

**2021**



**Annual  
Report**

*Performance through Professionalism!*



# **Annual Report 2021**

*Performance through Professionalism!*

The company AEROSTAR was named successively URA – 1953, IRAv (abbreviation for Aircraft Repair Enterprise)– 1970, IAv (abbreviation for Aircraft Enterprise) –1978, and AEROSTAR S.A. since 1991, when it was registered at the Trade Register.

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Note:

The Report of the Board of Administrators was prepared in accordance with the reporting regulations in force with a view to providing further information to the shareholders for the evaluation of the company, its strategies and their potential to succeed.



**AEROSTAR S.A.**

# **The Report of the Board of Directors**

*Performance through Professionalism!*

# Annual Report 2021



## Overview

« The year 2021 became the year of both resistance and adaptation to change.

« Looking into the future, the industrial prospects will be strictly related to the pandemic evolutions, and our prospects will be strictly related to the fulfillment of our sustainability plans. »

It was the second year during which our expertise was put to the test through increased challenges due to the appearance of new pandemic strains that affected the global economy.

We have followed the strategic priorities, while analyzing the new reality faced by the business environment in the aviation industry nowadays.

Our top priorities were, of course our employees' safety and protection in stricter sanitary conditions.

In an uncertain environment, with strong economic disruptions, we can state that the operational performance was as good as reasonably possible.

I, therefore thank all our employees, partners and associates for sticking together in the fight against Covid. »

Grigore FILIP  
President & General Director

Additional information on page 7

## Identification data and object of activity

The company AEROSTAR S.A. was established on April 17, 1953 by the Council of Ministers' Decision no. 1165. Its activities are carried out at the registered head office, located at no. 9, Condorilor Street, Bacău, postal code 600302.

Since January 2018, AEROSTAR also has a secondary place of business, i.e. a workplace within the perimeter of the International Airport of Iași;

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

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

Subscribed and paid-up share capital: 48.728.784 RON;



Applicable accounting standards: The individual financial statements are prepared in accordance with the provisions of the International Financial Reporting Standards (IFRS) adopted by the European Union, THE Accounting Law no. 82/1991, republished, as subsequently amended and supplemented and are presented in accordance with the IAS requirements. The bases of presentation of the financial statements are presented in Note 3;

The individual financial statements prepared for the year 2021 are accompanied by the independent financial auditor's report;

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

Identification data  
and object of activity:  
004-0234 575070/  
004-0234 572023

Web/e-mail:

 [www.aerostar.ro](http://www.aerostar.ro)  
 [aerostar@aerostar.ro](mailto:aerostar@aerostar.ro)

Reporting period:

1 January  
31 December 2021



## Message of the President & General Director Eng. Grigore Filip March 2022

### Looking into the future

« After two years of pandemic, the aeronautical and aviation industry views with concern the new challenge generated by the imbalances in the global economy.

Such concerns also interest us, at Aerostar, as we look ahead, even though the results obtained in 2021 show an improvement and are close to those obtained in 2019.

Although the prospects for 2022 in the global analyses are indicative of recovery, it is critical to act with agility and flexibility in order to allow such recovery.

The lack of predictability of the energy costs, the breaking of the global supply chains and the workforce instability are key factors upon which the results of 2022 depend.

In today's reality it is therefore crucial to anticipate the risks and opportunities and to tackle the challenges with cautious optimism.

With our expertise, we search for the most suitable solutions to deal with these new challenges and continue our growth process. »

## Our approach in the Covid-19 context

Our number 1 priority is the safety of our employees, partners and all those associated with our business.

We have monitored actively the development of the situation and ever since the onset of the pandemic we have adopted all necessary measures so that our activity is carried out in safety conditions.

Throughout this period, safety materials against Covid-19 have been provided for our personnel as per the General Plan of Measures regarding the specific regulations for the employees' protection against Covid-19 infection, and measures have been implemented for subcontractors as per the Convention on the Delineation of Health and Labor Safety and Security Responsibilities, Fire-Extinguishing Plan and incident prevention.

Social distancing was ensured by redistributing the personnel at the workplaces, by spreading apart the starting hours as well as by installing panels and markings to warn the people about the need to observe a minimum distance of 2 meters from each other.

The mandate to wear safety masks within the perimeter of the company AEROSTAR is still in force until any risks of infection will be eliminated.

Newsletter were issued about the vaccination possibility and necessity for both the employees and their families' members. The anti-Covid-19 vaccination is a sustainable way to fight this pandemic.

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

## Compliance with the non-financial reporting requirements

The annual report for the period 1 January – 31 December 2021 is prepared in accordance with the framework established by the Law 24//2017, the Regulation no. 5/2018 ASF regarding the issuers of financial instruments and market operations – Appendix 15, the applicable reporting requirements and the guidelines described in the European Commission Communication.

The annual report is accompanied by the Statement on the nonfinancial reporting aspects, the Statement „Comply or Explain” indicating compliance with the Code of Corporate Governance of the Bucharest Stock Exchange and the Individual Financial Statements of Aerostar.

Section in the Annual Report	Nonfinancial reporting requirements	Page
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Non-financial declaration		
Our strategy and business model, context of the organization and interested parties	Business model, context of the organization and interested parties	18/51
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Corporate governance	Corporate Governance	49/42
Risk and opportunity management	Risk and opportunity management	
Corporate governance		33/26

### Main events

17 April- Aerostar celebrated 68 years since it was established: in 1953 were initiated the first maintenance and repair works on the military aircraft belonging to the Romanian Air Forces.

21 April - the Extraordinary and the Ordinary General Meeting of the Shareholders were held in accordance with the applicable legal regulations. The shareholders of the AEROSTAR S.A. company approved the distribution of the net profit corresponding to the financial year 2020, with a gross dividend per share of 0,12 lei, corresponding to a nominal value per share of 0,32 lei and the payment of dividends for the financial year 2020 on 22 June 2021.

- a financial audit agreement was signed with the BDO Audit SRL company for a minimum period of 3 (three) years, with the option to be extended by an Additional Act approved by the Board of Directors of the company.

26 May - the negotiations between the administration of the AEROSTAR S.A. company and the Employees' Committee were finalized by signing the Additional Act no. 6 to the Collective Labour Agreement 2019-2021, referring the employees' benefits, valid till 31 March 2022.

31 October - The Aerostar share reached the trading price of 8.75 lei. At the end of 2021 the price of an Aerostar share was 8.25 lei.

15 November - Aerostar received from Airbus the D2P Champion Challenger prize, as an ascertainment of the value created by the successful collaboration in the Airbus programs.

18 December - the General Meeting of the Shareholders took place in accordance with the applicable legal regulations. During that meeting, the Aerostar shareholders approved the Income and Expenditure Budget for the year 2022, the Treasury Activity Budget and the Main Economic-Financial Indicators for the year 2022.

For additional information, visit [www.aerostar.ro](http://www.aerostar.ro), the domain Investor Relation/General Meetings.

### Events after the reporting date

After the reporting date no events that could impact our financial statements finalized on 31 December 2021 were identified.

## EVOLUTION of financial performance – Results

### Key FIGURES

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

	UM	30.12.2021	30.12.2020
Share capital	thousand lei	48.729	48.729
Turnover	thousand lei	376.434	294.839
Export sales	thousand lei	242.832	200.341
Share of export in turnover	%	65%	68%
Actual number of employees	no.	1.748	1.807
Net profit	thousand lei	59.940	38.443
Cash flow	thousand lei	274.471	202.660
General liquidity	-	9,91	14,89
Expenses for investments	thousand lei	8.190	46.586

### MAIN Economic-Financial Indicators

Economic-financial indicators	Results for 2021	Results for 2020
Current liquidity	9,91	14,89
Indebtedness rate	0	0
Rate of customer debits	46	52
Rate of immobilized assets	2,18	1,55
General solvency rate	13,87	23,24
Financial rate of return	0,14	0,10
Net profit rate	15,92%	13,04
Net treasury	90.718 k lei	29.133 k lei

Monetary indicators	UM	30.12.2021	30.12.2020
Average exchange rate EURO/12 months	lei/euro	4,9204	4,8367
Average exchange rate USD/12 months	lei/USD	4,1604	4,2451
Average exchange rate GBP/12 months	lei/GBP	5,7233	5,4437
Inflation	%	8,19	2,06

Exchange rates of the national currency for the year 2021.

# AEROSTAR S.A.



## SALES IN 2021 – Dashboard

### Turnover

The turnover achieved in 2021 was

**376.432 k lei.**

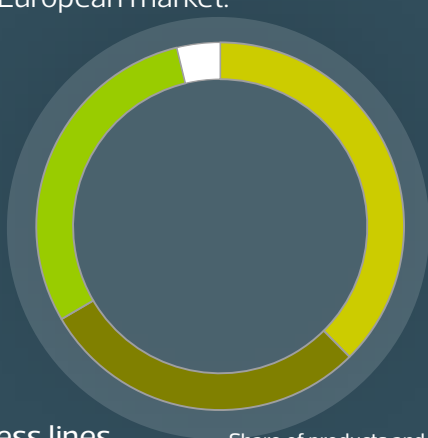
AEROSTAR S.A. sold products and services on the foreign market in the amount of **242.832 k lei**, and on the domestic market in the amount of **133.602 k lei.**

### Sales markets

AEROSTAR S.A. has a recognized footprint in the aviation industry in global manufacturing and maintenance programmes at industrial level for civil airplanes. Our customers are located in Europe, Africa, Asia, Canada and USA.

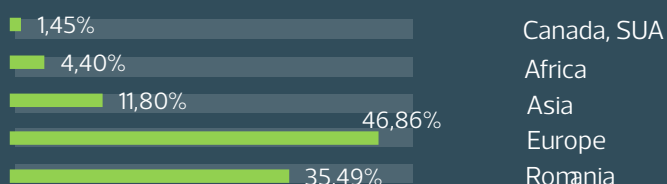
### Export

In 2021, **65%** of the total sales represent export sales. The export market with a significant footprint in terms of percentage is represented by the European market.



### Business lines

Defence systems	29,6%
Manufacture of aeronautical products	37,6%
MRO civil aviation	29,0%
Other products and services	3,8%



### Europe

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

### Asia, Africa, Canada, SUA

In Asia and Africa we provide maintenance services for civil aviation, while in Canada and SUA we supply aviation products.

### Romania

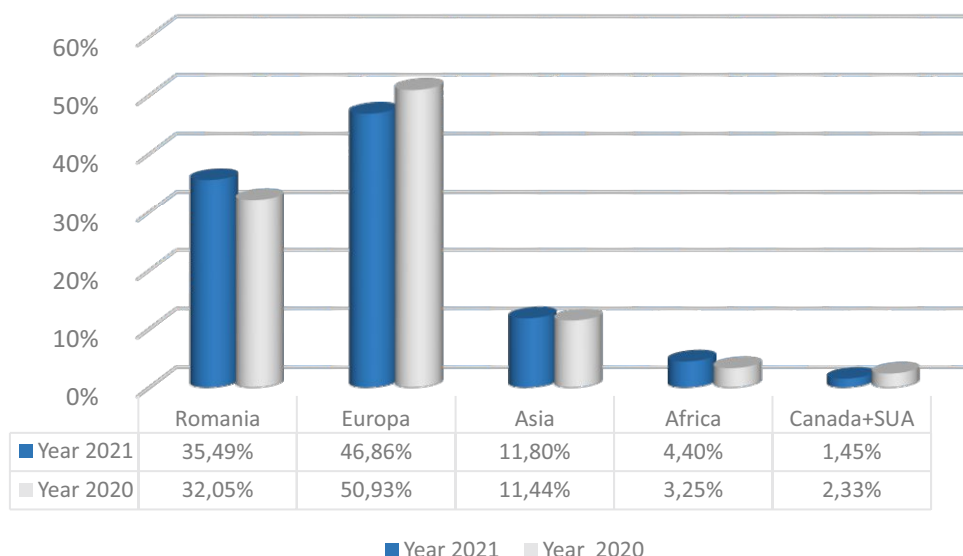
In Romania we provide repair services for military aircraft and repairs of electronic components and parts for military aircraft, upgrades, integrations and maintenance for military aviation systems, repair services for systems, launchers and aviation products.

[laerostar@aerostar.ro](mailto:laerostar@aerostar.ro)

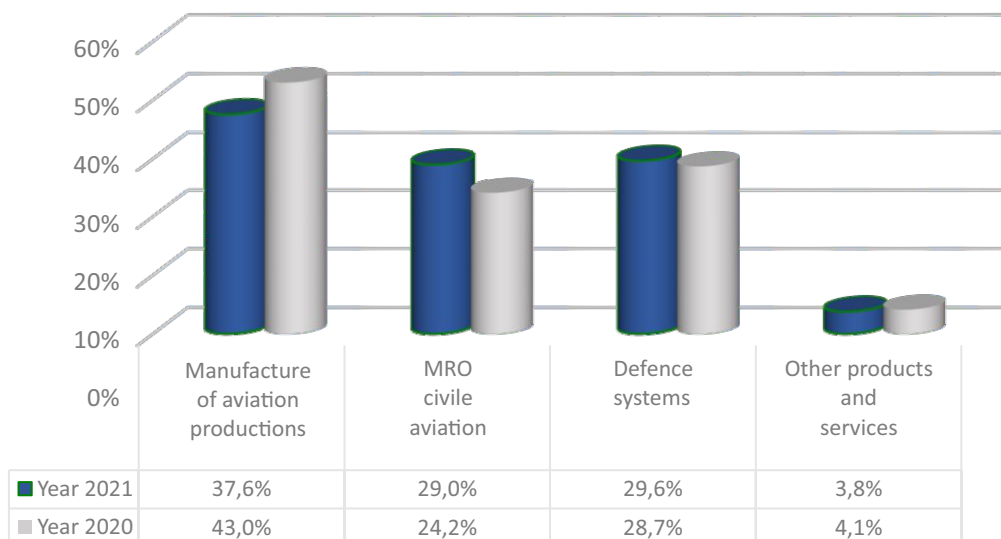
[www.aerostar.ro](http://www.aerostar.ro)

## Business share in total sales 2021 vs. 2020

### Percentage in total sales on the sales markets of Aerostar



### Share grouped by products and services representing business lines



From the turnover of 376.434 thousand lei, obtained in 2021, our company sold on the domestic market products and services in the amount of 133.602 mii lei, and on the foreign market the equivalent of 242.832 thousand lei. The percentage of sales on the foreign market diminished in the zone of Europe, Canada, USA due to the pandemic effects, as evidenced by the reduced number of orders.

