an integral part of the individual labour agreement.

In terms of the conflict of interests, the employees must avoid any non-transparent private interest likely to influence their ability to act in the company's interest or which encumbers the objective and efficient performance of their work.

The executive management is also concerned with the conformance to all the existing anti-corruption policies and procedures at the level of the international supply chains in the aeronautical industry Aerostar is part of, including in the category of integrity warning mechanism also stipulated by the Romanian law.

In 2020 there was no incident of corruption or legal action for anti-competitive, anti-trust and monopolistic behaviour.

Aerostar is not involved in activities of political contributions.

Aerostar and its related parties carried out the compliance activities provided after the entry into force of the law 129/2019 on the prevention of money laundering and terrorism funding.

The production facilities and capacities of Aerostar S.A. are located in Bacau, where is also located the registered head office of the company, at No. 9 Condorilor Street, Bacau 600302, Romania.

Aerostar S.A. has a secondary place of business without legal personality at Iasi, no. 25B, Aeroportului Street.

The company owns a land area of 47,24 hectares, with access to the European road E85.

Aerostar has direct access to the runway of the airport "George Enescu" in Bacău and direct access to the Iași airport runway in case of the maintenance base in Iași, respectively.

All types of facilities necessary for the proper performance of the production activity are built at the registered office according to the intended object of activity.

The production sites include hangars, industrial halls, test benches and rigs, administrative and social facilities. The company also holds office premises for technical and economic activities.

All these spaces are maintained in good conditions.

The built area of the buildings is approximately 13,47 hectares.

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

On December 31, 2020 Aerostar S.A. Bacau owns tangible assets for carrying out its activity in a gross value of 326.017 thousand lei, consisting in land, buildings, special constructions, installations, technological equipment, means of transport:

Category of tangible assets	Gross value (thousand lei)	Rate of wear (%)	Estimated useful life (years)
Land	29.266	N/A	N/A
Constructions	94.206	28,4%	30-50 years
Investment property	10.537	33,6%	25-50 years
Technical installations, of which:	188.533	57,0%	
· technological equipment	182.403	56,7%	4-25 years
· transport vehicles	6.130	68,2%	4-18 years
Other tangible assets	3.475	33,7%	2-18 years
<b>TOTAL</b>	<b>326.017</b>	<b>42,7%</b>	<b>N/A</b>

During 2020 no risks were identified related to the ownership over the tangible assets.

## About AEROSTAR's shareholders

### MAIN SHAREHOLDERS

At the end of 2020, the shareholding structure comprised a number of 6533 natural and legal shareholders.

The main shareholders are IAROM S.A. Bucharest and SIF MOLDOVA S.A. Bacău.

The other shareholders are natural and legal persons below the significance threshold as specified in the regulations issued by the Financial Supervisory Authority and the Bucharest Stock Exchange.

The synthetic shareholding structure of the company Aerostar S.A. Bacău as published on the website of the Bucharest Stock Exchange on 31.12.2020, as per the data provided by Depozitarul Central is shown below:

Shareholder	Number of shares held	Participation owned (% of the share capital)
<b>IAROM S.A. Bucharest</b>	108.672.786 shares	71,3650%
<b>SIF MOLDOVA Bacău</b>	22.919.887 shares	15,0514%
<b>Other shareholders</b>	20.684.777 shares	13,5836%
<b>Total</b>	<b>152.277.450 shares</b>	<b>100,0000%</b>

There are no litigations with the above-mentioned persons.

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## RELATION WITH THE SHAREHOLDERS AND THE CAPITAL MARKET

**In its relation with the shareholders**, in 2020 too AEROSTAR aimed at securing the shareholders' rights, namely:

- the right to participate in the General Meetings directly or by representation– by providing them special proxy forms, voting bulletins by correspondence, other useful information;
- the right to have a fair treatment, regardless of shareholdings;
- the right to receive dividends proportionally to the holdings of each shareholder.

In relation to the capital market, in 2020 AEROSTAR also fulfilled all its reporting obligations arising from the legal provisions by publishing the mandatory current and periodical reports in the electronic system of the Financial Supervisory Authority and of the Stock Exchange, on the company website and by means of press releases.

According to the provisions of the Corporate Governance Code, the current and periodical reports were released simultaneously, both in Romanian and in English.

The shareholders can obtain information about AEROSTAR and its main events on the website address: [www.aerostar.ro](http://www.aerostar.ro)

Annual and half-year reports for the last 10 years, quarterly reports for the last 5 years, current reports and other useful information for the shareholders can also be downloaded.

### **Aspects regarding the company capital and administration**

In 2020 there were no modifications that affect the capital and administration of AEROSTAR S.A.

The company was not unable to fulfill its financial obligations during the reported period.

There are no modifications regarding the shareholders' rights. There were no major transactions concluded by the company with its concertedly acting persons or in which such persons were involved in the relevant period of time.

## AEROSTAR's relation

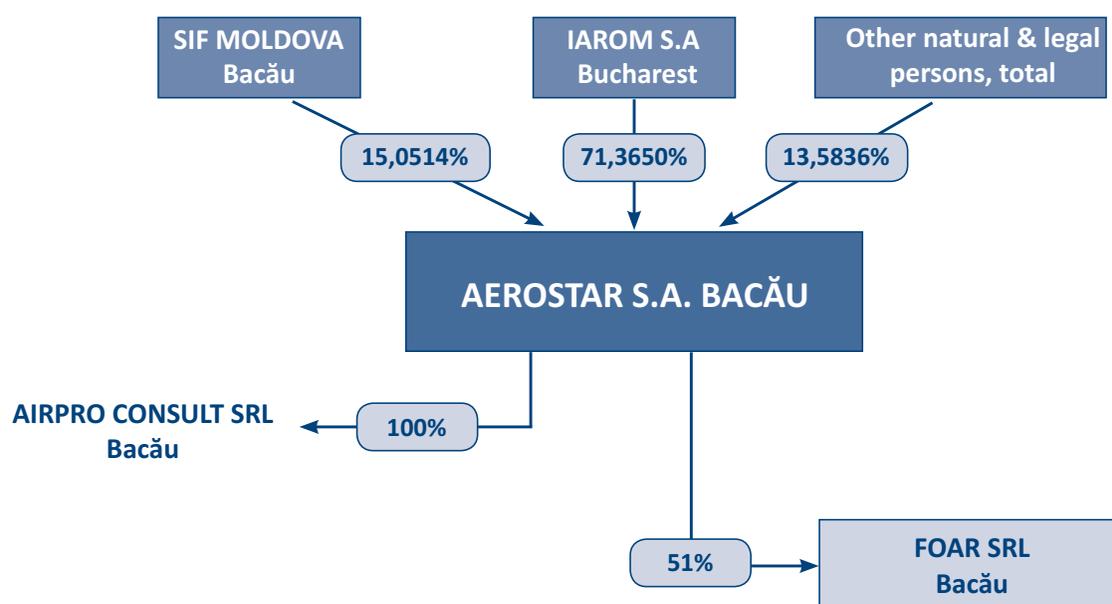
with the parent company and the companies where AEROSTAR holds capital:

Aerostar is a subsidiary of IAROM S.A. and therefore, the parent company that consolidates the group's financial statements is IAROM S.A. with the unique registration code 1555301 and the registered office in Bucharest, at no. 39, Aerogării Blvd.

The consolidated financial statements for the financial year 2019 were filed at ANAF (The National Agency for Fiscal Administration) under the registration number 221497794 dated 27.08.2020. Copies of the consolidated financial statements can be obtained at the registered 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 31.12.2020.

Aerostar's relation with the parent company and the companies where it holds shares:



The Extraordinary General Meeting of the AEROSTAR S.A.'s shareholders held on 21 April 2020, adopted the decision to dissolve ATF S.A. Bacău, where AEROSTAR held 45,75% of the registered capital.

In August 2020, Aerostar removed from its accounts the shares held at ATF S.A. after the liquidation of this company.

## RELATED PARTIES

On 31.12.2020, AEROSTAR's participations in other companies are as follows:

Name of the subsidiary/ affiliated company	Basic activity	No. of shares held by Aerostar	Voting rights	Value of Aerostar holding (k lei)	Financial information for the last financial year (year 2019) for which the financial statements of the affiliated companies were approved		
					Sales (k lei)	Own capitals (k lei)	Net profit (k lei)
<b>Airpro Consult SRL</b>	CAEN code 7820	100	100%	10	8.051	162	65
<b>Foar SRL</b>	CAEN code 7739	408	51%	4	435	1.957	210
<b>Total</b>				<b>14</b>	<b>8.486</b>	<b>2.119</b>	<b>275</b>

AEROSTAR's holdings in these companies are registered on a cost basis.

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

The transactions with the related parties are specified in the financial statements at Note 26.

**AEROSTAR's Board of Directors** was elected for a period of 4 years (11.07.2020 – 10.07.2024) during the General Meeting of the AEROSTAR shareholders of 9 July 2020 and consists of:



Name and surname	Position	Background
<b>FILIP GRIGORE</b>	President of the Board of Directors	Aviation engineer
<b>DAMASCHIN DORU</b>	Vice-president of the Board of Directors	Economist
<b>TONCEA MIHAIL-NICOLAE</b>	Member of the Board of Directors	Aviation engineer
<b>DOROȘ LIVIU-CLAUDIU</b>	Member of the Board of Directors	Economist
<b>VÎRNĂ DANIEL</b>	Member of the Board of Directors	Legal advisor

The attributions and responsibilities of the Board of Directors are provided in the Constitutive Deed. The resumés of the Board of Directors' members can be found on the company website.

## Business Management

The administration of the company is carried out in a unitary system.

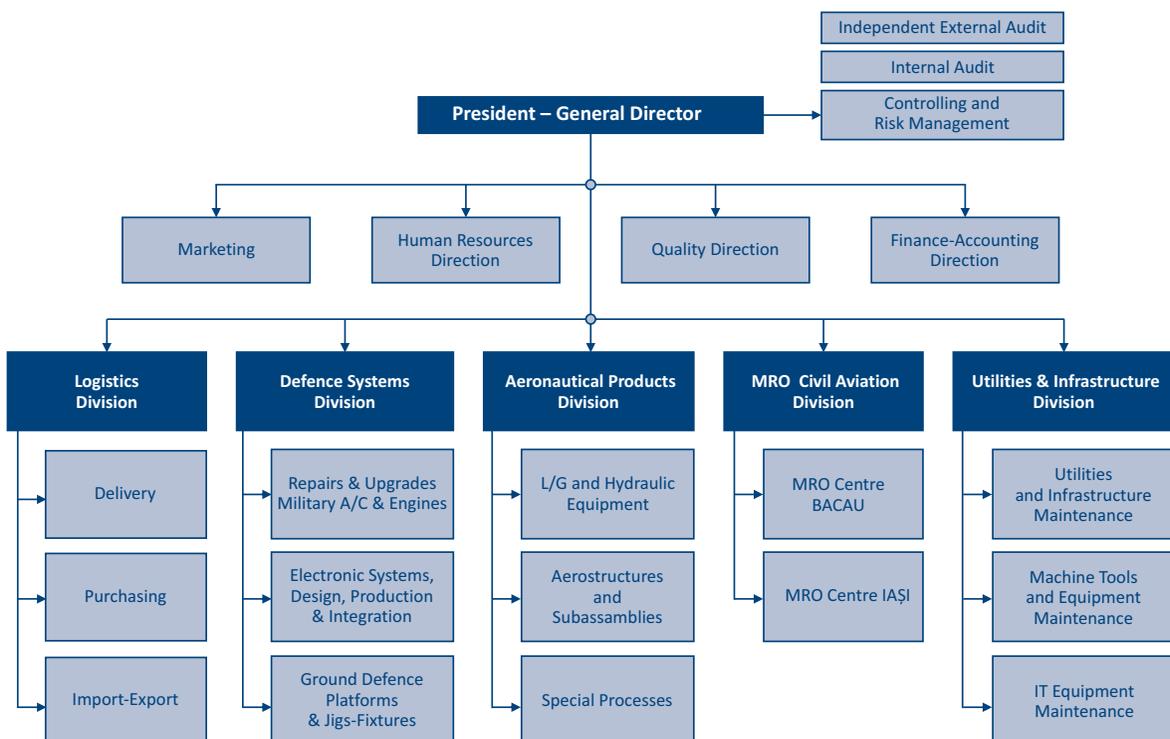
The President of the Board of Directors is also the General Director of the company. The executive management is provided by the General Director and the Financial Director.

