



**The Message of The  
President & General Director**

# **REPORT FOR FIRST QUARTER**

**1 January - 31 March 2021**



**The Board of Directors' Report**



**Individual Financial Statements**

**PERFORMANCE THROUGH PROFESSIONALISM!**




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**REPORT OF THE BORD OF DIRECTORS FOR 1ST QUARTER**

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**UNAUDITED FINANCIAL STATEMENTS FOR THE 1ST QUARTER**

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# **Report of the Board of Directors for 1st Quarter 1 January – 31 March 2021**

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

The purpose of this report is to inform the investors regarding the modifications in the company's position and performance, which took place between January-March 2021, as well as regarding the predictable evolutions in the aviation and defence industry market and regarding the company's growth and development opportunities under the impact of Covid-19 evolution.

## Identification data and field of activity

**AEROSTAR S.A.** is the forerunner of the Uzina de Reparații Avioane (UM 03767) founded by the Romanian State, established by the Decision of the Council of Ministers, no. 1165, date April 17th, 1953, Bucharest. During this period, the company operated in a continuous manner;

**The activities take place at the registered headquarters**, located on 9, Condorilor Street, Bacău, postal code 600302. Since January 2018, AEROSTAR has registered a secondary site, as a workplace located within the area of Iași International Airport;

**The company's unique identification code at European level (EUID)** is ROONRC.J04/1137/1991 while the LEI identification code as a legal entity is 315700G9KRN3B7XDBB73;

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

**Subscribed and paid-in registered 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 Law of accountability no. 82/1991, re-published, with the subsequent modifications and completions and are presented in accordance with the IAS 1 requirements (Note 3);

**The individual financial statements** prepared for the 1st quarter of 2021 are not accompanied by the report of the statutory financial auditor. They were audited by the company's internal auditor;

Aerostar S.A. is listed at the **Bucharest Stock Exchange** under **ARS code**, and the evidence of the shares and shareholders is held, under the conditions of the law, by the S.C. Depozitarul Central S.A. București;

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

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

**The reporting period** is 1st quarter, 1 January – 31 March 2021.

## **The message of the President of the Board of Directors & General Director**

We are a performant supplier in the global aviation industry, and resilience is the word that characterizes us in the conditions of an unprecedented pandemic and the pressure it added.

The company continues to take firm and effective actions to ensure sustainability and preservation of unimpaired production capabilities, acting through operational excellence in our daily activity.

We continue to adapt, knowing that Aerostar's activity will continue to be marked by the direct and indirect effects generated by the Covid-19 Pandemic.

From the analyses performed during 2021, there is no predictable significant relaunching of the aeronautical industry, nor of the air operators' activities. Moreover, it is foreseeable that major companies in the air-industry will be reorganized, as Airbus has already announced, and also of the main aviation companies, which can impact the supply chains, and implicitly our company, too.

In all this unpredictable and unknown environment, we focus on ensuring the health and safety of our employees, by implementing new operating standards and processes where it is needed to achieve strategic goals, maintaining a solid capital base, and managing emergencies in a robust way to effectively address the impact of the pandemic.

Grigore FILIP

President of the Board of Directors & General Director

## About AEROSTAR S.A.

It was named successively URA - 1953, Întreprinderea de Reparații Avioane-IRAv (Aircraft Repair Enterprise) - 1970, Întreprinderea de Avioane- IAv (Aircraft Enterprise) - 1978 and since 1991, when the company was registered at the Bacau Trade Register as a shareholding company with fully state-owned capital, it has maintained the current name AEROSTAR S.A..

Currently, as a leader in Romania in the aerospace and defence field, and a performer which offers superior value to the customers, employees and the community, Aerostar produces and offers services materialized in **three main business lines**:

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

In the field of civil aviation, 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 a.o.

AEROSTAR holds authorizations for the maintenance of commercial aircraft, being currently authorized to perform this type of work on the following aircraft types: Boeing 737 series 300-900, the Airbus 320 family, ceo & neo, as well as the components thereof.

AEROSTAR is part of the national defence industry accordance with law 232/2016. AEROSTAR is part of the Raytheon supply chain for Patriot systems.

All the actions and measures intended to ensure long-term business sustainability reflect the company's motto „PERFORMANCE THROUGH PROFESSIONALISM”.

## Key figures in the 1st Quarter

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

	UM	31.03.2021	31.03.2020
Share capital	thousand lei	48.729	48.729
Turnover	thousand lei	91.719	99.932
Export sales	thousand lei	58.124	90.959
No. of employees	no.	1.643	1.955
Net profit	thousand lei	19.247	21.677
Cash - flow	thousand lei	218.040	213.448

General liquidity	-	9,16	7,23
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Investment expenses from own sources	thousand lei	1.202	18.142
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## Economic-financial indicators on 31.03.2021

Economic-financial indicators	Result
Current Liquidity	9,16
Indebtedness Rate	0
Debt rotation rate – customers	41
Fixed asset rotation rate	0,50
General Solvency Rate	13,65
Financial Rate of Return	0,05
Net profit rate	20,99%
Net Treasury	54.512 thousand lei

Monetary Context for the 1<sup>st</sup> quarter:

Monetary context	UM	31.03.2021	31.03.2020
Average exchange rate EURO/3 months	lei/euro	4,8782	4,7959
Average exchange rate USD/3 months	lei/USD	4,0461	4,3512
Average exchange rate GBP/3 months	lei/GBP	5,5789	5,5693
Inflation	-	2,14	1,16

## Tangible assets

The production facilities and capacities of Aerostar S.A. are located in Bacau, where is also located the registered office of the company, at No. 9, Condorilor Street, Bacau 600302, Romania. Aerostar S.A. has a secondary office without legal personality, i.e. a work point, at no. 25B, Aeroportului Street, Iași. Currently the Aerostar S.A. company carry out economic activities at this secondary site.

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

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

At the registered office, all types of facilities necessary for the good functioning of the production activity are built, according to the activity.

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

All these areas are maintained in good conditions. The built area of the buildings is approximately 13,47 ha.

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

On March 31, 2020 Aerostar S.A. Bacău owns tangible assets for carrying out its activity in a gross value of 327.137 thousand lei, materialized in land, buildings, special constructions, installations, technological equipment, means of transport:

Category of tangible assets	Gross value (thousand lei)	Degree of wear (%)	Estimated useful life (years)
Land	29.266	N/A	N/A
Constructions	94.434	30,2%	30-50 years
Investment property	10.537	35,1%	25-50 years
Technical installations, of which:	189.425	59,2%	
o technological equipment	183.295	58,8%	4-25 years
o transport vehicles	6.130	71,1%	4-18 years
Total tangible assets	3.475	35,9%	2-18 years
TOTAL	327.137	44,5%	N/A

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

### “AEROSTAR” SHARES (ARS)

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

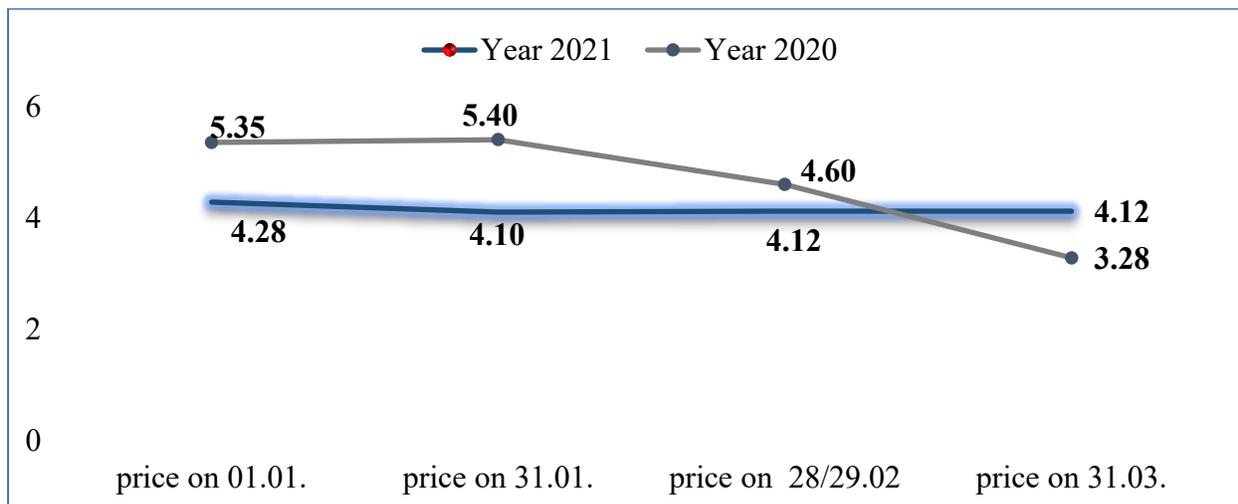
**The main characteristics of the issued shares: 152.277.450 shares** are nominative, ordinary, of equal value, fully paid, issued in dematerialized form and recorded by registration in the Shareholders’ Register that is administrated by Depozitarul Central S.A. Bucharest.

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

Aerostar shares – key figures	31.03.2021	31.03.2020	31.03.2019
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) *)	4,12	3,28	5,00
Stock exchange capitalization (lei)	627.383.094	499.470.036	761.387.250
Maximum price (lei)*)	4,38	5,70	5,08
Minimum price (lei) *)	4,00	3,00	4,78
Result per share (lei)	0,126	0,142	0,108

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

Monthly evolution of reference price of Aerostar ARS shares in the first quarter of 2021 in comparison with the first quarter of 2020 (lei/share):



The company observes the evolution of the ARS shares on the Bucharest Stock Exchange without interfering to these developments in its activities.

During the first quarter of 2021 there was no programme for purchasing own shares.

During the first quarter of 2021, the company Aerostar did not issue bonds or other similar securities.

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

### Important events in the first quarter

- On 26 February 2021, AEROSTAR presented the preliminary financial results of the year 2020 in accordance with the applicable legal regulations.
- On 15 March 2021 was published the current Report of Convening the Ordinary General Meeting of Shareholders for 21 April 2021 in accordance with the applicable legal regulations. The convening note, agenda, draft decisions, the materials subject to OGM's approval and the forms requested by AEROSTAR were posted on the company's website [www.aerostar.ro](http://www.aerostar.ro) at the section Investors Relations.
- On 31 March 2021, AEROSTAR received from the National Military Authority the certificate regarding the authorization for designing the modifications and repairs for aircraft owned by the Romanian state, according to the RMAR 21J requirements. The RMAR requirements (Romanian Military Airworthiness Requirements) regard the certification of the Romanian State-owned aircraft and of the products, parts and related equipment, as well as the certification of design and production, maintenance and maintenance training organizations.

### Health events for company employees

- **On 15 January 2021, Aerostar's management issued a press release** regarding the possibility and necessity to vaccinate both the employees and their families. The Covid-19 vaccination represents a sustainable way of fighting this pandemic.  
In the context of the crisis caused by the Covid 19, AEROSTAR focused, first of all, on ensuring the health and safety of employees and it has taken all necessary measures so that its activity is carried out safely.

### External events of interest

- **On 1st January 2021** the trade and cooperation agreement between EU and UK has professionally entered into force, and it provides zero tariffs and zero quotas for all trades with UE and UK goods, which comply with the relevant rules of origin. Even with the new agreement in force, the businesses will face new barriers to trade, which will result in cost increase and it will impose adjustments of the supply chains which are EU-UK integrated.

○ **Global vaccinations**

The release of vaccines, at a global level, in different stages, led to different results in terms of fully-vaccinated population share and rates of infection.

Certain areas are close to the zero infection rate status, while others, with a high epidemiological risk, impose restriction measures for travelling and quarantine, as a result of the new strains of Covid-19.

Several governments have proposed that the vaccinated persons be exempt from the travelling and quarantine restrictions.