## INFORMATION about the Aerostar share (ARS)

The shares of the Aerostar S.A. Bacau company have been traded since 1998 on the Bucharest Stock Exchange.

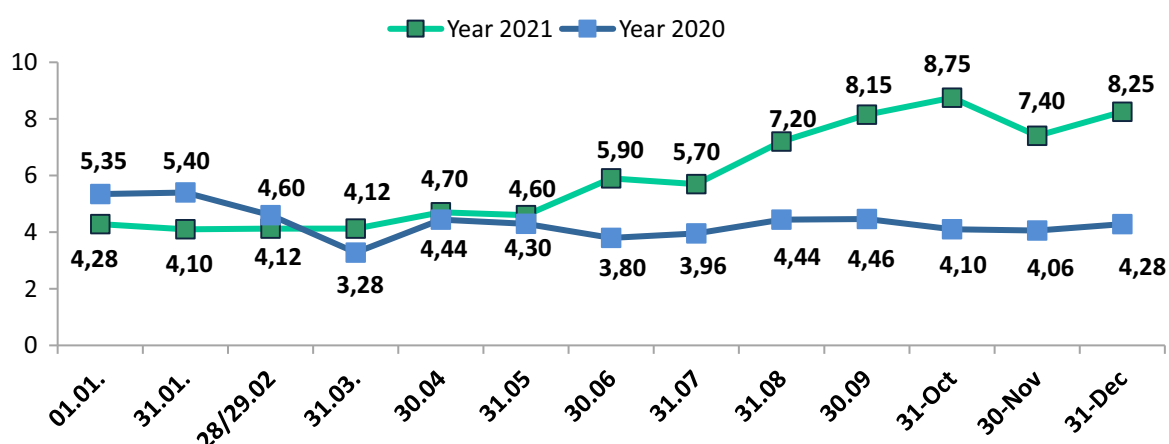
Aerostar shares in figures	31.12.2021	31.12.2020	31.12.2019
Number of shares	152.277.450	152.277.450	152.277.450
Nominal value per share (lei)	0,32	0,32	0,32
Price at the end of the period (lei) *)	8,25	4,28	5,35
Stock exchange capitalization (lei)	1.256.288.963	651.747.486	814.684.358
Maximum price (lei)*)	9,40	5,70	5,35
Minimum price (lei) *)	4,00	3,00	4,78
Result per share (lei)	0,394	0,254	0,433

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

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

Aerostar S.A. Bacau is registered as an issuer with the following data: Unique Registration Code 950531, code ISIN ROAEROACNOR5, ARS stock exchange symbol, all the issued shares belonging to the Standard category.

Monthly evolution of the reference price for ARS in the period January – December 2021 compared to the same period of 2020 (lei/share):



In the first 12 months of the year 2021, no program was in place to purchase own shares.  
In the first 12 months of the year 2021, Aerostar S.A. did not issue bonds or other similar securities.

In the first 12 months of the year 2021, there was no subscription of new shares and no issue of participation certificates, convertible bonds, options or similar rights.

## INVESTMENTS for sustainability

Even though 2021 was an atypical year, amid the continued COVID-19 pandemic and the restrictive measures imposed worldwide, AEROSTAR S.A. made investments in the amount of 8.190 thousand lei.

The weighting of the summarized investment expenses is presented in the table below:

Category	Achieved in 2021- k lei	Weighting (%)
Development expenses	7032	85,58%
Replacement expenses	1157	14,42%
TOTAL	8190	100,00%

## Weighting by category of investments:

	Investments - k lei	Weighting (%)
Equipment	4929	60,00%
Constructions	1540	18,75%
Measurement, control and adjustment devices and installations	507	6,19%
Means of transport	410	4,99%
Intangible	546	6,64%
Furniture, instruments, office supplies	282	3,43%

Aerostar's policies in the field of investments aim at ensuring the sustainable development and use of resources as well as at reducing the environmental footprint, sustaining the professional excellence, securing the effectiveness and optimizing the workflow.

### ENVIRONMENT SOCIAL

#### Climate change mitigation

Greenhouse gas emissions:  
931 GES certificates allocated  
3917 GES certificates returned

A reserve of 16459 GES  
certificates

28% fewer CO2 emissions to  
sustain the production  
processes

#### Pollution prevention

Waste  
20% less waste generated in  
2021

18.73% fewer volatile organic  
compounds emissions  
generated in 2021

**REACH -Regulation on the  
registration, evaluation and  
restriction of chemicals**

Aerostar adhered as early as  
2014 to the provisions of the  
European Regulation Reach, by  
sustaining continuously and  
progressively the actions to  
reduce the environmental  
impact.

*We manage, evaluate and  
monitor in a responsible and  
efficient manner the activities  
with an environmental impact!*

#### Diversity and inclusion

1748 employees  
28% women  
72 % men  
24% women in the management  
structure  
64,14% average degree of  
unionisation

*We support, respect and  
guarantee an equal and  
non-discriminatory treatment!*

839 applications received  
46% new hires, 19.0% women

#### Professional training

1678 employees included in the  
professional training programs  
29 hours of training/employee  
47% less expenses made for the  
annual professional training plan.

500 000 safety masks  
distributed to our employees.

*We support high-quality  
education and advocate for it!*

Internships completed in 2021  
64 students  
594 pupils

205 scholarships granted to the  
pupils from dual education  
institution (for the school year  
2021/2022)

*Multiple partnerships made  
with pre-university and university  
education institutions*



### GOVERNANCE

#### Business conduct and ethics

*We support the company's  
principles and values with  
honesty, fairness and integrity!*

#### Investments approved in 2021:

85% of the approved budget  
allocated in development  
investments

60% of the approved budget  
allocated in state-of-the-art  
equipment

47% more expenses made for  
the yearly training plan.

#### Objectives for a sustainable future

In 2022 Aerostar will continue  
investing in sustainable  
objectives that can contribute  
coherently and systematically to  
achieving climatic neutralization –  
Increase the investment budget  
for 2022 by 38%

Implement our objectives that  
contribute to mitigating climate  
changes and sustain power  
efficiency through energy-  
securing investments:  
implementation of a photovoltaic  
park.

Involvement in research-  
development projects that concur  
to sustainable industrialization  
through innovation.

## AEROSTAR – Information about the activity of the company

The AEROSTAR business is focused on increasing performance through its employees' continuous improvement and professional development in the spirit of integrity, innovation and initiative. The competitiveness and productivity increase are the coordinates through which the successful model from the productive economy is developed among the employees. AEROSTAR focuses on meeting its customers' demands and expectations, by acting towards continuous improvement on all levels.

With an experience of almost 7 decades in the aviation and defence industry, we have become a sustainable pole of action, by focusing on accomplishing our mission, and on meeting our customers' demands and expectations, through continuous improvement on all levels.

Over the years, our company has known a continuous development, both in our main activity in the aeronautical and military equipment field, and in the field of products for the civil markets, and currently we are leaders in Romania in the aerospace and defence industry and we deliver value to our customers, employees and community through performance, adaptability and sustainability.

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

We hold authorisations for the maintenance of civil aircraft and we are authorised to perform such work on the Boeing 737 aircraft, series 300-900, on the aircraft family Airbus 320, ceo & neo, and on their components, too.

We are part of the national defence industry in accordance with the law 232/2016. We are a maintenance centre for the F-16 aircraft belonging to the Romanian Army and we are part of the global supply chain Raytheon for supplying Patriot systems.

The synergy of our competences and experience on the civil and military market contribute to the strengthening of Aerostar as a promising, future-oriented sustainable company.



## Business environment and model



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

Our management has adopted an integrated business model based on a systemic processoriented approach and on a RISK-based thinking.

The production activities are carried out based on commercial contracts concluded with the customers that are integrators and/or end users/beneficiaries in the aeronautical and defence industry.

The policy of the company's top management is focused on maintaining a solid capital base for continuous development in the context of global market and competitive edge through quality, capabilities, state-of-the-art technologies for continuous development and implicitly for reaching our strategic goals.

The business model of our company did not change under the conditions of the Covid-19 pandemic, but the manner of carrying out the activities was adapted to match the specific nature of the workflow activities.

Aerostar continues to act firmly in order to ensure the business sustainability and to keep unaffected the production capabilities against the impact of the Covid-19 pandemic and is focused on ensuring the employees' safety and security.

We fully observe the applicable national and international legislation, while acting constantly and transparently in order to pursue the growth opportunities and to ensure access to new programs in the aviation and defence field.

### Manufacture of Aviation Products

aerostructures, components, assemblies and hydraulic systems for the global aviation industry



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

### MRO Civil Aviation

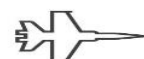
Basic and complex maintenance work of level A,B, C and D, structural changes, upgrades of avionics systems



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

### Defence Systems

maintenance and upgrades, military aircraft electronics, production and integrations of electronic systems, communications and IFF



Aerostar views itself firstly as a first-tier supplier for the Romanian Ministry of National Defence. Aerostar is part of the global supply chain for Patriot systems.

# Aeronautical Products Manufacturing Division



The equipment, assemblies and parts produced by AEROSTAR are used on a large number of commercial aircrafts: Airbus A320, A321, A330, A350, Boeing B737, B787, B767, Gulfstream G650, Dassault F7X, Bombardier Challenger series 600 and Global series 5000/6000. AEROSTAR also supplies parts for the aerospace industry in collaboration with the company Ariane.

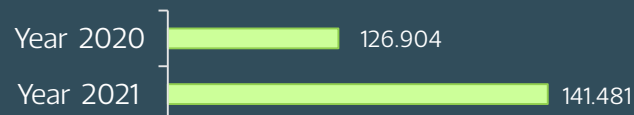


● Manufacture of Aeronautical Products  
Share in sales 37,6%

## ● AEROSTAR, a Strategic Supplier

In the Airbus supply chain, AEROSTAR is currently positioned as a Tier 2 sub-supplier of aerostructures 2, being recognized in 2021 as a Champion Challenger and a Tier 1 strategic supplier of SAFRAN Landing Systems for subassemblies, hydraulic systems and actuating cylinders, landing gears for several aircraft programs for Airbus, Boeing, Dassault or Gulfstream.

## Sales



## Results

The unfavourable market environment is reflected in the sales, by the share represented by the manufacture of aeronautical products in the main business lines.

Thus, the comparative values of the sales related to the manufacture of aeronautical products show an increase compared to 2020, but a decrease compared to their share in the business lines.

\* Some of the major aircraft manufacturers (such as Airbus), have announced recovery programs for the aircraft production and deliveries so as to be able to reach the level of production attained in 2019 by the end of 2024.



## Division MRO Civil Aviation



AEROSTAR S.A. has a significant footprint as business volume in the field of MRO Civil Aviation, being an independent supplier of maintenance services at industrial level for commercial airplanes from the family Airbus A320 neo and Boeing B737 300-900.

### MRO maintenance centre of Bacău

The AEROSTAR maintenance base, authorised to Part-145 (RCAA) and a full-fledged member of the European Union Aviation Safety Agency (EASA), developed and strengthened in 2021 its position on the market and obtained a wide range

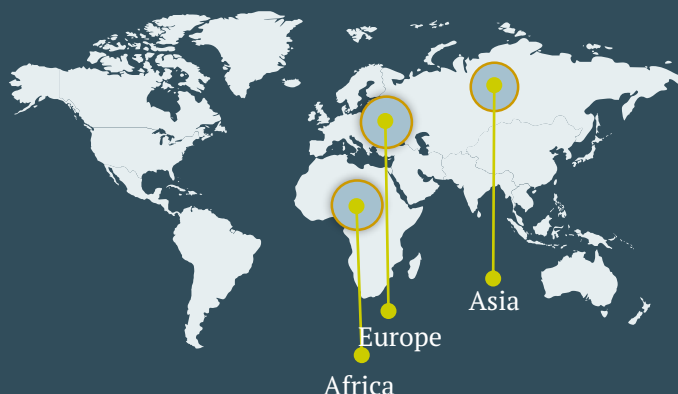
of authorisations from the civil aviation authorities of several countries outside the European Union area, including from the American aeronautical authorities FAA.

The goal of obtaining the EASA authorized certificate as a design organization Part-21J for carrying out projects of repair and minor changes to civil aircraft is aimed at increasing the added value for our customers.

### MRO maintenance centre of Iași

Aerostar's maintenance base, that is certified according to the aeronautical regulations Part 145 AACR/EASA, being included in the recertification scope of the Quality and Environmental Management system.

Maintenance work can be performed here on Boeing and Airbus airplanes including aircraft registered in Bermuda and Morocco, authorizations revalidated in 2021.



## Sales



## Results

The year 2021 brought a recovery of the market demand of MRO services, so that the targets proposed for this year were reached successfully.

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

Through the contribution of the Maintenance Centre of Iași, AEROSTAR has increased its significant footprint in the MRO Civil Aviation field, thus confirming its position as a main independent provider of MRO regional services.



# Defence Systems Division



AEROSTAR is an authorized economic operator registered in the Unique Register of economic operators and defence production capacities and/or services for the national defence industry.

## Systems in the defence field

In the category of defence systems, AEROSTAR is active in upgrading, integration and maintenance programs for military and defence aviation systems, continuing to focus on those types of platforms for which it has proven expertise in both traditional and new programs for upgrades and integrations.

## Maintenance centre F-16

Aerostar is a maintenance centre for F-16 aircraft belonging to the Romanian army. In 2021, investments were made to set up the capabilities needed for a gradual development, by allocating resources for personnel training, manufacturing and purchasing test benches and tools and for creating our own maintenance infrastructure for such aircraft.