With reference to the organization and management system in Aerostar, the management structure at operational level provides the management of the activities based on a divisional type organization that relies on administrative centers outside the production area, the auxiliary and functional activities.

The management structure at operational-executive level is completed with the other directors at division and direction level. There were no changes in 2020 regarding this structure.

AEROSTAR carries out its object of activity by using the common resources of the organization in an integrated manner and maintains the organizing principles and the use of resources in a unitary, competitive and integrated manner.

The organizing structure implemented in AEROSTAR is represented below:



On 31.12.2020 the management structure which provides the management of the company's functions based on the divisional organizational structure is:

Name and surname	Position
<b>FILIP GRIGORE</b>	General Director
<b>DAMASCHIN DORU</b>	Director, Finance-Accounting
<b>ROGOZ VASILE-LAURENȚIU</b>	Quality Director
<b>POPA DAN PAUL MĂLIN</b>	HR Director
<b>FILIP ALEXANDRU</b>	Director, Logistics Division
<b>IOSIPESCU ȘERBAN</b>	Director, Aeronautical Products Division
<b>VELEȘCU IOAN-DAN</b>	Director, MRO Civil Aviation Division
<b>BUHAI OVIDIU</b>	Director, Defence Systems Division
<b>BRANCHE CĂTĂLIN-BOGDAN</b>	Director, Utilities & Infrastructure Division



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

As a company listed on the Bucharest Stock Exchange, AEROSTAR S.A. aims at complying with the principles and recommendations provided in the **Code of Corporate Governance of the Bucharest Stock Exchange** adopted on 11 September 2015.

At the same time, AEROSTAR's Corporate Governance System is in accordance with the provisions of the constitutive deed of the company and is in accordance with the dispositions of the law no. 31/1990 and 24/2017, the Regulation no. 5/2018 of the Financial Supervisory Authority.

The implementation of the corporate governance rules ensures a transparent decision-making process, founded on clear rules and objectives meant to lead to an enhanced level of trust of the shareholders in the company. AEROSTAR focuses on corporate governance by reviewing the level of compliance with the provisions of the Corporate Governance Code issued by the Bucharest Stock Exchange entered in force on 4 January 2016.

The declaration of compliance to the Bucharest Stock Exchange, annexed to this report, summarizes the principles of Corporate Governance applied by the company, as well as their degree of adequacy to the specific features of Aerostar.

In the nomination and selection of the candidates, the present Board of Directors can set up a nomination committee that will consider at least the following criteria: the involvement of the significant shareholders; solid expertise and experience in aerospace engineering, economics, legal, environment and social aspects management; moral and professional integrity; independence.

The priority objective of the diversity policy applied in relation to the administrative, management and supervisory bodies of the entity, e.g.: age, gender, education, professional experience is to provide performance.

### CORPORATE GOVERNANCE STRUCTURES

The corporate governance structures are:

- Shareholders – The General Meeting of the Shareholders
- Board of Directors
- Audit Committee
- Executive Management

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## **The General Meeting of the Shareholders**

The General Meeting of Shareholders is the main corporate body, with decision-making attributions for all the aspects specified in the Constitutive Deed.

The shareholders exercise their rights during the General Meeting of the Shareholders („GMS” or „General Meeting”).

The procedure for organizing and conducting the general meeting of the shareholders is published on the website [www.aerostar.ro/InvestorsRelation/ReferenceDocuments](http://www.aerostar.ro/InvestorsRelation/ReferenceDocuments).

The shares of the company are indivisible and guarantee equal rights to their owners, any share entitling them to one vote in the General Meeting of the Shareholders.

The General Meetings are convened by the Board of Directors at least 30 days before the established date.

The General Meetings are ordinary and extraordinary. The Ordinary General Meeting is held at least once a year, no later than 4 months from the end of the financial year, while the Extraordinary General Meeting is held whenever necessary.

Five (5) general meetings of the Aerostar shareholders were held in 2020.

In order to ensure an equal treatment and a full and fair exercise of the rights of the shareholders, the company provides them all relevant information with reference to the GMS and the resolutions adopted both in the regulated communication system (national newspaper, reports to the Financial Supervisory Authority and BSE), as well as in the special section „Investor Relations” on the company's website that is easily identifiable and accessible.

AEROSTAR exercises all due diligence, in compliance with the requirements of the relevant legislation, to facilitate the participation of shareholders in the proceedings of the general meetings and the full exercise of their rights. Shareholders may participate and vote personally in the General Meeting, but they also have the possibility to vote by proxy or by correspondence.

The General Meetings of the Shareholders are presided by the President of the Board of Directors, which allows an open and effective dialogue between the Directors and the shareholders.

Each company share held by a shareholder on the “recording date” entitles that shareholder to receive dividends for the previous financial year, in the amount and terms set by the General Meeting of the Shareholders.

The approval competences of the General Meetings of the Shareholders, the conditions for organizing and validating the meetings are set out in the Constitutive Deed of the company, according to the applicable legal and regulatory framework.

The General Meetings of the Shareholders took place in full compliance with the Law 31/1990 regarding the companies, the Law 24/2018 regarding the capital market and the applicable regulations issued by FSA, as well as any other incidental legal norm.

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Over the last years, the company has distributed dividends to the shareholders and consolidated a dividend policy that guarantees shareholders' satisfaction while also providing resources for the development of the company.

In accordance with the legal provisions applicable, the claim to collect the dividends approved by the General Meeting of Shareholders ceases to generate effects after the expiry of three years calculated from the dividend's "payment date" for each financial year.

In 2020 the company did not purchase its own shares, nor did it issue bonds or promissory notes.

No data or notifications are available with reference to exceeding the voting rights held by the shareholders in relation to attaining or exceeding the thresholds provided by law.

## **The Board of Directors**

The election of the members of the Board of Directors is the exclusive attribute of the General Meeting of the Shareholders.

The Board of Directors of AEROSTAR was elected for a four-year period from 11.07.2020 until 10.07.2024 at the General meeting of shareholders on 9 July 2020.

Detailed information can be found in the AEROSTAR management section.

The attributions and responsibilities of the Board of Directors are provided in the Constitutive Deed and in the BoD Internal Regulations posted on the company's website [www.aerostar.ro/](http://www.aerostar.ro/) Investors Relation.

The direct participation of the administrators to the registered capital of the company exceeds 1%.

The Board of Directors establishes the strategic orientation of the company and ensures its implementation in order to achieve a sustainable growth of Aerostar's value.

The Board of Directors is also responsible for ensuring the compliance with all the applicable legal provisions, internal regulations, as well as for the adequacy of the risk management and control.

Aerostar's activity is governed by responsible corporate governance principles aimed to create sustainable values in all areas of its activities.

A number of 9 (nine) BoD meetings took place during 2020.

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

There is no litigation between the company and the directors regarding their activity. None of the administrators was involved in a litigation or administrative procedure with AEROSTAR during the last 5 years.

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## The audit committee

Based on the provisions of the Corporate Governance Code in conjunction with the provisions of Law no. 162/2017, an **independent audit committee** was established, consisting of three members appointed by the Ordinary General Meeting of 13 August 2020 for the period of time between 13 August 2020 and 12 August 2022.

The Audit Committee consists of the following members:

- **Grigore HOROI**
- **Mihai DEJU**
- **Daniel BOTEZ**

The attributions of the independent audit committee are provided in its rules of procedure, approved by the Board of Directors, completed with the provisions of Law no. 162/2017 and of UE Regulation no. 537/2014, that can also be found on [www.aerostar.ro/Investors Relation/ Reference documents](http://www.aerostar.ro/InvestorsRelation/Reference%20documents).

The Audit Committee meets regularly, at least 4 times a year, as well as exceptionally if applicable.

**The independent auditor** appointed by the general meeting of the AEROSTAR shareholders is the company MAZARS Romania SRL, with the head office in Bucharest, Pipera Business Tower, 5th floor, Dimitrie Pompeiu Boulevard no. 6E, code RO-020335, sector 2. Mazars' unique registration code is 6970597 and the registration number at the Bucharest Trade Register office is J40/756/1995.

As an audit company Mazar Romania SRL is registered in the electronic public register under number 699/2007.

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## **AEROSTAR's Code of Business Conduct & Ethics**

AEROSTAR supports the company principles and values in an honest and fair way, with integrity, while consistently acting to comply with the highest ethical standards in business, by adopting voluntarily for several years AEROSTAR's Code of business conduct and ethics. This code is posted on the company's website [www.aerostar.ro](http://www.aerostar.ro) and is part of the provisions of the collective labor agreement.

Insofar as this Code requires a higher standard than the one required by the commercial practice or by the applicable laws, rules or regulations, we adhere to these higher standards. This code is mandatory for the administrators, employees and is adopted in all the aspects related to the employees, as well as in relation to the investors, customers, suppliers, representatives of the local community, other business partners.

The Board of Directors pays special attention to the observance of the corporate governance principles in order to guarantee:

- that performance is achieved in terms of sustainable development of the company;
- accuracy and transparency of the decision-making process of the company;
  
- observance of the shareholders' rights and their fair treatment by protecting and implementing their prerogatives in practice;
  
- transparency and access to information by periodically publishing the relevant financial and operational information.

Details about the compliance with the principles and recommendations provided in the Corporate Governance Code of the Bucharest Stock Exchange are presented as an integral part of this report.

## **Management of the conflict of interests**

In terms of accounting regulations, AEROSTAR is a subsidiary of the company IAROM S.A. Aerostar presented in transparency conditions, according to the applicable regulations, the structure of the company's shareholding and related parties.

At the same time, Aerostar fully complies with the requirements of law 129/2019 regarding the real beneficiaries.

In relation to the significance thresholds provided in the legislation specific to the capital market, there is no data available on *cross board membership* or about shares held by suppliers and other interested parties in Aerostar shareholding structure.

The evaluation of the BoD members' performance is carried out in accordance with the provisions of the Internal Regulations of the Board of Directors.

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## **Executive Management**

AEROSTAR is managed in a unitary system, with the executive management of the company delegated to the General Director and to the Financial Director.