○ **COVID-19 pandemic and aerospace economic recovery**

In addition to its serious impact on public health, Covid-19 is still causing unprecedented disturbances in the economy and in the company, at a global level, cancelling jobs and removing livelihoods worldwide. The aviation industry and the industries supporting air travelling are directly affected.

- The lack of air connectivity requires economic recovery, and in 2021, according to IATA, the financial performances will vary, compared to 2020, depending on region.

Therefore, the regions with large domestic market for travelling and with a rapid launch of vaccines, will have a better economic re-launch.

From this point of view, North America is expected to be the most performant concerning the recovery of the operating losses, in all regions, with support for recovery on the large domestic market from USA and the rapid launch of vaccines.

On the other hand, Europe is expected to have the slowest operational financial performance, due to the slower vaccination process and the reduced international travels resulted from the restrictions.

In Asia-Pacific, the large domestic markets for travelling, such as China and Australia, will benefit from the re-launch, but the revenue recovery will be hampered by restrictions on virus control.

Therefore, the global recovery is gaining momentum but remains unequal, and the international traffic will recover within a longer period of time than expected.

- The major companies announce various measures designed to maintain their organizations:

Safran – on-going restructuring actions, reduced working hours, R&D expenses in accordance with the economies made during the financial year 2020.

Airbus – actions to reorganize its structure in Europe by bringing together administrative activities, simplifying governance and interface in a new industrial configuration.

○ **Overview**

The travelling companies and the global aviation industry are reducing their costs, but the revenues continue to drop, along with the travelling restrictions and quarantine applied. This amplifies the risk at the workplaces in this field. To maintain the viability of the industrial companies, more emergency aid will be needed from the governments if the restrictions cannot be lifted.

**Events after the reporting date**

- **On 21 April 2021**, the Extraordinary General Meeting and Ordinary General Meeting of the Shareholders took place in accordance with the applicable legal regulations. The quorum was fulfilled in percentage of 87,7737%.
- In the Ordinary General Meeting of the Shareholders of 21 April 2021, Aerostar’s shareholders approved:
  - ✓ The distribution of the net profit related to the financial year 2020 as follows:
    - distributions to the legal reserve of the reinvested profit: 12.081.875,81 lei;
    - distribution to reserves in the amount of: 8.087.380,00 lei;
    - distribution as dividends of the amount of: 18.273.294,50 lei;
  - ✓ Establishing a gross dividend per share of 0,12 lei, corresponding to a share with the nominal value of 0,32 lei;
  - ✓ Payment of dividends related to the financial year 2020, made on 22 June 2021. The distribution of the dividends due to Aerostar shareholders related to 2020 will be performed in accordance with the applicable legal regulations.
  - ✓ Concluding the financial audit contract with BDO Audit SRL for a minimum period of 3 (three) years, with the possibility of extension by supplementary agreement approved by the Company’s Board of Directors.
- **On 28 April** the negotiations of the collective labor agreement for 2021-2022 between Aerostar Administration and the Employees’ Committee were initiated.

## Business model

The company Aerostar continues to act firmly to ensure the sustainability of its business and keep the production capabilities unaffected, given the impact of the Covid-19 pandemic and it focuses on ensuring the health and safety of employees. The company policy is focused on continuous development and achieving its strategic objectives.

AEROSTAR actions on the market as an independent company, in full compliance with national and international applicable law.

AEROSTAR business focuses on increasing performance through continuous improvement and professional development of employees in a spirit of integrity, innovation and initiative. The development of the competitiveness and productivity are the co-ordinates by which the employees develop the successful business model culture from the productive economy. AEROSTAR focuses on meeting the requirements and expectations of its customers, by acting for continuous improvement on all levels.

The production activities are conducted based on commercial agreements completed with the customers, being integrators and/or users/end users from the aeronautical and defence industry.

The management adopted model based on the systemic-process approach and on a RISK-based mentality.

The business model of the company was not modified in the context of the Covid-19 pandemic conditions, but the manner in which the activities were carried out has been adapted according to the specific nature of the business flows.

## AEROSTAR business

During the 1<sup>st</sup> quarter, the impact of the crisis has been felt differently on the three business lines.

### Sales in the 1st quarter

The turnover obtained in the first quarter was 91.719 thousand lei. Aerostar sold products and services on the domestic market in the amount of 33.594 thousand lei, and on the foreign market in the amount of 58.124 thousand lei.

Approximately 63% of the sales represent export sales. The foreign customers are located in various places, but on the foreign export market, as a representative percentage for Aerostar, it is represented by the European market.



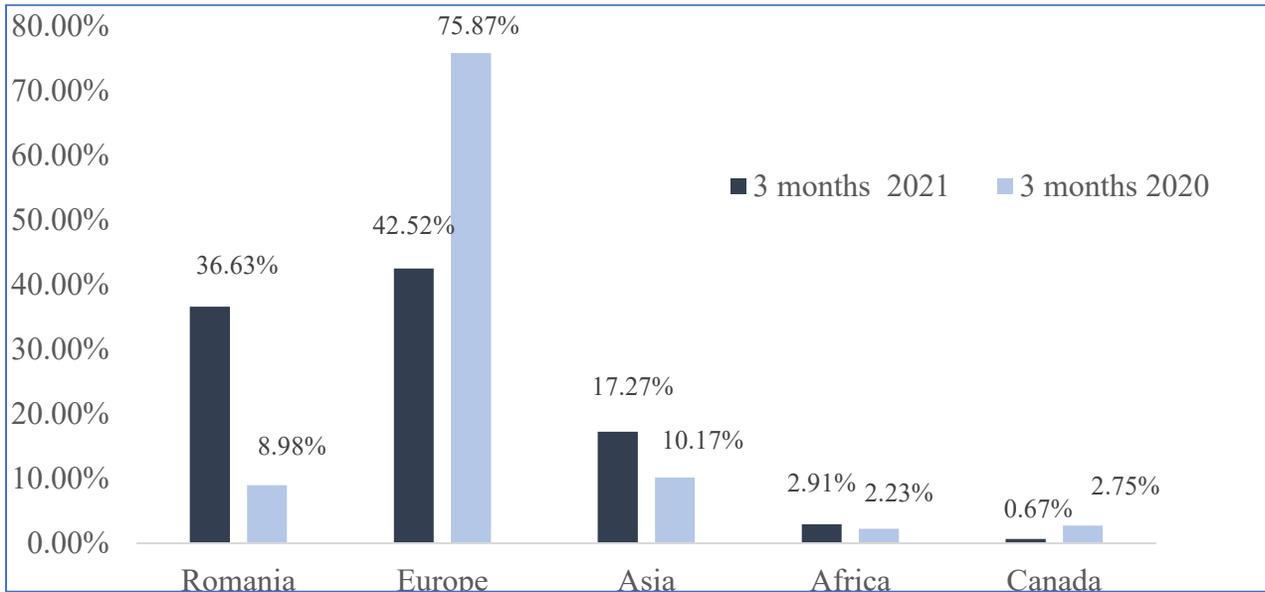
Compared with the same period of 2020, the percentage of export sales was affected in Europe and Canada, but increases were registered in the sales percentage on the Romanian and Asian market.

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

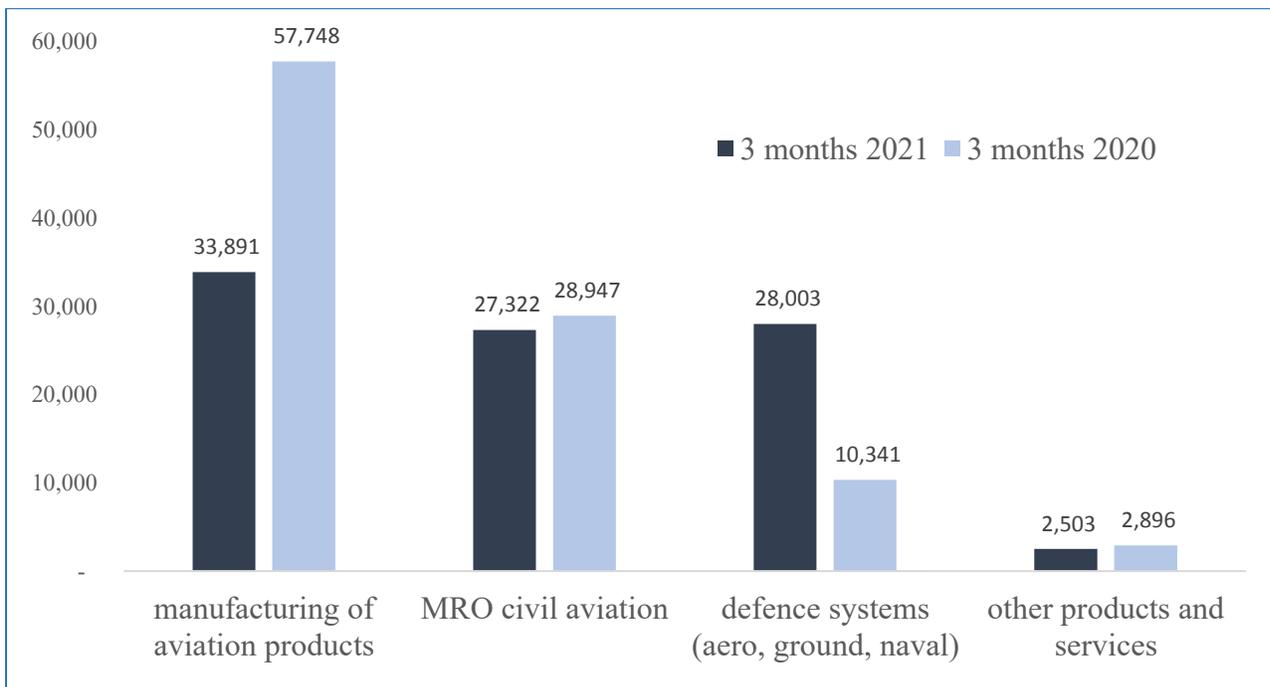
In Asia and Africa, we provide maintenance services for civil aviation and in Canada we supply aviation products.

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

The comparative evolution as percentage of total sales in Aerostar’s market sales is presented below:



The comparative evolution of the sales of products and services is presented below:

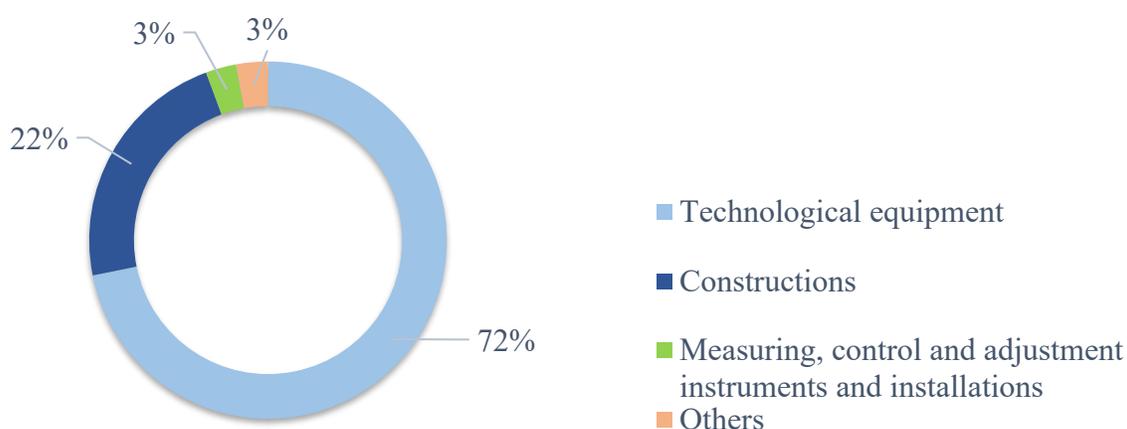


### Investments in the 1st quarter

The total value of the budget expense forecasted for the investments planned in 2021 is 7.156.171 lei.