## Launcher systems and primary and secondary radar systems

AEROSTAR has constantly developed the capabilities needed to strengthen its position as a supplier and its expertise in the field of launching systems, platforms and launching and command components – firing control, manufacture of launchers, maintenance and logistic support, upgrades. Starting with the manufacture of 122mm launchers that were later upgraded to NATO standards, this experience was gained through several successive programs of manufacture, repairs and upgrades, integrations of artillery systems for the Romanian army service or for other customers' platforms or technological demonstrators financed from own sources, in the category of advanced launching and artillery systems.



● Defence systems  
Share in sales 29,6%

## Sales



## Results

The comparative values of sales, in the field of defence systems show an increasing trend compared to the same period of last year.

## Authorised supplier Raytheon – Patriot systems

AEROSTAR is part of the global supply chain Raytheon, being authorised for Patriot systems and acts continuously to develop and strengthen this position. Aerostar has been included on the Preferred Supplier List (PSL) and is authorized to take part in RAYTHEON programs by delivering parts manufactured in Aerostar.





## OUR EMPLOYEES

### Social and manpower aspects

On 31.12.2021, AEROSTAR had an effective number of 1748 employees, of which 97 employed through the temporary labour agent AirProConsult S.R.L. Compared to the same period of the previous year, the effective workforce on 31.12.2021 was lower by 59 employees.

Out of the total number of employees, 30% represents highly-educated personnel. 159 employees hold management positions.

The human resource is an important factor in the performance, effectiveness, evolution and development of the company. AEROSTAR S.A. is committed to supporting its employees and their professional development, to hiring and retaining them in the organization through the pursuits set out in the performance evaluation and development strategy.

Regarding these aspects, in 2021, at AEROSTAR S.A. a series of pursuits and actions materialised, such as:

- ensuring optimum conditions concerning the labour safety and security for all employees, as well as the course of action in case of such emergency situations; permanent measures have been implemented for the prevention and fight against the virus, in several stages, in order to protect the employees, both in terms of occupational health, and in terms of observing the social distancing (aspects described in chapter *Our approach in the context of Covid-19*).
- professional development of the employees, by including them in professional training programs and by applying an annual process of evaluation of the individual performances;
- facilitating the integration of the new employees, particularly young people, by including them in dedicated professional training programs.

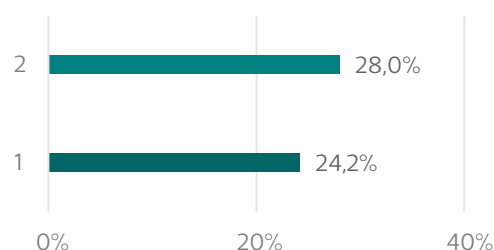
Through the adopted HR policies, AEROSTAR S.A. ensures equal opportunities for all its employees, without discrimination, in terms of professional career or any other work practice. At the same time, recognizing the importance of stable employment conditions for the employees and at the same time for the local community, AEROSTAR S.A. has currently 77,12% of the individual labour agreement signed for an indefinite period, while avoiding the excessive use of temporary labour.



## Diversity and inclusion

AEROSTAR S.A. observes and guarantees an equal and nondiscriminatory treatment in the relation with its employees, partners, collaborators and customers.

Within the frame of work relations in the company, the principle of equal treatment for all the employees is applied, which forbids any direct or indirect discrimination against and employee aimed at nongranteeing, restricting or removing the recognition of the use or exercise of the rights stipulated by the labour legislation and Collective Labour Agreement, based on criteria related to gender, sexual orientation, age, race, ethnicity, religion, political option, social origin, handicap, marital status or familial responsibility, trade union membership or activity. The share of women in the management structure rose by 5% compared to the year 2020.

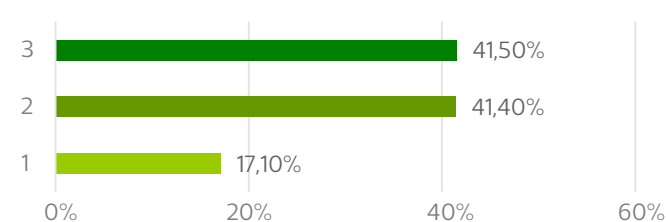
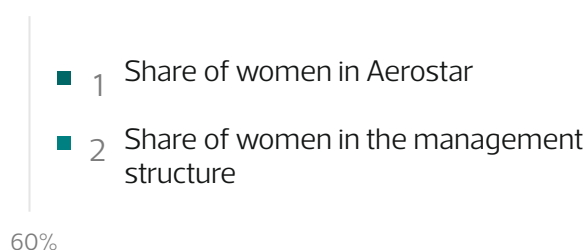


## Gender and age diversity

In term of gender distribution, given the object of activity of AEROSTAR S.A., a share of 28% is represented by the women in the personnel structure.

The ratio between the average basic salary negotiated for female employees and the average basic salary negotiated for the company is 0,926, and the ratio between the average basic salary negotiated for male employees and the average basic salary negotiated for the company is 1,029.

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



- 1 Personnel aged up to 31 years old
- 2 Personnel aged between 31 and 50 years old
- 3 Personnel aged above 51 years old

### Labour relations and social dialogue

In AEROSTAR S.A. 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, whose validity was extended until 30.03.2022. The average degree of unionisation of the company in 2021 is 66,14%, maintained on the same level as in 2020.

### Workers with high incidence or high risk of diseases

As a result of these applied policies and practices, during 2021 there were no records of employees with professional diseases and no hazardous incidents.

In 2021 the following indicators referring work-related accidents were obtained:

- o Number of accidents per 100.000 hours of work – 0,007%;
- o Time wasted due to work-related accidents per 100.000 hours of work – 1,58%.

### Health and labour safety, work conditions

AEROSTAR consistently acts to reduce the risks of accidents and diseases and applies in its activity internal norms and regulations that ensure compliance with the legal requirements.

Permanent measures to prevent and fight the spreading of the new coronavirus were taken in several stages, to protect the employees both in terms of occupational health and by observing the social distancing.

### Training, instruction and professional development

In 2021, professional training courses were organized for the company's employees, mainly focused on covering the training needs in the areas of interest for the production activities. Through the adopted HR policies, AEROSTAR S.A. ensures equal opportunities for all the employees, without discrimination, in terms of professional career and any other labour practice.

### Principles and values, human rights, fighting corruption and bribery

AEROSTAR S.A. has a clear-cut and precise policy on the norms of conduct and behaviour to be observed by its employees and agents when carrying out activities for the company's business.

The Collective Labour Agreement includes the *Code of Business Conduct and Ethics* that stipulates the general guidelines on the business conduct of the company in accordance with the highest ethical standards in business.

AEROSTAR S.A. respects and guarantees an equal and non-discriminatory treatment in the relation with its employees, partners, collaborators and clients. The company's personnel have a professional behaviour, ensure in a transparent and impartial manner the diversity and equal opportunities in its relation with all the parties involved, by avoiding any action that could be interpreted as discrimination.

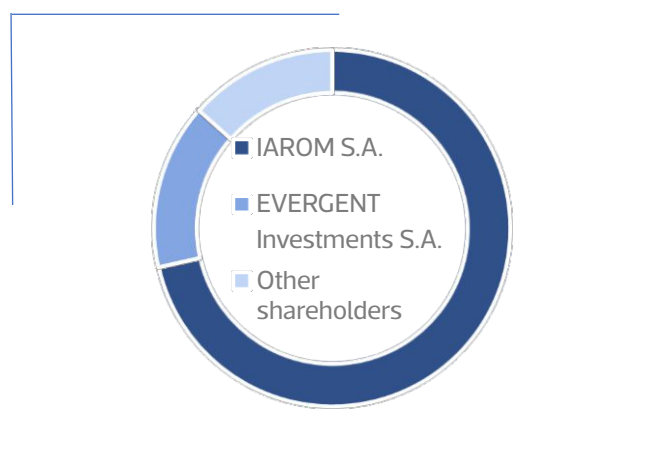
AEROSTAR respects the Universal Declaration of Human Rights.



## AEROSTAR'S SHAREHOLDERS

The significant shareholders of the company AEROSTAR S.A. are IAROM S.A. Bucharest and EVERGENT Investments S.A. Bacau.

The synthetic shareholding structure of the company on 31 December 2021 is shown below:



Shareholders	Number of shares	Participation held %
IAROM S.A.	108.854.869	71,48%
Evergent Investments S.A	23.112.232	15,17%
Other shareholders	20.310.349	13,33%
Total	152.277.450	100,00%

There are no litigations with the above-mentioned persons. This year there have been no records of subscriptions of new shares, participation certificates, convertible bonds, options or similar rights.

## RELATION with the shareholders and the capital market

In its relation with the shareholders, Aerostar has aimed at protecting and securing the shareholders' rights, namely:

- \*the right to participate in the General Meetings directly or by representation – by making available to 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 each shareholder's holdings.

In relation to the capital market, Aerostar 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 information was disseminated simultaneously, both in Romanian and in English.

The shareholders can obtain information about Aerostar and the main events on the company's website page [www.aerostar.ro](http://www.aerostar.ro).

Annual and semestrial reports for the last ten years, quarterly reports for the last five years, current reports and other useful information for the shareholders can also be downloaded from the same source.

There are not 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.

## Aspects concerning the company capital and administration

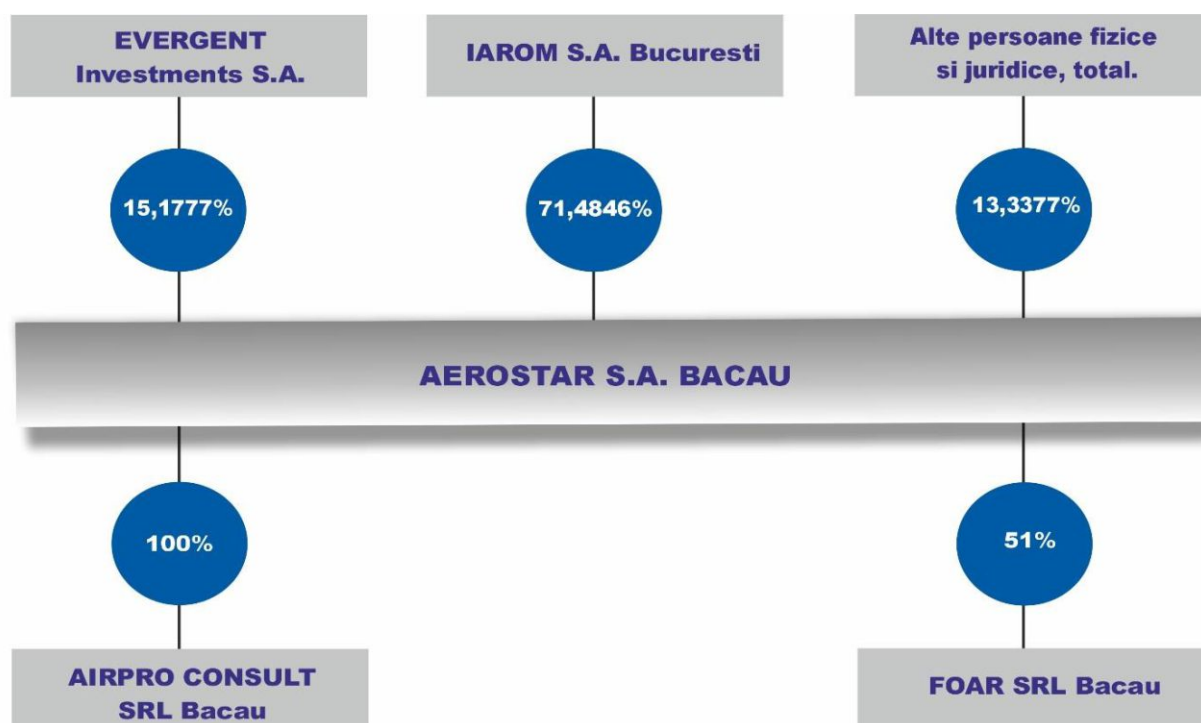
There were no changes that affect the capital and administration of the company Aerostar S.A.

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

## RELATION with the parent company, other shareholders 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 parent company will prepare and publish a set of consolidated financial statements in accordance with the applicable accounting regulations, for the financial year ended on 31.12.2021.



## Related parties

The holdings of AEROSTAR S.A. 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 covered in the Financial statements, Note 26. On 31.12.2021 the participations of AEROSTAR S.A. in other companies are as follows:

Name of 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 (2020) 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 S.R.L. Bacau</b>	CAEN code 7820	100	100%	10	6.149	181	69
<b>Foar S.R.L. Bacau</b>	CAEN code 7739	408	51%	4	254	1.008	5
TOTAL				14	6.403	1.189	74

## TANGIBLE ASSETS

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

Aerostar S.A. has a secondary place of business without legal personality, a workplace in Iași, no. 25B, Aeroportului Street.

The company owns a land area of 47,33 hectares, with access to the European road E85. Aerostar has direct access to the runway of the airport "George Enescu" in Bacau.

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

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

All these spaces are maintained in adequate conditions.

The built area of the buildings is approximately 14,06 hectares.

The assets of the company Aerostar S.A. 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 with the norms on property safety and security.

On 31 December 2021 Aerostar S.A. Bacau owned tangible assets for carrying out its activity in a gross value of 332.728 thousand lei, materialized 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	95.193	34,96%	30-50 years
Investment property	10.537	39,30%	25-50 years
Technical installations, of which:	193.970	64,43%	
• Technological equipment	187.603	64,10%	4-25 years
• means of transport	6.367	74,10%	4-18 years
Other tangible assets	3.762	39,26%	2-18 years
TOTAL	332.728	49,25%	N/A

During 2021 no risks were identified related to the ownership over the tangible assets.

## QUALITY AND ENVIRONMENT

The quality and environmental policy 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.

In terms of social responsibility and sustainable development, Aerostar has set the following objectives in the environmental field: improving the performance in the pollution-prevention area, in the field of sustainable use of resources and climate change mitigation, in compliance with the guidelines of standard SR ISO 26000 on social responsibility.