### **Internal control system**

The internal control system of AEROSTAR comprises the following components:

- Financial management control
- Budgetary control
- Controlling
- Internal audit

### **Financial management control**

In AEROSTAR there is a dedicated department responsible with financial management control. This department provides the inventory of all the elements related to assets, debts and own capitals in the company records.

The inventory activity was performed in compliance with the legal provisions and company regulations.

The results of the inventory processes were registered in the company's accounting records.

No significant deviations were found compared to the records on paper.

### **Budgetary control**

The budgetary control is carried out by budget managers.

From a budgeting perspective, the company is organized in:

- profit centers
- cost centers.

Various budgets are defined in the company based on activity programs corresponding to the functions of the company.

The budgetary control provides:

- compliance with the forecasted values for each budgeted indicator
- the groundwork for any corrective actions

On a quarterly basis, both the profit centers and the cost centers report to the executive management the methods of achieving the budgetary forecasts and the necessary, timely, efficient, effective and legal nature of the expenses incurred by the company.

### **Controlling**

In AEROSTAR, the concept of controlling has been implemented and continuously developed as a higher step of the budgetary control.

Controlling also ensures that the company's mission and strategic goals are met.

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### **Internal audit**

The company has in place an Internal Audit team with members registered in the Romanian Chamber of Financial Auditors.

AEROSTAR's internal auditing activity is organized according to law, as a distinct department in the organizational structure, in accordance with the organizational chart.

The internal audit is directly subordinated to the Board of Directors and is an independent and objective activity of enforcement and consultancy, designed to evaluate and improve the company's operations.

The company management aims at ensuring that the established internal control function operates efficiently, effectively and sufficiently, in order to mitigate and eliminate the identified risks.

The internal auditing activity is conducted based on the annual activity program approved by the Board of Directors.

The internal audit missions confirmed the positive impact of the internal audit activity on the overall activity performed in the AEROSTAR.

The internal audit reports are periodically submitted at the meetings of the Board of Directors.

## THE NON-FINANCIAL REPORTING PROCESS

### The non-financial declaration

The Board of Directors has decided the compliance with the legislation by presenting the non-financial information in the form of a "non-financial declaration" included in the report of the Board of Directors and published at the same time with it.

The global sanitary and economic crisis following the Covid-19 pandemic did not change AEROSTAR's commitment or determined any impact on the company's compliance in terms of social responsibility, environment, social and manpower aspects, human rights, fighting corruption and bribery, promoting diversity.

The regulatory framework established by Aerostar for compliance relies on:

- The Management System in Aerostar, the Quality and Environmental Management System, the Occupational Health and Safety Management System respectively, certified in accordance with the requirements of ISO 9001, ISO 14001, AS EN 9100, AQAP 2110 and OHSAS 18001/ISO 45001.
- The requirements of Aerostar's customers
- The guidelines described in the international standard on social responsibility ISO 26000
- The regulatory framework provided by the Romanian legislation
- The guidelines described in the Communication from the European Commission - "Guidelines on non-financial reporting (methodology for reporting non-financial information) - 2017/C215/01".

**Guided by business responsibility and the business spirit in the aviation and defense industry, Aerostar is loyal to the best practices in this field, and, in line with the best practice of our business partners, Aerostar has provided information, explanations and data in these categories of non-financial information for many years.**

The contact person for the non-financial reporting process is the same as for the regulatory reports that must be submitted by the company.

**Through its strategy of continuous and sustainable development, AEROSTAR has assumed the sustainable development and social responsibility objectives for business growth, by upgrading its production systems, management systems for production and business, and the organizational development in accordance with the evolutions in the global aviation industry.**

**Aerostar fully complies with the applicable national and international standards and regulations regarding the environment, social and manpower aspects, human rights, anticorruption and bribery combat and the promotion of diversity.**

In accordance with the corporate governance principles, the executive management closely coordinates the activities of the departments in charge with the economic, environment and social aspects of the company, and duly informs the Board of Directors in order to ensure long term development.

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Aerostar's management system provides the framework for the company's functioning and growth in safe and sustainable conditions, setting the goals, allocating and planning the resources, measuring the performance and setting the improvement actions.

- The responsibilities for the quality and environmental aspects, as well as the Risk Management, are allocated/delegated to the Quality & Environment Director.
- The responsibilities for social and manpower aspects, occupational health and safety, the fight against discrimination and the promotion of diversity are allocated/delegated to the Human Resources Director; in terms of scope of interference, these responsibilities correlate with:
- The responsibilities regarding compliance with the legislation on human rights, anticorruption and bribery combat, which are allocated/delegated to the Legal Department.
- The responsibilities regarding the sustainable use of resources and the reduction of energy consumption are allocated/delegated to the Utilities & Infrastructure Division Director.
- The responsibilities regarding the conformance measures in connection with money laundering prevention are allocated/delegated to the Finance-Accounting Director.
- The responsibilities regarding the corporate governance are allocated/delegated to the general secretariat of the company.

For each aforementioned aspect, various control functions are allocated, and reports are presented during the quarterly management reviews.

We are deeply committed to the continuous improvement of our economic performance in relation to our goals regarding natural resources, the responsible use of water and energy, waste recycling, reducing carbon emissions and the use of dangerous chemicals, all these aspects are of fundamental importance in all our activities.

Aerostar undertakes to continue to apply sustainable development strategies and to continuously improve its work practices in this field.

Furthermore, Aerostar commits itself to:

- Communicate its environmental policy and strategy to all interested parties and to raise their awareness on their own responsibilities towards the environment;
- Comply fully and where possible to exceed the requirements of the applicable regulations and standards;
- Reduce energy consumption and GHG emissions;
- Reduce water consumption;
- Reduce the waste resulting from its activities;
- Improve and develop all company sites in order to avoid negative environmental impact;
- Avoid the use of environmentally-damaging substances, materials and processes and where this is not possible, to limit such use.

Our guiding principles are to meet the requirements of our customers, the total safety for the users of our products and services, the continuous improvement and increasing the environmental performance.

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### **Our commitment towards the local community**

AEROSTAR is a pole of industrial development and our employees and managers are members to a large extent of the local community.

AEROSTAR maintains a permanent dialogue with the local community at the institutional level, but also through activities that respond to the identified needs, such as partnerships with high schools and university institutions from Bacau.

Aerostar supports through donations and sponsoring various associations, non-governmental organizations, foundations and activities for educational, cultural, religious and sports purposes.

Aerostar supports the development of the local community by conducting activities performed through the Cultural-Educational Association AEROSTAR or through the Sports Association AEROSTAR.

### The risk management system

AEROSTAR applies the risk-based thinking in order to:

- Provide the continuity of the activity;
- Provide the continuous development;
- Avoid losses;
- Improve governance;
- Create a proactive culture for improvement;
- Provide consistently quality products and services.

Risk management requires risk assessment and treatment.

The management of the opportunities consists in determining the effect of their exploitation and identifying any potential associated risks.

Taking into account the external context regarding the operation of the company under alert conditions, in order to mitigate the potential effects of the pandemic, business continuity plans have been established at all levels.

The actions established are regularly updated with the latest information on this matter.

In AEROSTAR, risk assessment is a permanent activity, carried out with a view to:

- identifying new risks which have not manifested previously;
- reassessing the remaining risks.

The selected manner of handling risks and opportunities took into account the need to offset the costs and the efforts to implement the established measures – against the benefits derived – while complying with the legal, regulatory or other requirements assumed by the company. It was also considered that the actions to address risks and opportunities should be proportionate to the potential impact on the compliance of products and services.

All risk treatment plans are monitored regularly and the effectiveness of the actions is determined on the basis of the results expected from their implementation.

AEROSTAR is exposed to multiple risks and uncertainties that may affect its financial performance.

Within AEROSTAR, the risk and opportunity management process is an integral part of the management and decision-making processes and is integrated in the core and support processes of the company.

The organizational framework of risk management is adequate for the internal and external context of the company.

Risk management aims at ensuring that risk is kept under control so that the company's risk exposure is maintained at an acceptable level.

The actual risk management process ensures the identification, analysis, assessment and management of risks to minimize their effects to an agreed level.

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The risk management process at Aerostar involves the systematic implementation of the procedures and practice in the communication and consulting activities, the assessment, treatment, monitoring, reviewing, recording and reporting of the risks.

The mode selected to treat the risks involves offsetting the costs and the efforts needed to implement the established measures against the benefits derived, subject to the compliance with the legal, regulatory or other requirements undertaken by AEROSTAR.

The effectiveness of the risk treating actions is reflected in obtaining the expected results following the implementation of such measures.

The executive management has set the necessary authorities and responsibilities at the appropriate levels within the company, and that the allocation of the resources required for the risk management.

The adequate involvement of the stakeholders in risk management makes it possible to take into account their knowledge and views.

The effectiveness of the AEROSTAR risk and opportunity management process is addressed in the annual management reviews.

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

By adopting an integrated approach to risk management, a robust risk management system is in place in AEROSTAR.

**The reconfiguration of the Management System and of the Quality Management System in AEROSTAR in accordance with the latest editions of the standards SR EN ISO 9001 of 2015, AQAP 2110 of 2016, AS 9100 Rev D of 2016, SR EN ISO 14001 of 2016 places a particular emphasis on risk management.**

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## **Main environmental risks and their management**

In the context of the global evolutions we appreciate that at Aerostar's level the aspects related to the environmental risk management have become of special importance.

Throughout the company, the main environmental risks, both in terms of compliance and in terms of performance improvements are related to the carbon emissions and the use of hazardous chemical products. For both matters actions are established to mitigate the associated risks and to improve the overall performance.

**Aerostar's environmental management system is certified according to the standard ISO 14001 and the environmental aspects dealt with cover the whole life cycle from raw materials acquisition, design, production, transport/delivery, use, end-of-life treatment and reintegration in nature.**

A unified method of identifying, assessing and dealing with the risks of failure to achieve the targets is in place at Aerostar for all processes involved, from purchasing to delivery. All risks and the corresponding mitigation actions are monitored and reported.

The risks are also assessed by internal audits carried out throughout the organization. From an operational point of view, environmental aspects are also verified through operational controls performed by our own environmental analysts.

**The determination of the significant environmental aspects is a continuous process in which the life cycle perspective is applied in order to reduce the use of resources, pollution or waste in those stages of the product life cycle that Aerostar controls or influences the most.**

## **Main risks and risk management related to Human Resources in the context of the Covid-19 pandemic**

Ensuring our employees' safety at the workplace is a priority.

AEROSTAR has a risk assessment and prevention and protection plan for the new coronavirus. Work reorganization measures and alternative protective measures were taken.

The persons in charge were designated for implementing, follow-up, proposing new measures and the execution of the measures against spreading infections with the new coronavirus.

They coordinate the implementation of the additional precautions and preventive measures against Covid-19 transmission and they verify their effectiveness.

Checkup lists were prepared for all company sites regarding the measures implemented to prevent contamination risks and to ensure continuity in the context of Covid-19.

The programme on the actions taken for employees' protection against Covid-19 is updated and supplemented whenever changes occur, followed by the implementation of the supplementary measures and control measures.

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Associated to the operational risk is **the legal risk**.