The expenses registered in the 1<sup>st</sup> quarter 2021 are in the amount of 1.201.595 lei.

The percentage of the investment expenditure is represented below:



The highest percentage, representing 71,83% from the investment expenditure realised in the first quarter, in the amount of 863.128 lei, was realised for the acquisition of technological equipment. This is performant equipment, with low consumption of energy and minimal impact on environment and with increased productivity.

As for the intangible assets, expenditure was incurred to update the software licences and to develop the current production management application.

The summary statement of the investment expenditure on categories of tangible assets has the following structure:

Category		Value (lei)	Percentage (%)
Tangible assets	Constructions	270.803	22,54
	Technological equipment	863.128	71,83
	Measuring, control and adjustment devices and installations	33.210	2,76
Intangible assets		34.455	2,87
Total		1.201.596	100%

The investments made by purchasing modern state-of-the-art equipment are aimed at increasing the capacities and diversifying the services and ensuring a continuous, sustainable development as well as a safe and attractive work environment, while observing the environment directives and preparing the performance of the future generations.

### Business environment and organizational context

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

The impact generated by the risks of infection with Covid-19 on all aspects of the economic and social life, as well as the unprecedented changes generated thereby require a preventive management, proactive in relation with all the organizational components and functions.

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

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

The interested parties were identified based on the impact their requirements might have on AEROSTAR'S ability to reach its objectives as well as on its capacity to meet the Customer's requirements and the applicable regulations.

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

The general framework for risk management is based on understanding the necessities and expectations of the parties interested in getting the organization's expected results.

The risks are understood as uncertainties to meet the interested parties' requirements, due to the effect of some factors resulting from the context in which the organization operates.

The aspects identified as pertaining to the external context of the AEROSTAR organization are political, economic, social, technical, legal and environmental.

The aspects identified as pertaining to the internal context of the AEROSTAR organization fall under the categories: human resources, infrastructure, capabilities and authorizations, in the governance area but also the performances of the organization.

The following relevant interested parties were identified: customers, employees, investors, relevant technical and statutory authorities, certification bodies, suppliers, educational institutions, trade unions' organizations, local community and government.

## Business lines

Aerostar's income is generated preponderantly from its main business. Aerostar has a distinctive mark in the aviation industry, as a significant supplier in global manufacturing programs, as well as in the field of industrial maintenance for commercial aircraft.

In the category of aero, ground and naval defence systems Aerostar is first of all a first-rate supplier for the National Ministry of Romania.

The diversified portfolio of programs and services continues to offer important stability during this period of time.

## Manufacture of aeronautical products

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

In the Airbus supply chain, Aerostar fills currently the position of Tier 2 airframe subsupplier and 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.

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

Aerostar had to reduce production and deliveries and to pay increased attention to maintaining the capabilities, i.e. machinery, production lines, personnel and qualifications so as to be able to benefit from the economic recovery period.

The restructured production or diminished delivery rates for the main programs in which Aerostar has a significant exposure affects the production management. These aspects are tied to the ongoing capabilities, authorization and certifications, skills and key personnel, production in stock and the necessary economic balances.

In light of the reduced production volume caused by the pandemic, particular attention was given to the low-volume programs and the process of attracting new customers continued.

## **MRO Civil Aviation**

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

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

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

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

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

## Defence Systems

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

AEROSTAR is part of the national defence industry in accordance with the law 232/2016, having the status of authorized economic operator registered in the Unique Register of economic operators and production capacities and/or defence services. Under the afore-mentioned law, in December 2018, the Romanian Government designated AEROSTAR as the Maintenance Centre for the F-16 aircraft in the inventory of the Romanian army.

AEROSTAR initiated the investments for setting up the necessary capabilities. The F-16 aircraft maintenance center is developed progressively by assigning and training the personnel, the manufacture and purchasing of test benches and fixtures and by setting up the specific maintenance infrastructure, while the first F-16 aircraft in RoAF inventory will arrive for maintenance work at Aerostar this year.

### **Market position in the field of the primary and secondary radar systems and launching systems**

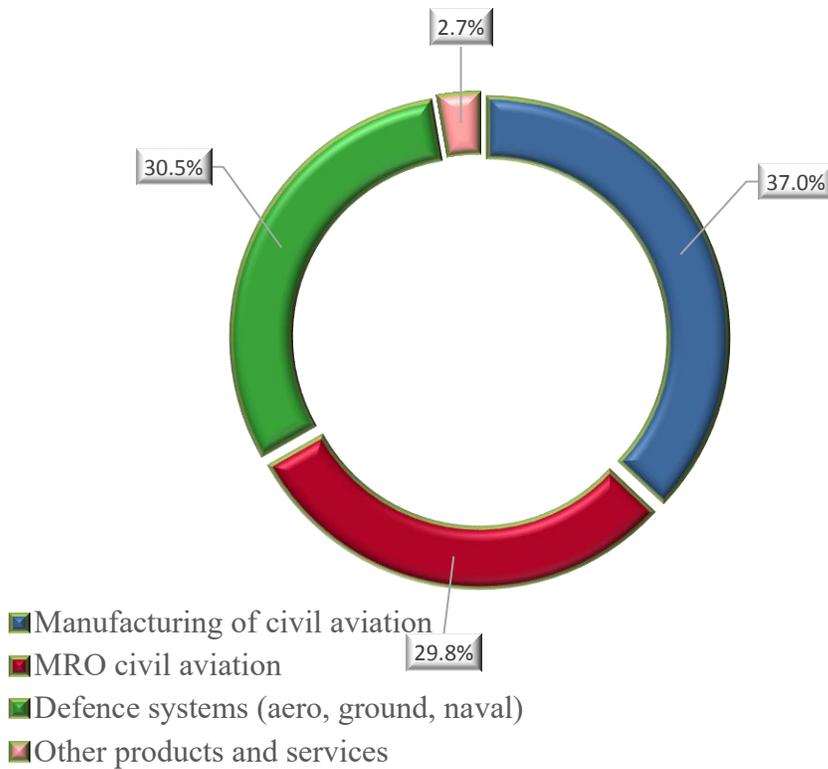
AEROSTAR has steadily developed the capabilities needed to consolidate its supplier status and expertise in the field of launching systems, platforms and components for launching and firing command & control, manufacture of launchers, maintenance and logistic support, upgrades.

AEROSTAR is part of Raytheon's global supply chain as an authorized supplier for the Patriot systems and takes steps in order to develop and consolidate this position. Aerostar has entered the Preferred Supplier List (PSL) and is authorized to take part in RAYTHEON programmes and deliver parts manufactured at Aerostar.

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

Business percentages in total sales for 1-st Quarter

The business percentages in total sales for 1<sup>st</sup> Quarter, for the business lines of AEROSTAR is represented in the diagram below:



In the first quarter of the year 2021 the commercial aircraft manufacture sector is still affected by crisis and the crisis impact is reflected in the company sales structure.

In the wake of the diminished production rates reported since last year, organic decreases occurred in several commercial aircraft programmes in the context of the pandemic impact.

## Quality and Environment

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

In terms of social responsibility and sustainable development, Aerostar has set as environmental goals to improve the performance in the area of pollution prevention, sustainable use of resources and mitigation of climatic changes, in compliance with the guidelines of standard SR ISO 26000 regarding social responsibility.

After reviewing the quality and environmental management system, the quality and environmental policies were reconfirmed.

The quality and environmental objectives were established in the first quarter of the year 2021 and the quality management system was recertified (certificate no. 006 / 24.02.2021).

The activities with impact on the environment were held under control by internal inspections, as well as by monitoring and measurements carried out as per the provisions of the existing environmental authorizations.

Following the survey audit on greenhouse gas emission (GES) management, no nonconformities were documented, the emissions corresponding to the year 2020 being therefore validated.

The Integrated Quality and Environment Management System of AEROSTAR, reconfigured after the latest revisions of the standards SR EN ISO 9001, AQAP 2110, AS 9100 Rev D, SR EN ISO 14001 focuses particularly on risk management. The continued validity of each of these certificates and authorizations confirm the concern and good practice implemented in AEROSTAR for risk management.

## Our employees

On 31.03.2021 AEROSTAR S.A. had an effective number of 1.643 employees, 13 of which employed through the temporary labor agent AIRPRO CONSULT S.R.L. Out of the total number of 1.643 employees, 159 hold management positions.

The average union membership in the company for the first three months of 2021 is 66,93%.

The average age of the employees of AEROSTAR S.A. and AIRPRO CONSULT S.R.L. is 46 years. The number of retired people re-employed is 87.

### ○ Labor relations and social dialogue

In AEROSTAR a collective labor 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.

No negotiation of a new Collective Labor Agreement took place for the period: 01.04.2021 – 31.03.2023, the issue in force having an extended validity period due to the state of alert generated by the COVID-19 pandemic.

### ○ Vocational training, education and development

In the first 3 months of the year 2021, vocational training courses were organized for the company's employees, the main focus being to cover the training needs in the areas of interest for the production activities, as follows:

Number of vocational training attendees: 585

Number of employees included in the vocational training programmes: 425

### ○ Health and labor safety, working conditions

The company has a risk assessment and a prevention and safety plan for the new coronavirus.

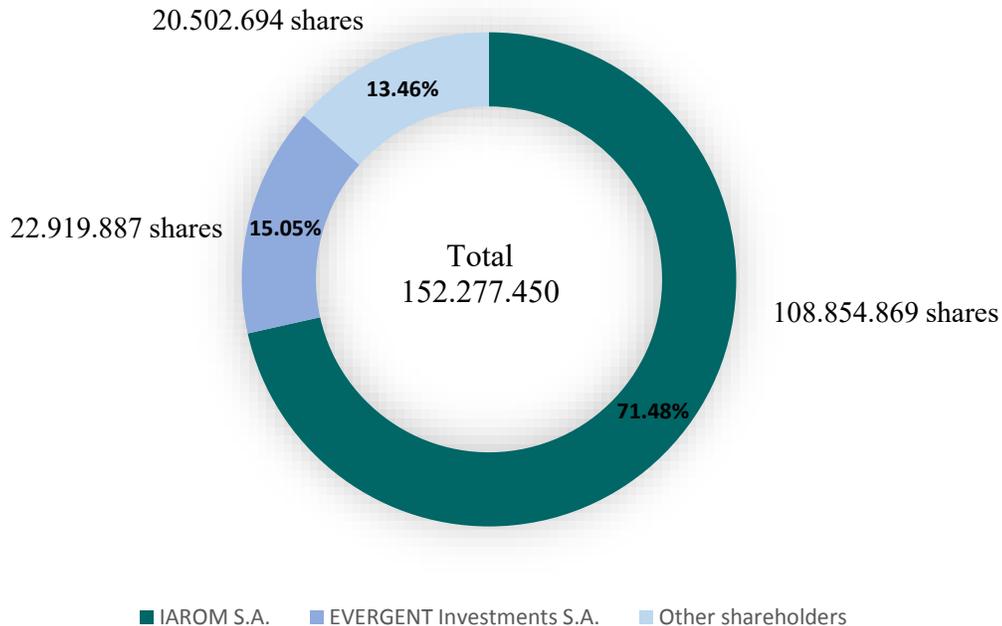
Steps were taken for work reorganization and alternative safety measures.

The strategic objective of the organization in the health and labor safety is „ZERO accidents” and it hasn't changed.

### Shareholders' structure on 31 March 2021

The main shareholders of the company Aerostar S.A. are IAROM S.A. București and EVERGENT Investments S.A. Bacau.