### Certifications, Authorisations, Accreditations in 2021

In 2021 the Quality Management System was recertified to the requirements of standard EN 9100:2018.

The Quality Management System was also recertified to the requirements of standard SR EN ISO 9001:2015, and the MRO centre of Iasi was included in the certification scope.

For a systematic and dynamic approach of the environmental protection issue – based on the continuous improvement principle – the environment management system implemented and maintained within the company was recertified to the requirements of standard SR EN ISO 14001:2015, the MRO centre of Iasi being included in the certification scope.

In 2021 was extended the validity of the authorizations allowing the performance of the maintenance work on the Boeing 737-700/800 aircraft registered in Maroc, the Boeing 737-400 aircraft registered in Ghana and the Boeing and Airbus aircraft registered in Bermuda.



The Romanian Military Aeronautical Authority authorized Aerostar as a Design Organization that meets the requirements of RMAR 21 - Section A Chapter J and as an authorized Maintenance Organization RMAR145.

Following the evaluations carried out by the Romanian Civil Aeronautical Authority, the authorization scope of AEROSTAR S.A as a Part 21, Subpart G authorized Production Organization was extended in accordance with the European Regulation no.748 / 2012. The authorization scope of Aerostar as a Production Organization was extended for a new category of parts.

Thus, in 2021 were maintained both the authorizations issued by the civil aeronautical authorities and the authorizations obtained from the customers: Airbus, Boeing, Safran, GKN, Premium Aerotech.

Referring the accreditations held by Aerostar for the special processes applied in the company, in 2021 the NADCAP accreditation for welding processes and non-destructive testing was renewed.

The renewed and maintained validity for each of these certifications and authorizations confirm the good practice and concern established in AEROSTAR for the risk management.

## IMPROVING THE ENVIRONMENTAL PERFORMANCE

AEROSTAR complies with the environmental legislation and the requirements of the Integrated Environmental Authorization, the Water Management Authorization and the Authorization for Greenhouse Gas emissions (GHG).

The implementation of the environmental policy in accordance with SR EN ISO 14001 and the courses of action established for the implementation of the general management objectives led to the improvement of the environmental performance of the company.

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

The activities with environmental impact are controlled by internal operational controls, namely by the analysing the results of the monitoring actions and measurements made as per the provisions of the environmental authorizations referring emissions into the air, generation of waste, noise and spillage.

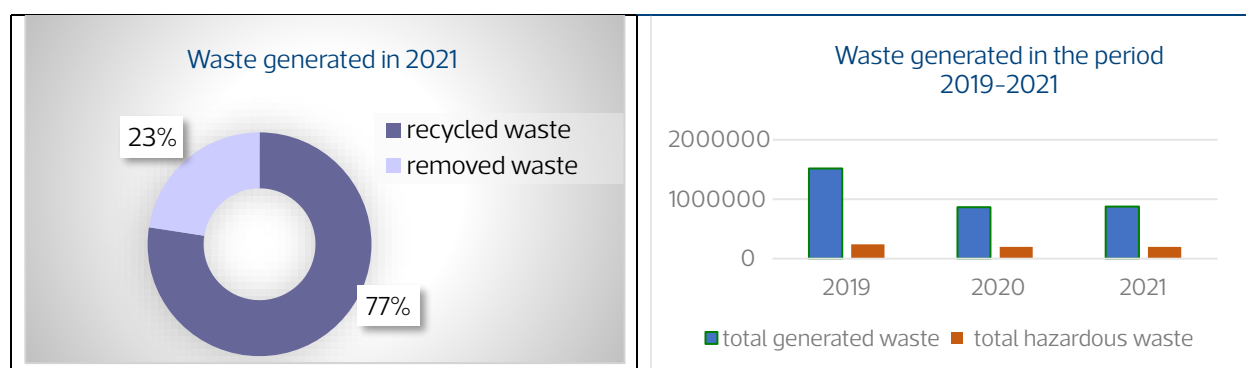
## Pollution prevention and waste recovery

All the waste generated from the activities performed within the company is stocked selectively in adequate containers and then delivered to operators authorized to collect, recover and dispose them.

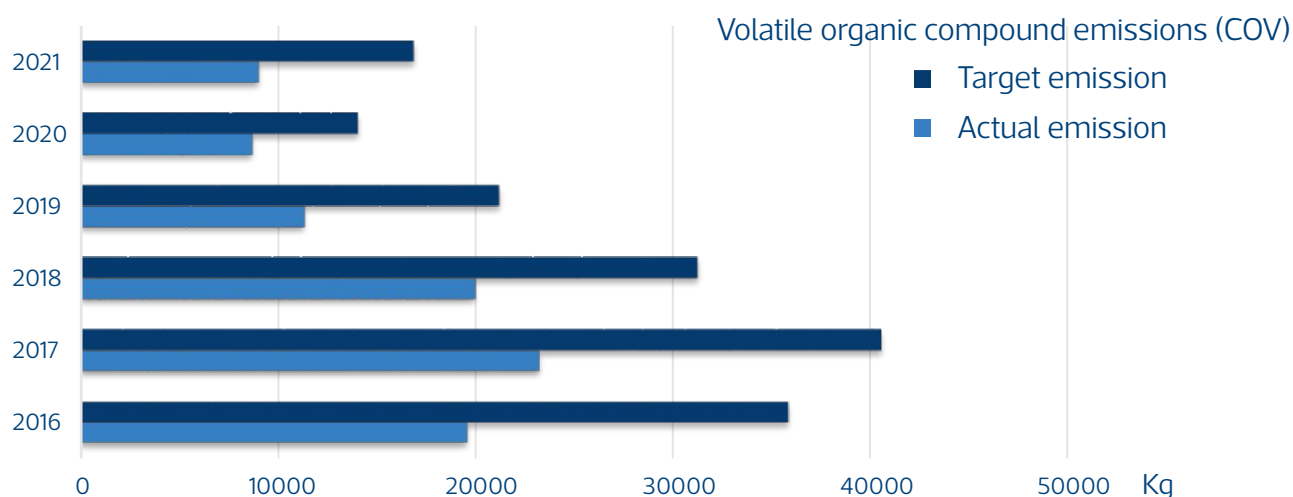
All categories of waste are managed in compliance with the specific legislative requirements.

In 2021 Aerostar has reduced the quantity of generated waste by 20 % compared to the year 2020 and by 39% compared to 2019, in relation to the turnover.

The quantity of recoverable waste represented over 77 % of the total quantity of generated waste.



The volatile organic compound emissions also decreased in 2021 by 18,73% compared to the year 2020 and by 15% compared to 2019, thus continuing the actions to replace the solvent-based paints with water-based paints.



Requirements for compliance with the REACH regulation

All the hazardous chemical substances and mixtures used in AEROSTAR are managed in accordance with the applicable regulations in force. The hazardous substances and mixtures covered by the provisions of the REACH regulation are used in compliance with the conditions laid down by the European Commission.

Climate change mitigation

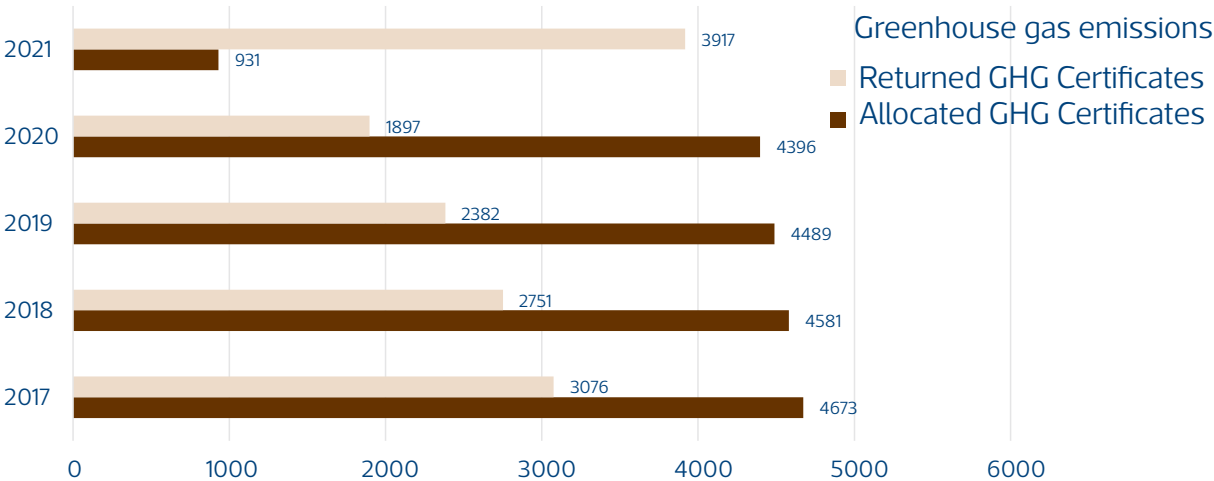
AEROSTAR has fulfilled all the obligations deriving from the Greenhouse Gas Emissions Permit:

- a monitoring report for the greenhouse gas emissions generated in 2020 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 1897 certificates were returned.

Following the survey audit on the greenhouse gas emission management, no nonconformities were reported, and the emissions for the year 2020 validated.

The atmospheric emissions measured in 2021 revealed values much below the maximum value allowed in the applicable legislation in force.

For the year 2021, 931 GES certificates were allocated and 3917 GES certificates were returned. From 2021, according to the provisions of the environmental regulations, the fourth stage of marketing GES certificates was initiated. Thanks to an effective management of the certificated allocated in the previous stages, Aerostar has in its account a reserve of 16459 GES certificates.





## Sustainable use of resources

The sustainable use of resources and the energy efficiency is a continuous concern inside AEROSTAR S.A.

All the necessary industrial water is covered by exploiting the company's own wells. The technological wastewater resulted following the chemical and electrochemical processes is collected and treated in the wastewater treatment stations located on the site of the company.

The total amount of water discharged to sewage in 2021, in relation to the company's turnover, dropped by 36% compared to 2020 and by 33% compared to 2019.

The company continued to optimize the distribution of the thermal agent and to increase the energy efficiency of the buildings, so that the electricity consumed in 2021, in relation to the turnover, dropped by 11% compared to 2020 and by 9% compared to 2019.

## Evaluation of aspects related to the impact of the company's activity

Concerning the evaluation of the aspects related to impact of the company's activity, AEROSTAR acts in a responsible, efficient and continuous manner to ensure compliance with the applicable legal and regulatory requirements and the contractual requirements in relation to the customers.

A permanent concern within the company remains the employees' training in order to increase their awareness regarding the compliance with the environmental requirements.

## STRUCTURE OF AEROSTAR

The *Board of Directors* of AEROSTAR S.A. was elected for a period of four years during the General Meeting of the Shareholders dated 9 July 2020.

The election took place by secret ballot, for a term of 4 years, starting from 11.07.2020 until 10.07.2024. The Board of Directors consists of:

FILIP GRIGORE	DAMASCHIN DORU	TONCEA MIHAIL-NICOLAE	DOROȘ LIVIU-CLAUDIU	VÎRNĂ DANIEL
				
Aviation engineer President	Economist Vice-president	Aviation engineer Member	Economist Member	Legal Advisor Member

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

The direct participation of the Board of Directors' members in the company's equity is below 1%. There were no litigations with the above-mentioned persons in 2021 or in the last 5 years.

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. None of the administrators was involved in a litigation or administrative procedure with AEROSTAR S.A. over the last five years.

### Business management

With reference to the organization and management system of AEROSTAR S.A., the management structure at operational level ensures the management of the activities based on a divisional type organization that relies on administrative centres outside the production area, the auxiliary and functional activities.

The executive management is ensured by the General Director and the Financial Director. The management structure at operational-executive level is completed with the other division and directorate managers. There were no changes in 2021 regarding this structure. The direct participation of the executive managers in the company's equity is

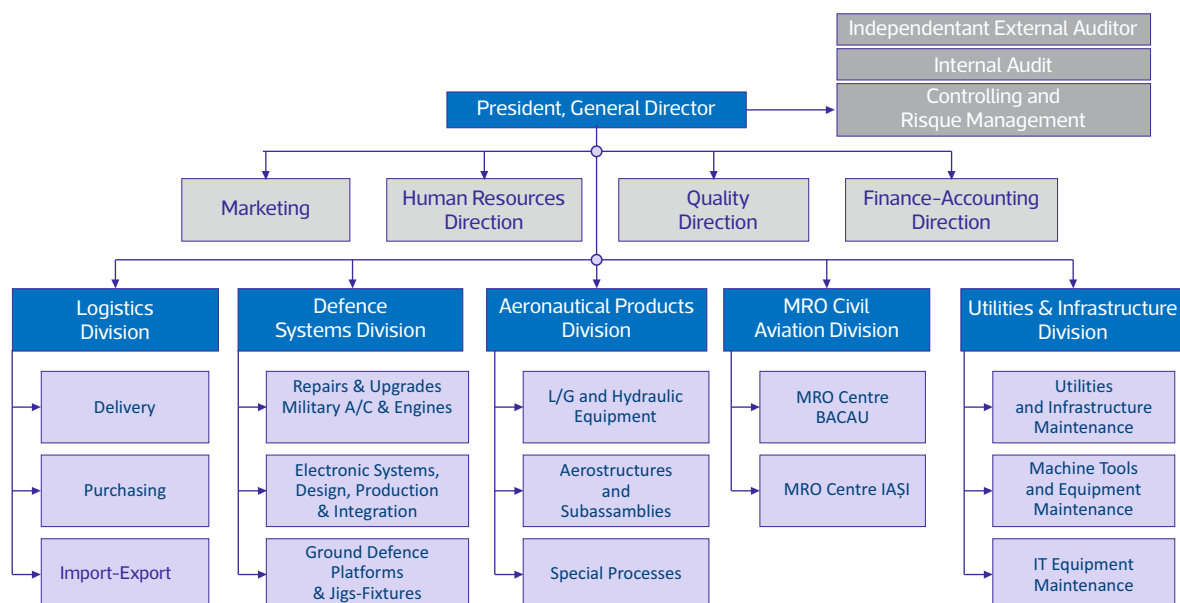
## EXECUTIVE MANAGEMENT

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

## Divisional organization of the company

AEROSTAR S.A. carries out its object of activity by using the joint resources of the organization in an integrated manner. The divisional structure maintains the organizing principles and use of resources in a unitary, competitive and integrated manner.