The wide range of suppliers and customers with which AEROSTAR works across multiple countries and continents makes legal risk extremely important, as detailed and emphasized by:

- **the risks regarding geopolitical changes/uncertainties** as a result of the actions of the major global players (changes in the position of the US Administration in the field of economic trade and related trade duties, the implementation and finalization of the Brexit Agreement between the UK and the European Union with a potential impact on the sales volumes to UK companies, a.o.);

- **the risks associated with the fierce commercial competitiveness** in the competitive contractual landscape in aviation, including the concentration of customers, and

- **the risks regarding the changes to the laws/regulations of the legislation in force** (including anti-trust, anti-corruption, the onset of embargo/sanctions etc.)

The effects of **the legal risk** are monitored and removed via a permanent system of information on legislative changes, as well as by organizing a system for the review, endorsement and approval of the terms and conditions included in the commercial contracts.

Furthermore, AEROSTAR aims to provide, by setting up provisions for risks and related expenses, its own funds to cover the risks to which it is exposed, also taking into account any **risks arising from associations/partnerships**.

In this context, the emphasis is placed on the possible synopes in the development and execution of certain programmes, to which partners may give up as a result of exceptional events or collaborations, to which may add delayed, postponed, non-sustainable programmes (**the risk of the life cycle discontinuity for the Programmes**).

Also, adequate resources are allocated to monitor and reduce the risks specific to possible cyberattacks, including to minimize the resilience of **the risk of failure of the IT system to operate in safe and secure conditions**.

With a strong and proactive organizational culture in the field of human resources, through the implementation of properly budgeted programmes, AEROSTAR mitigates **the risk of growing mobility of the workforce**, which generates additional costs for the identification of the competences and professional adaptation.

At the same time, the activity of the personnel is monitored in order to respond quickly and in a focused manner to potential events related to **psycho-social risks** (both stress and claims of harassment and/or violence at the workplace) and to **the risks of possible hazards or incidents concerning health and safety at work**, such risks considerably reduced as the company holds an integrated management system (Quality-Environment- Health and Occupational Safety), certified according to the applicable standards.

Following the observance of the labor and social protection legislation, there is no record in AEROSTAR of potential **risks to pension funds**.

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In order to reduce the operational risk, AEROSTAR renews annually, with first-rank insurance and reinsurance companies, a civil liability insurance contract for the main business lines (manufacture of aviation products and maintenance of commercial airplanes), being aware and fully compliant with the specific provisions of **the insurance risk** while closely monitoring and mitigating any possible indications as to the influence on the organization's reputation - **the reputational risk for the company**.

The mitigation of **the reputational risk** is made by a continuous set of substantiated and conjugated actions, communicated in accordance with the legal regulations in force, taking into account the requirements of the interested parties and based on the AEROSTAR's results.

### **The Credit Risk**

The financial flows and the situation of the payments received and collected for each partner are continuously monitored and controlled by keeping an actual connection with them consequently, our appreciation is that such risk is very low.

Cash and cash equivalents are only placed in first-rank banking institutions considered to have high solvency.

The credit risk, including the country risk in which the client operates, is managed on each business partner.

Whenever deemed necessary, specific credit risk mitigation instruments are requested (advance payments, letters of bank guarantee for payments, confirmed letters of credit).

AEROSTAR has no significant exposure to a single partner and does not have a significant concentration of its turnover in a single geographical area.

However, there is a remarkable exposure to the global market of the Airbus programmes, with a large share of the company products being embedded in Airbus aircraft.

The crisis generated by the Covid-19 pandemic impacts hard on the global aviation industry. AEROSTAR acts through integrated management system measures to manage all impacts and mitigate the effects of the aviation crisis on the company's performance on short and midterm.

### **The Liquidity Risk**

Currently this risk is practically non-existent.

For the administration of the liquidity risk, all cash flows are monitored and reviewed weekly, monthly, quarterly and annually in order to establish the estimated level of net cash modifications.

Such reviews provide the basis for the financing decisions and for the capital undertakings.

For the administration of the liquidity risk, AEROSTAR keeps an annual cash reserve as a Credit Line usable as a bank overdraft.

During the reporting period, AEROSTAR did not use the Credit Line, all the activities being financed from the company's own funds.

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## The Market Risk

The market risk is relevant through **the price risk, the currency risk and the interest rate risk.**

AEROSTAR is mainly exposed to **the price risk** determined by the fluctuations of the price of raw materials and materials used in the production processes, due to some extraordinary events (the Brexit Agreement with an impact on the purchasing of materials from Great Britain, the implementation of certain international sanctions that limited the possibility to purchase the necessary parts and materials, etc.), as well as the increase of the costs related to specific duties for the import/export of metallic products (steel and/ or aluminum) to and from USA.

This risk is evident in the context of the economic recession in the aviation industry caused by the COVID-19 pandemic.

AEROSTAR is exposed to **foreign exchange risk** because **68% of the turnover at 31.12.2020 is related to USD and EUR**, while a significant part of the operating costs is denominated in LEI.

AEROSTAR is thus exposed to the risk of being affected by the changes in the exchange rates both in its net income and its financial position, as expressed in LEI.

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

## The trend of the main risks and uncertainties for the following time period

Throughout the year 2020 it got more and more obvious that the post-crisis recovery of the aviation industry occurs with delay and the economy restart forecasts indicate to begin with the year 2023 when the production rates are expected to return for certain manufacturing programmes, such as some of the Airbus and Boeing programmes.

As an exporter of parts, sub-assemblies and equipment for major global programmes, AEROSTAR is under strong impact.

The main focus is to maintain the existing capabilities, which means machinery and equipment, production lines, manpower and qualifications.

Equally important, it is necessary to restore the economic and financial balance at low production rates.

A detailed description of these trends can be found in the chapter **AEROSTAR Business**.

For the following time period, risks and uncertainties are identified related to ensuring the organizational resilience and performance against the current market in the field of civil aviation.

**However, there may be risks and uncertainties additional to those outlined above, which are currently unknown or considered insignificant, but which may affect AEROSTAR's business lines in the future, but we are convinced that the implemented management system will lead to their early identification in order to implement the adequate measures.**

The summary financial situation for the year 2020,  
compared to 2019

Thousands lei

Summary of Assets, Company Equity, Debts and Provisions	31.12.2020	31.12.2019
Non-current assets	190.422	168.023
Circulating Assets	339.689	372.879
Prepaid expenses and receivables related to deferred profit tax	16.941	15.413
<b>Total Assets</b>	<b>547.052</b>	<b>556.315</b>
Company Equity	380.370	363.332
Provisions	115.641	119.019
Prepaid Income	7.048	9.047
Debts	43.993	64.917
<b>Total company equity, prepaid income, debts &amp; provisions</b>	<b>547.052</b>	<b>556.315</b>

Thousands lei

Summary of Income, Expenses, Results	31.12.2020	31.12.2019
Operating Income, of which:	316.408	410.400
– sales income	294.839	399.210
Operating Expenses	(278.059)	(340.460)
<b>Profit/ Loss from Operations</b>	<b>38.349</b>	<b>69.940</b>
Financial income	9.868	9.664
Financial Expenses	(6.158)	(4.498)
<b>Financial Profit/Loss</b>	<b>3.710</b>	<b>5.166</b>
<b>Profit before tax</b>	<b>42.059</b>	<b>75.106</b>
Tax on current and deferred profit	(3.616)	(9.127)
<b>Net Profit of the financial period</b>	<b>38.443</b>	<b>65.979</b>

## **WE ARE PREPARING FOR THE ECONOMIC RESTART!** ---

The competitive advantage will be maintained and improved: quality, capabilities, advanced equipment and technologies, reactivity to opportunities, adherence to improvement programmes.

We will take firm actions to capitalize the opportunities both in the field of aviation, as well as in the field of defence.

We will focus on commissioning successfully our major investment programmes undertaken since the previous year.

The entire Board of Directors is firmly committed to provide the resources required to meet our major objectives and to preserve our development potential for the economic restart period.

However, there may be risks and uncertainties additional to those presented, which are currently unknown or considered insignificant, but which may affect AEROSTAR's business lines in the future.

**On behalf of the Board of Directors,**

**Grigore FILIP**  
**President – General Director**



**Annex-  
COMPLIANCE WITH THE CODE OF  
CORPORATE GOVERNANCE 2020**

Code provisions	Comply	Not comply or partially comply	Reason of non-compliance
A.1	x		
A.2	x		
A.3	x		
A.4		x	Three of the five BoD members are non-executive. The Board of Directors has no independent member, being voted in this structure by the General Meeting of Shareholders.
A.5	x		
A.6	x		
A.7	x		
A.8	x		
A.9	x		During 2020 a number of 9 meetings took place, of which: - In 1 meeting all the BoD members were present; - In 6 meetings, 3 members were present, the other 2 attended by telecon; - In 2 meeting there were 4 members present, the fifth attended by telecon.
B.1	x		Societatea are constituit un comitet de audit independent conform art. 65 din Legea nr. 162/2017
B.2	x		Membrii comitetului de audit sunt persoane independente alese de către AGA și dețin competente în domeniul contabilității și al auditului statutar.
B.3	x		
B.4	x		
B.5	x		
B.6	x		
B.7	x		
B.8	x		
B.9	x		
B.10	x		
B.11	x		
B.12	x		
C.1	x		All the GMS resolutions regarding the remuneration of BoD members were published. Currently there is a distinct section in the BoD Regulation.
D.1	x		
D.1.1	x		
D.1.2		x	The information in this section is available, on request, but are not published on the company's website.
D.1.3	x		
D.1.4	x		
D.1.5	x		
D.1.6	x		
D.1.7	x		
D.2	x		
D.3	x		
D.4	x		
D.5	x		
D.6	x		
D.7	x		
D.8	x		
D.9	x		
D.10	x		

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



## INDIVIDUAL STATEMENT OF THE FINANCIAL POSITION FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020

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

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

## INDIVIDUAL STATEMENT OF PROFIT OR LOSS

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

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

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

**INDIVIDUAL STATEMENT OF OTHER ELEMENTS OF GLOBAL RESULT  
FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020**

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

	<b>31 December 2020</b>	<b>31 December 2019</b>
<b>Net profit of the financial year</b>	<b>38.443</b>	<b>65.979</b>
Deferred income tax recognized on company equity according to O.M.F.P. 2844/2016	(1.609)	(1.337)
Undistributed profit for 2019	9	
<b>Other elements on the global result</b>	<b>(1.600)</b>	<b>(1.337)</b>
<b>Total global result of the period</b>	<b>36.843</b>	<b>64.642</b>

**INDIVIDUAL STATEMENT OF THE MODIFICATION OF COMPANY EQUITY** ——— □  
**FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2020**  
(unless specified otherwise, all amounts are stated in thousand lei)

	Share capital	Reserves	Deferred income tax recognized on equity	Result carried forward	Result of the period	Total equity
<b>Global result</b>						
<b>A. Balance on 1 January 2020</b>	<b>48.729</b>	<b>215.506</b>	<b>(14.139)</b>	<b>58.931</b>	<b>54.305*</b>	<b>363.332</b>
<b>Profit of the period</b>					38.443	38.443
<b>Other elements of global result</b>						
Deferred income tax recognized on the account of equity			(2.009)	400	-	(1.609)
Distribution of the profit of 2019 on the destinations decided by the shareholders in OGMS from the 21 April 2020 (Note 12)				54.305	(54.296)	9
Switch to servicing similar intems of income from period 2009-2020		8.126		(8.126)		-
Distribution of the profit of 2020 for legal reserves in gross amount		12.082			(12.082)	-
<b>Total global result relating to the period</b>		<b>20.208</b>	<b>(2.009)</b>	<b>46.579</b>	<b>(27.935)</b>	<b>36.843</b>
Reserves distributed from the profit of 2019		34.500		(34.500)		-
Dividends distributed related to 2019				(19.796)		(19.796)
<b>Undistributed profit related to 2019</b>					(9)	(9)
<b>Transactions with the shareholders directly recognized in equity</b>		<b>34.500</b>		<b>(54.296)</b>	<b>(9)</b>	<b>(19.805)</b>
<b>B. Balance on 31 December 2020</b>	<b>48.729</b>	<b>270.214</b>	<b>(16.148)</b>	<b>51.214</b>	<b>26.361**)</b>	<b>363.370</b>
<b>C. Modifications on own equity (NOTE 12)</b>	<b>0</b>	<b>54.708</b>	<b>(2.009)</b>	<b>(7.717)</b>	<b>(27.944)</b>	<b>17.038</b>

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

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

**INDIVIDUAL STATEMENT OF THE CASH FLOWS (direct method)  
FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2020**

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

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

## NOTE 1 - DESCRIPTION OF THE COMPANY

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

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

The main activity field of AEROSTAR is production.