The synthetic structure of the company's shareholders on 31 march 2021 is as shown below:



There are no litigations with the above-mentioned persons. No subscriptions of new shares and no issues of certificates of participation, convertible bonds, options or similar rights have been registered in the current year.

### Management structure on 31 March 2021

**AEROSTAR's Board of Directors** was elected for a period of four years during the General Ordinary Meeting dated 9 July 2020.

The BOD was elected by secret vote for a 4-year new mandate, starting from 11.07.2020 until 10.07.2024.

The Board of Directors is composed of the following:

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

The Board of Director's attributions and responsibilities are provided in the Constitutive Deed. The CV-s of the members of the Board of Directors are found on the company site.

The direct participation of the board of directors in the company's share capital exceeded 1%.

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

There was no agreement, understanding or family tie in connection with the appointment of the company's administrators. There were no acts of resignation or relegations among the members of the Board of Directors or the auditor.

None of the administrators was involved in the past 5 years in a litigation or any other administrative procedure with AEROSTAR.

### **Business management and organizational structure**

The administration method used by the company is in a unitary system.

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

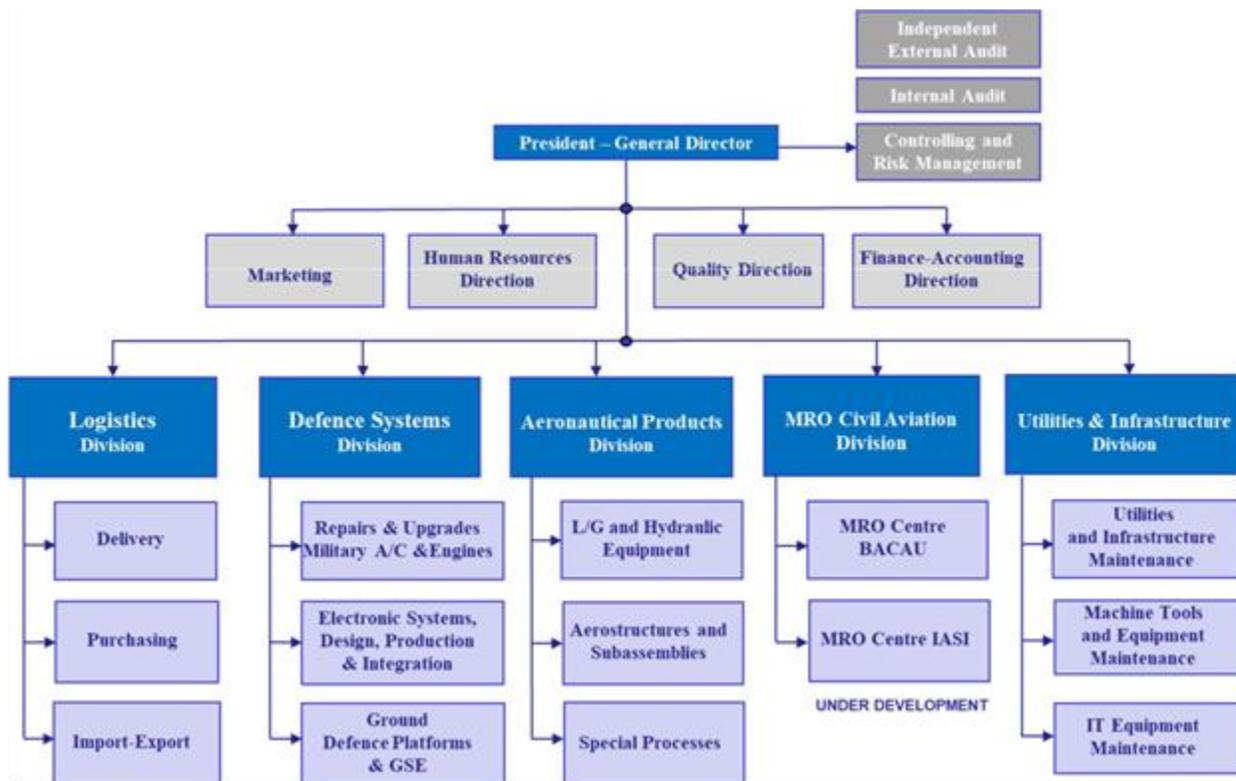
With reference to the organization and management system in Aerostar, the management structure at operational level ensures the management of the activities based on a divisional type organization that relies on administrative centers outside the production area, the auxiliary and functional activities.

The management structure at operational-executive level is completed with the other managers at division and directorate level. There were no changes regarding this structure in the first quarter of 2021.

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

This organizing manner has ensured the development of the capabilities with a view to carrying out new programmes in the defence and civil aviation field, as well as the investments needed for this purpose.

The implemented organizational structure is represented below:



On 31.03.2021 the management structure that ensures the management of the company functions based on the divisional organizational structure is:

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

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

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

In light of the uncertainties related to economy, business, social and health aspects, in the first quarter of 2021, it is obvious that the recovery of the aviation industry is a slow process, and the economic restart period is expected to start in 2024.

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

The main concern is to maintain the employees' health and the existing capabilities, i.e. machinery, production lines and qualifications.

At the same time, it is necessary to restore the economic and financial balance in the context of the low production rates.

For the following period, risks and uncertainties have been identified related to maintaining the organizational performance given the reduced demand on the current market in the civil aviation field.

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

## Financial situation – summary – Quarter 1

	Thousand lei	
Summary of assets, company equity, debts and provisions	31 March 2021	31 March 2020
Non-current assets	184.963	190.422
Current assets	377.686	339.689
Pre-payments and receivables related to deferred profit tax	17.628	16.941
<b>Total assets</b>	<b>580.277</b>	<b>547.052</b>
Company equity	399.590	380.370
Provisions	111.874	115.641
Prepaid income	6.411	7.048
Debts	62.402	43.993
<b>Total company equity, pre-paid income, debts and provisions</b>	<b>580.277</b>	<b>547.052</b>

	Thousand lei	
Summary of income, expenses, results	31 March 2021	31 March 2020
Operating income, of which:	91.644	112.575
– sales income	91.719	99.932
Operating expenses	(72.475)	(90.202)
<b>Profit/loss from operations</b>	<b>19.169</b>	<b>22.373</b>
Financial income	3.916	4.031
Financial expenses	(850)	(1.189)
<b>Financial profit/loss</b>	<b>3.066</b>	<b>2.842</b>
<b>Profit before tax</b>	<b>22.235</b>	<b>25.215</b>
Tax on current and deferred profit	(2.988)	(3.538)
<b>Net profit of the financial period</b>	<b>19.247</b>	<b>21.677</b>

**AEROSTAR S.A. BACĂU**  
**INDIVIDUAL FINANCIAL STATEMENTS**  
**FOR MARCH 31, 2021**

**UNAUDITED**

The financial statements dated 31.03.2021 were audited by the internal auditor  
of the company Aerostar S.A.

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**AEROSTAR S.A. BACAU**  
**INDIVIDUAL STATEMENT OF THE FINANCIAL POSITION**  
**FOR 31 MARCH 2021**  
**(unless specified otherwise, all amounts are stated in thousand lei)**

	Note	31 March 2021	31 December 2020
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	175.688	180.923
Intangible assets	5	584	663
Investment property	6	6.842	6.995
Rights of use on assets under lease	32	1.797	1.789
Financial Assets	7	52	52
<b>Total non-current assets</b>		<b>184.963</b>	<b>190.422</b>
<b>Current assets</b>			
Inventories	10	91.500	96.918
Trade receivables and other receivables	8;9	68.146	38.377
Receivables regarding deferred profit tax	23	0	1.734
Cash and cash equivalents	11	218.040	202.660
<b>Total current assets</b>		<b>377.686</b>	<b>339.689</b>
<b>Receivables regarding deferred profit tax</b>	<b>17</b>	<b>15.361</b>	<b>15.585</b>
<b>Prepaid expenses</b>	<b>31</b>	<b>2.267</b>	<b>1.356</b>
<b>Total assets</b>		<b>580.277</b>	<b>547.052</b>
<b>COMPANY EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	12	48.729	48.729
Current result	12	19.247	38.443
Result carried-forward	12	77.660	51.214
Other reserves	12	270.799	270.214
Deferred income tax recognized based on own equity	17	(16.260)	(16.148)
Distribution of profit for legal reserve	12	(585)	(12.082)
<b>Total equity</b>	<b>12</b>	<b>399.590</b>	<b>380.370</b>
<b>Prepaid income</b>			
Subsidies for investments	14	5.421	5.893
Deferred income	31	990	1.155
<b>Total prepaid income</b>		<b>6.411</b>	<b>7.048</b>
<b>Long-term liabilities</b>			
Liabilities regarding deferred income tax	17	18.859	18.850
Other long-term liabilities	16	2.310	2.335
<b>Total long-term liabilities</b>		<b>21.169</b>	<b>21.185</b>
<b>Long-term provisions</b>			
	13	<b>86.095</b>	<b>86.747</b>
<b>Current liabilities</b>			
Trade liabilities	15	26.018	12.060
Liability with current income tax	23	1.037	0
Other current liabilities	16	14.178	10.748
<b>Total current liabilities</b>		<b>41.233</b>	<b>22.808</b>
<b>Short-term provisions</b>			
	13	<b>25.779</b>	<b>28.894</b>
<b>Total provisions</b>		<b>111.874</b>	<b>115.641</b>
<b>Total liabilities</b>		<b>62.402</b>	<b>43.993</b>
<b>Total company equity, prepaid income, liabilities and provisions</b>		<b>580.277</b>	<b>547.052</b>

General Director,  
Grigore Filip

Financial Director,  
Doru Damaschin

**AEROSTAR S.A. BACĂU**  
**INDIVIDUAL STATEMENT OF THE PROFIT OR LOSS**  
**FOR 31 MARCH 2021**  
(unless specified otherwise, all amounts are stated in thousand lei)

	Note	31 March 2021	31 March 2020
<b>Operating income</b>			
Proceeds from sales	19	91.719	99.932
Other income	19	700	777
Proceeds related to the inventories of finished goods and work in progress	19	(2.368)	10.938
Proceeds from production of assets	19	175	816
Proceeds from operating subsidiaries	19	1.418	112
<b>Total operating income</b>		<b>91.644</b>	<b>112.575</b>
<b>Operating expenses</b>			
Material expenses	20	(30.466)	(38.856)
Expenses with employees' benefits	20	(28.818)	(33.208)
Expenses regarding amortization of assets	20	(6.671)	(6.156)
Adjustments regarding current assets	20	(2.870)	(5.027)
Adjustments regarding provisions	20	3.767	2.514
Expenses regarding external services	20	(6.608)	(9.114)
Other expenses	20	(809)	(355)
<b>Total operating expenses</b>		<b>(72.475)</b>	<b>(90.202)</b>
<b>Profit/loss from operating activity</b>		<b>19.169</b>	<b>22.373</b>
Financial revenues	21	3.916	4.031
Financial expenses	22	(850)	(1.189)
<b>Financial profit/loss</b>		<b>3.066</b>	<b>2.842</b>
<b>Profit before tax</b>		<b>22.235</b>	<b>25.215</b>
Tax on current and deferred profit	17;23	(2.988)	(3.538)
<b>Net profit of the period</b>		<b>19.247</b>	<b>21.677</b>

**General Director,  
Grigore Filip**

**Financial Director,  
Doru Damaschin**

**AEROSTAR S.A. BACĂU**  
**INDIVIDUAL STATEMENT OF OTHER ELEMENTS OF THE GLOBAL RESULT**  
**FOR 31 MARCH 2021**  
**(unless specified otherwise, all amounts are stated in thousand lei)**

	<b>31 March 2021</b>	<b>31 March 2020</b>
<b>Net profit of the period</b>	<b>19.247</b>	<b>21.677</b>
Deferred income tax recognized on company equity	(27)	(303)
<b>Other elements of the global result</b>	<b>(27)</b>	<b>(303)</b>
<b>Total global result of the period</b>	<b>19.220</b>	<b>21.374</b>

**General Director,  
Grigore Filip**

**Financial Director,  
Doru Damaschin**

**AEROSTAR S.A. BACĂU**  
**INDIVIDUAL STATEMENT OF THE MODIFICATION OF COMPANY EQUITY**  
**FOR 31 MARCH 2021**

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

	Share capital	Reserves	Deferred income tax recognized on equity	Result carried forward	Result of the period	Total equity
<b>Global result</b>						
<b>A. Balance on 1 January 2021</b>	48.729	270.214	(16.148)	51.214	26.361 *)	380.370
<b>Profit of the period</b>					19.247	19.247
<b>Other elements of global result</b>						
Deferred profit tax recognized on account of equity.			(112)	85	-	(27)
Taking over the profit of the financial year 2020 on the reported result representing the undistributed profit until the distribution to the destinations decided by the shareholders in OGMS of 21 April 2021 (Note 12).				26.361	(26.361)	-
Distribution of the profit of 1 <sup>st</sup> quarter 2021 for the legal reserves in gross amount.					(585)	-
<b>Total global result related to the period</b>		585	(112)	26.446	(7.699)	19.220
<b>B. Balance on 31 March 2021</b>	48.729	270.799	(16.260)	77.660	18.662	399.590
<b>C. Modifications of equity (NOTE 12)</b>	0	585	(112)	26.446	(7.699)	19.220

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

\*\*\*) The result on 31.03.2021 is 19.247 thousand lei and is influenced by the profit distribution to legal reserves in the amount of 585 thousand lei.