This organizing structure has ensured the development of capacities needed to carry out new programs in the field of civil aviation and defence, as well as the investments needed for this purpose. The administration of the company is carried out in a unitary system. Modul de administrare a societății este în sistem unitar.



## CORPORATE GOVERNANCE

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 in accordance with the provisions of the laws nos. 31/1990 and 24/2017, Regulation no. 5/2018 of the Financial Supervisory Authority.

The implementation of the corporate governance rules ensures a transparent decisionmaking process, founded on clear rules and objectives meant to lead to an increased level of trust of the shareholders in the company. AEROSTAR S.A. attaches special importance to the corporate governance by reviewing the level of compliance with the provisions of the Corporate Governance Code issued by the Bucharest Stock Exchange, entered into force on 4 January 2016.

In the process of 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 managing social aspects; moral and professional integrity; independence. The priority goal of the diversity policy applied in connection with the administrative, management and supervisory bodies of the entity, e.g.: age, gender, education, professional experience in to guarantee performance.

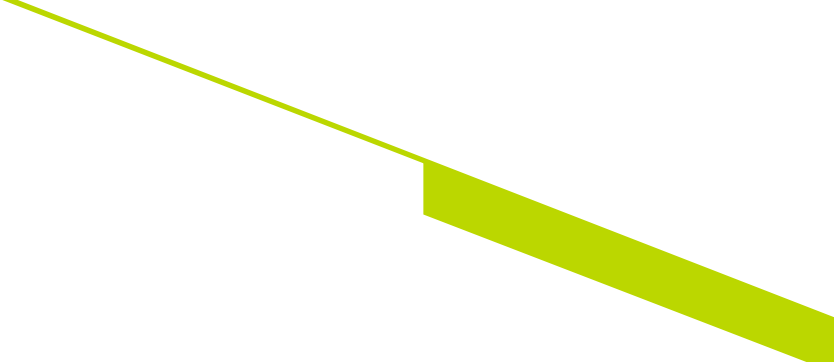
### Corporate governance structures

The corporate governance structures are:

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

### The General Meeting of the Shareholders

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



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 took place in full compliance with the Law 31/21990 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.

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

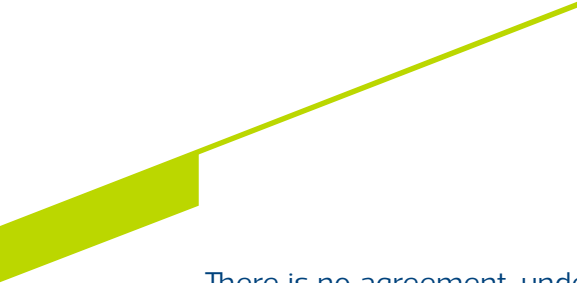
In accordance with the legal provisions applicable, the claim to collect the dividends approved by the General Meeting of Shareholders ceases to generate effects after the expiry of three years calculated from the “date of payment” of the dividends for each financial year.

### **The Board of Directors**

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 of 9 July 2020.

AEROSTAR manages its activity in accordance with responsible corporate governance principles aimed to create sustainable values in all areas of activity of the company.

9 (nine) meetings of the BoD took place during 2021.



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.

### **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.

The attributions of the independent audit committee are the ones 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/InvestorRelations/Referencedocuments](http://www.aerostar.ro/InvestorRelations/Referencedocuments).

Since 2018, an Audit Committee has been operating in AEROSTAR in accordance with the provisions of Law no. 162/2017 regarding the statutory audit of the yearly and consolidated financial statements.

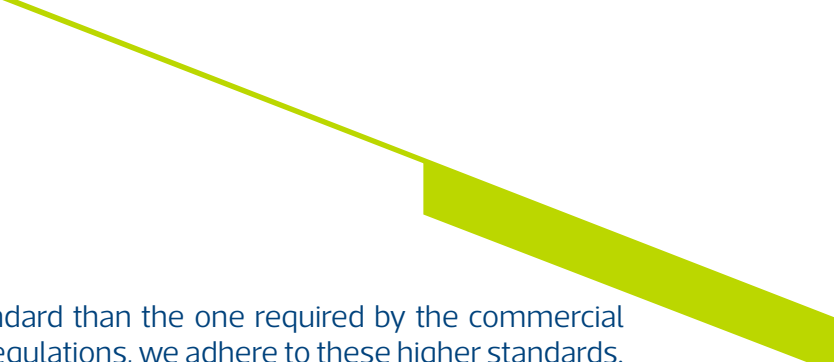
The Audit Committee meets regularly, at least 4 times a year, as well as exceptionally, as the case may be.

**The independent auditor** appointed by the general meeting of the AEROSTAR shareholders has signed with BDO Audit SRL the agreement no. 6753/2021 on 28.04.2021, based on the Decisions of OGMS by which it was appointed an independent auditor.

The contract comes into force when revising the interim individual financial statements prepared by the company for the first 6 months (on 30.06.2021).

### **Code of business conduct and 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:

- o that performance is achieved in terms of sustainable development of the company;
- o accuracy and transparency of the decision-making process of the company;
- o the observance of the shareholders' rights and their fair treatment by protecting and implementing their prerogatives in practice;
- o 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.

### Handling conflicts of interest

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's 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.

In the wake of the evaluation carried out, based on these statements, it was found out that:

- o no BOD member is an independent member;
- o no member is in conflict of interest with the position he holds in the Board of Directors;
- o no measures or changes are required in the Board of Directors.

## 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

At AEROSTAR there is a dedicated department responsible with financial management control. This department ensures the inventory of all the elements related to assets, debts and own capitals in the company records. Throughout this period of time 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 on:

- o profit centers
- o cost centers.

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

The budgetary control ensures:

- o compliance with the forecasted values for each budgeted indicator
- o 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 for 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 stage of budgetary control. Controlling also ensures alignment with the company's mission and strategic goals.

## 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, designated to evaluate and improve the company's operations.

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

The internal audit missions have 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.

## Table of compliance with the Code of Corporate Governance 2021

Code provisions	Compliant	Non-compliant or partially compliant	Reason for 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 does not include an independent member, this structure being voted by the General Meeting of the Shareholders.
A.5	x		
A.6	x		
A.7	x		
A.8	x		
A.9	x		During 2021 a number of 9 meetings took place, of which: - In 3 meetings all the BoD members were present; - In 2 meetings 4 members were present, while the fifth member attended by telecon; - In 2 meetings 3 members were present, and the other 2 members attended by telecon; - In 1 meeting 4 members were present, the fifth being absent; - In 1 meeting 3 members were present, the other 2 being absent.
B.1	x		The company has set up an independent audit committee in accordance with art. 65 of the Law no. 162/2017
B.2	x		The members of the audit committee are independent persons elected by the General Meeting of the Shareholders and have competencies in the accounting and statutory audit field.
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 the 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, upon request, but it is 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		

## RISK AND OPPORTUNITY MANAGEMENT

Within AEROSTAR particular emphasis is placed on the risk and opportunity management process that is an integral part of the management and decision-making processes and is integrated in the core and support processes of the company.

AEROSTAR applies a risk-based mentality with a view to developing a strategic and sustainable development by means of:

- improving the governance;
- creating a proactive culture for improvement;
- assuring consistently the high quality of our products and services.

Risk management is a continuous process that is applied with a view to:

- assessing the risks and handling them;
- identifying new risks that did not manifest themselves previously;
- reassessing the persisting risks.

The risk management process involves the systematic implementation of procedures and practices in the communication and consulting activities, the assessment, handling, monitoring, reviewing, recording and reporting of risks.

The performance of the risk management process ensures the handling of risks at the agreed level of risk.

Our top management has made sure that all necessary authorities and responsibilities are established at the relevant levels within the company, and that all necessary resources for risk management are allocated.

Within the company are allocated all necessary resources for risk management and are established the authorities and responsibilities for the relevant functions and levels.

The general framework for risk management relies on understanding the interested parties' necessities and expectations in obtaining the organization's forecasted results.

Risks are understood as uncertainties in meeting the interested parties' requirements and expectations due to the effect of some factors caused by the context in which the organization operates.

## External context in 2021

For the aviation industry, the year 2021 was marked by efforts to recover and return to normality. The aviation industry focuses on transforming the supply chains into more resilient and durable networks with tangible value for the business, community and consumers. Therefore, the digitalization solutions can help the companies to cut their costs by increasing the visibility, optimizing quality, improving quality and reducing the unplanned downtimes to minimum.

Many players in the industry, pressured into implementing ecologically sustainable production practices, have committed to reduce the net emissions by 2050, through the production and distribution of sustainable aviation fuel, against the ambitious challenge of developing the necessary production and storage infrastructure. However, the footprint emission mapping along the value chain can be a much more significant challenge.

Despite the many challenges encountered in 2021, the defence industry was protected against the pandemic impact. Nevertheless, the supply chains are a vulnerability that can affect the development strategies in this sector.

### *Effects of the pandemic in 2021:*

Reduced demands, supply disruptions, economic junctures and vulnerabilities created by price increases and the shortage of skilled labour in industry lead to a global instability in the aviation industry.

### *Prospects for the aerospace industry:*

An increase in aircraft deliveries is expected following the recovery of the air traffic demands. Furthermore, the resumption of many deliveries in the aerospace industry will create a gap with the OEM-s as the production rates begin to grow and the aircraft producers continue to deplete the stocks. The relevant companies will focus on rebuilding the lost income streams, on increasing the agility of the operations, on recalibrating the supply networks in order to meet the demands of the changing market, on resizing the business for the commercial airplanes and on redefining the supply chains.



## Context of the organization and interested parties

The impact produced by the pandemic, in light of both the social-economic aspect and of the changes thus generated, require a preventive and proactive management in relation to all the components and functions of the organizations.

In order to understand the context of the organization, to determine the external and internal aspects and to identify the interested parties, the guidelines of the international standard ISO 9001 were used.

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

The aspects identified as a part of the internal context of AEROSTAR belong to the following categories: human resources, infrastructure, capabilities and authorizations, in the governance field, but also in the field of organizational performance.

The relevant external and internal aspects that were identified are the ones that can affect the accomplishing of the strategic mission and objectives as well as AEROSTAR's ability to achieve the desired results of its management system.

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

The interested parties were identified based on the impact their requirements might have over AEROSTAR's ability to achieve its objectives as well as its ability to meet their Customers' requirements and the applicable regulations.

## Main risks and their management

AEROSTAR is exposed to a series of risks and uncertainties, as presented in this chapter, that can affect significantly its activity and financial performances. These are not the only risks, as further risks, still unknown, may also influence its business and operations.

Although a certain degree of risk is inherent to the company's activity, as described in this chapter and in Note 30, through the risk-management policies, the company does its best to minimize them as far as possible, while making sure that our business practices are compliant with the laws, regulations, ethical principles and principles of integrity.

The generated risks are identified, monitored and removed by means of a permanent information system in relation to the legislative amendments, the technological progress, the market demand, as well as by organizing an analysis, advisory and approval system for the terms and conditions included in the commercial contracts.

## Quality and Environment

To identify the quality and environment-related risks, we took into account the company's internal and external context, the relevant requirements of the interested parties, the activities with environmental impact and their inherent compliance obligations.

Risk management involves risk evaluation and handling.

Within AEROSTAR S.A., risk assessment is a systematic activity that is carried out with a view to:

- identifying new risks that did not manifest themselves previously;
- reassessing the persisting risks.

It was also taken into account that the actions for handling risks and opportunities must be proportional to their potential impact on the conformity of our products and services.

The status of implementation of the actions for handling risks and opportunities is monitored permanently, and the effectiveness of the actions is determined based on their capacity to generate the expected results after being implemented.

## Epidemiologic risk

The health situation caused by the maintained pandemic and its successive waves, as well as the impact of the economic crisis are still felt.

The safety measures adopted in AEROSTAR S.A. have helped us eliminate the risk of infection in our teams. However, the educational, instructive and professional training processes as well as the operational processes at organizational and management level are still affected.

In the pandemic context, in order to fight the risks induced by it, AEROSTAR has informed, trained and brought to the attention of its employees and delegates/visitors the risks of infection with the new coronavirus COVID-19 by internal decisions, memos, warning materials/specific announcements, briefings.

The specific measures adopted in order to eliminate such risks are presented in the section *Our approach in the context of Covid-19*.

## Human resource

The labour shortage in the industry is a global issue considering the need for qualified and specialized personnel, the high level of experience and professional training required by the specific activities in aerospace. At the same time, manpower becomes a challenge for the future given the need for personnel skilled in new technologies, artificial intelligence or „intelligent machines.”

As steps for handling this risk, AEROSTAR develops school workshops for practice, grants dual scholarships to the pupils from the dual vocational education centres, organizes internships for the students from the specialized institutions and enters into partnerships with various pre-university and university educational institutions. Hiring and recruiting new employees and their professional development are a top priority for the company. We support our employees' professional growth and the development of their skills.

The efficiency of the process of handling this risk can be quantified as the ratio between the number of hires and the number of job opening recorded between January and December 2021, which is 100%, given the sanitary crisis that affects the whole world and the economic environment, including the aerospace.

## Cybernetic vulnerabilities

The pandemic made people embrace digitalization more than ever, for an increased efficiency, which of course led to higher risks of cyberattacks. For this reason, efforts must be made to create a consolidated IT infrastructure to protect the cyberspace. Aerostar makes targeted, consistent and continuous efforts to prevent such risks, their management being provided in the legal risk management.

## Commercial competitiveness in the competitive contractual area

The global trend of replacing the aviation fleet (with lighter airplanes that are more effective in terms of fuel consumption) require state-of-the-art technologies. The impact of the innovations (hydrogen fuelling, electric motor) will leave behind the companies that are unable to adapt quickly enough to remain competitive. The competitive market in China is extending due to the manufacture, launch and rapid certification of airplanes under own license.