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

The company was registered as a shareholding company at the Bacau Trade Register (under number J04/1137/1991), with the current name "AEROSTAR S.A." and the individual identification code 950531, the European Unique Identifier (EUID) code ROONRCJ04/1137/1991.

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

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

In terms of accounting regulations, AEROSTAR S.A. is the subsidiary of the company IAROM S.A. and, therefore, the parent company that consolidates the financial statements of

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

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

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

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

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

## NOTE 2 - ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

### 2.1. Estimates

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

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

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

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

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

The company uses estimates in order to determine:

- the uncertain customers and the adjustments for impairment of related receivables;
- the value of the provisions for risks and expenses to set up at the end of a time period (month, quarter, year) for litigations, for the dismantling of property, plant and equipment, for

restructuring, for collateral granted to customers, for obligations towards manpower and other obligations;

- the adjustments for impairment of property, plant and equipment and intangible assets. At the end of each reporting period, the company estimates whether there is any impairment. If such signs are identified, the recoverable amount of the asset is estimated to determine the extent of impairment (if any).

- the lifetimes of property, plant and equipment and intangible fixed assets. The company reviews the estimated periods of use of tangible and intangible fixed assets at least at the end of each financial year to determine the adequacy.

- the inventories of raw materials and materials requiring to set up adjustments for impairment.

- deferred taxes.

### *Presenting the information*

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

### 2.2. Errors

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

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

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

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

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

### 2.3. Changes in the accounting policies

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

The company modifies an accounting policy only if such change:

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

Applying changes in the Accounting Policies:

- The entity takes into account a change in the accounting policy that results from the initial implementation of an IFRS in accordance with the specific transitory provisions, if any, of that IFRS; and
- When the entity changes an accounting policy during the initial

application of an IFRS that does not include specific transitory provisions.

### Presenting the information

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

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

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

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

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

## NOTE 3 - ACCOUNTING AND EVALUATION PRINCIPLES

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

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

➤ the International Financial Reporting Standards (IFRS) adopted by the European Union;

#### ✓ *adopting for the first time the new and reviewed standards*

- Modifications of the International Accounting Standards 1, 8, 34, 37 and 38 of the International Financial Reporting Standards 2, 3 and 6 and of the Interpretations 12, 19, 20, 22 and 32 which entered into effect starting with the financial year 2020;
- Modifications of the International Accounting Standard IAS 39 „Financial Instruments: Recognition and Measurement” and of the International Financial Reporting Standards IFRS 7 „Financial Instruments: Disclosures” and IFRS 9 „Financial Instruments”, which entered into force starting with the financial year 2020;
- Modifications of the International Financial Reporting Standards IFRS 3 „Business Combinations”, which entered into force starting with the financial year 2020;
- Modifications of the International Financial Reporting Standards IFRS 16 „Leases”, which entered into force starting with the financial year 2020.

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

- Accounting Law no. 82/1991, republished, as subsequently amended and supplemented;

➤ O.M.F.P. no. 881/2012 on the application of International Financial Reporting Standards by companies whose securities are admitted to trading on a regulated market;

➤ O.M.F.P. no. 2.844/2016 on the approval of the Accounting Regulations conforming to the International Financial Reporting Standards;

➤ O.M.F.P. no. 2.861/2009 for the approval of the Norms regarding the organization and execution of the inventories of elements such as assets, debts and own capital;

➤ O.M.F.P. no. 1.826/2003 on the approval of the Explanatory Memorandum regarding some measures of organization and management of the business accounting;

➤ O.M.F.P. no. 2.634/2015 regarding the financial accounting documents, including subsequent amendments and additions.

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

The financial year is the calendar year.

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

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

### 3.2. Applied Accounting Policies

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

The most significant accounting policies are presented below:

#### Accounting Policies regarding property, plant and equipment

The company has chosen the cost-based model as accounting policy. After recognition as an asset, the property, plant and equipment are accounted at their cost less aggregate impairment and any aggregate impairment losses.

The depreciated cost is allocated systematically over the useful life of the asset and represents the cost of the asset less the residual value.

Taking into account the specific activity and the types of property, plant and equipment in the patrimony of the company, it was considered that the residual values of the property, plant and equipment are insignificant. Practically, the residual value was calculated at the level of metal waste that may be valued after deduction of dismantling, disassembly and sales expenses. The impairment methods and useful life are reviewed at least at the end of each financial year and are appropriately adjusted. The useful lifetimes are determined by the commission made up of company's specialists. Any changes are accounted prospectively.

Subsequent expenditures related to property, plant and equipment are added to the net value of the good, when:

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

The benefits are obtained directly by increasing the revenues and indirectly by reducing the maintenance and operating expenses.

All other repair and maintenance expenses performed to ensure the continued use of the property, plant and equipment are recognized in profit or loss when they are carried out. These are performed in order to maintain the initial technical parameters. The spare parts are generally accounted for as inventories and recognized as expense when consumed. If the spare parts and service equipment, with significant values, may only be used in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment if the initial acquisition cost (upon commissioning) of the replaced part can be determined.

To decide whether the recognition is carried out separately, on separate components, each case is analysed using professional reasoning.

The property, plant and equipment to be used in production or in administrative activities are presented in the situation of the financial position under cost, less any loss accumulated from impairment. Such assets are classified in the respective asset classes when they are completed and ready for use in the manner desired by the management, for the intended purpose. The management of the company has set an amount for the capitalization of assets at 2.500 lei. All purchases below this amount will be considered as expenses of the period. Exceptions: Computers are considered to be impaired property, plant and equipment, irrespective of the amount of inventory inflow and will depreciate over expected useful life set by the receiving department. Also, work tools and devices are also accounted for as inventories and recognized as expenses of the period when used, irrespective of their initial value, taking into account that they have a useful lifetime less than a year, as well as their degree of specialization (intended to be used for a particular type of product/ service).

In case of internally generated intangible assets, the phases of the production are clearly separated, namely:

*The research phase.* The search costs are treated as expenses of the period;

*The development phase.* The development costs are registered as an intangible asset, if the following conditions are demonstrated:

- the technical feasibility of completing the asset, so that it is available for use or sell;
- the availability of adequate resources - technical, human, financial - to complete the development;
- the intention to complete and use or sell the intangible asset;
- the ability to use or sell the asset;

- how the asset will generate future economic value;
- the ability to assess costs.

If the company cannot distinguish between the research phase and the development phase of an internal project to create an intangible asset, the company treats the costs of the project as being exclusively incurred during the research phase.

The company has chosen as accounting policy the cost model that requires that the intangible assets to be valued at their net asset value, equal to their cost, except the accumulated impairment and any impairment losses, for those assets.

An investment property is initially valued according to its cost, including any other directly attributable expenses. After the initial recognition, the company has opted for the cost model for all its investments property in accordance with the provisions of IAS 16 for that model.

The transfers to and from the investment property category are made if and only if there is a change in their use.

The transfers between categories do not change the accounting value of transferred property and do not change the cost of that property for the purpose of evaluation or presenting the information.

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

In the category of **financial assets**, are highlighted:

- shares held in affiliated companies.
- other property, plant and equipment.
- long-term loans as well as interest on them. In this category are included the amounts granted to third parties based on interest-rate contracts, according to the law.
- other fixed liabilities as well as interests related to them. This category includes collateral, deposits and bills placed with third parties, receivables related to financial leasing contracts.

The long-term financial assets recognized as an asset are measured at the cost of acquisition or at the amount set in their acquisition contract.

The long-term financial assets are presented in the statement of the financial position at the incoming value, less any recognized impairment losses.

#### **•Accounting policies on inventory items**

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

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

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

Periodically, the management of the company approves the level of the normal technological losses.

The inventory is kept according to quantity and value, by applying the permanent inventory method.

The value adjustments are made for the current assets of the inventory, upon each reporting period, based on the age of inventories, of the resolutions given by the inventory commissions and/ or by the management of the business modules, for the presentation of assets at the lowest value between cost and net achievable value.

#### **•Accounting policies on company's liabilities**

The company's liabilities are highlighted in the accounting based on third parties accounts. Suppliers and other liabilities accounts are kept by category, as well as by each individual or legal entity. Income tax to be paid is recognized as a liability within the limit of the unpaid amount.

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

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

Foreign currency liabilities are recorded in the accounting both in LEI as well as in foreign currency.

A liability is classified as a short-term liability, also called current liability when:

- it is expected to be settled in the normal course of the company's operating cycle, or
- it is due within 12 months from the balance sheet date;
- all other liabilities are classified as long-term liabilities;
- liabilities that are payable over a term longer than 12 months are long-term liabilities.

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

- a) the initial term was for a period longer than 12 months; and
- b) there is a refinancing or rescheduling agreement that is concluded before the date of the financial statements.

#### • Accounting policies on company's receivables

Receivables include:

- trade receivables, which are amounts owed by customers for goods sold or services rendered in the normal course of the activity;
- commercial revenue (effects) to be collected, third party instruments;
- amounts owed by the employees or affiliated companies
- advance payments to the suppliers of property, plant and equipment, of goods and services;
- receivables related to manpower and state budget.

Receivables are accounted for under the accrual basis, according to the legal or contractual provisions.

Customer accounting is kept grouped by categories (internal customers for services and products, as well as external customers for services and products) and for each natural or legal person.

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

Receivables in foreign currencies, which are the result of the company's transaction, are recorded both in LEI, as well as in foreign currency.

The transactions in foreign currency are initially recorded at the foreign exchange rate, communicated by the National Bank of Romania, on the date of performing the operation. The removal from accounting of the receivables with prescribed collection deadlines is performed only after all legal steps have been taken, for their settlement.

The uncertain receivables are recorded separately in accounting, in the account 4118 Uncertain customers when the payment term stipulated in the contract is exceeded by more than 30 days or when a dispute with the customer is recorded. In the annual financial statements, receivables are valued and presented at the value at which they are likely to be received. When a receivable from a customer was not collected in full at the payment term stipulated in the contract, there are recorded impairment adjustments to the terms and percentages approved by the Board of Directors in the Accounting Policy Manual.

#### • Accounting Policies for Revenue Recognition

In the revenue-related category are included both the revenues received or to be received in own name, as well as gains from any source.