**General Director,  
Grigore Filip**

**Financial Director,  
Doru Damaschin**

**AEROSTAR S.A. BACĂU**  
**INDIVIDUAL STATEMENT OF THE CASH FLOWS (direct method)**  
**FOR 31 MARCH 2021**  
**(unless specified otherwise, all amounts are stated in thousand lei)**

	Note	31.03.2021	31.03.2020
<b>CASH FLOWS FROM OPERATIONS</b>		74.539	106.709
collected from customers		261	2.846
taxes and excises recovered from State Budget		1.358	85
collected as subsidies from the State Budget		(46.378)	(68.240)
payments to suppliers and employees		(15.729)	(18.135)
payment of taxes, contributions and dues to State Budget		0	(2.446)
payment of profit tax		0	(2.446)
<b>NET CASH FROM OPERATIONS</b>	27	<b>14.051</b>	<b>20.819</b>
<b>CASH FLOWS FROM INVESTMENTS</b>			
interest collected from bank deposits set up		665	654
payments for purchasing property, plant and equipment and intangible assets		(1.013)	(16.306)
<b>NET CASH FROM INVESTMENTS</b>	27	<b>(348)</b>	<b>(15.652)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
gross dividends paid		(78)	(64)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	27	<b>(78)</b>	<b>(64)</b>
<b>Net increase of cash and cash equivalents</b>		<b>13.625</b>	<b>5.103</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>202.660</b>	<b>207.362</b>
Effect of the exchange rate variation on cash and cash equivalents	27	1.755	983
<b>Cash and cash equivalents at the end of the period</b>	11	<b>218.040</b>	<b>213.448</b>

General Director,  
Grigore Filip

Financial Director,  
Doru Damaschin

**AEROSTAR S.A. BACAU**  
**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS**  
**FOR 31 MARCH 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 economic activity at the secondary site started in September 2020.

The main line of work of AEROSTAR is production.

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

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

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

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

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

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

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

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

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

**AEROSTAR S.A. BACAU**  
**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS**  
**FOR 31 MARCH 2021**  
**(unless specified otherwise, all amounts are stated in thousand lei)**

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

### **2.1. Estimates**

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

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

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

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

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

The company uses estimates in order to determine:

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

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

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

### **2.2. Errors**

Errors may arise regarding the recognition, evaluation, presentation or description of the items of the financial statements.

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

- restating the comparative values for the prior period presented when the error occurred, or

**AEROSTAR S.A. BACAU**  
**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS**  
**FOR 31 MARCH 2021**  
**(unless specified otherwise, all amounts are stated in thousand lei)**

- 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, to the possible extent:
  - for each item - row affected in the financial statement;
  - for the basic result and diluted per share.
- the amount of the correction at the beginning of the earliest period presented;
- if retrospective restating is impossible for a specific prior period, the circumstances leading to the existence of such circumstance and a description of the manner in which and the time when such error was corrected.

### **2.3. Changes in the accounting policies**

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

The company modifies an accounting policy only if such change:

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

Application of changes in the Accounting Policies:

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

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

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

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

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

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

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

**AEROSTAR S.A. BACAU**  
**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS**  
**FOR 31 MARCH 2021**  
**(unless specified otherwise, all amounts are stated in thousand lei)**

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

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

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

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

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

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

The financial year is the calendar year.

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

The financial statements are prepared based on historical cost.

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

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

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

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

**AEROSTAR S.A. BACAU**  
**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS**  
**FOR 31 MARCH 2021**  
(unless specified otherwise, all amounts are stated in thousand lei)

**NOTE 4 – TRANSACTIONS IN FOREIGN CURRENCIES**

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

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

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

<u>Currency</u>	<u>31.03.2021</u>
EUR (Euro)	4,9251
USD (American Dollar)	4,1969
GBP (British pound)	5,7864

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

Considering that 63% of the turnover registered in the reporting period is denominated in USD and EUR, while a significant part of the operating costs is denominated in LEI, the foreign exchange rates variations will affect both its net incomes and the financial position as expressed in the functional currency.

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

<b>I-st QUARTER OF 2021</b>	<b>thousand EUR</b>	<b>thousand USD</b>	<b>thousand GBP</b>
Collected from financial assets	1.587	7.550	0
Payments of financial liabilities	(1.289)	(3.162)	(51)
<b>Foreign exchange net exposure</b>	<b>298</b>	<b>4.388</b>	<b>(51)</b>

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

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

and

EUR/LEU:

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

has determined a recorded profit from favourable exchange rate differences of 2.511 thousand LEI.

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**NOTE 5 - INTANGIBLE ASSETS**

	31 March 2020			01 January 2021		
	Gross amount	Depreciation/ Impairment	Net accounting value	Gross amount	Depreciation/ Impairment	Net accounting value
Licences	5.750	(5.294)	456	5.719	(5.199)	520
Other intangible assets (software)	408	(280)	128	404	(261)	143
<b>Total</b>	<b>6.158</b>	<b>(5.574)</b>	<b>584</b>	<b>6.124</b>	<b>(5.460)</b>	<b>663</b>

**Net accounting value**

	Balance on 1 January 2021	Increases	Depreciation/ Impairment during the period	Balance on 31 March 2021
Licenses	520	31	(95)	456
Other intangible assets	143	4	(19)	128
<b>Total</b>	<b>663</b>	<b>35</b>	<b>(114)</b>	<b>584</b>

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

- Development expenses
- Licences
- Other intangible assets

The software programmes are registered under other intangible assets.

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

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

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

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

The intangible assets in the balance sheet account as on 31.03.2021 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 March 2021 and which are still in use is 3.124 thousand lei.

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

The increased values of intangible assets were a result of:

- |   |                               |
|---|-------------------------------|
|   | <b><u>35 thousand lei</u></b> |
| • development of the IT management system of production - version 3 | 4 thousand lei                |
| • purchasing of software licences                                   | 31 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.

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**NOTE 6 – PROPERTY, PLANT AND EQUIPMENT**

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

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

**Net accounting value**

	Balance on 1 January 2021	Increase	Disposal/Transfer	Depreciation	Balance on 31 March 2021
Land	29.266	0	0	0	29.266
Constructions	67.425	228	0	(1.694)	65.959
Technological equipment and vehicles	80.920	972	(8)	(4.626)	77.258
Other equipment and office equipment	2.303	0	0	(74)	2.229
Investment property	6.995	0	0	(153)	6.842
Property, plant and equipment under construction	1.009	1.167	(1.200)	0	976
<b>Total</b>	<b>187.918</b>	<b>2.367</b>	<b>(1.208)</b>	<b>(6.547)</b>	<b>182.530</b>

**S.C. AEROSTAR S.A. BACAU**  
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Property, plant and equipment are evaluated at their acquisition or production costs minus cumulative depreciation and the impairment losses.

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

Depreciation expenses are recognized in the profit and loss statement.

The following useful lifetimes are assumed:

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

The useful lifetimes are established by committees consisting of specialists from our company. The useful lifetimes of the property, plant and equipment will be reviewed in September 2021.

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

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

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

The value of renting incomes in this category of fixed assets, registered on 31 March 2021 was 550 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 submitted to amortization.

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

Internal sources of information:

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

External source of information:

On 31.03.2021 the market value of the company (stock exchange capitalization) recorded an increase of 23% compared to 31.03.2020 .

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

<u>indicator MBR-Market to book ratio</u>	<u>31.03.2021</u>	<u>31.03.2020</u>
Stock exchange capitalization/ company equity	1,6	1,3

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

The property, plant and equipment in the balance sheet on 31.03.2021 are not depreciated and no significant depreciation indicators were identified.

The gross accounting value of the fully depreciated property, plant and equipment which are still in operation on 31 March 2021 is 28.245 thousand lei.

On 31.03.2021 no mortgages were set on the fixed assets owned by Aerostar S.A.

**Increased values of property, plant and equipment, achieved by:** **2.367 k lei**

- acquisition of technical equipment, hardware equipment, measuring and control equipment 1.200 k lei
- investments made in 2021 1.167 k lei

**Decreased values of property, plant and equipment, achieved by:** **1.208 k lei**

- transfer of property, plant and equipment under construction to property, plant and equipment after putting it into operation 1.200 k lei
- derecognizing some property, plant and equipment due to the fact that the company no longer expects future economic benefits from their use 8 k lei

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**NOTE 7- FIXED FINANCIAL ASSETS**

	Shares held in affiliated entities	Other immobilized receivables – supplier guarantees	Total
<b>On January 2021</b>	<b>14</b>	<b>38</b>	<b>52</b>
<b>Increases/Decreases</b>	-	-	-
<b>On 31 March 2021</b>	<b>14</b>	<b>38</b>	<b>52</b>

Details of the entity's investments on 31.03.2021 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 2019				
					Company's share capital (k lei)	Reserve (k lei)	Net profit (k lei)	Nominal value/ share	Net asset/ share
<b>Airpro Consult SRL Bacau 9, Condorilor Street</b>	- main activity according to CAEN code 7820	<b>100</b>	<b>100%</b>	10	10	97	65	0,10	1,5
<b>Foar SRL Bacau 9, Condorilor Street</b>	- main activity according to CAEN code 7739	<b>800</b>	<b>51%</b>	4	8	1.739	210	0,01	2,4
<b>TOTAL</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>14</b>	<b>18</b>	<b>1.836</b>	<b>275</b>	<b>x</b>	<b>x</b>

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

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

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

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**NOTE 8 - TRADE RECEIVABLES**

	<b>31 March 2021</b>	<b>31 December 2020</b>
<b>TRADE RECEIVABLES OF WHICH:</b>		
<b>Customers, of which:</b>	<b>59.308</b>	<b>30.476</b>
Domestic customers	19.195	13.121
Foreign customers	40.113	17.355
Customers – invoices to establish	0	0
<b>Uncertain customers</b>	<b>706</b>	<b>855</b>
<b>Adjustments for impairment of receivables - customers</b>	<b>(363)</b>	<b>(438)</b>
<b>Suppliers – debtors</b>	<b>4.731</b>	<b>3.819</b>
<b>Adjustments for the impairment of receivables - advances granted to customers</b>	<b>(40)</b>	<b>(38)</b>
<b>TOTAL TRADE RECEIVABLES</b>	<b>64.342</b>	<b>34.674</b>

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

- in percentage of 50% from the value of the receivables not collected on time if the due date is between 30 days and 180 days. On 31 March 2021, the company registered adjustments for depreciation of this nature in the amount of 343 thousand lei;
- in percentage of 100% from the value of the receivables not collected, having no receivables with due date exceeding 180 days. On 31 March 2021, the company registered adjustments for depreciation of this nature in the amount of 20 thousand lei.