Aerostar operates on a highly competitive market. To handle this risk, Aerostar constantly analyses the market evolution, demands and innovations.

## Economic junctures and vulnerabilities resulting from it

The fluctuations of the currency exchange rates and the price fluctuations affect considerably the manufacturing costs and profitability; all purchases of materials and raw material (such as aluminium, titanium, copper, steel) are made in foreign currency. The increase of the oil barrel cost has generated price increases.

On the other hand, the orders cancelled throughout 2020 have created a domino effect in the entire industry and supply chain: economic slowdowns on the key markets – low liquidity and extreme volatility on the credit markets, currency exchange markets, commodity markets and stock markets.

These risks are managed through the measures provided in the market risk, currency risk and interest rate risk.

## International uncertainties

The political changes brought about by the big global players' actions – e.g. the trade and cooperation agreement [HYPERLINK "https://ec.europa.eu/info/reactions-united-kingdom/eu-uk-trade-and-cooperation-agreement\\_ro"](https://ec.europa.eu/info/reactions-united-kingdom/eu-uk-trade-and-cooperation-agreement_ro) entered into force in January 2021, the trade dispute between USA and CHINA that causes instability on the markets all over the world, the trade measures adopted by UE in relation with SUA regarding the extra customs fees and safeguard duties maintained in 2021, lead to cost increases and adjustments of the integrated supply chains.

The modifications of the laws/regulations regarding the legislation in force, the legislative restrictions imposed by the state of emergency and the ordinances and then by the lockdown have led to a reduced transport capacity and hindered freight traffic. The management of such risks is covered by the measures associated to legal risk and market risk.

## Operational risk

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 planes), in full knowledge of and compliance with the specific provisions of the insurance risk and while closely monitoring and mitigating any signs of influence on the organization's reputation and the risk of damaging the company's image.

## Legal risk

Legal risk – the risk of loss caused by the fines, penalties and sanctions AEROSTAR S.A. is liable of in case of failure to apply or faulty application of the legal or contractual dispositions and or regulations.

The wide range of suppliers and customers with which AEROSTAR operates across many countries and continents makes legal risk extremely important, as detailed and emphasized by: the risks regarding international changes/uncertainties; the risks related to the fierce commercial competitiveness in the aviation field, including customer concentration and the risks regarding changes to the laws/regulations regarding the legislation in force.

The effects of the legal risk are removed by permanent information on legislative changes. Furthermore, by setting up provisions for risks and related expenses, AEROSTAR S.A., aims to have its own funds to cover the risks it is exposed to, also taking into account any risks related to associations/partnerships.

In this context, the focus is on the possible deadlocks in the development and execution of certain programmes to which the partners may give up as a result of exceptional events or collaborations where delayed, postponed or non-sustainable programmes may occur adjacently (the risk of the lifecycle discontinuity for the Programmes).

Moreover, adequate resources have been allocated to monitor and reduce any potential risks specific to cyberattacks, and also to minimize the resilience of the risk of safe and secure downtime of the information system.

## 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 pregnant 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 65% of the turnover for the year 2021 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 immediate future

The trend of the main risks and uncertainties is mainly influenced by the pro-active actions specific to the continuous monitoring of the direction of evolution of the market under the pressure of the COVID-19 pandemic.

The business lines run by AEROSTAR S.A., the operational results or the financial situation could be affected by the materialization of the risks.

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

At the same time, our company emphasizes the constant dialogue with the customers and partners in the supply chain, in order to correlate and coordinate their action so as to successfully overcome together this global challenge with minimum losses.

For the immediate future, risks and uncertainties have been identified, related to the company's ability to maintain the organizational performance against the reduced demand on the market in the field of civil aviation.

The company's top management is focused both on diminishing the probability of occurrence of new infection cases and monitoring the evolution of the confirmed cases, as well as on mitigating the social and economic consequences regarding the economic and financial imbalances against the backdrop of the short-, medium- and long-term decreases in production rates.

In light of such considerations, we firmly believe that the integrated management system implemented in our company will lead to the early identification of other types of risks so as to apply adequate and effective measures.

Given the global political turmoil, in the future we may face new types of risks. Currently, our company carefully analyses the main conflict areas.

## NONFINANCIAL DECLARATION

### Our approach to sustainability

We are guided by our responsibility towards a sustainable development, this notion encompassing both the sustainability and the responsibility for the company's business.

Responsible operation is a pre-requisite to ensuring sustainability. By pursuing sustainable development, we orient ourselves towards a safe future.

We consistently apply the best practices in the field, and, in line with the best practices of our business partners, we provide transparent information, explanations and data in these categories of financial and nonfinancial information.

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

We fully comply with the applicable national and international standards and regulations, applicable to the environmental, social and manpower aspects, human rights, fighting corruption and bribery as well as promoting diversity.

The global pandemic situation and economic crisis did not alter our commitment or generate any impact on the company's compliance in relation to the established responsibilities.

We are fully committed to ensuring the business continuity, while also protecting our colleagues' health and safety.

In our company the Board of Directors determines the strategic orientation and ensures its implementation. The Board of Directors is also responsible for ensuring the compliance with all the applicable legal provisions, the company's internal regulations, as well as for the adequate risk management and control.

The executive management closely coordinates the activity of the departments that are duly in charge with the economic, environmental and social aspects.

In our company:

- the responsibilities for the quality and environmental aspects, as well as the Risk Management, are assigned/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 assigned/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, the fight against corruption and bribery, which are assigned/delegated to the Legal Department.
- The responsibilities regarding the sustainable use of resources and the reduction of energy consumption are assigned/delegated to the Utilities & Infrastructure Division Director.
- The responsibilities regarding the enforcement measures in connection with money laundering prevention are assigned/delegated to the Finance-Accounting Director.
- The responsibilities regarding the corporate governance are assigned/delegated to the general secretariat of the company.

In 2021 we established new goals for sustainability, correlated with the business environment and the global evolution and we integrated them in the company's long-term general strategy.

To this end, we plead for an inclusive culture where each person can achieve their potential and contribute via their individual perspectives. We are convinced that the workforce diversity and our organizational culture have a positive impact on our business success and our company's evolution.

We are committed to consolidating our culture and workforce diversity, by hiring new employees and by supporting their professional development.

We take action against all forms of discrimination, we build teams of balanced age structures and a diverse base of educational environments and experience and we create a balanced work environment. Our skill matrix shows the way in which our managers and employees can establish a suitable environment by open collaboration and support.

Climate change is one of the global major challenges we are dealing with. It can generate uncertainties in planning, investments and strategies. The legal regulations and provisions also evolve, in an effort to encourage an environment-conscious behaviour.

We believe that the efforts of each of us must be consistent. We also believe that the actions for climate change mitigation and power efficiency will pay off in the long term. The respect for the environment lies at the heart of a sustainable behaviour. In that respect, we monitor the greenhouse gas emissions and we make comparative analyses with the previous years, we establish actions to reduce our consumption and we make investments that can be beneficial in the long run.

We continue to be committed to protecting the natural resources, by using responsibly water and energy, by cutting the greenhouse gas emissions and the waste resulted from the internal activities, by reducing the use of chemicals, materials and processes that adversely affect the environment, as well as by improving and developing the company's locations so as to avoid any negative impact on the environment.

The analyses we made have revealed improvements of our indicators from one year to another. This can only be achieved by honouring our commitment.

We commit ourselves to communicating our environmental strategy and policy to all interested parties and, where possible, to exceed the requirements of the applicable standards and regulations.

The regulatory framework established by AEROSTAR for compliance relies on:

- \* The Management System in place at AEROSTAR, the Quality and Environmental Management System and the Occupational Health and Safety Management System respectively, certified in AEROSTAR in accordance with the requirements of the standards ISO 9001, ISO 14001, AS EN 9100, AQAP 2110 and ISO 45001:2018, respectively.
- \* AEROSTAR customers' requirements
- \* The guidelines described in the international standard ISO 26000
- \* The regulatory framework provided by the Romanian legislation
- \* The guidelines described in the Communication from the European Commission regarding the reporting of nonfinancial information
- \* The guidelines described in the Global Reporting Initiative (GRI) standards, without recording and declaring the compliance with them.

## The summary financial situation for the year 2021

Thousands lei

Summary of Assets, Company Equity, Debts and Provisions	31.12. 2021	31.12. 2020
Non-current assets	178.421	195.970
Circulating assets	443.810	350.269
<b>Total Asstes</b>	<b>622.231</b>	<b>546.239</b>
Company equity	421.388	380.370
Provisions	131.829	115.641
Debts	69.014	50.228
<b>Total campany equity, debts &amp; provisions</b>	<b>622.231</b>	<b>546.239</b>

Thousands lei

Summary of income, Expenses, Results	31.12. 2021	31.12. 2020
Operating income, of which	382.507	316.408
– sales income	376.434	294.839
Operating expenses	(318.684)	(278.059)
<b>Profit/Loss from operations</b>	<b>63.823</b>	<b>38.349</b>
Financial Income	9.190	9.868
Financial Expenses	(3.365)	(6.158)
<b>Financial profit/Loss</b>	<b>5.825</b>	<b>3.710</b>
<b>Profit before tax</b>	<b>69.648</b>	<b>42.059</b>
Tax on current and deferrend profit	(9.708)	(3.616)
<b>Net profit on the financial period</b>	<b>59.940</b>	<b>38.443</b>

AEROSTAR S.A. BACĂU

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

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

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

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

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

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

## COMPANY STATEMENT OF FINANCIAL POSITION FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2021

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

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

**COMPANY STATEMENT OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2021 (direct method)**  
(unless specified otherwise, all amounts are stated in thousand lei)

	Note	31 December 2021	31 December 2020
<b>CASH FLOWS FROM OPERATIONS</b>			
collected from customers		379.829	340.107
taxes and excises recovered from State Budget		3.055	9.897
subsidies receipts from State Budget		2.466	7.132
payments to suppliers and employees		(221.820)	(226.650)
payment of taxes, contributions and dues to State Budget		(65.966)	(64.810)
payment of profit tax to State Budget		(6.005)	(9.445)
<b>NET CASH FROM OPERATIONS</b>	<b>27</b>	<b>91.559</b>	<b>56.231</b>
<b>CASH FLOWS FROM INVESTMENTS</b>			
interest collected from bank deposits set up		2.641	4.519
dividends received from subsidiaries		0	537
proceeds from financial assets		0	125
collected from sales of property, plant and equipment		39	0
payments for purchasing property, plant and equipment and intangible assets		(7.246)	(46.251)
<b>NET CASH FROM INVESTMENTS</b>	<b>27</b>	<b>(4.566)</b>	<b>(41.070)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
gross dividends paid		(17.568)	(18.952)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>27</b>	<b>(17.568)</b>	<b>(18.952)</b>
<b>Net increase/decrease of cash and cash equivalents</b>		<b>69.425</b>	<b>(3.791)</b>
Cash and cash equivalents at the beginning of the period		202.660	207.362
Effect of the exchange rate variation over the cash and cash equivalents	27	2.386	(911)
<b>Cash and cash equivalents at the end of the period</b>	<b>11</b>	<b>274.471</b>	<b>202.660</b>

# COMPANY STATEMENT OF CHANGES IN EQUITY

## FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2021

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

	Share capital	Reserves	Deferred income tax recognized on equity	Result carried forward	Result of the period	Total equity
Global result						
A. Balance on 1 January 2021	48.729	270.214	(16.148)	51.214	26.361*	380.369
Profit of the period					59.940	59.940
Other elements of global result						
Set up deferred income tax recognized on the account of equity			(986)	338		(648)
Distribution of the profit of 2021 for reserves from fiscal facilities, in gross amount		5.660			(5.660)	-
Switch to reserves of similar items of income from the year 2021		395		(395)		-
<b>Total global result relating to the period</b>	-	6.055	(986)	(57)	54.280	59.292
Distribution to other reserves of the net profit of the year 2020 and of the year 2019 still undistributed		8.096		(8.096)		-
Distribution of the profit of the year 2020 on the destinations decided by the shareholders in OGMS of 21 April 2021 (Note 12)				26.361	(26.361)	-
Distributed dividends related to 2020				(18.273)		(18.273)
Transactions with the shareholders, directly recognized in equity	-	8.096	-	(9)	(26.361)	(18.273)
<b>B. Balance on 31 December 2021</b>	<b>48.729</b>	<b>284.365</b>	<b>(17.134)</b>	<b>51.148</b>	<b>54.280**</b>	<b>421.388</b>
C. Modifications to own equity (Note 12)	-	14.151	(986)	(66)	27.919	41.018

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

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

# COMPANY STATEMENT OF CHANGES IN EQUITY

## FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020

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

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

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

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

# NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2021

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

## NOTE 1 - DESCRIPTION OF THE COMPANY

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

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

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

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

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

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

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

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

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

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

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

## NOTE 2 - ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

### 2.1. Estimates

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

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

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

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

- of the period in which the change occurs if it affects only the respective time period; or

- of the period in which the change occurs and of the subsequent periods, if the change also affects such periods.

The company uses estimates in order to determine:

- the uncertain customers and the adjustments for impairment of the related receivables;
- the value of the provisions for risks and expenses to set up at the end of a time period (month, quarter, year) for litigations, for the dismantling of property, plant and equipment,
- for restructuring, for collateral granted to customers, for obligations towards manpower and other obligations;
- the adjustments for impairment of property, plant and equipment and intangible assets.

At the end of each reporting period, the company estimates whether there are signs of impairment. If such signs are identified, the recoverable amount of the asset is estimated to determine the extent of impairment (if any).

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

- the inventories of raw materials and materials that need adjustments to be set up for impairment.
- deferred taxes.