- Revenues are classified as follows:
- revenues from operations;
- financial revenues.

The revenue is recognized on an accrual basis.

The revenue is assessed at the fair value of the amount received or to be received. The sales revenue is diminished for returns,

commercial rebates and other similar discounts.

**Revenues from operations** include:

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

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

- the company has transferred to the buyer the control on the goods in question;
- the company does not retain the continuous managerial involvement to the level usually associated with the ownership or the actual control over the sold goods;
- the amount of revenue can be accurately assessed;
- it is likely that the economic benefits associated with the transaction will be directed to the entity;
- the costs incurred or to be incurred in connection with the transaction can be precisely measured.

Specifically, the income from the sale of goods is recognized when the company transfers to the buyer the control on the goods in question.

#### Revenues from rendering of services

The service contracts in the company's portfolio are usually contracts with execution at a specific time, which coincides with the delivery of goods subject to the rendering of services.

As a result, the revenues from the rendering of services are registered when the following conditions are met:

- the company has transferred to the customer the control over the services rendered;
- the amount of the revenue can be accurately measured;
- it is probable that the economic benefits associated with the transaction will be directed to the entity;

If the result cannot be estimated, the revenue is recognized up to the value of the recoverable costs.

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

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

The interest revenues are recognized in the income statement on the basis of accrual accounting using the effective interest method. The interest revenues generated by a financial asset are recognized when it is probable that the company will obtain an economic benefit and when that revenue can be measured accurately.

**The dividend revenues** generated by investments are recognized when the shareholder's right to receive payment has been determined. The company records dividend revenues at the gross amount that includes dividend tax (when it is the case), which is recognized as income tax expense.

#### • Accounting policies for provisions

Provisions are recognized when the company has a present obligation (legal or implicit) as a result of a past event, it is probable that the company will be required to settle the obligation and a reliable estimate of the amount of the obligation.

The value recognized as provision is the best estimation that can be made regarding the amount required to settle the current obligation at the end of the reporting period, taking into account the risks and uncertainties around the obligation.

The accounting for provisions is kept on the basis of the nature, the purpose or the object for which they were set up.

#### Provisions for collateral

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

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

### Provisions for Risk and Expense

When identifying risks and expenses likely to be incurred by events that have occurred or are occurring and whose object is determined accurately but whose materialization is uncertain, the company covers these risks by making provisions. The provisions for risks and expenses are set up for items such as risks specific to the aviation industry, litigations, fines, penalties, compensations, damages and other uncertain debts.

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

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

These costs are reflected in a setup provision that is recorded in the profit and loss account during the lifetime of the property, plant and equipment, by including it in the impairment expense. The revision of the estimates for the decommissioning and restoration provision is determined by the annual review of the dismantling costs. The Committee of specialists from the company, appointed by decision, establishes, on a regular basis, whether the initial estimates of the dismantling costs are appropriate.

### Provisions for the employees' benefits

They are recognized for the benefits of the employees granted in accordance with the applicable Collective Labour Agreement only if:

- the entity has the legal and constructive obligation to make such payments as an outcome of past events; and
  - a reliable estimate of the obligation can be achieved.
- The provisions are reanalysed at the end of each reporting period, in order to reflect the best current estimation.

### Accounting Policies on grants and other non-refundable funds

The subsidies reflect distinctly:

- government grants;
- non-refundable subsidies in the form of grants;
- other amounts received in the form of grants.

Grants are recognized at their approved value. Grants received as non-monetary assets are recognized at fair value.

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

Grants that compensate the company for the expenditures incurred are systematically recorded in the income statement, in the same periods in which expenses are recorded. Grants that compensate the company for the cost of an asset are recorded

on a systematic basis in the income statement over the entire lifetime of the asset.

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

In the event that during a specific period a grant is received for expenses that have not been incurred yet, the subsidies received do not represent income for that current period. They are recognized in the accrual accounting as advance income and are resumed in the income account as the incurred expenses compensate the surplus.

### Accounting policies for the production of goods and services

The accounts management organization in Aerostar is based on the applicable legal provisions and the manual of procedures and work instructions specific to the management accounting, adapted to the specific activity of the company.

The management accounting consists of:

- collecting direct, indirect and ancillary costs by their nature;
- indirect cost allocation;
- direct and indirect costs deduction.

The main purpose of the management accounting is to determine the result per production orders or services and per organizational structure.

According to the accounts regulations, the following items are recognized in the cost of goods, works and services that are recognized as expenses of the period in which they occurred:

- a) material losses, labour or other production costs related to scrap and under capacity load work costs;
- b) general administration expenses.

The calculation method used in Aerostar is the method based on orders.

This method is suitable for individual and serial production. The recorded and calculated item of cost in this method is the order launched for a certain quantity (batch) of products.

The production costs are collected directly on each order (those of direct nature) or by distribution (the indirect ones).

The actual cost per unitary product is calculated upon completing the order by dividing the production costs collected from the respective order to the quantity of products produced on that order.

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

In case of orders related to export sales the price is expressed in LEI by converting the currency to the budgeted foreign exchange rate. Upon applying the accounting policies, the company issues procedures, instructions and work dispositions approved by the executive management.

## NOTE 4 – TRANSACTIONS IN FOREIGN CURRENCIES

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

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

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

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

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

Considering that 68% of the turnover registered in the reporting period is denominated in USD and EUR, while a significant part of the operating costs is denominated in LEI, the foreign exchange rates variations will affect both its net incomes and the financial position as expressed in the functional currency.

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

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

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

+ 2,10% in 1st quarter 2020 compared with 31.12.2019  
 - 0,10% in 2nd quarter 2020 compared with 31.03.2020  
 - 4,10% in 3rd quarter 2020 compared with 30.06.2020  
 - 1,80% in quarter IV 2020 compared with 30.09.2020  
 and  
 EUR/LEU:

+ 0,30% in 1st quarter 2020 compared with 31.12.2019  
 + 0,20% in 2nd quarter 2020 compared with 31.03.2020  
 + 0,04% in 3rd quarter 2020 compared with 30.06.2020  
 + 0,03% in quarter IV 2020 compared with 30.09.2020  
 has determined the registration of a financial loss from favourable exchange rate differences of 1.303 thousand LEI.

## NOTE 5 - INTANGIBLE ASSETS

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

### Net accounting value

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

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

- Development expenses
- Licences
- Other intangible assets

The software programmes are registered under other intangible assets.

The estimated useful lifetimes of intangible assets are established in years.

The useful lifetimes are established by committees of specialists from the company.

The fiscal durations of operation of the intangible assets are

stipulated by the fiscal legislation on assets.

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

The intangible assets in the balance sheet account as on 31.12.2020 are not depreciated and no adjustments were made for the depreciation thereof.

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

The value of the completely amortized software licenses on 31 December 2020 and which are still in use is 3.017 thousand lei.

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

**The increases in gross values of intangible assets were the result of:**

- development of the IT management system of production - version 3
- purchasing of software licences

**563 thousand lei**

151 thousand lei

412 thousand lei

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

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

## NOTE 6 – PROPERTY, PLANT AND EQUIPMENT

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

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

### Net accounting value

	Balance on 1 January 2020	Increase	Reclassification	Disposal/Transfer	Depreciation	Balance on 31 December 2020
Land	28.401	865	0	0	0	29.266
Constructions	37.451	35.218	108	0	(5.325)	67.425
Technological equipment and vehicles	73.226	25.533	0	(5)	(17.834)	80.920
Other equipment and office equipment	1.481	1.250	0	0	(428)	2.303
Investment property	7.681	0	(108)	0	(578)	6.995
Property, plant and equipment under construction	16.986	46.024	0	(62.001)	0	1.009
<b>Total</b>	<b>165.226</b>	<b>108.890</b>	<b>0</b>	<b>(62.006)</b>	<b>(24.192)</b>	<b>187.918</b>

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

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

Depreciation expenses are recognized in the profit and loss statement.

The following useful lifetimes are assumed:

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

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

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

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

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

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

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

These costs were reflected in the set-up of a provision, which is recorded in the profit and loss account throughout the lifetime of

the property, plant and equipment, by inclusion in the depreciation expense.

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

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

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

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

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

Internal source of information:

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

External source of information:

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

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

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

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

The property, plant and equipment in the balance sheet on 31.12.2020 are not depreciated and no significant depreciation indicators were identified.

The gross accounting value of the fully depreciated property, Plant and Equipment which were still in operation on 31 December 2020 is 27.111 thousand lei.

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

**Increases in gross values of the property, plant and equipment, achieved by: 108.890 k lei**

- acquisition of technical equipment, hardware equipment, measuring and control equipment, means of transport and lifting, completion of MRO hangar, lasi workpoint 62.001 k lei
- purchase of 20.372 m<sup>2</sup> land 865 k lei
- investments made in 2020 46.024 k lei

**Reclassifications, by:**

- the transfer of a building from investment property to property, plant and equipment - constructions, as a result of modifying its use 108 k lei

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

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

## NOTE 7- FINANCIAL ASSETS

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

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

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

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

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

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

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

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

## NOTE 8 - TRADE RECEIVABLES

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

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

- in percentage of 50% of the value of the receivables not collected on time if the due date is between 30 days and 180 days. On 31 December 2020 the company registered adjustments for depreciation of this nature in the amount of 417 thousand lei;

- in percentage of 100% of the value of the receivables not collected, having no receivables with due date exceeding 180 days. On 31 December 2020 the company registered adjustments for depreciation of this nature in the amount of 21 thousand lei.

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

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

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

At the end of each period the receivables expressed in foreign currency as well as in lei that are settled based on the currency rate are evaluated at the market exchange rate communicated by the National Bank of Romania on the last day of the month in question. The favourable and unfavourable exchange rates differences between the exchange market rate, at which are accounted the receivables in currency, and the market exchange rate communicated by the National Bank of Romania available for the closure of December 2020, were recorded in the related income or expense accounts.

## NOTE 9 - OTHER RECEIVABLES

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

To cover the risk of non-recovery of the amounts representing certain categories of receivables– diverse debtors, the company registered adjustments for impairment of diverse debtors in the amount of 126 thousand lei.

## NOTE 10 – INVENTORIES

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

*Adjustments for impairment of inventories and production in progress*

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

Note:

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

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

The inventories are assessed at the lowest value between the cost and the net achievable value.

The net achievable value is the estimated sale price for inventories minus all estimated costs for completion and the estimated costs required for the sale.

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

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

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

The total value of inventories recognized as an expense during the period is 86.920 thousand lei.

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

AEROSTAR has no pledged inventories.

## NOTE 11 - CASH AND CASH EQUIVALENTS

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

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

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

The cash equivalents shall comprise short-term bank deposits.

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

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

## NOTA 12 - COMPANY EQUITY

The company equity on 31 December 2020 is 380.370 thousand lei. The net increase of the equity in 2020 compared to 2019 was 17.038 thousand lei.

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

• **The share capital remained unchanged**

On 31 December 2020, the share capital of AEROSTAR SA is 48.728.784 lei, divided in 152.277.450 shares having each a nominal value of 0,32 lei.