Moreover, the company registered adjustments for depreciation of the advances granted to the suppliers in the amount of 40 thousand lei.

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

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

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

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

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**NOTE 9 - OTHER RECEIVABLES**

	<b>31 March 2021</b>	<b>31 December 2020</b>
<b>Receivables relating to manpower and similar accounts</b>	<b>29</b>	<b>37</b>
<b>Receivables related to the budget of social insurance and the state budget, of which:</b>	<b>3.453</b>	<b>3.300</b>
– VAT to be recovered	42	29
– amounts to be recovered from the National Health System (allowances on medical leaves)	1.630	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	1.093	1.188
– Excize duty to be recovered related to the fuel used	658	474
– Subsidies receivable according to OUG 147/2020 for days off granted to parents for child surveillance, in December, as well as subsidies for graduates' employment	16	33
– Other receivables related to the local budget for annual tax reduction on buildings as determined by the Local Council 265/02.12.2020	0	201
– Other receivables in connection with local budget representing the fee of public service to be recovered resulting from corrected declarations lodged on during 2020	0	22
– Other receivables in connection with the social security budget and the state budget	14	14
<b>Interest to receive from bank deposits</b>	<b>198</b>	<b>277</b>
<b>Various debtors</b>	<b>285</b>	<b>215</b>
<b>Adjustments for the depreciation of the receivables – diverse debtors</b>	<b>(161)</b>	<b>(126)</b>
<b>TOTAL OTHER RECEIVABLES</b>	<b>3.804</b>	<b>3.703</b>

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**NOTE 10 - INVENTORIES**

	<b>31 March 2021</b>	<b>31 December 2020</b>
<b>From which:</b>		
Raw materials *	34.510	35.069
Consumables **	39.128	37.456
Other materials	705	536
Semi-finished products	1.898	1.505
Packaging	7	3
Finished products	15.533	19.749
Products and services in progress	45.328	45.301
<b>Gross value of the inventory (unadjusted)</b>	<b>137.109</b>	<b>139.619</b>

**Adjustments for impairment of inventories and production in progress**

	<b>31 March 2021</b>	<b>Increases/ Establishments /</b>	<b>Decreases/ Reruns/</b>	<b>31 December 2020</b>
<b>Total adjustments</b>	<b>45.609</b>	<b>6.007</b>	<b>3.099</b>	<b>42.701</b>
Adjustments for impairment of raw materials	23.045	2.050	1.879	22.874
Adjustments for impairment of consumables	17.543	1.081	1.187	17.649
Adjustments for impairment of other consumables	166	155	-	11
Adjustments for impairment of production in progress	2.666	2.366	-	300
Adjustments for impairment of semi-finished products	1.505	17	17	1.505
Adjustments for impairment of finished products	683	337	16	362
Adjustments for impairment of packaging	1	1	-	-

Note:

\* The raw materials directly participate in the manufacture of the products and are found in the semi-finished or finished product, either in their initial state, or transformed (bars, pipes, plates, profiles, wires etc.);

\*\* The consumables participate or help the manufacturing or operating process, without usually being found in the finished product (auxiliary materials, fuels, spare parts, tools, jigs, 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 to the state and in the place where they are currently found.

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

Within the Company, the goods which are considered to be depreciated are those that are older than the storage period established by internal decision of the Board of Directors.

The total value of inventories recognized as an expense during the period is of 27.410 thousand lei.

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

AEROSTAR S.A. has no pledged inventories.

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**NOTE 11 - CASH AND CASH EQUIVALENTS**

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

	<b>31.03.2021</b>	<b>31.03.2020</b>
Cash	19.323	16.783
Bank deposits	198.717	196.663
Paycheck and trade effects to be collected	0	2
<b>Cash and cash equivalents in the cash-flow statement</b>	<b>218.040</b>	<b>213.448</b>

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

The cash equivalents consist in:

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

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

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

The value of the bank credit line usable in the form of the discovery account, available for the future operating activity, is 2.500 THOUSAND USD (the equivalent of 10.492 THOUSAND LEI).

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

## **NOTE 12 - COMPANY EQUITY**

The company equity on 31 March 2021 is 399.590 thousand lei.

The net increase of the equity in the first quarter of 2021 compared to 2020 was 19.220 thousand lei.

**The changes in the main equity elements incurred in the first quarter of 2021 compared to 2020 are as follows:**

- **The share capital remained unchanged**  
On 31 March 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 have increased with 585 thousand lei on the account of the distribution to reserves of the reinvested profit related to the first quarter of 2021.**
- **Other equity elements have decreased with the amount of 112 thousand lei** on the account of the deferred income tax recognized in company equity.
- **The result carried forward increased with:**
  - 85 thousand lei on the account of the deferred income tax recognized in company equity;
  - 26.361 thousand lei representing the distributed profit related to the financial year 2020, profit on retained earnings up to its distribution to the destinations approved by the shareholders in the Ordinary General Meeting of the Shareholders from the 21 April 2021,

**the net increase of the result carried forward in the first quarter of 2021 being 26.446 thousand lei.**

- The balance of the retained earnings account carried forward on 31 March 2021 is 77.660 thousand lei, compounded from:
  - the result carried forward incurred by the use, on the date of transition to IFRS, of the fair value as presumed cost = 30.268 thousand lei;
  - the result carried forward representing a surplus obtained from re-evaluation reserves, capitalized as the property, plant and equipment and intangible assets = 21.022 thousand lei.
  - the result carried forward representing the undistributed profit related to the year 2020 = 26.361 thousand lei;
  - the result carried forward representing the undistributed profit related to the year 2019 = 9 thousand lei;
- **The result of the period was 19.247 thousand lei.**

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**NOTE 13 - PROVISIONS**

	<b>31 December 2020</b>	<b>Increases/ Set-up/ Reclassification of provisions</b>	<b>Reductions/ Resumed/ Reclassification of provisions</b>	<b>Differences from revaluation</b>	<b>31 March 2021</b>
<b>Total provisions</b>	<b>115.641</b>	<b>6.761</b>	<b>(12.106)</b>	<b>1.578</b>	<b>111.874</b>
Provisions for bonds granted to customers	43.996	6.761	(9.058)	1.067	42.766
Provisions for decommissioning property, plant and equipment	16.396	0	0	0	16.396
Provisions for the employees' benefits	5.284	0	(2.932)	0	2.352
Provisions for litigations	5.319	0	0	56	5.375
Other provisions	44.646	0	(116)	455	44.985
<b>Long-term provisions</b>	<b>86.747</b>	<b>1.846</b>	<b>(3.973)</b>	<b>1.475</b>	<b>86.095</b>
Provisions for bonds granted to customers	29.840	1.846	(3.857)	1.067	28.896
Provisions for decommissioning property, plant and equipment	16.396	0	0	0	16.396
Other provisions	40.511	0	(116)	408	40.803
<b>Short-term provisions</b>	<b>28.894</b>	<b>4.915</b>	<b>(8.133)</b>	<b>103</b>	<b>25.779</b>
Provisions for bonds granted to customers	14.156	4.915	(5.201)	0	13.870
Provisions for customers' benefits	5.284	0	(2.932)	0	2.352
Provisions for litigations	5.319	0	0	56	5.375
Other provisions	4.135	0	0	47	4.182

**Provisions set up for guarantees granted to customers**

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

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

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

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**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 consumed by the employees in the previous year. The provisions related to the bonus for the end of the financial year 2020, for performance in 2020 and the annual holidays leave not consumed by the employees during 2019 and 2020 are found in the balance.

**Provisions for litigations**

Provisions for litigations on 31.03.2021 are set up for probable indemnities payable by the company to a former employee. Given the solution in this case pronounced by the Bucharest Court of Appeal, in the sense of the final rejection of the appeal brought by the appellant, this provision will be annulled in the following period.

**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.

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**NOTE 14 – SUBSIDIES**

**Subsidies related to assets**

AEROSTAR recognizes assets subsidies as deferred income.

	<b>31.03.2021</b>	<b>31.03.2020</b>
Balance on 1 January, from which:	5.894	7.935
<b>Subsidies related to the assets received</b>	<b>5.875</b>	<b>7.914</b>
Surplus in inventories in the category of immobilizations	19	21
<b>Subsidies registered in income corresponding to the calculated amortization</b>	<b>(473)</b>	<b>(2.304)</b>
Balance on 31 March, from which:	5.421	7.377
<b>Subsidies related to the assets received</b>	<b>5.403</b>	<b>7.357</b>
Surplus in inventories in the category of immobilizations	18	20

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

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

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

**The balance of 5.403 thousand lei** registered on 31 March 2021 represents the subsidies related to investments in immobilized assets which are to be recorded as income while the calculated amortization is registered as a cost, structured on the 3 contracts as follows:

1. contract no. 210304/22.04.2010: 1.170 thousand lei
2. contract no. 229226/14.06.2012: 635 thousand lei
3. contract no. 5IM/013/24.03.2015: 3.598 thousand lei

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**NOTE 15 – COMMERCIAL DEBTS**

	<b>31 March 2021</b>	<b>31 December 2020</b>
<b>Prepaid amounts collected on customers' account, of which:</b>	<b>6.203</b>	<b>2.560</b>
Domestic customers-creditors	1.084	91
Foreign customers-creditors	5.119	2.469
<b>Suppliers, of which:</b>	<b>19.815</b>	<b>9.500</b>
Domestic suppliers	6.565	3.304
Foreign suppliers	11.844	4.717
Suppliers-invoices not arrived	1.227	1.088
Suppliers of non-current assets	179	391
<b>Commercial effects to pay</b>	<b>-</b>	<b>-</b>
<b>Total commercial debts</b>	<b>26.018</b>	<b>12.060</b>

The payments in advance collected from the customers are for aircraft maintenance and repair work (99,25%) and other services provided (0.75%).

For the registered debts no mortgages were established.