#### Presenting the information

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

#### 2.2. Errors

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

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

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

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

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

#### 2.3. Changes in the accounting policies

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

- is required by an IFRS; or

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

#### Applying changes in the Accounting Policies:

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

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

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

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

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

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

## NOTE 3 – ACCOUNTING AND EVALUATION PRINCIPLES

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

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

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

Adopting for the first time the new and reviewed standards

- Modifications of the International Financial Reporting Standard IFRS 4 „Insurance Contracts“ that entered into effect starting with the financial year 2021;
- Modifications of the International Accounting Standard IAS 39 „Financial Instruments: Recognition and Measurement“ that entered into force starting with the financial year 2021;
- Modifications of the International Financial Reporting

Standards IFRS 7 „Financial

Instruments: Disclosures“ that entered into force starting with the financial year 2021;

- Modifications of the International Financial Reporting Standards IFRS 9 „Financial Instruments“ that entered into force starting with the financial year 2021;
- Modifications of the International Financial Reporting Standards IFRS 16 „Leases“, which entered into force starting with the financial year 2021.

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

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

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

O.M.F.P. no. 2.844/2016 on the approval of the Accounting Regulations conforming to the International Financial Reporting Standards, as subsequently amended and supplemented;

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

O.M.F.P. no. 1.826/2003 on the approval of the Explanatory Memorandum regarding certain organizational and leading measures for management accounting;

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

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

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

The financial year is the calendar year.

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

The financial statements are prepared based on historical cost.

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

### 3.2. Applied Accounting Policies

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

The most significant accounting policies are presented below:

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

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

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

Taking into account the specific activity and the types of property, plant and equipment in the patrimony of the company, it was considered that the residual values of the property, plant and equipment are insignificant. Practically, the residual value was calculated at the level of metal waste that may be valued after deduction of dismantling, disassembly and sales expenses.

The impairment methods and useful life are reviewed

at least at the end of each financial year and are appropriately adjusted. The useful lifetimes are determined by the commission made up of company's specialists. Any changes are accounted prospectively.

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

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

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

All other repair and maintenance expenses made to ensure the continued use of the property, plant and equipment are recognized in profit or loss when they are made. These are made in order to maintain the initial technical parameters.

The spare parts are generally accounted for as inventories and recognized as expense when consumed. If the spare parts and service equipment, with significant values, may only be used in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment if the initial acquisition cost (upon commissioning) of the replaced part can be determined.

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

The property, plant and equipment to be used in production or in administrative activities are presented in the statement of financial position under cost, less any loss accumulated from impairment.

Such assets are classified in the respective asset classes when they are completed and ready for use in the manner desired by the management, for the intended purpose.

The management of the company has set an amount for the capitalization of assets at 2.500 lei. All purchases below this amount will be considered as expenses of the period.

Exceptions: Computers are considered to be impaired property, plant and equipment, irrespective of the amount of inventory inflow and will depreciate over the expected useful life set by the receiving department. Also, work tools and devices are also accounted for as inventories and recognized as expenses of the period when used, irrespective of their initial value, taking into account that they have a useful lifetime less than a year, as well as their degree of specialization (intended to be used for a particular type of product/ service).

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

- The research phase. The search costs are treated as expenses of the period;
- The development phase. The development costs are registered as an intangible asset, if the following conditions are demonstrated:

- the technical feasibility of completing the asset, so that it is available for use or sale;
- the availability of adequate resources – technical, human, financial – to complete the development;
- the intention to complete and use or sell the intangible asset;
- the ability to use or sell the asset;
- how the asset will generate future economic value;
- the ability to assess costs.

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

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

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

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

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

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

In the category of financial assets, are recorded:

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

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

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

#### · Accounting policies on inventory items

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

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

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

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

The inventory is kept based on quantity and value, by

applying the permanent inventory method.

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

#### · Accounting policies on company's liabilities

The company's liabilities are recorded in the accounting based on third parties accounts. Suppliers and other liabilities accounts are kept by category, as well as by each individual or legal entity.

The income tax/profit tax to be paid is recognized as a liability within the limit of the unpaid amount.

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

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

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

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

- it is expected to be settled in the normal course of the company's operating cycle, or
- it is due within 12 months from the balance sheet date;
- all other liabilities are classified as long-term liabilities;
- liabilities that are payable over a term longer than 12 months are long-term liabilities. Interest-bearing long-term liabilities are also considered to be the liabilities that are due within 12 months from the date of the financial statements, if:
  - a) the initial term involved a period longer than 12 months; and
  - b) a refinancing or rescheduling agreement is in place, concluded before the date of the financial statements.

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

Receivables include:

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

Receivables are accounted for under the accrual basis, according to the legal or contractual provisions. Customer accounting is kept grouped by categories (internal customers for services and products, as well as external customers for services and products) and for each natural or legal person.

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

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

The transactions in foreign currency are initially recorded at the foreign exchange rate, communicated by the National Bank of Romania, on the date of performing the operation.

The removal from accounting of the receivables with prescribed collection deadlines is performed only after all legal steps have been taken for their settlement.

The uncertain receivables are recorded separately in accounting, in the account 4118 Uncertain customers when the payment term stipulated in the contract is exceeded by more than 30 days or when a dispute with the customer is recorded.

In the annual financial statements, receivables are valued and presented at the value at which they are likely to be received.

When a receivable from a customer was not collected in full at the payment term stipulated in the contract, impairment adjustments are recorded at the terms and percentages approved by the Board of Directors in the Accounting Policy Manual.

#### • **Accounting Policies for Revenue Recognition**

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

Revenues are classified as follows:

- revenues from operations;
- financial revenues.

The revenue is recognized on an accrual basis.

The revenue is assessed at the fair value of the amount received or to be received. The sales revenue is diminished for returns, commercial rebates and other similar discounts.

Revenues from operations include:

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

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

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

Specifically, the income from the sale of goods is recognized when the company transfers to the buyer

the control on the goods in question.

#### **Revenues from rendering services**

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

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

- the company has transferred to the customer the control over the services rendered;
- the amount of the revenue can be accurately measured;

- it is probable that the economic benefits associated with the transaction will be directed to the entity;

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

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

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

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

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

#### • **Accounting policies for provisions**

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

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

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

#### **Provisions for collaterals**

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

The amount of the provision is based on historical or contractual information or reasonable ducts/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 setting up provisions.

The provisions for risks and expenses are set up for items such as risks specific to the aviation industry, litigations, fines, penalties, compensations, damages and other uncertain debts.

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

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

These costs are reflected in a setup provision that is recorded in the profit and loss account during the lifetime of the property, plant and equipment, by including it in the impairment expense.

The revision of the estimates for the decommissioning and restoration provision is determined by the annual review of the dismantling costs. The Committee of specialists from the company, appointed by decision, establishes, on a regular basis, whether the initial estimates of the dismantling costs are appropriate.

### Provisions for the employees' benefits

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

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

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

The subsidies reflect distinctly:

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

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

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

Grants that compensate the company for the expenditures incurred are systematically recorded in the income statement, in the same periods in which expenses are recorded. Grants that compensate the company for the cost of an asset are recorded on a systematic basis in the income statement over the entire lifetime of the asset.

Grants related to income are recorded on a

systematic basis as revenues from the periods corresponding to the related expenditures these grants are about to compensate.

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

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

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

The scope of management accounting consists in:

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

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

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

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

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

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

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

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

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

In case of orders related to export sales the price is expressed in LEI by converting the currency to the budgeted foreign exchange rate.

Upon applying the accounting policies, the company issues procedures, instructions and work dispositions approved by the executive management.

## NOTE 4 – TRANSACTIONS IN FOREIGN CURRENCIES

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

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

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

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

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

Considering that 65% of the turnover registered in the reporting period is denominated in USD and EUR, while a significant part of the operating costs is denominated in LEI, the foreign exchange rates variations will affect both its net incomes and its financial position as expressed in the functional currency.

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

is as follows:

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

In the reporting period:

o The quarterly variation of the foreign exchange rate USD/LEU was:

+ 2,00% in 1st quarter of 2021 compared to 31.12.2020

- 2,64% in 2nd quarter of 2021 compared to 31.03.2021

+ 0,98% in 3rd quarter of 2021 compared to 30.06.2021

+ 1,43% in quarter IV of 2021 compared to 30.09.2021

which determined a +4.90% variation of the foreign exchange rate USD/LEU in the year 2021

compared to the beginning of the year

and

o The quarterly variation of the foreign exchange rate EUR/LEU was:

+ 0,20% in 1st quarter of 2021 compared to 31.12.2020

- 0,03% in 2nd quarter of 2021 compared to 31.03.2021

+ 0,10% in 3rd quarter of 2021 compared to 30.06.2021

+ 0,03% in quarter IV of 2021 compared to 30.09.2021

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

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

## NOTE 5 – INTANGIBLE ASSETS

	Values on 31 December 2021			Values on 1 January 2021		
	Gross value	Accumulated depreciation	Net value	Gross value	Accumulated depreciation	Net value
Licences	6.217	(5.606)	611	5.720	(5.200)	520
Other intangible assets (software)	417	(340)	77	404	(261)	143
<b>Total</b>	<b>6.634</b>	<b>(5.946)</b>	<b>688</b>	<b>6.124</b>	<b>(5.461)</b>	<b>663</b>

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

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

- Licences
- Other intangible assets

The software programmes are registered under other intangible assets.

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

periods of amortization of the intangible assets are stipulated by the fiscal legislation on assets.

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

The intangible assets in the balance sheet account as on 31.12.2021 are not depreciated and no adjustments were made for the depreciation thereof.

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

The value of the completely amortized software licenses on 31 December 2021 and which are still in use is 3.213 thousand lei.

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

The entries of intangible assets were made via:

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

519 thousand lei

14 thousand lei

505 thousand lei

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

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

## NOTE 6 – PROPERTY, PLANT AND EQUIPMENT

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

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

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

Depreciation expenses are recognized in the profit and loss account.

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

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

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

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

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

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

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

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

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

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

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

Internal source of information:

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

External source of information:

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

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

indicator MBR-Market to book ratio	31.12.2021	31.12.2020
Stock exchange capitalization/ company equity	2,9	1,7

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

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

The gross accounting value of the fully depreciated property, plant and equipment that were still in operation on 31 December 2020 is 43.513 thousand lei. On 31.12.2021 no mortgages were set up on the real estate assets owned by Aerostar S.A.

Inputs of property, plant and equipment:	14.900 k lei
· Commissioning of technical equipment, hardware equipment, measuring and control equipment	7.229 k lei
· Property, plant and equipment in progress in 2021	7.671 k lei

Outputs of property, plant and equipment:	7.248 k lei
· Transfer of property, plant and equipment following their commissioning	7.229 k lei
· Derecognition of some property, plant and equipment due to the fact that the company no longer expects future economic benefits from their use	19 k lei

## NOTE 7- FINANCIAL ASSETS

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

Details of the entity's investments on 31.12.2021 in other companies:

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

AEROSTAR's share contribution in these companies is registered based on cost. During 2021 the company recorded no modifications i.e. no increases/decreases as to the shareholding percentage, maintaining the same influence as in 2020. Both companies in which AEROSTAR holds shares are registered in Romania.

## NOTE 8 - TRADE RECEIVABLES

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

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

- in percentage of 50% of the value of the receivables not collected on time if the due date is between 30 days and 180 days. On 31 December 2021 the company registered adjustments for depreciation of this nature in the amount of 488 thousand lei;
- in percentage of 100% of the value of the receivables not collected on time, if the delay exceeds 180 days. On 31 December 2021 the company registered adjustments for depreciation of this nature in the amount of 844 thousand lei.

Moreover, the company registered adjustments for depreciation of the advances granted to the suppliers in the amount of 42 thousand lei.

When determining the recoverability of a trade

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

Debtors-suppliers have the following discount limit:

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

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

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

## NOTE 9 - OTHER RECEIVABLES

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

## NOTE 10 – INVENTORIES

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

### ADJUSTMENTS FOR DEPRECIATION OF INVENTORIES

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

Note:

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

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

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

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

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

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

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

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

depreciation, as follows:

- For raw material, consumables, semi-finished parts and spare parts, distinct periods are established for each profit centre;

- For the inventories of finished products, depreciation adjustments are set up for each period, as follows:

a) in a percentage of 100% of the value thereof, for the inventories of this nature that are not based on contracts with the customers;

b) in variable percentages, agreed with the profit centres involved, for the inventories of finished not delivered until the contractual deadlines.

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

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

AEROSTAR has no pledged inventories.

## NOTE 11 – CASH AND CASH EQUIVALENTS

The cash includes:

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

The cash equivalents include:

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

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

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

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

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

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

## NOTA 12 – COMPANY EQUITY

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

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

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

• **The share capital remained unchanged**

On 31 December 2021, the share capital of AEROSTAR SA is 48.728.784 lei, divided in 152.277.450 shares having each a nominal value of 0,32 lei.

• **The reserves increased by 14.151 thousand lei:**

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

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

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

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

• **The balance of the result account carried forward on 31 December 2021 is 51.148 thousand lei, comprising:**

- the result carried forward incurred by the use, on the date of transition to IFRS, of the fair value as presumed cost - 28.534 thousand lei;
- the result carried forward representing the gain obtained from re-evaluation reserves, capitalized as the property, plant and equipment and intangible assets were amortized - 22.614 thousand lei;

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

## NOTE 13 - PROVISIONS

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

### Provisions set up for guarantees granted to customers

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

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

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

### Provisions for benefits granted to employees

The provisions for benefits granted to employees are set up for the bonus granted according to the clauses of the applicable Collective Labour Agreement (bonus for the end of the financial year, for performance) and for the annual holidays leave not taken by the employees in the previous year. The provisions related to the bonus for the end of the financial year 2021, performance bonuses for 2021 and the annual holidays leave not taken by the employees during 2020 and 2021 are found in the balance.

### Provisions for litigations

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

### Other provisions

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

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

## NOTA 14 – SUBSIDIES

### Subsidies related to assets

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

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

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

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

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

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

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

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

## NOTE 15 – COMMERCIAL DEBTS

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

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

For the registered debts no mortgages were set up.