The structure of the company shareholders on 31.12.2020 is as follows:

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

\*) Source of information: Depozitarul Central

• **The reserves increased by 54.708 thousand lei** on account of:  
- distribution to reserves of the reinvested profit related to the year 2020 in the gross amount of 11.529 thousand lei;

- distribution to reserves of the bonus received for bonuses for the payment in due time of the profit tax according to OUG 33/2020 in amount of 553 thousand lei;

- distribution for reserves of the amount of 34.500 thousand lei of the profit related to the financial year 2019;

- transfer to reserves of the amount of 8.126 thousand lei representing elements similar to the income obtained between 2009 and 2020, taxed.

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

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

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

- the result carried forward incurred by the use, on the date of transition to IFRS, of the fair value as presumed cost = 30.183 thousand lei;

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

- the result carried forward representing the undistributed profit related to the year 2019 = 9 thousand lei.

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

## NOTE 13 - PROVISIONS

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

### Provisions set up for guarantees granted to customers

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

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

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

### Provisions for benefits granted to employees

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

#### Provisions for litigations

Provisions for litigations on 31.12.2020 are set up for probable indemnities payable by the company to a former employee.

The provisions are reanalysed at the end of each reporting period and are adjusted in order to reflect the best estimation of the probable payments.

#### Other provisions

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

- covering risks specific to the aviation industry, such as: risk of hidden defects, risk of discovering quality incidents that can incur damages.

- coverage of some expenses regarding the Company's obligations towards A.J.O.F.M., based on O.U.G. 95/2002.

## NOTA 14 - SUBSIDIES

#### Subsidies related to assets

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

	31.12.2020	31.12.2019
Balance on 1 January, of which:	7.935	10.239
<b>Subsidies related to the assets received</b>	<b>7.914</b>	<b>10.214</b>
Surplus in inventories in the category of immobilizations	21	25
<b>Subsidies registered in income corresponding to the calculated amortization</b>	<b>(2.042)</b>	<b>(2.304)</b>
Balance on 31 March, of which:	5.893	7.935
<b>Subsidies related to the assets received</b>	<b>5.875</b>	<b>7.914</b>
Surplus in inventories in the category of immobilizations	18	21

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

1. Contract no. 210304/22.04.2010: 'Extension of the manufacturing and assembly capacities for aerostructures for civil aviation', performed between April 2010 and October 2012, the value of the subsidy received from the Ministry of Economy, Trade and Business Environment (MECMA) being 5.468 thousand lei;
2. Contract no. 229226/14.06.2012: 'Setting up a new manufacturing capacity for diversifying production and export growth', performed between June 2012 and May 2014, the value of the subsidy received from the Ministry of Economy, Trade and Business Environment (MECMA) being 6.011 thousand lei;
3. Contract no. 5IM/013/24.03.2015: 'Consolidation and sustainable development of the mechanical processing and

painting sectors by high performance investments', carried out between March and December 2015, the value of the subsidy received from the Ministry of European Funds (MFE) being 8.299 thousand lei;

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

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

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

## NOTE 15 - COMMERCIAL DEBTS

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

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

For the registered debts no mortgages were established.

The favourable or unfavourable exchange rate differences between the market exchange rate to which the debts in foreign currencies are registered and the market exchange rate communicated by the National Bank of Romania for the closure of December 2020, were registered in the corresponding accounts of revenues or expenses.

## NOTE 16 - OTHER LIABILITIES

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

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

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

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

· 905 thousand lei, amount to be paid by AEROSTAR for the dividends related to 2019;

· 681 thousand lei, amount to be paid by AEROSTAR for the dividends corresponding to 2018;

· 562 thousand lei, amount to be paid by AEROSTAR for the dividends from 2017;

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

## NOTE 17 - DEFERRED PROFIT TAX

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

The Company estimated and registered liabilities regarding the deferred tax related to non-current assets (which results from differences between accounting and fiscal values, the different

useful life, s.o.) and of the reserves and recognized receivables regarding the deferred tax related to the inventories, which were adjusted for depreciation, provisions for customer bonds, provisions for benefits granted to the employees and other provisions.

**The structure of deferred income tax registered on 31.12.2020 is:**

### Liabilities from deferred tax

1. Liabilities related to deferred tax generated by the differences between accounting bases (higher) and the fiscal ones (lower) of the non-current assets	1.868
2. Liabilities related to the deferred tax concerning legal reserves	1.559
3. Liabilities on deferred tax related to reserves from the fiscal facility	15.362
4. Liabilities on deferred tax related to the reported result representing a surplus from revaluation reserves	61
<b>Total liabilities from deferred tax</b>	<b>18.850</b>

### Receivables on deferred tax

1. Receivables on deferred tax related to other provisions set in 2010	773
2. Receivables on deferred tax related to provisions for bonds granted to customers set between 2014-2020	7.039
3. Receivables on deferred tax related to provisions for manpower benefits	845
4. Receivables on deferred tax related to the adjustments for depreciation of the inventories	6.832
5. Receivables on deferred tax related to the adjustments for depreciation of the receivables	96
<b>Total receivables on deferred tax</b>	<b>15.585</b>

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

In the period 01 January 2020 – 31 December 2020, the company registered income from tax on deferred profit in the amount of 6.685 thousand lei and expenses with tax on deferred profit in the amount of 5.007 thousand lei.

## NOTE 18 - FINANCIAL INSTRUMENTS

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

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

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

- financial instruments kept for making transactions (including derived instruments);

- financial instruments kept till due date;

- financial instruments available for sale.

The financial assets of AEROSTAR S.A. include:

- cash and cash equivalents;

- trade receivables;

- trade effects received;

- immobilized receivables (bonds for third parties);

The financial liabilities of AEROSTAR S.A. include:

- trade liabilities;

- trade effects payable.

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

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

a) credit risk

b) liquidity risk,

c) currency risk,

d) interest rate risk.

### a) Credit risk

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

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

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

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

### Exposure to credit risk

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

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

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

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

	31.12.2020	31.12.2019
Domestic market	13.279	15.863
Euro zone countries	7.617	17.691
Great Britain	5.840	16.226
Other European countries	1.242	1.223
Other regions	2.588	7.789
<b>Total</b>	<b>30.566</b>	<b>58.792</b>

### Depreciation adjustments

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

	Gross value 31.12.2020	Adjustments for depreciation 31.12.2020	Gross value 31.12.2019	Adjustments for depreciation 31.12.2019
In due time	30.146		58.255	
Past due, total of which:	858	438	1.344	807
1-30 days	0	0	0	0
31-60 days	795	397	388	202
61-90 days	1	0	702	351
91-120 days	41	20	0	0
Over 120 days	0	0	254	254
Over 1 year	21	21	0	0
<b>Total</b>	<b>31.004</b>	<b>438</b>	<b>59.599</b>	<b>807</b>

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

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

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

#### b) Liquidity risk

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

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

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

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

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

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

	<b>Financial debts</b>	<b>Accounting value</b>	<b>Contractual cash flows</b>	<b>0-30 days</b>	<b>31-60 days</b>	<b>over 60 days</b>
31.12.2020	Trade liabilities	8.411	(8.411)	(6.865)	(1.383)	(163)
	Trade effects	0	0	0	0	0
31.12.2019	Trade liabilities	18.369	(18.369)	(13.284)	(4.462)	(623)
	Trade effects	255	(255)	(255)	0	0

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

On 31.12.2020 AEROSTAR has no records of overdue financial liabilities.

#### c) Foreign currency risk

The foreign currency risk is the risk that the fair value or future cash flows of a financial instrument fluctuate because of the changes in the currency exchange rates.

Exposure to the foreign currency risk

AEROSTAR is exposed to the foreign currency risks, as 68% of the

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

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

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

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

#### Sensitivity analysis

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

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

(+/-2%) of the EUR/LEU exchange rate can be noticed.

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

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

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

#### a) Interest rate risk

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

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

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

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

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

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

## NOTE 19 - OPERATING INCOME

	31.12.2020	31.12.2019
<b>Revenues from sales, of which:</b>	<b>294.839</b>	<b>399.210</b>
Revenues from product sales	137.194	210.082
Revenues from services supplied	154.891	185.243
Revenues from selling goods	11	1.057
Revenues from renting	2.301	2.417
Trade discounts granted	(24)	(41)
Revenues from other activities	466	452
<b>Revenues related to inventories of products finished and in progress</b>	<b>14.921</b>	<b>6.593</b>
<b>Revenues from the production of fixed assets</b>	<b>1.865</b>	<b>988</b>
<b>Revenues from operating subsidies</b>	<b>1.994</b>	<b>263</b>
<b>ther revenues from operations</b>	<b>2.789</b>	<b>3.346</b>
<b>Total operating income</b>	<b>316.408</b>	<b>410.400</b>

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

- signing apprenticeship agreements in the amount of 76 thousand lei;
- employment of a non-employed person in the NEET category (Not in Education, Employment or Training) in the amount of 64 thousand lei;
- employment of graduates who failed to get a job in accordance with their educational background within 60 days after graduation, in the amount of 53 thousand lei;
- paying indemnities to the employees who were granted days off for children surveillance in case of temporary closure of the educational establishments, in the amount of 86 thousand lei;

- settling the amount of 1.715 thousand lei financed from the unemployment insurance budget, representing 41,5% of the gross base salary corresponding to the job filled, but without exceeding 41.5% of the gross average earning provided by the Law of state social security budget for the year 2020, a facility granted in the field of social security in the context of the epidemiological situation generated by the spread of the coronavirus SARS-CoV-2.

## NOTE 20 - OPERATING EXPENSES

	31.12.2020	31.12.2019
<b>Expenses with employee benefits, of which:</b>	<b>117.702</b>	<b>126.473</b>
Salaries and allowances	107.078	114.126
Expenses with benefits in kind and expenses with ticket meals granted to employees	5.340	6.696
Expenses with social security	5.284	5.651
<b>Expenses with raw material and material</b>	<b>78.687</b>	<b>111.767</b>
<b>Energy, water and gas</b>	<b>8.191</b>	<b>9.601</b>
<b>Other material expenses, of which:</b>	<b>9.965</b>	<b>11.144</b>
Expenses with non-inventory materials	1.732	1.892
Expenses with goods	7	940
Expenses with packaging	294	430
Expenses with other material	7.932	7.882
<b>Expenses with external services, of which:</b>	<b>27.912</b>	<b>30.098</b>
Repairs	13.048	12.128
Transport costs	2.175	3.348
Commissions and fees	2.158	3.333
Travels, deployments	1.903	1.122
Renting expenses	587	776
Other expenses with services supplied by third parties	8.041	7.582
<b>Trade discounts received</b>	<b>(130)</b>	<b>(53)</b>
<b>Amortizations</b>	<b>25.018</b>	<b>25.975</b>
<b>Increase/decrease of adjustments regarding provisions</b>	<b>(3.389)</b>	<b>6.198</b>
<b>Increase/decrease of adjustments regarding depreciation of current assets</b>	<b>9.814</b>	<b>13.749</b>
<b>Other operational expenses</b>	<b>4.289</b>	<b>5.508</b>
<b>Total operating expenses</b>	<b>278.059</b>	<b>340.460</b>

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

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

<b>Adjustments regarding provisions</b>	<b>31.12.2020</b>	<b>31.12.2019</b>
<i>Increases / setups</i>	22.450	25.125
<i>Decreases / reruns</i>	25.839	18.927
<b>Increase/Decrease of adjustments regarding provisions</b>	<b>(3.389)</b>	<b>6.198</b>