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

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**NOTE 16 – OTHER LIABILITIES**

	<b>31 March 2021</b>	<b>31 December 2020</b>
<b>Other current liabilities, of which:</b>	<b>14.178</b>	<b>10.748</b>
• <i>Liabilities related to manpower and similar accounts</i>	<b>4.192</b>	<b>2.840</b>
• <i>Liabilities related to social security budget and state budget, of which:</i>	<b>7.567</b>	<b>5.478</b>
- VAT payable	2.399	1.444
- Social insurance	3.863	3.022
- Labour safety contribution	245	190
- Tax on salary type revenues	783	584
- Contribution for disabled people, unemployed	131	137
- Other taxes	108	62
- Other social liabilities	38	39
• <i>Other liabilities, of which:</i>	<b>2.419</b>	<b>2.430</b>
- dividends	2.118	2.148
- diverse creditors	231	212
- warranties received	70	70
- liabilities and tax related to the right to use leasing assets	-	-
<b>Other long-term liabilities</b>	<b>2.310</b>	<b>2.335</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 (1.518 thousand lei) and the tax related to the right of use (792 thousand lei);

The dividends in balance on 31 March 2021, in amount of 2.118 thousand lei represent:

- 884 thousand lei, amount to be paid by AEROSTAR for the dividends related to 2019;
- 673 thousand lei, amount to be paid by AEROSTAR for the dividends corresponding to 2018;
- 561 thousand lei, amount to be paid by AEROSTAR for the dividends from 2017;

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

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**NOTE 17 – TAX ON DEFERRED PROFIT**

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

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

**The structure of deferred income tax registered on 31.03.2021 is:**

**Liabilities from deferred tax**

1. Liabilities related to deferred tax generated by the differences between accounting bases (higher) and the fiscal ones (lower) of the non-current assets	1.783
2. Liabilities related to the deferred tax concerning legal reserves	1.559
3. Liabilities on deferred tax related to reserves from the fiscal facility	15.456
4. Liabilities on deferred tax related to the reported result representing a surplus from revaluation reserves	61
<b>Total liabilities from deferred tax</b>	<b>18.859</b>

**Receivables on deferred tax**

1. Receivables on deferred tax related to other provisions set in 2010	755
2. Receivables on deferred tax related to provisions for bonds granted to customers set between 2014-2021	6.843
3. Receivables on deferred tax related to provisions for manpower benefits	376
4. Receivables on deferred tax related to the adjustments for depreciation of the inventories	7.297
5. Receivables on deferred tax related to the adjustments for depreciation of the trade receivables	90
<b>Total receivables on deferred tax</b>	<b>15.361</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 March 2021, the company registered income from tax on deferred profit in the amount of 1.149 thousand lei and expenses with tax on deferred profit in amount of 1.356 thousand lei.

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**NOTE 18 - FINANCIAL INSTRUMENTS**

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

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

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

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

The financial assets of AEROSTAR S.A. include:

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

The financial liabilities of AEROSTAR S.A. include:

- trade liabilities;
- trade effects payable.

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

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

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

**a) Credit risk**

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

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

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

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

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**Exposure to credit risk**

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

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

	<b>31.03.2021</b>	<b>31.03.2020</b>
Cash and cash equivalents	218.040	213.448
Trade receivables, net of adjustments for depreciation	53.737	55.003
Immobilized receivables	38	38
<b>Total</b>	<b>271.815</b>	<b>268.489</b>

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

	<b>31.03.2021</b>	<b>31.03.2020</b>
Domestic market	18.020	2.705
Euro zone countries	19.724	27.278
Great Britain	9.448	19.203
Other European countries	4.581	1.189
Other regions	1.964	4.628
<b>Total</b>	<b>53.737</b>	<b>55.003</b>

**Depreciation adjustments**

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

	<b>Gross value</b>	<b>Adjustments for depreciation</b>	<b>Gross value</b>	<b>Adjustments for depreciation</b>
	<b>31.03.2021</b>		<b>31.03.2020</b>	
In due time	53.358		53.617	
Past due, total of which:	742	363	2.394	1.008
1-30 days	0	0	0	0
31-60 days	568	271	1.757	869
61-90 days	42	16	190	35
91-120 days	31	15	342	6
Over 120 days	80	40	21	14
Over 1 year	21	21	84	84
<b>Total</b>	<b>54.100</b>	<b>363</b>	<b>56.011</b>	<b>1.008</b>

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

	<b>31.03.2021</b>	<b>31.03.2020</b>
<b>Balance on 1 January</b>	<b>438</b>	<b>807</b>
Adjustments set up for depreciation	305	899
Adjustments for depreciations resumed as revenues	(380)	(698)
<b>Balance on 31 March</b>	<b>363</b>	<b>1.008</b>

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On 31.03.2021, 99,30% of the balance of trade receivables are related to customers with a good payment record.

**b) Liquidity risk**

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

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

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

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

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

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

	<b>Financial debts</b>	<b>Accounting value</b>	<b>Contractual cash flows</b>	<b>0-30 days</b>	<b>31-60 days</b>	<b>over 60 days</b>
31.03. 2021	Trade liabilities	18.440	(18.440)	(15.392)	(2.561)	(487)
	Trade effects	0	0	0	0	0
31.03. 2020	Trade liabilities	26.662	(26.662)	(20.022)	(6.197)	(443)
	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 31.03.2021 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 63% 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.

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

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

<b>31.03.2021</b>	<b>thousand EUR</b>	<b>thousand USD</b>	<b>thousand GBP</b>
Cash and cash equivalents	3.559	1.080	15
Trade receivables	1.670	6.551	0
Trade liabilities	(911)	(2.036)	(29)
<b>Net exposure in original currency</b>	<b>4.318</b>	<b>5.595</b>	<b>(14)</b>

Sensitivity analysis

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

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

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

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

<b>31.03.2021</b>	<b>EUR/LEU</b>	<b>USD/LEU</b>
Net exposure, in the currency of origin	4.318 k EUR	5.595 k USD
Currency exchange rate	4,93	4.20
Net exposure in functional currency	21.288 k LEI	23.499 k LEI
Possible reasonable variation of exchange rate	+/- 2%	+/- 10%
<b>Effect of variation on the financial result</b>	<b>+/- 426 MII LEI</b>	<b>+/- 2.350 MII LEI</b>

**d) Interest rate risk**

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

- 1) *Product A*: in 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 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),

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usable under the form of a facility of issuing bonds as instruments to ensure collateral for the commercial contractual obligations by issuing bank bond letters and import Letters of Credit.

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

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

On 31.03.2021, the level of bonds granted by AEROSTAR under commercial agreements, by issue of bank bond letters and import Letters of Credit amounts to 1.860 thousand USD (equivalent 7.805 thousand LEI).

On 31.03.2021 no mortgages are set up on the property assets in AEROSTAR ownership.

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**NOTE 19 - OPERATING INCOME**

	<b>31 March 2021</b>	<b>31 March 2020</b>
<b>Revenues from sales, of which:</b>	<b>91.719</b>	<b>99.932</b>
Revenues from product sales	36.944	59.004
Revenues from services supplied	54.050	40.183
Revenues from selling goods	2	4
Revenues from renting	576	620
Trade discounts granted	(24)	(24)
Revenues from other activities	171	145
<b>Revenues related to inventories of products finished and in progress</b>	<b>(2.368)</b>	<b>10.938</b>
<b>Revenues from the production of fixed assets</b>	<b>175</b>	<b>816</b>
<b>Revenues from operating subsidies</b>	<b>1.418</b>	<b>112</b>
<b>Other revenues from operations</b>	<b>700</b>	<b>777</b>
<b>Total operating income</b>	<b>91.644</b>	<b>112.575</b>

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

- employment of a non-employed person in the NEET category (Not in Education, Employment or Training) in amount of 12 thousand lei;
- paying indemnities to the employees who were granted days off for children surveillance in case of temporary closure of educational establishments, in amount of 15 thousand lei;
- payment of the allowance for the reduced working time acc. OUG 132/2020 in the amount of 1.391 thousand lei.

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**NOTE 20 - OPERATING EXPENSES**

	<b>31 March 2021</b>	<b>31 March 2020</b>
<b>Expenses with employee benefits, of which:</b>	<b>28.818</b>	<b>33.208</b>
Salaries and allowances	26.535	30.231
Expenses with benefits in kind and expenses with ticket meals granted to employees	985	1.466
Expenses with social security	1.298	1.511
<b>Expenses with raw materials and materials</b>	<b>25.794</b>	<b>31.627</b>
<b>Energy, water and gas</b>	<b>2.741</b>	<b>4.072</b>
<b>Other material expenses, of which:</b>	<b>1.931</b>	<b>3.157</b>
Expenses with non-inventory materials	316	594
Expenses with goods	1	1
Expenses with packaging	43	116
Expenses with other materials	1.571	2.446
<b>Expenses with external services, of which:</b>	<b>6.608</b>	<b>9.114</b>
Repairs	2.394	4.466
Transport costs	681	907
Commissions and fees	585	1.048
Travels, deployments	564	259
Renting expenses	160	193
Other expenses with services supplied by third parties	2.224	1815
<b>Trade discounts received</b>	<b>(9)</b>	<b>(50)</b>
<b>Amortizations</b>	<b>6.671</b>	<b>6.156</b>
<b>Increase/decrease of adjustments regarding provisions</b>	<b>(3.767)</b>	<b>(2.514)</b>
<b>Increase/decrease of adjustments regarding depreciation of current assets</b>	<b>2.870</b>	<b>5.027</b>
<b>Other operational expenses</b>	<b>818</b>	<b>405</b>
<b>Total operating expenses</b>	<b>72.475</b>	<b>90.202</b>

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

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

	<b>31 March 2021</b>	<b>31 March 2020</b>
<b>Adjustments regarding provisions</b>		
<i>Increases / setups</i>	4.750	3.333
<i>Decreases / reruns</i>	8.517	5.847
<b>Increase/Decrease of adjustments regarding provisions</b>	<b>(3.767)</b>	<b>(2.514)</b>

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In the first quarter of 2021, the impact of increased (set up) / decreased (resumed) adjustments regarding provisions was a decrease of the operating expenses by the amount of 3.767 thousand lei.

<b>Adjustments regarding impairment of current assets</b>	<b>31 March 2021</b>	<b>31 March 2020</b>
<i>Increased / set-up adjustments</i>		
Adjustments for the impairment of investments	6.007	6.027
Adjustments for impairment of receivables	343	905
<b><i>Total increased/set up adjustments</i></b>	<b>6.350</b>	<b>6.932</b>
<i>Decreased/resumed adjustments</i>		
Adjustments for the impairment of inventories	3.100	1.189
Adjustments for impairment of receivables	380	716
<b><i>Total decreased/resumed adjustments</i></b>	<b>3.480</b>	<b>1.905</b>
<b>Increased/ decreased adjustments regarding the impairment of current assets</b>	<b>2.870</b>	<b>5.027</b>

In the first quarter of 2021, the impact of increased (set-up) / decreased (resumed) adjustments regarding the impairment of current assets was an increase of the operating expenses by the amount of 2.870 thousand lei.

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**NOTE 21 - FINANCIAL INCOME**

	<b>31 March 2021</b>	<b>31 March 2020</b>
Income from foreign currency exchange differences	3.330	2.737
Income from interest	586	1.294
<b>Total financial income</b>	<b>3.916</b>	<b>4.031</b>

The company is exposed to the foreign exchange risk mainly generated by the USD/RON exchange rate variation, with significant influences on the financial result.

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

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**NOTE 22 – FINANCIAL EXPENSES**

	<b>31 March 2021</b>	<b>31 March 2020</b>
Expenses from exchange rate differences	820	1.159
Expenses with interests related to leases contract	30	30
<b>Total financial expenses</b>	<b>850</b>	<b>1.189</b>

In the first quarter of 2021 the company registered in the category of financial expenses:

- expenses from unfavorable exchange rate differences;
- expenses with interests related to the right to use the land leased for the Maintenance Hangar Iasi

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**NOTE 23 - TAX ON PROFIT**

**Tax on profit**

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

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

The profit tax rate applicable for 31.03.2021 was 16% (the same rate applied for the financial year 2019 as well).

**31 March 2021**

<b>Gross accounting profit</b>	<b>22.235</b>
<b>Expenses with current tax on profit</b>	<b>2.771</b>

<b>Reconciling the accounting profit with the fiscal profit</b>				<b>Differences</b>
Accounting revenues*	95.298	Fiscal income	83.241	- 12.057
Accounting expenses*	72.812	Fiscal expenses	61.035	- 11.777
Gross accounting profit, restated*	22.486	Fiscal profit	22.206	-280
Accounting tax (16%)	3.598	Fiscal tax (16%)	3.553	-45
Tax reductions	-	<i>Tax reductions</i> , from which:	782	+782
		• related to investments made acc.to Art. 22 Fiscal Code	94	+94
		• sponsoring	688	+688
Tax on final profit	3.598	Tax on final profit	2.771	-827
Applicable legal rate	16,00%	Applicable legal rate	16,00%	
Actual average tax rate, calculated on gross accounting profit, restated		12,32%		

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

The main factors that affected the actual tax rate:

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

**Tax specific to certain activities**

Starting with 01.01.2017 Aerostar S.A. is a payer of taxes specific for restaurant and public food activities. The specific tax related to 1<sup>st</sup> quarter of the year 2021 was in the amount of 10 thousand lei, being diminished based on the fiscal facilities granted through the applicable legislation.