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

## NOTE 16 – OTHER LIABILITIES

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

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

## NOTE 17 – DEFERRED PROFIT TAX

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

The Company estimated and registered liabilities regarding the deferred tax related to non-current

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

The structure of deferred income tax registered on 31.12.2021 is:

<b>Liabilities from deferred tax</b>	
1.Liabilities related to the deferred tax generated by the differences between the accounting bases (higher) and the fiscal ones (lower) of the non-current assets	1.530
2.Liabilities related to the deferred tax concerning legal reserves	1.559
3.Liabilities on deferred tax related to reserves from the fiscal facility	16.268
4.Liabilities on deferred tax related to the reported result representing a surplus from revaluation reserves	61
<b>Total liabilities on long-term deferred tax 1</b>	<b>19.418</b>
<b>Receivables on deferred tax</b>	
1.Receivables on deferred tax related to other long-term provisions	693
2.Receivables on deferred tax related to provisions for long-terms bonds granted to customers	4.906
3.Receivables on deferred tax related to provisions for short-terms bonds granted to customers	2.423
4.Receivables on deferred tax related to provisions for other short-term risks	160
5.Receivables on deferred tax related to provisions for short-term manpower benefits	921
6.Receivables on deferred tax related to short-term adjustments for depreciation of the inventories	6.430
7.Receivables on deferred tax related to short-term adjustments for depreciation of trade receivables	255
<b>Total receivables on long-term deferred tax</b>	<b>5.599</b>
<b>Total receivables on short-term deferred tax</b>	<b>10.189</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 2021 – 31 December 2021, the company registered income from the tax on deferred profit in the amount of 5.433 thousand lei and expenses with the tax on deferred profit in the amount of 5.151 thousand lei.

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

## NOTE 18 – FINANCIAL INSTRUMENTS

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

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

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

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

The financial assets of AEROSTAR S.A. include:

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

The financial liabilities of AEROSTAR S.A. include:

- trade liabilities;
- trade effects payable.

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

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

a) credit risk

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

a) Credit risk

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

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

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

In some cases, specific instruments of commercial credit risk decrease (receipts in advance, letters of payment bank security, confirmed export credentials) are requested. AEROSTAR has no significant exposure toward a single partner and records no significant concentration of receivables on a single geographical area.

Exposure to credit risk

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

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

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

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

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

### Depreciation adjustments

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

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

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

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

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

#### a) Liquidity risk

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

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

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

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

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

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

	Debts	Accounting value	Contractual cash flows	0-30 days	31-60days	over 60 days
31.12.2021	Trade liabilities	19.554	(19.554)	(16.950)	(2.276)	(328)
	Trade effects	0	0	0	0	0
31.12.2020	Trade liabilities	8.411	(8.411)	(6.865)	(1.383)	(163)
	Trade effects	0	0	0	0	0

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

On 31.12.2021 AEROSTAR has no records of overdue financial liabilities.

#### c) Foreign currency risk

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

##### Exposure to the foreign currency risk

AEROSTAR is exposed to the foreign currency risks, as 65% of the turnover recorded in the reporting period is denominated in USD and EUR, while a significant part of the operating expenses is denominated in LEI.

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

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

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

##### Sensitivity analysis

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

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

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

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

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

#### d) Interest rate risk

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

1) *Product A*: in the amount of 2.500 thousand USD, usable as an overdraft, set up to provide at any given time the necessary financial liquidity and flexibility (liquidity reserve);

2) *Product B*: in the amount of 7.000 thousand USD (provided that the aggregate amount used from Product A and product B does not exceed the value of the multi-product Credit Facility), usable as a facility of issuing bonds as instruments to ensure collaterals for the commercial contractual obligations by issuing bank bond letters and import Letters of Credit.

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

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

On 31.12.2021, the level of bonds granted by AEROSTAR under commercial agreements, by issue of bank bond letters and import Letters of Credit amounts to 1.915 thousand USD (the equivalent of 8.371 thousand LEI).

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

## NOTE 19 – OPERATING INCOME

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

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

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

- paying indemnities for signing labour agreements for a fixed period of time of up to 3 months as per OUG 220/2020 in the amount of 102 thousand lei;

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

## NOTE 20 – OPERATING EXPENSES

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

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

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

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

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

	31 December 2021	31 December 2020
Adjustments on provisions		
Increases / setups	48.799	22.450
Decreases / reruns	(32.630)	(25.839)
<b>Net expenses (revenues) from adjustments on provisions</b>	<b>16.169</b>	<b>(3.389)</b>

The impact of the adjustments on provisions is an increase of the operating expenses by the amount of 16.169 thousand lei.

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

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

## NOTE 21 - FINANCIAL INCOME

	31 December 2021	31 December 2020
Income from foreign currency exchange differences	6.595	4.825
Income from interestIncome from shares held at affiliated entities	2.595	4.473
Income from divested financial immobilizations	-	536
	-	34
<b>Total financial income</b>	<b>9.190</b>	<b>9.868</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 December 2021	31 December 2020
Expenses from exchange rate differences	3.333	6.128
Expenses with interest related to leasing contracts	30	30
Other financial expenses	2	-
<b>Total financial expenses</b>	<b>3.365</b>	<b>6.158</b>

In 2021 the company registered in the financial expenses category:

- expenses from unfavourable exchange rate differences;
- expenses with interests related to the right to use the land leased for the Maintenance Hangar of Iași;
- other financial expenses.

## NOTE 23 - TAX ON PROFIT

### Tax on profit

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

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

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

	31 December 2021	31 December 2020
Gross accounting profit	69.648	42.059
Expenses with current tax on profit	9.964	5.265

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

Actual average tax rate, calculated on gross accounting profit, restated **14.19%**

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

The main factors that affected the actual tax rate:

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

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

#### Tax specific to some activities

As of 01.01.2017 Aerostar S.A. is a payer of specific taxes for restaurant and public food activities. The specific tax corresponding to the period 01.01.2021-31.12.2021 was in the amount of 52 thousand lei, being diminished by 26 thousand lei on account of the fiscal facilities granted under the applicable legislation. Thus, the total specific tax to be paid amounted to 26 thousand lei.

## NOTE 24 - RESULT PER SHARE

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

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

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

## NOTE 25 – AVERAGE NUMBER OF EMPLOYEES

Own employees:

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

Employees hired through temporary labor agent

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

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

Total number of employees on 31.12.2021:

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

## NOTE 26 – TRANSACTIONS WITH AFFILIATED PARTIES

Acquisitions of goods and services	Year 2021	Year 2020
Airpro Consult SRL Bacău	3.052	3.969
Foar SRL Bacău	373	302
<b>TOTAL</b>	<b>3.425</b>	<b>4.271</b>

Sales of goods and services	Year 2021	Year 2020
Airpro Consult SRL Bacău	-	-
Foar SRL Bacău	2	2
<b>TOTAL</b>	<b>2</b>	<b>2</b>

Liabilities	Balance on 31.12. 2021	Balance on 31.12. 2020
Airpro Consult SRL Bacău	601	29
Foar SRL Bacău	41	23
<b>TOTAL</b>	<b>642</b>	<b>52</b>

Dividends collected by Aerostar	Year 2021	Year 2020
Airpro Consult SRL Bacău	-	50
Foar SRL Bacău	-	487
<b>TOTAL</b>	<b>-</b>	<b>537</b>

Amounts collected from liquidation by Aerostar	Year 2021	Year 2020
ATF SA		125
<b>TOTAL</b>		<b>125</b>

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

## NOTE 27 – INFORMATION REGARDING THE CASH FLOW

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

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

In the context of the Cash Flows Statement:

- the cash flows are the amounts collected and paid in cash and cash equivalents;
- the cash includes the cash available in the company's cash office and the sight deposits held

with banks (available in the current accounts).

- the cash equivalents comprise the deposits formed in banks, bills and promissory notes deposited with banks in order to be collected.

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

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

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

Thus, in 2021:

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

thousand LEI payments to the suppliers and 72.012 thousand LEI payments to the employees;

- the payments of taxes and duties to the State Budget amounted to 71.971 thousand LEI, of which 6.005 thousand LEI profit tax.

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

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

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

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

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

## NOTE 28 - LIABILITIES AND OTHER OFF-BALANCE ITEMS

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

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

On 31 December 2021, AEROSTAR S.A. had a number of 17390 greenhouse gas emission certificates. The market value on the last transaction day of a GES certificate was 79,51 Euro, according to the European Energy Exchange website (in December 2020: 32,75 Euro).

## NOTE 29 – DIRECTORS' REMUNERATION

The Board of Directors of AEROSTAR S.A. at 31<sup>st</sup> December 2021:

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

In 2021, the company AEROSTAR did not grant advance payments or credits to the members of the Board of Directors and did not make any commitment on their account as a collateral of any kind.

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

✓ Maintaining a monthly net fixed remuneration of

4.750 lei for each elected BOD member;

✓ A maximum level of additional remunerations for the BOD members who also have executive attributions, of a monthly fixed amount of at most 10 (ten) times (inclusively) the value of the fixed remuneration of 4.750 lei, applied individually, as the case may be.

✓ Mandating the BOD to negotiate these remunerations, within the approved ceiling.

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

## NOTE 30 – RISK MANAGEMENT

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

AEROSTAR pursues to secure the average and long-term sustainability and to reduce the uncertainty associated with its strategic and financial objectives. The risk management processes ensure the identification, analysis, assessment and management of risks in order to minimize their effects to an agreed level.

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

### Operational Risk

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

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

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

The global supply chains of the aeronautical industry are facing significant cancellations and reductions of airplane manufacturing orders and passenger air traffic. As a result, all the suppliers in the global supply chains are affected, which leads to reduced activities, temporary or indefinite shutdowns of the production

facilities, temporary or definitive unemployment in all sectors of activity of the aeronautical industry.

In terms of human resources, the impact of the COVID-19 pandemic causes profound changes of people's lifestyle and their outlook on priorities and value hierarchies. In most cases the safety measures implemented in AEROSTAR have helped us eliminate the risk of onset and development of new outbreaks among our employees.

For the year 2021, given the diminished production in the field of manufacture of parts, aviation equipment and maintenance services in civil aviation MRO, AEROSTAR has decided to maintain unaffected its production capabilities and to maintain the existing personnel, also resorting to the legal solution of technical unemployment and/or reduced worktime. AEROSTAR will take steps to ensure the skills levels and qualifications needed to honor the existing contracts, while also maintaining its recovery and growth capacity when the pandemic effect ceases.

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

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

AEROSTAR has allocated and will continue to allocate investment funds and other operational expenses in order to prevent and manage the operational risk. Moreover, by setting up provisions for risks and related expenses, AEROSTAR aims to have its own funding to cover its risks of exposure.

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

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

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

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

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

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

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

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

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

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

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

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

The management of this risk is carried out by:

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

AEROSTAR is exposed to the exchange rate risk because 65% of its turnover is related to USD and EUR, while a significant part of the operating expenses is denominated in LEI.

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

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

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

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

## NOTE 31 - PREPAID EXPENSES AND INCOME

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

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

In the category expenses registered in advance in records on 31.12.2021 are found amounts to resume within a year representing, among others, subscriptions, insurance policy, fees, participation to trade fairs and conferences, taxes and duties, on-line services, maintenance of IT systems, etc. On 31.12.2021, following the revised application of the

IFRS 16 standard "Leases" (Note 3), the interest related to the right to use the leased land for the Maintenance Hangar in Iași, previously recognized as a long-term expense in advance was derecognised.

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

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

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

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

The right to use the land for the Maintenance Hangar in Iași was reevaluated at the foreign exchange rate communicated by the National Bank of Romania on the last banking day of each reporting period (31 March, 30 June, 30 September and 31 December 2021).

## NOTE 33 - EVENTS AFTER THE REPORTING PERIOD

AEROSTAR S.A did not identify any events after the reporting date likely to have an impact on the financial statements related to the financial year ended on 31 December 2021.

These individual financial statements which comprise: the statement of the financial position, the statement of the profit or loss, other elements of the global result, the individual statement of the company equity's modifications, the individual statement of the cash flows and the explanatory notes of the financial statements were approved by the Board of Directors on 14 March 2022 and signed on behalf of the Board of Directors by:

**Grigore FILIP**  
President & General Director

**Doru DAMASCHIN**  
Vice President & Financial Director

## INDEPENDENT AUDITORS' REPORT

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

Headquarters: Bacău, 9 Condorilor Street, Bacău county, România

Fiscal Registration: RO950531

### Report on the Audit of the Financial Statements

#### Qualified Opinion

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

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

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

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

#### Basis for Qualified Opinion

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

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In case of any discrepancies the Romanian version will prevail.

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

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

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

#### **Key audit matters**

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

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

## Other information - Administrators' Report

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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## Other matters

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

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

## Report on other legal and regulatory requirements

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

We confirm that:

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

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

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

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

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

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

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

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### Auditor's Responsibilities for Audit the Digital Files

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

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

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

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

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

For and on behalf of BDO Audit SRL

Registered in the Public Electronic

Report of financial auditors and audit firms with no. FA18

Partner's name: Cristian Iriciuc

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

Bucharest, Romania

March 25, 2022

For stamp and signature  
please refer to the original  
Romanian version

Note: This is the English translation of the Romanian version of the auditor's report. In case of any discrepancies the Romanian version will prevail.

The undersigned GRIGORE FILIP, as President of the Board of Directors and General Director of AEROSTAR S.A. and DORU DAMASCHIN, as Vicepresident of the Board of Directors and Financial Director of AEROSTAR S.A., hereby undertake the responsibility for the preparation of the individual financial statements as on 31.12.2021, and we confirm hereby that:

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

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

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

## DISTRIBUTION OF THE NET PROFIT REALISED IN 2021

A. Net profit for the period ended 31.12.2021	59.939.980,42 lei
- Distribution to legal reserves of profits reinvested in the business (fiscal facilities)	5.659.923,72 lei
- Distribution to retained earnings	31.438.439,20 lei
- Dividend distribution (gross dividend per share: 0,15 lei)	22.841.617,50 lei

Approved at the General Meeting of Shareholders of April 21, 2022.

Chairman of the Board of Directors and Chief Executive Officer  
GRIGORE FILIP

Vice-chairman of the Board of Directors and Chief Financial Officer  
DORU DAMASCHIN

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