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

<b>Adjustments regarding impairment of current assets</b>	<b>31.12.2020</b>	<b>31.12.2019</b>
<i>Increased / set up adjustments</i>	28.956	17.844
Adjustments for the impairment of investments	2.507	3.587
Adjustments for impairment of receivables	22	130
<b>Total increased/set up adjustments</b>	<b>31.485</b>	<b>21.561</b>
<i>Decreased/resumed adjustments</i>		
Adjustments for the impairment of inventories	14.788	5.084
Adjustments for impairment of receivables	2.883	2.728
<b>Total decreased/resumed adjustments</b>	<b>21.671</b>	<b>7.812</b>
<b>Increased/ decreased adjustments regarding the impairment of current assets</b>	<b>9.814</b>	<b>13.749</b>

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

## NOTE 21 - FINANCIAL INCOME

	31.12.2020	31.12.2019
Income from foreign currency exchange differences	4.825	6.002
Income from interest	4.473	3.525
Income from shares held at affiliated entities	536	137
Income from divested financial immobilizations	34	-
<b>Total financial income</b>	<b>9.868</b>	<b>9.664</b>

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

## NOTE 22 – FINANCIAL EXPENSES

	31.12.2020	31.12.2019
Expenses from exchange rate differences	6.128	4.467
Expenses with interests related to leasing contract	30	31
<b>Total financial expenses</b>	<b>6.158</b>	<b>4.498</b>

In 2020 the company registered in the financial expenses category:

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

## NOTE 23 - TAX ON PROFIT

### Tax on profit

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

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

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

### 31 December 2020

Gross accounting profit

42.059

Expenses with current tax on profit

5.265

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

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

The main factors that affected the actual tax rate:

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

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

### Tax specific to some activities

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

## NOTE 24 - RESULT PER SHARE

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

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

IN LEI	31.12.2020	31.12.2019
Profit attributable to ordinary shareholders	38.442.550	65.979.465
Number of ordinary shares	152.277.450	152.277.450
<b>Profit per share</b>	<b>0,252</b>	<b>0,433</b>

## NOTE 25 - AVERAGE NUMBER OF EMPLOYEES

	year 2020	year 2019
<b>Own employees:</b>		
Average number of employees	1.731	1.735
<b>Employees hired through temporary labor agent:</b>		
Average number of employees	66	115
<b>The total number of personnel engaged in the activity of the company AEROSTAR was:</b>	<b>1.797</b>	<b>1.850</b>

## NOTE 26 - TRANSACTIONS WITH AFFILIATED PARTIES

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

The transactions with the affiliated parties in 2020 consisted in:

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

## NOTE 27 - INFORMATION REGARDING THE CASH FLOW

The method used in the Cash Flow Statement is the direct method. The cash flows Statement presents the cash flows and cash equivalents classified on operating activities, investments and financing, thus indicating how AEROSTAR generates and uses the cash and cash equivalents.

In the context of the Cash Flows Statement:

- the cash flows are the amounts collected and paid in cash and cash equivalents;
- the cash means the amounts available in banks and cashier's desk.

- the cash equivalents comprise the deposits formed in banks, bills and promissory notes deposited with banks in order to be collected.

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

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

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

Therefore, in 2020:

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

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

The payments to purchase tangible and intangible assets were in the amount of 46.251 thousand LEI.

The value of the treasury cash flows allocated to increase the operating capacity represents 13% of the aggregate value of the cash used for operating, investment and financing activities.

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

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

## 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.:

	<u>31 December 2020</u>	<u>31 December 2019</u>
<b>· Liabilities:</b>		
o Guarantees granted to customers as letters of bank guarantee and letters of credit	256	3.465
o Guarantees received from suppliers – as letters of bank guarantees and letters of credit	149.899	35.664
<b>· Goods, of which:</b>		
o inventories of other materials released for use (tooling, jigs, fixtures, safety equipment, measuring and control eqpt, technical library etc.)	33.778	30.947
o material values received in consignment	1.826	1.826
o tangible and intangible assets –obtained or purchased as a result of co-financed activity	4.151	4.151
o material values received for processing/repairs	4.643	2.463
<b>· Other values off-balance, of which:</b>		
o Liabilities for covering certain future obligations to A.J.O.F.M. based on OUG 95/2002 regarding the defence industry	4.833	5.304
o debtors removed from accounts, monitored further on	155	139
<b>· Greenhouse Gas Emission Certificates</b>	2.927	2.038

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

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

## NOTE 29 – DIRECTORS' REMUNERATION

The Board of Directors of AEROSTAR S.A.:

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

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

- The setting up of a Board of Directors consisting of 5 (five) natural persons and the election (mandate extension), as members of the Board of Directors, for a period of 4 years, as of 11.07.2020 until 10.07.2024, of the following persons:

1. FILIP Grigore
2. DAMASCHIN Doru
3. TONCEA Mihail-Nicolae
4. DOROȘ Liviu-Claudiu
5. VÎRNĂ Daniel

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

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

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

## NOTE 30 – RISK MANAGEMENT

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

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

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

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

### Operational Risk

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

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

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

The global supply chains of the aeronautical industry is facing significant cancellations and reductions of the airplane

manufacturing orders, as well as the disappearance of the passenger air traffic, with an estimated decrease by 55% of the global number of passengers for the year 2020 following the travelling restrictions, the modified passengers' behavior and the global economic recession.

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

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

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

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

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

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

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

Moreover, in order to minimize the operational risk, AEROSTAR renews annually, with 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 of AEROSTAR bearing a financial loss as a result of the failure to meet the contractual obligations by a partner, being determined mainly by cash, cash equivalents (bank deposits) and trade receivables.

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

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

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

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

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

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

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

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

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

AEROSTAR is exposed mainly to the price risk determined by the fluctuations of the raw material and of the material used in the manufacturing processes.

The management of this risk is carried out by:

- diversifying the portfolio of suppliers, which offers a larger leverage in negotiations in case the price of raw materials is increased by certain suppliers.

- long-term contract agreements, with provisions on fixed prices.

AEROSTAR is exposed to the exchange rate risk because 68% of its turnover is related to USD and EUR, while a significant part of the operating expenses is denominated in LEI.

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

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

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

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

## NOTE 31 – PREPAID EXPENSES AND INCOME

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

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

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

- amounts to resume within a year representing subscriptions, insurance policy, fees, participation at trade fairs and conferences, taxes and dues, on-line services, maintenance of IT systems, etc.

- amounts to resume within more than a year, representing the interest related to the right to use the land leased for the

Maintenance Hangar in Iași.

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

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

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

### Net accounting value

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

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

## NOTE 33 - EVENTS AFTER THE REPORTING PERIOD

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

These individual financial statements which comprise: the statement of the financial position, the statement of the profit or loss, other elements of the global result, the individual statement of the company equity's modifications, the individual statement of the cash flows and the explanatory notes of the financial statements were approved by the Board of Directors on 12.03.2021 and signed on behalf of the Board of Directors by:

**Grigore FILIP**  
President & General Director

**Doru DAMASCHIN**  
Vice President & Financial Director



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

5. The Management of the Company is responsible for the preparation and fair presentation of these financial statements in accordance with OMFP 2844/2016 and with the accounting policies presented in the notes to the financial statements, 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.
6. 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.
7. Those charged with governance are responsible for overseeing the Company's financial reporting process.

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

8. 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.
9. 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.
10. As part of the audit process, 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.
11. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and we communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
12. 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.

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### **Report on Conformity of the Administrators' Report with the Financial Statements**

The Company's Administrators are responsible for the preparation and presentation, in accordance with the requirements of articles 15-19 from the Accounting Regulations approved by OMFP 2844/2016, of an Administrators' Report which is free from significant misstatements, and for such internal control as the Management considers necessary to enable the preparation of the Administrators' Report which shall be free from material inconsistencies, whether due to fraud or error.

The Administrators' Report is not part of the Company's financial statements.

Our opinion on the accompanying financial statements does not cover the Administrators' Report.

In connection with our audit of the financial statements of the Company as at 31 December 2020, we have read the Administrators' Report attached to the financial statements and we report the following:

- a) we have not identified in the Administrators' Report any information which is not consistent, in all material respects, with the information presented in the accompanying financial statements;
- b) the Administrators' Report identified above includes, in all material respects, the information required by articles 15-19 from the Accounting Regulations approved by OMFP 2844/2016;
- c) the Administrators' Report identified above includes the non-financial declaration requested in art. 39 of the Accounting Regulations approved by OMFP 2844/2016;
- d) based on our knowledge and understanding acquired during the audit of the financial statements for the year ended 31 December 2020 regarding the Company and its environment, we have not identified in the Administrators' Report any information that would be significantly misstated.

### **Report on Other Legal and Regulatory Requirements**

In compliance with Article 10(2) of Regulation (EU) No. 537/2014, we provide the following information in our independent auditor's report, which is required in addition to the requirements of International Standards on Auditing:

#### *Appointment of the Auditor and the Period of Engagement*

We were appointed as auditors of the Company through the Decision from 19 April 2018 of the General Meeting of Shareholders ("GMS") to audit the financial statements of the Company for the financial years 2018-2020. Our uninterrupted engagement is of 3 years, covering the financial years ended from 31 December 2018 until 31 December 2020.

#### *Consistency with the Additional Report to the Audit Committee*

We confirm that our audit opinion on the financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 11 March 2021 in accordance with Article 11 of Regulation (EU) No. 537/2014.

#### *Provision of Non-audit Services*

We declare that no prohibited non-audit services, as referred to in Article 5(1) of Regulation (EU) No. 537/2014, were provided by us to the Company. In addition, except for a low value tax review of the fiscal treatment for a specific transaction (from a compliance point of view), there are no other non-audit services which were provided by us to the Company and its controlled undertakings.

Bucharest, 16 March 2021

Vasile Andrian

Auditor registered in the Public Electronic Register under no. 1554 / 2004

On behalf of **MAZARS ROMANIA S.R.L.**

Audit firm registered in the Public Electronic Register under no. 699 / 2007.

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### DECLARATION

The undersigned GRIGORE FILIP, as President of the Board of Directors and General Director of AEROSTAR S.A. and DORU DAMASCHIN, as Vice-president of the Board of Directors and Financial Director of AEROSTAR S.A., hereby undertake the responsibility for the preparation of the individual financial statements as on 31.12.2020, and we confirm hereby that:

a) The accounting-financial statement for 2020 that was prepared in accordance with the applicable accounting standards provides a fair image compliant with the reality of the assets, obligations, financial position, of the profit and loss account of the company Aerostar S.A. Bacău;

b) The report of the Board of Directors on the financial year 2020, prepared in accordance with the provisions of Regulation no. 5/2018 issued by the Financial Supervisory Authority – Annex no. 15, provides a correct review of the company's development and performance, as well as a description of the main risks and uncertainties related to the activity of Aerostar S.A. Bacău.

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

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

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**DISTRIBUTION  
OF THE PROFIT OF THE YEAR 2020**

<b>The net profit of the financial year 2020</b>	<b>38.443.550 lei</b>
- Distributions of the legal reserve of the reinvested profit	12.081.876 lei
-Distributions to statutory reserves	8.087.380 lei
-Distributions as dividends (gross dividend per share: 0,12 lei)	18.273.294 lei

**Approved in the General Meeting of Shareholders on April 21, 2021.**

**President of the Board of Directors and General Director  
Grigore FILIP**

**Vicepresident of Board of Directors and Financial Director,  
Doru DAMASCHIN**



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