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**NOTE 24 - RESULT PER SHARE**

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

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

<b>IN LEI</b>	<b>31.03.2021</b>	<b>31.03.2020</b>
Profit attributable to ordinary shareholders	19.247.458	21.676.570
Number of ordinary shares	152.277.450	152.277.450
<b>Profit per share</b>	<b>0,126</b>	<b>0,142</b>

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**NOTE 25 - AVERAGE NUMBER OF EMPLOYEES**

1. Own employees:

	<u>I-st quarter 2021</u>	<u>I-st quarter 2020</u>
<b>Average number of employees</b>	<b>1572</b>	<b>1.736</b>

2. Employees hired through temporary employment agent:

	<u>I-st quarter 2021</u>	<u>I-st quarter 2020</u>
<b>Average number of employees</b>	<b>9</b>	<b>115</b>

3. Total personnel employed in the activity of AEROSTAR:

	<u>I-st quarter 2021</u>	<u>I-st quarter 2020</u>
<b>Total personal</b>	<b>1581</b>	<b>1.851</b>

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**NOTE 26 - TRANSACTIONS WITH AFFILIATED PARTIES**

<u>Acquisitions of goods and services</u>	<u>1<sup>st</sup> quarter 2021</u>	<u>1<sup>st</sup> quarter 2020</u>
Airpro Consult SRL Bacău	140	1.612
Foar SRL Bacău	87	110
<b>TOTAL</b>	<b>227</b>	<b>1.722</b>
<u>Sales of goods and services</u>	<u>1<sup>st</sup> quarter 2021</u>	<u>1<sup>st</sup> quarter 2020</u>
Airpro Consult SRL Bacău	-	-
Foar SRL Bacău	1	1
<b>TOTAL</b>	<b>1</b>	<b>1</b>
<u>Liabilities</u>	<u>Balance at 31.03.2021</u>	<u>Balance at 31.03.2020</u>
Airpro Consult SRL Bacău	69	564
Foar SRL Bacău	37	77
<b>TOTAL</b>	<b>109</b>	<b>641</b>

The transactions with the affiliated parties in the 1<sup>st</sup> quarter of 2021 consisted in:

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

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## **NOTE 27 - INFORMATION REGARDING THE CASH FLOW**

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

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

In the context of the prepared Cash Flows Statement:

- the cash flows are the amounts collected and paid in cash and cash equivalents;
- the cash comprise the amounts available in banks and cashier's desk.
- the cash equivalents comprise the deposits set up in banks, bills and promissory notes deposited with banks in order to be collected.

The treasury cash flows from the transactions performed in foreign currency are registered in the functional currency by applying over 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 resulted from the exchange rate variation are not treasury cash flows. Nevertheless, the effect of the exchange rate variation on the cash and equivalent held or due in foreign currency is reported in the treasury cash flows statement, but separately from the treasury cash flows coming from operations, investments and financing, with the purpose to reconcile the cash and cash equivalents at the beginning and at the end of the reporting period.

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

Therefore, in the 1st quarter of 2021:

- the amounts collected from the customers were 74.539 thousand LEI,
- the payments to suppliers and employees amounted to 46.378 thousand LEI, of which 31.180 thousand LEI payments to suppliers and 15.198 thousand LEI payments to employees;
- tax payments to the State Budget were in amount of 15.729 thousand LEI.

The operating activity generated in the 1st quarter of 2021 a net cash of 14.015 thousand LEI, a decrease by 6.768 thousand LEI compared with the previous year.

The payments for purchases of tangible and intangible assets amounted to 1.013 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 operating, investment and financing activities.

For the financing activity an amount of 78 thousand LEI was paid, representing the dividends due to the shareholders.

The level of cash and cash equivalents registered on 31.03.2021 is 218.040 thousand LEI, an increase by 15.380 thousand LEI compared with the beginning of the year.

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

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

	<b>31 March 2021</b>	<b>31 December 2020</b>
• <b>Liabilities:</b>		
○ Guarantees granted to customers as letters of bank guarantee and credit letters	80	256
○ Guarantees received from partners – as letters of bank guarantees and credit letters	122.758	149.899
• <b>Goods, of which:</b>		
○ inventories of other materials released for use (tooling, jigs, fixtures, protection equipment, measuring and control equipment, technical library etc.)	34.235	33.778
○ material values received in consignment	1.826	1.826
○ tangible and intangible assets – obtained or purchased as a result of co-financed activity	4.151	4.151
○ material values received for processing/repairs	4.872	4.643
• <b>Other values off-balance:</b>		
○ Liabilities for covering certain future obligations to A.J.O.F.M. based on OUG 95/2002 regarding the defence industry	4.717	4.833
○ debtors removed from accounts, monitored further on	155	155
• <b>Greenhouse Gas Emission Certificates</b>	3.796	2.927

On 31 March 2021, AEROSTAR S.A. had a number of 18.356 greenhouse gas emission certificates.

The market value from the last day of trading a GES certificate was 41,99 Euro, according to the European Energy Exchange website (in December 2020: 32,75 Euro).

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**NOTE 29 – DIRECTORS’ REMUNERATION**

The Board of Directors of Aerostar S.A. on 31.03.2021:

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

In the 1<sup>st</sup> quarter of 2021 AEROSTAR did not grant advance payments or credits to the members of the Board of Directors and did not make any undertaking on their account as a collateral of any kind.

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

- ✓ Maintaining for each elected member of the Board or Directors a net compensation of 4.750 lei;
- ✓ A maximum level of additional remunerations for the Board of Directors’ members with executive attributions in a fixed monthly amount of maximum 10 (ten) times the fixed remuneration of 4.750 lei, applied individually, accordingly;
- ✓ Mandating the Board of Directors to negotiate them within the approved ceiling.

The amount of the gross compensations for the members of the Board of Directors in first quarter of 2020, by virtue of their responsibilities, was 431 thousand lei.

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## **NOTE 30 – RISK MANAGEMENT**

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

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

The risk management processes ensure the risk identification, analysis, assessment and management in order to minimize their effects down 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 of incurring losses or failure to achieve the sales and estimated profits determined by:

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

Thus, the onset of the COVID-19 pandemic that affects important sectors of the global economies and markets.

Significant cancellations and reductions of airplane manufacturing orders have taken place in the global supply chains in the aeronautical industry, as well as passenger air traffic reductions. As a result, all the suppliers in the global supply chains have been affected, which caused a diminished volume of activity, temporary or indefinite shutdowns of the production facilities, a temporary or definitive unemployment in all activity segments of the aeronautical industry.

In terms of human resources, the impact of the COVID-19 pandemic causes profound changes in the lifestyle and outlook on the value hierarchies and priorities. The safety measures applied in AEROSTAR have helped us in most cases to eliminate the risk of occurrence and development of infection outbreaks among our employees.

For the year 2021, taking into account the diminished production volume in the field of manufacturing parts, aviation equipment maintenance services in the civil aviation MRO area, AEROSTAR decided to keep its production capabilities unaffected and to maintain the existing personnel while also resorting to the reduced worktime legal solution. AEROSTAR will take steps guarantee the levels of competence and skills needed for the execution of the existing contracts, while maintaining the restart and growth capacity for when the pandemic effect will stop.

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

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

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

Furthermore, by setting provisions for risks and related expenses, AEROSTAR aims at setting up its own funds to cover its risks of exposure.

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

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

The **Credit Risk**, including the risk for the country where the customer performs its activity, is managed per business partner. When deemed 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 turnover on a single geographical area.

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

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

To manage the liquidity risk, the cash flows are monitored and analysed weekly, monthly, quarterly and annually in order to establish the estimated level of net cash modifications. 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 under the form of an overdraft granted by banks of 2.500 thousand USD. During the reporting period, AEROSTAR did not use the Credit Line, all the activities of the Company being financed from its own sources.

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

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

AEROSTAR is exposed mainly to the price risk determined by the price fluctuations of the raw material and the materials used in the manufacturing processes.

The market risk is managed through:

- diversification of the portfolio of suppliers, which offers a larger leverage in negotiations in case the raw material price is increased by certain suppliers.
- long-term contract agreements, with a fixed price clause.

AEROSTAR is exposed to the exchange rate risk because 63% of the turnover is reported to USD and EUR, while a significant part of the operating expenses is denominated in lei.

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Thus, AEROSTAR is exposed to the risk that the exchange rate variations will affect both its net income and 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) in the Financial Statements.

As far as the interest rate risk 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.

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**NOTE 31 – PREPAID EXPENSES AND INCOME**

	<b>31 March 2021</b>	<b>31 December 2020</b>
<b>Expenses registered in advance, of which:</b>	<b>2.267</b>	<b>1.356</b>
Amounts to resume in a period within a year	1.475	543
Amounts to resume in a period of more than a year	792	813
<b>Income registered in advance</b>	<b>990</b>	<b>1.155</b>

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

In the category **Prepaid Income** in records on 31.03.2021 are included:

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

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

Account 251	31 March 2021			01 January 2021		
	Gross amount	Depreciation	Net accounting value	Gross amount	Depreciation	Net accounting value
Asset related to the right to use the land for MRO Hangar Iasi	1.882	(85)	1.797	1.864	(75)	1.789
<b>Total</b>	<b>1.882</b>	<b>(85)</b>	<b>1.797</b>	<b>1.864</b>	<b>(75)</b>	<b>1.789</b>

**Net accounting value**

	Balance on 1 January 2021	Increases	Depreciation	Balance on 31 March 2021
Asset related to the right of use the land for MRO Hangar Iasi	1.789	18	(10)	1.797
<b>Total</b>	<b>1.789</b>	<b>18</b>	<b>(10)</b>	<b>1.797</b>

The right to use the land for the Maintenance Hangar Iași was reevaluated at the exchange rate communicate by the National Bank of Romania on the last banking day of March 2021.

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

**Decisions of the Ordinary & Extraordinary General Meeting of Shareholders of April 21, 2021.**

**In the Ordinary General Meeting of Shareholders of April 21, 2021, the shareholders of Aerostar approved the following:**

- The distribution of the net profit of the financial year 2020, in the amount of 38.442.550,31 lei, as follows:
- Allocation to legal reserve of the reinvested profit in amount of 12.081.875,81 lei;
  - Allocation as statutory reserves in the amount of 8.087.380,00 lei;
  - Allocation as dividends in the amount of 18.273.294,50 lei  
and an established gross dividend per share of 0,12 lei, corresponding to a share with a nominal value of 0,32 lei;
  - Allocation as other reserves in the amount of 8.800,89 lei, representing the amount remained undistributed from the net profit of the year 2019.

- **22 June 2021 as the Date of payment** of the dividends for the financial year 2020.

The distribution of dividends due to the Aerostar shareholders for 2020 will be carried out in accordance with the applicable legal provisions.

**2020 Financial Calendar 2021 – next events that will take place:**

Presentation of the financial result of the 1st quarter 2021.	27.08.2021
Meeting with the press and interested investors for the presentation of the financial result of the 1st quarter 2021.	27.08.2021
Presentation of the financial result valid on 30 September 2020.	12.11.2021

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 modifications, the individual statement of the cash flows and the explanatory notes to the financial statements were approved by the Board of Directors on 13 May 2021 and signed on behalf of the Board of Directors by:

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

**Doru DAMASCHIN**  
**Vicepresident & Financial Director**